# The Greek Workshop of Debt and the Failure of the European Project

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# Editorial

# The Greek Workshop of Debt and the Failure of the European Project

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*Much has been written on Greece's sovereign debt crisis and the disintegrative tendencies of the EU in conjunction with the global financial crisis that hit the West since summer 2007. This paper reviews the most important contributions to the debate and advances an original analysis as to what the sources of the Greek debt crisis are and what steps should be taken in order to get out of it. The argument put forth is that responsibility for the country's debt should be placed squarely on Greece's two main parties ruling the country since 1974 (New Democracy and PASOK) in conjunction with the Euro-Atlantic political elites, the inter-section of which is straddled by a comprador-cum-financial oligarchy Greek-style. In addition, as the two ruling parties pick up their pieces from political and electoral debacles, the urgent political task of the Greek and the European Left is a policy of* socialist seisachtheia.

No sooner had the ink of the *IMF Country Report on Greece* (February 2011) dried, than a document outlining the 'strategy' the country had to pursue to pay back its debt was posted on the website of the Greek Ministry of Finance, instantly becoming an electronic bestseller: 'Greece: Medium-Term Fiscal Strategy 2012–15'. This was a follow-up (see Table 1). The year before (May 2010), the so-called 'troika' was established (ECB, IMF and the EU), imposing on the country a *Memorandum of Understanding on Specific Economic Policy Conditionality*, pushing a virtually bankrupt state to implement untold austerity measures including, among others, wholesale liquidation of public assets. The reward? A loan of 110 billion Euros, to be paid periodically in tranches on condition that Greece would register progress. Likewise, the *Memo* has become an electronic bestseller on all relevant, governmental and non-governmental, websites, inviting debates and political struggles of the sort Greece had not experienced at least since the advent of Andreas G. Papandreou's PASOK (Pan-Hellenic Socialist Movement) to power in 1981. This is one point to note, and which should be seen alongside the fecundity of the notion of 'concatenation' put forth by Perry Anderson on the occasion of the Arab revolts.[1]

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**Table 1** Chronicle

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|---|---|
| 5 October 2009 | PASOK wins election after more than five years of ND rule |
| February 2010 | PASOK reveals that official statistics concerning Greek debt and growth data have been manipulated |
| May 2010 | 'Troika' and EFSF are established agreeing bail-out package of 110 billion Euros for Greece. EFSF firepower at 440 billion Euros |
| 28 November 2010 | 85 billion Euros for Ireland agreed |
| February 2011 | IMF country report on Greece; Finance Minister produces almost instantly 'Greece: Medium Term Fiscal Strategy 2012–2015' |
| 3 May 2011 | 78 billion Euros for Portugal agreed |
| 10 June 2011 | On admission by the EU that Greece needs a second package, Germany asks for private sector involvement |
| 29 June 2011 | PASOK government wins parliament vote for austerity by 155 to 138. One PASOK MP who voted against the bill expelled from the party |
| 21 July 2011 | EFSF lending ability boosted further in order, presumably, to enable banks to absorb costs from Greek default. Troika agrees second bail-out for Greece worth 109 billion Euros offering a 'haircut' of 21 per cent |
| 8 August 2011 | ECB intervenes to steady Italian and Spanish bonds |
| September–October 2011 | Untold austerity measures by PASOK (public sector lay-offs, complete welfare state retrenchment; further wage and pension cuts; VAT increase to 23 per cent; property taxation and extra taxation inserted into electricity bill; abolition of minimum wage; total sell-off of state assets, etc. |
| 21 October 2011 | Report by international lenders indicates that Greece is insolvent and a 'haircut' of up to 60 per cent is needed in order to make debt and the second bail-out sustainable via further austerity measures |
| 27 October 2011 | European leaders agree to another bail-out for Greece worth 130 billion Euros and to a 'voluntary' agreement with private lenders for a 50 per cent 'haircut' in exchange for safer debt through further austerity measures for Greece; Greek banks under enormous pressure |
| 31 October 2011 | George Papandreou announces that the new deal should be tested in a national referendum, causing shockwaves in Greece and across the Euro-zone; two days later, after meeting Sarkozy and Merkel, he drops referendum |
| November 2011 | PNB Paribas, the French bank most exposed to Euro-zone and Greek debt, writes down 60 per cent of the value of its Greek holdings; Papandreou resigns; formation of government of national unity under former ECB Vice-President, Lucas Papademos; Greek political scene in complete disarray; elections scheduled to be held on 19 February 2012—although it appears uncertain at the time of writing (end of December 2011) whether or not they will take place—with the two big parties discussing post-election coalition deals in order to survive debacle |

*Sources*: The authors' diary and *The Economist*, 'Is anyone in charge?', 1 October 2011.

In fact, the whole of the Mediterranean and the Balkan/Near Eastern zones are in flames, the forms of struggle varying from country to country and from region to region, not to mention the new Occupation Wall Street movement that is embracing many cities inside and outside the USA.[2] 'Revolution', Alex Callinicos wrote, 'is a 21st century reality.'[3] However, there is also something else that should not go unnoticed in the case of Greece.

Never before in its post-war history, perhaps with the partial exception of the decade that followed the end of the bloody Civil War (1946–49), has the dependence of Greece on exogenous agencies been so conspicuous, total and complete: it is as if all Greek government officials, pundits, elites and comprador camaraderie are on the payroll of the IMF and the ECB. The IMF report of February 2011 asked Greece to impose additional austerity measures, so that a second loan of 109 billion Euros would be secured. The PASOK government had a rough ride especially in summer 2011, as it was trying to convince trade unionist and PASOK rebels to approve the new 'troika' *diktat*. The bill for harsher austerity measures was eventually passed, turning the Greek state into a straightforward predator agency in the hands of the global financial usury. Yet transparency has improved. It took some decades for historians to discover in some declassified files of the State Department that most of the Greek colonels and other senior state personnel in the 1950s and 1960s who carried out the 1967 coup were on the payroll of the CIA—something that the Communist Left, as it were, had never doubted. Today, e-democracy solves such problems. Imaginative posters and graffiti on Athenian walls have already portrayed George A. Papandreou—the son of the founder of PASOK, Andreas G. Papandreou, and PM until the beginning of November 2011—an 'IMF employee of the year'.

## Merkozy and Poor Obama

The bickering over the Greek debt problem that has been taking place within the European and American elites has been linked to finding a solution about how best the interests of private financiers and banks holding Euro-zone and Greek debt could be served, while at the same time avoiding a collapse of the Euro—but who can guarantee that? Meanwhile, it was thought, the Greek people could be consoled with promises about 'lengthening' the period of repayment, or cutting the interest rate by which the principal could be serviced, or writing down/off some of the debt (the so-called 'haircut') and so on. Since autumn 2010, Germany and France have been procrastinating not just in order to overcome their differences but also to pass the debt to the central banks and public institutions, so that it is the taxpayer who will pay for it.

Franco-German differences involve, basically, concerns over allocation of costs and the timetable for a creditor-led Greek default. France holds more than 80 billion Euros in Greek debt and wants to use the ECB to pump taxpayers' money into the newly formed EFSF (European Financial Stability Facility)—the EU's newly found rescue fund to be replaced with a more permanent structure in mid-2013, the European Stability Mechanism (ESM)—a plan intended to delay a Greek bankruptcy.[4] Sarkozy argued that 'haircuts' on Greek debt would create a run on the banks spreading panic in the system and threatening Italy's and the Euro-zone's large bond markets. His financial henchmen had even produced a 'plan'. It envisaged a rolling over of a substantial portion of the maturing Greek debt by 30 years. Effectively, the French banks, which together with the German banks hold the greatest part of the Greek debt, were willing to do the following: for each 200 Euros worth of Greek government bonds that they hold and that mature in the next three years, about 70 Euros will be lent back to Greece at a 30-year maturity and at an interest rate of 5.5 per cent, and more if Greece's economy grows. Yet, as an Editorial of the

*Financial Times* pointed out, 'Greece must lend on about Euros 20bn of that to a special purpose vehicle (SPV)' that would allow it to buy triple-A rated 30-year bonds, issued by the newly formed EFSF. The face value of these bonds will be sufficient to collateralize the entire 70 billion Euros rolled over by the banks. Thus, the private bondholder will not lose a penny. As the *FT* editorial put it:

> Once one looks under the hood of this financing vehicle, problems appear. The SVP structure seems designed less to make Greece's situation more sustainable than to help banks offload risk from their balance sheets. Since Athens will get only 50 Euros in disposable funds for each 100 Euros maturing, there is another 50 Euros to cover. With privatisation receipts so elusive, this has to come from Euro-zone and IMF lending

which is basically taxpayers' money. Quite rightly, the *FT* called this French undertaking *trompe l'œil*—a sort of visual illusion.[5]

Germany, having lent Greece about 18 billion Euros, which it has already written off, wants to restrict support for the banks to national governments and have Greece default sooner rather than later. The job of the ECB, Merkel argued, is not to increase leverage to finance, through the EFSF, the Euro-zone periphery. Debt cannot be financed with debt and this puts in jeopardy the stability of the whole European architecture: the Euro could be entirely undermined and debased leading to new inflationary spirals, as happened to the Deutsch mark in the 1920s. Thus, Merkel's tactic was to push for bondholders and banks, both Greeks and Europeans, to take losses on their holdings, something that would bring banks under enormous strain, ultimately leading to Greece's default—although re-capitalization of banks was not completely off the table. Merkel insisted on tough austerity packages for the European periphery and on streamlining of central banks. This should be read alongside Germany's 'variable geometry' strategy for enlargement put forward in the early 1990s according to which a European core led primarily by Germany could move ahead with political and economic/monetary integration, while the others would be added on as the core of the European snowball rolled over. Arguably, this model is creating zones of dependency and economic–political colonization, disregarding issues related to the real development and growth of the periphery, whether South or East European. Germany was assigned to play that role in East-Central Europe and the Balkans; and France in the Mediterranean (see the so-called 'Barcelona process' initiated in 1995).[6]

The 'Merkozy diarchy' agreed on substance, that is who is going to pay the Greek and Euro-zone debt, and this is the taxpayer. Predictably, the 'plan' hammered out at the end of October 2011 was a compromise, with Germany being the ultimate winner. It consisted of three inter-linked parts: Greek debt could become 'sustainable' by way of a 'voluntary' agreement with the bondholders, themselves accepting a 50 per cent 'haircut'; Europe's central banks would be re-capitalized to the tune of 106 billion Euros in order to help them 'absorb the losses on Greek and other distressed debts'[7]—which is a code for saying absorbing Greece's and possibly other disorderly defaults; and EFSF would increase its leverage power from 440 billion to 1 trillion Euros—again everything on the altar of saving the banks and the Euro.

In this pandemonium, Obama looked like a spectator and poor relative. Without the same enormous manufacturing and credit powers as in the 1940s or 1950s, but with a tottering dollar and with a total debt being nearly four times the nation's GDP, the USA could not amass a real alternative or exit strategy for its own crisis, let alone the Euro-zone's.[8] The idea of classical economists that categories such as 'debt' and 'credit' should be inserted into the toolboxes of the political economy, is that the total sum of credits and debts whether in a national economy or in the globe, should settle around the zero mark. If the Atlantic heartland as a whole is in the red, then the green resides in the (global) East. It is no accident, therefore, that the USA, Germany and France have invited China, Brazil and other so-called 'emerging economies' to participate in their leveraging activities to save the Euro and the dollar. However, this is no use. The economic power-shift to the 'global East' is structural and real and cannot be arrested by agential and opportunistic leveraging 'strategies' of the sort that are being envisaged at the front and back stages of Euro-Atlantic polities.[9]

## The Two Lefts, as Always

However, if this is the case with the employees of the international financial capital, then what scholarly and informed explanations do we have from the Left with regard to the origins of the Greek debt and the solutions attributed to it?

Mainstream liberal, and at times even social democratic, views explaining the Greek crisis today reduce the sources of debt to the inefficiency of a bloated state sector, periodically but constantly replenished through clientelistic–corporatist practices, patronage, cronyism and nepotism.[10] This, the account goes, has as a result a weak civil society bringing about administrative malaise to both private and public sectors, holding down rates of growth and suffocating the 'Greek entrepreneurial spirit'. From this viewpoint, institutions do not work, tax-collecting mechanisms are nonchalant and the culprits have since 1974 been the two governing political parties, the populist PASOK of Andreas G. Papandreou in the 1980s and early 1990s, and the New Democracy (ND). Both of them failed to arrest the huge state bureaucracy blocking development, modernization and supply-side economics, hence the origins of the debt. Overall, patronage, clientelism, tax evasion and a huge public sector, that is to say domestic factors alone, are responsible for Greece's plight today. The political solutions that stem from such an analysis are rather consequential. With a liberal solution, then these outstanding issues should be addressed via acts of bravery, such as an indiscriminate selling off of state assets accompanied by further cuts in real wages, pensions, the health system and education. With a social democratic solution, then the welfare state should be re-built via modernized mechanisms and practices of progressive taxation and in coordination with the broader European Left. Social democrats are indeed arguing for a centralized European state, with fiscal and financial powers to back the rickety structures of the Euro—a world currency but one wholly dependent on the ECB, which cannot deal with matters of solvency, as this is the job of a Ministry of Finance.[11] For liberals and social democrats alike, a return to national currencies entails a step backwards to national self-sufficiency, thus spelling isolation and even authoritarianism and dictatorships *á la* the 1930s. On this scenario, protectionism, authoritarianism and even war are just around the corner.

The second set of arguments, which is far more articulate and coherent, comes from the internationalist Left. As regards the origins of the Greek debt, the emphasis here is primarily, but not exclusively, on external state imbalances, namely, on the current account. One of the best expositions of this view comes from Costas Lapavitsas:

> The roots of the turmoil in Europe lie in the world crisis that commenced in 2007. Briefly put, the bankruptcy of Lehman Brothers in September 2008 led to a banking crisis, which ushered in a global recession. European economies were hit by collapsing exports and contracting credit. The worst was averted through state intervention, partly to support banks, partly to sustain aggregate demand. But state intervention led to the next and more severe stage of the crisis, that of public debt. And as the public debt crisis got deeper, it threatened to re-ignite the banking crisis.[12]

Thus, this view sees the debt of the European periphery trickling down from the core, especially Germany, a surplus state. All peripheral countries, including Greece, were forced to join the Euro at high exchange rates, the ostensible purpose being to secure low inflation, that is, the traditional objective of Germany's central bank since the years of the Weimar Republic.[13] The direct effect of this policy was to reduce the competitiveness of the periphery. Moreover, and as Germany was able to discipline its working class to accept low wages making, in turn, its economy even more internationally competitive thus boosting its trade surpluses, peripheral countries such as Greece began registering trade deficits. Thus, Greece became a 'hotbed for speculation', especially when government bonds and cds (credit default swaps) spreads between it and Germany widened.[14] From this perspective, the malaise of the Greek public sector and the problematic articulation between state and civil society mediated by parasitic rentier strata is seen as of secondary importance, because it is the current account deficit that has made worse an already problematic budget deficit. The political solution proposed? This political current has quite consistently been arguing for some time now for a debtor-led, rather than creditor-led, exit from the Euro and a return to the drachma. And this should be done sooner rather than later. But why is this so? In this instance, Martin Wolf and Marxist scholarship are in agreement inasmuch as the obvious cannot be covered up.

As we saw earlier, late in June 2011, and after the Greek PM received a vote of confidence in the parliament, the IMF and ECB promised as much as another 109 billion Euros and with the French proposals of rolling over a substantial part of the Greek debt—the 'French plan'. 'What is the case for persisting with lending ever more', writes Martin Wolf, 'taking a larger proportion of the liabilities of the Greek government on to public sector balance sheets?' And he continues by listing the first and most important reason why this is happening:

> This strategy [of lending ever more] conceals the state of private lenders. It is far less embarrassing to state that one is helping Greece when one is in

> fact helping one's own banks. If private lenders have enough time, they can sell their loans to the public sector or write them off without capital infusions from states.[15]

Lapavitsas is even more straightforward:

> The response of the troika [EU, ECB, IMF] reveals systemic failure at the heart of the euro-zone. Greece will receive another large loan but must impose further austerity, including wage and pension cuts, perhaps 150,000 lost jobs in the civil service, more taxes, and sweeping privatisation. And what is likely to happen if the country accepts this? By the calculations of the troika, in 2015 sovereign debt will be 160% of GDP, servicing the debt will cost 10% of GDP, and the government deficit will be 8% of GDP. In short, Greece will still be bankrupt. What, then, is the point of the fresh bail-out? The answer is rescuing international bondholders and buying time for banks. Jean-Claude Trichet, the ECB president—an un-elected bureaucrat—has imposed his will on Angela Merkel, Europe's most powerful politician. In 2015 Greece will be bankrupt but its debt will be held overwhelmingly by public lenders: the EU, ECB and IMF. When default comes, the banks will be out of it and Europe's taxpayers will bear the burden. Meanwhile, Greece will have gone through the austerity mangle, putting up with official unemployment of about 15%. And when the EU writes Greek debt off, as it must, it will impose extortionate demands, perhaps including open pressure to exit the euro-zone.[16]

Matters have not changed much after the summit of late October 2011 and the Merkozy compromise.

**Our Argument**

We argue that there is merit in both perspectives, especially the second one, but we object to the way in which the complicated connection between the external and domestic environments of the state as the sources of the Greek debt is being thematized and understood. On the one hand, the liberal/social democratic perspective puts the cart before the horse, refusing to see that the budget deficit does not primarily originate from the corrupt and clientelistic practices of the Greek party system, or its inability to collect taxes, but from the practices/strategies of the ruling classes of that system. If the liberal argument were correct, Japan or, for that matter, the USA, two of the most clientelistic and corrupt regimes in the world, would never have experienced modernization and growth. On the other hand, the internationalist Left approach seems to downplay the domestic origins of the overall Greek debt placing too much emphasis on current account and speculative attacks on the Greek sovereign debt.[17] However, empirical evidence suggests that new bourgeois comprador and rentier strata became very prominent in the Greek economy after the mid-1990s. Therefore, we need to amass a qualitative class analysis of Greek society in its articulation with the Greek governing elites and the internationalization/Europeanization of the state as a whole in order to put forth a convincing explanation of the causes of the Greek crisis and the political solutions to it.

The classic definition of comprador bourgeoisie comes from Nicos Poulantzas (via Andre Gunder Frank): it is that a:

> 'fraction of the bourgeoisie which does not have its own base for capital accumulation, which acts in some way or other as a simple intermediary of foreign imperialist capital (which is why it is often taken to include the 'bureaucratic bourgeoisie'), and which is thus triply subordinated—economically, politically, ideologically—to foreign capital.[18]

This bourgeoisie acts as a go-between for foreign companies in domestic and foreign trade and in money markets. We are set here to examine the peculiar profile this bourgeoisie assumed from the mid-1990s onwards, as it was only then that neo-liberalism and financialization (= globalization), as political programmes, made headways in Greece. Whereas the capitalisms of the Atlantic heartland in the 1970s and 1980s under the favourable post-1971 regime of free exchange rates and dollarization were experiencing the transformation of industrialists into financiers and speculators, Greek capitalists transformed themselves from petty industrialists to go-betweens and comprador financiers under state protection and tolerance, enjoying remarkable tax privileges, especially from the mid-1990s onwards. The peculiar fusion of comprador and financial/rentier capital with the Greek state apparatuses will be the leitmotiv of our analyses, especially when dealing with the post-1995 conjuncture.

In this respect, and given the gradual erosion of manufacturing in the Anglo-American core since the 1970s, Greece does not constitute an exceptional case—only the scale, size and forms of the creation of, what Robert Brenner calls, 'asset-price Keynesianism', are different. Greece was not dominated by a housing bubble, conjuring-up increased value of private assets (e.g. homes) to the growth of private consumption via re-mortgaging, equity capitalization, etc.[19] In the Greek case, the consumerist delirium had primarily been led by the local banking sector, which was dominated by offshore companies, with activities in the stock market, joint ventures in the Balkans and the Near/Middle East, construction, defence and so on. However, in Greece, as elsewhere, this process was extremely internationalized and Europeanized, which meant extensive exposure to Greece's own 'asset-price Keynesianism'. In turn, this boosted aggregate demand via all sorts of loans and credit card facilities offered to Greek consumers. Moreover, this type of 'asset-price Keynesianism' was sustained by increasing the external borrowing requirement and, to a lesser degree, by direct structural funding from the EU, although this funding began withering away in the 2000s as new Central and East European countries joined the EU. This 'new political economy' in Greece, which had been common almost everywhere in the West since the mid-1990s, coupled with an unusual inheritance structure due to Greece's historical problems in capital accumulation and the anti-communist policies of its elites. In short, this is what makes up our analytical framework for the understanding of the Greek debt problem today. It is through all these 'new practices' that Greece kept its business going after the gradual erosion of the real economy (agriculture, industry, retailing) due to unequal exchange/trade relations. Obviously, that was not sustainable in times of global financial crisis, regardless of the run on Greece's sovereign debt in 2009–10, caused by all kinds of speculators.

Our analyses adopt a historical and a political economy perspective. The Greek debt has structural/historical as well as conjunctural causes. In its modern history, Greece has officially defaulted on its debt obligations four times (1827, 1843, 1893 and 1932), which means that the country cannot out-compete core capitalisms regardless of whether or not it participates in a currency union. Capitalism develops in an uneven and combined way at all times, but the mode of dependency of the periphery on the core pertains to the way in which peripheral comprador and rentier strata have historically articulated their function inside and outside the power structures of the vassal state. This is a fundamental problem of the periphery that can be captured only with reference to comprador strata and their central position in the reproduction of social capital and the political system as a whole. Thus, we offer an interpretation of the causes of the Greek debt that draws on the articulation of external and domestic factors centred on the parasitic role of comprador/rentier-cum-financial capital. In this context, whereas Lapavitsas' position about a debtor-led exit from the Euro-zone stands tall, it has to be complemented and qualified with class analysis connecting the internal and external causes of debt, and with a political task that is of top priority: a socialist political alternative in Greece should seek, first and foremost, to eradicate this institutionalized alliance of comprador-cum-financial capital and ruling state elites, while renewing the productive capacity of the country, first and foremost, agriculture, industry and innovation (e.g. solar energy). From this perspective, our policy proposal for *socialist seisachtheia* includes not just exit from the Euro, re-negotiation of debt and cancellation of odious debt but, even more importantly, the smashing of the state machine, the result of the fusion between predator/comprador/financial capital and the political oligarchy of its corrupt party barons.

This is why we consider that the two main parties that have ruled Greece since the fall of the colonels in summer 1974, PASOK and ND, should go. These parties are as much responsible for the plight of the country as global financial capital itself. Liberal and social democratic arguments about 'corruption', eradication of 'clientelism', 'populism', 'cronyism', 'nepotism' and so forth make sense only if placed in this class context. Liberals and social democrats see the problem in quantitative terms: too many civil servants employed on clientelistic grounds are the root cause of the deficit, so they should be sacked. We say, first, that this is not the root cause of the problem and, second, that the problem is qualitative: it has to do with the class composition of Greek society and the very political strategies of the ruling party elites in their effort to organize hegemony over a society in which a robust industrial base to absorb surplus labourers was missing. We had long ago signalled that the propulsive force of the republic founded by Constantine Karamanlis in summer 1974 amid the Cyprus calamity and further consolidated by Andreas G. Papandreou's rule in the 1980s, had been exhausted.[20] We had not been heard, but the day of reckoning for those political elites has now arrived.

We consider the origins of the present sovereign debt crisis and the transformation of the dominant factions of the bourgeoisie by way of evaluating a number of primary sources and statistical material carefully compiled and put together by a team of researchers at the Institute of Labour of the Confederation of the Greek Trade Unions in Athens (INE-GSEE). Statistics in Greece is a very sensitive issue. We should remember that the story of the Greek debt blew out of all proportion—and the downgrading of Greek sovereign bonds/debt began—when the PASOK government, once in office in October 2009, revealed that Greek GDP figures were fictional, whereas the deficit was double-digit, almost three times higher than the previous forecast.[21] We argue that not only the collapse of the Euro-zone, but also the entire globalization architecture built under what Peter Gowan called the Dollar-Wall Street Regime (DWSR), is in question. Arguably, Greece is a spent force. The question for the financial oligarchy today is how to save the Euro.[22]

## The Road to Bankruptcy, 1990–2010

The strict monetarist criteria of the Maastricht Treaty—under negotiation since Delors' Single European Act in 1986—and later of the so-called 'Stability Pact', coupled with the end of authoritarian socialism over Greece's northern borders, undermined the political, economic and ideational bases of the peculiar bi-partisan ruling class formed in the 1970s and 1980s. This unleashed all forces hitherto 'suppressed'. Deregulation of markets, privatizations and liberalization of banking and financial capital began pace slowly but steadily after 1991–92, while accelerating under the 'neo-revisionist PASOK' of Costas Simitis after 1996, when Simitis succeeded the ailing Papandreou.[23] At the time, the mantra in Greece was 'modernization' against Papandreou's 'populism'. Accordingly, from the mid-1990s onwards, the ruling class of the previous decades began transforming itself into a new agent adapting to, and taking advantage of, domestic and international circumstances. Increasingly, this class began assuming the features of a middleman between international/European financial capital, on the one hand, and government, on the other. Thus, whereas the formation of the ruling class in the 1970s and 1980s was primarily sourced from within the domestic environment of the state, the transformation of this class into a new hegemonic agent was primarily induced from without, owing to the new constraints imposed by the internationalization/Europeanization of the Greek state. In this respect, the structures of political and economic dependency of Greece, themselves made up of exogenous agents and structures, grew even deeper roots than hitherto. Simitis' vague 'modernization' agenda meant, above all, acceleration of the disintegrative tendencies of Greece's productive base (textiles, cement, agriculture, foodstuff, etc.). All in all, the structural asymmetries and fault-lines between the European core—especially after Greece joined the Euro-zone in 2001—and its periphery, first and foremost Greece, became astoundingly pronounced.

### *The Greek Workshop of Debt and the Profile of the New Bourgeoisie*

Lapavitsas *et al.* maintain that domestic factors are not the main cause of the Greek debt problem:

> [T]he public sector of peripheral countries, and above all Greece, has been at the epicentre of the current turmoil. The reasons for this, however, are only partially related to the intrinsic weakness of the public sector in peripheral countries. The current crisis is due to the nature of monetary union, the mode of integration of peripheral countries in the Euro-zone and the impact of the crisis of 2007–2009.

And again:

> There are no structural reasons why these tensions [between the core and the periphery] should have concentrated so heavily on Greece. No doubt, the country has a relatively large public debt and therefore faces a heavy need for refinancing, particularly as the budget swung violently into deficit in 2009. But Italian public debt is also high. It is also true that the Greeks have been persistently manipulating data and they face a large current account deficit. But these pressures could have been handled reasonably smoothly if it was not for speculation in the financial markets.[24]

We contend that the interaction between the domestic and external sources of debt is here overlooked. In particular, it should be pointed out that even external disequilibria have domestic sources, such as the current account. If European companies, for example, out-compete Greek ones—consider, for example, the case with the food and beverage industries—with the result being a trade deficit for Greece, this is sourced domestically as it is due to the weakness of Greek business and the economy as a whole that cannot balance competitively against the core.

Greece did not simply have a problematic structure of public debt that appeared in the 1980s, something which was also true in the case of Italy, Belgium and other counties at the time. Greece had also tried to resist neo-liberalism and financialization, but all the while lacking robust export-oriented sectors to buttress sustainable levels of development, thus matching the rising trend of its debt structure and the borrowing requirement. As Greece was moving out of the domain of Keynesian policy, and entering the structures of neo-liberalism in the 1990s, a new policy framework of speculative and rentier activities became entrenched, contributing to making more problematic, unsustainable and unmanageable the domestic structures of debt by the ruling parties of PASOK and ND. This section is mostly committed to raising this dimension of the problem, which we believe is downplayed in the analyses by Lapavitsas and others in their effort to capture the origins of the Greek crisis, and of other peripheral European capitalisms.

In the beginning, it was asset capitalization, equity and profits through the share price index on the Athens Stock Exchange (ASE). The bubble of the ASE was largely buttressed by privatizations and the underground economy, as those positioning themselves in the ASE and buying and selling shares were not required to prove their income status, or where their income came from (Table 5).[25] The bubble burst in September 1999, never to reach that level again. As elsewhere in the West, the result of this speculative boom and bust cycle was to circulate paper assets and liquidity away from production, while concentrating wealth in the hands of very few speculators who 'cashed out and got out', switching the focus of their speculative activities elsewhere, mainly abroad. The loser, as usual, was the small investor—some 10 per cent of Greeks had bought shares on the stock market, an apotheosis of Greek 'popular capitalism', what Tony Blair used to call the 'stakeholder society'. European funds continued strengthening this fictitious liquidity by boosting the stock market with more than 3500 million Euros every year since 1988 (see Table 2). This chorus of shares and paper assets increased in the 2000s as more businesses entered the market and ramified their activities in the banking, financial and other services. Large amounts of accumulated income on the part of the middle and lower middle classes were taken away, free of tax, from the financial capital through the ASE and without adding one iota to the competitiveness of the Greek economy. It is no accident that from the mid-1990s onwards, hitherto unknown businessmen and companies appeared amassing a number of activities in Greece, the Balkans and the Near East, in the field of banking, construction, defence equipment and procurement (including offset agreements), large-scale import–export, mass media, informatics and energy, all phenomena that should be seen in conjunction with the policies of privatization and deregulation—the essence of Simitis' 'modernization' agenda.

From 1994 to 1999, more than 100 companies had been privatized, the most important being AGET-Hercules, the cement company; Hellenic Shipyards; Peiraiki Patraiki (textiles); and a number of banks, including ETVA (Hellenic Industrial Development Bank). The privatization of Olympic Airways, the country's loss-making carrier, was blocked by its workers, but was eventually carried out in the late 2000s.[26]

**Table 2** Athens Stock Exchange—Share Price Indices 1980–2010

| Year | Share price indices | Annual change in price indices |
|---|---|---|
| 1980 | 74.9 | |
| 1985 | 50.4 | −24.5 |
| 1990 | 488.3 | 437.9 |
| 1995 | 914.15 | 425.85 |
| 1996 | 933.48 | 19.33 |
| 1997 | 1479.63 | 546.15 |
| 1998 | 2737.6 | 1257.97 |
| 1999 | 5535.1 (on 17 September 1999 it peaked at 6335) | 2797.5 |
| 2000 | 3388.9 | −2146.2 |
| 2001 | 1748.4 | −1640.5 |
| 2002 | 2263.6 | 515.2 |
| 2003 | 2263.2 | −0.4 |
| 2004 | 2786.2 | 523 |
| 2005 | 3663.9 | 877.7 |
| 2006 | 4394.13 | 730.23 |
| 2007 | 5178.83 | 784.7 |
| 2008 | 1786.51 | −3392.32 |
| 2009 | 2196.16 | 409.65 |
| 2010 | 1413.94 | −782.22 |
| 2011 | 680.42 | −733.52 |

*Source*: *Concise Statistical Yearbooks* for the respective years, Hellenic Statistical Agency (ELSTAT).

Given the small size of the country, an unusual number of new commercial banks sprang up, including European and international banks and their subsidiaries. In December 1996, cotton growers protested violently against the government for refusing to reschedule about $1.3 billion in debt owed to the state-controlled Agricultural Bank and to obtain reinstatement of a tax break on fuel. Strong protests also took place in Athens in 1998, when PASOK Finance Minister, Yannos Papantoniou, in coordination with the managing directors of the Commercial Bank, announced the tendering of a majority stake in its Ionian subsidiary. In 1998, the drachma was devalued by 12.1 per cent against the Ecu, as the price of entry to the ERM. By the end of the millennium, Greek state authorities were presenting highly positive statistical data vis-à-vis the country's entry into the Euro-zone, which was scheduled for 1 January 2001, two years after the launch of the Euro for the core of Europe: GDP was around 3.5 per cent, one of the highest in Europe; inflation was down to 4 per cent and the budget deficit had shrunk to 1.9 per cent of GDP, well below the Maastricht convergence ceiling of 3 per cent; the interest rate of 12-month Treasury bills in 1997–98 ran at 9.5 per cent, with the EMU fluctuating criterion being 7.8 per cent. Meanwhile, international lenders began bidding for contracts with the Greek government in the run up to the Athens Olympics of summer 2004, just as Greek rentier/financial capital penetration into the new Balkans assumed enormous proportions.

Companies such as the Alpha Group, Mytilineos S.A., Bobolas S.A., Intracom Holding S.A., Marfin Bank, MIG and the Sfakianakis Group, began dominating the new business environment. The Sfakianakis Group, for instance, which started in the early 1960s manufacturing buses, saw its profits declining in the 1980s and quickly diversified into comprador activities, becoming Greece's prime car importer from Germany, France, Italy and the USA.[27] Greece's telecommunications operator, OTE, while under a programme of partial privatization, bought Romania's Rom Telecom defeating Telecom Italia, the only other bidder.[28] US companies provided technology and other capital for further modernization. The Mytilineos business group bought Romanian SC Somerta Copsa Mica, a lead and zinc smelter company, with a view to expanding it into metal processing boosting its supplies to Kosovo and Macedonia/FYROM. Cement manufacturing Titan, in a joint venture with Holderbank of Switzerland, acquired Macedonia/FYROM's plant Cementamica USJE. Latsis, a London-based shipping company, participated in investment ventures in Bulgaria and Romania through the 'Euro-merchant Balkan Fund, operated by Global Finance, a Greek venture capital fund manager'.[29] Around the same time, Spiro Latsis set up Eurobank EFG in Greece, the third largest private bank in Greece, recycling paper and values stemming from the oil trade and equity investment in, among others, Poland, the Ukraine, Turkey, Serbia, Romania and Bulgaria. In this delirium, divided Cyprus, an EU member state since 2004, was an offshore paradise and tax haven accommodating rentier and financial activities, whether of Greek, British, Russian, Serbian or Persian Gulf origin.[30] Thus, straight polygonal lines connect Dubai, Cyprus, London, Athens, Cairo, Sofia, Belgrade, Damascus and Moscow, reflecting the new geography of parasitic capital with no growth prospects in the carriage bag of its travellers. In this Eastern and Middle Eastern geographical architecture, Athens was a key pawn and conduit in the service of financialization and

Jeffrey Sachs' 'shock therapy' programme. It should be noted that the amount of tax evasion of this new super-rich comprador-cum-financial class was enormous.[31]

None of the above activities was conducive to growth. Greek investments in the real economy involved small and medium-sized enterprises in the textile and brewing industries in Greece and the Balkans, but this could neither offset nor arrest the new domination by financial-cum-rentier/comprador capital, that is the *capital of debt, corruption and tax evasion*.[32] Simitis' 'modernization' and 'anti-populist' programme co-constituted this new reality that, among others, penetrated deeply into Greece's social tissue, destroying the social mores and culture of working-class and agrarian communities. As the organic produce became increasingly replaced by the imported GM product of the core, the best the local producer could do was to embrace the international domination of his/her market becoming a petty comprador. Time and again, none of this brought any benefit to state finances. According to multiple announcements by the Ministry of Finance in September–October 2011, more than 6000 individuals owe more than 150,000 Euros each to the Inland Revenue. For the sake of comparison, the total amount these individuals owe to the tax authorities is in the region of 30 billion Euros, whereas the annual spending of the Greek state for wages is less than 23 billion Euros. No accident, therefore, that the public debt doubled from 2000 to 2009 (Table 3), and especially at the expense of the average Greek consumer. Yet this abrupt rise was not accompanied by an increase in the productive output of the economy, as the country's GDP presented a less dynamic structure. Interesting, in this respect, is to factor in defence spending, whose justification was purely on ideational rather than real grounds.

One of the reasons why France, in the first place, and Germany are the main holders of Greek debt is because Greek political elites, in their 'patriotic attempts' to move away from the USA's pro-Turkish grip, began using French and German

**Table 3** Evolution of the Greek Public Debt and its Relation to GDP in USD

| Year | Public debt | Annual change | % annual change of GDP[a] | Public debt per person | % annual change of public debt per person |
|---|---|---|---|---|---|
| 2000 | 139,689,071,038 | 10,087,641,291 | 100 | 12,840.70 | 100 |
| 2001 | 149,776,712,329 | 28,884,931,507 | 107.2 | 13,701.68 | 106.7 |
| 2002 | 178,661,643,836 | 47,538,356,164 | 119.3 | 16,293.75 | 118.9 |
| 2003 | 226,200,000,000 | 47,538,356,164 | 126.6 | 20,602.64 | 126.4 |
| 2004 | 272,540,983,607 | 46,340,983,607 | 120.5 | 24,820.27 | 120.5 |
| 2005 | 271,193,150,685 | −1,347,832,922 | 99.5 | 24,701.92 | 99.5 |
| 2006 | 287,170,808,219 | 15,977,657,534 | 105.9 | 26,211.64 | 106.1 |
| 2007 | 329,765,753,425 | 42,594,945,206 | 114.8 | 30,014.36 | 114.5 |
| 2008 | 346,575,409,836 | 16,809,656,411 | 105.1 | 31,555.10 | 105.1 |
| 2009 | 385,542,465,753 | 38,967,055,917 | 111.2 | 35,082.30 | 111.2 |
| 2010 | 378,241,095,890 | −7,301,369,863 | 98.1 | 34,419.71 | 98.1 |
| 2011 | 375,772,602,740 | −2,468,493,150 | 99.3 | 34,172.04 | 99.3 |
| 2012 | 393,420,821,918 | 17,648,219,178 | 104.7 | 35,741.33 | 103.8 |

*Source*: <http://www.economist.com/content/global_debt_clock>.
[a]Hellenic Statistical Agency (ELSTAT), 2011.

weapons suppliers. By exaggerating both the threat coming from Turkey and Greece's and Cyprus's own vulnerability, the 'realists' of the Greek cabinets could bid for high-tech expensive military gear: in 2009 defence expenditure in Greece was over 3 per cent of GDP, as opposed to 2.4 per cent for France, 2.7 per cent for Britain, 2 per cent for Portugal, 1.4 per cent for Germany, 1.3 per cent for Spain and 4.7 per cent for the USA. At the beginning of the full-fledged crisis of 2010, Greece bought six warships from France at a cost of 2.5 billion Euros and six submarines from Germany at 5 billion Euros. Between 2005 and 2009, Greece was one of the largest European importers of weaponry.[33] During that period, the purchase of 26 F-16s from the USA and 25 Mirage-2000s from France represented nearly 40 per cent of the total import volume of the country. According to SIPRI (Stockholm International Peace Institute) data for 2006–10, Greece is the fifth largest weapons importer in the world, with a global quota of 4 per cent, about half that of India (9 per cent) and two-thirds that of China's imports (6 per cent)—it is worth noting that Chinese GDP is about 20 times bigger than Greece's nominal GDP.[34] Most of these transactions took place through the Greek state issuing debt. In Greece, there is no such a thing as an 'industrial–military complex', but rather a *comprador–military complex*, a key faction within the wider financial/comprador oligarchy network, which is dominated by the Ministry of Defence, doing all sorts of wheeling and dealing under the radars of a liberal Constitution and the taxpayer. In addition, this all means that the entire security of the country is a dependent spoke of the Atlantic core, whether American or Franco-German. However, there is more to the affair than meets the eye.

Not all defence deals had been, or are being, dealt with by issuing state bonds/debt. Offset regulation became part of the official Procurement Law, 3433/2006. The Greek Ministry of Defence is in charge through the department of the General Armaments Directorate (GAD) and the Division of Offsets (DO). Offsets and procurements are a complicated method of purchasing weapons and military technology, involving, among others, barter agreements. This means that private interests in Greece can barter all sorts of assets, including land and infrastructure, on the altar of corrupt defence deals and hot money. The threshold for an offset request is 10 million Euros. Much is done for the defence of Cyprus and the Aegean islands from the 'Turkish enemy'.[35]

Having said this, the doubling of the Greek public debt from 2000 to 2009 (Table 3) should not be surprising. In addition, we can see from the table the increase of extra charges over the Greek taxpayer (fifth column) and all this has been happening without any corresponding increase in productivity and output, since the Greek GDP augments at a much slower pace than the debt (fourth column). This means increasing inability on the part of the ruling parties of ND and PASOK to manage the debt. Moreover, the import/export ratio from 1994 to 2009 shrinks at the expense of exports and despite the significant growth registered (Table 4). Thus, the international competitive position of Greece worsened, the export-led manufacturing sector disintegrated further, and all this despite high borrowing and the rise in the share price index of the ASE (Table 5). Further, the structure of exports over imports (Table 4) shows the magnitude of the problem, caused by a combination of the

**Table 4** Exports over Imports (%)

| | |
|---|---|
| 1994 | 43.9 |
| 1995 | 43 |
| 1996 | 41.4 |
| 1997 | 41 |
| 1998 | 35.9 |
| 1999 | 36.3 |
| 2000 | 35.1 |
| 2001 | 36.8 |
| 2002 | 31.5 |
| 2003 | 29.8 |
| 2004 | 29.1 |
| 2005 | 32 |
| 2006 | 32.4 |
| 2007 | 30.9 |
| 2008 | 28.6 |
| 2009 | 36.3 |
| 2010 | 28.7 |

*Source*: Hellenic Statistical Agency (ELSTAT), Athens, 2011.

**Table 5** Annual Change of Exports over Imports, the Share Prices in Athens Stock Exchange and Gross Domestic Product in Market Prices

| Year | % exports over imports | Share price indices | Annual change of GDP in market prices |
|---|---|---|---|
| 1994 | 43.9 | | No data available |
| 1995 | 43 | 914.15 | No data available |
| 1996 | 41.4 | 933.8 | 107.4 |
| 1997 | 41 | 1479.63 | 106.8 |
| 1998 | 35.9 | 2737.6 | 105.2 |
| 1999 | 36.3 | 5535.1 | 103 |
| 2000 | 35.1 | 3388.9 | 103.4 |
| 2001 | 36.8 | 1748.4 | 104.2 |
| 2002 | 31.5 | 2263.6 | 103.4 |
| 2003 | 29.8 | 2263.2 | 105.9 |
| 2004 | 29.1 | 2786.2 | 104.4 |
| 2005 | 32 | 3663.9 | 102.3 |
| 2006 | 32.4 | 4394.13 | 105.2 |
| 2007 | 30.9 | 5178.83 | 104.3 |
| 2008 | 28.6 | 1786.51 | 101 |
| 2009 | 36.3 | 2196.16 | 98 |
| 2010 | 28.7 | 1413.94 | 95.5 |

*Source*: ELSTAT. The data about exports over imports, about the share price indices and about GDP in the years from 2001 to 2010 have been compiled from the *Concise Statistical Yearbooks*. The GDP data for the years 1996–2000 have been compiled from the National Accounts of Greece.

uneven development between the core and the peripheral Greek state and of the policies pursued by the new ruling economic and political party elites. From 1994 to 2009, the Greek economy lost almost 40 per cent of its competitiveness, and this despite the fact that GDP growth remained relatively good (Table 3); domestic and external borrowing increased (Table 6); and the ASE's price index was doing quite

**Table 6** Annual Loans of the Greek State, State Receipts, Receipts from EC and Expenditures

| Year | Domestic loans | Foreign loans | Receipts from EC | Receipts | Expenditures | Receipts – expenditures |
|---|---|---|---|---|---|---|
| 1998 (million drahmas) | 9,609,693 | 1,344,888 | 98,202 | 9,521,604 | 21,378,017 | − 11,856,413 |
| 1999 (million drahmas) | 8,365,025 | 1,272,140 | 114,189 | 10,626,457 | 21,253,001 | − 10,626,544 |
| 2000 (million drahmas) | 5,454,921 | 1,695,821 | 119,077 | 12,186,488 | 21,602,748 | − 9,416,260 |
| 2001 (thousand Euro) | 14,990,301 | 1,773,632 | 2,658,226 | 41,021,321 | 60,443,281 | − 19,421,960 |
| 2002 (thousand Euro) | 29,956,909 | 379,321 | 1,371,316 | 37,437,431 | 69,144,977 | − 31,707,546 |
| 2003 (thousand Euro) | 35,934,079 | 2,034,098 | 1,052,393 | 37,866,221 | 76,952,341 | − 39,086,120 |
| 2004 (thousand Euro) | 40,165,350 | 9,882,539 | 2,810,607 | 39,859,803 | 92,781,544 | − 52,921,741 |
| 2005 (thousand Euro) | 39,416,790 | 5,379,852 | 2,623,819 | 42,969,056 | 90,437,198 | − 47,468,142 |
| 2006 (thousand Euro) | 27,439,833 | 9,715,000 | 3,563,523 | 47,363,182 | 88,122,280 | − 40,759,098 |
| 2007 (thousand Euro) | 35,822,354 | 25,544,219 | 4,810,946 | 49,962,035 | 116,178,904 | − 66,226,868 |
| 2008 (thousand Euro) | 34,906,408 | 34,754,244 | 4,668,300 | 52,530,042 | 126,912,696 | − 74,382,654 |

*Source*: Our own calculation based on data from the *Concise Statistical Yearbooks* of ELSTAT for the respective years, Hellenic Statistical Agency (ELSTAT).

well. In this respect—manipulation of statistics apart—the relatively wealthy picture of the Greek economy before the current crisis was not due to the improvement of the real economy, but due to the speculative, rentier and consumerist activities of the new business and middle classes. In other words, as elsewhere in the West, especially in the USA and the UK, the growth registered was debt-driven, whereas the disintegration of the domestic economy from the mid-1990s onwards went hand in glove with the relative growth of comprador-cum-financial elements—substantial increase of imports and financialization through the ASE and external and domestic borrowing via banking mediation.

The borrowing requirement of the Greek state increased rapidly after 2001. This was due to further internationalization/Europeanization of the Greek state with the insertion of the country into this peculiar form of world money, the Euro (Table 6). We see that whereas the initial loans were sourced domestically, this ceased to be the case after 2007, as the 2007–2008 financial crisis wiped out the accumulated wealth of small paper-asset investors, while at the same time the Greek state was forced to pump money into the banks degrading the structure of the budget deficit. This, in turn, could not have been offset by European funds whose volume was not sufficient (Table 6, column 4). It is clear that from 2007 onwards the Greek debt is split between national and international/European agencies and structures. Thus, the 50 per cent 'haircut' agreed at the end of October 2011 also applies to the Greek banking sector, which will find it impossible to survive without substantial re-capitalization from EFSF funds. Time and again, this re-capitalization that is already partially taking place, is being carried out at the expense of the taxpayer, both Greek and European, leading mathematically to a creditor-led default, as initially pushed for by Germany. Greece is unable to service its debt or ever pay back some of the principal since the actual and projected rate of growth from 2010 to 2013 ranges between $-2.5$ and $-7.5$ per cent. Moreover, the European banking system, too, seems to be unable to cope with the stress on its peripheral banks and pension funds inasmuch as the degree of leveraging takes on enormous proportions. Greek banks alone, for example, are dependent on ECB credit lines that amount to over 100 billion Euros.[36] The new ruling classes of Greece, together with their Western masters, have failed spectacularly to deliver growth and sustainable development to the Greek population. What they deliver, though, is a peculiar form of 'creative destruction', whereby the mechanism of national and international debt generates forms of primitive accumulation as Marx foresaw more than 150 years ago.[37]

There is no doubt, therefore, that whereas the trade deficit is a substantial source of the overall Greek debt, numerous other factors, mainly of domestic origin, have to be factored into every calculation. Trade deficits are articulated in the current account, and especially in the structure of the unequal trade interaction between Greece and the European core, particularly Germany, Italy, France and the Netherlands. Some 70 per cent of Greek imports come from Europe, whereas some 55 per cent from EU member states. Germany's share of total imports is 12 per cent, Italy's 11 per cent and France's 6 per cent. Of the total of Greek exports, some 64 per cent goes to EU member states (11.5 per cent to Germany, 11 per cent to Italy, 4.2 per cent to France). On the surface, it appears that the import/export relation is in equilibrium, but this is not the case. In terms of absolute value, Greek exports to Germany are in the region of 1.9 billion Euros, whereas the value of German exports to Greece are in the region of 7.2 billion Euros.[38] However, there is also the dimension of the financial account. This can take various forms: FDI, portfolio flows and other flows driven by the banking sector. Recycling of German surpluses becomes clear from the overall composition of German exports over imports, thus accelerating the pace of concentration of the overall debt. In this context, the analyses by Lapavitsas *et al.* are meaningful:

> [I]nternational transactions of Euro-zone countries have been driven by the requirements and implications of monetary union. Peripheral countries have lost their competitiveness relative to Germany because of initially high exchange rates as well as because of the ability of German employers to squeeze workers harder. The result has been a structural current account surplus for Germany, mirrored by structural account deficits for peripheral countries. Consequently, German FDI and bank lending to the Euro-zone have increased significantly. 'Other' flows to peripheral countries rose rapidly in 2007–08 as the crisis unfolded, but then declined equally rapidly. That was the time when peripheral states were forced to appear in credit markets seeking funds.[39]

Thus, the overall Greek debt today—about 340 billion Euros outstanding, of which 100 billion Euros matures by the end of 2014—stems both from domestic (private and public) and external (international and European) sources. It is the articulation and interaction of those two sources that should be considered carefully. However, uneven and combined development between the core and the periphery has its origins in the fault-lines developed in the *domestic* environment of the peripheral states, as it is the state form that condenses the manifestations of the international and social struggle. Companies and business 'territorialized' in the peripheral state cannot compete, let alone out-compete, the companies and business capacity and dynamism of the core.

Our main finding in this section is that the high growth rates of the post-1995 period in Greece are not due to the improvement of the real economy (productivity, output and valorization), but due to the speculative and consumerist activities of the middle to upper middle classes and the comprador-cum-financial elements that have dominated the Greek social formation since then.[40] The ASE, offshore business interests escaping taxation, coupled with aggressive penetration of the Greek banking sector in the Balkans, which was basically used as a conduit of German and French financialization plans for the region, all this constitutes the form that 'asset-price Keynesianism' assumed in Greece. Alongside this picture one can draw the profile of the new, post-Keynesian, that is to say, post-Constantine Karamanlis and post-Andreas G. Papandreou bourgeoisie in Greece.

We can now turn to consider changes in the structure of the middle and lower middle classes, which constitute the main electoral base of the two ruling parties—classes that Marx, in his analysis of Bonapartism in the *18th Brumaire* (1852), used to call 'classes–pillars of the regime'. We will argue that the current crisis has eroded key electoral constituencies of those parties, as delivery of clientelistic-cum-corporatist strategic undertakings of regime reproduction are no longer possible. Neither PASOK nor ND can manage the crisis, let alone provide a progressive exit from it.

## The Disintegration of the Middle Classes

Throughout the post-1995 period of neo-liberal pandemonium in Greece, and despite the high rates of growth—which, as we have seen, were debt-driven—the Greek economy failed to create employment (Table 7). The economically active part of the population amounts to less than 60 per cent of the total population, whereas unemployment remains high. The entry of migrants, especially Asians into the Greek labour market cannot be measured, as most of them are illegal and employed in the informal sector—most of nearly 1 million Albanians have now been legalized. During the 1990s and 2000s, a major trend reversed, accentuating the fault-lines on which the Greek economy rests: from a migrant-exporting country in the 1950s and 1960s, Greece became a migrant-receiving one, eliminating one source of invisible earnings that had a positive effect on the balance of payments. In its stead, large numbers of migrants from the Balkans, the Middle East and Central Asia poured into Greece after the collapse of 'really existing socialism', only to find themselves in a hostile and rather racist social environment, which was partly due to the inability of the formal Greek economy to create permanent employment and equal opportunity—something which is not unique across the Euro-Atlantic core.[41]

As we have seen, the structural and historical features of the Greek economy are shallow: a nonchalant industrial and agricultural sector that cannot compete with the core, and a large public sector all topped with the parasitic activities of comprador (imports–exports) and micro-comprador (small local traders) capital in its fusion with the ruling political parties of PASOK and ND and financial speculators. However, the global financial crisis of 2007–2008 made things boil over: an organized society, especially a capitalist one operating alongside a neo-liberal model and internationalized through financialization and Europeanization, cannot be viable if almost 50 per cent of the population is idle or unemployed. Yet, the Greeks survived and even thrived negotiating new social and political contracts with the ruling classes via electoral cycles. This was feasible for a number of reasons, of which two stand out: the strong inheritance structure of Greek society, coupled with strong family ties; and the large number of civil servants.

Roughly speaking, from the late 1970s to the mid-1990s the middle and petty bourgeois class composition of Greek society remained structurally unaltered. Just as ND's and PASOK's policies in the 1970s and 1980s failed to add an iota to the country's economic development prospects, so the new parasitic forms of capital accumulation and the shift to financialization caused neither widespread proletarianization nor a reduction of state personnel.

A key sociological feature of Greece, perceptively captured by the work of Constantine Tsoukalas in the 1980s and 1990s, is the large number of its civil servants, micro-proprietors renting studio flats to tourists, petty-merchants, shopkeepers,

**Table 7** Population +15th Years and Employment in Greece in Thousands (1998–2010)

| Year | Population +15th years | Labour force | % of population +15th years | Employees | Unemployed | % of labour force | Non-active |
|---|---|---|---|---|---|---|---|
| 1998 | 8669.10 | 4512.8 | **59.1** | 4023.70 | 489.20 | **10.80** | 4156.30 |
| 1999 | 8754.70 | 4583.7 | **59.4** | 4040.40 | 543.30 | **11.90** | 4171.00 |
| 2000 | 8830.80 | 4617.2 | **52.3** | 4097.90 | 519.30 | **11.20** | 4213.60 |
| 2001 | 8898.50 | 4581.6 | **51.5** | 4103.20 | 478.4 | **10.40** | 4316.90 |
| 2002 | 8957.70 | 4652.2 | **51.9** | 4190.10 | 462.10 | **9.90** | 4305.40 |
| 2003 | 9008.90 | 4728.40 | **52.5** | 4286.60 | 441.80 | **9.30** | 4280.50 |
| 2004 | 9056.90 | 4823.20 | **53.3** | 4330.50 | 492.70 | **10.20** | 4233.70 |
| 2005 | 9102.60 | 4848.80 | **53.3** | 4381.90 | 466.90 | **9.60** | 4253.90 |
| 2006 | 9150.10 | 4880.20 | **53.3** | 4452.10 | 427.40 | **8.80** | 4269.90 |
| 2007 | 9206.70 | 4917.90 | **53.4** | 4519.90 | 398.00 | **8.10** | 4288.80 |
| 2008 | 9230.10 | 4939.70 | **53.5** | 4582.50 | 357.10 | **7.20** | 4290.40 |
| 2009 | 9262.40 | 4974.50 | **53.7** | 4531.90 | 442.60 | **8.90** | 4287.90 |
| 2010 | 9301.50 | 5021.00 | **54.0** | 4427.00 | 594.00 | **11.80** | 4280.50 |
| 2011 | 9337.60 | 4967.2 | **53.2** | 4156.30 | 810.80 | **16.30** | 4370.50 |

*Source*: Greek labour force surveys, 2nd quarter of each year, Athens, 2011.

lawyers, doctors, taxi-drivers, hoteliers, seasonal professions due to tourism, and builders and car engineers of all sorts. Underground economic activities are also thriving, the size of the black economy estimated to be the same over the decades and as high as 45–50 per cent. The two ruling parties provided special regulations for the expansion and reproduction of those strata, and especially for chemists/pharmacists, taxi-drivers, judges, constructors, public works constructors,[42] providers of social services and lawyers. This large middle—yet diversified—class constituted the key pillar of the two-party rule alternating in office since 1974—ND and PASOK. One would expect that a radical change in the structure of the market and production would affect the class positions of those strata, yet nothing of the sort happened. As we have seen, neo-liberalism and the peculiar type of financialization introduced since at least the mid-1990s altered the profile of the Greek bourgeoisie, yet no substantial change can be detected in the composition of middle and lower middle classes, that is, the largest voting bloc of both ruling parties par excellence.

According to Greek Labour Force Surveys (Table 8), the self-employed with employees (small business) amounted to 262,900 in 1991 and 354,900 in 2010, the petty bourgeoisie ('own account workers') decreased slightly from 1,095,200 in 1991 to 975,300 in 2010, whereas the number of unpaid family members remained almost unchanged. Importantly, salary and wage earners rose from 2,270,900 in 1991 to 2,660,100 in 2010, an increase that is due to the rise in the number of civil servants. In other words, the party–state machinery, despite all these projects of privatization and restructuring that took place under Europe's Stability Pact programme and Simitis' 'modernization', did not stop recruiting state personnel. Thus, no substantial changes occurred and no proletarianization took place. This is another way to see how the rates of growth achieved during the post-1995 period were debt-driven. In fact, the accumulation of capital in Greece during that period took the form of external and domestic borrowing and speculation and boom and bust cycles in the ASE. *This is*

**Table 8** Employed According to their Occupational Status in Thousands (1998–2010)

| Year | Self-employed with employees | Own account workers | Salary and wage earners | Unpaid family members |
|---|---|---|---|---|
| 1991 | 262.9 | 1095.20 | 2270.90 | 231.3 |
| 1998 | 292.5 | 1007.20 | 2337.40 | 453.2 |
| 1999 | 305.8 | 991.6 | 2370.70 | 405.6 |
| 2000 | 326.7 | 998.4 | 2466.30 | 394.1 |
| 2001 | 336.3 | 954.3 | 2545.30 | 346.3 |
| 2002 | 315 | 996.5 | 2616.00 | 333.3 |
| 2003 | 310.2 | 1018.5 | 2746.20 | 341.9 |
| 2004 | 346.8 | 962.5 | 2784.80 | 274.9 |
| 2005 | 352.2 | 967.5 | 2834.10 | 277.5 |
| 2006 | 364.6 | 962.8 | 2896.40 | 291.2 |
| 2007 | 369.7 | 963.4 | 2974.80 | 290.4 |
| 2008 | 381.2 | 957.6 | 2922.10 | 268.9 |
| 2009 | 384.9 | 961.2 | 2853.90 | 263.7 |
| 2010 | 354.9 | 975.3 | 2660.10 | 242.9 |
| 2011 | 325.1 | 953.0 | 2645.90 | 232.9 |

*Source*: Labour force survey, 2nd quarter of each year.

*how Greece's new bourgeoisie, in its fusion with the two governing parties of ND and PASOK, retained its voting bloc and influence inside and outside the parliament and reproduced the consensus achieved under the old Papandreou and Karamanlis in the 1970s and 1980s.*

The expansionist reproductive ability, therefore, of the middle and lower middle classes is remarkable: they adapted to the new economic environment by way of negotiating new clientelistic and corporatist contracts with the ruling parties. Apart from the state's traditional role as clientelistic recruiter, the regeneration and financialization of the social economy allowed a high level of consumption via the domestic mechanisms of consumer debt creation (consumer loans, credit card facilities, share-buying, etc.). Money became cheap, and was recycled through the new private commercial banks, which wanted to take advantage of and capitalize on, the consumer's modest wage or property ownership as collateral. In this respect, Greek society did not differ from other states of the Euro-Atlantic core. House mortgages played a role in the boom–bust cycle of 1995–2010, but not a significant one as in Spain, the UK or the USA. This is in large part due to the inheritance structure of Greek society—the result of reforms effected in the Eleftherios Venizelos era (late 1920s and 1930s) and the institution of dowry that is still operational, especially in the countryside—and also due to the family culture. Owning at least one house in the countryside and one in the city, mainly Athens or Salonica, the average petty bourgeois Greek family would hoard money to buy their children a small flat in the city, but they would never encourage them to take out a mortgage. Athenian and other urban families would rather have their children live with them until they get married—yet this is something we find extensively in other societies too, that is, Italy—rather than pushing them to become independent and lead their own lives. Taking out a home mortgage is a new phenomenon in Greece. True, it began with the 'new economy' and became somewhat popular in the 2000s, but it never became a widespread consumer phenomenon threatening the balance sheets of the banks in case of a consumer default as a result of an increase in interest rates. Arguably, as elsewhere, all these activities, a mix of old and new attitudes in society, did anything but contribute to the productive output of the country as a whole.

The above euphoria lasted until the new Papandreou government, elected in October 2009, announced that statistics regarding debt and GDP growth had been manipulated. Greece, immediately, became a hotbed for speculation as its debt was due to mature by 2013–14. In 2009, Greece's growth crashed, unemployment was rising, the public debt-to-GDP ratio at 127 per cent and the budget deficit at 15.4 per cent of GDP. Turning to the IMF and the ECB for assistance spelled disaster. As known from the Latin American (1980s) and East-Central European (1990s) experiences, the IMF's expertise is not how to help 'poor nations in need to put them back on a path for growth', but how to exploit the debt mechanism to deplete the resources of those states and repatriate the much needed cash for the Treasuries of the core, especially the US Treasury. The ECB is no better. It does not accept state bonds, but lends out to commercial banks at 1 per cent interest. These banks, in turn, multiply the interest rate to lend out to the European periphery states with debt problems. This is straightforward usury creating conditions of primitive accumulation, inasmuch as the employees of financial capital, that is, the political personnel of the vassal and beyond, are forced to implement policies that lead to pauperization. In the case of Greece, these policies are enshrined in the *Memorandum of Understanding* (May 2010) and the *IMF Country Report on Greece* (February 2011) and as time goes by the austerity measures become all the more unbearable. The combined policies of the IMF and the ECB are leading the Atlantic economies as a whole into the abyss, not just the periphery.

Middle and lower middle classes, especially the self-employed, are now faced with extraordinary policy measures. Reduction in social spending (health care, schools, universities) has already had a damaging effect, and the VAT for bars and restaurants has increased from 13 to 23 per cent, threatening one of the mainstays of the Greek way of life. Some 150,000 jobs are to be cut in the public sector. Emergency taxation and extra property taxation, the latter inserted into the electricity bill, have already been enforced. Cuts in pensions and salaries are to be as high as 40 per cent. Unemployment currently stands at 950,000 and is projected to exceed 1.2 million, out of a total population of 11 million. Barter agreements have already appeared in working-class and peasant communities in urban centres and the countryside, and racism and xenophobia are on the rise. All major Greek cities, especially Athens, are war zones: no ordinary rules of 'rallies' or 'marches' apply and the country, being under the constant threat by the 'troika' not to release the next 'tranche' of money, is entirely paralysed. Thus, as purchasing power was constantly on the wane, the GDP fell by a further 7.4 per cent in the second quarter of 2011. This reverses all the gains made by the Greek labour and progressive socialist movement since 1974. In addition, the conditions of primitive accumulation that are being created, demolish the very political constituency of the two-party ruling system. The policies imposed by the 'troika' and implemented by PASOK and ND-cum-LAOS, a neo-fascist party now in the coalition government, undermine their very political existence. The 'classes–pillars' of the regime, as Marx put it, are ceasing to provide political and electoral support. PASOK and ND, as party formations, need a major overhaul by their masters if they want to play some political role in the future of Greek politics. In this context, it should be noted that the corporatist–clientelistic apparatus of the Greek political system is undergoing a profound crisis itself. True, the ruling classes are currently trying to hold on to power and contain their fall by forming 'emergency governments of national unity'. There is nothing that can save them if the labour movement managed to switch the alliance system from the corrupt party system to itself. However, if this is the case, then what kind of democratic alternatives are opening up for the Greek labour movement and the progressive socialist forces? The concluding section of our study summarizes our key findings and attempts to provide an answer to that question.

### *Socialist Seisachtheia*

The imperial chain develops in a combined and uneven way and Greece occupies a dependent/subaltern position in that chain. As a vassal in that chain, Greece followed and always lagged behind the core at every stage of capitalist development, while always subjugating itself to the hegemon of the international system—Britain in the beginning, the USA after the Second World War. The dependency relation developed over the decades is not geographic or quantitative; rather, it is deeply qualitative and political.

Many Left intellectuals and economists focus on technical details of the Greek debt problem. In particular, they tend to emphasize the exogenous sources of the Greek debt (e.g. current account deficit) at the expense of domestic factors (e.g. budget deficit due to high defence spending); others consider the debt as being the result of the absence of a left-wing government at the European level, whereby a progressive finance ministry would be in a position to sort out problems of insolvency in the troubled peripheral regions. We have benefited enormously by studying their work. However, we have unearthed data showing that the issue of the Greek debt is far more complicated and that it is sourced both by the domestic and the external environment of the state, hence it is a very political, rather than economic/technical issue. That is why we have argued that the class dimension of the problem is far more important, and class is viewed here as a dialectics of political and economic instances whereby the economic may determine in the 'first' but not in the 'last' analysis.

This is the method by which we have approached the historical formation of the new bourgeoisie in Greece from the mid-1990s onwards, the class primarily responsible for the creation of the debt. The structural process of the transformation of the Greek economy from the 1990s onwards is the result of further internationalization/Europeanization of the Greek state (Maastricht Treaty, Stability Pact). External constraints became very pressing, imposing on the ruling parties of PASOK and ND a neo-liberal set of policies, encouraging financialization and extreme speculation. Under these conditions, a new type of businessperson appears dominating Greece's social economy: the new bourgeois, without abandoning his/her manipulative relationship with the state, is not so much dependent on it; rather, he/she becomes increasingly dependent on debt creation via a deregulated banking sector and a vibrant stock market (the ASE) capitalized and mediated by key financial institutions of the core states. It is, therefore, a peculiar type of 'comprador bourgeois', who is not just importing commodities (e.g. BMW cars from Germany), but financial commodities and instruments in order to dominate specific markets, whether in Greece or the Balkans. In this context, we have examined the role of offshore businesses and the importance of defence deals, especially of 'procurement and offset', which are also responsible for the creation of debt.

Just as neo-liberalism and financialization trickled down to Greece from the core, so did the immense financial crisis that hit the core in summer 2007. However, it does not mean that external factors of debt are more important than the domestic ones. Greece became a hotbed for speculation because the domestic sources of debt—the new comprador ruling classes and their political party barons—could not produce a convincing and reliable strategy of money generation and real economic growth. For example, none of the large amounts of money and paper that had been recycled in Greece, the Balkans and the Near East during the 1990s and 2000s had been taxed or diverted into productive activities and investments in the real economy. The type of growth that dominated Greece after the mid-1990s was comprehensively debt-driven, thus unsustainable, and based on what Robert Brenner called 'asset-price Keynesianism'. This is the way in which the structural process of uneven and combined development manifested itself not just in Greece but across the periphery of the Euro-zone. As a consequence, Greece has become the weakest link in the imperial chain today, although the first to see that, and capitalize upon it, was the bondholder, not any Greek Lenin.

Nothing of what we have described so far makes Greece stand out as a very special case. The specificity of the country has to do more with its geographical location, hence its geo-strategic and geo-political importance, rather than its political and economic processes. What happened in Greece after the fall of the East (financialization, debt-driven growth, privatizations, etc.) happened everywhere, albeit chaotically and definitely with delay—simply the forms were different and the magnitude of the whole picture. However, the travails of the Euro-zone itself are part of the broader crisis of the US-led hegemonic system, whose decline since the *stagflation* of the 1970s failed to be arrested by neo-liberalism and financialization/globalization. Overall, both the crisis of Greece and the Euro-zone should be placed in a global analytical framework that concentrates on a relative power-shift from the Euro-Atlantic core to the 'global East' (China, India, Brazil, Russia, Indonesia, South Africa and Turkey). Every analysis of the Greek crisis that fails to factor this dimension of the problem in would be incomplete.

Greece's integration into the Euro-zone has been disastrous: it destroyed all competitive advantages of the country, especially in agriculture, and crushed the real economy and export capacity of the country. Simitis' 'modernization' agenda, the direct political expression of this process, has equally been disastrous. This is why we believe that default is unavoidable, unless the Atlantic core decided, as it did back in the 1970s, that Greece should be saved for geo-political and security reasons—although this is unlikely. Thus, in the absence of a mass movement led by a mass socialist party, a creditor-led formal default is one possible outcome. However, this is not the only accomplishment of the new comprador bourgeoisie and their political representatives of PASOK and ND. One could even argue, quite rightly, that they are not solely responsible for that—the Euro-Atlantic core is also responsible.

A key accomplishment of the new ruling classes has been to preserve the class and income structure of Greek society almost unaltered since the late 1970s, thus keeping the entire mechanism of bi-partisan political consensus intact, for instance, clientelism, patronage, nepotism and cronyism. However, this time around, it was done not just by recruiting civil servants, but also by a partial transfer of the deficit from the state onto the consumer—cheap credit lines and money, consumer loans, credit card facilities and so on. Yet, this was enough to keep the 'fundamentals' of the regime going, that is to say to maintain the income levels of the middle and lower middle classes, the 'classes–pillars' of the regime and every regime, as Marx put it.

In a way, the current crisis is cathartic: it disintegrates the corporatist–clientelistic links between the corrupt political system and civil society and emancipates the societal from the pincers of the two-party state. The severe and untold austerity measures imposed on Greece by the 'troika' undermine the post-1974 social contract between society and the party system, causing disarray among party elites, pundits and interest groups. This is very significant: it increases political mobility and, potentially, strengthens the parties of the radical and progressive Left. At the same time, however, there are certain extreme right-wing tendencies that should be carefully watched. Elites can exploit at any time, or even provoke, a Cyprus crisis, or manufacture a 'state of emergency' in the Aegean, thus catapulting the movement and transforming its class demand into a catastrophic nationalism buttressing authoritarianism at home and warmongering abroad.

If the above analyses are essentially correct, what policy should inform the action of the Greek and European Left? An ancient Athenian, Solon, did not simply legislate the abrogation of the debt of slaves with his 'seisachtheia laws'; he also devalued the currency, the so-called 'mna', in order to facilitate payment of debt from ordinary citizens, and introduced new democratic institutions. We go one step further. We argue for a policy of *socialist seisachtheia*. This entails a debtor-led default and exit from the Euro-zone—a perspective comprehensively argued by Costas Lapavitsas—but the immediate task of the labour movement should be the destruction of the institutional and political connection between the corrupt comprador-cum-financial capital and the state administrative elites and political barons. A 'technical' exit alone from the Euro-zone will not bring about the desired results, namely, boosting the export-led industrial capacity of the country, increasing income from sources such as tourism, regeneration of the real economy, especially of agriculture, alternative energy projects, such as solar energy, etc. Abrogation of debt payment and debtor-led exit would mean nothing if not accompanied by a radical domestic restructuring of the nexus between the real economy and the state under the leadership of productive social classes. The restoration of the country's productive capacity may take time to take root and achieve positive results. This is why a really radical and progressive mass movement, guided by truly organic intellectuals recognized by the movement itself, is what is pressingly required for Greece, Europe and beyond. The Left never drew power from banks, police stations or the barracks but from the popular masses, and it may well be recalled that all revolutions, radical reforms and progressive achievements in human history have largely been the work of new parties and young people.

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## Notes

[1] Perry Anderson, 'On the concatenation in the Arab world', *New Left Review*, 68, March–April 2011.

[2] Even some *FT* editorials seem to acknowledge that if the protesters around the capitalist world are not heard, then the preservation of liberal capitalism is in question; Editorial, 'Capitalism and its global malcontents', *FT*, 24 October 2011.

[3] Alex Callinicos, 'The return of the Arab revolution', *International Socialism*, 130, April 2011.

[4] Peter Spiegel, 'Franco-German divide intensifies tussle over deal', *FT*, 29–30 October 2011, p. 6.

[5] Editorial, 'Optical illusions in Greek rollover', *FT*, 29 June 2011, p. 10. Back in June 2011, some 18 Greek economists who teach at various Ivy League universities in the USA, Britain and Germany, amongst them the Greek-Cypriot Nobel laureate Christopher Pissarides, had the same 'optical/visual illusion'. They 'warned' that if Greece failed to approve the EU/IMF reform plan it would mean falling back to the status of a third world country. Their signed letter reads, among others, as follows: 'The rampant corruption has to be dealt with if Greece is to join modern European nations, attract foreign investment and avoid international economic isolation, regressing to being a poor third world country', <www.eurointelligence.com>, 28 June 2011.

[6] These issues are tackled in detail in Vassilis K. Fouskas, *Zones of Conflict: US Foreign Policy in the Balkans and the Greater Middle East*, Pluto Press, London, 2003.

[7] 'The Euro-deal: no big bazooka', *The Economist*, 29 October 2011, p. 27.

[8] Total debt in the USA is composed of debt owed by households, government (local, state and federal), non-financial businesses and financial institutions. In 2005, total US debt 'was almost three and a half times the nation's GDP, and not far from the $44 trillion GDP for the entire world', John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis*, Monthly Review Press, New York, 2009, p. 46.

[9] For a full-fledged exhibition of this argument, see Vassilis K. Fouskas and Bülent Gökay, *The Fall of the US Empire: Global Fault-lines and the Shifting Imperial Order*, Pluto Press, London, 2012.

[10] For a terse version of this argument placing the blame entirely on Greece, see the Editorial of *Financial Times*, 17 June 2011, p. 12. Media opinion, shared by mainstream political scientists and economists in Greece and abroad, have unfortunately subscribed to that misleading perspective. Read, for instance, Loukas Tsoukalis' op-ed in *New York Times*, 21 June 2011: 'The bailout by the European Union, with the participation of the International Monetary Fund, comes with strict conditions attached, conditions that the government has only partially met so far. The government has reduced the budget deficit to 10.5 percent of Greece's gross domestic product from more than 15 percent—no small achievement—and passed a bold pension reform plan. But it has been much more hesitant about structural reform of the economy and privatisation of state-controlled enterprises, because of organized opposition by vested interests, resistance from within the party and from trade unions, and the snail's pace of Greek bureaucracy.' See also, Robert McDonald, *The Competitiveness of the Greek Economy*, Athens News, Athens, 2005. This liberal school of thought sees modernization and development as dependent variables of corruption and clientelism, as impediments to development and growth—which is totally false, if at all, the opposite is the truth. For the origins of this argument and a sustained critique of it, see Vassilis K. Fouskas, 'The Left and the crisis of the Third Hellenic Republic, 1989–1997', in Donald Sassoon (ed.), *Looking Left: European Socialism after the Cold War*, I. B. Tauris, London, 1997.

[11] See, among others, Michel Husson, 'A European strategy for the Left', *International Viewpoint*, January 2011. Factions of PASOK and non-PASOK Greek Left uphold similar analyses.

[12] Costas Lapavitsas, 'A Left strategy for Europe', *International Viewpoint*, April 2011. This is Lapavitsas' reply to Michel Husson. Radical factions of the Greek Left embrace Lapavitsas' position; see, for instance, the perceptive analysis by John Tolios, a former political economist of the orthodox Greek Communist Party (KKE) in his *Crisis, 'Odious' Debt and Violation of Payments* [in Greek], Athens, 2011.

[13] The argument is laid out in full in Costas Lapavitsas, Annina Kaltenbrunner, Duncan Lindo, J. Michell, Juan Pablo Pinceira, Eugenia Pires, Jeff Powell, Alexis Stenfors and Nuno Teles, 'Euro-zone crisis: beggar thyself and beggar neighbour', *Journal of Balkan and Near Eastern Studies*, December 2010, esp. pp. 336ff.

[14] The 'spread' is the interest rate difference between bonds of two different countries, and the cds is the insurance taken out to protect bond-dealers. In the case of Greece, the 'spread' is the

difference between the interest rate the country borrows and the interest rate Germany borrows. The latter borrows by issuing bonds at 3 per cent, whereas the former at or above 10 per cent. Thus, the 'spread' for the Greek bonds is 7 per cent.

[15] Martin Wolf, 'Time for common sense on Greece', *Financial Times*, 22 June 2011, p. 13.

[16] Costas Lapavitsas, 'Euro-exit strategy crucial for Greeks', *The Guardian*, 21 June 2011.

[17] A 'cyclical'/tautological argument about the sources of the Greek debt is put forth by John Milios and Dimitris P. Sotiropoulos, 'Crisis of Greece or crisis of the Euro? A view from the European "periphery"', *Journal of Balkan and Near Eastern Studies*, 12, September 2010, pp. 223–241. The Greek and other 'peripheral' Euro-zone current account deficit is attributed to financial account surpluses generated in the 'periphery' and Greece, and this was the result of high growth rates and a consumption boom before the global crisis erupted in 2007–2008. The main deficiency of this argument lies in that it overlooks the fact that the growth registered in Greece and elsewhere was debt-driven or, what Robert Brenner calls, 'asset-price Keynesianism'.

[18] Nicos Poulantzas, *Classes in Contemporary Capitalism*, Verso, London, 1975, p. 71.

[19] 'Indeed', Brenner says, 'the strategy that he [Greenspan] evolved during the second half of the 1990s—and has continued to implement ever since—might usefully be called "stock market, or asset price, Keynesianism". In traditional Keynesian policy, demand is "subsidised" by means of the federal government's incurring of rising *public* deficits so as to spend more than it takes in taxes. By contrast, in Greenspan's version, demand is increased by means of corporations and wealthy households taking on rising *private* deficits so as to spend more than they make, encouraged to do so by the increased paper wealth that they effortlessly accrue by virtue of the appreciation of the value of their stocks, or other assets', in his *The Economics of Global Turbulence*, New Left Review, London, 2006, p. 293.

[20] See Vassilis K. Fouskas, *Populism and Modernisation: The Exhaustion of the Third Hellenic Republic, 1974–1994* [in Greek], Athens, 1995.

[21] The first hints about false statistics came from the previous Minister of Finance, George Alogoskoufis, of the right-wing ND party. All Eurostat, OECD and other statistics about Greece used by researchers across the world come from the National Statistical Services of Greece (ESYE), now re-named Hellenic Statistical Agency (ELSTAT) and placed under a new Director, a former IMF employee, Andrew Georgiou. Greek daily press is full of stories about the manipulation of statistics by the governments of Greece, most of which are true, especially since the country's political elites began struggling to enter the Euro-zone. The most famous such scandal had been that under Costas Simitis' PASOK cabinet in the late 1990s, who paid Goldman Sachs 3 billion Euros to manipulate Greek growth upwards and Greek deficit downwards; see, among others, Tolios, op. cit., p. 56, passim; Kerin Hope, 'History of statistics that failed to add up', *FT*, 30 September 2011.

[22] On this issue, see Costas Lapavitsas *et al.*, *Breaking Up? A Route Out of the Euro-zone Crisis*, RMF Occasional Report 3, November 2011.

[23] On the concept of neo-revisionism, see Donald Sassoon, *One Hundred Years of Socialism*, I. B. Tauris, London, 1996. Sassoon operates within a Bernsteinian framework according to which when capitalism changes itself the strategy of socialist parties should also adapt and change. In this respect, Jospin's, Blair's, Occhetto's and Shroeder's attempts to adjust to the new capitalism of financialization and free markets were, under certain conditions, welcomed as adaptation and survival strategies of the Left.

[24] Lapavitsas *et al.*, 'Euro-zone crisis', op. cit., pp. 345, 349.

[25] A role, not entirely insignificant, in the ASE's ascendance was played by the social security funds. Until the mid-1980s the goose with the golden eggs had been the stocks of social security funds locked into the Bank of Greece on an interest-free basis. In the main, these funds were used to provide cheap loans to the public and private sectors, the funds themselves receiving no significant returns. As these funds matured and the number of pensioners increased rapidly in the 1990s—Greece has severe problems with population ageing—the ASE became an

important outlet for capitalization and speculation (it should be noted, however, that social security funds cannot invest more than 20 per cent of their funds in the stock market).

[26] It should be noted that all the privatizations that occurred from 1991 to 2010 brought only 20 billion Euros to the state, mainly used to sustain borrowing and the remaining lame ducks.

[27] Apparently, some members of that business group hold some prominent positions in the Greek public sector, such as Athanassios Platias, who is the Head of Department of International and European Studies at the University of Piraeus in Greece and also a non-executive director of the group; see <http://www.theofficialboard.com/org-chart/sfakianakis-aebe> and <http://www.unipi.gr/des/administration.html>. If anything, this shows the interpenetration of comprador and rentier capital on the one hand, and state/public interests on the other.

[28] See Kerin Hope, 'A big market close to home', *FT*, Special Survey of Greece, 8 December 1998, p. 2

[29] Ibid.

[30] Greek shipping capital, a prime international force in world seaborne trade with no substantial base in Greece, should also be brought into the equation. A large part of the Greek merchant fleet is listed in the shipping register under flags of convenience, so no substantial tax income can be raised by the Greek state. This loss of income becomes even more significant in the 1990s and 2000s, as the world share of the Greek merchant fleet—under confirmed Greek ownership—which was 1 per cent in 1947 and 12 per cent in 1970, soared to 17.4 per cent in 2000. Unlike other nationalities, Greek ship-owners are under no legal compulsion to enter or remain on the Greek registry and they do so only in periods in which favourable tax regimes—such as laws 2687/1953, 89/1967 and 378/1968—come into force. Most Greek shipping is 'tramp', rather than 'liner' shipping. The former is conducted by vessels, which go like taxis wherever the charterer, with freight rates fixed in a free global market. The latter is conducted by vessels/liners, which run like buses on regular schedules and according to predetermined routes and tariffs. Having said this, the only significant contribution of Greek shipping to the Greek economy is its net contribution to invisible earnings and employment. See, among others, John Theotokas and Gelina Charlauti, *Greek Ship-owners and Maritime Business* [in Greek], Athens, 2007, pp. 33ff.; Anne E. Bredima, 'The shipping sector', in Speros Vryonis Jr. (ed.), *Greece on the Road to Democracy: From the Junta to PASOK, 1974–1986*, Caratzas, New York, 1991, pp. 233–245.

[31] An effort to estimate the size of tax evasion of the new bourgeoisie is made by George Stathakis, 'The fiscal crisis of the Greek economy' [in Greek], in a volume edited by the Scientific Association of Greek Political Economists, *Economic Crisis and Greece*, Athens, 2011, pp. 193–205.

[32] Even in the middle of the debt crisis in September 2011, Athens daily press reported that Mytilineos S.A. buys from the state electricity company, DEI (PPC S.A.), energy at 41 Euros per MWh, only to sell it back to DEI for 55 Euros per MWh. How is this possible? Mytilineos who, among others, runs an aluminium business, received a licence by the Greek state to buy cheap electricity for his aluminium business. However, he set up a separate energy unit for himself, ending up selling back energy to DEI at a higher price. This type of domestic comprador activity against the very interests of the public at large is not just damaging to state performance; it is insulting. None of the press reports have been denied or contradicted.

[33] Among others, Tolios, op. cit., pp. 67–68.

[34] <http://www.sipri.org/databases/armstransfers>.

[35] An Athens-based think tank dealing with offset and procurement par excellence is 'Epicos', with a very telling website: see <http://www.epicos.com/Portal/Top/ContactUs/Offices/Pages/default.aspx>.

[36] See *Report of the Governor of the Bank of Greece for 2009* [in Greek], Athens, 2010; *The Greek Banking System in 2010* [in Greek], Athens, 2011; Richard Milne and Gerrit Wiesmann, 'ECB ready to reject Greek downgrade', *FT*, 5 July 2011, p. 1. Despite the fact that the Report of the Governor, George Provopoulos, presents the banking system as a problem-free financial area,

he does not fail to mention the degree of dependency of the Greek banks on Euro-zone capitals, esp. pp. 171–200.

[37] See K. Marx, *Capital*, Vol. 1, Penguin, Harmondsworth, 1976, pp. 919ff. The entire chapter on 'primitive accumulation' in Marx's *Capital* is extremely useful in theorizing the implications of the present crisis in the European periphery.

[38] Similarly, the value of imports from France is 3.1 billion Euros, whereas the value of Greek exports to France is down to 0.7 billion Euros. For Italy, the numbers are 6.9/1.8 against Greece. See, ELSTAT, *Concise Statistical Yearbook*, Athens, 2009, pp. 168–172.

[39] Lapavitsas *et al.*, 'Euro-zone crisis', op. cit., p. 344.

[40] Herein lies our main disagreement with the analyses by John Milios and Dimitris P. Sotiropoulos, 'Crisis of Greece or crisis of the Euro? A view from the European "periphery"', *Journal of Balkan and Near Eastern Studies*, 12, September 2010, pp. 223–241. Authors writing from a neo-liberal perspective also fail to identify the nature of growth rates in Greece from the mid-1990s to 2008 as a debt-led phenomenon; see, for instance, George Pagoulatos and Christos Triantopoulos, 'The return of the Greek patient: Greece and the 2008 global financial crisis', *South European Society and Politics*, 14, March 2009, pp. 35–54.

[41] Migrants in Greece from the former Ottoman and Soviet space number more than a million and, as expected, statistics fail to capture their employment records and impact on the social economy of the country. However, racist feelings in Greece have taken on a disturbing turn over the last two years, as racist groups across the country find easy scapegoats in the migrants, especially Albanian and Muslims. This is political raw material upon which the extreme Right keeps building on.

[42] According to the Pan-Hellenic Union of Public Works (PESEDE), public works contractors number more than 6200 businesses half of which are run by one individual. Again, the fragmentation of the sector pertains to the clientelistic–corporatist nature of the party and state system, creating political clientele by contracting out public works to individuals of ambivalent technical ability and skill.

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