The Greek and the European Crisis in Context

AT THE BEGINNING OF THE NEW MILLENNIUM, Greece, a weak, peripheral nation in the European economy, was still licking its wounds from the greatest politico-financial scandal in its post-war history – the collapse of the Athens stock exchange. The wild stock market speculation had been fueled by often-repeated statements from various government officials (with Finance Minister Yiannos Papantoniou leading the chorus) that the upward trend was an accurate reflection of the robust state of the real economy. Millions of Greeks, with no prior experience in stock market investing, rushed to take advantage of the apparently golden opportunity to strike it rich overnight. The result was an estimated loss of approximately one hundred billion euros, mostly from small investors, and the largest redistribution of private wealth ever in the country's history. It was a scam of grand proportions, equal in conception to Albania's 1996-97 Ponzi scheme frenzy, even if the latter had far greater economic, political, and social consequences.

The socialist government of then prime minister Costas Simitis was indeed directly responsible for the dramatic rise and collapse of the Athens stock exchange but this development was not an aberration: under the reign of Costas Simitis, Greece's prime minister between 1996-2004, the socialist party (*Pasok*) had been radically converted from a populist but kleptocratic political organization into a neoliberal party of political thugs who practiced systemic political corruption but preached the virtues of untamed markets. A prime example of eye-popping political corruption involved the bribery of socialist party and government officials by the German industrial multinational Siemens – and the passing (1997) and amending of laws (2001) which makes it impossible to prosecute ministers for crimes committed while in office.

Yet, in spite of all this, an optimistic view of the future of Greece prevailed among the general public. Though wildly unqualified, the country had been accepted into Europe's economic and monetary union on June 19, 2000 and Athens had been chosen as the host city for the 2004 Summer Olympic Games. In both instances, the nation's politico-economic and media elite played key roles in spreading a strong sense of national pride among the population while conveniently concealing the huge problems and inefficiencies of the Greek economy. With regard to hosting the Olympic Games, only the Left had expressed reservations and even objections, wondering aloud whether the country could sustain the cost for this extravaganza event, which was going to carry a prize tag of several billion euros.

In many and no non-essential ways, the organizing of the 2004 Summer Olympic Games was just the prelude to the solvency crisis that erupted a few years later and which has forced so far the EU to extend two rescue packages of unprecedented size in order to avoid a contagion effect into the rest of the eurozone. Typical of the way the corrupt Greek state authorities are accustomed to conducting public affairs, the actual cost of the Olympic Games has yet to be made public; however, estimates range anywhere from 10 to 20 billion euros. Moreover, the return benefits have been insignificant while most of the sports venues built (Greek authorities refused to build temporary ones, probably aware that the kickbacks would have been far smaller in size) remain idle, and nearly all facilities around the Olympic Village are abandoned.

Spending money on public sector investment of dubious value, total absence of accountability, and sheer administrative incompetence are all hallmarks of the Greek state and striking characteristic features of the way the nation's two main political parties have been ruling the country since the reestablishment of parliamentary democracy

37 years ago. While the alleged bloated public sector (which is no bigger than the average public sector in Europe) draws the media's ire for the fiscal woes of the Greek state and its employees have become a political punching bag even for government officials themselves, the Greek capitalist class has been thoroughly dependent on the state and, like any parasitic capitalist class, has lived largely off the state budget. The plundering of the public wealth for the benefit of the domestic economic elite has been done largely in the form of huge public work contracts (always with a hefty kickback to the politicians involved) and massive tax evasion. State protection is also provided to the domestic business/industrial/financial class for labor law violations, environmental pollution, illegal construction, etc.

The corrupt "exchange system" is so entrenched in every aspect of the public administration system, but also quite prevalent throughout civil society and the private business sector, that a disillusioned and cynical citizenry has been formed, often enough incapable of exhibiting social and political responsibility or for standing up for what might be loosely called the "common good". By the same token, professionals and trade unions have become narrowly based special interest groups who engage in strikes and other forms of political protest only when their own interests are threatened, and frequently do so at the expense of other sectors of the economy, as this summer's taxi drivers strike clearly revealed. In fact, the history of the Greek syndicalist movement (syndicalist organizations are aligned with different political parties) is full of examples where what passes for radical action is in fact a subversion of the public interest. (It is quite typical in Greece for a few hundred people to block access to all main roads in the capital of Athens so they can stage a demonstration or a march!).

From the perspective of contemporary political science, all of the above are traits not of developed and democratically run societies, but of backward, clietelist-based political systems and deformed political cultures. Indeed, in surveying Greece's political landscape, one would be hard-pressed to identify a single Greek leader in recent years from any point on the political spectrum who possessed the ability, or the courage, to conceive and articulate a long-term vision for the future of the country's political life and pedagogically engage the public in the rebirth of a civic virtue. Similarly, the political elite as a whole – including intellectuals – has shown no interest at all in charting a national development strategy, or in tackling, in a concerted and systematic manner, the plethora of domestic and international challenges the nation faces. In consequence, whenever a full-fledged crisis – whether domestic, international, or environmental – has surfaced in the past few decades, the country has experienced significant trauma. Hence the current situation in Greece is not merely one of a severe economic crisis but also one of deep political, social, and even moral decay.

The Greek political system has failed as tragically as it has because the two main political parties (socialists and conservatives) have governed via clientelist practices and undemocratic principles. Political leaders have taken turns locking voters into a long-term relationship based not on the delivery of public goods and a just social order, but on promises of targeted resource redistribution to party faithful. Political leaders have treated the state not as an instrument for carrying out just and effective social and economic policies, but, instead, as a tool for realizing party-based goals, clientelist relations, and purely personal interests.

This undemocratic and corrosive political process helps to explain, in large part, why the Greek public administration system is so inefficient and notoriously corrupt, but it also sheds light on why the nation as a whole seems to lack a culture of public attitudes and projects built around common interests and civic life. Indeed, in a world of ceaseless competition, possessive individualism, and social decay, all too often we forget what is most critical in the idealization of true democracy: the creation of good citizens and the pursuit of the good life.

The ills and anomalies in Greek political culture are truly astonishing when we consider that Greece is a European Union (EU) member state. Greece's underground economy generates more than 40 percent of official gross domestic product (GDP); tax evasion is so widespread that it covers virtually every aspect of society, and the percentage of people on disability pensions or early age retirement far exceeds that of any other country in the EU. In addition, political scandals and financial crimes – many of them of gigantic proportions and with such severe legal and political implications that, in other countries, they would have led to the collapse of entire governments and heavy prison sentences for the culprits – routinely go unpunished. Laws are violated systematically on virtually every basic civil matter, ranging from drunk driving and double parking and parking on sidewalks to smoking in public places, and often with the complicity of the authorities themselves.

In this sense, Greece's sovereign debt crisis, which exploded in 2009 (the country's budget deficit stood that year at 15.4 percent of GDP) may have been precipitated by the financial global crisis of September-October 2008, but it had long been in the making. It was, in effect, a time bomb waiting to explode. In Greece, income tax rates were always very low, tax evasion massive, and Greek governments have run deficits since the early 1980s and produced a public debt which was consistently well over 100 percent of GDP. Moreover, the nation's fiscal deficit remained outside of the world's view for so long because of the systematic use of cooked statistics, which were sometimes submitted with the cooperation of the EU authorities. Even the budgetary statistics that were the basis for Greece's entry into the eurozone had been manipulated in order to present a rosier economic outlook.

The fact that Greece ran huge deficits for at least the last two decades is only part of the story. The other part is the nature of the economy itself. Greece has an economy which is not only predominantly service-oriented (based largely on tourism and agriculture), but also highly inefficient. The domestic economy is controlled by an oligarchical structure in which large business conglomerates and wealthy individuals, in alliance with the domestic political elite, own the bulk of the country's wealth, control the media, and set the political and economic agenda. Its major inefficiencies hamper severely the country's international economic relations. Indeed, the Greek economy is in such dismal condition that a restructuring with a 20% haircut, as the second rescue package seems to entail, will hardly address its problems.

In the decade ending in 2007, Greece's GDP grew by about 4 percent a year; however, everyone now recognizes that this growth was due almost exclusively to heavy government borrowing and historically high levels of private debt and consumer spending. In a word, Greece's economic development of the last ten years was based on a bubble economy.

HAVING SAID ALL THIS, we should not underplay at all the significance of the neoliberal global crisis, especially since Greece has been fully incorporated into the neoliberal framework of the European economy for nearly a decade now. Global neoliberal capitalism has plunged much of the advanced world into a crisis of unprecedented proportions and is causing misery and suffering for millions of people. Economic insecurity, mass unemployment, declining wages, poverty, social marginalization, crime, fear, and social decomposition are now defining features of many advanced societies. With growth concentrated largely on speculative financial activities and the suppression of wages, wealth is so unequally distributed in many advanced capitalist societies that the social and historical boundaries between rich and poor nations have completely broken down. Wealth and poverty coexist in close proximity in many cities in advanced societies just as they do in the less developed world.

With the belief that markets on their own terms are the best means for the maximization of growth and development and that societal interests are best served when individuals act more like consumers than citizens, the neoliberal dogma is by far the most dangerous ideology of our times. Essentially, neoliberalism represents a counterrevolution to the post-war regime in the area of economic and social rights and connects to the interests of the rich, corporations, and the needs of the dominant form of capital in contemporary capitalism, that of finance.

Under neoliberalism, politics has surrendered power to the wealthy elite and to the financial markets and institutions. The state, through complex forms of intervention and mediation in the public arena, has sought to balance out the sources of large-scale friction between competing social forces. In an effort to assure the stable reproduction of capitalist economic and social relations, it has been converted into an instrument for carrying out the policies of the global neoliberal project without concern for the cost on human lives.

Neoliberalism has allowed the liberalization of labor rules, privatization of state assets, budget cuts in social programs, public education, and public health. It has protected sharp tax cuts for the rich, real estate, banks, and financial transactions. It has worked to strengthen the penal state. It has supported the penalization of poverty and criminalization of many social movements resisting the collapse of the public sphere.

Europe as a whole is the latest victim of global neoliberal economic policies. The global financial crisis that reached its peak in September-October 2008 has become a global employment crisis. This crisis has engulfed Europe, threatening to dismantle the last vestiges of its social market economy and complete the destruction of fundamental social rights of workers.

Since the Maastricht Treaty in which Europe fully expressed its intention to embrace and reinforce the global neoliberal project, the erosion of social welfare guarantees has proceeded with only popular resistance standing in the way of the complete dismantling of social democracy. Now, as the global crisis has spread all over Europe, bringing to the forefront the flaws of the euro as a single currency throughout the EU, fiscal problems and sovereign debt have emerged as pressing issues. Fiscal discipline and severe austerity measures are being implemented in order to tame the global financial markets and provide stability to the European banking system.

Greece, having already received one gigantic rescue package in order to avoid bankruptcy and the contamination of the rest of the euro-periphery, is under the command of the EU and the IMF and has become subjected to unprecedented draconian austerity measures. But Portugal, Spain, Italy, France, and England have also joined Europe's austerity club with deep budget cuts. Latvia and Romania are also under EU/IMF supervision and their economies have been subjected to shock-therapy treatments for the bailout loans they received.

The wave of fiscal austerity that has spread across Europe can be seen as a reflection of the worries of European governments over market reactions following the Greek debt crisis and is fundamentally a manifestation of Europe's strict adherence to the neoliberal dogma and EU leadership's unwillingness or inability to provide an alternative policy framework to financialization in the context of the global neoliberal economy.

In Greece, Portugal, and Spain, "social democratic" governments came to power with a mandate for the implementation of a progressive agenda, but, in the face of market pressures and direct orders from the EU and the IMF, quickly discarded even the pretext of being agents of progressive reform and began to impose unprecedented cuts and austerity measures which reduce significantly the standard of living for working people through the rollback of long established social programs, social entitlements and social rights. Programmatically there is no longer anything that sets apart southern European "social democratic parties" from neoliberal parties.

Greece is by far the most striking example of how politically opportunistic social democratic parties have become in the age of global neoliberalism. In its 2009 electoral campaign, Greece's socialist party, *Pasok*, led by George Papandreou, offered the model of "participatory democracy" as the foundation of a new politics. It rejected the claims of the centre-right political party, New Democracy (which was in power since 2004), that huge deficits and a lack of state funds made any talk about massive public spending and investment highly irresponsible, and promised a break with rightist policies. Worse, Papandreou (also the leader of the Second International) wooed voters by telling them "there is plenty of money around" and declared that, if elected as prime minister, his government would manifest "the political will" to find money for the common folk, just as it had been found to bail out the banks. Papandreou continued this tactic all the way up to his win in the national elections of October 2009.

Yet, the first action Papandreou took as new Prime Minister was to prepare the ground for turning Greece over to the IMF. Next he set in place the most austere measures ever undertaken by any European government, which involved sharp pay cuts, sharp increases in added value taxes, pension reductions, slashes in social programs, increases in the legal maximum number of people companies could lay off each month, extreme pension reforms, privatization of state assets and tax breaks for the rich and the banks. He accepted without a fight the EU/IMF terms and conditions for the first rescue package (worth 110 billion euros) in spite of the usurious nature of the agreement (it carried a 5 percent interest, while Germany borrows at very low rates) and went out of his way to convince the Greek public that it had to show patience and exhibit "patriotic duty" (just as he did!) as the crisis would be over by mid-2011. What happened of course is what every economist had been predicting and warning about from the start: the economy took a sharp turn for the worse (GDP shrank by 4.5 percent in 2010 and is expected to decline again by more 4 percent in 2011; in fact, the GDP dropped the second quarter of 2011 by 7.3 percent), unemployment reached catastrophic levels (it presently exceeds 16 percent, but all labor analysts estimate it to be closer to 20 percent), and the debt increased. If this wasn't enough, Papandreou has not taken a single action to combat corruption or to go after the rich and the big businesses which owe some 42 billion euros in back due taxes. Nor has he shown any willingness to collaborate with the Swiss government in order to go after the estimated 600 billion euros that Greek tax fugitives have stashed away in Swiss bank accounts. And neither has his government reduced state expenditures or even undermined the power of vested interests. The Greek political class seems to act as if the crisis does not apply to itself, imposing in the process an ever heavier burden on the laboring population and the pensioners.

Papandreou's popularity rate is now at 20 percent, an all time low for any Greek prime minister who served in office the last 20-30 years, and is probably the most reviled public figure in the nation. At the present moment, the main task that the Papandreou government has embarked on is the sale of all state assets under the model implemented in the privatization plan by former East Germany. Indeed, the government policy, under the direct command of the European Union and the IMF, may be aptly summarized in a few words: "Greece: A Nation for Sale."

Papandreou's stance to the sovereign debt crisis of Greece illuminates a symbiotic relationship between the neoliberal project and EU interests. The EU has proven to be a disastrous economic experiment largely because of its single-minded commitment to the neoliberal economic dogma and because it has made a mockery of democratic values and institutions. It has spread general disillusionment among the European citizenry. Poverty, unemployment, inequality, stagnant wages and deteriorating living standards are becoming the hallmark of the policies generated in Brussels. In the midst of the worse crisis in post-war Europe, the European Central Bank regards the fight against inflation as its exclusive legal task, with growth, prosperity, full employment, and social rights having been sacrificed in order to secure the financial system's primary interests.

Neoliberal global capitalism, which Europe has fully embraced, represents a highly destructive socio-economic order. Millions of people in scores of communities around the world have been ravaged by the functions and operations of global casino economics. As for Greece, the country went bankrupt because of its domestic political, social, and cultural attributes and because, economically, the country was not ready for the challenges posed by single currency without fiscal unity. Now, as the "weak link" in the eurozone economy, Greece is in a long fight for its economic and possibly national survival. It is a crisis of profound severity. This crisis may have even greater implications. As Antonio Gramsci once said, "The old is dead, but the new not yet born." In due time, we may see similar developments in other eurozone countries. While Europe has become the last bastion of global neoliberalism, the task at hand is putting in place the conditions for radical social change – a revolt against the existing order, where competitiveness on international markets demands the pauperization of work, and an attempt to create a more decent one.

The second Greek "rescue package" (laid out at the European Union Summit in late July 2011 but currently on hold due to "technical" and political reasons) is nearly as flawed a financial plan as the first one. It will intensify the structural adjustment program already under way and will dismantle whatever is left of Greece's scant welfare system. (For the record, Greece already ranks among the most unequal societies in the world, with over 20 percent of the population living below the poverty level, and its social services resembling those of an undeveloped rather than those of a developed country). Second, it acknowledges that Greece is bankrupt but hopes that this will be treated by markets as a temporary development!), pushes the debt problem into the distant future and makes some vague promises of a development program along the lines of "a new Marshall plan." The latter is typical of the type of empty rhetoric that the EU leadership has employed from the start of the crisis, and it would be very naïve on the part of anyone to place any value in this idea. Finally, this is a plan through which, as Eurogroup Chairman Jean-Claude Juncker said recently in an interview to Germany's *Focus* magazine, "The sovereignty of Greece will be massively limited."

EU's latest reaction to the Greek sovereign debt crisis is the continuation of a bad theatre play, something for which both Greece and the eurozone as a whole may end up paying quite dearly. First, the Greek debt drama has touched off a firestorm of public reaction that is uncommon even for Greece itself. The wrath of the people is not directed simply against the austerity measures but also against the political establishment. In Greece, it seems that almost everyone now has finally realized that the domestic political class is not only thoroughly corrupt and irredeemably irresponsible, but also infuriatingly inept, horribly ignorant and profoundly incompetent. In gestures of apparently complete frustration, citizens are, nowadays, physically attacking ministers and members of the parliament in broad daylight and routinely stage massive demonstrations outside of the parliament, shouting, "Thieves!" and, "Traitors!" at the elected officials inside. As to what they think about the system of parliamentary rule, the following popular slogan captures quite accurately the public sentiment: "Burn the parliament down, it is a bordello."

The public anger over corruption, the harsh austerity measures and political incompetence is certainly justified even if it comes from the same citizenry that has allowed the two major political parties to retain their monopoly of political power by voting largely on the basis of clientelist expectations. As noted earlier, the failure for the emergence of civic virtue and a culture based on a common good lies firmly and squarely on the back of the political establishment, the media and the intellectual classes.

The prospects for progressive change in Greece are virtually none. The Left, even though it has gained some popular backing over the last few months, remains caught in its old-fashioned fractionalist mentality and dangerous machinations for hegemonic leadership over the working class movement. It also lacks any clear vision for programmatic change and confines itself to anti-capitalist rhetoric. (The extreme right is also gaining in strength, but its leadership is keener on becoming part of a future government coalition than instigating social unrest). At this juncture, the biggest bloc of voters seem to be angry and frustrated citizens who have become fed up with politics in the traditional sense and with politics as usual. The extent to which this segment of the citizenry may emerge in the near future as a potent social force to be reckoned with remains unknown, but the chances for this happening are rather slim given the very broad and diverse background of their participants.

The future of Greece in general, and possibly of the eurozone periphery, is also rather grim. Germany and the northern EU countries have shown clear unwillingness to deal with the European sovereign debt crisis (lack of support for the European project is far greater among the citizens of the northern European countries than it is among the southern EU member states) in a firm and decisive way. As a result, Spain and Italy have already become a target of the bond vigilantes, and countries like France and Belgium will certainly be next. But the game may not go into any extra innings if Spain and Italy begin to show signs of insolvency. Unlike Greece, the size of those economies is too big to be rescued. At that point, the party is all over and several EU member states may be forced to return to their national currencies. This would be a great pity, but one cannot ignore the fact that the EU institutions have become a bastion of the neoliberal project and that the European project itself is turning into a scary dystopian nightmare.

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