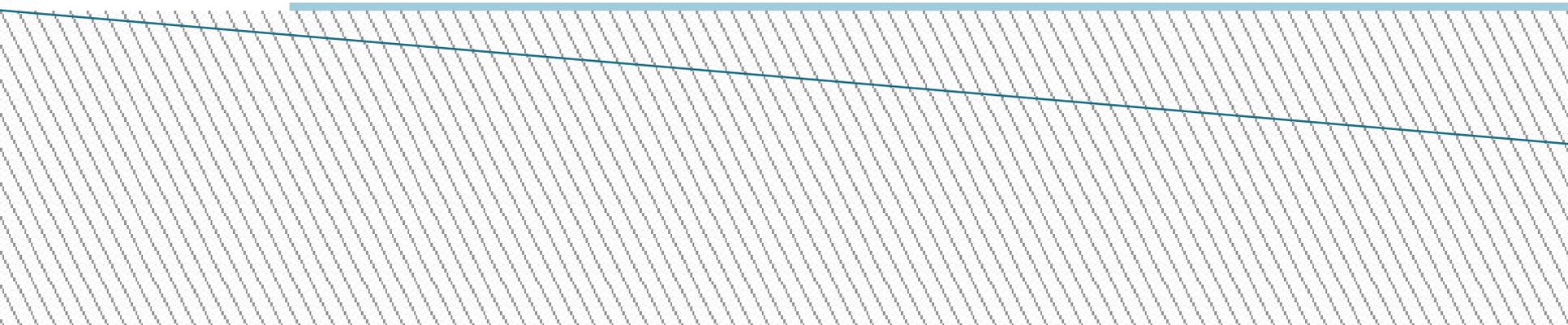


# **Greece: the crisis and the challenges of the left**

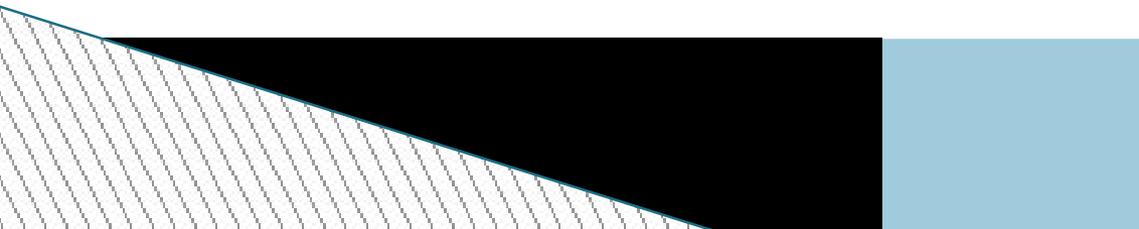
Dimitris Pavlopoulos  
Vrije Universiteit Amsterdam



# What were the Greek people promised?

The story starts 30+ years ago...

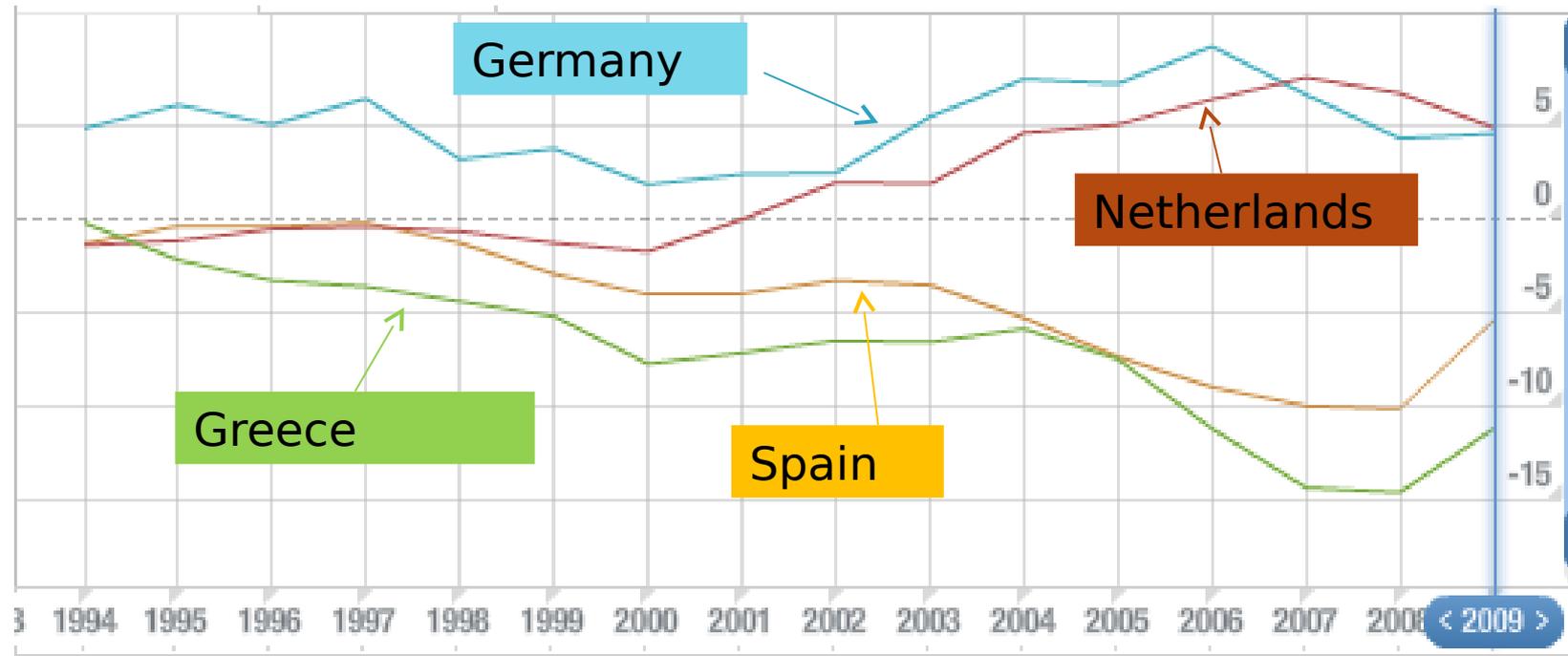
- ▶ “A 300-million people market for us”.
- ▶ “Financial stability and protection against crises”.
- ▶ “Increased welfare and subsidies”.
- ▶ “Free movement of people. Democracy at a higher level”.



# What did the people get?

## 1. 'New market' - trade balance

Eurozone: Trade balance out of balance

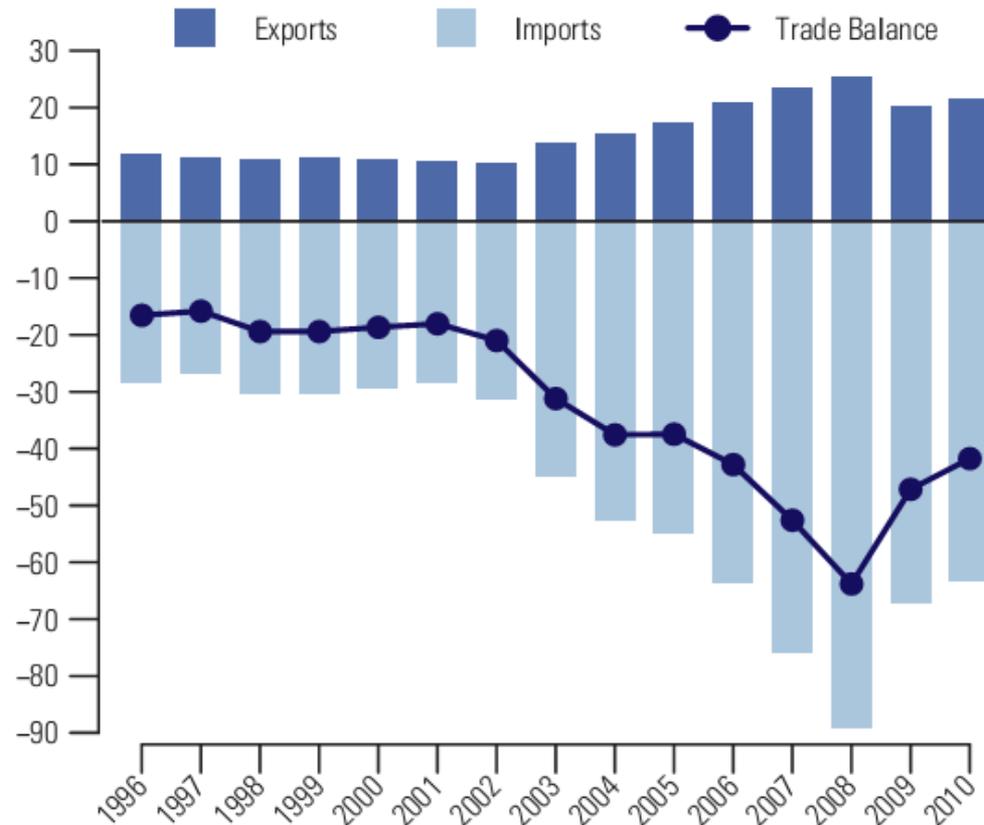


©IMF, 2011, Source: World Economic Outlook (September 2011)

# What did the people get?

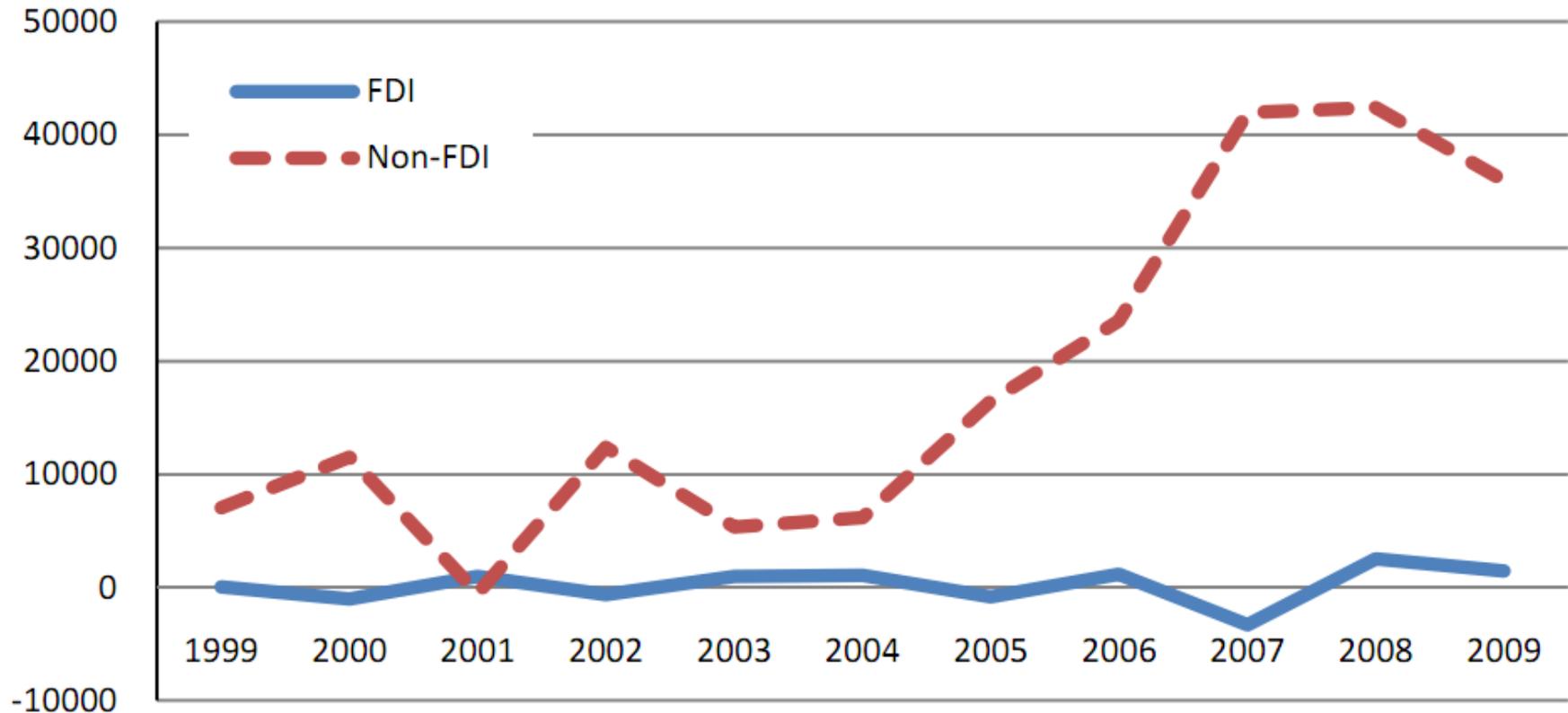
## 1. 'New market' - trade balance

Graph 1: Total imports, exports and trade balance  
(Bln US\$ by year)



# What did the people get?

## 1. 'New market' - trade balance



Source: IMF IFS

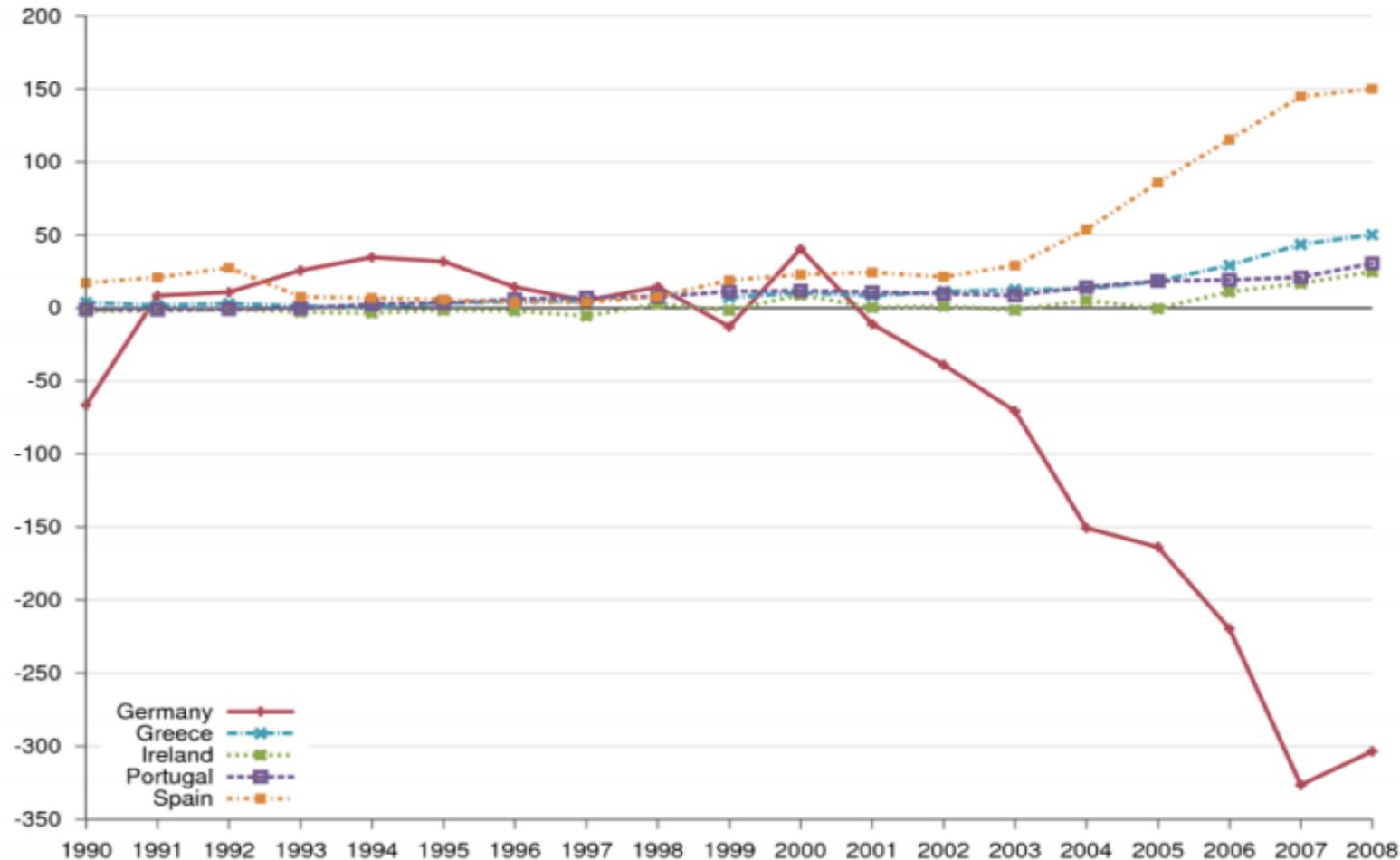
- No investments in 'real' economy... financial economy.

# What did the people get?

## 1. 'New market' - trade balance

### Capital and financial account

Net, \$bn. Source: IMF BOP

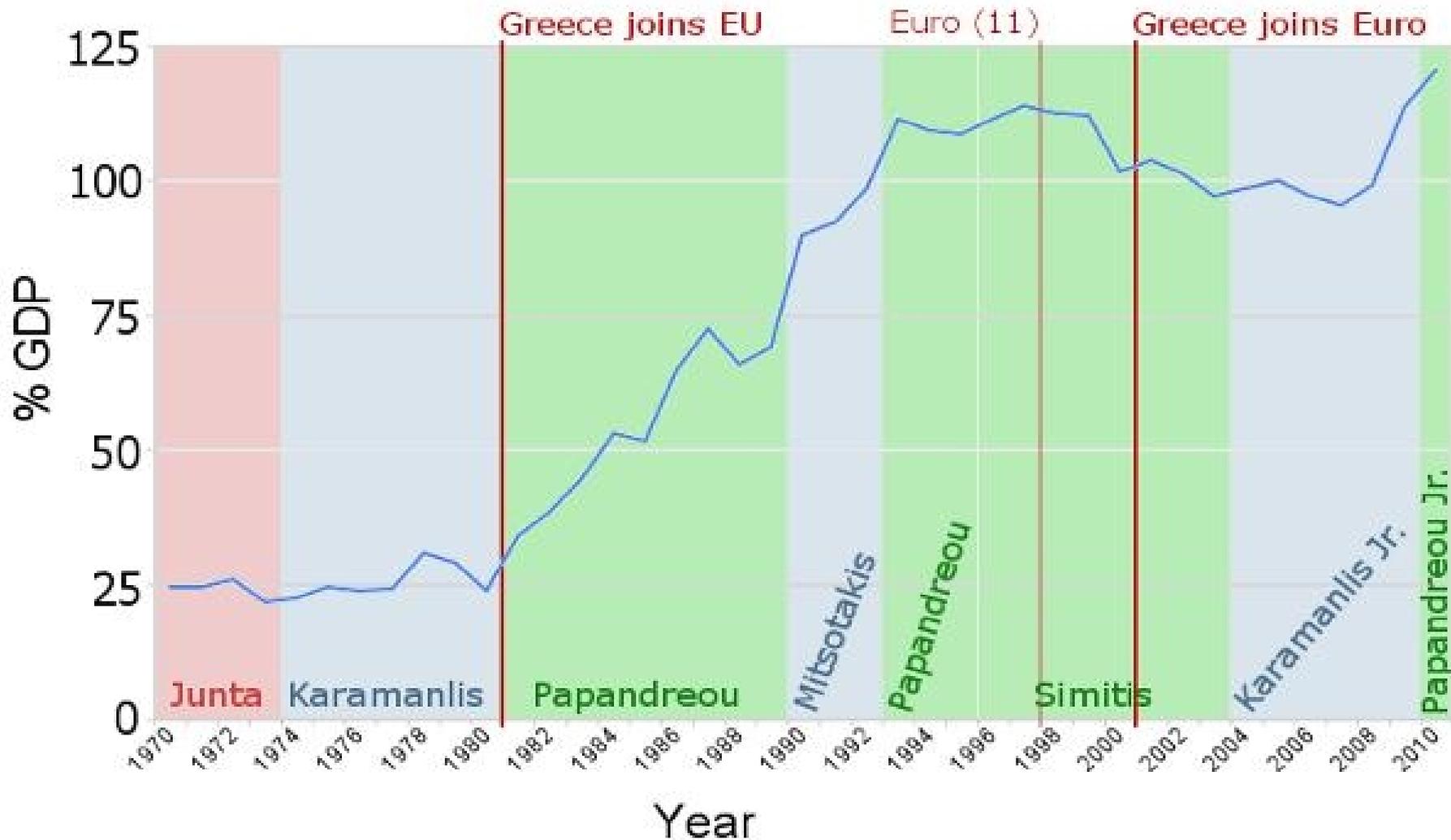


**Countries of the south 'imported' financial capital from the North**

# What did the people get?

## 2. 'Financial stability' - sovereign debt

Greek public debt

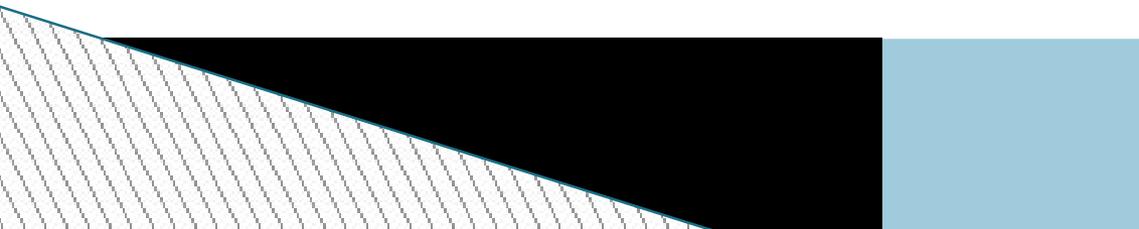


**EU-accession and eurozone integration went hand in hand with debt-explosion**

# What did the people get?

## 2. 'Financial stability' - sovereign debt

- ▶ Why did it go wrong?
- ▶ Many popular explanations:
  - Mainly: *'Greeks were living above their means'*
  - Extremely generous welfare state
  - High and rising wages
  - No tax moral
  - ...and of course corruption

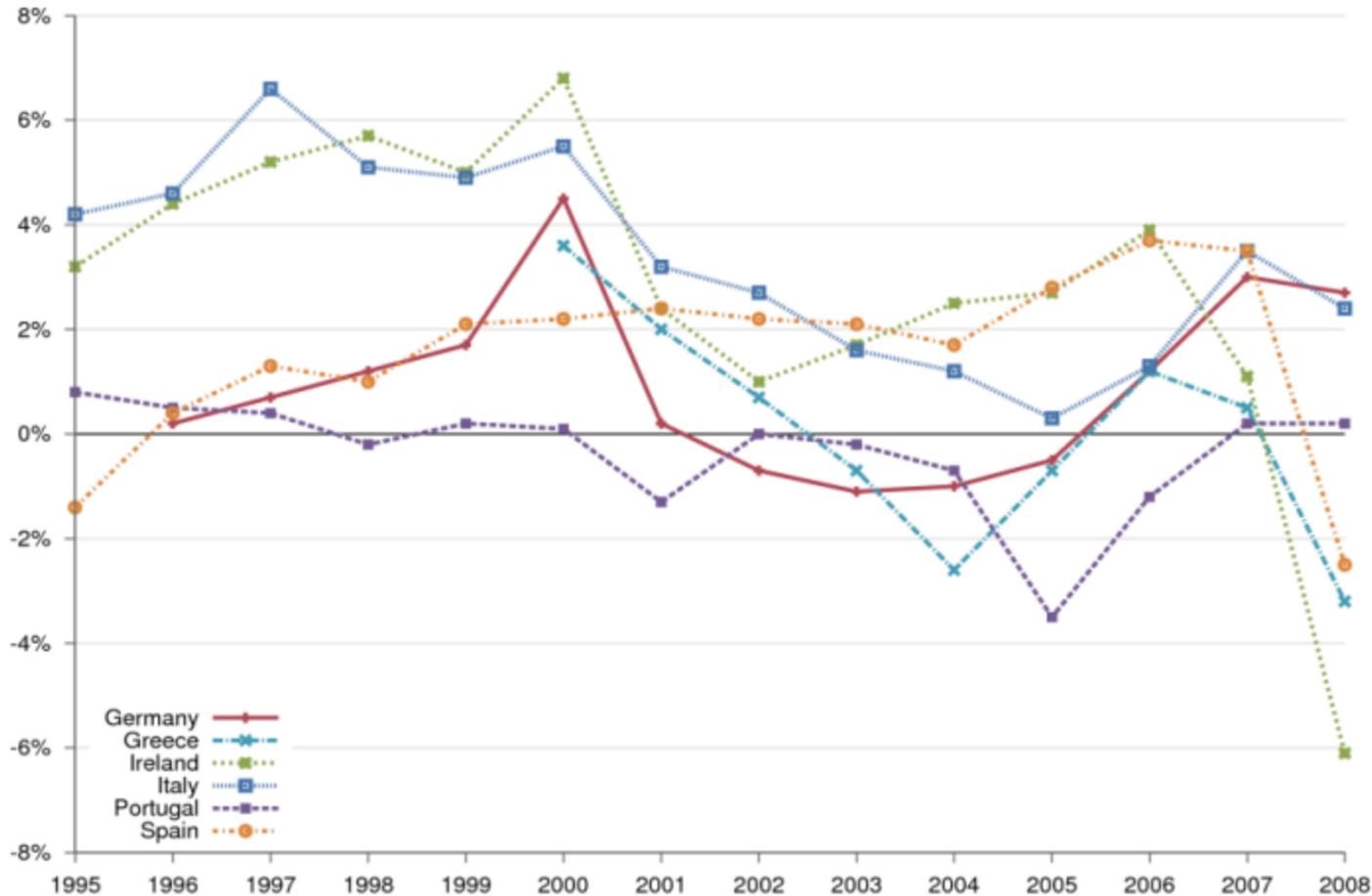


# What did the people get?

## 2. 'Financial stability' - sovereign debt

Fig. 21 Government **primary** balance

% GDP Source: Eurostat

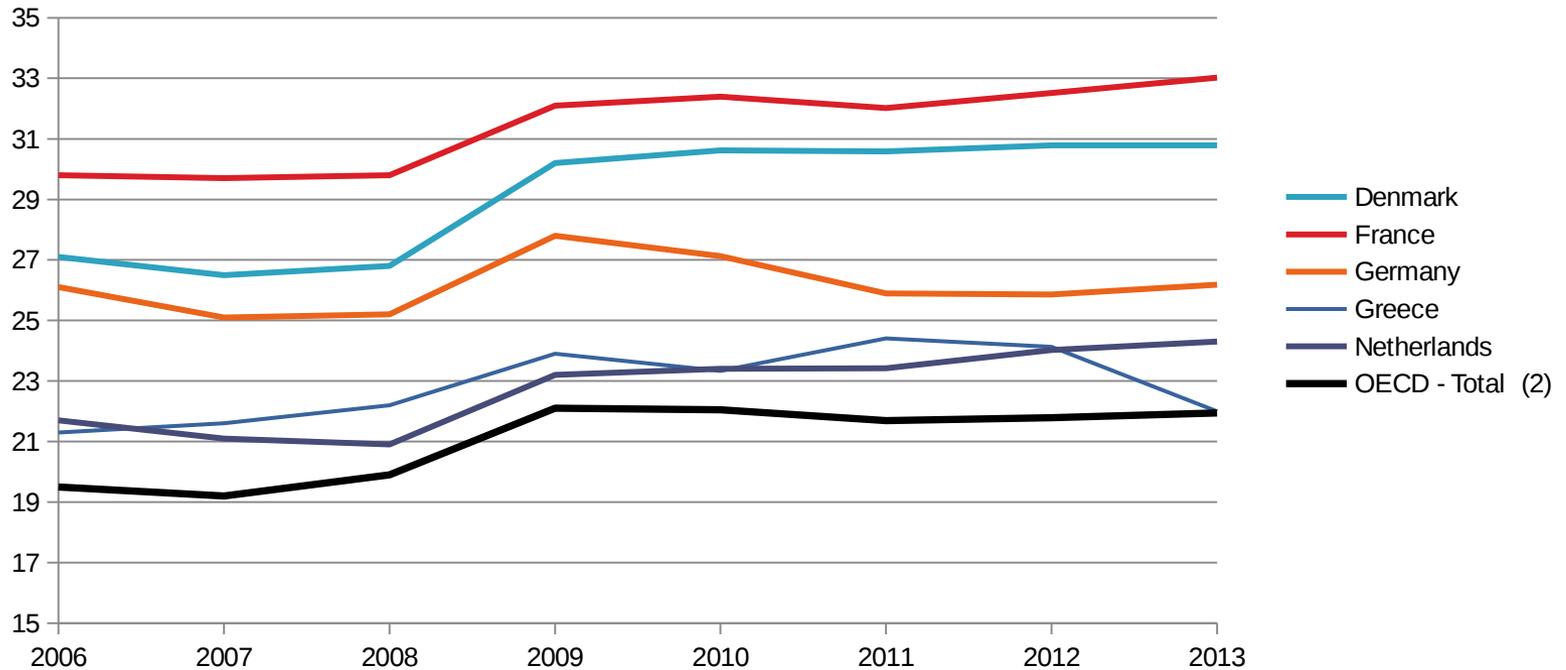


**Greece has borrowed €477 billion (2000-2008) to finance a primary deficit of €16.7 billion.**

# What did the people get?

## 3. 'Welfare upgrade'

**Total public social expenditure as a percentage of GDP (OECD database)**

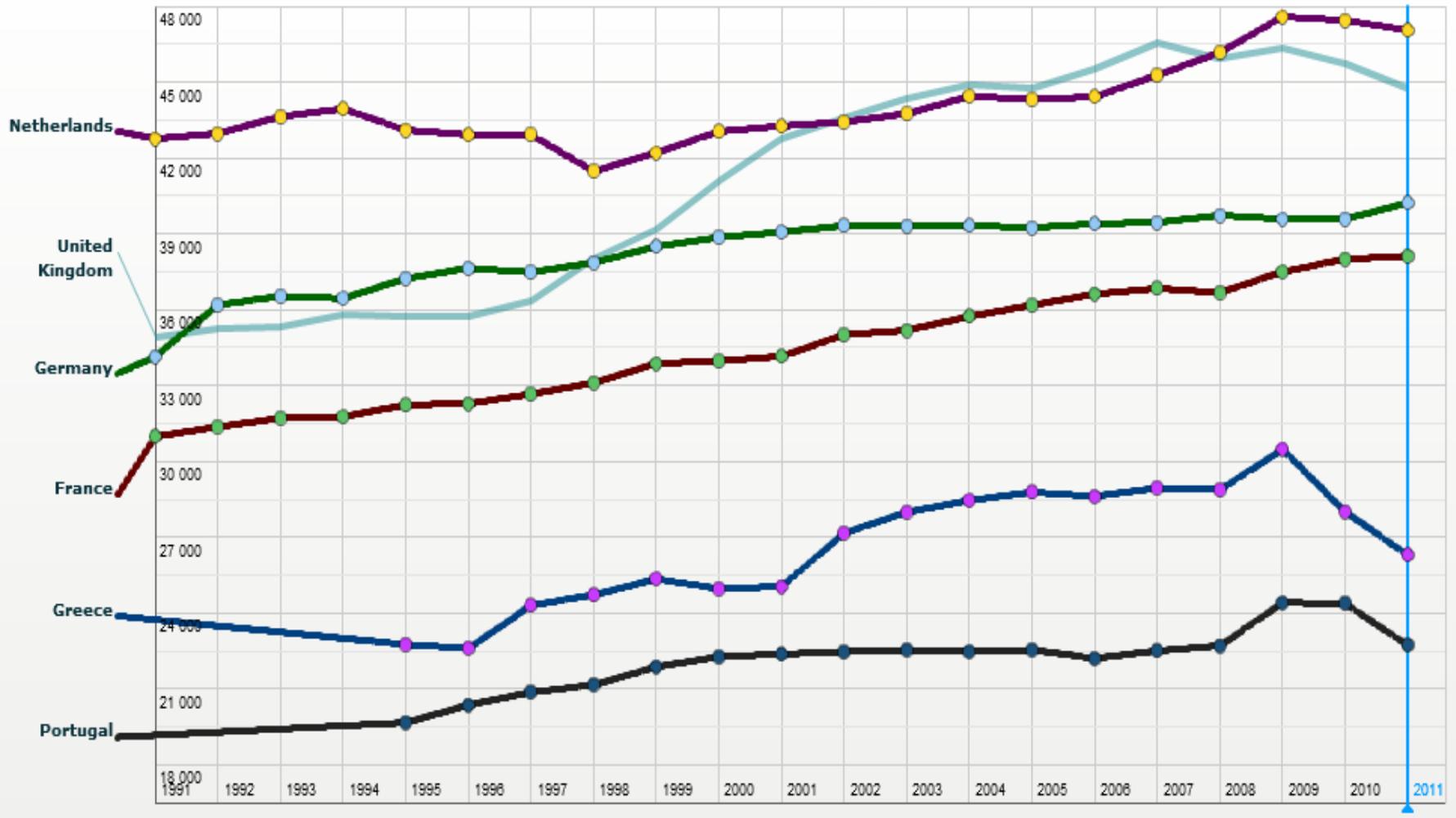


• Welfare spending roughly average

# What did the people get?

## 3. 'Welfare upgrade' - average yearly

2011 USD PPPs and 2011 constant prices

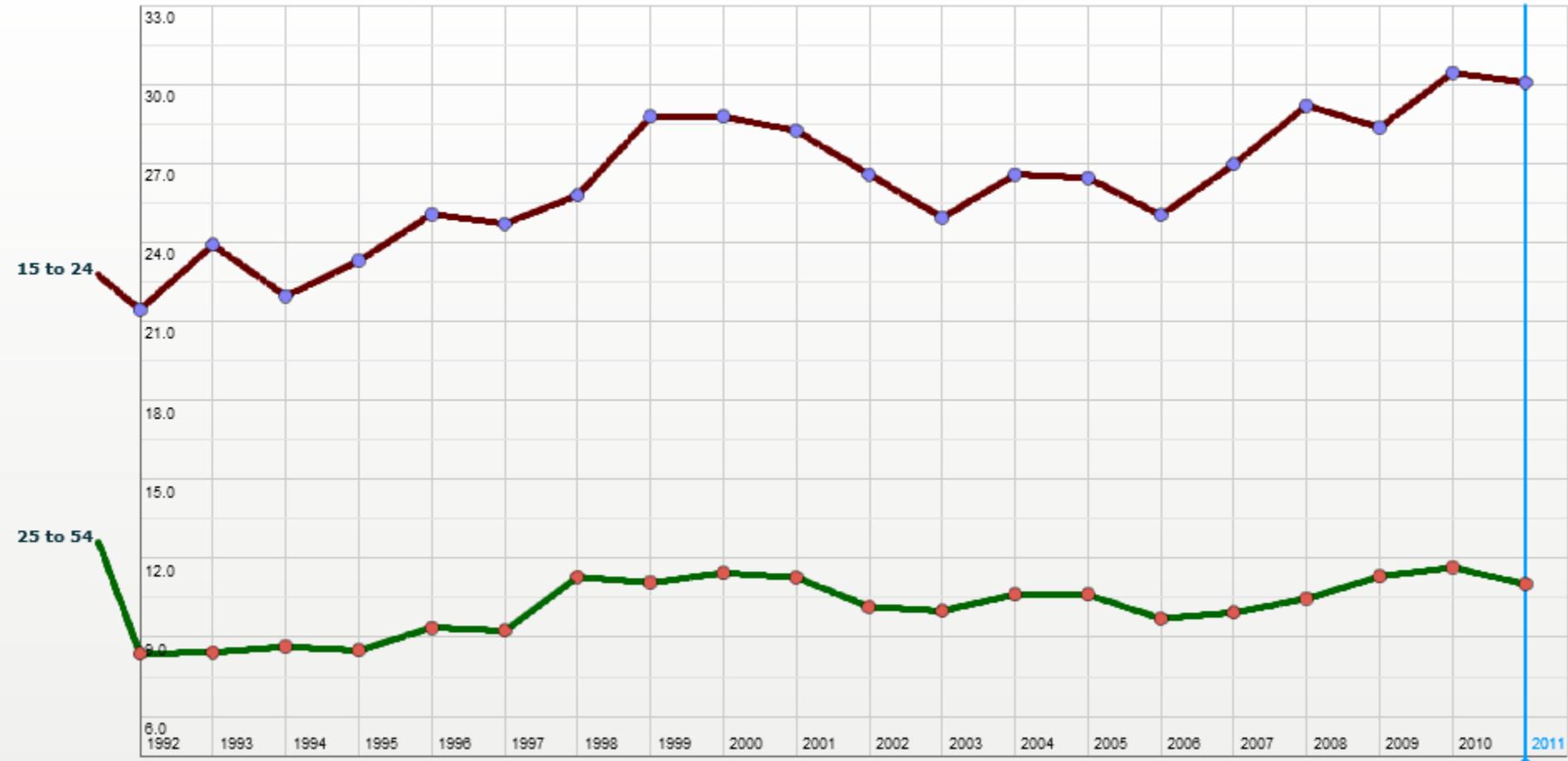


- Wages increase in Southern Europe
- However, they remain low!

# What did the people get?

## 3. 'Welfare upgrade'

Greece, All persons, Dependent employment, Share of temporary employment

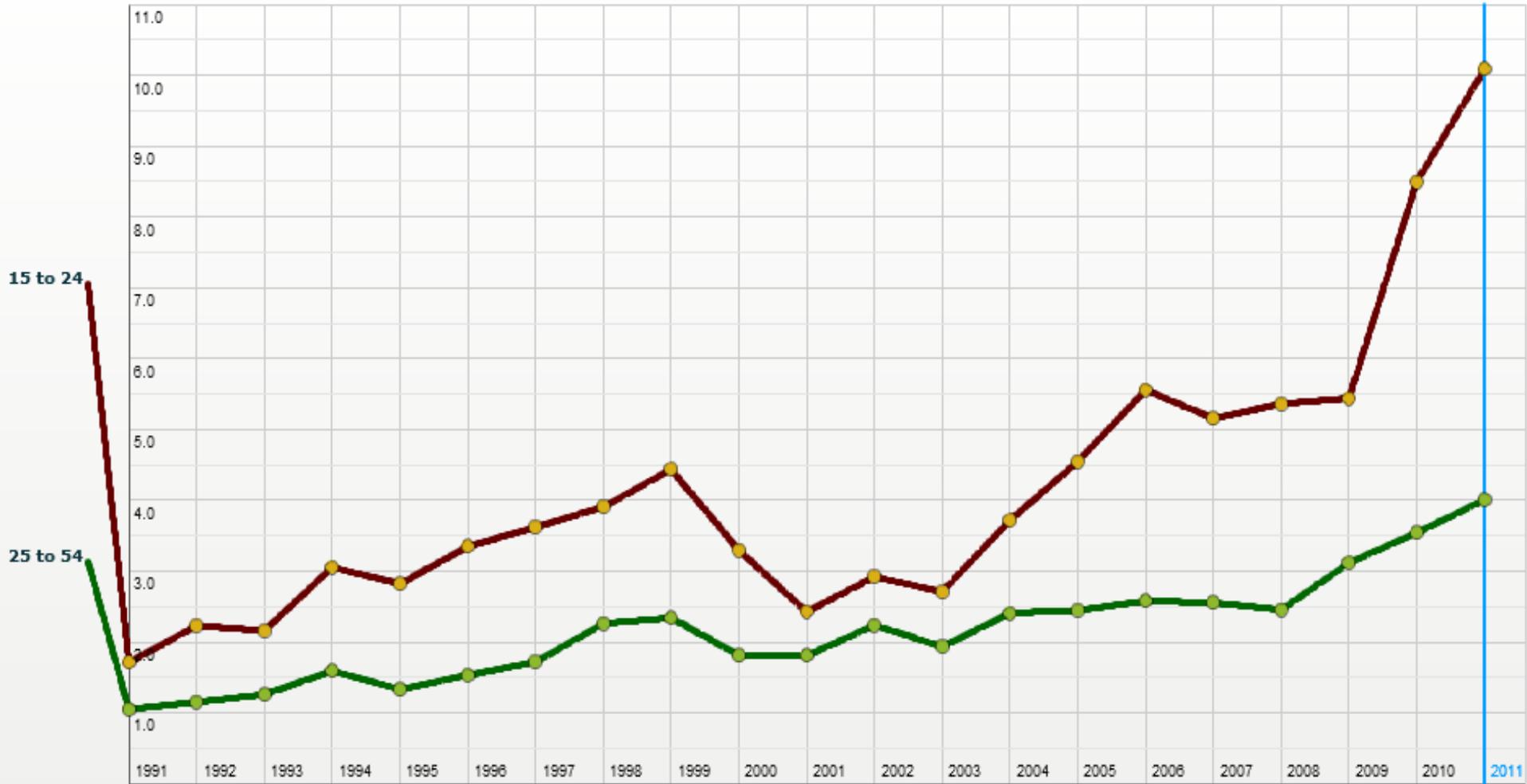


➤ Sharp rise of flexible employment among the youth

# What did the people get?

## 3. 'Welfare upgrade'

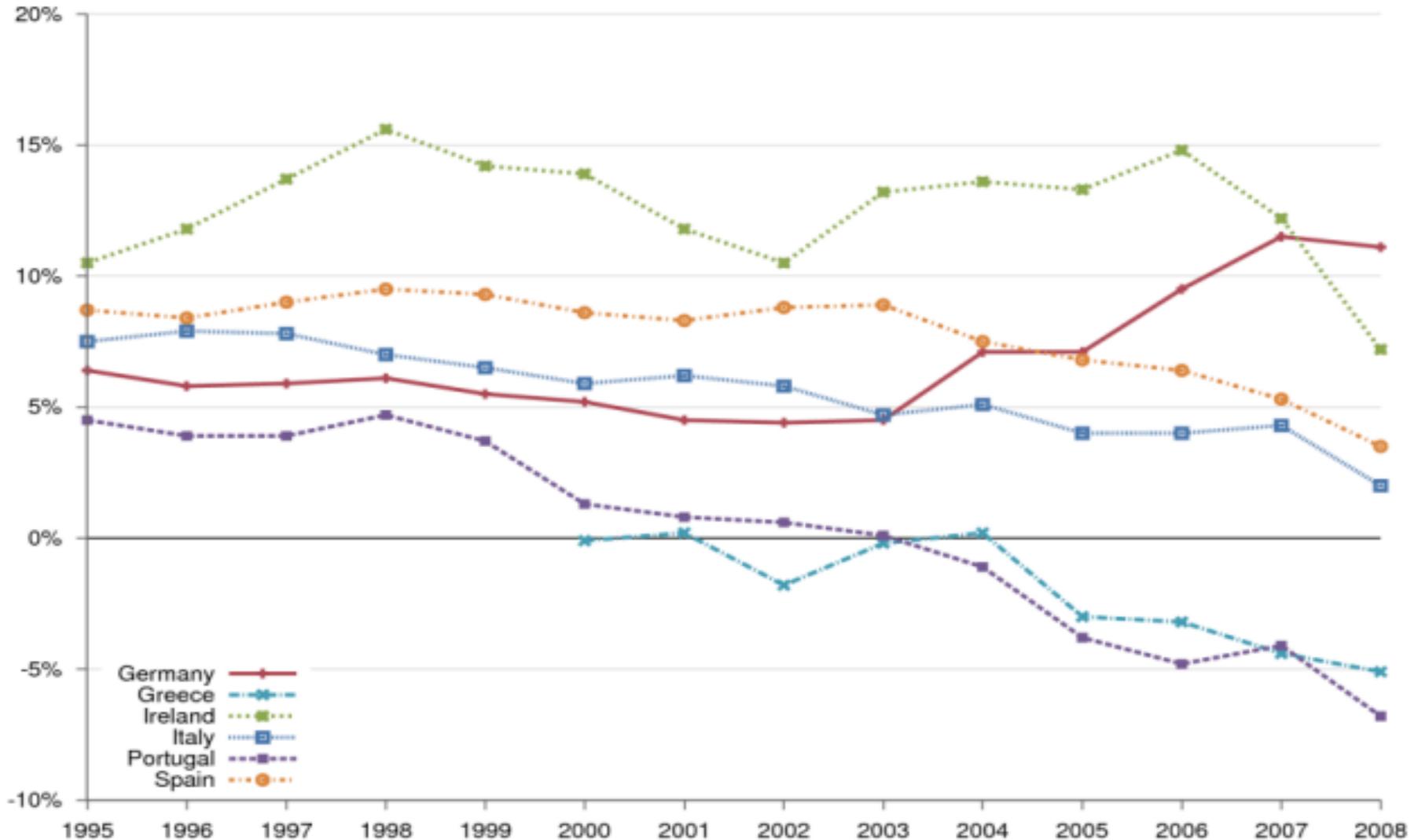
Greece, All persons, Dependent employment, Share of involuntary part-timers in total employment



- ...and involuntary part-time employment
- Lost generation even before the crisis!

# What did the people get?

## 3. 'Welfare upgrade' - Savings as %



Source: Eurostat

# Who gained? State

Year	Income tax of physical persons	Contribution to tax revenues	Income tax of legal persons	Contribution to tax revenues	Total taxes
2001	6.156	56,64	4.712	43,36	10.868
2002	6.645	61,32	4.191	38,68	10.836
2003	6.769	60,93	4.341	39,07	11.110
2004	7.785	62,24	4.724	37,76	12.509
2005	8.292	63,68	4.730	36,32	13.022
2006	9.275	67,64	4.438	32,36	13.713
2007	10.161	68,56	4.659	31,44	14.820
2008	10.816	71,98	4.211	28,20	15.027
2009	10.841	73,98	3.813	26,02	14.654
2010	9.950	74,90	3.335	25,10	13.285
2011**	10.600	79,10	2.800	20,90	13.400

Source: Government Budget for 2012

- To make things clear: in 2010, the 174 more profitable companies declared €7.1 billion profits. Transferred €11.3 billion abroad...

# Consequences of the euro

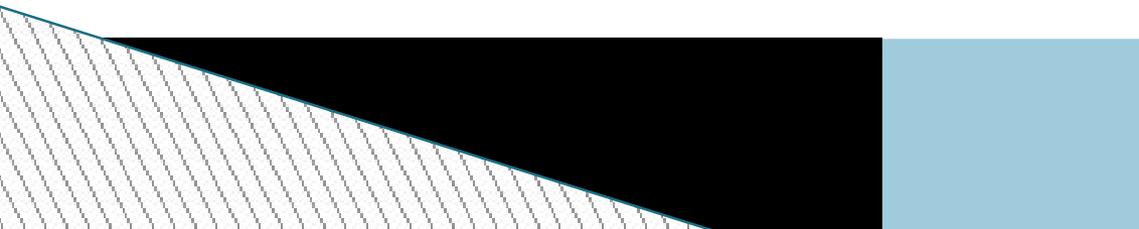
- ▶ (Unprepared) Exposure to a common currency area...
  - ...that is dominated by neoliberal policies
- ▶ Real economy was destroyed
  - ...and whatever is left will be destroyed now!
- ▶ Excessive subsidies to the rich...
  - ...that did not pay off!
- ▶ The 99% suffered a large deterioration of their income, labour standards etc...
  - ...and is drive to extreme poverty by the EU and the IMF!

# What is Greece today?

- ▶ Eurostat: unemployment 26.7%
  - 2/3 of young people (16-24) are unemployed
  - 12% of the unemployed receives a benefit
  - 1,160,000 unemployed without any income...
- ▶ 1.2 million are paid with a 1-12 month delay
- ▶ Many working poor (minimum salary: €586 gross)
- ▶ ~3 million people without health insurance
- ▶ 292,000 living in families with both

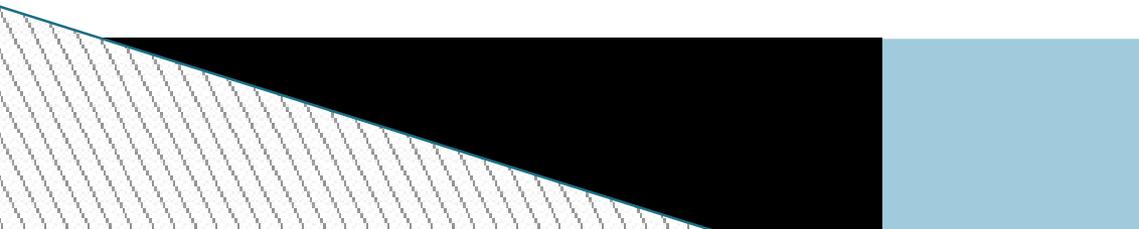
# What is Greece today?

- ▶ A society on the verge of collapsing **due** to the austerity policies
  - And not because of their slow implementation
- ▶ The testing field of the harshest neo-liberal experiment in the EU
- ▶ The place where democracy is abolished



# Austerity policies

- ▶ People were told that harsh austerity will lead to:
  - Solving the sovereign debt problem
  - Lead to growth through investments
  - Make the Greek state functional

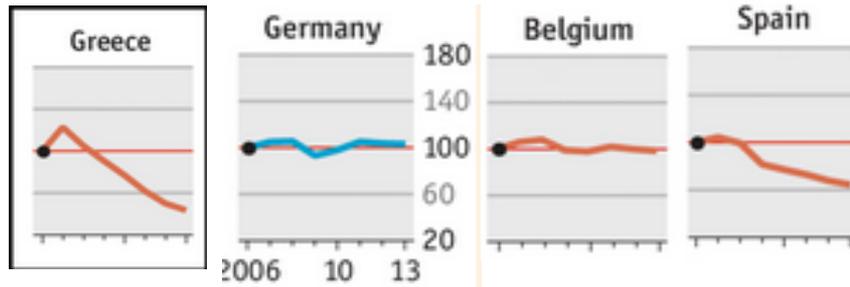


# Instead... debt exploded

- ▶ Debt: 179% of GDP – 120% before austerity
- ▶ No primary surplus
  - Official statistics doesn't count bank subsidies in state expences
  - Government deficit: ~12.6% in 2014...
- ▶ The recent 'return to the financial markets'
  - €2.5 billion with 5% interest rate = ~ €700 million burden on Greek people

# Instead... economy collapsed

## ▶ Investments (OECD data)



## ▶ Investments: 12% of GDP (23.3% in 2000). 164 in the world...

- Total Revenue in Industry: - 9.3%
- New orders index in Industry: -17.5%
- Total Revenue in Retail Trade: - 8.9%
- Final consumption expenditure (households-government): - 6.3%
- Exports: - 5.6%

## ▶ Vicious circle on

- 'Expensive' ... not, no income (for the majority...)

# Instead... taxes paid by whom?

- In 2010, 174 most profitable companies declared €7.1 billion profit.
- ...but transferred €11.3 billion abroad...
- Regressive tax system
  - €16 million for ship owners (maybe...)
  - €57 million for seamen.

Year	Income tax of physical persons	Contribution to tax revenues	Income tax of legal persons	Contribution to tax revenues	Total taxes
2001	6.156	56,64	4.712	43,36	10.868
2002	6.645	61,32	4.191	38,68	10.836
2003	6.769	60,93	4.341	39,07	11.110
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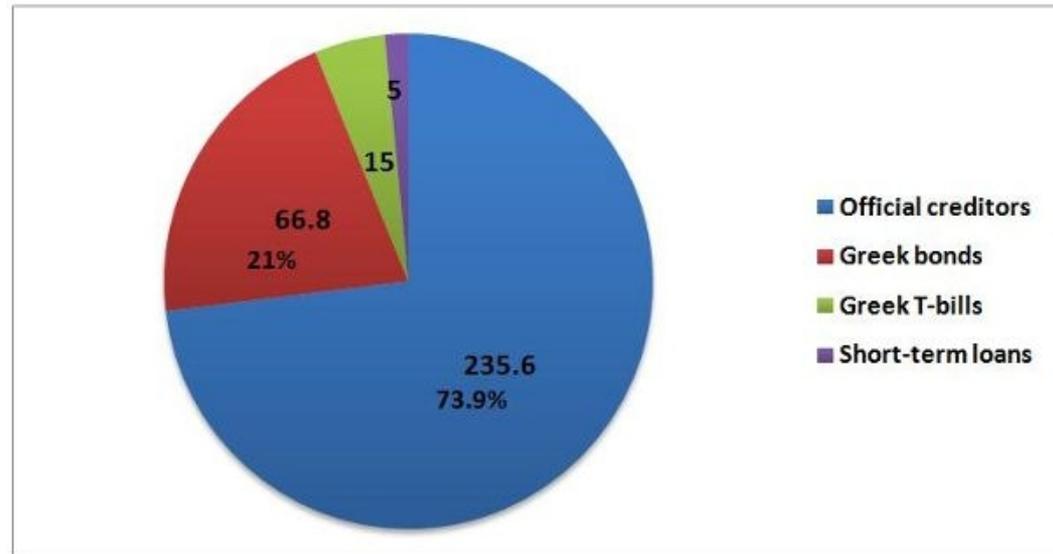
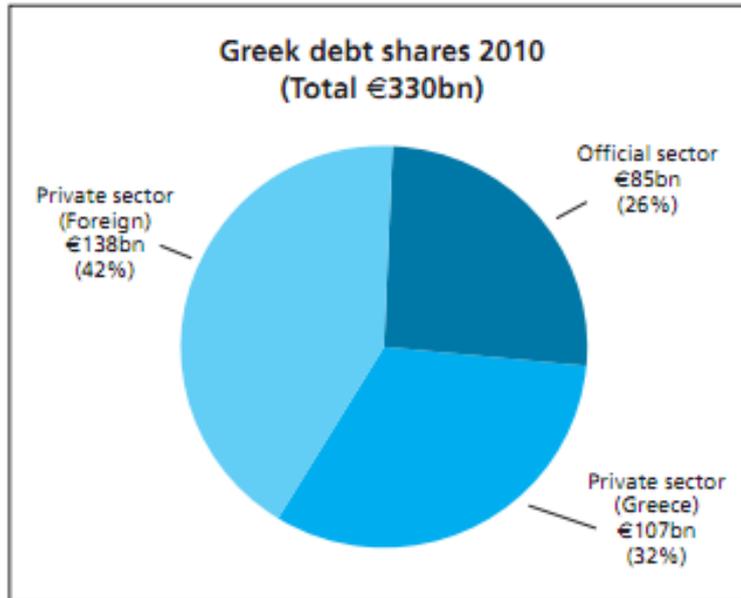
Source: Government Budget for 2012

- Indirect taxes: 40.1% (33% in the Eurozone)
- 743% increase in real estate taxes (2009 - 2014)

# Aims of bailouts: Saving the euro and the banks

Greek sovereign debt was transferred...

Graph 2: Configuration of Greek public debt, late 2014 (in billions of euros)

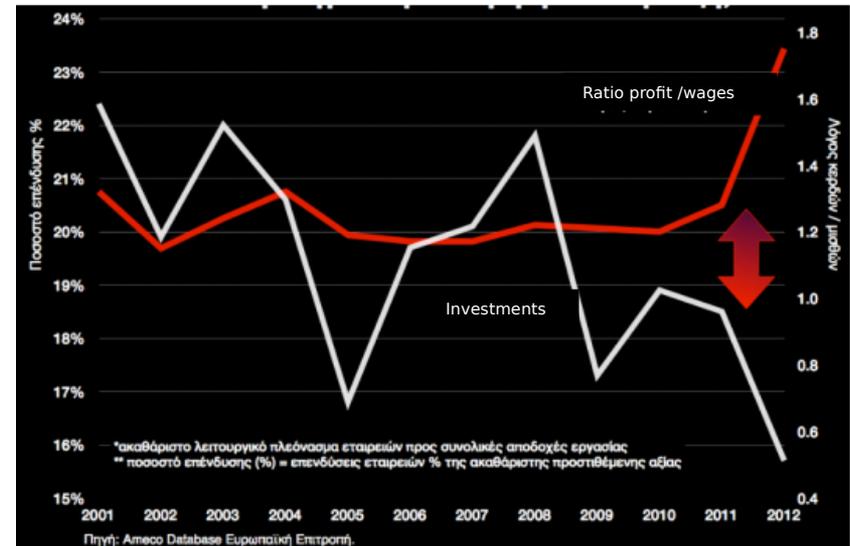
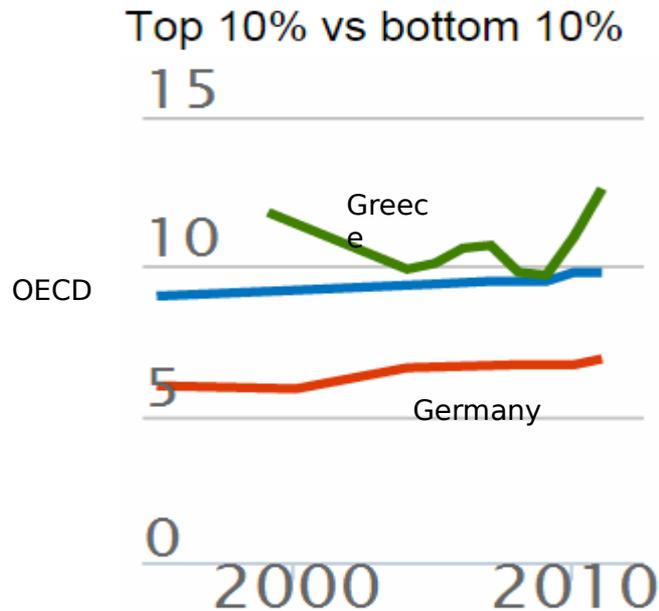


from banks...

to 'official' creditors  
(governments, ECB, EFSF)

# Aims of reforms: changing the balance...

- Decrease considerable people's income - abolish workers' rights - increase profit



- Together with cheap privatisations, fast-track investments, non-compliance of employers
- Scandalous legislation for company profits

# Aims: the 'Greek experiment'

The new phase of the experiment includes:

- ▶ Giving out (*not selling*) state property and services to the private sector
- ▶ Taking the property of the people
  - Massive home evictions to come
- ▶ Bring people in state of absolute poverty
  - (severe) pension cuts and new wage cuts to come
  - Deprive them from access to health, social security
- ▶ Destroy workers' rights
  - No CAO's, no minimum wages, no *arbowet*

# Aims: the 'Greek experiment'

- ▶ Austerity is fiercely supported by EU, national governments and elites
  - ▶ In Marxist terms: complete shift in balance of labour and capital
    - How low can become the living standards of the people;
    - Profit making through destructive exploitation
      - Greek people on the verge of an unprecedented disaster
        - with no limits
- ort of many powerful...

**Aims: the Greek**

**experiment' for the**

▶ **abolishment of democracy**

Answer of Commissioner Kallianeh on a question of SYRIZA EMP's on the violation of the European Charter of Human Rights in Greece with the austerity policies:

*"The Commission is committed to ensuring that, when implementing EC law, Member States respect the rights enshrined in the EU Charter of Fundamental Rights. However, the programme documents are not EC law, but instruments agreed between Greece and its lenders: as such, **the Charter cannot be used as a reference**"*

# Aims: the 'Greek experiment' for the abolishment of democracy



- P.15 *“the total cost of recapitalization and consolidation of banks in the estimated amount of € [XX] billion ” !!! That’s what government MP’s vote...*

# What is the reason?

- ▶ ***'There is no solid, scientific foundation for the EMU'***. Letter of 331 economists from 1997.

<http://www1.fee.uva.nl/pp/bin/popularpublication246fulltext.pdf>

- ▶ This European Monetary Union (EMU) *'institutionalizes the dismantling of the public sector in the member states and reduces the maneuvering room for active social and fiscal policy.'*
- ▶ *'policy competition in many different areas will undermine national revenues and force reorganisation of national expenditures...'*
- ▶ *" because interest rates will soon be roughly the same everywhere, the mobility of labour across European frontiers is (still) slight, and financial transfers have not been provided for, the countries in the EMU will soon have only one instrument left at their disposal in order to cushion economic shocks: government expenditures. But as we have just seen, even that instrument has been taken out of governments' hands by the Stability Pact. This means that labour will be handed the bill for economic recessions, in the form of rising unemployment, falling wages, and still greater flexibilisation. '*

**Geert Reuten, Kees Vendrik, Robert Went and others.**

# Who will oppose 'an' alternative

- ▶ The EU (leaders and establishment)



- ▶ Financial markets, business interests
- ▶ An 'army' of state-fed 'golden boys', public-sector managers
- ▶ Security forces deeply infiltrated by the Nazi's  
◦ And the Golden Dawn Nazi's themselves in the streets

# What is there to be done...

- ▶ Solution for whom?
  - the elites?
  - or the people?
- ▶ 3 options:
  - Austerity-continue the same path
  - Reforming the eurozone
  - Radical exit from the eurozone
- ▶ Solution by whom?
  - a left government?
  - the movement? What kind of movement?
  - or both?

# Where are the alternatives?

- ▶ (Just) protesting leads nowhere
- ▶ 'Traditional' labour movement with economic demands is bankrupt



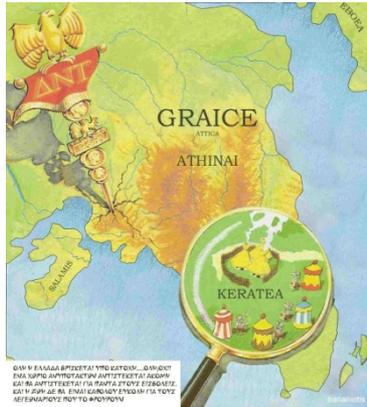
Fighting austerity in Greece means...

- ▶ Defeating the political and economic establishment of Greece AND the EU
- ▶ Re-building a completely destroyed

community

# Decisive (local) battles are given

- ▶ ...and are mostly lost
- ▶ Due to the lack of political and social support



- ▶ But sometimes win



- ▶ Or go on

# Alternatives are built...

- ▶ Rarely in production



- ▶ Sometimes in food production and trade



- ▶ And mostly as solidarity initiatives sometimes with left-wing orientation



- ▶ But are all far from building a movement

# Conclusion

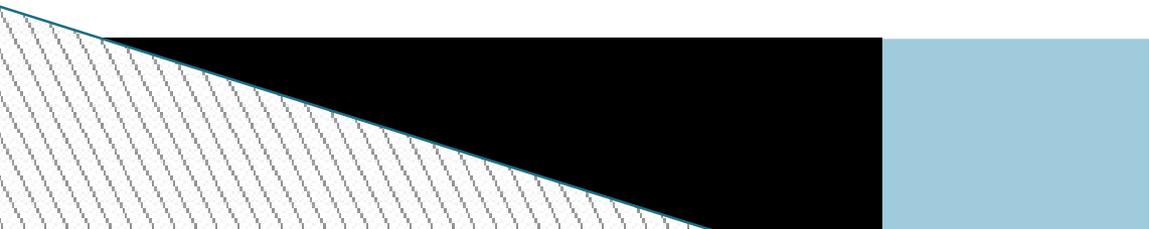
- ▶ There is no way out with the current economic policy and political establishment
- ▶ Austerity leads the Greek people to disaster
  - We haven't seen the very bottom yet...
- ▶ With this EU, no solution can be found without a (severe) conflict
- ▶ Challenges are very big and the left needs to face them seriously...

# SYRIZA as an alternative



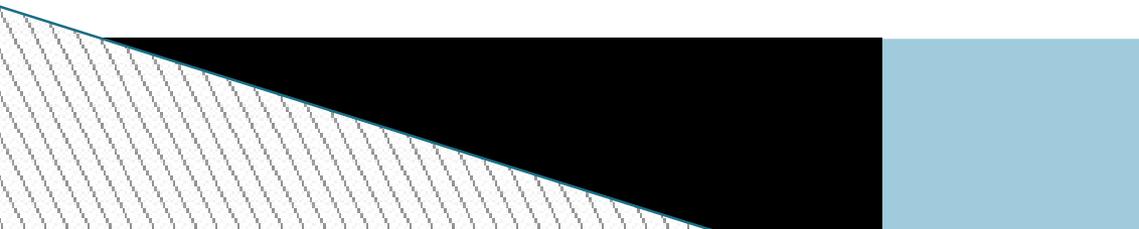
Dimitris Pavlopolous  
*Vrije Universiteit Amsterdam*

# Solution : reform the eurozone

- ▶ Assume collective responsibility for sovereign debt (i.e. Eurobonds)
  - ▶ Reform the ECB. Make it a 'lender of last resort'
  - ▶ Introduce direct fiscal transfers (e.g. via the European Investment Bank)
  - ▶ Unify the banking system
- 

# Solution : reform the eurozone

- ▶ Economically doubtful
  - The periphery won't gain much
  - It will have to go further
  - Joint fiscal, welfare and employment policy
- ▶ Politically unwanted
  - It will need smth like a 'European state'
  - Who is willing to accept it?



# SYRIZA before and after...

## Syriza's electoral programme

### Public Debt

Write-off of the biggest part of the nominal debt'

### Labour relations

'Restitution of the institutional framework protecting labour rights that was demolished by the Memoranda governments. Restitution of the so-called «after-effect» of collective agreements; of the collective agreements themselves as well as of arbitration. Abolition of all regulations allowing for massive and unjustifiable layoffs as well as for renting employees.'

## Eurogroup's deal or List of measures submitted by Greece to the EU

'The Greek authorities reiterate their unequivocal commitment to honour their financial obligations to all their creditors fully and timely.'

'Phasing in a new 'smart' approach to collective wage bargaining that balances the needs for flexibility with fairness.'

# SYRIZA before and after...

## Syriza's electoral programme

## Eurogroup's deal or List of measures submitted by Greece to the EU

### Labour relations

'Restoration of the minimum wage to €751' from the first days and for sure within the first year.

'This includes the ambition to streamline and over time raise minimum wages in a manner that safeguards competitiveness and employment prospects. The scope and timing of changes to the minimum wage will be made in consultation with social partners and the European and international institutions, including the ILO, and take full account of [...] whether changes in wages are in line with productivity developments and competitiveness.'

According to the government's announcements in Parliament minimum wage is expected to reach €751 in 2016.

'Job-creation program for 300,000 new jobs in two years with estimated cost of €5 billion'

'Expand and develop the existing scheme that provides temporary employment for the unemployed, in agreement with partners and when fiscal space permits and improve the active labor market policy programs with the aim to updating the skills of the long term unemployed.'

'300,000 extra unemployment allowances'

# SYRIZA before and after...

Syriza's electoral programme

## Banks

'The public sector regains control of the Hellenic Financial Stability Fund and fully exercises its rights on recapitalised banks, thus having the first word regarding their administration'

Eurogroup's deal or List of measures  
submitted by Greece to the EU

'Utilize fully the Hellenic Financial Stability Fund and ensure, in collaboration with the SSM, the ECB and the European Commission, that it plays well its key role.'

# SYRIZA before and after...

Syriza's electoral programme

## Private debt

'New relief legislation will include: the case-by-case partial write-off of debt incurred by people who now are under the poverty line, as well as the general principle of readjusting outstanding debt so that its total servicing to banks, the state, and the social security funds does not exceed  $\frac{1}{3}$  of a debtor's income.'

'We are setting up a public intermediary organization for the handling of private debt, not as a «bad bank», but both as manager of any payment overdue to the banks and as bank controller regarding the implementation of the agreed-upon settlements.'

'In the next days, SYRIZA will table a law proposal to extend *ad infinitum* the suspension of foreclosures on primary residences, valued less than €300,000. The law proposal will also include the prohibition to sell or transfer the rights over loans and over land charges to secure the loans to non-bank financial institutions or companies'  
'Reduce real estate fair market values by 30 to 35%'

Eurogroup's deal or List of measures submitted by Greece to the EU

'...(d) promoting a strong payment culture. Measures will be taken to support the most vulnerable households who are unable to service their loans. Align the out-of-court workout law with the installment schemes after their amendment, to limit risks to public finances and the payment culture, while facilitating private debt restructuring.'

'Dealing with non-performing loans in a manner that considers fully the banks' capitalization (taking into account the adopted Code of Conduct for Banks), the functioning of the judiciary system, the state of the real estate market, social justice issues, and any adverse impact on the government's fiscal position.'

'Collaborating with the banks' management and the institutions to avoid, in the forthcoming period, auctions of the main residence of households below a certain income threshold, while punishing strategic defaulters, with a view to: (a) maintaining society's support for the government's broad reform program, (b) preventing a further fall in real estate asset prices (that would have an adverse effect on the banks' own portfolio), (c) minimizing the fiscal impact of

# SYRIZA before and after...

Syriza's electoral programme

[Eurogroup's deal](#) or [List of measures](#) submitted by Greece to the EU

## Privatisations

Syriza's Congress 2013: 'We cancel giving away [...] natural resources [...] and other public property to the Hellenic Republic Asset Development Fund'

Thessaloniki: 'transfer parts of public property which currently stagnate within the HRADF to social security funds'

Government announcements: 'Privatising infrastructure, networks and mineral is stopped'

'The Greek authorities [...] commit not to roll back privatizations that have been completed. Where the tender process has been launched the government will respect the process, according to the law. [...] Review privatizations that have not yet been launched, with a view to improving the terms so as to maximize the state's long term benefits, generate revenues, enhance competition [...] each new case will be examined separately and on its merits, with an emphasis on long leases, joint ventures (private-public collaboration) and contracts that maximize not only government revenues but also prospective levels of private investment. Unify (HRDAF) with various public asset management agencies'

# reform within the Eurozone?

In the light of the last Eurogroup decisions



What are the chances of  
a more radical reform?

# What is the last agreement about

- ▶ SYRIZA giving up the bulk of its electoral program...
  - Promise to repay the sovereign debt
  - Promise to maintain primary budget surpluses
  - Acceptance of the main directions of the 'memoranda'
  - Acceptance of (not anymore called) Troika supervision
- ▶ and shifting dangerously towards neoliberal policies
  - Acceptance of privatizations
  - Acceptance of neoliberal reforms in the labour market
  - Leave the way open for reduction of non-minimum wages
- ▶ To gain time
- ▶ And try to meet some basic needs of the people

# Could it have gone otherwise?

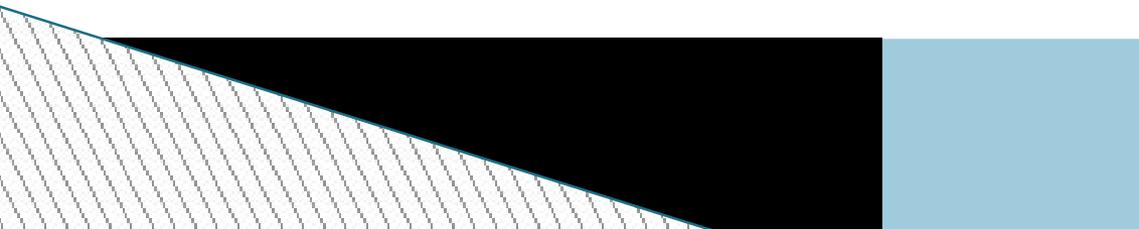
- ▶ The EU and the ECB possess economic weapons of mass destruction
  - Squeezing the banks by stopping the liquidity
  - Lead to default by not providing options to serve the debt
    - That can still happen: Greece needs many billions to serve the debt in 2015

ΣΥΝΟΛΙΚΕΣ ΥΠΟΧΡΕΩΣΕΙΣ  
ΠΟΣΑ ΣΕ ΔΙΣ. ΕΥΡΩ



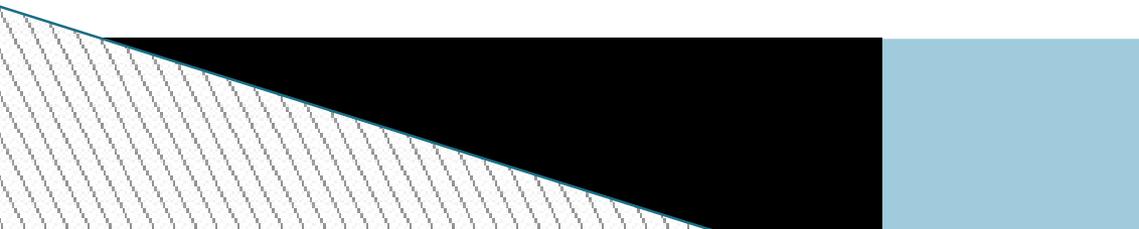
# Could it have gone otherwise?

- ▶ The EU possesses also conventional weapons to discipline the ‘perpetrators’
  - Rules on economic governance (Lisbon convention, six pact, ‘macroeconomic imbalances’ etc)
  - Even stability funds are conditional on austerity programs
  - Any wage increase may be a reason for a fine from the EU
  - Every part of SYRIZA’s program violates it (potentially)



# Could it have gone otherwise?

- ▶ No, if you don't disable these weapons
  - But, you can't do it just by winning the 'elected positions'
  - The power is beyond them
- ▶ Decisive and radical move: leave the euro and the EU. Also
  - Write off unilaterally the debt
  - Nationalize banks and strategic companies
  - Reverse austerity policies.
  - Support grass root initiatives in the economy

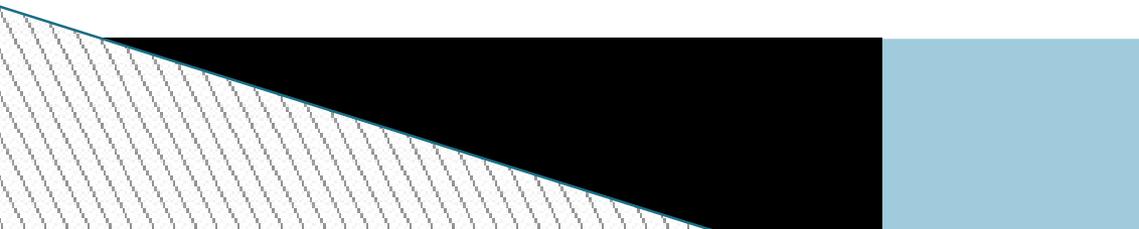


# Risks...

- ▶ Economically risky
  - You need to build economy and institutions from scratch.
  - Own currency means devaluation and fluctuations. For how long?
  - Autarky is not an option. External economic alliances?
- ▶ Politically risky
  - Internally: will people accept the fluctuations and the 'not going back' option?
  - Externally: your ex in the EU won't be happy?

# Requirement

- ▶ The decisive role of the movement
  - Its lack is also a responsibility of SYRIZA (but not only...)
- ▶ The radical option is not an easy one
  - Currency fluctuations
  - Hostile attitude of EU governments
- ▶ The choice is between a slow death of the economy and the people and a radical pathway with potentials but also severe difficulties



# The challenge for European left

The choice is between

- ▶ Ignoring the change potential that was shown by the Greek elections
  - Unfortunately even Podemos refused to openly support the demand for writing off the Greek debt
- ▶ Or take the opportunity and throw itself in a difficult struggle
  - The issue of debt write off is symbolic and

crisis