



Uprisings and Protests in Europe: Part I

Jacob Funk Kirkegaard says the protests in Greece may help the government in Athens in its negotiations with creditors but are unlikely to disrupt Greece's drive toward austerity and reform. Tomorrow: Spain and Portugal.

Transcript of interview recorded September 27, 2012. © Peterson Institute for International Economics.

Steve Weisman: Are the protests in Greece, Spain and Portugal threatening the progress by Europe toward financial and economic stability? Jacob Kirkegaard, research fellow at the Peterson Institute for International Economics, is here with me, Steve Weisman, to deal with that question in two parts. First, where are the protests being felt this last week of September?

Jacob Kirkegaard: They have been most pronounced in Greece, where you saw the first general strike since the new government took over in June. I think it's important to keep in mind that this is not a spontaneous outburst of public anger. This was, in my opinion, strategically planned by the Greek labor unions to coincide with this crunch time in the negotiations between the Greek government and the Troika -- the euro area, the ECB [European Central Bank] and the IMF [International Monetary Fund] that have been lending Greece or providing Greece with emergency loans.

Steve Weisman: In return for?

Jacob Kirkegaard: In return for fiscal austerity and economic reforms, liberalizations, etc. And right now the new Greek government and the Troika are locked in debate about the policy conditionality or the requirements that Greece has to adhere to in order to get the next tranche of money dispersed from the international donors.

Steve Weisman: And their deadline?

Jacob Kirkegaard: There's no firm deadline, but at some point the Greek government will run out of cash.

Steve Weisman: Sometime in the next few weeks or months?

Jacob Kirkegaard: It's always unclear when that number or hard line is, but it's certainly within the next couple of months.

Steve Weisman: So these protestors were trying to influence those negotiations?

Jacob Kirkegaard: Yes. It's ironic in the sense that these protestors are nominally protesting the austerity measures of the Greek government. But the reality is at the margin, when the Greek government itself is locked in negotiations with the international donors.

It actually, in some ways, benefits the negotiating position of the Greek government to have the streets of Athens burning because it is a very vivid reminder of the social pressures that the Greek population is under. And it underlines the fact that the international community cannot pressure the Greek population and the Greek government more than it already has in terms of imposing more austerity wage cuts, etc.

Steve Weisman: Do you see the Troika pulling back on in their demands as a result of these protests?

Jacob Kirkegaard: I don't necessarily think the Troika is going to pull back on very much. This is really only at the very margin that these protests are going to have any effect. But again it's just to underline that this was a strategically designed pressure point.

Steve Weisman: Designed by the unions?

Jacob Kirkegaard: By the predominantly public labor unions. They are the ones who risk getting sacked if among the austerity measures are cutbacks in the number of public sector workers. So they have a very direct interest in affecting this outcome.

Steve Weisman: Does Greece have too many public sector workers?

Jacob Kirkegaard: Yes. I don't think that there's any doubt that in order to realign the cost of the Greek public sector with what the Greek government can sustainably bring in terms of revenue, you have to cut a nontrivial number of public sector workers. Remember that many of these public sector workers in Greece were not hired necessarily because of their merit. They were hired because Greece, for decades, had this clientelistic political system where the two main parties, the PASOK party and the New Democracy party, were hiring their political supporters into the government as a favor for electoral support.

Steve Weisman: Greece doesn't have a civil service system -- it's all patronage?

Jacob Kirkegaard: They certainly have a civil service system, but they just have a lot of excess patronage employment as well. I don't think that you can realistically hope to restore economic growth and certainly not private sector-led growth without cutting back on the scale of the public sector. The unfortunate reality is that these public sector workers very often have been looking for ways to enrich themselves by demanding kickbacks and making all sorts of additional silly regulatory barriers for entrepreneurs.

Steve Weisman: What do we know about Greek public opinion? If they live in a system that's as corrupt as you say, are they sympathetic to the workers?

Jacob Kirkegaard: I think that they're probably sympathetic to the Greek public sector workers. But I think it's an often overlooked fact when we hear about how the Greek population is very unhappy about the IMF, the ECB, Germany, and the other euro area countries that are very large.

Yes, they certainly do not like any of these groups, because they hold them responsible for a lot of the economic hardship and the austerity measures imposed upon the country. But it should always be remembered that they may not like these groups, but they absolutely despise their own political leaders.

So I think that there is some sympathy for some of the Greek public sector workers, but there's certainly no sympathy whatsoever for the Greek politicians that are routinely condemned in these protests as liars, cheaters, thieves, etc.

Steve Weisman: What about the violence? How does that play out politically?

Jacob Kirkegaard: I think the violence has a much bigger effect on the international TV screens than anywhere else. We have to remember that Greece is a country that actually has a history of political violence associated with demonstrations. The fact that you have barriers of riot police being bombarded with petrol bombs would probably, in most European countries and here in the United States, be viewed as a little bit out of the ordinary.

But that's basically not the case in Greece, where if you look back, even in the period before the economic crisis, you had a very unfortunate case where the police shot and killed a 15-year-old teenager some years ago. This was before the economic crisis began. That led to three months of uninterrupted rioting in the streets with petrol bombs and fights with the riot police.

So Greece has a history of political extremism that you often see manifested in this way. I don't quite frankly think it has much impact on the Greek domestic political process.

Steve Weisman: Bottom line, should the markets and onlookers outside be alarmed that this jeopardizes the negotiations and the bailout of Greece that would keep it in the euro zone?

Jacob Kirkegaard: No, in short they should not because it is, as I said, a premeditated strategically fabricated piece of outrage. It is not a spontaneous, widespread public rejection of the course at which the Greek economy is going.

Steve Weisman: Let's stop there for Part 1 of this interview. In Part 2, we'll talk about Spain and Portugal.

