Greece, Financialization and the EU: The Political Economy of Debt and Destruction

Vassilis K. Fouskas and Constantine Dimoulas
Palgrave Macmillan (Basingstoke, Hampshire, 2013), xxv + 245 pp.
ISBN: 978-1-137-27344-4

When I started reading this book, Sartre's novel, *The Reprieve,* the sequel to the *Age of Reason* in his *Roads to Freedom* trilogy came to my mind. Sartre recounts the story of his protagonists who are constantly reminded of the double game; the global and the local: the story takes place in France of 1938 as the fictional characters await news from the Munich conference where 'high politics' – the global chess-players – decide the fate of the world. Even though *The Reprieve* is not an easy narrative as it slips swiftly between characters in different situations at the same moment, it is a gripping read from the outset with keen perspective and leaves one with a sense of actually being there. The book by Fouskas and Dimoulas is, of course, not fiction, but by analogy, it too constantly shifts the story from the micro to the macro, from geopolitics to the economy, and from class to political protagonists. Overall, this greatly adds to the book's depth of analysis and the shifting is successful as the authors integrate and synthesise their text by presenting the whole book as a constant shifting game. On reading it, I felt that the book unfolded like a novel with a vast amount of empirical data – economic and sociological. The crisis in Greece, or better, the crisis of Europeanism and global financialization as experienced in Greece, it unfolds before us.

The crisis in Greece has become a major subject in academic as well as political debates. It has resulted in a number of scholarly texts in English; tens, if not hundreds of books are produced in Greek. Paradoxically, and despite the pain and suffering caused, the crisis is proving to be immensely 'creative', and well beyond what Joseph Schumpeter had imagined,[1] when he underlined how capitalism is riddled with 'creative destruction'. The crisis in the Eurozone and the crisis in Greece more specifically, have generated serious critical thinking. The troubled Eurozone is more violently felt in the periphery Ireland, Spain, Portugal, Italy and Greece (see Lapavitsas *et al.*, 2012), as the old structural adjustment programmes (SAPs) imposed by the IMF in the poorer countries of the South are now enforced on the debt-suffering periphery of the Eurozone (see Arestis and Sawyer, 2013; Milios and Sotiropoulos, 2009, 2010, Milios *et al.*, 2013), resulting in the drastic collapse of the late European welfarism and triggering poverty, homelessness, mass unemployment, disintegration of the middle class, closure of small businesses and the destruction

1 See J. Schumpeter (1994 [1942]), pp. 82–83.

of the social security safety net. Greece is particularly and severely hit by the crisis as it enters its sixth consecutive year of economic recession; this is a country in a state of 'bankruptocracy' (Varoufakis, 2011) or 'debtocracy' (Kitidi and Hadjistefanou, 2012). It is a country where the crisis is 'a state of emergency' (Athanasiou, 2012).

Fouskas and Dimoulas guide us through a fascinating journey of Greece's route into a *distorted* and *dependent modernity*. This absorbing excursion entails a post-ottoman capitalism riddled by imperial machinations besides being combined with the inherent contradictions of comprador capitalism of a state in shambles. We are narrated a story of political and economic dependency, crisis and indebtedness in perpetuity. Greece is depicted as the 'vassal state' par excellence: from its establishment in 1828 it was dependent on the 'Lord', that is to say the major powers at that time on the ruins of the Ottoman Empire. This sounds very much like the Troika in Greece today.

Structure: Chapter 2 is the theoretical and global reading of the Greek crisis whereby financialization is placed at the heart of the European integration process; it delivers the current crisis in the Eurozone as 'a manifestation of deeper disintegrative tendencies embedded in the hub-and-spoke system of neo-imperial governance built by the USA in Western Europe, the Middle/Near East and East Asia in the aftermath of World War II'. The authors illustrate the links between capital, security, ideational issues, geopolitics and social struggles, which are often tackled by different disciplines. The remainder of the book undertakes an historical enquiry on Greece. Chapter 3 examines the first 100 years of the subaltern position in the international capitalist system. Chapter 4 looks at post-war Greece, characterised by political and economic dependency on the United States of America (USA), in what was a model of authoritarian development and undemocratic rule. Chapter 5 studies the late arrival of Keynesian/corporatist economic management mostly by the socialist *PASOK* in the 1980s and the bi-partisan consensus in the 1980s and up to the mid-1990s, as power alternated between *PASOK* and the conservative *Nea Democratia*, which resisted neoliberal globalisation up until the 1990s. This was due to three reasons: First, there was strong popular pressure for the long-overdue democratic reforms and claims for popular participation after the fall of the dictatorship which was met with a mixture of populist politics, clientelism and state co-option. The second derived directly from issues of security and geopolitics in Cyprus, the Aegean and the relations with Turkey. And the third related to Greece's weak industrial base. Although this allowed the reproduction of a large middle class, there was a simultaneous expansion of the working class. In the end the peripheral position of Greece and its 'fault-lines' which had delayed the neoliberal onslaught, converted to violent accelerators that imposed the most severe austerity programme in the European Union (EU) and five years of continuing decline. This is taken up in chapter 6, which is essentially the empirical core that engages with the theoretical issues of chapter 2. And this is where the key arguments of the book are to be found.

The relation between foreign loans and bankruptcy in Greece is aptly illustrated in the table 3.1 (p. 62), with the following periodisation: 1826 (first bankruptcy), then 1828–1843 (second bankruptcy), 1844–1893 (third bankruptcy), and 1894–1932 (fourth bankruptcy). Evidently matters hardly stop there: the dictatorship of Metaxas (1936–1940) and then the Nazi occupation (1940–1945), the civil war and post-World War Two (WWII) regimes integrated the fault-lines – Greece was the fault-line between East and West.[2] This resonates with the current 'vassal state' which has enforced an unprecedented Troika-imposed austerity package that has turned the clock back 150 years in terms of employment rights and labour relations; it has resulted in the shedding of one-quarter of its GDP, the mass unemployment of one-quarter of the population and left 60% of its youth in impoverishment and debt. It is no wonder that the sub-title to the book is designated as 'the political economy of debt and destruction'.

This volume sets ambitious tasks. It is an effort to grasp the debt and destruction in Greece by revisiting and revising many classical Marxian, Neomarxist and post-Marxist analytical frameworks to sharpen them in order to enable a holistic reading of crisis-ridden Greece. Hence, we have features from Peter Gowan's 'global gamble' (1999), the late Arrighi's last work (2008) to gauge the power-shift towards the east (with China's and India's rise) in combination with a USA in long-term, if not terminal demise. The paradox, however, is that the economic decline and debt of the USA is inversely related to its military might. We can locate David Harvey's 'new imperialism' (2003), as 'accumulation by dispossession' featuring in the collapsing economies. This is repackaging Marx's *primitive accumulation* and the Marxist notions of *combined/uneven development*. Moreover, in the book we find explanatory theorisation drawn from Antonio Gramsci and from Nicos Poulantzas' 'authoritarian statism', not forgetting Constantine Tsoukalas, to whom the book is dedicated.

The book succeeds in the most important tasks, namely, *it asks key questions*, *it sets the framework and proceeds in a bold historical analysis on the Greek crisis in an original and insightful manner*. How can such an analysis assist in understanding the crisis in Greece as both *an instance*, even if this is the acute instance of a Eurozone crisis and *not as an exceptional case*? The authors certainly do not shy away from critically engaging the corruption, nepotism and clientelism within the Greek social formation and state. A possible weakness of the book is keeping the delicate equilibrium between the *geopolitical angle* and *the political economy angle*.

A major strength of the book is the fact that it structurally links and integrates the global fault-lines approach to the economic and political crisis in Greece. This places the Greek crisis in its proper context, that is to say, regionally and historically. Innovative also is the renewal of Neomarxist political economy in southern and peripheral Europe. The authors successfully adapt the debates over the Global south to the European South and periphery. Populism, nepotism and

2 Kyriakos Varvaressos (2002) was commissioned to write a *Report on the Greek economic problem* in 1952, *Έκθεσις επί του Οικονομικού Προβλήματος της Ελλάδος*, see Varvaressos (2002[1952]).

political clientelism are seen by the authors as political strategies organised and maintained by the comprador bourgeoisie (i.e. the fraction of the ruling class in peripheral state who act as 'go between' betwixt the country and the imperial metropolis). They do not constitute an absence of modernity but particular modernising strategies that 'are geared to block the labour movement from assuming power which may entail breaking away of a peripheral state from the imperial state' (p. 49). The authors consider deeply flawed the view that populism and clientelism are products of an 'under-development of civil society'. They argue that the danger of a state of emergency is more likely in the peripheral state than the core because of the ease via which 'capitalistic crises in capitalism spread vertically across the state/civil society axis and horizontally across the regions and various segments of social economy'. This is because these cannot be 'absorbed due to lack of a robust institutional framework'. It is here where geopolitics returns with a vengeance: Greece is a classic case of such a global fault-line, for example, 'the discursive articulation of economic, political and ideational and geo-political instance in a social formation divided into classes and determined by social struggle' (p. 44). The basic underdevelopment thesis was in vogue in the 1960s and 1970s, holding that the countries of less developed regions – now also called the Global South – are underdeveloped because of the neo-colonial relations.

Greece the Eurozone and Cyprus: Facing the New Social Question

A fascinating but painful social theme in chapter 6 is the disintegration of the middle classes, comparing the 'PIGS' (Portugal, Italy, Greece, Spain) after the section on the concluding points. An expansion of this comparative section would have been welcome rather than leaving the subject to the end. This is acutely relevant to Cyprus.

This issue links austerity politics to the re-opened 'social question'[3] (Troika imposed *Memoranda of Understandings*, IMF recommendations together with particular class factions which make up the 'comprador bourgeoisie'). Fouskas and Dimoulas take us through the dramatic collapse of the welfare state in Greece and in PIGS, but it must be noted that welfarism has been in decline since the late 1970s and early 1980s (Esping-Andersen, 1996). The 'new social question' (Rosanvallon, 2002) is re-surfacing violently and with new terms in countries such as PIGS as well as Cyprus. References to 'social crisis' feature regularly in the local media and the term 'new social question' is hardly uncommon; it is over a century since 'the social question' was first introduced to Greece by the pioneer socialist G.A. Skliros (1907). Cyprus, like Greece, has often been the headline in major newspapers since the Euro Group imposed an unprecedented bail-in that led to a massive haircut on bank deposits, bank melt-down and stringent financial controls on banking and financial markets.

3 See for instance Ive Marx (2007).

The story of PIGS (and Cyprus) are not 'exceptions' in an otherwise well-functioning normality; they are a new authoritarian 'normality'. Yet, there is wild social and economic experimentation in a systemic crisis where the manifestation of the logic of a system seems to have gone astray. The systemic features of Cyprus with an overblown banking-and-finance sector that benefitted on speculation and 'hot money' are well-known (see Trimikliniotis *et al.*, 2012). However, the treatment of Cyprus in March 2013 was truly incredible. One year after the first ever bail-in, which forced depositors to pay for bank losses in Cyprus, we have a better picture of this extraordinary event that made the so-called 'Cyprus template' and the 'Cyprus treatment', feature in international news headlines (see Kitromilides, 2013; Trimikliniotis, 2013). At the time there was an interesting debate as to whether the template could be used in the future, despite the desperate efforts to claim that the situation in Cyprus was 'unique'. As pointed out by Arestis and Sawyer (2013), the €17.5 billion requested by Cyprus was a comparatively trivial sum in absolute terms when compared to the previous Southern European bailouts. Cyprus makes up only 0.2% of the Eurozone economy and once it was sealed off by cutting the Cypriot banks off from Greece, this small economy was suitable for experimentation in regard to ideas about bail-in procedures. In the words of the *Economist* (2014):

> 'Of the 147 banking crises since 1970 tracked by the IMF, none inflicted losses on all depositors, irrespective of the amounts they held and the banks they were with. Now depositors in weak banks in weak countries have every reason to worry about sudden raids on their savings. Depositors in places like Italy have not panicked yet. But they will if the euro zone tries to "rescue" them too.'

The initial Euro Group proposal violated the EU *acquis*. It premised its banking rescue on the imposition of an unprecedented confiscation of 6.75% on guaranteed deposits (i.e. under €100,000) and 9.9% for those with over.[4] It is at least odd that the proposal came from the Cypriot President himself, but it was endorsed by the Euro Group. The legacy of the mass Cypriot mobilisation against the decision of the Euro Group and the newly-elected Cypriot President averted the imposition of a hair-cut on guaranteed deposits; this legacy is one that extends beyond Cyprus saving the principle of guaranteed deposits for low-income earners across Europe and beyond.[5] After being tested in Cyprus, the 'bail-in' system has become EU law: the directive is to enter into force on 1 January 2015 and the bail-in system is to take effect on 1 January 2016.[6]

4 This was a shock therapy-type of liquidation of the banking and financial services of a small island state economy with a Banking sector that was (and is no more) 8 times larger than the country's GDP. See Trimikliniotis (2013) and Kitromilides (2013).

5 See Trimikliniotis (2013) and Kitromilides (2013); also see the paper: 'Η Εξέγερση του Μάρτη του 2013' [The Revolt of March 2013] *Δέφτερη Ανάγνωση* [Second Reading], Τεύχος, Vol. 103, 15–22 March 2014. Available at: [http://2ha-cy.blogspot.com/2014/03/blog-post_1458.html], accessed on 19 February 2014.

6 See 'Deal Reached on Bank "Bail-In Directive"' – European Parliament News. Available at: [http://www. europarl.europa.eu/news/en/news-room/content/20131212IPR30702/html/Deal-reached-on-bank-%E2%80%9Cbail-in-directive%E2%80%9D], accessed on 20 May 2014.

Exit Route(s): Austerity Policies, Exit the Euro or Global Seisachtheia?[7]

Chapter 6 nicely sums up three key approaches to the crisis, which also contain recipes for solution:

1. The peripheral state is to blame for its lack of fiscal discipline and corruption. This is the position of the EU Commission, IMF and ECB, as well as the mainstream parties in Greece such as Nea Demokratia/PASOK. Remedy: austerity; if that fails then *more* austerity.
2. The European Monetary Union (EMU) has caused a split in the core and periphery creating permanent discrimination and structural hierarchy between the core (Germany) and the periphery (PIGS). This requires radical remedies in the Eurozone as a whole, but also for those in the periphery to break away (Lapavitsas *et al.*, 2012; Krugman, 2012, 2014); even influential commentators such as Martin Wolf in the *Financial Times* support this.
3. The Eurozone function is the problem, and austerity is essentially a process of 'internal devaluation' that socialises the crisis and imposes it on the subaltern classes. However, the countries in the Eurozone are now structurally connected which exacerbates the problem but breaking away is not a solution as the peripheral state will (a) have to negotiate and eventually accept a severe exit deal, and (b) will still be subject to the same kind of pressures from outside. The only solution is to force a structural transformation on the Eurozone. This is the Syriza line and is articulated by Milios and Sotiropoulos (2009, 2010) and Varoufakis (2011).

The authors then present three other structural subjects that should be addressed: first the legacy of the Stock-exchange bonanza which Cyprus also experienced in 1999–2000; second, what Krugman called 'run away banks' – in Cyprus we have much work to do; third the *comprador-military complex* which has imposed extortionate military spending and the corruption that goes hand in hand with it, i.e. μίζες or backhanders – again, sadly, Cyprus also excels in this.

The key argument of Fouskas and Dimoulas is that 'the fusion of comprador and financial/rentier capital with the state apparatuses and political economy' (p. 45) is the leitmotiv of their empirical analysis. 'Peripheral/subaltern states' such as Greece and Cyprus in the Eurozone are inherently 'deeply dependent on decision-making processes that take place in the core', hence their recommendation to the way out is to 'break away from the imperial chain' as Cuba did or as Salvatore Allende tried to do. Yet, they recognise that there is no quick fix or magic recipe; there are

7 Wikipedia has the definition of Seisachtheia as: 'a set of laws instituted by the Athenian lawmaker Solon in order to rectify widespread serfdom and slaves (...)'. Serfdom and slaves, used as debt relief/payment, was 'rampant in Athens in the 6th Century B.C. (...). The seisachtheia laws immediately cancelled all outstanding debts, retroactively emancipated all previously enslaved debtors, reinstated all confiscated serf property to the serfs [*hektemoroi*], and forbade the use of personal freedom as collateral in all future debts. The laws instituted a ceiling to maximum property size - regardless of the legality of its acquisition (i.e. by marriage), meant to prevent excessive accumulation of land by powerful families'.

massive difficulties with leaving the Eurozone or breaking away from the imperial chain. They, therefore, propose a multilateral policy of 'international and socialist seisachtheia' (p. 189) and develop these ideas in the ultimate chapter of the book.

My final words on this book by Fouskas and Dimoulas is that overall it is a fine read with a very clear line of thinking, in spite of the fact that it contains extraordinary information, sources and theory; it is probably one of the best advocates of re-vamped, well-argued and smart Neo-Marxist accounts on Greece I have come across. It is a well-thought synthesis of economics, politics and international relations that attempts not only to theorise but apply the theoretical insights to the Greek situation. More to the point it is highly relevant to what is happening today in the Eurozone at large and in Cyprus in particular. In terms of the research agenda, we would certainly benefit from a book like this on Cyprus.

NICOS TRIMIKLINIOTIS

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