

# **Disciplined and Punished - The EU, the European Memoranda, austerity and the Greek crisis**

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**The European Memoranda imposing austerity on Greece came to an end last week. But the country still has no way out of its crisis.**

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On August 21 Alexis Tsipras chose Ithaca as the place to announce Greece's exit from the bailout programs imposed by the European Union in collaboration with the International Monetary Fund. The main punch line of the speech: "the Odyssey's over."

This marked the formal end of the Memoranda of Understanding, which had accompanied each of the three loan agreements imposed on Greece by the "Institutions" or "troika" (i.e. the European Central Bank, the European Commission, and International Monetary Fund [IMF]) since 2010. Under this regime, each loan payment to Greece was conditional on its government implementing austerity measures and institutional reforms, supervised by "the Institutions."

Last week the Greek prime minister could, indeed, announce the end of a specific phase of Europe's so-called "financial assistance to Greece" — a program, despite the name, closely associated with the plundering of Greek society. But in fact, the formal conclusion of this program marks neither the end of Greece's reduced sovereignty, nor the last of the Tsipras government's austerity measures.

## **The Memoranda Aren't Over**

Far from Greece now embarking on its recovery, the measures implemented in recent years have now been set in stone. These include far-reaching privatization [\[1\]](#), which has mutilated the public sector; massive pension cuts and rises in the retirement age; a dramatic drop in the number of state employees, along with their wages and employment stability. Greece's lenders expect all such measures to remain in place and will continue to monitor them. Added to that, the Greek economy will remain under close scrutiny by the Institutions, to make sure that austerity and neoliberal reforms stay in place.

Even in the first weeks and months after the supposed end of European oversight, Greece will face a period of "enhanced surveillance" to make sure that it stays on the right track. On September 10 the technical staff of the troika is expected in Athens for another round of "post-program" evaluation.

Added to this is the surveillance and supervision which is part of the normal functioning of the eurozone and included in the “European semester” process, a tight monitoring of budget performance.

On top of that, some of the funds that Greece is still expecting from the European Union, notably the extra gains made by Greek bonds purchased by the ECB as part of the Securities Markets Program, will be conditional upon outside evaluation of the Greek economy.

Indeed, even after the end of the Memoranda, the European Institutions (the troika and, since 2015, the European Stability Mechanism) will maintain their oversight over the country. Although for the next twenty months Greece can rely on the last loan tranche, it would then need to borrow from international money markets. To avoid having to face forbidding interest rates, it will have to act in a way that secures an approving evaluation from the Institutions. Any negative comments — especially in a volatile international climate — would send interest rates soaring.

Nor does the end of the Financial Assistance to Greece program mark the end of Greece’s commitment to austerity and neoliberal reforms. Some further measures are planned already. On January 1, 2019 there is going to be a new 18 percent cut in pensions (the government has said it would ask for its postponement) and on New Year’s Day 2020 a reduction of the tax exemptible income will be introduced, increasing the tax burden on low earners. Pension cuts (and there have been over twenty already, amounting to around €50 billion) will have a particularly negative social effect. Not only will they harm pensioners’ situation but also create broader social problems. Greece has always had a strong sense of family and intergenerational solidarity, and in many cases unemployed or financially imperiled young people rely on relatives’ pensions.

Above all, Greece has agreed to maintain high primary budget surpluses (a primary surplus means that state revenue is higher than state spending, excluding interest payments on consolidated government liabilities): the surplus is meant to be at least 3.5 percent of GDP until 2022 and 2.2 percent until 2060. To maintain primary budget surpluses means keeping austerity policies in place, since they can only be achieved by cutting public spending and lowering public investment. It is obvious that we are far from the end of the Memoranda.

### **Austerity’s Social Disaster**

By all measures, the Memoranda period represents both a failure and a disaster; a failure in dealing with the Greek debt crisis and a disaster in social terms. The “end of the memoranda” comes at a very high price, if we consider Greeks’ vast loss of income, the violence of unemployment, the dismantling of the social fabric, mass flight abroad, and Greece’s mounting inability to imagine its own future in positive terms.

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One should remember that the reason for the bailout programs was the assumption that with its 129.7 percent debt/GDP ratio (as of late 2009) and a public debt standing at some €299.7 billion, Greece was heading for financial meltdown. Today the Greek public debt stands at over €330 billion and the debt/GDP ratio is over 180 percent. The Greek debt crisis is still here, after three bailout programs and eight years of austerity.

Part of the blame lies with the European integration process itself. It is widely asserted that the debt crisis was caused by “irresponsible Greeks living beyond their means.” But in fact, it also grew out of

the eurozone's own structural weaknesses. A currency union in an economic area with wildly varying levels of productivity and competitiveness created permanent imbalances; the extra borrowing was supposed to be a partial remedy for this. This problem was then exacerbated by a series of Greek governments that subsidized capital (including by tolerating massive tax avoidance) with yet further borrowing, including to pay for white elephant public works projects.

Even the end of the Financial Assistance to Greece program has done nothing to avert further moments of crisis. The Eurogroup's decisions allow Greece a longer period to repay its debt. Yet this solution just means that the next moment of truth for the Greek debt has been bumped from the mid-2020s into the mid-2030s. The IMF forecasts that already by 2038 the Greek debt will again have become unsustainable.

At the same time, the Memoranda leave behind a landscape of social ruins. The cumulative result of the past decade of recession and the Memoranda was to slash GDP by more than 25 percent. This is something not seen in a European country since the Great Depression of the 1930s.

Unemployment peaked at 27.9 percent in July 2013. Since then this figure has slowly declined, and in May 2018 it fell below 20 percent for the first time. However, it will take another five years to reach pre-crisis level. Moreover, the rise in employment mainly owed to increased numbers in part-time and low-paid jobs. 54.7 percent of new jobs in 2017 were part-time.

The formal unemployment figures are also reduced by the simple fact that many working-age residents have moved abroad. These include both migrants working in Greece who left the country during the crisis, and Greek citizens forced to seek employment abroad. Illustrating the size of this movement, a Bank of Greece study estimates that 427,000 permanent residents of Greece left the country between 2008 and 2013, including 187,000 non-citizens between 2010 and 2013. This flight continued in subsequent years and also took the form of brain-drain, as many young graduates sought work abroad.

Workers' average earnings have continued to plunge. The minimum salary has been cut from €751 a month to just €586 (for employees below twenty-five years of age, €510). In 2012 the average salary (state employees excluded) was €1285 a month; today that figure stands at just €929. For part-time workers, the average salary fell from €587 to just €378 a month. Last year total hourly labor costs in Greece averaged €14.50; the eurozone average is €30.30.

The numbers of state and public-sector employees have been slashed by 30 percent, which means major shortages in crucial services such as education and health care. The eighty deaths caused by last month's forest fires made cuts in the Fire Service tragically obvious. Because of reduced access to health services and the socio-economic stress associated with austerity, there is already a statistically measurable deterioration of health indices, such as a clear increase in mortality across all ages between 2010 and 2016.

Large segments of public infrastructure have been privatized, including fourteen airports, railways, large segments of the energy grid, the Piraeus and Thessaloniki ports, and the area of the former Athens Airport in Ellinikon, which was meant to become a park and has now been turned over to real-estate development and speculation.

On top of all these, the Memoranda have included changes in labor law, making it easier to sack people, undermining collective bargaining. This has also had a general tendency to insulate important segments of the state apparatuses against popular demands (a tendency exemplified in the insistence on transforming the Tax Collecting Agency into an independent authority standing above political control).

At the same time, and as part of the cynical bargaining by the European core countries, Greece has been forced to act as the frontier of Fortress Europe, implementing the anti-refugee and anti-migrant policies of the European Union. This has helped feed the tragic situation at the detention centers on Greece's islands.

In sum, Greece comes out of the Memoranda as a poorer country, with less social rights (in labor law, in wages, in pensions) and more neoliberal restructuring (from privatizations to education reforms). And even now, it remains under the disciplining supervision by the European Institutions and the IMF.

It should be noted that the Memoranda were never simply about dealing with the Greek debt crisis. They were more like a giant experiment in neoliberal social engineering and the first demonstration of the authoritarian, disciplinary potential of the eurozone's financial, monetary, and institutional architecture. This also helps explain why some of the "extraordinary" measures imposed upon Greece have tended to become part of the "new normal" in Europe.

Throughout this period Greece was never simply a bad apple. It reflected the contradictions of the eurozone; the systemic social violence unleashed upon Greek society was also part of an attempt to set an example. It was a case study, an experiment, a testing ground, and a warning sign for the entire eurozone and European Union.

At the same time, it would be wrong to think of the Memoranda as imposed upon Greece by external force alone. Although some of the measures reflected the European institutions' preconceptions, most of the measures were part of Greek capital's own wish list.

Faced with the combined effects of the global capitalist crisis, the eurozone crisis, and the crisis of Greece's own developmental paradigm, the Greek bourgeoisie saw the Memoranda as an opportunity — notwithstanding the problems caused by recession. Important segments of Greek capital have managed to improve their profit margins thanks to austerity policies, and also to take advantage of the change in the balance of forces in the workplace induced by high unemployment. The current boom in the tourist industry, fuelled to a large extent by low labor costs, is a good example of this.

## **The Costs of Capitulation**

In his speech in Ithaca, Alexis Tsipras chose to attack the previous governments as responsible for the Memoranda and the social devastation they brought. He also insisted that since 2015 and Syriza's rise to power there has been a gradual reversal of this course, and that with Greece's exit from the bailout programs it will be possible to implement policies based on social justice.

Unfortunately, reality points in the opposite direction. Of the eight years of the bailout programs, three and a half were under a Syriza-led government. Alexis Tsipras's administration is responsible for many of these measures: privatizations, pension reforms, reductions in public spending. Moreover, it was Tsipras's government that committed Greece to extremely high primary budget surpluses and extra austerity measures in the years to come.

Above all, the political responsibility of the Syriza leadership lies in its choice to capitulate in 2015. Instead of planning a rupture with the eurozone it opted for another Memorandum, in contrast to the expressed will of the subaltern classes in the July 2015 referendum. A large part of the social devastation in Greece today is the result of Syriza's Faustian bid to fully accept austerity in the name of keeping the Left in power even if this meant imposing neoliberal policies.

It would be simplistic to explain this only in terms of “betrayal.” This course of action owes to the many deficiencies of the Greek reformist left, from its theoretical poverty to the wider illusions of left-wing Europeanism, an underestimation of the violent consequences of the eurozone architecture, and a narrowly parliamentary approach to politics.

The same could also be said of a Greek radical left marred by sectarianism, its premium on verbalism over the theoretical work that underpins revolutionary strategy, and its underestimation of the question of political power in a period of hegemonic crisis. These failures within the Left contributed to the defeat of an enormous mobilization that had the potential to begin a sequence of radical social and political change.

Moreover this capitulation, together with the accumulated results of austerity, have had a demoralizing effect upon the subaltern classes, further contributing to their disaggregation. Indeed, the situation today marks a clear contrast with the impressive popular mobilization of previous periods.

### **A New Page, a New Challenge**

In June, when a final agreement was reached on the end of the bailout program, Alexis Tsipras and Syriza talked about turning a new page. By this they suggested the possibility of implementing progressive policies now that the country is out of the bailout supervision.

Recently, Alexis Tsipras has insisted that beyond meeting fiscal targets the Syriza-led government now has the possibility of embarking upon progressive policies. The government has announced a small raise in the minimum wage (which will remain drastically lower than pre-crisis levels), a partial return of the legislation on collective contracts, and even the possibility of delaying pension cuts. Syriza’s broader argument is that increased growth will offer further possibilities for progressive politics.

However, the reality runs contrary to such assumptions. Greece will remain under enhanced supervision and part of this supervision will be to make sure that most of the austerity reforms will stay in place. Privatizations, labor flexibility, and changes in the general institutional framework will necessarily remain untouched.

One of the main aims of the Memoranda — and unfortunately, a part of their “success” — was exactly this kind of pre-emptive undermining of the possibility of progressive or radical politics. Moreover, increased primary budget surpluses and in general the fiscal discipline expected from the European Union not only undermine any potential for real growth but also set up obstacles to redistributive policies or even increased public spending.

On the other hand, it really is true that Greece has entered a new phase. The defeat of the subaltern classes after 2015 has re-stabilized the political system. The basic tendencies of a deeper political crisis are still active, both in the sense of a constant deterioration of the position of the subaltern classes and a lack of any kind of hegemonic narrative from the part of the dominant classes. But it is obvious that we are not facing the same open hegemonic crisis that was evident in 2010–12 when we saw tectonic shifts in the social and political landscape.

In the new emergent polarization between a center-right dominated by New Democracy that calls for even harsher neoliberal measures and a center-left dominated by Syriza, there is no room for the representation of the collective aspirations of the subaltern classes. Moreover, such a situation, in which the entire political mainstream (Syriza included) basically accepts the canon of European

neoliberalism — combined with the absence of a viable left alternative — can only help the far right, which is trying to increase its support.

Unfortunately, the sectarianism of the KKE and the inability of the anti-EU left in all its variations (from Popular Unity to Antarsya) to create a credible radical left front means that we are far from having the radical alternative that we need. Moreover, there is the constant temptation especially by former Syriza personalities to think in terms of a repetition of Syriza meteoric rise by means of some kind of populist anti-Memoranda electoral formation, a fantasy that remains trapped in a deeply parliamentary conception of politics.

Needed, then, is a recomposition process, which also demands a self-critical approach to the limits and shortcomings of the Greek radical left. Without doubt, this will have to involve the recomposition of the social movements. This begins with the need for a renewed labor movement able to mount resistance against austerity, precarity, and workplace despotism, but must also take the form of mobilizations over education, health, and social protection.

But this recomposition process also concerns the Left itself, which needs to create new organizational forms that allow the encounter and dialogue of different tendencies. After the disaster of recent years, we need new collective elaborations on the question of power and the forms of transition, appropriate to bringing about a rupture in the particular conditions of a country like Greece. We need to find the new means to actually influence and change the common sense of the subaltern classes.

Faced with continuing social crisis and the only apparent end to the crisis, the challenge today is precisely to make this new beginning. Greece faces another Odyssey — and its end lies far in the future.

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**P.S.**

• Jacobin, 08.31.2018:

<https://www.jacobinmag.com/2018/08/greece-syriza-tsipras-memoranda-austerity-odyssey>

• ABOUT THE AUTHOR

Panagiotis Sotiris is a member of Popular Unity.

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**Footnotes**

[1] <https://www.jacobinmag.com/2016/09/greece-tsipras-memorandum-privatization-public-assets/>