ETUDES HELLENIQUES

HELLENIC STUDIES

LA CRISE GRECQUE
THE GREEK CRISIS

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Volume 20, No 2, Autumn / Automne 2012

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The Greek Crisis

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The collapse of Lehman Brothers in September 2008 opened a period of economic turbulence for the global economic system so strong that no one can predict when it will be righted. It is the beginning of a financial crisis greatly reminiscent of the *Great Depression* of *1929*.

The American crisis crossed the Atlantic and struck Europe. Greece was one of the first European countries affected, along with Ireland and Portugal, then followed by Spain and Italy. Today, France is beginning to be affected and the various rating agencies have an eye on it.

For a while Greece was responsible for all the ills that affected the economy. There is no doubt that the *Metapolitefsi* (the Greek term for the democratic era after the dictatorship) had given birth to a political system specialized in corruption and deceit as the Greek political system established corrupt governance and political clientelism became an extreme practice. In fact, since its independence from Ottoman rule, Greece has not managed to build a modern state capable of establishing an effective administration. Indeed, given the weakness of the Greek state, tax evasion was always and remains a scourge for the Greek economy. In fact, what is specific to the Greek crisis compared to other countries in the Eurozone is the extent of its structural problems, including the difficulty in collecting the taxes. Nevertheless, despite all these evils which have overwhelmed the Greek government and the existence of country-specific factors, it soon became apparent that the Greek crisis was not an isolated phenomenon but part of a deep European crisis. This crisis actually marks the beginning of the debt crisis in the Eurozone. There is also a North/South split as the gap between the Southern European states and the Northern states grew to the widest within the Union.

In fact there are three levels to the Greek crisis. The first is in Greece itself, with problems specific to the country, its state and its society. The economic, political and social turmoil has produced (in Antonio Gramsci's words) an

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"organic crisis" of the whole of society. The second level of the crisis is that taking place across Europe and in particular in the Eurozone, in which Greece is the focal point. The Eurozone in particular does not have the adequate institutional framework to deal with the economic problems that have arisen. The proof is that the medicine administered to Greece did not, until now, yield tangible results. The third level of the crisis is global and it is the crisis of capitalism itself declining in its own cradle, Europe, and in the West in general. Indeed, the center of global economic activity is moving increasingly to Asia. A new dynamic capitalism is being erected in this part of the world and China is the vanguard.

The fact that Greece with a population of a mere 11 million and a GDP of $300 billion (only 2% of the Eurozone economies) can create systemic risk for the world, speaks volumes about the downside of global interdependence. This shows clearly the interdependence of the global capitalist economy.

In October 2009, despite the bleak picture of the Greek economy, the Panhellenic Socialist Movement (PASOK) won the national elections after more than five years of the center-right New Democracy rule on a "spending" rather than an "austerity" platform. In May 2010 and in the face of enormous deficits, poor credit ratings and sky-high interest rates, the PASOK government decided to resort to the rescue mechanism put together by the so-called 'troika', namely the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF).

Over the next three years, namely from June 2010 to the present, representatives of the three organizations visit Greece regularly and try to shape the country's new fiscal, income, pension and employment policies. Moreover, the troika monitors one of the harshest austerity programs ever applied on a global scale, to which Greece committed through the so-called 'Memoranda', in exchange for large international loans supplied in the form of rescue packages (the first package was drafted in May 2010 by the George Papandreou government, the second in February 2012 by the technocratic Loukas Papademos government and the third in October 2012, by the tripartite coalition Antonis Samaras government).

Never before in its post-war history, perhaps with the partial exception of the decade that followed the end of the bloody Civil War (1946 – 49), has the dependence of Greece on exogenous agencies seemed so conspicuous. The consequences on Greece's economic indicators were indeed dire, leading to the country's fifth consecutive year of recession. The tremendous wage and pension cuts applied in both the public and the private sector since the first

Memorandum together with sharp tax increases have also led to unemployment, high poverty rates, desperation and social unrest.

In this context, to mention euroscepticism or nationalism as a feature of Greek culture is to exagerate. One finds the same phenomena in different varying degrees in most European countries. It is more neoliberalism that has contributed to aggravating the present crisis and which has affected the social fabric of Greece and even that of Europe.

The Greek crisis began in October 2009 when the Fitch Ratings downgraded the financial debt of Greece from A to A- with a negative outlook. In December, the same rating agency lowered this grade from A- to BBB +. The other rating agencies followed, including Standard & Poor's and Moody's, which also began to lower the debt rating of the Greek state. Under pressure from the Europeans, in December 2009, the government of George Papandreou announced an austerity program aimed at restoring Greece's public finances. In January 2010, the Greek Government outlined a plan of fiscal consolidation but failed to convince markets of its ability to resolve the debt crisis.

In May 2010, Greece confronted its huge deficit and inability to borrow on the markets and resolved to address the European rescue mechanism and accepted the supervision of the troika formed by the European Commission, the European Central Bank and the International Monetary Fund. In fact, as the Europeans alone were unable to rescue the country, Greece accepted the participation of the IMF in the rescue mechanism.

Despite the various bailouts, despite the austerity measures imposed, despite the Greek debt restructuring in the spring of 2012, the Greek problem was not solved. Greece's public debt, which represented 130% of GDP at the end of 2009, is now more than 170%. Moreover, it should represent 190% of the gross domestic product (GDP) in 2013, which makes it very unlikely to reach the goal of 120% of GDP in 2020. This is why IMF officials have repeatedly expressed recently, both in private and public, the opinion that another restructuring is necessary for Greece in order to have a solvable debt. But Germany, the largest contributor to the bailout European fund set up by the Eurozone, rejects this idea for now, arguing that is contrary to European law. Berlin, for reasons of domestic politics will not make such a decision before the German elections in September 2013.

Greek GDP was meanwhile reduced more than 20%. Unemployment hit a record high of 25.1%. More than 1,000 jobs lost every day over the past year.

In the worst-affected group, ages 15-24, unemployment was 54.2 %. According to a recent Eurostat survey, 27.7% of the population of Greece, more than 3,031 million people, live in poverty and social exclusion. This is the highest social poverty recorded in the Eurozone. Only Eastern Europe has worse numbers. In 2013, Greece should enter its sixth year of recession. The outlook for the future remains grim.

What are the root causes of the economic crisis which erupted in Greece in 2010? Are they primarily economic, political or should one concentrate on particular external causes, like the global economic crisis and/or the design flaws of the Eurozone? More important, is there a way out from the current economic, political, ideological, psychological and cultural stalemate Greece is facing, which is both desirable and feasible? The contributors to this special issue attempt to provide both explanations to Greece's failure and to the ongoing Greek crisis as well as to offer a path for "re-inventing" Greece.

Sotiropoulos argues that the way Greece's political system was structured in the post-Junta (1967-1974) period (called the *metapolitefsi*) contributed to the economic derailment of the country in the late 2000s. More specifically, his contribution suggests, rather convincingly, that a series of domestic causes of a structural nature, namely the polarization of political party competition, the extensive politicization of state administration, the power of strong vested interests, including the interests of state-dependent business entrepreneurs and public sector trade unions, and the dominant populist political culture contributed to the derailment of the Greek economy and to Greece's failure.

Indeed, the two parties dominating Greek politics and alternating in power from 1974 to 2011, namely the center-right New Democracy (ND) and the center-left Panhellenic Socialist Movement (PASOK), have affected state administration and through patronage-based policies aiming at the reproduction of their electoral bases have created an inefficient and corrupt state which was practically incapable of conceiving, managing and following up reforms, related mainly to privatizations and public sector restructuring. By implication, both ND and PASOK remained unable to steer the Greek economy even before the crisis and were primarily responsible for the malfunctions of the state apparatus, but were not alone in the game of favouritism and the allocation of spoils.

In addition, Sotiropoulos argues that since the mid-1970s two opposing cultures have cut across political parties and social strata thus emerged. One was pro-reformist, pro-European and modernizing; the other was suspicious of any reform, resentful towards Europe and open to nationalist and populist narratives. Interestingly, even before the economic crisis took its toll on popular perceptions of political institutions, citizens did not trust important institutions of Greek democracy. Trust in the government and the political parties fell dramatically between the spring of 2003 and the spring of 2010, just when the crisis erupted in Greece.

According to Sotiropoulos, the party system; state administration; mode of relations between the state and organized interests; and dominant political culture have all contributed to Greece's inability to plan and program economic development. Greece's economic derailment in 2010 should thus hardly be considered a new development, given that Greece's economy was already in its third subsequent year of depression while the country has been running deficits for almost ten years in a row. Unsurprisingly, such a weak link in the world's economic chain was bound to break, as soon as the global financial crisis erupted in 2008. Indeed, as Pagoulatos argues, "the Greek crisis was the meeting point of a domestic public debt crisis and a euro-systemic crisis. Two storms met over Greece, and created the perfect storm". Furthermore, the political and social consequences of the Greek crisis seem to be also of utmost importance, both authors argue, as shown by the spread of unemployment and social unrest, the rise of the Left and the Far Right, the creation of a new dividing line of the Greek society and body politic, polarizing the pro- and anti-Memorandum camps and the intensification of the deep cleavage in Greek society between Europeanists and nationalists.

It could be argued that during the current economic crisis, the so-called anti-Memorandum political parties in Greece viewed and presented the process of Europeanization as a type of 'imposed Europeanization', which asked for ruthless austerity measures along with harsh structural reforms in Greece's institutions. This in turn enhanced Euroscepticism, not only among the Greek public, but also among most of Greece's political parties. Consequently, Greece's European identity started being questioned by a furious Greek public and the country's immediate default and exit from the Eurozone started to look like an attractive alternative. Thus, at the level of discourse, the very essence of Greece's participation in the European project and, by implication, the range and depth of Greece's Europeanization have been questioned.

Unfortunately, Euroscepticism in Greece was further enhanced by the policy prescriptions the EU and IMF decided to put forward at the time. Suggested, and to a certain extent imposed, by the German Chancellor Merkel, that policy prescription was but a coercive formula which, coupled with the on-going crisis in the Eurozone and the EU's political and legitimacy crisis, further delegitimized and disdained any progress achieved so far by Greece in terms of "policy Europeanization", namely influence of the EU integration on Greece's foreign policy (actors, policy instruments and styles).

At this point, one may add the brain drain and a reverse migration of the most productive immigrants in the country to the list of negative consequences. The top destinations were Germany, Australia, Canada, the UK, Cyprus, Israel and Belgium. Yet Greece, like most other EU countries is still an attractive destination for poor immigrants. However, with the largest number coming from poorer countries such as Albania, Bulgaria, Romania, Pakistan, Afganistan, Irak, Palestine and Georgia, it is likely that the majority of new arrivals lack the skills to replace the emigrants.

Moreover, as Bouzakis and Diplari argue, the Greek economic crisis has also brought about dramatic transformations in Greece's education system (budget cuts and teachers' salary and pension cuts, school mergers and closures, reduction in staff recruitment). In addition, poverty, unemployment, and increasing income deprivation will rapidly exacerbate the social inequalities in education, because having access to educational goods will become more and more difficult for the 'have-nots' given that the already unaffordable 'free education' will become even more expensive and inaccessible. The authors also highlight that so far Greece ranks first in school closings and cuts in teacher salaries, second in pension cuts and fourth in the list of compressing the state education funding.

According to Pagoulatos, the current, pro-European, reformist coalition government (New Democracy, PASOK and the Democratic Left), which became possible because in the June 2012 elections the fear of Euro-exit prevailed over opposition to austerity policies, realizes that adjustment policy conditionality is indeed Greece's last chance to reform the Greek state and economy within the Euro. Greece's efforts alone are necessary but insufficient for succeeding. At the end of the day, it will all depend on whether the Eurozone will summon the determination to treat the Eurozone crisis as a systemic crisis of the EMU, requiring far-reaching amendments to its architecture and innovativeness in the applied policies. Indeed, the great challenge ahead for the Eurozone, Pagoulatos argues, is to come up with the new grand bargain that will secure the Euro for a lifetime so as the dividing wall that is creepingly being erected in the Eurozone; i.e., between the 'virtuous' North and the 'failed' South, be torn down before it brings down the Union.

Catsiapis' contribution is very telling about the different perceptions that are prevalent in Europe's north and south about the Greek crisis. More specifically, referring to surveys performed in different European countries, Catsiapis observes that solidarity with the Greeks, who suffer from a severe financial, economic and social crisis is relatively high among the peoples of southern Europe and France while the public and the media in Germany and some other northern European countries are hostile or reluctant to provide aid to Athens. However, this solidarity is fraying as the crisis spreads gradually to other European countries. Catsiapis concludes that Belgium, Spain and the United Kingdom are crossed by centrifugal forces from some of their provinces, benefiting from an economy not too much inclined to recession, with solidarity with these countries experiencing serious difficulties.

In his contribution, Frangonikolopoulos argues for a more self-confident and outward looking public diplomacy that Greece should pursue amid a severe economic crisis. The author observes that the Greek economic crisis and its potential impact on the future of the Eurozone have monopolized media coverage globally. The international press has mounted a fierce and negative campaign against Greece, yet Greece has not responded to the critics. So far, the country seems to be passively accepting that politically and economically it is on the periphery of the West and the EU, anticipating solutions to the country's problems to be provided only by Brussels and Washington.

Frangonikolopoulos argues that Greece could invest in the critical role that public diplomacy plays in contemporary global politics. This requires a shift from a public diplomacy that concentrates only on forging cultural and educational links to a public diplomacy that focuses on the most significant regional and global issues by encouraging communication and dialogue, with official and non-state actors, working with and through internal and external societies and public opinion. When considering Greece's location in a complex, volatile and security-consuming geographical zone, including the Balkans, the Black Sea region, the Mediterranean and the Middle East such a public diplomacy strategy will not only provide the country with new opportunities in dealing with its bilateral problems (Turkey, FYROM) but also enhance its relevance and influence in multilateral organizations and forums, supplying it with ample opportunities in world affairs far beyond its current economic condition and limited hard power capabilities.

Based on the assertion shared by the other contributors herein that a solution to the Greek problem should be partially Greek and partially

European, Valaskakis provides an inspiring agenda of seven proposals for "reinventing Greece" in the months to come, including –inter alia—an "Intelligent Strategy for Greece", a European Central Bank with new powers and responsibilities, plus better use of the Greek diaspora.

Michael Damanakis focuses precisely on analyzing the behavior of the political elite on education in the Greek diaspora. More specifically, he looks at the case of the last law "Teaching of the Greek language abroad", voted in the Greek Parliament on November 2011. The purpose of the paper is twofold: a) on the basis of existing data, analyze and highlight the logic underlying the policy regarding the law and b) answer the question as to how much the economic crisis could be used as an argument for legitimate restrictive educational policies.

In conclusion, the debt crisis of Greece and of the other peripheral countries could weaken the European Monetary Union. The Greek crisis should be an opportunity for Europe to respond politically to its own structural deficit. Instead of constantly blaming the South Europeans, it may be time to review the functioning of the European institutions and to treat their obvious sructural weaknesses.This does not mean that the Greeks and other countries of southern Europe should not put their own houses in order.