

Alexis Tsipras may be Greece's unlikely saviour

Talking point



Richard Holden

Last week, the man who led Greece to the brink of financial Armageddon, Alexis Tsipras, was returned to power in Greek elections. Is it a case of "here we go again?"

Actually, perhaps not. Recall that Tsipras was the prime minister who led a government that played chicken with the European Central Bank, International Monetary Fund, and European Commission over the solvency of the Greek financial system just a few months ago.

Greece defaulted on loans it owed to the IMF and then refused to take the required fiscal measures to secure new financing. This led to credit in the Greek economy drying up, capital controls being put in place, and the real economy basically grinding to a halt. It got to the point where tight daily limits had to be put on how much cash could be withdrawn from ATMs, for fear Greek banks would run out of cash. And they very nearly did.

While these events were well under way, Tsipras took the bizarre step of calling a referendum, so the Greek populace could vote on the deal being offered by the so-called troika. Calling the referendum effectively tore up the quite sensible deal that was on the table, used up precious time, and caused people to question Tsipras' bona fides and his judgment.

In the end, Tsipras finally seemed to get it. He fired his antagonistic finance minister Yanis Varoufakis, who had publicly called his European negotiating partners "terrorists", and shepherded a bailout deal totalling €86 billion (\$137.3 billion) through a somewhat sceptical and hostile Parliament, especially because it was less favourable to Greece than the one on the table weeks earlier, before the referendum.

With all this history, shouldn't we be terrified at the prospect of this man being at the helm again, particularly when compared to the seemingly sensible New Democracy leader Evangelos Meimarakis, the main alternative?

There are a number of reasons to think that this time will be different.

First, beginning with the firing of Varoufakis, Tsipras has functionally ridden his Syriza party of its extreme left wing, who wanted nothing more than for Greece to get off the euro, no matter what the cost.

Indeed, by calling elections Tsipras forced the hand of that far-left faction, who decided to form their own party. A politician willing to cede power to obtain a better bargaining position over policy? That's pretty impressive, and pretty unusual.

Second, for the bailout to succeed still requires the passage of significant amounts of legislation surrounding budget cuts, tax increases, and privatisations. Those internally controversial measures were terms of the bailout, and if Greece breaches them the bailout package might disappear. That would be catastrophic, almost surely resulting in an exit from the euro and a return to August-style economic atrophy.

Tsipras seems the leader most likely to be able to shepherd such changes through Parliament and the other administrative processes. He surprised many by managing to get the original bailout through Parliament and

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showed a knack for marshalling parliamentary support.

In sum, and rather ironically, he seems the best candidate to follow through on the deal that was finally done in August, despite his initial opposition to it. And then there are refugees.

The other situation facing Greece, and Europe more generally, is the horrific humanitarian crisis and refugee flow from Syria. With huge numbers of asylum seekers flowing into Europe, and Greece being an attractive conduit, there is the need for co-ordinated action. Tsipras is well placed to handle this.

Too harsh a policy from Greece—trying to close the borders—will probably be ineffective and frowned

upon by the rest of Europe, not to mention the international community. Too accommodative a policy might also be problematic, since co-ordinated action is required to handle the crisis. Tsipras might be just the right balance of left and right on this issue.

During the events of August, as the Greek economy sat on the precipice, I was strongly critical of Tsipras in this newspaper. He made rookie mistakes, with significant consequences, and he took advice from the wrong people—most notably the misguided Varoufakis.

Greece, Europe and the world were very lucky to avoid a disaster.

But to paraphrase John Maynard Keynes, when I get new information, I update my views. It seems that Tsipras has done so. And so have I. And in an interesting addendum, so have capital markets. Greek bond yields reflect comfort in the election outcome.

Richard Holden is professor of economics at UNSW Australia Business School and is a visiting professor at the Massachusetts Institute of Technology. Twitter: @proholden.

Letters

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Submarines Defence white elephant



In the 1980s, then defence minister Kim Beazley gave birth to the greatest industrial white elephant in the history of our nation—the establishment of the submarine construction facility in Adelaide, South Australia.

So much has been written and said about the Collins class submarine construction project that I do not need to elaborate upon it. Suffice it to say that it was succinctly described in the media as a "disaster". It would be hard to find many who would disagree.

Politicians of both persuasions have, since that time, prostituted their principles in pursuit of their holy grail—

votes. In this case, votes in South Australia.

As a result we are now embarked upon the second saga in this sorry tale. We are building three orphan destroyers unique to Australia. As an alternative, we could have purchased three US-built Arleigh Burke class destroyers—considerably more capable ships—plus 100 fully equipped regional hospitals for the same total project cost.

The media reports that the first ship is way over budget and three years late. This augurs badly for the future of these ships—if construction delays

resulted from unmanageable complexity, the lifetime logistic support will be a nightmare.

As Australian orphans we will have to provide a costly inventory of lifetime spares rather than tap into the US stockpile if we had purchased the Arleigh Burkes.

The initial and annual costs of the destroyer-dedicated bureaucrats in the Defence Materiel Organisation will amount to a staggering figure.

*Rear Admiral Ian H Richards AO, BEC, RAN
Waverton, NSW*

Negative rates can work

Your editorial "The Fed should get on with a rate rise" (AFR, September 28) is diametrically opposed to the views of Andrew Haldane, the chief economist of the Bank of England.

Haldane was reported in the *Financial Times* on September 18 as stating that "it would help the bank to manage inflation by enabling it to bypass the current constraint against lowering rates below zero".

The replacement of notes and coins to make all fiat money digital makes negative interest money practical again, as mostly it has been over millennia. It is counter productive for money to be a store of value and so an asset class competing with physical assets that increase productivity and prosperity. Increasing interest rates would exacerbate the ability of money to crowd out productive investment to perpetuate stagnation and debt.

*Shann Turnbull
Co-founder, Sustainable Money Working Group, UK*

UniSuper replies

Re "UniSuper appoints Nicolette Rubinsztein but rejects independents rule" (AFR, September 29).

UniSuper, and myself as its chairman, are strong supporters of the proposed independent director requirements that would see superannuation fund boards have at least one-third independent directors, including an independent chair.

Since 2007, UniSuper's board has been made up of 11 directors, comprising three independents (including the chair), four employer representatives and four member representatives. We believe the skills, talent and experience that can be obtained through the appointment of independent directors is simply not possible under a traditional representative model, and the proposed changes will ensure best practice.

*Chris Cuffe
Chairman, UniSuper*

Treasurer Morrison is right on the money

As far as the budget is concerned, Treasurer Morrison is right.

It is not a revenue problem, it is a spending problem. Over the years, spending cuts are always at the expense of essential services. There should also be an across the board cut of unnecessary discussion papers, white papers as well as royal commissions. If the government of the day disagrees with what previous government had commissioned they should still use the findings as the platform for their changes. For example, why not use the Henry report as a platform instead of commissioning another study into tax reform?

Hence, I believe there is a need to audit government management efficiency at all levels. Let's focus on managing efficiency to minimise waste.

*Peter Wong
Carlingford, NSW*

Scratch the tax cut

I refer to the "Punter's guide to the tax reform debate" (AFR, September 28). Again the simplistic nonsense states that company tax has been transformed into a bad tax because of globalisation. In reality, the company tax rate is an afterthought of investment decisions.

When I have a punt I take numerous factors into account—recent form, form at track, track conditions, class, distance, barrier, weight, best time for distance, horse age, runs from a spell, jockey, trainer. Similar analysis has not been done on the company tax cut. Where are the considerations of the gap issues with higher personal marginal tax rates? Or the studies of the tax rate already being reduced from 46 per cent to 30 per cent?

A further company tax rate reduction should be a late scratching.

*Graeme Troy
Wagstaffe, NSW*

Let's stop hurting ourselves with food, fags

The flaw in David Leyonhjelm's argument for classic liberalism (AFR, September 25) is that it needs a society of classic liberals to work. That is, people who take responsibility for the harm they cause themselves.

By 2025, it is estimated that 3 million Australian adults will have diabetes,

mainly caused by obesity, dietary choices and sedentary lifestyle.

This could largely be prevented by people choosing to eat well and get moving. Smokers loiter around the doorways to hospitals across the nation, actively choosing to delay their recovery times and taking up beds that

could be used by others. Australia is not a nanny state. People who choose to harm themselves impose a massive cost on everyone else. Why should we pay for it?

*Kath Logan
Orange, NSW*

