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Is an Austerity-induced Depression about to Bring Down the Final Curtain on the Greek Drama?

C. J. POLYCHRONIOU

Ever since the global financial crisis hit the shores of Europe, Greece has been at the center of the world's attention, as its unmanageable debt load and the otherwise abysmal state of its economy have repeatedly brought it close to default. Two massive bailout packages, a huge debt writedown, and draconian austerity measures have kept Greece afloat, but its problems have not gone away. In fact, they have gotten much worse: the economy is in freefall, social dissolution is well under way, and the Greek citizenry is rising up to challenge the domestic political class and down-your-throat German-inspired austerity regimen.

The European Union's (EU) strategy toward Greece has been an unmitigated disaster. The bailout programs have temporarily kept Greece from defaulting on its loans but in the process have destroyed its economy and converted the country into a economic colony of the north.

Greece has been in recession since 2008 and its GDP has experienced an unprecedented decline for a European economy in peacetime, shrinking by 4.5 percent in real terms in 2010 and by 7 percent in 2011; the Greek central bank predicts that GDP will fall by an additional 5 percent in 2012. Salaries, wages, and pensions have been cut by as much as 35 percent, taxes of all sorts are being levied on individuals (a property tax, a "solidarity" tax, big sales tax increases), the official unemployment rate has skyrocketed to over 20 percent, poverty and homelessness are widespread, and there has been a sharp increase in suicides.

The "internal devaluation" policy pursued by Germany, the European Central Bank, and the European Commission can be summed up in a few words: great pain, no gain. The irony of this seems not to have escaped the attention of the Brussels bureaucrats: the Commission's spring economic forecast, released just a few days ago, observes that "wages in the business sector have been falling in recent quarters but at a pace that was insufficient to help recover competitiveness."[1] Still, the report injects a note of optimism by stating that "the recent labour market measures are expected to contribute to further significant reductions in labour costs over the next two years."

And you thought making people poor was bad for an economy!

The Commission also acknowledges that the "current-account deficit . . . remains at an unsustainable level." So much for the standard implication among neoliberal economists that fiscal contraction leads to a significant drop in the current account deficit.

On May 6, Greek voters, sick of austerity and angry about the loss of their nation's sovereignty, punished the two main parties that backed the international bailouts and forced society onto the procrustean neoliberal bed. Although quite predictable, the election outcome sent shock waves throughout Europe, and recast the nation's political landscape. The Coalition of the Radical Left, or Syriza, emerged as a leading protagonist in the Greek drama by drawing 16.78 percent of the popular vote (just behind the conservative New Democracy party, with 18.85 percent) and is determined to challenge the agreements made between the previous Greek governments and the EU and International Monetary Fund. This is a huge turnaround for a political organization that only a few months ago was largely associated with the riots and violence that have plagued the streets of Athens.

Syriza's strategy is identical to that of leftist parties elsewhere in Europe, and revolves around four pillars: (1) rejection of the austerity measures and neoliberal policies in general; (2) redistribution of national wealth through a progressive tax system; (3) financial restructuring, capital controls, and nationalization of banks; and (4) default on odious debt.

On June 17, Greece will hold a second round of elections, the outcome of which might force the EU to halt all financial assistance to Greece. Syriza says that it is only against austerity, not against Greece's membership in the eurozone. Even so, the party appears to have no clear strategy, and its messages on economic issues are often confusing and contradictory. The eurocrats have responded by saying that they are willing to entertain a policy that mixes austerity and growth—just the latest round of economic nonsense to come out of Brussels.

The extent to which Syriza is actually willing to take on the EU, or whether it has other tactics up its sleeve, is hard to gauge. Yet its cacophonous strategy could actually turn out to be an advantage in Greece's struggle to remain in the eurozone, in the event that Syriza emerges as top dog in next month's elections.

What Greece desperately needs in these critical times is a leadership with the ability to explore all possible options and, if those options are exhausted, to prepare the nation for the tough challenges that may lie ahead—and to make them aware of the opportunities available to a government in charge of its own currency. Regrettably, no party on either the right or the left has done this so far, which explains why the country finds itself facing a political impasse and the threat of the final curtain coming down, to no applause.

Note

1. European Commission, *European Economic Forecast: Spring 2012* (Brussels: Directorate-General for Economic and Financial Affairs of the European Commission, 2012), p. 71.

C. J. POLYCHRONIOU is a research associate and policy fellow at the Levy Economics Institute of Bard College.