



Have the French and Greek elections broken the consensus for austerity?

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Yesterday, François Hollande was elected French President on an anti-austerity platform (making him only the second socialist president in the history of the Fifth Republic). The Greek mainstream political parties, meanwhile, received a battering in elections on Sunday to the Hellenic Parliament. The two main parties, the centre-right New Democracy party and centre-left PASOK, have seen their combined support collapse from 79 percent of the vote at the last elections to only about 32 percent yesterday. Of the 300 seats up for grabs, 151 have gone to parties that reject the Greek EU/IMF bail-out deal, making it impossible for the pro-bailout parties to form a government on their own.

Is the consensus for austerity being smashed by a resurgent European left? Or will Mr Hollande find his options limited once in office? And what does the political chaos in Greece mean for Europe? Before the elections, we spoke to Sylvie Goulard, a French MEP with the liberal Mouvement Démocrate party, and put some of your comments on the eurozone crisis to her.

First up, Alison sent in a comment arguing that: “There is no allowance for growth for Europe to get us out of this mess. We’ll be back to square one in a year to two years.” This was, essentially, François Hollande’s line during the French election campaign. Is Alison right?

Well, she’s right... but one has to understand perhaps why. The reason why some member-states have insisted so much on discipline is because the basic deal made when we created the euro explicitly stated there would be no emergency financial assistance for member states. Of course, I can personally understand the demand of Alison, and she’s right, but I can also understand why public opinion is traumatised by what happened, and why some people have been calling for tougher rules... To genuinely boost growth, you have to agree to structural reforms, labour market reforms and many other measures that politicians hate. You do not immediately see the results from these kinds of reforms and it’s painful.

Next, we had a comment from Andreas arguing that: “The only solution for Greece to see better days is to default and return back to drachmas.”

No, I believe it would be much worse for a country to leave the eurozone. If you leave the eurozone you will just increase your burden of debt whilst also removing the support from the other member-states... We should help Greece to rebuild a strong national economy, based on research, tourism, industry, shipping, etc. A Greek exit

now might also provoke contagion effects to the rest of the eurozone. If Greece goes, what about Portugal? Or Ireland? Or Spain? Or other countries?

Finally, Michael from Greece sent in a comment calling for much closer economic and political integration as a solution to the crisis: "If Europe has common problems then Europe has to have common solutions. A common Eurobond is one of them and many others should follow."

You cannot say right now, in the current situation, that we will create a eurobond. On the other hand, we should not exclude it in the medium-to-long term. The first step is to boost trust and growth. After some years, it might make sense to have common issuance of bonds. But it's not a decision we can take now. The key reason for putting our debt together is not the eurocrisis, it's the reason we adopted the euro in the first place. It's to have a global reserve currency, with a deep and liquid bond market.

What do YOU think? Do you agree that austerity and structural reforms, whilst painful, are still the best way to return to growth for Europe? Or have the French and Greek elections changed everything? Is there still a consensus for austerity in Europe? How will the Greek election results affect things, especially if a political deadlock develops with a government unable to form. Let us know your thoughts and comments in the form below, and we'll put them to policy-makers and experts for their reactions.