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Greek economy chief quits over incomes cave-in

BY ANDRIANA IERODIACONU IN ATHENS

MR COSTAS SIMITIS, the Greek Economy Minister, resigned yesterday after Dr Andreas Papandreu, the Prime Minister, bowed to trade union pressure and retracted key elements of the government's anti-inflationary incomes policy.

The Prime Minister's move revived speculation that he might hold early elections next spring, rather than wait until the end of his second four-year term in June 1989.

The 1988 incomes policy, which together with income tax cuts was expected to give public sector workers a real pay rise of at least 2 per cent next year, was announced by Mr Simitis on Tuesday. It instantly provoked a furious reaction and strike threats from unions.

The minister's departure marks a victory for the unions and for radical left and populist elements in the Socialist cabinet, who had long fought Mr Simitis over the need for economic restraint in 1988, beyond the expiry of an economic stabilisation programme adopted at the end of 1985.

Over the past two years Greece has reduced its current account deficit from \$3.3bn to \$1.2bn, the net public sector deficit from 18 per cent of GDP to 13 per cent of GDP and inflation from 26 per



Costas Simitis: departure signals end of stabilisation

cent to 16 per cent, at the cost of a plunge in the Socialist government's popularity.

Despite a decision to replace him with Mr Panayiotis Rourneliotis, 40, a serious technocrat who is now commerce minister, Mr Simitis' departure effectively signals the demise of stabilisation.

In his letter of resignation Mr Simitis, 51, told the Prime Minister: "The 1988 incomes policy was the result of extended discussions, and enjoyed your approval. I do not agree with its being overturned. This jeopardises two years of effort."