

SPENDING CUTS, A BULLET AND BODYGUARDS:

# The life of Greece's finance minister

The Greek finance ministry building in central Athens faces Syntagma Square, ground zero for the mass anti-austerity protests and riots that cripple the city and sometimes set its streets ablaze every few months or so. Although the protests have become less frequent recently, the building is still an armed camp.

Riot police bristling with armour and weapons still loiter outside its entrances. The steel shield over the main entrance door is rolled halfway down, forcing visitors to duck to get in. The high security is not paranoia. Rioters love to attack the building and bullet holes have been found in the windows. In early February, Finance Minister Yannis Stournaras received a curiously lumpy envelope in the mail. It contained a 9mm bullet and a note warning him against seizing the assets of Greek citizens who fail to pay their taxes.



Mr. Stournaras, 56, is an economist who has been finance minister since last summer, when he was recruited by Prime Minister Antonis Samaras, leader of the centre-right New Democracy party. Although most of the harsh austerity measures were in place before he arrived, he is busy carving another €8-billion (\$10.7-billion) out of government spending, meaning he knows that he may be a hunted man as the cuts trigger more job losses. He doesn't move without armed guards.

"Some of the people hate me," he says. "But we must keep our nerve."

Mr. Stournaras hopes to be bit less hated, perhaps even liked, later this year. That's when he predicts Greece's deepest peacetime recession will finally end. It has been a bruising one: the country's economic output (GDP) has dropped by more than 20 per cent since the financial crisis started. He expects "positive developments" in the last quarter and into next year, though admits the recovery will not come in a pretty package wrapped in a bow. It will be weak and the jobless rate, he says, will rise a bit more before it falls (the unemployment rate is at a record 27 per cent).

Still, there is little doubt the worst is over – even if some economists think the recession will last longer than Mr. Stournaras expects.

After a recession that pushed the country to the brink of economic and social collapse, and almost an exit from the euro zone, any news is good news. There is no doubt Mr. Stournaras is under enormous political pressure to give the Greek people some hope after four years of tax-hike and job-loss hell. There is equally no doubt that the hint of recovery has bought some peace. While strikes still happen, the social chaos is nowhere near the levels it was last year and the year before.



## GIANNIS STOURNARAS

Giannis (or Yiannis) Stournaras (born in Athens, Greece on 10 December 1956), is a Greek economist who has been the Greek Minister of Finance since July 5, 2012.

Stournaras is a graduate of the Finance Faculty of the University of Athens, and has an MSc and PhD in Economic Theory and Policy from Oxford University. Since 1989

he has taught Macroeconomics and Economic Policy at the University of Athens, and has worked as a financial advisor to the Greek Ministry of Finance, participating in the negotiations for Greece's entry into the European Monetary Union.

The risk – and it's a big one – is that his recovery projection is premature and that Greeks will explode in rage if the recession grinds on for another two or three years. A lot could still go wrong. Job-killing austerity measures are still working their way through the system. Higher taxes are hurting. Since Greece is not a manufacturing economy, most activity is based on consumption and consumption taxes are going up; the value-added tax (VAT) is 23 per cent.

The war on tax cheats is only now picking up momentum. If it is even partly successful, the Greek government could face more protests. Mr. Stournaras says the government has seized €1.5-billion in assets from tax cheats in the last two months.

Politics is the other potential problem. The Greek government and opposition parties are no doubt fascinated by Italy's fine political mess, the result of the general election this week that vaulted comedian Beppe Grillo's anti-austerity, anti-corruption – basically anti-everything – party onto the national stage. His Five Star Movement is now the single biggest party in parliament.

Italy's economic and political stability and the lower government bond yields that went with it disappeared in November, when former prime minister Silvio Berlusconi yanked his support for the technical government of Mario Monti. A snap election was called, Mr. Monti's pro-austerity centrists got slaughtered and the centre-left coalition, which barely won the lower house, has been unable to form a governing coalition in the senate. Another election is likely and the political deadlock is sending Italian bond yields up as the economy crumbles: the 10-year government bond, which paid about 4.1 per cent in late January, is now closing in on 5 per cent.

What has this got to do with Greece? The point is that political upheaval can come when it is least expected. Greece's ruling coalition, led by New Democracy, appears stable at the moment. But the latest polls put New Democracy and the main opposition party, Syriza, neck and neck in the polls.

Like the Five Star Movement, Syriza thinks austerity has gone too far. It could win the next election and its chances can only rise if Greece remains stuck in a churning vat of mud. Mr. Stournaras is a brave man to predict a return to growth as early as the fourth quarter, perhaps foolishly brave. He will be known as a bum or a hero in about a year.