

# VOTERS CAN FACE THE GRIM TRUTH

Unlike today, the ancient Greeks engaged the masses in making tough fiscal choices

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Is democracy good at managing public finances? Right now for most people the answer is a resounding no.

This is easy to understand. In the birthplace of democracy public finances are in crisis. For too long the politicians of modern Athens feared voters would not tolerate the financial truth.

To pay for unaffordable election promises they borrowed irresponsibly instead of raising taxes. They lied about the ballooning public debt. It ended in a huge sovereign-debt crisis.

Even in the midst of this crisis Greek politicians feared telling voters how the country could escape it. They left it to Greece's creditors to dictate harsh austerity policies. These policies have caused enormous suffering. Greek voters did not vote for them.

Not without reason, they repudiated their entire political class. They have turned to far-left politicians in the hope of a way out.

Greece's financial crisis may be exceptionally severe, but the problem behind it is not unique to Greek democracy. Many modern democracies were also forced to take drastic budget measures in response to the global financial crisis. In Australia and Britain, among others, centre-left politicians borrowed heavily to prop up their banks and to maintain private demand.

In each country these expansionary policies minimised the human cost of the crisis. But in the elections that followed the centre-left politicians who had introduced the policies refused properly to justify them. They feared voters would not tolerate frank public debate about public finances.

The centre-right politicians who opposed them were no better. In these elections they promised to bring budgets back into surplus without new taxes or major public-sector cuts. But these promises again turned out to be false. For good reasons voters have lost a lot of trust in what politicians say about public finances.

In all these democracies there has been a common underlying problem. Politicians do not believe voters can tolerate the financial truth. They assume democracy is not good at managing public finances. For them it can balance the budget only by leaving voters in the dark.

As a historian of ancient Greek democracy this assumption strikes me as completely wrong. Certainly the politicians of ancient Athens did not share it. Ancient Athens was an incredibly successful state. It developed democracy to a higher level than any other state before the modern period. It was the leading cultural innovator of its age. Ancient Athens became one of the ancient world's greatest military powers.

These successes did not come cheaply. They depended on Athenian democracy's ability to raise new taxes and to control public spending.

What made these successes possible was the sound

management of public finances. That the democracy of ancient Athens was good at this will come as a surprise. It turns out Germans have been critical of Greek public spending for a very long time.

In 1817, August Boeckh famously criticised ancient Athens for spending more on public-sector pay and cultural festivals than on its armed forces. For this German professor such wasteful spending weakened ancient Athens's armed forces.

But in the past two centuries a lot of Athenian democracy's financial accounts have come to light, and they show Boeckh got his sums wrong.

In times of war Athenian voters agreed to spend 15 times more on its armed forces than on state pay or festivals. In times of peace what they spent on the state's security still dwarfed all other public spending combined. Athenian voters thus regularly voted to put the collective good ahead of their personal financial interests.

Athenian democracy required frank discussions about this public spending. This requirement lay at the heart of its surprising success at balancing budgets.

In this direct democracy

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assembly-goers voted for or against each policy. The Athenian assembly met 40 times a year. Twenty per cent of voters always turned up.

Athenian voters expected a politician who supported a policy accurately to estimate its cost. He had to demonstrate whether the state could afford it. Often he faced the counter-arguments of rival politicians that it was unaffordable.

In response he would have to say how his policy's cost could be reduced or a new tax introduced to pay for it. In ancient Athens politicians thus had to be in control of both sides of the ledger. They had to be good at raising taxes as well as spending tax receipts.

From ancient Athens today's politicians can draw three vitally important lessons. First, rigorous public debate is essential. In Athenian democracy such frank discussion weeded out unaffordable policies. It laid the groundwork for the tax increases needed to fund other policies.

Second, modern politicians should not fear telling voters the financial truth. Involving voters in public-finance debates actually helps to build consensus for tough reforms. Athenian voters did not punish politicians for higher taxes because they were clearly the ones that had voted for them in the first place.

Third, and most important, ancient Greek democracy was surprisingly good at successfully resolving budgetary crises. As long as modern politicians are brave enough to speak candidly about public finances, there is no reason modern democracies cannot do the same.

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