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# Core and Periphery in the European Union: A New Phenomenon?

## Challenges for Modern Left Policies in the EU and in Europe - The case of Greece

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## Our approach is informed by the following thesis

- The Eurozone crisis has re-introduced the notions of core/periphery. This is a theoretically contested area between those who place special emphasis *on international relations* and those who emphasize *class relations*. Analyzing a particular case study can shed light on its multiple dimensions.
  - We focus on Greece as an instance in which integration into both international and capitalist relations has been a long-drawn, non-linear, process.
  - The Eurozone crisis has exacerbated pre-existing tendencies and contradictions across and within classes, as well as across national and European space. Confronting these contradictions will shape the future of Europe, including Greece.
  - This is the task faced by the Left today.
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# Outline

- Section 1 - Theoretical issues
  - Section 2 - Historical framework within which salient features of contemporary Greece were formulated
  - Section 3 - The public debt crisis that erupted in Greece
  - Section 4 - Military expenditure and interest payments and their role in perpetuating the fiscal and economic problems of the country
  - Section 5 - A macroscopic view of the state of Greek capitalism today
  - Section 6 - Challenges for the Left and the policies that are called for
  - Section 7 – Summary and conclusions
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# 1. Theoretical considerations

- Neoclassical economics and the benign view of development
- The Structuralist school lays emphasis on the 'hierarchy of nations' which make up the capitalist system
- E.g., the Truman Doctrine, 1947, proclaimed an American protectorate over Greece and Turkey
- Marxists accord primary position to the struggle between classes - what appears as antagonism between nations is essentially antagonism between capitals over the distribution of surplus value
- Primary conflict is bet. capital and labour. Different capitals are also in disharmony, as that of the politically and economically stronger states try to bring into line that of the weaker or less developed ones

## 2. Historical factors in the shaping of Greece

Local elites;  
clientelism;  
foreign  
intervention;  
agrarian  
structures; Greek  
Diaspora

Arms spending;  
government  
borrowing;  
defaults; creditor  
control;  
regressive tax  
structure

Repression -  
divided society;  
growth of family-  
run businesses;  
low wages;  
emigration

# Historical map of Greece



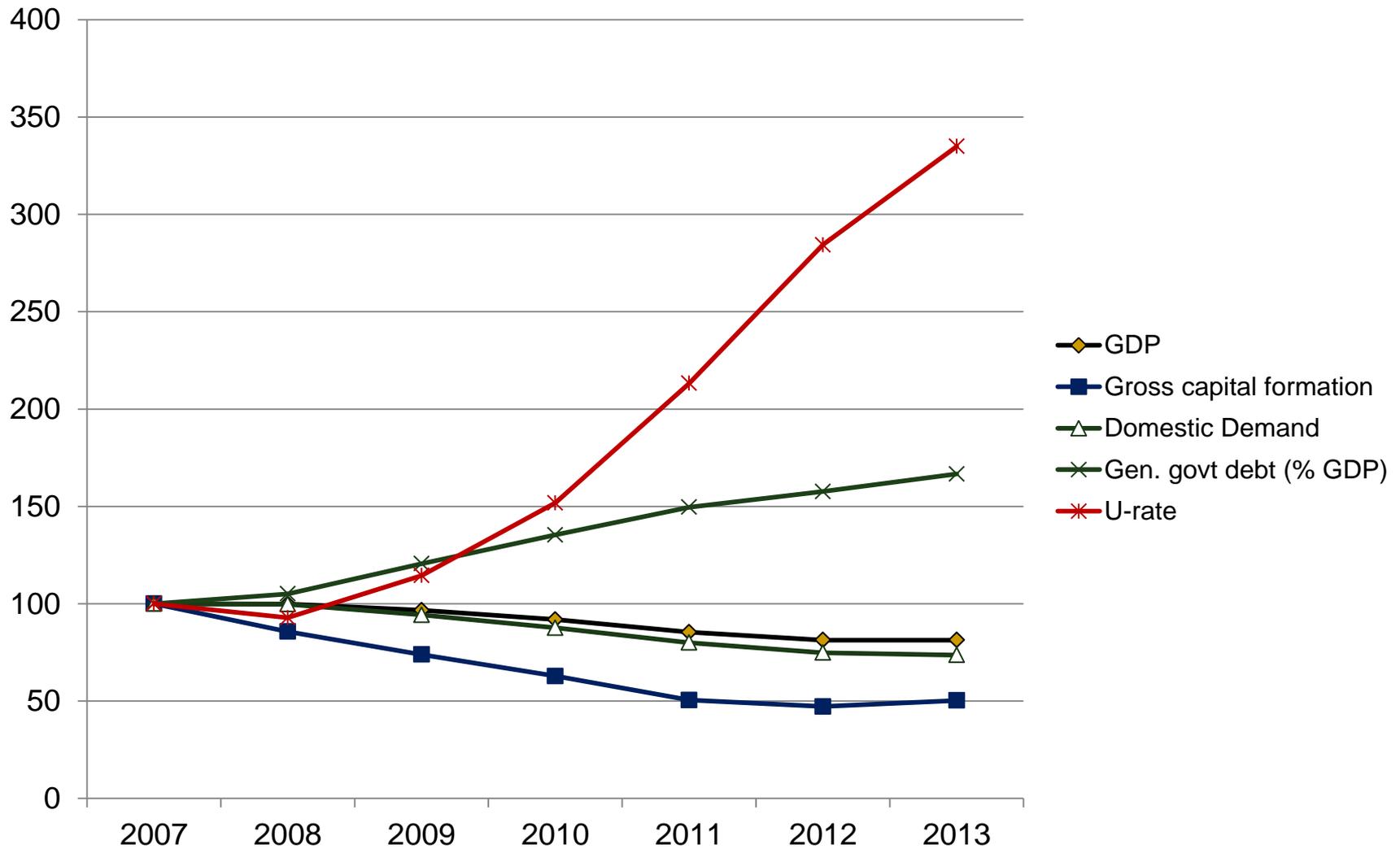
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- The new state began as a Republic, only to become an absolute monarchy after the assassination of its first Governor, Ioannis Kapodistrias
  - The Monarchy was the key institution through which the foreign powers exercised their influence on the Greek government and interfered in national politics
  - Diaspora invested in land (buying the dismantled Ottoman holdings) and finance (setting up banks) rather than in industrial activity. Greek shipping formed an important source of capital accumulation, second to agriculture
  - Prevalent mode of production: sharecropping. 1920s, large influx of refugees from Asia Minor and the Balkans - Sweeping land reform followed - Small-owner peasantry
  - Constant armed conflicts – Loans – Defaults – Repression - SMEs
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## 3. The 'Greek crisis' and beyond

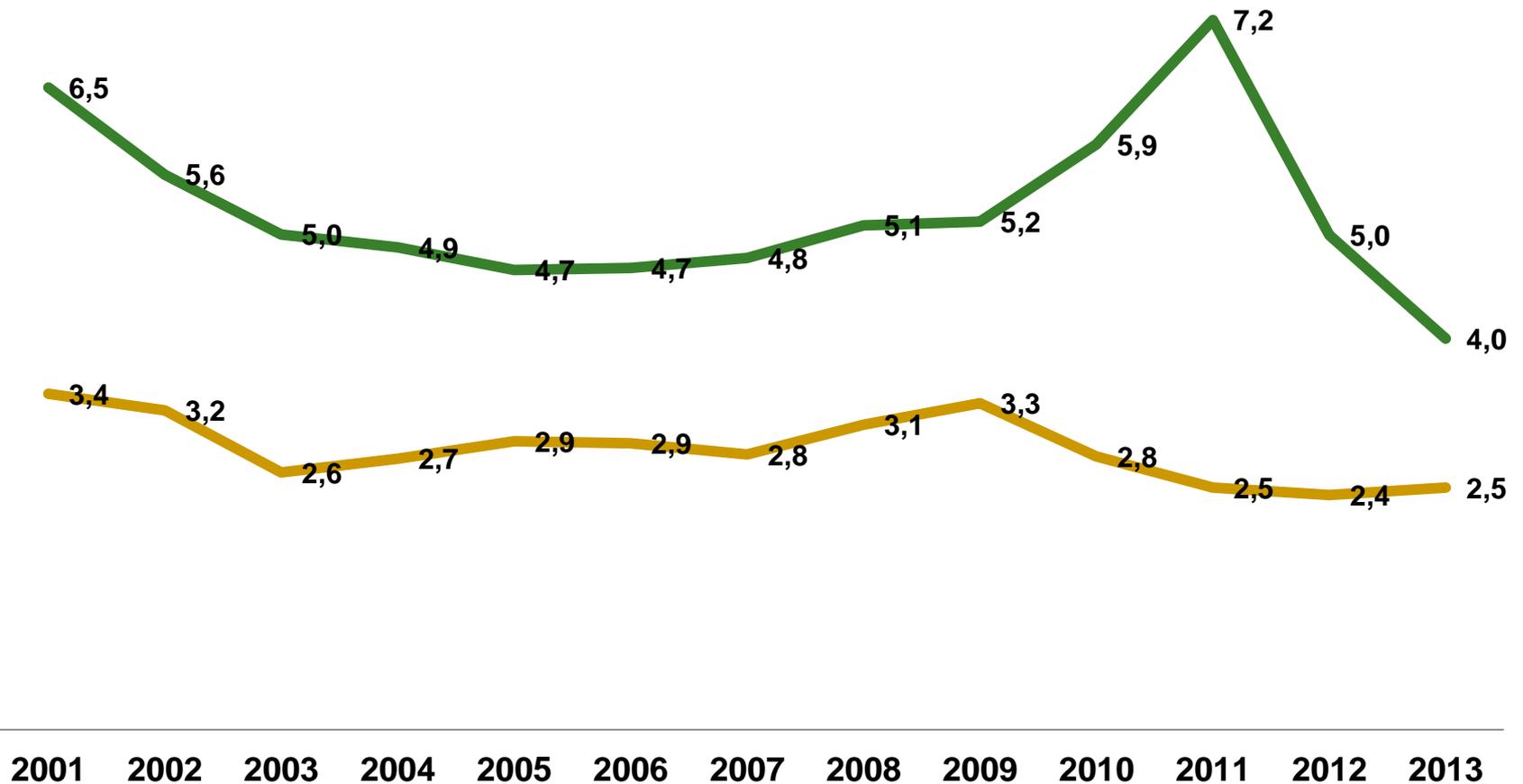
- 'Greece belongs to the West'
  - 2002-2006 - Greece, like Spain and other Southern European states, grew at a faster rate than e.g. Germany, providing thus an outlet for German exports and finance
  - Twin deficits exposed Greece to the pressures of the government bond market and the credit ratings agencies
  - Loans (euro 237 billion) conditional on implementation of severe fiscal austerity, deregulation and privatization
  - More than 80% channeled to European & Greek banks
  - Measures - Fiscal austerity measures; internal devaluation; far-reaching privatization; deregulation; foreclosures
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# An economy in collapse - 2007-2013



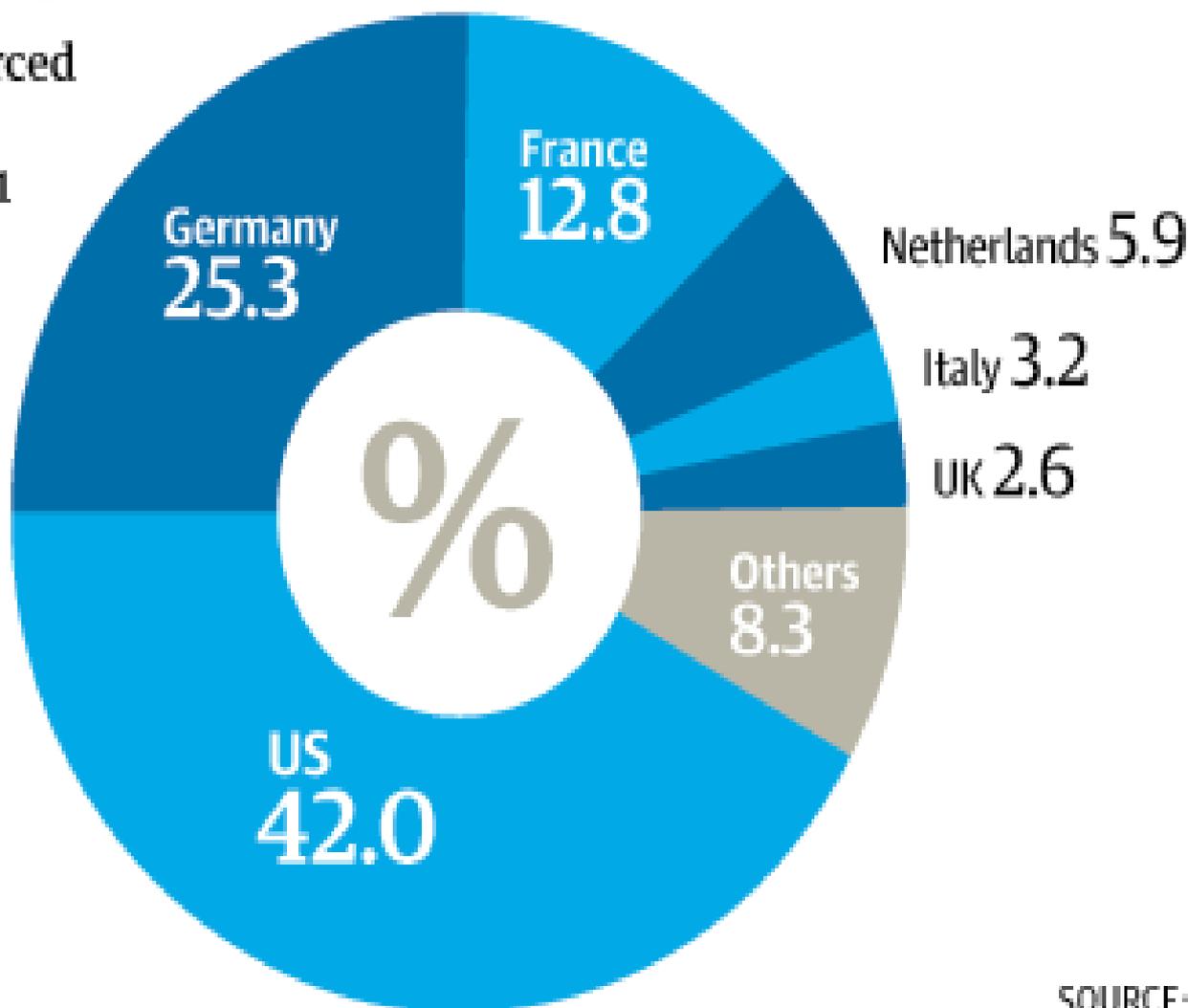
## 4. Military spending and Interest payments

— Military exp. (% of GDP)    — Interest payments as % of GDP at market prices



## Greek arms imports

Where Greece sourced its arms, 10-year period 2002 to 2011



SOURCE: SIPRI

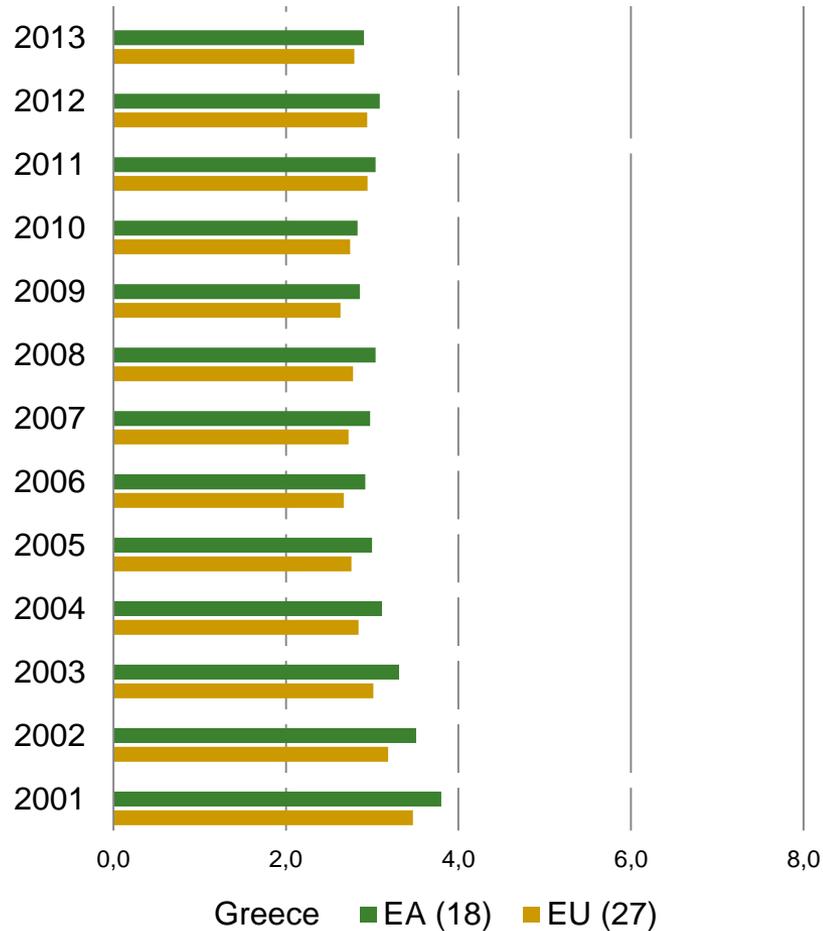
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# Arms & corruption

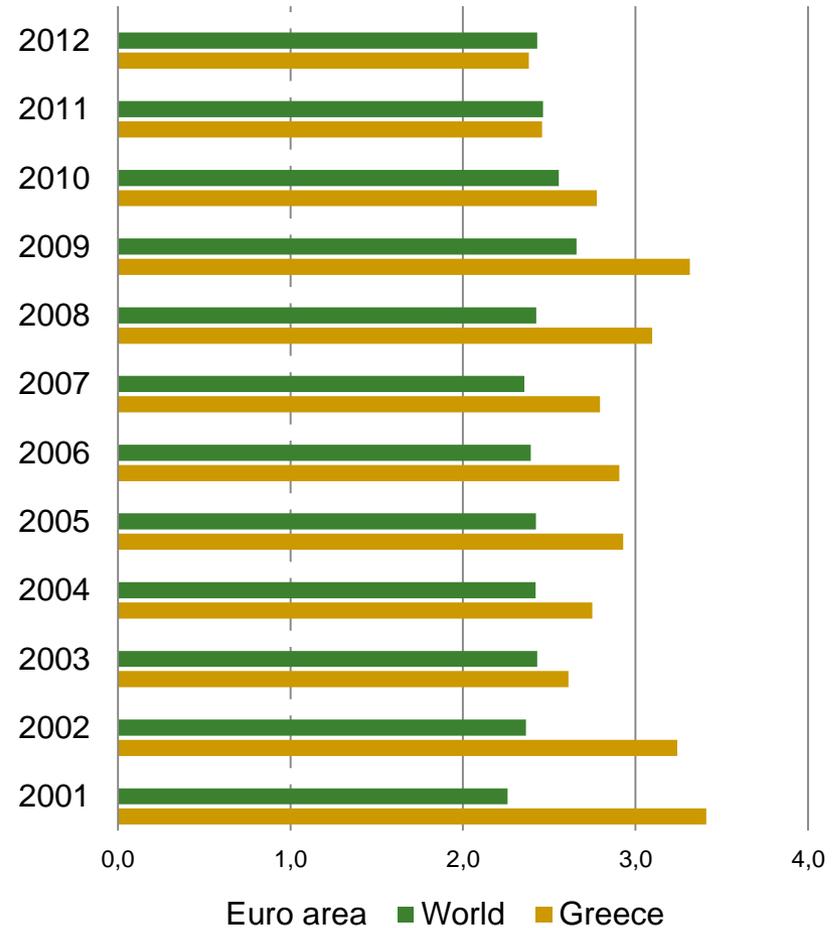
- Stockholm International Peace Research Institute: “Many companies in the SIPRI Top 100, including many of the world’s leading arms companies, have been the subject of corruption allegations and in some cases court action. In particular, in those countries where austerity measures have resulted in decreased domestic arms procurement and therefore company sales, the pressure on these companies to secure export sales by any means necessary – including potentially through corrupt means – has increased”
  - Tsochatzopoulos - A high profile case of corruption
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# Diversion of resources

## Interest payments in Greece, EU and EA (% GDP)



## Military expenditure in Greece, World and Euro Area (% GDP)



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## 5. Greek capitalism today

- The bigger picture that emerges is one of Greece being (a) downgraded in the 'hierarchy' of nations and (b) becoming more tightly embedded in the global division of labour
  - Symbiotic with Greece's historical evolution are its close ties with finance and the arms industry. A toxic combination of arms and finance was put in place from the start
  - The subservient character of the Greek political class and the interests it represents was amply demonstrated in the way the on-going public debt crisis has been handled
  - Many of the features of the Greek economy are the result of its pattern of development
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# Changes in the social division of labour

- The proletarianisation of large segments of the working population
- The creation of a 'reserve' army through the unprecedented rise in unemployment and increasing emigration which also increases supply of labour in host countries
- The suspension of collective bargaining - steep increase in individual and firm-level contracts - decline in private sector wages by more than 30%
- The reduction in the minimum wage and in public employment
- The privatization of state-owned enterprises and deregulation have also weakened the bargaining position of labour
- The incentives offered to foreign and domestic capital ('fast-track' investment programme) open new avenues for the exploitation of labour and of the environment

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## On-going structural transformation

Greece is undergoing a process of structural transformation, integrating it more fully into global and European capitalism. Such integration is placing it lower in the 'hierarchy' of nations, while class relations point to the deepening of capitalist relations in production across a greater part of the economy and the weakening of labour. Greek capital is gaining, although global capital is gaining even more. The core-periphery distinction is inherent in the country's historical evolution. Equally, its embeddedness in the global division of labour has been evolving since its inception. The Eurocrisis has intensified these trends, bringing them to the fore and making the need to counter them especially urgent. This is the time for modern left policies to respond to a challenge of historic proportions.

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# Political realignments

- New Labour-type socialist 'PASOK' and conservative 'New Democracy' (44% and 33% of the vote respectively in the 2009 national elections) got 12.3% and 29.7% of the vote respectively in the national elections of June 2012 and to 8.02% and 22.71% in the European elections of May 2014
  - SYRIZA, a left alliance that won 4.6% of the vote in 2009, came second in June 2012, winning 26.9% of the vote, and first in the European elections, with 26.6% of the vote
  - A new populist party, 'Independent Greeks', obtained 7.5% of the vote in 2012 and 3.46% in 2014
  - Fascist 'Golden Dawn' obtained 6.9% of the vote in 2012 and 9.4% in 2014
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# Solidarity networks – a product of the crisis

- There are 327 solidarity networks in Greece today
  - They arose from the ‘movement of the squares’/indignados
  - They are mostly informal collectives organised either regionally &/or thematically
  - 44 per cent are established outside the Attica area (i.e., beyond the Greater Athens and Piraeus regions)
  - The thematic areas covered include: health, food, cultural activities, education, legal support, ‘time banks’
  - It is a phenomenon which denotes the search for a new paradigm, for a new way of social organisation in the production of goods and services
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## 6. Challenges for the Greek Left

- Challenges faced by Greek left : coming up to popular expectations; dealing with the reappearance of fascism
  - Main axes of SYRIZA's programme - : (i) stopping austerity: stimulating demand by way of redistribution of income and public investment; (ii) debt-restructuring through a variety of means; (iii) pursuing a policy of balanced and ecologically sustainable development.
  - Implementation requires concerted effort with other political forces on national and European level. Need for popular support
  - Precedent - International conference on debt - London 1953 agreement: Debt haircut; Marshall plan; Export/growth clauses
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# Redressing the power of labour – a (wish) list

- Reversing debt-deflation;
  - Net public spending for a socially and ecologically sustainable development in the longer term
  - Increasing employment and minimum wage
  - Reinstating collective bargaining and employment protection regime
  - Reinstatement of public services
  - Catering for the needs of SMEs
  - Restructuring the tax system
  - Reducing military expenditure
  - Restructuring the public debt
  - Nationalising banks of strategic importance; dealing with non-performing loans of households and businesses
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