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Not even the family name could save Papandreou

ATHENS

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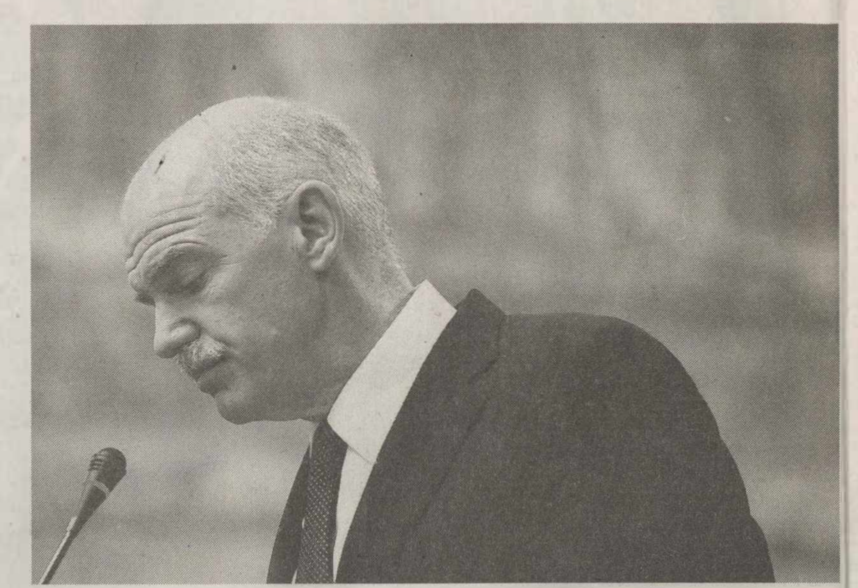

ANGELOS TZORTZINIS/BLOOMBERG NEWS

George Andreas Papandreou, who spent his formative years in the United States, is more fluent in English than Greek and could not reach his people the way his father could.

George Andreas Papandreou, elected prime minister of Greece in 2009, was a son and grandson of popular former prime ministers. Two years later, with Greece on the verge of default and a possible exit from the euro, not even the Papandreou name could save him.

His expected resignation as prime minister marks not only the end of one of the more enduring political dynasties in Europe. It may also force a major overhaul of the Panhellenic Socialist Movement, or Pasok, the old-style socialist party that was created by Mr. Papandreou's father and that served as a major roadblock to many of George Papandreou's proposed economic and political changes.

"I think that Mr. Papandreou wanted to reform, but his party failed him," said Yannis Boutaris, the mayor of Salonika, who is one of the few politicians to achieve success outside the nepotism so prevalent in the Greek party monoliths. "He could be forgiven many mistakes because of his name, but the last one — calling the referendum — that could not be forgiven."

That may be a generous assessment. There are many Papandreou critics who claim he shirked an opportunity to grab history by the lapel and shake out all the elements of an entrenched Greek state that, through decades of wasteful borrowing and spending, had brought the nation to the verge of bankruptcy.

By most accounts, Mr. Papandreou lacked the relentless political drive that marked his father and grandfather.

His youth was peripatetic, the product of his father's own time in political exile. He was born in Minnesota and spent his formative years in Toronto, Stockholm and San Francisco.

He supported movements like environmentalism and drug legalization that harked back to his guitar playing days enmeshed in the counterculture at Amherst College in rural Massachusetts, where his roommate was Antonis Samaras, who became the leader of the main opposition party, New Democracy, and who agreed to join a coalition government only after Mr. Papandreou agreed to step down.

It was not until the early 1980s, when Mr. Papandreou joined Pasok as a member of Parliament, that he began to develop his own political identity.

Elected prime minister in October 2009, after five years of New Democracy government marked by corruption scandals, riots and a growing sense of economic uncertainty, Mr. Papandreou was little prepared for the shocking news that the Greek deficit he inherited was twice the size the previous government had claimed: 12 percent of annual economic output rather than 6 percent.

By December 2009, the failure to keep Greek borrowing in check had exploded into an international issue that would tear at the fabric of the euro, the common currency that Greece adopted upon its creation.

Mr. Papandreou had to get up to speed quickly on such arcane matters as credit default swaps and the difference between voluntary and mandatory defaults. And while it was understood how urgent it was for Greece to cut its bloated public work force, actually doing so proved almost impossible for a man whose political position was owed to Pasok's deep connections with the powerful unions for civil servants.

From the beginning of his term, he reached out to vast number of advisers in the United States and Europe — including Labour politicians in Britain, former economy ministers in Turkey, the Nobel economics laureate Joseph Stiglitz and any number of academics who captured, at least temporarily, his intellectual fancy.

But his critics say that while he was on the receiving end of numerous proposals, he was never really able to develop his own voice. He could not rise to the level of a Churchill in 1939, said Yanis Varoufakis, an Athens-based political economist who years ago was an adviser to Mr. Papandreou. "At a moment like this you need leadership," he said.

To be sure, Mr. Papandreou devoted his full energies to trying to find a solution to Greece's debt crisis, driven, his friends and family members say, by the pressure of being the third Papandreou to lead Greece.

He "wanted to reform, but his party failed him."

Mr. Papandreou, whose mother is American and who spent his formative years in the 1960s and early 1970s in the United States, is more fluent in English than Greek, a fact that has drawn scorn in the hypercritical Athens media. And he could not reach his people, ravaged by austerity, the way his father, Andreas, could.

"Andreas came from the outside — he spoke directly to the people," said Nick Papandreou, the prime minister's brother. "George has been in Greek politics for 30 years. The way he expresses himself is cushioned by this."

The brother added that their father, driven more by ideology than pragmatism, might not have been so determined to carry out the painful changes that George Papandreou was convinced were necessary to bring Greece out of the past.

Indeed, during the tense negotiations with his European partners, Mr. Papandreou showed himself to be a relentless bureaucratic maneuverer, seeking every advantage to get the money he so desperately needed from Europe. Early in the talks, for example, he opened up a back channel to Dominique Strauss-Kahn, then the president of the International Monetary Fund.

"Why don't we turn to the I.M.F.?" Mr. Papandreou told intimates. "They, too, will impose austerity — but at least we will get the money."

Mr. Papandreou's final ploy — the threat that Greece might drop the euro — proved to be his undoing.

George Papaconstantinou, finance minister until he was forced out in June, says Mr. Papandreou should be judged against the situation he inherited and his lack of much room to maneuver.

As for any overriding lesson Mr. Papandreou may have learned over the past two years, Mr. Papaconstantinou offered a one-word answer: "Economics."

Berlusconi holds on, as base appears to dwindle

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tive regulations, especially for businesses, jump-start infrastructure projects and enact modest pension changes.

The prime minister warned defectors and the opposition last week that a vote against the measures would be a vote against the country in a moment of economic uncertainty.

The rumors of his impending resignation and their later rebuttal by Mr. Berlusconi sent markets seesawing. The yields on Italy's 10-year bonds, a barometer of investor anxiety about lending Italy money, rose to 6.68 percent during Monday trading — approaching the level that forced Ireland, Greece and Portugal to seek financial rescues — before closing at 6.56.

Last week, Italy agreed to allow the International Monetary Fund to monitor its progress in containing its ballooning debt and spurring its dormant economy. Mr. Berlusconi's ability to steer Italy, which has the third-largest economy in the euro zone, has been called into question by a prolonged deadlock in Parliament over the scope of the sweeping changes that would include trimming pensions and taking state companies private.

Even lawmakers from his party, People of Liberty, have begun to openly criticize Mr. Berlusconi — rebukes that would have been unthinkable until a few months ago. Over the past two weeks, a steady trickle of members have left the party. By most counts on Monday, Mr. Berlusconi had lost his majority in the lower house, where he has held on to power for nearly a year with only a handful of votes.

Battered by sex scandals and countless investigations into allegations of financial improprieties within his vast business holdings, Mr. Berlusconi was ultimately backed into a corner by factors outside of Italy that he could not control.

Should the government fall, a number of outcomes are open to Italy's president, Giorgio Napolitano, who is called on by the Constitution to manage the crisis.

Mr. Berlusconi and his coalition allies have repeatedly said that the only option is an immediate return to the polls. But there is widespread aversion to the current electoral law, which has eliminated the notion of direct political representation, allowing party leaders to handpick their candidates.

And in the current political situation, where myriad centrist and leftist opposition parties are unlikely to win enough votes on their own to assemble a strong majority, new elections could lead to sustained stalemate. There is also no assurance that another government would be any more successful in pushing through the changes demanded by the European Union and now under the watchful eye of the I.M.F.

With that in mind, Mr. Napolitano could also choose an apolitical outsider to lead Parliament for the time necessary to pass changes unpopular with wide segments of the electorate. But this option, which has been adopted in other moments of political uncertainty in Italy, is also subject to political calculations.

It is difficult "to abdicate the defense of the interests of one's electoral base if one thinks, that, in any case, elections are not so far away," Angelo Panebianco wrote in a front-page column in the Milan daily Corriere della Sera.

FRANCOIS LENOIR/REUTERS

The Greek finance minister, Evangelos Venizelos, in Brussels on Monday. He said that the prime minister's decision to step aside proved Greece's "national capacity to implement the program and reconstruct the country."

Negotiations fail to reach consensus for new Greek leader

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lated, even from members of his own party.

Reflecting the uncertainty over the fate of Mr. Berlusconi, yields on Italian bonds — the price Italy would have to pay to borrow any new money on international markets — rose on Monday to more than 6.6 percent, the highest level since 1997, before the introduction of the euro in 1999. By late trading the yield was 6.451 percent, still up 0.12 percentage point from Friday.

In Brussels, ministers from the 17 euro-zone nations met to discuss how to expand the firepower of their bailout fund more quickly, and to assess whether Greece should receive €8 billion, or $11 billion, in loans to insure that it does not default on its debt within weeks.

Officials are struggling to resolve technical details over how the €440 billion euro rescue fund could be leveraged to attain the €1 trillion target they hope will help protect Italy and Spain from attacks by traders in the bond market. They may need an additional meeting next week to get the work completed by the end of the month, according to one European official, speaking on condition of anonymity due to the sensitivity of the issue.

But fears are growing that, even if achieved, €1 trillion would be insufficient if Italy fails to restore confidence in its economic management and reduce its soaring borrowing costs.

"I don't expect we'll come to any decisions today," said Jean-Claude Juncker, head of the euro zone finance ministers, as he arrived for the meeting Monday. "We now have to be informed about the exact situation in Greece, as well as about the intentions of the Italian government."

Before signing off the €8 billion loan to Greece, the finance ministers will want assurances that there is a consensus among Greek political parties about accepting the tough austerity terms being demanded.

"After a difficult week, we now have a new political situation, a new political frame in Greece," said the Greek finance minister, Evangelos Venizelos, as he arrived at the meeting in Brussels. "We have a new government of national unity and national responsibility. This is the proof of our commitment and our national capacity to implement the program and reconstruct the country."

With heightened tensions between countries inside and outside the euro zone, a group of the "outs" were due to meet Monday night hosted by the Czech Republic. It was unclear whether the gathering, which was to be attended by ministers including George Osborne of Britain, will become a regular feature.

Any political agreement in Greece could not come soon enough for its European partners, who have pressed the country hard to forge a broader political consensus behind the debt deal. But it was not clear whether the new government would provide the certainty that skeptical investors were demanding to calm turbulent financial markets.

The debt deal requires that the Greek Parliament pass a new round of deeply unpopular austerity measures, including layoffs of government workers, in a climate of growing social unrest. It also calls for permanent foreign monitoring in Greece to ensure that it makes good on its pledges of structural changes to revitalize its economy, a requirement that many Greeks see as an affront to national sovereignty.

With a narrow and eroding majority in Parliament, Mr. Papandreou's Socialist government found that it could not push through such measures on its own, but Mr. Samaras, the leader of the conservative party New Democracy, opposed many of the debt deal's provisions and demanded Mr. Papandreou's resignation and early elections. After days of frantic political wrangling, Mr. Papandreou survived a confidence vote in Parliament on Friday, setting the stage for the compromise Sunday.

The new unity government, in which the major parties would share power, is widely expected to be led by a nonpolitician and to govern for several months, long enough to carry out the debt deal and pass a budget.

Of the remaining three parties in the Greek Parliament, two — the Communist Party and the radical leftist Syriza — refused the invitation to join talks on a new unity government.

European leaders see the debt-relief deal with Greece as crucial to containing the crisis there and insulating Italy.

The leader of the right-wing party Laos, Giorgos Karatzaferis, visited the Greek president for talks about his party's possible participation in a unity government early Monday afternoon. After the talks, Mr. Karatzaferis said his party was willing to support the administration on three conditions that appeared impossible to satisfy. He insisted on no further cuts to Greek salaries and pensions; no compromising of Greece's national sovereignty and no "looting" of state assets, a reference that apparently refers to an ambitious privatization plan the outgoing government pledged its foreign creditors.

The Greek Finance Ministry said Monday morning that delegations from the Socialist party and New Democracy had met Sunday "to discuss the time frame of the actions" to implement the debt deal, and added that the two parties regarded Feb. 19 as "the most appropriate date for elections."

In reaching the deal, Mr. Papandreou agreed to meet Mr. Samaras's demand that he step down as prime minister, while Mr. Samaras agreed to back the debt deal and a seven-point plan of priorities proposed by Mr. Papandreou that would essentially commit the new government to the terms of the debt deal.

Mr. Samaras is not expected to play a role in the unity government but would be New Democracy's candidate for prime minister in the general election.

In many ways, a new interim government for Greece buys time for European leaders to put together a stronger bailout mechanism that would protect larger economies, chiefly that of Italy, from the risk of default. High debt, low economic growth and the diminishing credibility of the Italian prime minister have made Italy increasingly vulnerable.

Stephen Castle contributed reporting from Brussels and Jack Ewing from Frankfurt.