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The Latin-Americanization of Greece and the lessons for the European South*

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At the beginning of February 2010, the European Commission (EC) announced plans for Greece which were characterised by *The Guardian*, with the usual British kind of understatement, as "the most intrusive scrutiny of an EU member state's fiscal and economic policies and book-keeping ever attempted", while the Commissioner himself stated, "this is the first time we have established such an intense and quasi-permanent system of monitoring" —a system that involved a stiff regime of quarterly reports from the Greek government on progress towards fiscal probity and the right of the EC to order extra action, if needed. That was followed, a month later, by the announcement (made by the Papandreou government on behalf of the EC) of swingeing spending cuts and huge tax rises hitting the lower social groups. These measures involved, in a nutshell, shaving off a month's salary from the already low (by Eurozone standards) incomes of people employed in the public sector —who are estimated to be about one million, i.e. 20% of the total labour force— squeezing of public spending, rises in indirect taxes including VAT, freezing of pensions and worsening of social security conditions with respect to pensionable age, privatisations etc.

The severe cuts in civil servants' salaries and in public spending, which will be complemented by the indirect negativeeffects on incomes (through the multiplier effect), would bring about, according to Deutsche Bank' s predictions, a decline in the GDP by 4% this year alone, whereas the total decline of GDP during the implementation of the program in the next three years would be in the range of -12% up to -20%. The inevitable effect of these predatory measures will be an increase in poverty in a country —which (together with Spain) is the joint record holder of poverty in the Eurozone— with almost 20% of the Greek population, being on the margin of poverty, struggling to survive. Furthermore, unemployment will become massive, as the dismantling of the productive structure, brought about by the opening of markets since the country' s joining the EU, will be complemented now by the effective dismantling of the public sector. However, as the public sector traditionally played a significant role in absorbing the excess labor within the country, the effects on unemployment would be drastic. The combination of poverty and unemployment, with the uneven effects of the increase in indirect taxes on low incomes, will further increase inequality, one of the highest in the EU. The inevitable result would be the creation of a number of wealthy oases for the rich (locals and foreigners), in the midst of huge deserts of poverty concentrated in monstrous urban conglomerations —exactly as it happens in similar cities all over Latin America at the moment.

No wonder that the announcement of the measures have created a huge "river of anger" that poured in the streets of Athens and other major cities in repeated general strikes and sometimes violent demonstrations. Particularly so, as it is more than obvious that the measures announced will neither catch the enormous tax evasion, nor shall they force repatriation to the country of the 10 billions of Euros or so, already escaped abroad in the last couple of months since the crisis was announced, to be added to at least 60 billion Euros which had already fled the country! However, had these funds and the local wealth been subjected to a drastic proportionate extra property tax (something which is of course inconceivable for the elites), the famous debt problem could have been solved in a flash, without having to beg for new loans from the foreign elites, which (with profit in mind of course!) have been imposing onerous conditions that the future generations will have to pay for many years to come. This, despite the fact that it was the same elites and privileged social strata (local and foreign) who created and primarily benefited from the debt and the growth 'bubble' it led to.

The predatory measures imposed on Greece by the Directorate of the EU, expressing the Eurozone's political and economic elites, clearly give the impression of a complete colonisation of the country by the transnational elite. It is, obviously, one thing to implement similar measures by a formal consensus of the people (as in Britain, Holland, Sweden, etc.) and quite another to enforce compliance with such measures, as it happens now in Greece. Particularly so, when these measures do not have any popular legitimacy, given that the ruling "socialist" party was elected a few months ago on a program that provided for policies entirely different from those imposed now on the Greek people. This, despite the fact that the leadership of the ruling party was fully aware of the economic crisis —which is basically chronic— and deliberately deceived the electorate, with the help of the political and economic elites controlling the mass media, which were keen to have a "socialist" party elected as the only one capable to implement such measures because of its comprehensive control of trade union bureaucrats.

The fact that the economic crisis is chronic is expressed by the post-war dismantling of the production structure, which was brought to completion with the opening of its markets to the world market —a process that was accelerated by Greece's integration into the EU at the beginning of the 1980s. The effective dismantling of the productive structure, in turn, inevitably led to the creation of "a consumer society without a production basis" and a continuous growth of the external debt, and consequently of the public debt that has presently exploded. Naturally, these developments did not —nor could they— lead, anyway, to the formal bankruptcy of the Greek state, as this would have opened huge holes in the pockets of German and French holders of Greek state bonds and would put at risk the stability of Euro itself. Particularly so, when other countries in the European "South" face similar problems —i.e., what the capitalist markets call the "PIGS" (Portugal, Italy/Ireland, Greece, Spain). However, the price to be paid, particularly by the lower income strata (workers, employees, under-employed, unemployed and pensioners) in the coming years, will be very heavy indeed. No wonder the measures were presented by the media, in a massive brainwashing campaign, as unavoidable, something which is true only if we take for granted the present institutional framework of today's capitalist neoliberal globalisation, namely, the open and liberalised markets, which are the ultimate cause of the crisis along with the consequential treaties of Maastricht, Lisbon and the Stability Pact.

In this context, competitiveness, (which depends on low wages and employers' contributions/taxes, high productivity, price stability, etc.) plays indeed a crucial role with respect to an exporting economy that bases its development on the free movement of commodities and capital (like Germany or China!). The Euro, therefore, cannot be separated from the Stability Pact, as is hastily suggested by the reformist Left, because —in the given institutional framework— it is only when the common currency is complemented by criteria like those prescribed by the Stability Pact that monetary stability and the competitiveness of the advanced capitalist countries in the Eurozone can be achieved. In other words, the policies of squeezing wages, prices and budget deficits, are necessary for the EU economic elites to be able of surviving in the competition with the corresponding elites in USA, China, etc.

But, if such policies are to the benefit of countries like Germany, which played a leading role in the design of the Euro, they are in no way beneficial to countries like Greece, Spain, or other countries in the European "South". Thus, it is true that the policy of "hard euro" and the consequent policies of squeezing wage costs had led to a significant improvement of German competitiveness and consequently of the German balance of payments which, starting with a deficit of 1% of GDP in the Balance of Payments on Current Account in 2000, achieved a huge surplus amounting to 5% of its GDP today. It is also true that, in the same period, the labour cost in the European South has risen faster than in the North and that in countries like Greece and Spain the increase in labour costs, faster than in Germany, has led to the decline of their competitiveness and has consequently worsened their balance of payments (Greece's deficit tripled in absolute numbers and Spain's increased by as much as six times, etc.). —which ultimately led to an increase in the public debt to finance the bubble of "growth" that Greece or Spain had enjoyed since their adoption of the Euro.

Yet, this does not mean that to avoid surpluses in the North and deficits in the South all countries in the Eurozone should follow the same policies of squeezing wages and salaries. One should not forget that, historically, wages in the South were (and still are) almost half of those in the North (e.g. the minimum monthly wage in Greece, Spain and Portugal in 2006 was less than half of that in the European North). Therefore, implementation of such policies throughout the Eurozone would simply lead to further divergence between the North and the South rather than to convergence, which is supposed to be a main aim of EU and the EMU! In other words, a real convergence in wages and salaries would have led to such huge differences in competitiveness between the European North and the South that no transfer of funds from a new institution (like the proposed by the reformist Left European Monetary Fund) would have been capable to eliminate. This is why a real convergence within a capitalist market economy has not been achieved even within single capitalist nation-states like Italy, Germany, UK, etc., let alone a monetary union like the EMU!

So, the problem with the EU and the EMU is neither their "lack of solidarity" towards a member state, nor the policies of "hard Euro" followed by the European Central Bank and the German and other elites, as the reformist European Left suggests. The real problem is the EU and the EMU themselves! As it could be shown by both theory and historical experience, in any economic union consisting of members characterised by a high degree of economic unevenness (as is the case with the EU), the establishment of open and liberalised markets for commodities and capital would inevitably lead to a situation where those that primarily benefit from the free movement of commodities and capital would be the more advanced regions/countries (which have already developed high productivity levels and advanced technologies) at the expense of the rest. It is not therefore surprising that, historically, none of the presently advanced capitalist countries —which are now keen to promote the freedom of trade, etc.— opened its own markets before it had already achieved a high level of competitiveness for its own exports, under protected markets.

It is, therefore, imperative that the anti-systemic Left, in Greece and in Southern Europe in general, directly challenges the present European integration in terms of markets and capital, and fights instead for the establishment of a new confederation of European peoples, initially in the European South, where they share common economic, political and social problems. This is a first step towards the creation, in the future, of a new institutional framework which institutionalises the equal distribution of political and economic power among South European peoples, and among all citizens within each part of the confederation —a development that could serve as a model for the integration of European peoples as a whole, within a pan-European confederation of Inclusive Democracies. This implies the elimination of power structures and relations, which characterise the present so-called "democracies" and capitalist market economies, and their replacement with new societies where the peoples directly, and not through "representatives," control the political process, as well as the economic process through the collective ownership and control of economic resources, within a framework of self-management by workers, peasants and students of factories and offices, farms and education places respectively, in a way that reintegrates society with Nature.

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