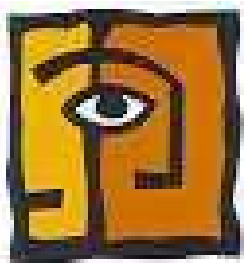

What future for the EU – Stagnation and Polarisation
or New Foundation?

The economic situation in Greece and the
political agenda of the new government -
A crack in the politics of austerity
Vienna, 5th March 2015



Marica Frangakis
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Outline

- The politics of austerity – a hegemonic narrative
 - Greek crisis – A ‘useful’ crisis: Fear of contagion
 - Greece - Economic collapse; social hardship; political realignments
 - The political agenda of SYRIZA
 - The negotiations marathon
 - Structure of the debt; Repayments schedule
 - The negotiating positions of the SYRIZA-led government and of the Eurogroup; the ECB; the media
 - Breaking the deadlock – The Letter; the Statement
 - The ‘first list of reforms’ – a sample
 - The interim agreement between Greece and its creditors – a crack in the politics of austerity
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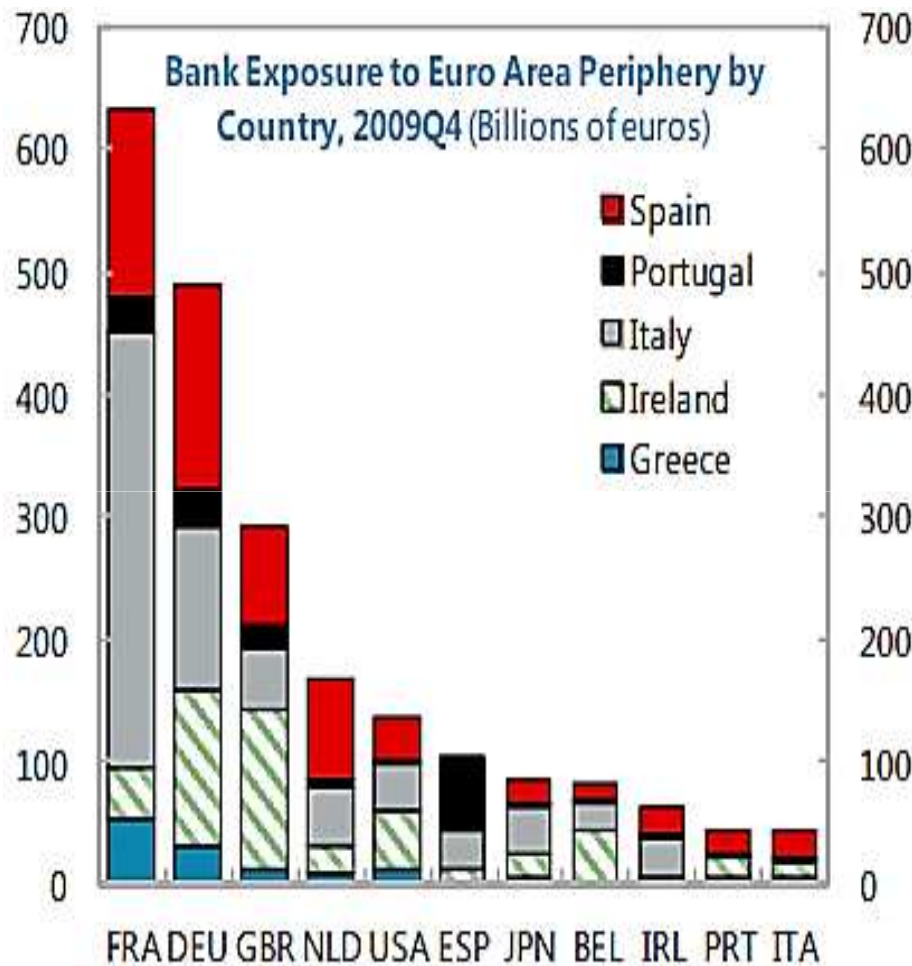
The politics of austerity-a hegemonic narrative

- The politics of austerity – Achieving hegemony: “Ideological and cultural domination of one class by another, achieved through ‘engineering consensus’ through controlling the content of cultural forms and major institutions”
 - The narrative of austerity - A. Merkel’s “Schwäbische Hausfrau” (Swabian housewife) - If it is prudent for individuals to avoid getting into debt, would it not be wise for governments to do the same? If a government does become indebted, would it not be best for it to suppress expenditure &/or increase public receipts, so as to reduce, if not extinguish, the public debt?
 - A hegemonic narrative: to justify huge flow of funds to the financial sector via the governments of indebted countries and deflect pressure for financial policy reform
-

The 'Greek' crisis – a useful crisis!

- 2002-2006 - Greece, like Spain and other Southern European states, grew at a faster rate than e.g. Germany, providing thus an outlet for German exports and finance
 - 2009-2010 – Combination of domestic, European and global factors led to unsustainability of Greece's public finances;
 - Deploying the politics of austerity – 'Profligate government – Lazy workers' narrative
 - Loans of 2010 and 2012 (euro 237 billion) conditional on implementation of severe fiscal austerity, deregulation and privatization
 - More than 80% channeled to European & Greek banks
-

The European lenders – fear of contagion



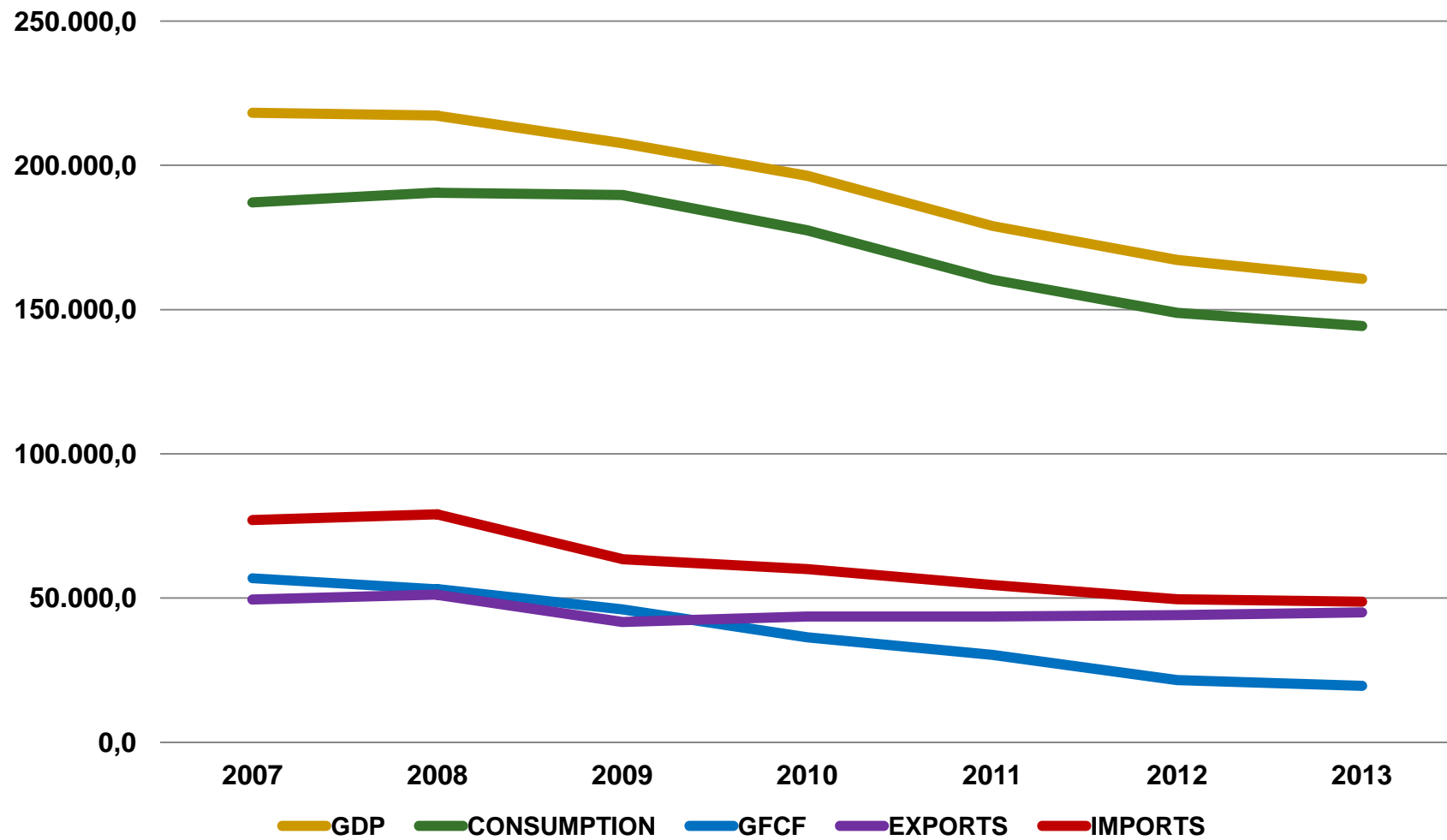
Source: Bank for International Settlements.

IMF: ‘Contagion from Greece was a major concern for euro area members given the considerable exposure of their banks to the sovereign debt of the euro area periphery’ (IMF,2013:8)

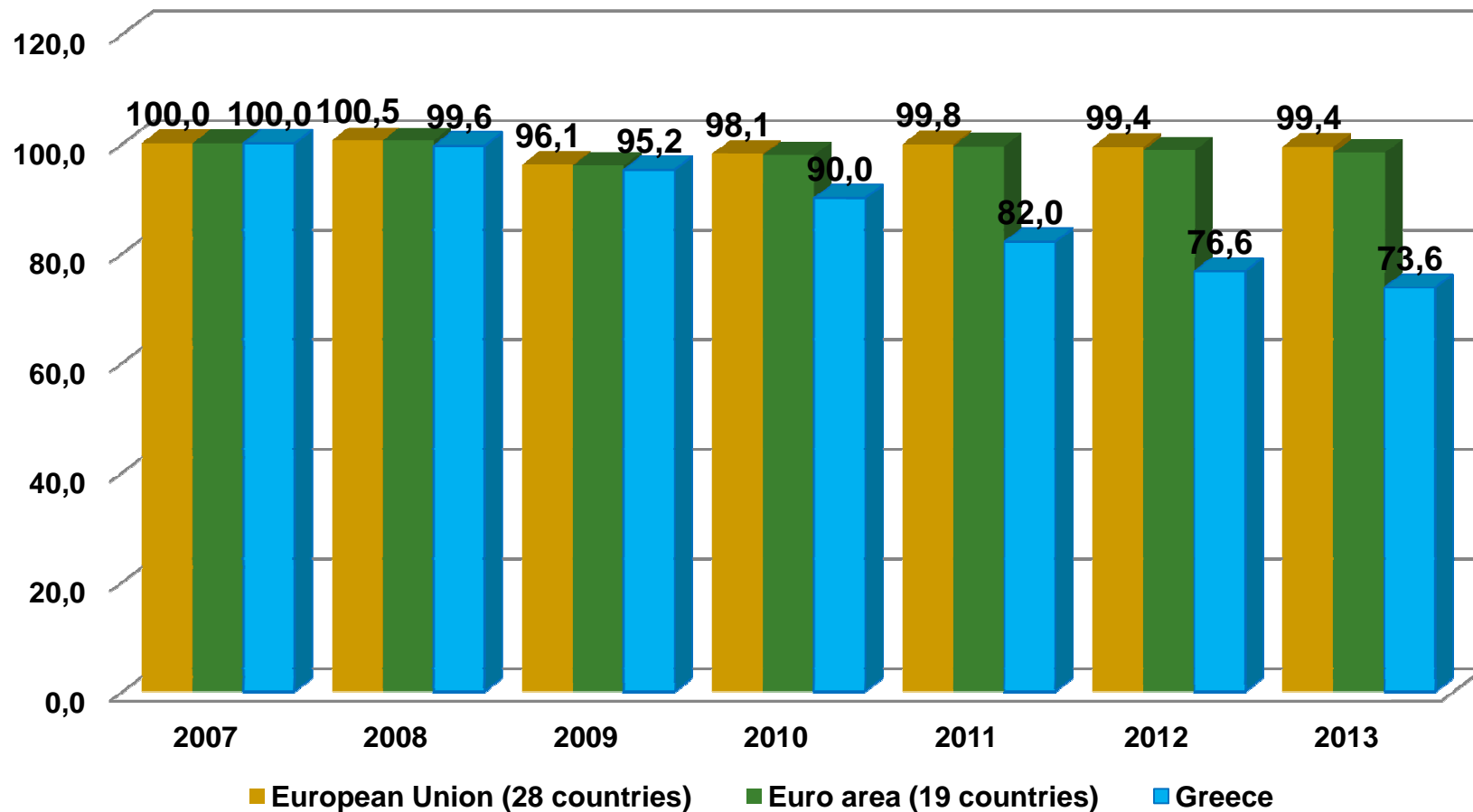
Varoufakis: “None of the bailouts had the purpose of solving Greece’s problems. The original bailout was a cynical ploy for transferring losses from the books of the German and French banks onto the shoulders of the Greek, German and French taxpayers. The second bailout was merely an acknowledgment that the first bailout had imposed upon Greece conditions that it could never meet.

Similarly with the one being prepared **now.**” (<http://yanisvaroufakis.eu/2013/09/02/was-chancellor-merkel-about-greece/#more-4174>)

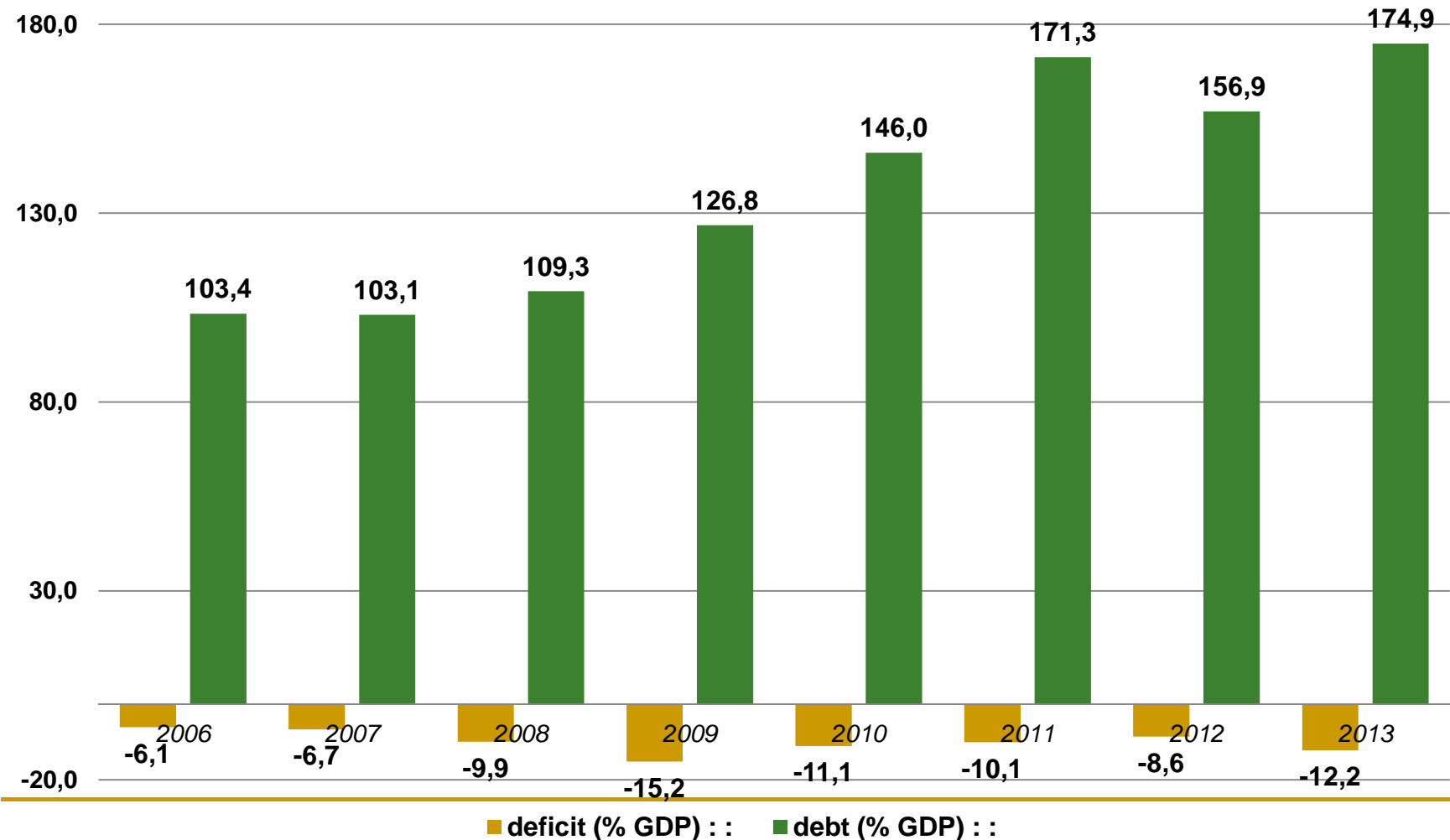
The Greek economy - GDP and its components 2007-2013 (mio euro; 2005 prices)



Sliding down – GDP in EU28, EU19 and Greece (2007=100)



A futile exercise – Greece public deficit and debt as % of GDP

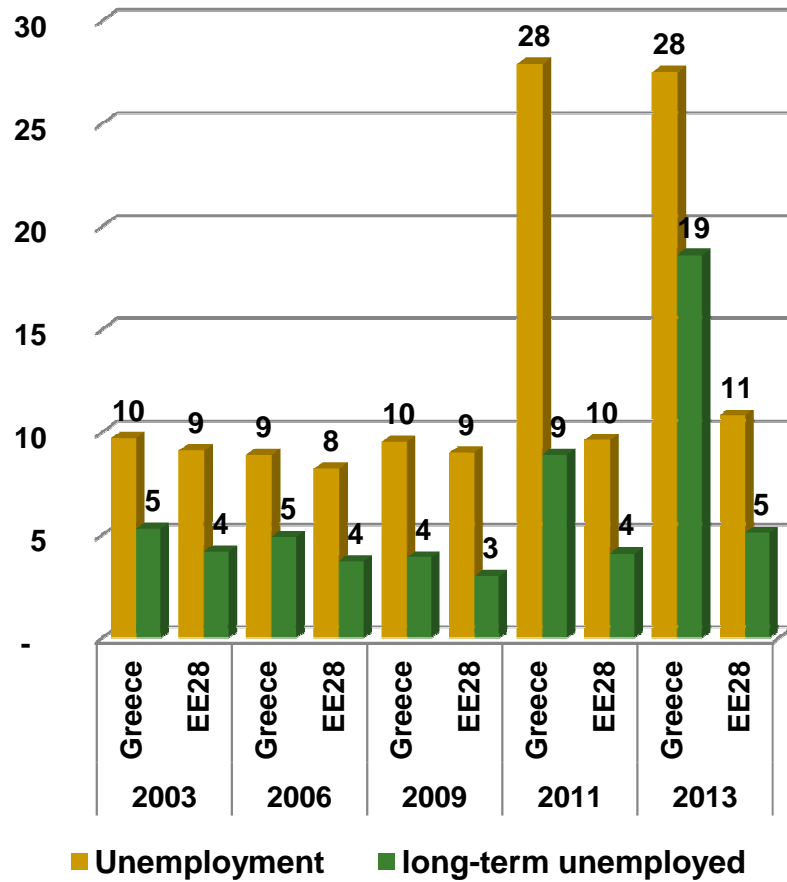


... unprecedented social hardship

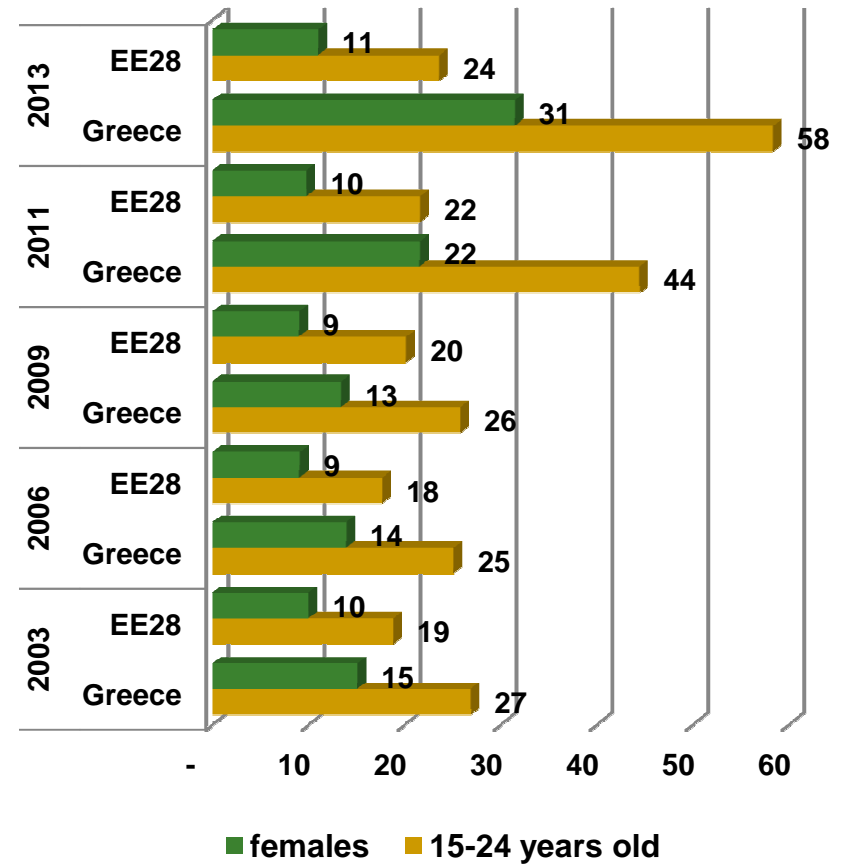
- Unemployment up from 8% of the labour force in 2007 to 18% in 2011 and 28% in 2013; two-thirds of the unemployed have been without a job for over one year
 - Certain groups hit hardest - In 2013, the unemployment rate for *women* was equal to 31% and to 58% for the *under 25s*, from 16% and 23% respectively in 2007
 - The increased flexibility of the labour market has resulted in a steep increase in individual and firm-level work contracts and in a decline in private sector wages by more than 30%.
 - Pensions reduced by more than 30%; Cuts in public health and education expenditure;
 - More than one-third (36%, 2013) of the population below the poverty line &/or severely materially deprived
-

Unemployment (% labour force)

Unemployment Greece - EU28
(% labour force)



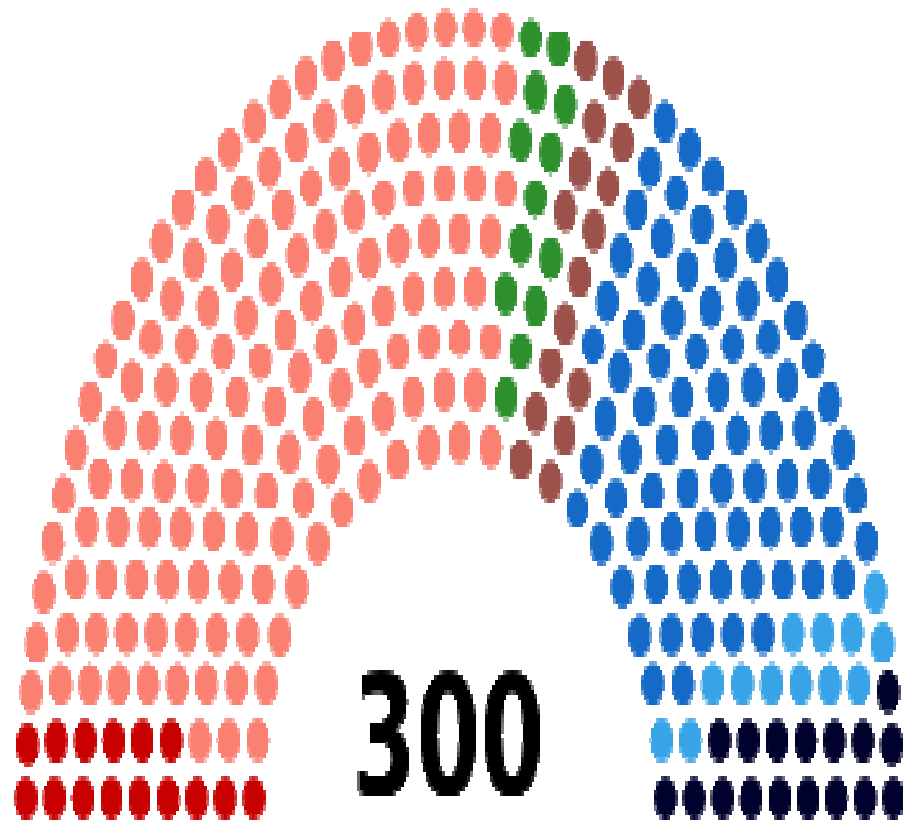
Young and female unemployed
Greece and EU (% labour force)



Political realignments – Electoral results 2009-2015

Per cent Share of votes	2009	June 2012	May 2014	January 2015
New Democracy	33.5	29.6	22.7	27.8
SYRIZA (Radical Left Alliance)	4.6	26.9	26.6	36.3
PASOK (Panhellenic socialist movement)	43.9	12.3	8.0 (ELIA)	4.7
Independent Greeks (split from ND)	--	7.5	3.5	4.8
Golden Dawn (fascists)	--	6.9	9.4	6.3
DIMAR (Democratic Left; split from SYRIZA)	--	6.3	1.2	0.5
KKE (Communist Party)	7.5	4.5	6.1	5.5
LAOS (extreme right)	5.6	--	--	--
RIVER (centrist)	--	--	6.6	6.1

25 January 2015 Hellenic Parliament election results – Seats/party



■ SYRIZA	149	} coalition
■ ANEL	14	} government
■ New Dem	76	
■ Golden Dawn	17	
■ River	17	
■ KKE	15	
■ PASOK	13	

The political agenda of SYRIZA

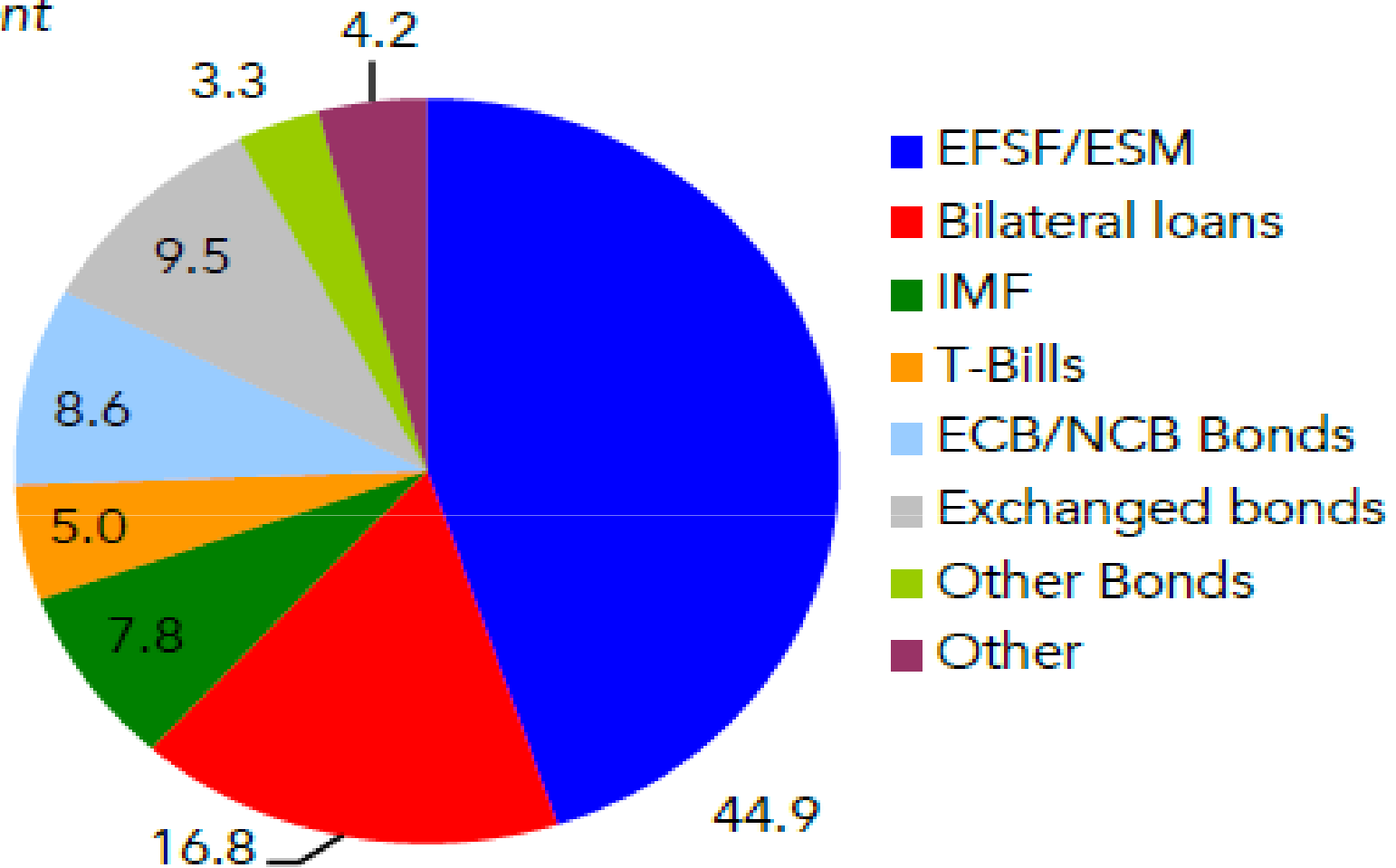
- National Reconstruction Plan - 4 pillars (1) confronting the humanitarian crisis; (2) restarting the economy and promoting tax justice; (3) increasing employment; (4) transforming the political system in order to deepen the democratic process.
 - Growth initiatives include a 2-year job creation programme, the establishment of a public investment bank and 2 state lenders focusing on providing liquidity to farmers and to SMEs
 - Public debt - European Debt Conference along the lines of the 1953 London conference convened to deal with Germany's war debt. The party's goal is to have a large part of the public debt written-off and for the repayments on the remainder to be indexed to the country's growth rate.
 - On the European level - Quantitative easing and bond buying by the ECB, as well as exclusion of public investment programmes from the Stability and Growth Pact.
-

The negotiations marathon

- Negotiations bet Greece and its creditors started as soon as the new government was sworn in
 - They have continued for a month with a lot of suspense; break-down averted on more than one occasions
 - An interim agreement has been reached covering the period until end April; basically, a prelude to the next phase extending to end August;
 - An uphill struggle has started for the SYRIZA-led government, challenging alone the austerity hegemony of the European leaders and elites
 - The asphyxiation of the debt – structure and repayments schedule
-

Greece: Debt by Holders

percent

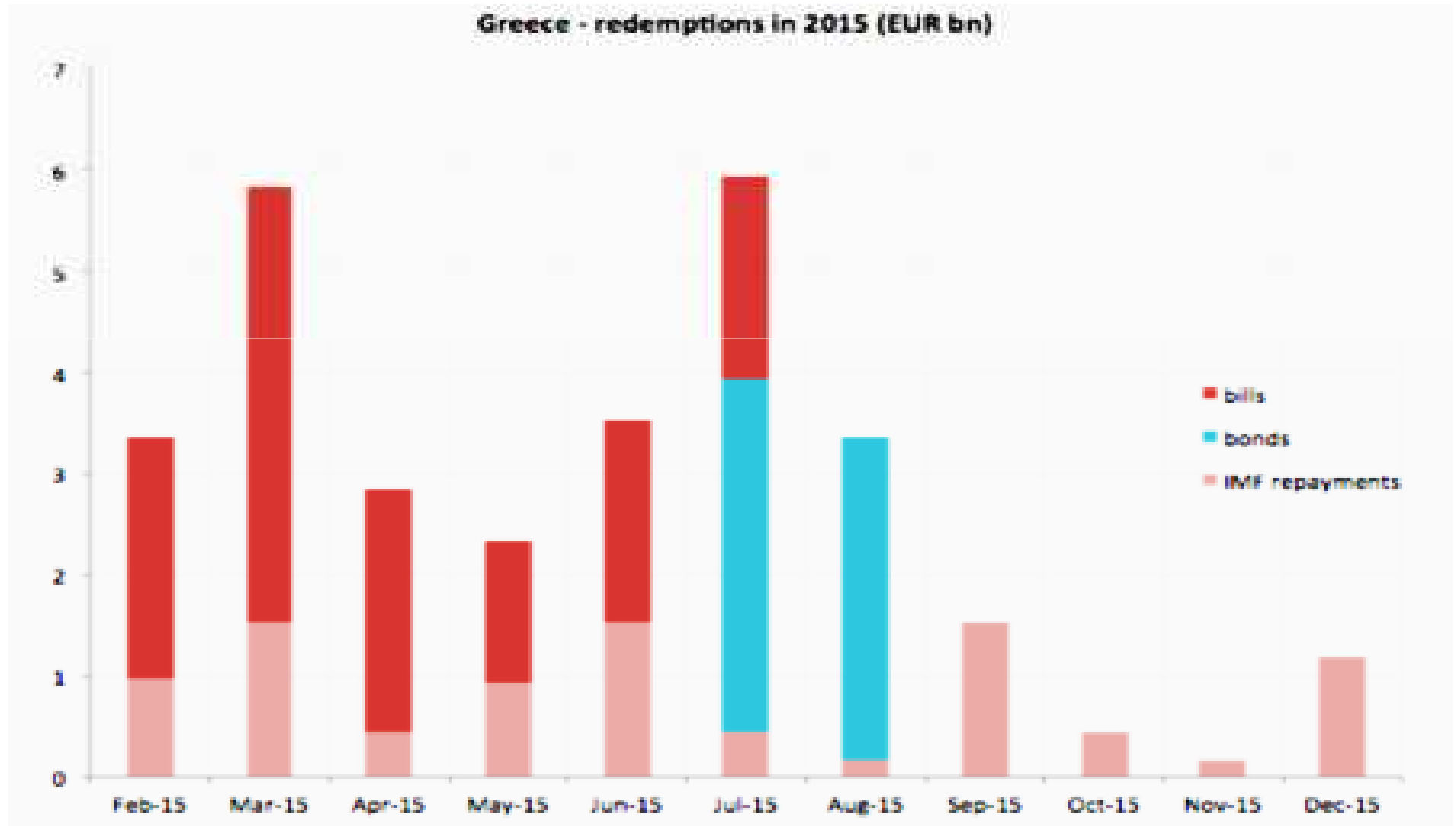


Source: European Commission, IMF, Bloomberg, IIF. NCB=national central banks

Debt repayments schedule

- 2012 loan expiring in Dec 2014 was extended by previous government to end Feb 2015 (instead of June 2015; Tsipras: 'we were trapped')
 - Outstanding tranches of loans payable on completion of next review by Troika of implementation of austerity measures amounts to 7.2 bn Euro (EFSF 1.8 bn + ECB 1.9 bn profit on maturing Greek gov. bonds purchased in 2014 + IMF 3.6 bn Euro)
 - Debt repayments until end April 2015 – IMF 2.937 bn Euro & roll over short-term T-bills bought by Greek banks worth about 11 bn Euro
 - Debt repayments until end August – 2.522 bn to IMF and 6.7 bn to ECB; until end year – 3.247 bn to IMF
-

Debt repayments in 2015



The SYRIZA negotiating position

- Not recognising the autonomous role of the 'Troika' (ECB – EC – IMF); dealing with the institutions directly
 - Rejection of the current 'Economic Adjustment Programme' – a failure the continuation of which will make matters worse
 - Need for bridge financing to buy time to negotiate a new deal for financial stability, fiscal sustainability, debt restructuring and addressing the humanitarian crisis
 - Prioritising tax justice and the fight against tax avoidance and tax evasion; combatting corruption
 - Pledging to pursue a primary surplus of 1.5% of GDP instead of the 3-4.5% rate agreed by previous governments
 - Pledging not to take 'unilateral' or 'aggressive' action
-

The Eurogroup negotiating position

- The ECB intervention – On 4th February, the ECB Governing Council announced that it would no longer accept Greek government bonds and government-guaranteed debt as collateral; Greek banks must now borrow from the Eurosystem's Emergency Liquidity Assistance (at a higher interest rate)
 - ECB's move tantamount to applying pressure on Greek government as current programme expired on 28th Feb; cf. ECB expanded asset purchase programme announced on 22nd January (combined monthly target – 60 bn euro)
 - German FinMin W. Schauble: admonishing the Greek electorate for having 'elected a government which at the moment is behaving rather irresponsibly'
 - EZ partners not forthcoming; S.E. governments hostile
-

The (dangerous) role of the media – ‘No more billions for the greedy Greeks’



Breaking the deadlock – The Letter (23-2-15)

Dear President of the Eurogroup,

In the Eurogroup of 20 February 2015 the Greek government was invited to present to the institutions, by Monday 23rd February 2015, a first comprehensive list of reform measures it is envisaging, to be further specified and agreed by the end of April 2015.

In addition to codifying its reform agenda, in accordance with PM Tsipras' programmatic statement to Greece's Parliament, the Greek government also committed to working in close agreement with European partners and institutions, as well as with the International Monetary Fund, and take actions that strengthen fiscal sustainability, guarantee financial stability and promote economic recovery.

The first comprehensive list of reform measures follows below, as envisaged by the Greek government. It is our intention to implement them while drawing upon available technical assistance and financing from the European Structural and Investment Funds.

Truly, Yanis Varoufakis

Breaking the deadlock – The Statement (24-2-15)

The Eurogroup today discussed the first list of reform measures presented by the Greek authorities, based on the current arrangement, which will be further specified and then agreed with the institutions at the latest by the end of April. The institutions provided us with their first view that they consider this list of measures to be sufficiently comprehensive to be a **valid starting point** for a successful conclusion of the review.

We therefore agreed to proceed with the national procedures with a view to reaching the final decision on the extension by up to four months of the current Master Financial Assistance Facility Agreement. We call on the Greek authorities to further develop and broaden the list of reform measures, based on the current arrangement, in close coordination with the institutions in order to allow for a speedy and successful conclusion of the review.

The 'first list of reforms' – a sample

- Fiscal structural policies- Fighting against tax evasion, transfer pricing; establishing a wealth database; combatting corruption, money laundering; setting up a public procurement framework; regulating revenues of media, etc.
 - Financial stability- Increasing repayment of tax and social security arrears; dealing with non-performing loans; modernising bankruptsy law, etc
 - Growth - Unifying TAIPED (privatization fund) with various public asset management agencies; reinstating collective wage bargaining, strengthening Hellenic Competition Commission; finalising a Land Registry; guaranteeing the institutional independence of ELSTAT (statistics authority).
 - Humanitarian crisis – Addressing needs arising from rise in absolute poverty by means of targeted non-pecuniary measures; evaluating the pilot Minimum Guaranteed Income scheme with a view to extending it nationwide, etc.
-

So, where do we stand, retreat or victory?

- Étienne Balibar and Sandro Mezzadra – “... the Greek government has ‘given something up’ in order to *win both time and space*. ... But the collective *force* on which the advances of future months and years depend must be materially established ... the terrain this force has to take to is – can only be – *Europe itself*, with a view to a *constituent rupture* with the current course of its history”.
- Kouvelakis (member of the party's Central Committee) - “The idea of breaking with austerity and Greece’s debt burden within the existing European framework could not have been more clearly refuted in reality. ... (must) admit the failure...”
- Krugman – “... Greece came out of the negotiations pretty well, although the big fights are still to come. And by doing O.K., Greece has done the rest of Europe a favor”.
- Galbraith – “Greece won a battle – perhaps a skirmish – and the war continues. But the political sea-change that SYRIZA’s victory has sparked goes on. ... Greece has already changed; there is a spirit and dignity in Athens that was not there six months ago.”

Varoufakis: 'Constructive ambiguity'

- “Greece did very well in securing agreement on a text that is constructively ambiguous for it to appeal to both sides ..Good compromises don’t always satisfy everyone, and leave in a sense everyone somewhat dissatisfied. ... The question is if we have compromised our basic principle. And the answer is a big, fat no... The deal accommodates continuity and democracy, and managed to separate Greece’s loan agreement with its creditors from the memorandum of understanding and its conditions, as implemented by the troika. ...Had the government accepted both the loan agreement and the memorandum, democracy would have been annulled. Had both been rejected, Greece would have been left with no banking system...It’s a mixed bag. It’s a triumph for democracy and marks the end of automated austerity”.
-

A crack in the politics of austerity

- For the first time since the onset of the crisis in 2007/2008, the hegemonic austerity project of the European elites has been formally challenged.
 - The shortcomings of the single currency regime and the inequities of the EU's crisis response have been much discussed. The new, SYRIZA-led government provides the political link intermediating between the public discourse and the decision-making process.
 - Major steps forward – recognising that the primary surplus is subject to the “economic circumstances” (EG Statement 20/2/2015); respecting Greece's political sovereignty
 - Austerity is being challenged in the minds and hearts of people. The public discourse is opening up to new possibilities and to radical ideas.
-