Greece and the EU: capitalist crisis and imperialist rivalries

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"BEYOND THE CRISIS"

'Greece and the EU: capitalist crisis and imperialist rivalries'

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Abstract

This paper studies the relationship between Greek capitalism and the European Union in the light of the recent developments (i.e. the current global crisis and the fiscal and debt crisis of Greece). The first part analyses the turbulent historical course of Greek capitalism and its passage from phases of development to crises and waves of capitalist restructuring. In particular, it pinpoints its status as a second-generation middle-range capitalism with limited imperialist abilities. The second part analyses the position of Greek capitalism within the European imperialist bloc and the advantages but also the dangers stemming from its participation in it. It focuses especially on the waves of capitalist restructuring inaugurated after the 1973 crisis and their concomitant results and problems. The third part focuses on the current global crisis and how it has been expressed in Greece. It is depicted as a twin crisis, i.e. a combination of (a) the current global crisis (a crisis of overaccumulation of capital caused by the falling tendency of the rate of profit), with (b) particular Greek structural problems (most of them derived from its participation in the European imperialist bloc). The last part concludes with the proposal for a radical alternative to the policies of the EU and the Greek bourgeoisie. The main pillar of this proposal is the disengagement from the European imperialist integration process and the radical restructuring of the Greek economy towards a process of socialist transition.

I. Introduction

Today Greece has caught international attention as one of the significant culprits of global economic fragility. In particular, it is being depicted as a profligate economy riddled with corruption which had collectively exploited European benevolence through the extensive use of 'Greek statistics'. Therefore, it represents a time bomb (together with several other similar culprits collectively ridiculed as PIGS) at the very foundations of the European integration project in the midst of the hard times of a global crisis. Thus Greece is scapegoated as EU's 'black ship' and is exemplary disciplined – for its own salvation - through the harsh provisions of the EU-IMF Memorandum. As it is typical in mainstream mantras, whatever the problem it is being depicted as the outcome of erroneous policies and not as a structural systemic problem. Then a scapegoat is necessary to be blamed (and thus hide the deeper causes) and its exemplary punishment is used also as an example for others prone to same excesses.

Contrary to this mainstream mantra, the true story is quite different. Capitalism is passing through the first great depression of the 21st century (Shaikh (2011)) which impacts gravely upon its international architecture affecting all its main international poles (North America, Pacific Basin, Europe etc.) both internally and in their interrelationships. The Greek (and more broadly the PIGS) problem is part of this process and particularly the way global crisis impacts upon the long and strenuous march towards the creation of a European imperialist block. Hence, the Greek and PIGS problem has much deeper causes laying at the organic contradictions of the capitalist system and the structural problems of one of its main international poles, the EU.

This paper argues that Greek capitalism's current crisis is a <u>twin crisis</u>: the combination of the current global crisis with the particular Greek structural problems.

On the one hand, it is the outcome of the general tendencies and contradictions of the capitalist system and in particular of its current global crisis. Contrary to both mainstream (*subprime crisis*) and certain radical (*financialisation crisis*) explanations, this is not a financial crisis but a fully blown crisis of the very essence of the capitalist system, the productive economy. Specifically, it is a *crisis a-la-Marx*, i.e. a crisis stemming from the tendency of the rate of profit to fall. Moreover, the current crisis is a continuation of the 'silent depression' that followed the crisis of 1973-75. The latter was a structural crisis, i.e. it reflected the exhaustion of the previous socio-economic architecture of the system and pressed for the creation of a novel, more functional one. As such, it led to several waves of capitalist restructuring searching for this successor. These capitalist restructuring waves managed to alleviate part of the drop in capitalist profitability and to restore to a certain extent capitalist accumulation particularly by increasing drastically labour's exploitation and by recoursing, at a latter stage, to fictitious capital expansion. However, they have failed, till today, to solve the longer long-run problem, i.e. to find a functional and long-viable new systemic architecture. The current crisis is the result of this inability. One of the consequences of the crisis is that it violates long-standing balances of power in the global imperialist pyramid by providing chances for other capitalisms to be upgraded and other to be downgraded. Part of this game is that the winners pass part of their crisis burdens to the losers. Greek capitalism followed these general tendencies closely and with diminishing time-lags. Hence, its crisis is the expression of these immanent contradictions.

On the other hand, Greek capitalism's crisis is also the result of its particular structural problems as they were shaped and aggravated by its incorporation in the European imperialist bloc. This incorporation is a bet placed by the Greek bourgeoisie promising gains but also fraught with dangers. It upgraded Greek capitalism from a second-generation middle-range capitalism with limited imperialist abilities to a 'partner' in a first-class imperialist block with enhanced possibilities (particularly in the Balkan and Mediterranean area). But, also, dictated changes that dissolved its previous productive model without replacing it with another equally coherent. Furthermore, while enhancing Greek capital's clout mainly vis-à-vis other non-EU capitals it had reduced it vis-à-vis the 'hard core' of the EU (i.e. the more developed

Western European economies). This dissolution of a coherent productive model (as well as the delegation of crucial economic policies to Brussels) – and not the supposed excessive wage increases as is usually preached - is the cause of the rapid erosion of Greek competitiveness vis-à-vis this 'hard core'. Again, contrary again to the mainstream (and some also radical) mantras, the working class has paid dearly for both the gains and the losses of Greek capital's incorporation in the EU. But the current crisis brings all the contradictions to the fore: both the dominant and the subaltern classes have to calculate their gains and losses particularly in the face of the grave pains and the far-reaching structural changes that the EU-IMF Memorandum dictates.

The paper is structured as follows. The next section analyses the turbulent historical course of Greek capitalism and its passage from phases of development to crises and waves of capitalist restructuring. In particular, it pinpoints its status as a second-generation middle-range capitalism with limited imperialist abilities. The third section analyses the position of Greek capitalism within the European imperialist bloc and the advantages but also the dangers stemming from its participation in it. It focuses especially on the waves of capitalist restructuring inaugurated after the 1973 crisis and their concomitant results and problems. The fourth section focuses on the current global crisis and how it has been expressed in Greece. It is depicted as a twin crisis, i.e. a combination of (a) the current global crisis (a crisis of overaccumulation of capital caused by the falling tendency of the rate of profit), with (b) particular Greek structural problems (most of them derived from its participation in the European imperialist bloc). The last section concludes with the proposal for a radical alternative to the policies of the EU and the Greek bourgeoisie. The main pillar of this proposal is the disengagement from the European imperialist integration process and the radical restructuring of the Greek economy towards a process of socialist transition.

II. The turbulent course of Greek capitalism: development, crisis and restructuring

II.1 Greek capitalism in the international division of labour

Greek capitalism is a second-generation middle-range capitalism with limited imperialist abilities. It is a second-generation capitalism because it does not belong to the group of countries (Western Europe and Japan) where capitalism was firstly inaugurated and was already established in the 16th century. Although pre-capitalist relations were born much earlier in the region of Greece, a number of crucial factors (the type of socio-economic relations in the Byzantine and the Ottoman empires, the lack of a national basis etc.) hindered considerably their development. On the other hand, Greek capitalism is not a newcomer. Capitalist relations have appeared in Greece from the middle of the 17th century. Furthermore, Greece's proximity to the first centres of capitalist development opened it to crucial influences and close relations, particularly through the Greek diaspora which held significant economic positions in several of these more developed countries. This was reinforced from the fact that Greeks merchants, proto-capitalists and later capitalists held important economic positions within the Ottoman economy particularly from the time that the latter's economic centres moved to the Mediterranean area and centred upon relations with the more developed West.

Thus, Greek capitalism may be a second-generation capitalism but even from its birth had sectors that were internationalised and/or inordinately developed compared to its status. This equipped it with strong expansionary tendencies, given the small size of the Greek economy; particularly during the first steps of the Greek state. These expansionary tendencies of Greek capitals – fed by their inherited positions in the surrounding area and constrained by the small size of their national basis – engrafted Greek capitalism with imperialist tendencies from its very beginning. However, these imperialist tendencies were inherently unstable and weak because of the lack of a strong national arm. They took the form of periodic forays to other areas which had mid-term results but not usually longevity.

In Ioannides - Mavroudeas (2000) we have recognized the following sub-periods of Greek capitalist development:

(1) During the ***1830-70*** sub-period capitalist relations were consolidated and the signs of a first anemic development appeared. The first post-liberation economic activities centered mainly on agriculture, commerce and shipping. Industrialization was very limited and concerned basically processing of agricultural products (winery, soap-making, tannage etc.). Active industrial policies were absent and the economy was export-orientated since a sufficiently developed internal market did not exist. Certain typically exportable agricultural products (tobacco, raisin etc.) constituted the backbone of this orientation towards exports. Although elements and relations of the stage of laissez-faire capitalism predominated during all that sub-period, they co-existed with suis generis and improvising policies that attempted to boost capitalist development.

(2) Important transformations accomplished during the ***1870-80*** sub-period strengthened the capitalist relations and led to a first phase of rapid development. The Trikoupi government policies bolstered systematically big capital and provided the necessary infrastructure for capitalist accumulation. At the same time, and despite the verbal adherence to liberal principles, elements of the monopolist stage (especially protectionist and interventionist regulations) were introduced because they were necessitated both by Greek peculiarities and general trends of the international economy.

(3) During the war sub-period (***1880-1920)*** Greek capitalism achieved a high performance because of the demand created by the war effort but also the territorial expansion of the Greek state, which provided a wider vital space for capitalist accumulation.

(4) The ***1920-30*** sub-period was characterized by intensive restructuring and a second phase of rapid development. At the same time there was a significant increase of state interventionism and protectionist policies that led to the predominance of processes and features belonging to the monopoly stage.

(5) The ***1930-1944*** sub-period was, in a sense, a continuation of the previous one. However, W.W.II caused a significant disruption of the relations of capitalist reproduction for both internal and external reasons.

(6) During the ***1944-50*** sub-period the post-war reconstruction of capitalist relations was accomplished and were laid the foundations for the restructuring of the next sub-period.

(7) The ***1950-60*** sub-period was characterized by changes towards the state-monopolist phase of monopoly capitalism and prepared the ground for the next era of intensive development.

(8) The 'golden era' of Greek capitalism (***1960-73)*** was characterized by extremely high rates of capitalist accumulation and profitability. It was characterized by state-monopolist relations mainly. One important Greek peculiarity was the lack of a developed welfare system. Instead of that a number of suis generis Greek solutions were implemented (e.g. giving land in exchange for apartments) in order to create a large and at the same time cheap workforce and also a large middle class. During that sub-period manufacture became the bigger sector of the economy.

(9) The***1973-today*** sub-period is marked by the 1973 crisis and the subsequent restructurings. From that era and onwards the time-lags of Greek capitalism have been more or less eliminated. Another feature of this sub-period is that services surpassed manufacture as the bigger sector of the economy while agriculture continued its decline.

II.2 The 1973 structural crisis and the waves of capitalist restructuring

The 1973-5 crisis is the third global crisis of capitalism (after those of 1873 and 1929). It has been substantiated in the Marxist Political Economy literature that this was a crisis of overaccumulation of capital caused by a falling profit rate due to the increase of the organic composition of capital, i.e. was a typical crisis a-la-Marx (Shaikh & Tonak (1994), Dumenil & Levy (1993) etc.). This crisis ended 20th century's 'golden age of smooth and robust capitalist reproduction and ushered the system in a long period of anaemic growth. Because of these features, t is characterised as a structural crisis and not a usual mid-term cyclical crisis. As such it belongs to the crises that mark the end of a long-wave of capitalist development and pose the necessity of a radical overhauling of the architecture of the system. That is, it necessitates far-reaching changes in all the main fields of capitalist reproduction, from its labour and production process till its political and institutional framework.

This search for a new configuration does not follow given patterns and solutions but is experimental and heuristic. Old solutions are exhausted and new problems require novel answers. Thus, the system enters a long period of experimentation and instability. Solutions are not obvious and have to be invented through trial and error, the unity of the capitalist class behind a proposed solution is not pre-given (since it affects relations and power balances between sections of capital) and, last but not the least, the willing or not acquiescence of the working class is far from secured. Hence, during the aftermaths of structural crises the system enters long periods characterised by successive policy and structural experiments, i.e. waves of capitalist restructuring. Two are the main objectives of these waves:

(1) the recovery of the profit rate through the mobilisation of its counter-acting tendencies (with special emphasis on the increase of labour' exploitation and the discovery of new markets and fields of exploitation)

(2) the managed devaluation of the overaccumulated capitals so as not to end in a disorderly flight, on the one hand, but also to make the system leaner and able to restart accumulation from a more healthy basis

The first wave of capitalist restructuring, immediately after the crisis, was conservative Keynesian policies. These were based on the assumption that wages create inflation and aimed at stimulating demand but at the same time suppressing the wage cost. The stimulus packages were offered to firms (through subsidies, tax exemptions etc.) and those failing were rescued through appropriate schemes. Moreover, competitive devaluations and were employed and there was a relaxing of monetary policy. This type of policies can stimulate demand through firms' demand for inputs and are supposed to stimulate employment (which was not an issue at that time) only indirectly and at a lower wage rate. These policies may restore artificially the profit rate for a period but they cannot solve the overaccumulation of capitals. Quickly they were proved inadequate.

The next wave of capitalist restructuring that followed was monetarism (i.e. the first version of neoliberal economics). Demand stimulus and growth were substituted with fighting inflation and stabilizing the economy. State intervention was considered guilty for the ineffective and inflationary reheatings of the economy, the inadequate devaluation of capital and the ineffective discipline of the working class but also of the less profitable capitals. Behind these monetarist credos laid the fact that in the relationship between the public and the private sector was summed up a concrete balance of power between capital and labour which was functional in the post-war period but became dysfunctional after the crisis. Monetarism represented a much more brutal attack on labour and as such it had better results in increasing labour's exploitation. However, it had certain major deficiencies. First, it was a policy mainly limited around the nation-state and its policies and, thus, could not employ adequately a major counter-acting tendency to the falling profit rate, the 'discovery' of new markets and areas for exploitation. Second, it was a circulationist theory and as such it was limited to restructuring the monetary sphere but could not restructure properly the fundamental sphere of production. For these reasons this also wave of capitalist restructuring failed to solve the problem.

The next wave of capitalist restructuring (neoliberalism of open economies) represented a more radical conservative strategy. Its aim was not simply a more 'prudent' state administration but the radical conservative restructuring of the whole socio-economic system. Three were the main elements of this wave:

(1) the opening of the economy and the internationalization of capital which was enforced with the creation of regional blocs and the imposition of the Washington Consensus policies.

(2) The transformation of the financial system towards a more market-based operation (with the greater emphasis on capital markets as opposed to the banking sector) with facilitated the rapid expansion of fictitious capital operations.

(3) the radical restructuring of the labour market with the policies of labour flexibility which led to the demolition of the remnants of pro-workers provisions

The attack on labour continued the work of the previous waves through the usual means: curtailment of the welfare state, increase of exploitation (through the intensification of work and real wages growing slower than productivity – a process accelerated from the 1980s and onwards), privatizations etc. But apart from those 'traditional' effects a novel one stands out: from the mid-1990s there is a marked increase of the actual working time (see Schor (1991), Mavroudeas & Ioannides (2007) etc.). This signifies the reinvigoration, for the first time after a considerable historical period, of the extraction of absolute surplus-value.

The other significant feature of this wave of capitalist restructuring was that it actually engineered the so-called globalization (i.e. the second big period of increased internationalization of capital after that of the 19th century). The so-called regional 'integrations' represented the creation of regional imperialist pyramids with a usually three-tier structure: the top comprised by the hegemonic imperialist economies, the middle comprised of middle-range imperialist economies (partially dependent upon the first and able to exploit the weaker ones) and the basis of the 'poor relatives'. These regional blocs imposed their dominance upon economies outside their blocs but also played a sophisticated game of rivalry and co-operation between them. On the other hand, the imposition of the Washington Consensus rules on particularly the developing countries was an essential part of this project.

Despite its radicalism – and its emphasis on production and fundamental structures, as opposed to monetarism's circulationism – this last wave of capitalist restructuring failed also to solve the structural problem of the system. The retreat of the state from the economy affected greatly its function as a collective capitalist (i.e. as the commanding heights managing and directing the spontaneous market acts in favour of the long-run collective interests of the system) and this hindered the exit from the structural crisis. Production restructuring was left mainly to private initiative and to the now defunct hopes of a technological deus- ex-machina (in the form of the 'new economy' and the information technologies. Both of them failed rather utterly. The increase in exploitation counteracted insufficiently the falling profit rate for two reasons. First, from one point and onwards the rhythm of increase of the rate of surplus-value has to accelerate unrealistically high in order to suppress the falling profit rate tendency (see Mavroudeas & Ioannides (2006)). Second, much as it was welcomed, the reinvigoration of the extraction of absolute surplus-value makes – under certain circumstances – competitive even the more retarded individual capitals. Thus, instead of being pressurized by the innovative capitals they are able to survive. This vitiates the inherent process of capital devaluation in the face of overaccumulation. Moreover, the liberalization and the unregulated expansion of finance (the so-called financialisation) have given the system with a vital breathing space but at the cost of fomenting greater troubles in the future. One particular troubling aspect is that it has increased unproductive activities and labour at the cost of productive activities and labour. This has further suppressed the profit rate (see Moseley (1985), and for the Greek economy see Maniatis (2005)). All these defects had become evident even before the eruption of the current crisis and the end of neo-liberalism (and heart-searching for a social-liberal successor) had already emerged. The current crisis makes these tasks far more urgent.

In a nut shell, the 1973 structural crisis necessitated a reconfiguration of the modus operandi of the capitalist system and ushered a long period of weak capital reproduction. During this period of 'silent depression' its effects (e.g. high unemployment, firms' high bankruptcy rates) were not fully upheld mainly because the system tried to alleviate part of the necessary capital devaluation through the use of appropriate institutions and policies. Therefore, the three main waves of capitalist restructuring tackled facets of the systemic problem but failed to solve the problem as such. The current crisis is tantamount to that.

II.3 The 1973 crisis and capitalist restructuring in Greece

The 1973 crisis was doubly onerous for Greek capitalism. The first burden was the crisis itself in both its international and national dimension. It has been shown (Maniatis, Tsaliki & Tsoulfidis (1999), Maniatis (2005)) that the Greek crisis was also caused by falling profitability due to the increase of the organic composition of capital. As already said, similarly to the general patterns the crisis ended the post-war 'golden age' of Greek capitalism.

But the crisis was accompanied by a second burden. It coincided with a period of intensified class struggle marked by the fall of the military dictatorship and the eruption of popular radicalism. The previous 'golden age' took place in the post-civil war era (following the defeat of the communist Left) that was marked by an autarchic bourgeois state and the brutal suppression of the Left and the labour movement. This contributed substantially to capital's profitability. A particular aspect of this period was a limited welfare state and the lack of progressive Keynesian policies – that characterized the more developed economies after the war. State intervention was crucial – since this is a general characteristic of Greek capitalism from its very birth and almost irrespective of general trends – but this took place through conservative Keynesian policies. The fall of the dictatorship put an end to all these. Popular struggles pressed for a radical income redistribution that would return to labour at least a greater part of its contribution to the post-war 'miracle'. In particular, the creation of a developed welfare system, the amelioration of labour relations and substantial wage increases of labour's remuneration were demanded. The force of this movement – and the concomitant danger of uncontrollable socio-political changes - was so strong that no bourgeois political party attempted to confront it directly. On the contrary, they tried to accommodate these pressures through partial reforms and rampant clientelism. This Greek specificity, combined with other structural differences from the West, desynchronized its evolution from that of the latter.

Hence, contrary to the international trends, in Greece progressive Keynesian policies were implemented at the very time that they were discarded elsewhere. Consequently, the conservative and neoliberal waves of capitalist restructuring took place in Greece with a significant time lag.

The post-dictatorship progressive Keynesian policies

Immediately after the fall of the dictatorship both New Democracy (during the 'social-mania' period) and PASOK (especially during its first years of governance [1981 - 1984]) used progressive Keynesian policies of state regulation and income redistribution. These policies - more weak and uncoordinated for ND and more structured and clearly formulated for PASOK – were essentially trying to combine (a) a strengthening of growth (at a time when growth slowed down internationally because of the economic crisis) with (b) a controlled income redistribution in favour of labour but in some a manner as not affect dramatically the capitalist profit. The economic policy of the first PASOK government was seeking long-term restructuring of the productive economy by supporting the development process (Tsakalotos (1998)). In particular (see Argitis (2002, p.77-78)), the macroeconomic policy of the first PASOK government aimed at (a) reducing inflation and balance of payments deficit, (b) reducing unemployment and increasing the rate of economic growth and (c) a more equitable income distribution.

These policies have improved labour's position and at the same time helped to defuse the post-dictatorship popular radicalism and accommodate it in the system mainly through an extensive system of patronage (which did not take long to develop into a widespread system of corruption). A typical example of the first process is the expansionary incomes policy of the first PASOK government especially after the introduction in 1982 of a system of wages auto-indexing to inflation (ATA). The result was a significant (and long-overdue) increase in workers' real wages.

However, these post-dictatorship progressive Keynesian policies failed to address the economic crisis because they applied the successful post-war recipes in totally different socio-economic conditions. These policies offered the final solution to the previous structural crisis of capitalism (which sparked the crises of 1873-73 and of 1929-30) through demand stimulus but only after the drastic devaluation of overaccumulated capitals produced by the two world wars. Hence the burst of the 'bubble' of overaccumulated capitals and the return to leaner and healthier dimensions facilitated the return to growth. Then part of the fruits of growth could pass to labour (in order to emasculate its radicalism) without curtailing seriously capitalist profit. Contrary to the western experience, this redistribution to labour has not been applied in Greece (at least extensively) because the defeat in the civil war and the iron hand of the bourgeois state kept Left and the labour movement suppressed. There was a minor redistribution but not primarily towards labour but rather towards the middle strata in order to bolster the social alliance against the Left.

After 1973 all these changed in Greece. The iron hand of the post-civil war bourgeois state has been severely weakened and the labour movement returned with vengeance. But the post-war western recipe could not be effective for obvious reasons. This was the main reason (other than individual internal contradictions) of the so-called macroeconomic policy's 'credibility gap of the first PASOK government. The result was failure since expansive growth was not achieved and redistribution in labour's favour started to erode capitalist accumulation. As soon as the post-dictatorship popular radicalism started to weaken there was a move towards a more conservative economic policy and capitalist restructuring policies were rigorously applied from 1985 and onwards. This move was closely related to Greek capital's choice to energetically join the European integration project. Contrary to propaganda credos about EEC (European Economic Community) securing democracy in Greece, this move actually secured the system and enabled it to move – slowly in the beginning but accelerating afterwards – towards conservative policies of capitalist restructuring.

Conservative Keynesian capitalist restructuring and the shift to neoliberal directions

Conservative Keynesian restructuring policies started creeping in slowly. Thus, in 1983 the PASOK government eroded the ATA system by limiting full indexation only to low paid workers. From 1983 to 1984 incomes policy also became less expansionary.

The 1985 stability programme of the second PASOK government marked a decisive conservative turn. The programme's focused on the opening of the Greek economy in accordance with the requirements of joining the EEC. It aimed to reverse the initial negative impact on profits from the opening of the economy and to shift the burden to labour (Giannitsis (1993)). Basically this program and the associated economic policies were akin to the conservative Keynesian restructuring policies used in most western countries in the aftermath of the 1973 crisis.

The shift to conservative policies continued throughout the politically turbulent period that followed despite some wavering caused by the electoral competition between PASOK and ND and the still strong social reactions. So, gradually, restrictive incomes policy, permanent austerity (with income redistribution of income in favour of capital), privatisations of public enterprises, the inelastic exchange policy and the withdrawal of market regulations constituted the core of economic policy.

After the election victory of PASOK in 1985, the neoconservative turn was formally instituted. The new two-year economic stabilization program reversed completely the short-lived electoral expansive incomes policy[1]. In this new stabilization program stabilisation was set as the primary objective of stability and all economic policies (income, fiscal, monetary) took a restrictive direction. Particularly regarding incomes policy, the ATA system was eroded further once again[2]. This resulted in a dramatic decline in real wages during the 1986-7 period by more than 11% (Argitis (2002), p.92). Similarly, the Bank of Greece (1988) estimated that labour costs were reduced by 13.3% in 1986 and by 10.6% in 1987.

These conservative Keynesian restructuring policies had limited results. One of the more serious implications of the crisis was the weakening of Greek industry, which had a serious negative impact on Greece's position in the international division of labour and on its balance of payments (Giannitsis (1993)). It also had long-term negative effects on the internal structure of Greek capitalism. The opening of the economy deteriorated in several areas the position of the Greek capital. It is indicative that 85% of the deterioration of the competitive position of key sectors of Greek industry was caused by its deterioration in competitiveness against the EU and only 15% by that against third countries (Giannitsis (1993)). The 1985 stabilization program improved profits at the expense of wages but did not inhibit the deterioration of the international competitive position of the Greek capital (for the crucial case of industry see Giannitsis (1993)).

During that period a crucial trend started in Greece - spontaneously and without a systematic and legislative promotion - that was noticed also in other economies: actual working time started to increase. It has been shown (see Mavroudeas & Ioannidis (2004)) that beginning in 1985 there is significant upward trend in the actual work-time (as in the case of the U.S.) which was boosted with the passing of time. This, coupled with the real wages' increases lagging behind productivity increases strengthens especially in the Greek case the process of extraction of absolute surplus-value. This is reinforced by the fact that, as noted by Carchedi (1999), the European integration forces the less developed countries to boost the extraction of absolute surplus-value. Less developed European economies lag technologically behind their developed 'partners' and are unable to compete on the basis of the extraction of relative surplus-value. Thus their only outlet is the extension of working time, usually under the threat of bankruptcy in the face of foreign competition.

The adoption of neoliberal restructuring policies

The conservative Keynesian policies paved the way and then gave their place to the neoconservative policies that had already dominated the world. These were formally introduced by the 1990 ND government. All successive governments of ND

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1 This brief for completely for electoral purposes return to progressive redistribution was marked by the expulsion of the architect of the 1985 stabilization program Simitis and the infamous quote 'Tsovolas Give them all' (the then finance minister)

2 The expected rate of imported inflation was deducted from the general inflation rate and wages were adjusted this lesser rate. Moreover, indexation was further restricted only to wage-earners with a less than 150,000 drachmas gross income. This was accompanied by legislation that penalised private firms that violated the incomes policy.

and PASOK faithfully followed the neo-liberal capitalist policies of restructuring. Furthermore, as Greek capitalist restructuring was already lagging significantly the introduction of neoconservative policies did not pass first from a monetarist and then an open economy phase but proceeded almost directly to the latter. Crucial role in this played the EU directives and particularly those of the EMU.

So, from 1991 to 1993 the ND government implemented a restrictive macroeconomic policy (particularly regarding monetary and incomes policy) together with an extensive privatisation plan. Capital was overtly favoured and macroeconomic policy took an overtly conservative character. Two examples are indicative. First, the 1992 tax reform reduced tax rates for higher incomes and gave the system an even more un-progressive character. Profits were also taxed more favourably. This path was followed since then by all subsequent governments. Second, in 1991 ND abolished the ATA system and also in 1992 froze wages in the public sector – and the private sector more or less followed suit - resulting in significant reduction in wage-earners' incomes. This freeze was unprecedented for the post-dictatorship era and opened the way for the more conservative measures that followed.

Finally, the 1991-93 ND government launched two other important neoliberal reforms. First, it accelerated the liberalization of the financial system (which had already been inaugurated by PASOK). Second, it legislated a series of changes in industrial relations (e.g. fourth shift, part-time) that reinforced significantly capital's prerogatives.

The neoliberal capitalist restructuring agenda introduced in 1991 formed the basis of the policies of all the subsequent governments of PASOK and ND. This agenda includes:

(1) widespread privatization of public enterprises

(2) significant cuts in social security (by reducing benefits, increasing contributions, increased retirement age) and privatisation of parts of the welfare system.

(3) tax reforms benefiting the wealthiest sections of the population via (a) reducing tax rates for higher income levels, (b) reducing corporate taxes, (c) increasing indirect taxation (affecting predominantly popular consumption) and (d) the systematic non-indexation of the minimum tax free threshold.

(4) deregulation of labour relations and the introduction of flexible forms of employment with the simultaneous depreciation of any protection mechanism of labour rights.

The economic policies of the Simitis governments of PASOK hold a special place in this canvas of neo-liberal restructuring. With its religious adherence to the EMU requirements and rules it expanded and deepened furthermore the neoliberal policies. In order to achieve entrance to the EMU it instituted austerity at the expense of labour as wage costs had lag behind productivity increases. It repeatedly and systematically reformed labour law in the direction of deregulation and flexibility (introduction of part-time, extended part-time 'arrangements' of working time, private firms hiring and lending workers, weakening of collective bargaining etc.). It expanded privatisation programmes and also provided even more space within the Greek economy to foreign capitals. It reformed the welfare system curtailing benefits even though it failed – due to strong strike action – to proceed even further. Finally, it facilitated actively two major one-off acts of income redistribution from the working and middle classes to capital. The first was the so-called 'stock-exchange theft' in which savings from the popular and middle classes were systematically driven by government's economic policy to a stock market bubble. The burst of the bubble resulted in dramatic losses but also provided firms with cheap funds. The second was government's conscious refusal to control inflationary pressures caused by the adoption of the euro which led to a dramatic erosion of the purchasing power of popular and middle classes[3]. The latter – and particularly the middle classes – in order to sustain their living status turned to bank loans. This profited the banking sector but also created a previously unknown in Greek society level of private debt.

The entrance in the EMU transformed the whole socio-economic landscape completely as the Greek economy came under the rule of the Maastricht Treaty clauses. The consequences of this will be examined later. Meanwhile three other developments that affected drastically the Greek economy in the 1990s should be acknowledged. The first is that the collapse of the Eastern bloc opened a new area of opportunities and exploitation for Greek capital, particularly in the Balkans. The second is the massive influx of economic migrants from these and other countries. This facilitated the depression of wages (particularly in certain sectors) and the wider implementation of flexible working relations. Finally, the 2004 Olympics had engineered an artificial economic growth, as public works and infrastructure were hastily procured at usually exorbitant costs. It is well known that the Athens 2004 Olympics are the more expensive in history. Private capital - Greek and foreign - profiteered shamelessly from this. As it turned out, many of these works were either proved useless or had insignificant long-term multiple benefits for the Greek economy.

Overall, as it will be explained in following chapters, capitalist restructuring in Greece had the same results as elsewhere: it alleviated part of the burdens on capitalist profitability but it had failed to solve the structural problems of capitalist accumulation.

III. Greek capitalism and the European imperialist bloc

III.1 Greece: from the EEC to EU and the EMU

On January 1st 2001 Greece formally entered the European Monetary Union (EMU) and euro substituted the drachma as monetary unit. This was a crucial moment for the longitudinal and sustained effort of the Greek bourgeoisie to participate in the European imperialist integration. For the Greek bourgeoisie the entrance to the EEC secured not democracy but capitalist domination and exploitation in an era when the struggle between East and West was continuing and the capitalist system was disputed

3 All European central banks were aware that the introduction of the new currency will cause inflationary pressures particularly in countries (like Greece) where the purchasing power of the new currency unit deviated widely from that of the old one. This deviation troubled the average consumer and made him to lose a sense of the real purchasing power of new currency. In Greece, unlike other countries, no provision was taken when firms and chains of distribution took advantage of this lack of awareness and skyrocketed the prices particularly the mass consumption goods. Thus, inflation became rampant particularly in the category of mass consumption goods whereas its general rate remained rather tame (see Zografakis & Mitrakos (2005). Meanwhile, wages have roughly followed the official inflation rate. Hence, firms marked-up their profit rates at the expense of wages' purchasing power.

after the fall of the dictatorship. Moreover, with the eruption of the 1973 global structural crisis of capitalism – which coincided in Greece with the fall of the dictatorship and the beginning of an era in which the Left and workers' militancy was on the ascendancy – the participation in the European integration promised to buttress economic performance and capitalist profitability. First, the European integration offered the prospect of a wider market, comparing with the rather small size of the Greek one. Second, and even more important, it offered to Greek capitalism the clout of an at least second class imperialist power (comparing to its lesser status before) which enabled it to exploit better other economies and regions. Third, and equally important, it provided a superior economic mechanism and a powerful ideological weapon, at the same time, in order to increase the exploitation of the Greek working class: the participation to the EEC was presented as the entrance to paradise (or an new era where 'the people will eat with golden forks', to remember an older slogan used by the bourgeoisie during the Greek civil war in order to make US anti-communist aid popular).

Moreover, Greek capitalism entered the EEC at a rather lucky moment. At that time EEC was eager to attract more members and thus was willing to 'sweeten' the integration process and make-up for its costs by offering packages of economic aid. Thus, capitalist activities but also the middle classes and the agricultural sector prospered by taking advantage of these packages. This gave to the EEC a popular appeal and obscured its hidden burdens.

Things started to change rapidly in the 1990s. The collapse of the Eastern block, the internal defeats of the labour movement and the continuation of the capitalist structural crisis changed the situation. Capital became both nationally and at the European level more aggressive and at the same time more pressurised. First, the continuation of the crisis, despite the victories over the labour movement and significant gains in profitability, made capitalism more eager for a decisive breakthrough. Thus, austerity policies – now under the rubric of convergence and stability programmes – became more aggressive. Second, the collapse of the East led to the emergence of the till then latent intra-capitalist antagonisms between the US, Europe and Japan. This intensified intra-capitalist and intra-imperialist rivalries. Germany, the basic power behind European integration, pushed for a stronger both economically and politically European integration under its hegemony. At the same time the opening of the Central and Eastern European countries lowered the importance of the South European less developed economies. This led, together with the intensification of crisis and competition, to a tendency to curtail aid packages to less developed countries and problematic sectors. This affected the agricultural sector – where the Common Agricultural Policy (CAP) is an obvious failure sustained for political reasons only – and those capitals, small businesses and self-employed that prospered through EU aid packages.

The entrance to the EMU led to the final disillusionment. It was professed as a 'national goal' and a decisive upgrade of the Greek economy. However, as soon as the entrance was achieved the true face of the EU appeared: instead of a relaxation of austerity and a boost to people's incomes and welfare the Stability Pact dictated new – even more harsh – rounds of austerity. At the same time the euro is being proven as extremely problematic. The price level has increased significantly particularly for the basic consumption goods and Greek families start to realize that it constitutes a drain to their pockets. Additionally, the international competitiveness of Greek products has deteriorated because of the euro in crucial sectors such as tourism. Finally, the old bastion of pro-European feelings – the agricultural sector – has become a hotbed of anti-EU mobilisations as the successive changes of the CAP has eroded its incomes and is leading towards the annihilation of small peasants and family farming. Last, the aggravation of the crisis has led to a new European wave of enterprises' mergers and acquisitions, which was facilitated by the EMU. Greek capitalist enterprises are not faring very well in this wave, as they are 'small fish' comparing to their European partners and competitors. Thus, sections of Greek capital started becoming restless as their bigger foreign counterparts were buying them cheaply.

III.2 The class character of the European integration

The European integration is a capitalist and imperialist project. It began as an economic, social and political buffer against the labour movement and the Eastern bloc, which contained intra-European rivalries under the US and NATO auspices. It helped reconstruct and secure capitalist relations of production after the 2nd World War against a militant working class. It set a framework constraining intra-capitalist struggles to functional levels and securing capitalist development. The latter had spill-over effects to the working class in the sense that a part of the new surplus produced by workers was allowed to return to them in the form of better wages (which however did not cover the full contribution of labour). These better wages helped the system to dominate ideologically the working masses against both internal disputes and the external challenge of the Eastern bloc. Also against the 'external enemy' the European integration helped to keep Western European countries together and not falling one after the other under the influence of the Eastern bloc (as it had happened with several Central European countries).

With the end of bipolism Germany, the main hegemonic power, started aspiring to a stronger international role. Thus, in accordance with France's similar aspirations, it pushed for a stronger, more tightly knit integration. It is indicative that when the Maastricht Treaty was signed the then French president Francois Mitterrand declared that now Europe becomes the first global power.

Thus, beginning even before the collapse of bipolism, a common monetary architecture was added to the common market of the EEC. This was supposed to be able to challenge the global hegemony of the US dollar, which is one of the main American economic weapons. The common monetary structure was supplemented with the further political integration of the member-countries and the strengthening of centralised mechanisms. The transformation of the EEC to the EU marked this process. Of course, the bigger powers (Germany etc.) are the true bosses behind this process.

On the other hand, the US became even more suspicious towards European integration as it considers it as a possible imperialist competitor. Hence, it uses all its power to undermine it. The US does not strive to dissolve the EU. Rather, they push for a loose and weak economically and politically (and after all militarily) European integration that would not be able to challenge their dominance. Thus, contrary to Germany and the other more antagonistic to the US European powers, they favour a broad expansion of the EU (through the entrance of many new countries-members) that would make difficult any closer integration and a more tight control by Germany. On the other hand, Germany and France attempt to side-step the problem by delaying the entrance of many new-comers and by moving towards a two or even three-levels European integration where the more advanced countries would constitute the hard core and the other one or two zones the periphery. The latter would have a limited impact on the main decision centres.

In a nutshell, the European integration is a capitalist-imperialist project that facilitated the better exploitation of the working classes of the European countries, the dominance of its core economies over its 'peripheral' ones, the containment to acceptable levels of intra-capitalist and intra-imperialist antagonisms and the enhanced imperialist dominance over other countries and regions.

III.3 European integration: from the common market to the EMU

The beginning of the European integration project was the creation of a common market. However, it soon moved on to the construction of a common monetary structure. It began in 1971 with the Werner plan, which failed but left behind the ECU (a logistical unit). Other attempts followed ('the snake in the channel', the European Monetary System (EMS) etc.) all of which failed for a number of reasons. The idea of a monetary integration resurfaced in the middle of the 1980s and was agreed in 1991 with the Maastricht Treaty. The latter posed a more ambitious aim: the creation of a common European currency, the euro. The euro project has inscribed in it the ambition of the European imperialist bloc to create a competitor to dollar in the role of international reserve currency and, consequently, of challenging US hegemony in a crucial area.

Monetary integration has a number of crucial merits for capitalist accumulation in the European countries. First, it facilitates and develops further the common market. Now this wider market is even more accessible because instabilities and problems due to monetary differences are eliminated.

Second, it imposes even stronger discipline to intra-capitalist and intra-imperialist antagonisms. Previously, the capitals of a less developed country (with lower labour productivity) could repulse competition from the more developed ones (with higher labour productivity and thus, possibly, lower prices) by resorting to competitive devaluation. By devaluing their currency they could make their products cheaper in international markets and thus compete with the more developed countries, which fall pray to their stronger currencies. With the EMS the range of these competitive devaluations was constrained. With the euro they become non-existent.

Third, all these oblige capitals to solve their profitability problems not by recoursing mainly to intra-capitalist competition (although this remains live and vibrant) but through the increased and more efficient exploitation of workers.

On the other hand the EMU project is fraught with dangers and difficulties. First, it carries with it significant risks. Second, there are winners and losers within its ranks.

The risks have to do with its well-known problem of being a non-optimal currency area. Setting aside the mainstream jargon, this means that it tries to put under the same monetary mean several very diverse economies. Again, setting aside the mainstream utopias about convergence, these economies instead of converging they have actually started to diverge dangerously (see Christodoulakis (2009)). Furthermore, crises tend to have 'asymmetric' effects on diverse economies and thus they exacerbate their imbalances. This strains even more the function of common monetary mean. The current crisis is a typical example of this case and it had, rightfully, challenged the very existence of the euro.

Moreover, the EMU project did not create an equitable angelic world for all its participants but favoured some at the expense of others.

It is obvious today that it boosted both the competitiveness as well as the overall dominance of a 'hard core' around Germany at the expense of the less developed economies and particular the European South. This is recognized even by fervent supporters of the European integration project (e.g. Christodoulakis (2009)) when noting that the EMU had exacerbated the polarization between these two groups. Characteristically, Christodoulakis (2009, p.32) acknowledges that the most crucial asymmetry in the Eurozone has been the emergence of huge disparities in the Current Accounts and the Trade Balances, with the Northern members (Germany, Finland, Netherlands, Austria and Belgium) reaping large surpluses while the Southern (Portugal, Spain and Greece) ones suffering huge external deficits ranging from 10-15%. Apart from politico-economic scheming and institutional designs at the commanding heights of the EU, the main fundamental cause of this dichotomy is the fact that the abolition of national monetary, industrial and commercial policies (and the severe curtailment of the fiscal policies for the weaker economies) made intra-EU competition a competition on the basis of 'absolute advantage'. This has the distinctive characteristic (sometimes branded neo-mercantilism) that the gains of the winners have to be paid by those left behind. This has exacerbating unequal development and the divergence between the two main groups of EU.

Additionally, the ceding of monetary and commercial policy to Brussels had adverse policy effects for the European Southern group. Both these policies followed the needs of the Northern group which were quite different from the former. For example, for a significant period, monetary policy remained lax – according to the Northern needs – whereas the Southern group was requiring a more strict conduct. This intensified the dilapidation of South's productive structure as it favoured sectors linked to the Northern group and damaged others more crucial for national development. Furthermore, it created an environment favouring conservation of unrealistic growth rates based on external borrowing (as the Maastricht Treaty effectively prohibited internal borrowing). This created the basis of the current debt problems of the European South.

All these internal contradictions of the European integration project were pushed to their limits by the current crisis as it aggravated the weaknesses of the Southern group and brought forward the dangers of default of several of its economies. On top of that, the policy responses devised by the EU favoured further the interests of the Northern group (and particular sectors of it) at the expense of the Southern group. An indicative example is that the usurious rates of lending to the Southern economies facilitate extremely low rates for Germany. This is typical in intra-imperialist rivalries where a stronger thief is stealing a weaker one.

IV. The current crisis and the Greek problem

IV.1 The current crisis

The current crisis is not an 'autonomous' crisis and, moreover, it is not just a financial crisis (as claimed by both mainstream and certain radical approaches). It is a continuation of the 1973 structural crisis and it is grounded first and foremost in the sphere of production (and not in circulation and the financial system).

As already argued before, capitalist restructurings that followed the outbreak of the crisis of 1973-1975 resulted in a relatively sluggish recovery in profitability and the accumulation but failed to solve the long-term problem of finding a new functional and sustainable system architecture. This sluggish rebound went through a series of cyclical backdrops that also correspond to more or less severe crises (e.g. the 1987 crash, currency crises of the 1990s). It was marked by a downturn in the period 2000-2003 followed by a recovery in 2003-2007. However, immediately after the recession of 2000-3, there were signs of deceleration in the rate of increase of labour exploitation (the rate of surplus-value), which was the main factor behind the recovery of the profit rate and capital accumulation. In the case of the US economy there was a faltering of the growth rate form 2005 which was preceded by a deceleration in the rate of increase of labour productivity (which also shows the declining rate of growth of labour exploitation).

Confronted with this situation, the system had recourse since 2000, to an escape forward. The financial system – through mainly fictitious capital operations - fuelled with liquidity the system and thus helped to create investment and consumption. This has reinforced the further expansion of money capital. This is a well-known phenomenon in the phase of gestation of a crisis. This credit-fuelled expansion actually deferred to the future the problems of real capital accumulation at the cost of augmenting them. The development of fictitious capital led through leveraging (the new financial products) in 'bubbles' and therefore aggravated the overaccumulation of capital. All this 'crazy circus' could continue functioning so long as it could increase rapidly the exploitation of labour. To put it simply, the fuelling of capitalist accumulation through bets on extracted in the future increased surplus-value (i.e. the operation of fictitious capital) could continue so long as the system was able, in the next period, to continue extracting increased surplus-value. The mechanism through which was generated this increased surplus-value took the following form: workers offered more work-time (with less payment) in exchange for the preservation of their disposable income. That is, workers increased their working time (increasing unevenly the unpaid proportion of it) in order to maintain their purchasing power. From the very moment that this process of an increasing rate of surplus-value began to falter (for obvious reasons as it challenged its social, technical and physical limits) then the 'bets' collapsed. The expectations for the entrepreneurial projects to continue generating increasing surplus-value collapsed. This is the US was expressed first in the sub-prime sector (and for this the initial characterisation of the crisis as a subprime crisis). The inability of the workers to offer more paid and unpaid work-time, and thus continue to service the debts they have acquired (in order to sustain their living status) led to the collapse of the mortgage market. This was the beginning for unravelling the whole texture. The problem in the sphere of real accumulation punctured the financial bubble and then the whole system took fire. The inability of productive capital to continue generating surplus-value with the required rapid rhythms bite the abnormally high share of capital gains that were redistributed to the money capital (out of the surplus-value extracted under the auspices of productive capital). This led to the bankruptcy of several financial organisations and these bankruptcies and problems in the financial system returned to bite productive capital through traditional and well-known channels.

Thus, the current crisis is the continuation of the structural drop in profitability in 1973 and shares the same fundamental causes, i.e. the tendency of the rate of profit to fall due to the increase of the organic composition of capital (see Shaikh (2011)). It reflects also the failure of the subsequent waves of capitalist restructuring to solve the structural problem of the system.

IV.2 The Greek twin crisis

The current crisis in Greece is a twin crisis in the sense that apart from its general fundamental cause (the capital overaccumulation crisis because of the falling profitability and the failure of the waves of capitalist restructuring to solve the structural problem of capital reproduction) has a specific Greek component.

As already argued before, as elsewhere the waves of capitalist restructuring in Greece have failed to solve the systemic problem because of their inherent deficiencies. Thus, crisis was simmering in the Greek economy for its very internal reasons. However, this crisis tendency was aggravated by the additional structural problems caused by Greece's participation in the EU. It has been shown in previous sections that this participation carried with it advantages but is also fraught with dangers. To sum up, the advantages have to do with (a) upgrading from a middle-range imperialist status to a 'partner' in a first-class imperialist club and (b) the enhanced ability first to secure the system (in the immediate post-dictatorship period) and then to push forward capitalist restructuring. The risks have to do with (a) the downgrading within the ranks of this imperialist club and (b) the lack of necessary policy instruments in the face of grave contingencies.

All these advantages and disadvantages were ultimately related to the productive structure of the Greek economy. Before it entrance in the EEC Greek capitalism had a rather coherent productive structure which was competitive both against the European economies and other economies in the Mediterranean region particularly. This productive structure was heavily protected and supported through direct and indirect means. The opening of the economy in the common market was a significant bet: Greek productive capital – and the whole capital circuit en suite – had to restructure in order to remain competitive in the new environment. It is now evident that the Greek capital lost this bet. Greece's trade balance with the European countries from positive became negative after the entrance in the common market. It deteriorated further with the entrance in the EMU. This deterioration was not confined to intra-EU trade but was generalized. This is acknowledged even by supporters of the participation in the EEC and the EMU who attempted to moderate the extent of the problem. For example, Papazoglou (2009, p.40) accepts that 'Greece's participation in the EU and the creation of the Single Market did not cause significant structural changes that would contribute to strengthening, both in terms of price and quality, the competitiveness of Greek products in international markets'. Similarly, Maliaropoulos (2010) admits that the competitiveness of the Greek economy has deteriorated significantly since EMU. Estimates of this deterioration in terms of relative unit labour costs, for the period 2000-9, vary between 9% (IMF) and 27% (Bank of Greece). Based on relative prices, the competitiveness of the Greek economy has deteriorated since 2000 by between 18% (ECB, Bank of Greece) and 21% (IMF).

In a nutshell, Greek capitalism's accession in the European integration dismantled its previous coherent and competitive productive structure without replacing it with another equally or more successful. On the contrary, the Greek economy became, to a great extent, a supplement of its North European partners. This has not transformed it to a dependent economy – in the sense usually employed by dependency theory. Greek capitalism remained a middle-range developed and imperialist economy. However, it was downgraded comparing to its more developed partners.

On the other hand, the accession in the European integration helped crucially Greek capital in its interior front against labour. It further helped it in its imperialist forays in other areas. The most exemplary case is it economic 'invasion' in the Balkans after the collapse of the Eastern bloc. Greek investments in these countries boosted capital profitability through extra profits for a considerable period and helped sustain high rates of growth for several years. This gave the false image – which was very similar to that of Portugal and Ireland – of an economic miracle and a 'strong Greece'. This situation and the concomitant imagery were actively boosted by the successive governments of PASOK and ND from 1999 till 2009. In fact an artificial growth was engineered based on (a) investments in (to a great extent useless and overpriced) infrastructure; particularly around the 2004 Athens Olympics and (b) low interest rates (guided by ECB policy) that overheated the economy. This spree was ultimately based on public expenditure (either directly through public works or indirectly by subsidizing private businesses[4]) which, in turn, was financed through public loans. This public debt became external debt because foreign loans were offered easily and rather cheaply – during that period – and because the Maastricht Treaty effectively prohibited internal loaning.

The eruption of the current crisis put an end to this masquerade and transformed the country from a 'strong Greece' to the beggar of Europe. The crisis brought forth all the previously lurking behind structural problems of the Greek economy and aggravated them further. The Balkan 'Eldorado' was hit hard quite early and this curtailed the extra profits the Greek capital was reaping in that area. This happened for another reason. The Balkan economies slumped and at the same time international competition and rivalries within them were aggravated. That is, Greek capital faced more intense competition in these economies mainly from some of its European partners. On the other hand, the crisis put an end to cheap credit and thus worsened business environment. And on top of that, the lurking overaccumulation crisis resurfaced. All these happened in an economy whose productive structure has lost any coherence and was proved extremely uncompetitive against its partners and its main competitors.

Then the crisis took the form of the so-called 'twin deficits', i.e. an exorbitant public deficit coupled with an external deficit. More specifically, and differently from other economies suffering from the same deficits, the Greek external debt was public rather than private. Long before the eruption of the crisis the bourgeois state subsidised directly and indirectly capitalist accumulation in Greece. It is a well-known feature of the Greek private sector that it depends heavily upon government support and public expenditure. Thus the state borrowed in order to subsidise capital accumulation and, to a lesser extent, to buttress its clientelism; which is necessary in order to secure political and social acquiescence to its policies. Particularly after the accession in the EMU public expenditure was financed through international (rather than internal) loans. So long as the engineered growth and the extra profits from the Balkan 'Eldorado' continued taxation was able to service this debt and keep it within manageable limits. Of course, habitual slays of hand were extensively employed in order to masquerade the extent of the public debt. But this was not something new or something that other countries have not used as well. And so long as there were

[4] It is ironic that, under an infamous law passed by a previous PASOK government, the Greek state subsidized firms to relocate to the other Balkan economies. That meant the end of the textile industry in Northern Greece as Greek capitals took the subsidies, closed their factories, fired their workers, and relocated across the border where wages were far cheaper.

abundant international loanable funds willing to lent the country at rather reasonable rates there was no problem in the management of both the public and the external deficit.

But the eruption of the crisis created insurmountable problems to this circuit. First, as states around the world introduced hastily fiscal packages and monetary instruments in order to save failing businesses, public debts increased worldwide. This brought forward the question whether there would be a recovery and if this would be sufficiently strong in order to cover the expenses advanced of the aid packages. So long as evidence suggested either a protracted recession or a double dip or some other version of continuation of the problems then the coverage of these aid packages by revenues generated from future growth rates was seriously disputed. Consequently, the public deficits in order to finance these aid packages looked increasing unsustainable. This transformed the crisis to a <u>fiscal crisis</u> as well. The fiscal crisis did not hit equally all possible culprits. International money funds coming mainly from the dominant imperialist countries by-passed the significant fiscal problems of these economies and concentrated in the problems of other weaker economies. By starting to question the sustainability of their fiscal deficits they were able to impose almost usurious rates of interest for their loans to them. Thus their public deficits were almost single-handedly transformed to unmanageable external deficits. So long as these countries were not able to generate external surpluses (for example through trade) then servicing these external deficits became problematic and the question of default was posed.

The course described above was the one that Greece followed. The exhaustion of its external imperialist gains coupled with the falling internal profitability and the dismantling of the economy's productive structure crippled capital accumulation. This, in its turn, crippled the ability of the state to subsidise capital accumulation and created a fiscal crisis. Subsequently, the fiscal crisis led to an external debt crisis exactly because of the falling competitiveness of the Greek economy. Thus, at the basis of the economy's bankruptcy lays its productive bankruptcy for which the accession in the European integration project is one of the main culprits.

<u>IV.3 The EU-IMF intervention: Greek economy in the straitjackets</u>

The fact that the Greek economy is in deep trouble for both internal and external reasons does not suffice for making it the 'black sheep' of Europe and one of the main troublemakers worldwide. It is true that the Greek twin deficits are very high but other countries have similar and equally (if not more) grave problems. Even today, there are other countries that have a higher percentage of debt relative to GDP than Greece (e.g. 170% in Japan. The U.S. has a very similar problem, too: its debt is estimated to reach 90% of the GDP, and it is expected to take 10 years for it to return to 'manageable' levels. Even within the Eurozone, according to the Eurostat data for 2009, Italy is leading (115.8%), followed by Greece (115.1%), Belgium (96.7%), Hungary (78.3%), France (77.6%), Portugal (76 8%), Germany (73.2%), Malta (69.1%), United Kingdom (68.1%), Austria (66.5%), Ireland (64.0%). It is intriguing why, for example, Italy has not been at the front bench of the accused. Moreover, Greece is a small economy whereas many other economies with similar debt to GDP ratios are far larger and thus constitute a far greater systemic danger.

What really happened was the result of the interplay of imperialist rivalries and a jockeying of stronger imperialisms to pass a part of their burden to weaker ones as well as to less developed economies. Modern capitalism has learned the lessons from previous global capitalist crises. Thus, since the onset of the current crisis, it has employed all its heavy artillery. Dropping neo-liberal mantras, it has relaxed monetary policy and even came up with considerable fiscal packages. It has been explained above how the crisis is expressed as a fiscal crisis as well.

At this point they enter the imperialist rivalries within the EU context. Because the current crisis and the fiscal deficits threaten eurozone's very cohesion, the hegemonic European powers actually decided to pass the burden to its more backward economies and also to make a significant profit out of interest rate extortion. Thus, the deficit and debt problem is being consciously exacerbated in order to:

a. force the reduction of the labour cost (thus making their own activities there more profitable);
b. impose higher interest rates (thus giving their financial institutions, which are the main lenders, a hefty bonus);
c. reduce the amount of money necessary for rescue packages;

Thus, 'naughty' countries have to be disciplined. The first act is that suddenly it is being discovered that their deficits violate the Maastricht Treaty, something that almost everyone in the EU has done the previous years. Then a scare campaign is employed preaching that only their deficits are unserviceable and thus their economies are in danger of default. This skyrockets the cost of their borrowing, which 'accidentally' comes mainly from banks of the hegemonic countries. Once, this process of usurious exploitation is exhausted – as interest rates and CDS become exorbitant high – and default an almost self-fulfilled prophecy then the EU together with the IMF intervenes to 'save' them.

The EU and the IMF offer the immediately needed funds in order to avoid default. In exchange, the 'saved' economy relinquishes its sovereignty and comes under the iron fist of these organisations that dictate policies and structural reforms in detail and check routinely for their implementation. The 'salvation' prescription follows the pattern of 'internal devaluation and competitive disinflation'. 'Internal devaluation' is a contradiction in terms: you cannot devalue a coin in your left pocket in relation to the same coin in your right one. But, as it is cynically confessed when queried, this term is a mask for radical austerity: since you cannot devalue your currency, you must cut your wages and pensions. This is supposed to be followed by prices decreases as labour costs fall. This is a cumulative process of successive cycles of reduction of wages and prices. Through these reductions, according to mainstream economic theory, the country's competitiveness will be strengthened and growth (after a significant shrinkage of the economy) will return. This will rectify both deficits and create a revamped healthy economy. This policy is accompanied with far reaching structural reforms which typically imply a weakening of labour market regulation, privatisations, greater opening of the economy etc. This policy has been applied, with bigger or smaller variations, to a number of countries from Hungary and Latvia to Rumania etc. Ireland was the first Eurozone country that had to succumb to pressures and employ the 'internal devaluation' prescription. Greece is the second although here the political and social situation is much trickier since the Left is much stronger. Others are in line for the same trouble.

The Greek bourgeoisie - via the present PASOK government (and despite the latter's pre-electoral anti-austerity diatribes) - played along this game and tries to turn its difficulties into opportunities. It agreed to the derogatory terms of the EU-IMF

Memorandum, relinquished economic policy to Brussels and agreed to pay a hefty risk premium to foreign lenders. Accordingly, it is pushing for deep pro-capitalist structural changes by raising the spectre of default while sniveling that it is being obliged to do so by the EU. That is how it pays a premium to the stronger European imperialisms while attempting to pass its own burden to the Greek people.

However, the chosen course is fraught with dangers. Labour is paying heavily the cost of restructuring but this alone does not guarantee an exodus from the twin crisis. On the contrary, even according with the IMF estimates, managing the public deficit will take a couple of years but the external deficit will be out of control for many years to come (it is supposed to peak at 150% in 2015). Meanwhile the economy is in a downwards spiral with a severe drop of the GDP this year which disputes estimates about a recovery in 2012 (and of course government's utterances of an even earlier recovery). Moreover, even in its first steps the policy prescription displays serious problems as wages have been 'internally devalued' but the price level – fuelled by tax increases that have been passed in prices – is increasing instead of decreasing.

But what aggravates problems even further is that, apart from popular reactions, sections of Greek capital and the middle classes started being nervous about the whole process. For the middle classes, a crucial ally for the stabilization of the system after the civil war, the EU-IMF Memorandum policies threatens their very existence. The bankruptcy rate of small businesses has increased rapidly, their ability to evade taxes – a traditionally and tacitly accepted practice – and thus survive is threatened and they face cut-throat competition by big firms. Thus, their unions have already voiced their concern and disagreement regarding several aspects of the Memorandum policies and reforms. For sections of the Greek capital this process carries with it other dangers. First, the imposition of the EU-IMF directorate implies that Greek capitalism may face a downgrading in the imperialist pyramid and become a lesser class capitalism. Second, the disinflation process is welcomed when it affects wages as in this way capital's profitability is enhanced. However, as soon as this process touches assets and when it is coupled with a slump of the economy it leads to a fall in the value of Greek firms. Thus, apart from the danger of bankruptcy because of the slump they face also the danger of being bought for nearly nothing by foreign capitals. This worry has already been voiced by the chairman of the Greek Banking Association when he mentioned the danger of 'de-hellenisation' (sic!) of the banking sector[5].

V. For a radical alternative

The imposition of the EU-IMF Memorandum leads to the acute deterioration in the working and living conditions of the working class. It furthermore, endangers the status of the extensive Greek middle classes. The Greek capital, in collusion and competition with hegemonic Western capitals, places the entire burden of the crisis on their backs. The challenge for capital is greater than what it seems prima facie. If the

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5 One of the main internal forces that pushed for the acceptance of the EU-IMF Memorandum was the banking sector as it safeguarded its particular interests. It is ironic to hear the grievances of those that actually condoned the very 'de-hellenisation' of the rest of the economy (through the further opening to foreign capital and the relinquishing of the commanding heights to Brussels).

current crisis is the continuation of the structural crisis of 1973-75, then the solution is not a simple recovery but above all the invention of a new systemic architecture. Its basis cannot be other but the increased and more efficient exploitation of labour. This requires dramatic changes in labour relations (particularly regarding the prolongation of unpaid labour-time, the flexibility of employment) and a free fall in wages and social security. Second, it requires new forms of institutional organization of the system and particularly a new role of the bourgeois state in the economy. In all these experimentations Greece seems to be a real guinea pig. Ironically, Greek capitalism may not come intact out of this process for the reasons analysed above.

In all cases, Greece and its people are passing difficult times. Its accession to the European imperialist integration – the bet placed by the Greek bourgeoisie - has become the modern 'Big Idea'[6] that threatens to ruin the country similarly with its predecessor.

But in this tug-of-war, apart from capitals and competing imperialisms, there is another crucial factor: the great popular majority of the wage-earners. Insofar as it recognises that for it the future is bleak whatever the games of the ruling classes it can become a formidable adversary. Then, contrary to the mainstream 'one-way', there is indeed another way to exit from the crisis. This requires a truly radical change in the architecture of the whole economy and society rather than a new stage of capitalism. If this system manages to surpass its current crisis it can only do it at the expense of the working class. The only other alternative solution is not to strive for some humane version of the system but for its substitution. This implies the transition to a socialist economy.

This transition cannot take place in a snap but it is a long and strenuous process whose feet are in the current circumstances and its head at its strategic goal. This necessitates a programme of measures addressing the immediate problems from within the ultimate strategic vision. The most fundamental necessary pre-condition for such a programme is the exit from the EU and not simply the EMU. The EU actively obstructs the abovementioned transition. Furthermore, in economic terms, it has no sense – particularly for a less developed country - to leave the common currency and remain constrained by the common market. The exit from the EU and the euro will restore to the country economic policy tools that have been relinquished (without the people's awareness and consent) to the transnational EU centres. The devaluation of the new currency can be done in ways that would entail much lower cost for workers and middle classes than the EU-IMF Memorandum policies. The suspension of debt payments, coupled with controls on the movement of capital, will liberate the country from the debt burden without endangering the ability to finance its economy. This will have to be coupled with the nationalisation of at least the banking sector. Finally, all these measures will open possibilities for a restructuring and revival of the productive system for the benefit of the popular majority.

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