Caught Between Scylla And Charybdis: The Effects Of Greece's Loss Of Sovereignty

Photo: occupy.com

For the last several months, Greece's international creditors – the European Union (EU) and the International Monetary Fund (IMF) – had been at a standoff over debt relief, budget targets and various reforms, including taxes and pensions, thereby delaying the completion of a long overdue bailout review that should have been done in October 2016. The standoff added extra pressures to an economy that has been in recession for eight straight years, and even revived fears of a "Grexit" as bank runs had returned in full steam. In the meantime, the Syriza-led government of Alexis Tsipras was playing the role of a mere observer in a tug-of-war between two institutions that are in full control of the country's finances, and merely trying to accommodate the demands of both sides.

Since the start of the current financial and economic crisis in Greece, which goes back to 2008 (although the actual outbreak of the debt crisis occurs in early 2010), the country's GDP has shrunk by about 26 percent. Unemployment jumped to as high as 28 percent in 2013, and has now stabilized at 23 percent, but more than 42 percent of the population has "dropped below the poverty threshold of 2005."

This harsh reality is the price the country is paying for its fiscal derailment as a member of a currency union (the euro) and the imposition of three consecutive bailout programs by the EU and the IMF. These bailouts have been accompanied by draconian measures of fiscal consolidation (austerity) and a radical neoliberal agenda which includes sharp cuts in wages, salaries and pensions, liberalization of the labor market and blanket privatization.

From the beginning, the bailout plans were never intended to rescue the Greek economy, but rather to avoid a financial meltdown on the continent, as several European banks had recklessly loaned to the public sector since Greece adopted the euro in 2001. Indeed, virtually all of the funds that have been provided to Greece since 2010 have gone towards the repayment of international loans – first to the European banks, and then to the country's official creditors – rather than towards the economy.

But let's return to the present: the standoff between EU and IMF over the "best way" to deal with Greece's current financial and economic catastrophe, which finally came to an end a couple of weeks ago, with the Greek government agreeing to a new round of austerity measures which amount, essentially, to a fourth memorandum.

Spreading False Hopes About Recovery and Vague Promises About Debt Relief

Having grossly miscalculated the impact of the fiscal policies it proposed on the Greek economy, the IMF has been extremely reluctant to join in the third bailout program (agreed to and signed by the pseudo-leftist Syriza government of Alexis Tsipras), sensing that Greece will never be able to repay its loans. The country is essentially bankrupt, and the prospects for a return to the private credit markets any time soon are not very promising, as there are no signs of recovery on the horizon. At some point, small rates of growth will inevitably be registered solely because of the economy having hit rock bottom, but this is not the case at present.

Still, illusions of a recovery have been the hallmark of both the Syriza government and of the conservative government that preceded it. But this should not be surprising. Spreading false hopes to the citizens of a bankrupt nation that has lost its sovereignty is the last refuge of political scoundrels, of governments and their officials who have opted to become lackeys of the international elite rather than lead their people to resistance and to the overthrow of financial regimes imposing debt bondage.

Indeed, for the last few months, senior-level officials in the Syriza government, such as Minister of Economy and Development Dimitri B. Papadimitriou, were propounding that growth had made a comeback and that the crisis was over before the official statistics for the fourth quarter of 2016 were finally released in early March 2017. However, those figures showed the Greek economy had contracted again by 1.2 percent.

The IMF, in spite of its gross miscalculations of the prospects for the Greek economy, regards Greece's 326 billion euro debt (about 180 percent of the GDP) to be simply unsustainable, which is an unquestionable conclusion reached by most independent economists. Greece's debt is surely unsustainable — unless the economy receives some kind of an external boost and begins to record annual rates of growth resembling those of China. But this scenario is unlikely. The Greek economy suffers from gross inefficiencies (oligopolistic structures, lack of industry, massive tax evasion, slow productivity), while the public sector is notoriously backward and inept, since all governing parties have been using it as a vehicle to provide jobs for their friends, relatives and acolytes. The Greek political establishment is simply incompetent in initiating structural changes of the sort that can have useful and effective spin-off effects on the economy and the country's political culture.

However, Greece's European partners, and Germany in particular, are vehemently opposed to any debt relief, arguing that the debt is sustainable and that if the current government in Athens manages to achieve consecutive budget surpluses, a return to private credit markets would be virtually guaranteed.

Germany's opposition to the idea of a Greek debt write-off is mainly of a political nature, because such a decision would be hard to sell to German voters who, for years now, have been accustomed to their media's treatment of Greece as a nation of lazy people who lived beyond their means — an image of Greeks that has also been sanctioned by many of Germany's political leaders. Hence, the primary reason for the standoff between the EU and the IMF over the completion of the second review for the third bailout program. The IMF, on the other hand, does not wish to see its reputation further tarnished because of the dismal failure of the Greek bailout programs. But its insistence on a deal that includes a plan for debt relief for Greece in order to participate in the third bailout program is also accompanied by demands for more and deeper structural reforms, including further cuts in pensions and more austerity measures.

However, the IMF's participation in the Greek bailout program is of absolute necessity for Germany and the EU in general, as it lends credibility to the conversion of Greece into a neoliberal laboratory. The current pseudo-leftist [Syriza government](#) has not only been unable to stop this selling of the nation's public wealth and patrimony, but has been actually promoting it wholeheartedly to ensure that the country remains in the hard core of the euro.

The IMF also had strong reservations about the budget surplus targets demanded from Greece, which was yet another contesting point with the EU authorities supervising the Greek bailout program. However, Syriza put to rest those doubts in April when Greece posted a [budget surplus for 2016](#) that was the highest in 21 years and far exceeded the target set by the EU. Greek statistics have been notoriously unreliable over the years, but Brussels has confirmed Greece's primary surplus budget at 4.2 percent for 2016, a development that will surely bring the IMF one step closer to joining the plan, even though Greece's debt levels increased in 2016 over those posted in 2015.

The "bloody" primary surplus budget was secured via more suffocating tax policies and by the Greek state simply not paying its bills for months.

This is the decision Syriza made in order to help bring to an end the standoff between the EU and the IMF, so the second review of the third bailout program can be eventually completed, thereby leading to the release of funds so Athens can cover its debt obligations to its official creditors (primarily the IMF) in July. The Greek government's payment obligations in July are in excess of 7 billion euros.

In addition, Syriza seems to believe that the attainment of a primary surplus budget eight times higher than the original target will open up the path for a debt write-off, although one fails to see the reasoning behind this line of thinking. If anything, the attainment of such high primary budget surpluses could be taken to indicate that the country's fiscal condition has improved dramatically, although nothing could be further from the truth, and social conditions continue to deteriorate with each passing year. In fact, while the standoff between EU authorities and the IMF is over, there are still no signs that Germany is ready and willing to go along with the IMF's call for a deal on Greece's debt. It is simply naïve on the part of the Syriza government to think that it can count on either the EU or the IMF for compassion or understanding to the country's economic woes.

Still, given Germany's insistence in the participation of the IMF in the Greek bailout program, an agreement of sorts about some type of debt restructuring for the beleaguered Greek economy between EU authorities and the IMF cannot be ruled out. If there is a deal about Greece's debt, it will most likely involve some form of a debt restructuring plan, pushing the repayment of debts to the infinite future. However, even a small portion of a debt write-off won't solve the country's economic problems, nor will it let Greece off the neoliberal hook.

As long as Greece remains in the Eurozone, the debt drama will not go away. The country has lost complete control of its financial sovereignty, and will therefore remain a debt colony for at least several more decades to come. Moreover, under the bailout agreements, major public assets (airports, harbors, undeveloped land and infrastructure) have passed into private hands. The Syriza government has already agreed to sell major portions of the Public Power Corporation, the oil refinery Hellenic Petroleum, and the gas distributor DEPA, which means the state will have even less of a role in the management of the economy in the years ahead.

This dramatic development should not be taken as an indication that an exit from the euro is the easy solution out, especially at this point in the game, when the country carries an enormous external debt load. An exit from the euro would have been a more effective strategy in the early stages of the crisis, but it is also equally clear that Greece cannot afford to remain a member of a currency union. This may seem as an utterly pessimistic diagnosis, but Greece is really caught between Scylla and Charybdis.

Loss of Sovereignty and National Malaise

The recent standoff between EU and IMF — with the Greek government, as already indicated, being caught in the middle and incapable of having any real saying over the matter– reveals in the most profound sense the country's loss of sovereignty. Yet the extent to which the nation's political establishment is able or willing to draw the proper lessons from the loss of sovereignty and seek viable strategies for the future of Greece remains a very shaky proposition. Indeed, it has been more than clear since the outbreak of the crisis that the political and financial elite of Greece will do anything to keep the country in the euro's grip, and the conversion of Syriza into a neoliberal social democratic party has significantly weakened grassroots opposition to the euro masters and to the neoliberal conversion of Greece. Had a conservative government in Athens tried to implement the countless neoliberal reform measures that the Syriza government has managed to enact in the course of the last two or so years, the country's major cities would have been converted into daily battlegrounds.

The sad reality about Greece today is that while Syriza's opportunism has been exposed for all to see, the political party next to assume power will be yet another enforcer of the EU/IMF neoliberal agenda, with no vision for an end to the crisis.

As things stand, the loss of sovereignty means nothing to Greece's mainstream political establishment, which today expands from the traditional right to the left. Under these conditions, only a renewed radical left can provide hope for mass resistance to the current destruction of Greece. Otherwise, reactionary forces, such as the neo-Nazi party of Golden Dawn, will become increasingly identified in the eyes of the poor and the unemployed in Greece as the only solution left.

Having said that, it is beyond naïve for anyone to continue to perceive Syriza as a political party of the radical left. Since coming to power, Syriza signed a third bailout and has just agreed to a fourth memorandum with the country's official creditors, while pushing even harder the EU/IMF neoliberal agenda than the preceding governing parties, thereby ensuring the completion of the transition of Greece to a German protectorate and an EU debt colony. With the fourth memorandum, the Syriza government of Alexis Tsipras has given its full consent to the introduction of more austerity measures, which include an additional cut of 18 percent in pensions and further liberalization measures. In total, the demand for more "blood and tears" by Greece's creditors translate to an additional squeeze of over 4 billion euros from Greek citizens.

The sellout of Syriza is a consequence of Greece's loss of sovereignty, but only to the extent that Tsipras's party was willing to make a 180-degree turn and convert itself into an obedient server of the euro masters. The case of Greece, with Syriza in power, is a political case study that should provide much food for thought to all radical movements, organizations and parties envisioning and working towards a better future. The specific case tells us a great deal about economic globalization and European integration, party politics and ideology, democracy, financialization and national sovereignty.

But the most important lesson of all is that a party of the "left" that refuses to live up to its expectations as a force of radical social change will end up not only betraying the trust of voters, but in the process, will itself become a reinforcing mechanism of domination and exploitation that it questioned and challenged from the sidelines.