Greece at a Crossroads: Roots, Dilemmas, Prospects

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Ever since Greece fell under “troika” (EC, ECB and the IMF) supervision, presumably as a means to avoid bankruptcy and default, it has been at the forefront of international attention and debate. But the problems the country is faced with are not particularly –or, maybe, even primarily– Greek: the catastrophic debt crisis that befell the country in the course of the first decade of the 21st century is not only an instance of domestic “malfunctioning” but, equally, if not more, of global-systemic impasses. This constitutes the cognitive cornerstone of the special issue at hand. The papers are, of course, on Greece examining particular features of the domestic socioeconomic, politico-institutional and cultural configuration; but their point of departure and overall frame of reference is global. Attempting to bring to the fore the “big picture” as a prerequisite for coming to terms with the essence of the Greek drama, requires that we break loose from the straightjacket of narrating the crisis exclusively through the lens of its national incarnations, whilst also bringing into focus a number of deep seated concerns about globalization as a whole –forcing us to revisit steadfast held orthodoxies about the nature of the period we are going through, the precise nature of socio-economic and politico-institutional problems (particularly with regard to what authors such as Colin Crouch [2004] and Peter Mair [2013] described, respectively, as “post-democracy” or the “hollowing of western democracy”) and, of course, think about prospects for the future.

What is there to say in that respect? Although mainstream journalistic accounts usually overlook this, “crisis” as a term became a global everyday-notation not in the aftermath of the Greek imbroglio, but after the ominous 2007 US subprime mortgage crisis resulting, among other things, in massive foreclosures inside the US, the fall of major investment banks on Wall Street and, of course, the celebrated collapse of Lehman Brothers. Not surprisingly, the crisis had an immediate domino effect, market giants such as Freddie Mac, Fannie Mae and AIG having to be “rescued” –bailed out or nationalized– as they were “too big” simply to let go. Meticulous and intensive as it may have been, however, the operation conspicuously failed to accomplish its primary goal: to avert the crisis’s worldwide spreading, including, of course, affecting a number of weak-link Eurozone countries such as Greece. But what was the mechanism or, rather, the process fueling this “original” crisis? What was it that brought about reckless lending by banks in the US? Though obviously specific to the US economic conjuncture, its circumstances recount a much broader story. Reckless lending was –after all– taking place on a worldwide scale.
1. It is a widely recognized fact that, ever since the end of the postwar boom in the mid ’70s, there has been growing pressure on labor revenues (wages, salaries and benefits) –what economist describe as labor’s declining share of the global national income. The literature seeking to explain this development is voluminous and variegated, but the pragmatics of the matter are quite undisputed. The response to what has been interchangeably described as the fiscal crisis of the state (O’Connor, 1973); the impasses of social corporatism and “embedded liberalism” (Ruggie, 1982; Goldthorpe, 1984); or the “contradictions of the welfare state” (Offe, 1985) has been the politics of neoliberal retrenchment: declining wages, flexibility at the work market and the progressive “dismantling of the welfare state” (Pierson 1994) –a process unfolding pari passu with soaring profits for the corporate and financial elites. This was, of course, greatly facilitated by the ideational repercussions of state socialism’s collapse, the ideological retrenchment of western social-democracy and, perhaps the synthesis and epitome of it all, “globalization”. Quadrupling of the global labor supply (due to the re-integration into the capitalist world-system of workforces in Eastern Europe and China), capital’s ostensive capacity to become “foot-loose” in the new conditions, and concession bargaining by trade unions led to a situation where, according to authoritative calculations from the OECD Economic Outlook Database, in 2005 labor’s share had declined by approximately 10 percentage points from its 75% peak in 1975 (Glyn, 2007).

This is definitely not the standard economist’s way of approaching the issue, but, besides hardship for the working population, declining labor revenues also entail shrinking markets and problematic capital valorization (i.e. “realization” of the surplus value produced at the workplace) for the capitalist; to wit, a state of affairs where the population qua consumers find themselves increasingly unable to purchase what they produce and, as a result, capitalists increasingly unable to avail themselves of the value added in the production process. This is obviously an ominous conjuncture: a point in time where investment ceases to appear (or actually be) profitable. And this is precisely the point where financial institutions gain a new ascendance and “reckless lending” sets in –seeking to cover the gap between what labor is actually earning (and can spend consuming) and the spending/consumption required for capital to continue being valorized (Harvey, 2010).

Precisely in order to capture this qualitatively new role of the financial sector, economists have coined the term “financialization”. Although different strands of theory stress different aspects of the phenomenon,1 they all seem to concur in the so-called “financialization of workers’ revenue”, a process directly associated with real wage stagnation and/or decline. As Lapavitsas skilfully argued, increased borrowing on the part of workers was clearly “related to public provision retreating across a range of services: housing, pensions, education, health, transport and so on. In that context, workers’ consumption (including mortgages, education, health, and so on) has become increasingly

1. For a concise overview of the different views (including Marxist, post-Keynesian and radical sociological), see Lapavitsas (2011).
privatized and mediated by the financial system” (Lapavitsas, 2011, p. 620). It comes as no surprise that, whilst the “average debt per household, including mortgage repayments, was $40,000 in 1980‘, by 2007 it had climbed up to $130,000” (Harvey, 2010, p. 17).

As such a clear instance of profiteering on the part of financial institutions (“predatory lending”), to the extent that it boosted demand (thereby prolonging growth), this extension of credit to workers qua consumers may have been systemically functional in the short term. Yet it was also short-sighted, in that banks progressively became blind to the seminal requirement of creditworthiness – working populations unable to consume on the basis of their earnings would obviously be equally unable to repay their loans. Credit creation was thus but a bubble destined, like all bubbles, to burst. In that sense, the US sub-prime mortgage crisis was the first instance of a much broader phenomenon, scholars such as Harvey (2010) have conceptualized as a historic “Disruption”. Two aspects, directly pertaining to the Greek drama, deserve our attention. The first, already implicit in the preceding analysis, concerns the fact that what happened in the US was an instance of a global mechanism applicable, mutatis mutandis, not only to un-creditworthy laboring households of declining revenue, but also to states with defunct, uncompetitive economies, such as Greece. Loans extended to such peripheral countries allowed leeway to local elites, giving them the opportunity to claim economic success where none existed, but – crucially – they also served to boost exports for the core, lender economies. Predatory and reckless as it may have been, this lending was, all the same, functional for the world economy as a whole: extending growth and giving the false impression of a perpetually benevolent circle. The catch, of course, was that, much as was the case with its US sub-prime mortgage counterpart, this lending too was but a bubble destined to burst. When that happened, states, predictably, stepped in to bail out the banks, which is the second aspect of the situation analogically pertinent to the Greek case.

In the period following the outburst of the crisis, in 2008-09, various national governments the world over spent nearly $20 trillion to save banks and businesses from collapse, the biggest amount spent for such a purpose in world history. In Greece alone, the government provided €108 billion in bailouts (around 45% of the country’s GDP) – and, of course, there was much more to follow. Discretely hidden from public view, this intervention was far from the typical postwar – Keynesian – type of state intervention to correct market imperfections and excesses. In Harvey’s (2010) words, it epitomized a novel “state-finance nexus”, where states come in to bluntly transfer resources from the populace to the banks. In that sense, stressed Harvey (2010, pp. 30-31), the term “national bail-outs” is grossly inaccurate. It is rather taxpayers who are ‘bailing out the banks, the capitalist class, forgiving them their debts, their transgressions, and only theirs. The money goes to the banks... And the banks are using the money, not to lend to anybody but to... consolidate[e] their power...’ (Harvey, 2010, pp. 30-31).
Not surprisingly, this further undermined global purchasing power, threatening world economy with a recessionary spiral. Rampant poverty and unemployment (25.5 million in the EU alone) accentuated by neoliberal policies and widespread “bank-salvaging”, shrank markets to the point where profits accumulated over the previous period, though astronomical, were being hoarded, rather than invested. Investing them productively simply made no sense. A study released in July 2012, e.g., revealed that by the end of 2010 anywhere between $21 and $32 trillion - an amount ‘equivalent to the size of the US and Japanese economies combined’ - were been squirreled away in tax havens (Henry 2012).

2. In examining Greece, one cannot fail to notice the analogies, or the ways in which the global operates within the national – if only far more spectacularly, and via troika intermediation. In a recent op-ed piece, economist Yanis Varoufakis (2013) wondered about how the future historian would depict the Greek drama. The gist of the story he would recount, claims Varoufakis, would be that dominant capitalist institutions (such as the EU, the ECB and the IMF) and peripheral state governments (such as the Greek) opted to deal with the crisis by “transferring German bank-failures…onto the shoulders of the average European taxpayer”. Although the loans extended to the Greek state were presented as an instance of European solidarity in action, in reality they were but “a cynical effort to trick European parliaments, north and south, to help bankrupt bankers maintain control over their banks, to the detriment both of the national economies in question as well as the banks!”.

Of course, this global “tricking” – i.e. the robbing – of the taxpayer occurred most conspicuously in Greece. The papers in this issue demonstrate amply the implications, both with facts and figures as well as in terms of the enormous harm neoliberal austerity has been inflicting on the population: Skyrocketing unemployment, collapsing living standards, suicides… – a textbook case of what Naomi Klein (2007) has aptly termed the “shock doctrine”. Peppered with pseudo-scientific analysis about the “rational inevitability” of the neoliberal treatment, the policies pursued in the course of the last three years can best be approached as “coercive interrogation”, a form of torture: a gigantic project to put society “into a state of deep disorientation and shock in order to force [people] to make concessions against their will” (Klein, 2007, p. 16). And the question, which naturally comes to mind, is whether these policies are in any way working. The papers make it clear that they don’t; in fact it is the exact opposite. For six years in a row, Greece has been plunged into a deep recession (-6.9% in 2011), whilst GDP has fallen by no less than 20%. With 1.5 million unemployed (26.8%, according to official figures, in reality much more); minimum wages down to less than € 600 (with supermarket prices being the same as – if not higher than – in London, Paris or Berlin); wage-earners having lost over € 49 billion in revenues (22% of the GDP) and 66% living under the poverty line (with extensive malnourishment and episodes of children fainting in classrooms); and a variety of exorbitant poll taxes (on top of VAT having climbed up to 23%), this should hardly come as a surprise. The
market is shrinking and so is the economy, especially in the long term. What is more, being a Eurozone country, Greece’s policy options are severely limited: it cannot devalue its currency, so no progress on the export front is likely (or anticipated). As a result debt has been increasing, both as a percentage of the contracting GDP and in absolute terms. In 2013 it is expected to reach €352.3 billion (189.5% of the GDP), up from €298.5 (128.9% of the GDP) back in 2009, i.e. before the Troika-imposed bailout programs began!

Policy makers stick to a cure that is worse than the disease, but, within the confines of capitalism, there is very little they can do: if the neoliberalism they practice does not work, Keynesianism (deficit spending) is no longer viable. It must come as no surprise, then, that capitalism regresses to its traditional ways of dealing with crisis: mass destruction of productive forces, popular immiseration, and shrinking social and political rights. And if, in the old times this entailed waging interstate war with guns and bullets, nowadays it means waging war against society/ies through neoliberal policies and tear gas.

As mentioned above, this has indeed shocked Greek society. Suicides are a daily phenomenon (as this text is being composed the pertinent figure has surpassed the 3,500 mark), whilst massive depression and a sense of disorientation are rampant. But the major response has been struggle to avert and undo the consequences of neoliberalism: no less than 20 militant general strikes have taken place, along with a mushrooming of contentious movements and an intense, two-month long version of the Occupy/Indignados explosion. In the short-term these responses have been unable to check the neoliberal offensive, but they have been duly reflected in the electoral arena, witnessing the virtual collapse of the old party system. In the election of June 2012, the radical left coalition (SYRIZA) quadrupled its following to just under 27%, whilst the ruling socialists (PASOK) lost 73.2% of their 2009 vote and the conservatives of Nea Dimokratia (ND) fell to 29.7 (down from 33.4% in 2009 and 41.8 in 2007). On the other hand, there has also been neo-Nazi reaction, in the form of the Golden Dawn party, polling 6.9% in the June election and continually waging violent campaigns against immigrants and, progressively, against the Left.

The situation is currently in a state of flux. The new government, a coalition of ND-PASOK and a reformist left splinter (DIMAR), have imposed a new round of harsh austerity measures, whilst also stepping up coercion against a continually resisting public. As the crisis deepens (in Greece but also internationally) the future – obviously impossible to foresee – will nonetheless depend on factors that are eminently political.

In the remainder of this Introduction, I now turn to a brief presentation of the papers.

3. To stress the crisis’s global dimension is not, of course, to underemphasize national particularities. In this context, Constantin Tsoucalas deals with the nature of the Greek predicament from a perspective that is both historical as well as socio-theoretic. The way the current crisis has been dealt with, he claims, has practically liquidated the middle classes and pauperized large sec-
tions of the working population (including the laboring poor) to an extent that is unprecedented, at least for postwar Europe. In order to fully understand the mechanics of this development, however, one has to go back in history, in the way Greek capitalism was structured after the end of WWII. Because the Greek bourgeoisie was systemically weak (barely surviving the civil war waged between 1946 and 1949), the postwar regime was built in a top-down fashion, the state always serving not only as the ultimate guarantor of private economic interests but also as their active partner. That the prerequisite of Greek liberalism was this peculiar fusion of public and private (i.e. a conspicuous denial of liberalism) may be ironic, but it is not paradoxical argues Tsoucalas. This is just how Greek capitalism works. And this is where we must look in order to comprehend both the country’s productive structure as well as its political institutions. But what now – that the system has reached an apparent impasse? Tsoucalas bitterly observes that in the aftermath of the crisis, the tendency has been for “expert government” to take over. Although in official rhetoric this promises to deliver consensus on the basis of allegedly “rational” principles, it is but thin disguise for the domination of crude neoliberal economics not only over politics but also history, ideas and, in the end, rationality itself. A key lesson to be drawn from the Greek experience is how perilous this may turn out to be.

Christos Laskos and Euclid Tsakalotos focus on the economic particulars of the Greek problem. Grounding their analysis in the observation that, no matter how we approach the domestic mechanics of the crisis, the latter still remains a second-order phenomenon (an instance of the global crisis of capitalism), the authors meticulously dispel the view that the financial crisis is a result of an allegedly acute fiscal crisis. Like Tsoucalas, Laskos and Tsakalotos too stress the role played by the Greek state. But, contrary to the orthodox view, they point out that this was hardly comparable to the typical western ‘welfare state’. For the most part, the goal of state intervention in the economy was to prop up special business interests, especially in the form of lucrative public-sector contracts. A related state function has been the granting of “clientelist favors”. But, once again contrary to the conventional wisdom, clientelism has hardly been a “popular tool”, but, rather, a means of domination. Of course, establishing vertical-clientelist networks would (and did) let some of the “steam off”; but the overarching goal was preventing and/or subverting horizontal organizing. Be that as it may, the point remains that neoliberal reformism, the effort to “correct” Greek irrationalities along the dominant lines is hardly a novelty. An important number of neoliberal reforms, such as the liberalization of financial institutions, extensive privatizations and the flexibilization of the labor market have been taking place throughout the 90s, long before the troika imposed the current Armageddon. Reflecting on the outcomes (a fragile economy now ravaged by deep recession) is the best proof that alternative economic thinking is urgently needed.

The period since the imposition of the troika austerity packages has witnessed an immense thickening of political time. In the face of mounting popular resistance, the Papandreou socialist government (which adopted the
first bailout plan in May 2010) was replaced, on November 10 2011, by a
government of so-called national accord headed by Lucas Papademos, a former
vice-president of the European Central Bank. But the procedure followed, if
not outright unconstitutional, was clearly in a gray zone between democratic
legality and executive arbitrariness. Indeed, authors such Kouvelakis (2012)
have claimed that the installation of the Papademos government (as was also
the case with the Monti government in Italy) can be considered “a bloodless
coup”, conceived and administered by Eurozone leaders. As seen, the two
electoral contests that followed shattered the party system that had come
about after the regime transition in 1974.

But none of this happened peacefully or uneventfully. In fact, the key ele-
ment in the period leading up to the electoral contest was not so much official
politics but, precisely, the politics of popular protest. Employing conceptual
and theoretical tools from the booming literature of contentious politics (and
further adding to them) Loukia Kotronaki examines the mechanics of this
protest with a special focus on the Greek version of the global Occupy move-
ment, or the Greek *Indignados*. The two-month long occupation of central
city squares all over Greece (above all in capital city Athens) reflected not only
the impasses of the political system (its reform deficit and its corollary coerc-
itive surplus), but also deficiencies of traditional protest organizations such as
trade unions and leftist political parties. It may be said that, in that sense, the
Indignados represented the quest for a new politicization. Kotronaki, howe-
ever, pays special attention to the multifaceted nature of the phenomenon. The
*Indignados* were definitely not monolithic, and politicization was hardly uni-
form. This has led some analysts to claim that the *Indignados* also bred the
extreme Right (in particular the Golden Dawn neo-Nazi party). Kotronaki
dispels the view, meticulously showing the distrust with which neo-Nazism
approached the *Indignados*, and raises questions about how we must approach
the fascist phenomenon theoretically. That neo-Nazism is so closely linked to
the repressive apparatus of the state, argues Kotronaki, means that we should
think twice before calling it a “movement”. What cannot be denied, however,
is that contentious collective protest utterly transformed Greek politics.

In his own succinct article, Ilias Nicolacopoulos focuses on this dramatic
change from the viewpoint of party-system dynamics, showing the ways in
which the two elections of May and June 2012 represented genuine political
earthquakes. Basing his analysis on fine-grained exit poll data, he paints a vivid
picture of the new political landscape, marked by the collapse of the ruling so-
cialists, the dramatic split in the right-wing vote (involving the drop of conser-
vative ND to a historic low of less than 30% and the emergence of a 7%-strong
neo-Nazi party), and the electoral upsurge of the radical Left (from 4.6% in
2009 to 16.7% in May 2012, to 26.9% in June 2012). What is perhaps even
more interesting, however, is that Nicolacopoulos observes the emergence of
new profound (and mostly cumulative) cleavages combining to bring about
virtually ‘two countries’ in one: a generational cleavage (between those below
and those above 55); a geographic (urban centers vs. the countryside); and a
class-occupational. The new party system is still in a transitional stage, but one
thing is certain: no going back is possible. Given the critical nature of the period, what will the new landscape look like in the months and years to follow?

No ex ante answer can be given of course, but Greece (as well as Europe as a whole and beyond) is obviously at a critical crossroads. The global and deeply political nature of its problems requires revisiting steadfast held orthodoxies, and new thinking for coping with the impasses of neoliberal capitalism. Above all, it requires democratic deepening which, as in the past, can only be attained via the activation of the *demos*—both in Greece and internationally.

**References / Références**


