

Gikas Hardouvelis: Clear-Eyed Criticism and Optimism for Greece

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Past Finance Minister Gikas Hardouvelis. (Photo by Eurokinissi/ Yiorgos Kontarinis)

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By Constantine S. Sirigos

ATHENS – “Before January it was a different environment,” said Gikas Hardouvelis, past Finance Minister under the Samaras New Democracy government, when asked about the country’s priorities and prospects. “But what Greece has to do has not changed because of the coronavirus. It has to become a more efficient country, to lighten up its bureaucracy...and modernize the public sector.”

That is how Dr. Hardouvelis, currently Professor of Finance and Economics at the University of Piraeus and Senior Independent Director of the National Bank of

Greece, began his interview with The National Herald, where he was candid about Greece's obstacles – optimistic, but clear about what must be done to take a country with talented individuals and turn it into a collective powerhouse.

“Before the coronavirus I was among those believing Prime Minister Kyriakos Mitsotakis could bring 3-4% annual growth down the line. He understands all the relevant issues.”

Hardouvelis continued by noting the irony that despite the difficulties it causes, “the coronavirus is helping to digitalize the public sector, short-circuiting many of the obstacles to public sector efficiency, and increasing transparency” he said, both of which are critical to attracting serious foreign investment. Transparency also makes it easier to detect bribery and bad decisions.

Loyal to the people he works for, but a patriot foremost, he first confronted these issues around 2000 as Director of the Economic Office of Prime Minister and PASOK leader Costas Simitis. “That’s when we started to digitalize the public sector, but there was strong resistance from the public employees. Information is valuable,” he explained, “and if you are a holder of information, you are a little oligarch.”

“Back then we were also pre-occupied with ensuring Greece enters the Monetary Union, but believed the discipline of EMU would force future Greek governments to follow prudent fiscal policies and emphasize reforms.”

Yet, over the past 20 years, the country failed to deliver on the original reform dream and Greece lagged other countries in digitalization, but it’s now progressing.

Another obstacle to development is the lack of progress in higher education. “People are stuck in their old ways,” he said, but he also made the interesting point that Greece’s political parties used university youth movements as their recruiting grounds and the professors were caught in the middle of their power struggles.

“But the fundamental problem that kept the system below average is that it was not open to competition.” He explained that while private universities were

allowed, they were crippled by the fact that their graduates did not have equal rights for public sector jobs. Students who could afford it went to foreign universities – whose degrees were fully recognized – which also fed the brain drain.

There must be changes to constitutional restrictions pertaining to private colleges – especially with respect to non-profit institutions, which have greater potential than the for-profit schools. He has personal knowledge of their value as an alum of Anatolia College. After winning a full scholarship to the school at the age of 12, “I would say Anatolia made a big difference in my life,” among other things, opening the doors to Harvard University and Berkeley.

He thinks the Mitsotakis government understands higher education and wants to do something about it – including addressing the too-loose student requirements and the ‘eternal student’ phenomenon.

A serious issue on campus that has crippling manifestations throughout Greek society is the denigration of excellence. Hardouvelis spoke of one initiative with his colleagues that raised private funds for scholarships for top students. When it first started, 25 years ago, the Dean of the school did not congratulate them – rather, he put down the effort out of jealousy. “Excellence must be rewarded...there are some pockets of excellence but we could have done a lot more...You still cannot create a Harvard or an MIT in Greece.”

He is concerned, but optimistic about brain drain. “Should the economy pick up and make Greece more efficient and attractive to investors” he said, much of the current generation “may eventually come back.” That could actually be accelerated by the coronavirus, spurred by the digitalization of the global economy and people being able to work from anywhere.

Illustrative of the challenges and opportunities facing Mitsotakis, Hardouvelis spoke of his own experience in government, saying: “People think prime ministers decide as if they were autocrats, but a Prime Minister has to manage a government that is very difficult to manage and push the people to do the right thing.”

He offered an enlightening overview of the realities.

“Even when there is one-party government, it is difficult to have an efficient government. First, to find ministers, the PM must find” – with rare exceptions – “candidates only from among the 160 or so parliamentarians of his party. Second, the minister must have a good idea of where the ministry should be in five years and know the subject matter – so in the two years of political time he has, he will take the right steps – but it is difficult to find people like that for 20 ministries. The third requirement is that they be good managers – but they are tough to find even in the private sector!”

Hardouvelis noted that the typical member of Parliament is selected based on his ability to put positive spins on everything “and to persuade the population how great they are” – not his managerial ability.

“A Prime Minister has to also organize them, to have them not fight and undercut each other.

But Greece has progressed. “During the crisis years,” Hardouvelis said, “Greeks cursed at them, but the Troika brought something nice – they helped the governments be organized, the ministries to be coordinated...because there were common targets to be accomplished.” He believes that improved the governing environment in Greece, a fact complemented by evidence that Mitsotakis is also a good manager.

In the Samaras government Hardouvelis was impressed by Mitsotakis’ efforts. “We were both ministers at the same time and cooperated closely. He always came with a plan. He knew where to go and would explain to you the steps, A, B, C, D. He has now formed a strong team around him and the proof is how he managed the coronavirus crisis.”

Hardouvelis remembers fondly his time as a Minister and said, “Samaras accomplished an unbelievable feat, inheriting an economy in almost double digit recession and eventually delivering positive growth, renewed business and consumer optimism, unemployment declining, a stable banking sector, an inflow of foreign capital, a balanced budget, and a credible bright future for the Greeks. We worked endless hours.”

But their effort was cut short by the January 2015 elections “which brought an inexperienced government, full of ideological misconceptions of reality, which led to a new crisis.”

Reform prospects, connected to the vital need to attract investment, are brighter now. He emphasizes the efficient delivery of justice is critical, again believing digitalization will help, but he returns always to the bloated bureaucracy, offering a fascinating perspective.

“There are too many rules and regulations” and that is partly because the lack of transparency allowed confusion and corruption to flourish. The governments’ response was “to draft more laws,” putting stricter regulations on business “with a focus on stopping corruption. The end result is to suffocate all the well-intentioned investors.”

He is optimistic about a post-coronavirus recovery, saying, “the ECB acted aggressively in March, covering for the indecisiveness of the rest of Europe and giving room to France and Germany to cooperate on spending.” Having worked at the Federal Reserve Bank of New York, he understands that in 2020 officials know how to resuscitate an economy while avoiding inflation.