The Greek External Debt and Imperialist Rivalries: "One Thief Stealing from Another"

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The current Greek economic crisis has an aspect of ancient tragedy (for the Greek people) mixed with a bad theatrical farce (staged on behalf of the European and the Greek bourgeoisie).

The farce comes first. Till very recently the two establishment parties (the center-left PASOK and the center-right ND) preached that their economic policies led Greece from strength to strength. Their leitmotivs differed a bit and there was of course the usual sparring between them, but the message was in fact the same. The European Union (EU) condoned all this bragging. It was well known not only in Athens but also in Brussels that the Greek data -- as well as those of Italy and several other EU members -- were tampered with at the time of their introduction into the eurozone. The recent exposé (starting in the New York Times) about Goldman Sachs helping the PASOK government of that time to disguise part of the public debt through currency swaps is tantamount to public admission of this. (As it emerges now, Goldman Sachs also similarly "helped" several other European governments.) Of course, the EU (and its dominant powers Germany and France) knew perfectly well what was going on. But, they had made the political choice to incorporate those weaker European economies in the eurozone. And this choice was not made out of benevolence but sheer greed. Their economies and their companies have profited a lot from this incorporation. Their aid packages, about which they brag a lot, is only a small portion of the profits they have reaped from those weaker economies. For example, Greece had a trade surplus with the other European economies before entering the then European Economic Community (EEC). Since its incorporation and particularly after the introduction of the euro, it has run a trade deficit.

That was the first act of the farce: Greece, an EU member, sailing into prosperity. The second act is much bitterer. Since the last election, all the political and propaganda mouthpieces of the system have changed their tune. Suddenly, it was discovered that the economy was crumbling and that both the public deficit and the external debt were bigger than previously thought. Of course there was again some bickering between PASOK and ND, with the former blaming the latter for this failure and even accusing it of tampering with the statistical data. This is a déjà vu. Six years ago, when ND succeeded PASOK in government, it also accused it of forging the data and went to the EU for a revision. Furthermore, the current PASOK minister of Finance (who is accusing ND of presenting fraudulent data) was a secretary of the same ministry and a member of the Council of Economic Advisors when the aforementioned deals with Goldman Sachs were made. Now, according to the new tune -- played by both PASOK and ND despite their petty quarrels -- it is a "national duty" of every citizen to tighten his belt and to accept previously inconceivable wage cuts, the curtailment of the welfare system, the deterioration of labor relations, and the postponement of retirement age.

Here comes the tragedy. According to both foreign and Greek pundits, the Greek people have to suffer an "internal devaluation." Now this is a very sweet term, proving that capitalism's think-tanks have a grain of colorful imagination. As every sensible person can guess, "internal devaluation" is a contradiction in terms: you cannot devalue a coin in your left pocket in relation to the same coin in your right one. But, as it is cynically confessed when queried, this term is a mask for radial austerity: since you cannot devalue your currency, you must cut your wages and pensions. Now the plot of the tragedy is revealed. The Greek people, particularly the working class, have to pay for the salvation of Greek capitalism.

There are a few final touches. The Greek economic policy is now openly put under the control of Brussels; even the pretences of national sovereignty are dropped. In reality, the country is in a condition of limited sovereignty. Whereas only a few days ago PASOK was still proclaiming that it was striving to safeguard the people's right to govern itself, now it is openly admitted that Brussels governs the economy and we are obliged to follow its orders. Recently one commentator put it quite accurately: this is another occupation -- like the Nazi one during WW2 -- but this time it is an economic one.

What is the truth behind all this ugly façade? The Greek capitalist economy is indeed in crisis not only because of the current global crisis of capitalism but also because of the particular Greek problems. In the beginning of the crisis all the bourgeois parties said that it was simply a financial affair that would not touch the Greek economy because its financial sector was not exposed to toxic investments. This myth crumbled quickly as the crisis proved to be not a mere financial affair but have its roots in the real economy. Moreover, these roots exist in the Greek economy itself. Apart from the general crisis tendencies that exist in the Greek economy as well, there are also certain structural problems aggravating them. The most serious of these problems is Greece's participation in the European integration. When Greek capitalism -- a mid-level capitalist system with its corresponding level of imperialist activities -- chose to participate in this imperialist integration, it also aspired to upgrade its rank within the imperialist chain. However, soon it became evident that this participation resulted in the loss of Greek competitiveness against the hegemonic European economies. The clearest evidence of that is the aforementioned transformation of the trade balance from surplus to deficit. The opening of the Greek economy led to the dismantling of its production structure that had existed during the "glorious 20 years" (1950-70) of Greek capitalism. Service activities came to dominate the economy and multinational enterprises gained control over major parts of it. This is not to say that the Greek economy has become de-industrialized, as the popular tale goes. Industry exists and certain sectors of it are quite vibrant. However, this does not represent a cohesive and competitive production structure. Greek capitalism sought to counter this deterioration with its brutal imperialist economic exploitation of the other Balkan economies. After the collapse of the Soviet bloc, Greek firms expanded aggressively into the Balkan economies and reaped significant profits. Thus, from the 1990s and till the onset of the current economic crisis, Greek capitalism obtained significant profits from its external activities. These were supplemented by profits from the increased exploitation of workers inside Greece. Greece is one of Europe's frontrunners in overwork, a great part of which consists of unpaid labor time. Moreover, a big "black economy" and practically unregulated labor relations in it facilitated a significant increase in the rate of exploitation in the Greek economy.

The onset of the crisis put an end to this party. The fragility and internal contradictions of Greek capitalism surfaced. At the same time, the global crisis also hit the other Balkan economies (especially Romania) hard. This aggravated competition between foreign capitals within these economies; bigger players -- particularly those from the dominant EU countries but also the US -- elbowed aside Greek capitals there, thus compressing this significant economic artery.

Meanwhile, the Greek bourgeois state has actively contributed capitalist profitability through direct and indirect subsidies. It is ironic that, under an infamous law passed by a previous PASOK government, the Greek state subsidized firms to relocate to the other Balkan economies. That meant the end of the textile industry in Northern Greece as Greek capitals took the subsidies, closed their factories, fired their workers, and relocated across the border where wages were far cheaper. When things started to worsen, the state threw in an even greater lifeline. It organized the expensive Olympic Games in 2004. That gave a much-needed boost to capitalist activity and profitability. On the other hand, all these measures skyrocketed the public debt. It was not only Greek capitals that profited from this spending spree. Foreign capitals, particularly those of the EU, captured a great part of the pie. They had already penetrated the Greek economy extensively; thus they took a big part of the infrastructure works and, of course, the lion's share of the big deals of the 2004 Olympics. So, the clamor of the big European powers about the prodigal Greeks squandering French and German money is, to say the least, hypocritical. They have already got back much more than what they paid for community aid packages all these years.

The question is, though, why all this drama about the global threat of a Greek bankruptcy? After all, not only Greece but other more advanced capitalist countries have lived with high public deficits and debts. Even today, there are other countries that have a higher percentage of debt relative to GDP than Greece (e.g. 170% in Japan, 114% in Italy). The U.S. has a very similar problem, too: its debt is estimated to reach 90% of the GDP, and it is expected to take 10 years for it to return to "manageable" levels. Moreover, Greece is a small economy whereas many other economies with similar debt-GDP ratios are far larger and thus constitute a far greater systemic danger.

What is really taking place is an interplay of imperialist rivalries and a jockeying of stronger imperialisms to pass a part of their burden to weaker ones as well as to less developed economies. Modern capitalism has learned the lessons from previous global capitalist crises. Thus, since the onset of the current crisis, it has employed all its heavy artillery. Dropping neo-liberal mantras, it has relaxed monetary policy and even come up with considerable fiscal packages. These activist monetary and fiscal policies seem to have alleviated a few of the effects of the crisis, giving rise to signs pointing towards a feeble recovery. However, this recovery is far from certain, particularly since the stimulus measures are being withdrawn or exhausted too soon. This poses a serious problem. A strong recovery is necessary in order to recuperate the cost of financing the stimulus packages (or else inflation combined with a double dip or stagnation will be the outcome). Thus, the economic crisis now expresses itself as a fiscal crisis.

Enter imperialist rivalries in the EU context. It is well known that EU does not constitute an optimal currency area, because of the large disparities among its constituent economies, which, in turn, make them susceptible to "asymmetric shocks." For this reason the current crisis seriously threatens the eurozone's cohesion. The hegemonic European powers actually decided in advance to discipline the more backward economies of the zone and also to make a significant profit out of interest rate extortion. Thus, the debt problem is being consciously exacerbated in order to:

1. force the reduction of the labor cost (thus making their own activities there more profitable);

2. impose higher interest rates (thus giving their financial institutions, which are the main lenders, a hefty bonus);

3. reduce the amount of money they would need to pay in case a rescue package becomes necessary.

Ireland was the first to succumb to the pressures to force "internal devaluation." Greece is the second although here the political and social situation is much trickier since the Left is much stronger. Others are in line for the same trouble.

Greek capitalism plays along with this game and tries to turn its difficulties into opportunities. It put up only a feeble resistance against the aforementioned pressures (although it knows well that the crux of the problem is its participation in the eurozone) because of its internal imbalances and also because of geopolitical fears (i.e. the conflict with Turkey). Thus, it has just about relinquished economic policy to Brussels and agreed to pay a hefty risk premium to foreign lenders. Accordingly, it is pushing for deep pro-capitalist structural changes by raising the spectre of default while sniveling that it is being obliged to do so by the EU. That is how it pays a premium to the stronger European imperialisms while attempting to pass its own burden to the Greek people.

It is the case of one thief (the hegemonic European powers) stealing from another (the Greek bourgeoisie), the latter passing the burden to the working people of Greece. This is the most tragic part of the play. Contrary to the diatribes of the Greek and international media about the spendthrift Greeks, austerity policies have a history of almost 30 years behind them in Greece (since 1985), and the living standards of the working people have deteriorated rapidly, particularly since the introduction of the euro (inflation for the mass consumption wage goods is notoriously high in Greece). Can these people endure a further deterioration? In ancient Greek tragedies, there is usually a deus ex machina. The only possible deus ex machinain this play is a strong labor movement that will overturn the ugly façade.