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## 1

## Introduction

What are the causes of the Greek debt crisis and what steps should be taken in order to get out of it? Who is to blame for the destruction of Greek society after three rounds of harsh austerity since 2010? How real are the disintegrative tendencies in the European Union (EU) and how can they be repaired, if at all? After some preliminary investigation and review of the existing literature, we found out, to our chagrin, that these questions are very hard to answer. It did not take us long to identify three generic problems in the literature on the Greek/eurozone crisis.

The first is that most economic analyses dealing with the issue are technical, lacking either historical depth and/or any theorization of the issue from the point of view of social sciences. Whether Marxisant or neo-liberal, they tend to draw inferences from quantitative data alone, claiming ‘objectivity’ and brushing completely aside social agency and political science. In the event, they brush aside the fact that dealing with Greece means dealing with a state that has effectively been bankrupt almost without interruption since its foundation in 1830.

The second problem in the literature is rather of a reverse nature: splendid accounts on Greece’s debt problem have delved so much into monetary history that they have lost sight of the contemporary specificity of the present phase of financialization that began in the 1970s with the breakdown of the Bretton Woods regime and the problems facing the EU before and after the introduction of the European Monetary Union (EMU). The abandonment of Bretton Woods on the part of the USA ushered in a new era of credit (= debt) creation and speculation, as the dollar was free from its ‘gold fetter’ to float in currency markets – the era of the *dollar standard*.

The third problem we had to come to terms with is rather a ‘paradox’: no scholarly analysis of the Greek/eurozone crisis placed the issue

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in wider geo-political, geo-cultural and security contexts, as if political economies and people function entirely in de-territorialized environments, or as if defence spending is not a factor augmenting public debt. How could this aspect be missing, we thought, at the moment when the security and geo-political dependence of the Greek state itself dates back to its very act of foundation in 1830?

Having said this, we have tried to put together an ‘integrated’ argument comprising all the disparate elements we found problematic *and* dealing with the ‘paradox’. We make a theoretical claim stemming from heterodox discourses on financialization and crises, and come to detect deep disintegrative tendencies within the European project. We then move on to examine Greece’s political economy and international relations in historical and comparative perspectives from the 1820s to 1974, the year of the collapse of military rule. Finally we provide in-depth analysis of the post-1974 period, focussing especially on the making of the current crisis from the mid-1990s onwards, when we identify Greece’s transition to financialization under the ‘modernizing’ cabinets of Costas Simitis. We pay particular attention to the *agencies* that are mainly responsible for generating the crisis, and we answer the ‘paradox’ by adopting a ‘global fault-lines’ perspective. This has meant to us that geographies, cultures, politics and security, national, regional and global, have had to be factored into the analytical calculus of our research agenda not only as dependent appendages of an ‘economic instance’, however defined, that determines ‘in the last analysis the other spheres of the social whole’, but also as co-constitutive parts of that instance. Thus, we had to come to grips with broader international issues, such as the global financial crisis that hit the Euro-Atlantic heartland in 2007, the impact of the collapse of the Soviet Union and the current regeneration of Russia, the issue of a pronounced power-shift to the ‘global East’ (China, India, Russia, Brazil, etc.) and the slow and protracted decline of the USA and so on. As material production and real value creation are being shifted to Asia and the ‘global East/South’, those regions and countries tend also to be in possession of financial surpluses, the debtor being the Euro-Atlantic heartland, not to mention Japan. But Germany is a very peculiar case: it has retained its industrial power and real value production and, taking advantage of its stagnant wages, is a major exporter in the EU with large financial surpluses that are recycled across the European periphery contributing to its debt woes. In brief, this is a ‘global fault-lines’ picture, and without even bringing into it security and military dimensions, a field in which the USA still reigns supreme despite its pronounced erosion of economic

power. Thus, we see the Greek state as an amalgamation of many class concentrations and forces that pull it into a number of directions stemming from *within* and *outside* the state. This research perspective, we must add, is a globalist, anti-nationalist perspective.

We contend, therefore, that approaches to the Greek/eurozone debt and banking crises that fail to contextualize these elements in an integrated research agenda are bound to be analytically deficient and, from a normative perspective, misleading, if not deeply misleading.<sup>1</sup> We make a case that the disintegrative tendencies within the EU today are far stronger than the integrative ones, and we arrive at this conclusion without even factoring in tendencies of ethnic succession (the list is long enough – Scotland, Catalonia, Belgium, etc.). All in all, our simple message here is that the causes of the Greek debt crisis are many and complex, come from many quarters and they cannot be reduced just to the role of the EMU, or the deficiencies of the European Treaties, or the current account deficit, or the fiscal malaise of the Greek state.

A 'global fault-lines point of view' presupposes analysis of the field of *real* politics, which is a field of division/conflict, a *kampffplatz* or, as Carl Schmidt would put it, a 'terrain of enemies and friends', usually concentrated into two camps or poles/parties. As politics condenses class and social interests, which are refracted through bureaucratic agencies and institutions such as political parties, *kampffplatz* plays an important role in disallowing class positions to project their immediate interests within the heart of state power. This is the deepest meaning of Lenin's comment: 'The bourgeoisie', the Russian politician wrote, 'may recognise class struggles within the state apparatuses, but never in the core of its state power'.<sup>2</sup> In its stead, a 'friend-enemy' binary is created, a 'phenomenology of the political', which distorts the class antagonism that stems from social class positions, rendering the *kampffplatz* of liberal representative rule as the only possible rule. This is the case of Greece from the second part of the 19th century to date – the exception of course being the periods of straightforward dictatorial rule – and this is the case almost everywhere in the Euro-Atlantic world and beyond. Norberto Bobbio, one of the most important liberal-socialist philosophers of the 20th century, in discussing Italy's political system from the national unification of his country to the late 1970s, wrote:

At the dawn of our parliamentary system, Cesare Balbo, the first President in our parliamentary history, after having remarked that 'the parties in all nations were always two', and that the virtue of representative governments was how to take the people out of the

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public squares and bring them to parliamentary rooms, he went on to press that the very duty of governments was to reduce the parties in the smaller possible number, if possible, to two parties, one in government and one in opposition.<sup>3</sup>

But an important qualification needs to be made here. In periods of acute economic and political crisis, like the current period, even the liberal phenomenology of the *kampfplatz* disappears. Class power and coercion become so concentrated in the state executive that every pretension of liberal democracy and 'binary' antagonism withers away. In the case of Greece and the European periphery today, because of their dependency on the Euro-Atlantic core, this executive type of Bonapartism is almost entirely imposed from outside.

We can now move on to lay out the presentation order of our research. Readers should note that the book has been designed for many audiences and those who are interested in delving into Greece's history from a globalist/European perspective are advised to skip the theoretical essays with which we open our discussion (Chapter 2). As each chapter is self-sufficient, those who are interested in understanding our argument about the current crisis can go directly to Chapter 6.

We open the discussion with a broad theoretical chapter putting forward a crisis theory of financialization and imperial geo-politics drawn from Marx's theory of value and making extensive and critical use of the works of David Harvey, Robert Brenner and Giovanni Arrighi. We maintain that a solid theory of money rests on the principle of balance between the real values produced and exchanged within a given national economy and the amount of money in circulation within the same economy. If there is no broad correspondence between these two social relations (commodities and money), then a number of pathologies appear, such as inflation, debt problems and so on. We also argue that the current crisis process exposes the weakness of the USA to contain Europe's economic woes, while elevating Germany as a powerful, monetarist imperial power within the EU. In this context, we decipher a power-shift to other centres and caucuses of capital accumulation, mainly in Asia, arguing that a better understanding of the current Greek and European crisis can be reached by adopting a 'global fault-lines' perspective. This chapter establishes that, at the present phase of crisis in Europe which opened up in 2009–10, the centrifugal tendencies pointing to disintegration are far stronger than the centripetal ones.

Chapter 3 captures Greece's political economy and geo-politics from the year of its foundation as a modern state in 1830 to the outbreak of

World War II in 1939–40. It becomes evident that Greece was born as a dependent and subaltern social formation, with a very limited industrial base but with a very valuable geo-political position in the mouth of the Dardanelles and, later, the Suez Canal connecting Britain's Indian possessions with the Mediterranean and Middle Eastern oil. But because of its dependency on the 'foreign/imperial factor' and weak industrial base, the Greek ruling classes never managed to capitalize on the geo-political importance of the country.<sup>4</sup> In this context, this chapter also captures the evolution of the Greek debt problem from one historical period to another, a problem that never goes away and is directly related to two endemic issues: a permanent balance of payments problem and a domestic fiscal malaise, both of which are the result of a weak industrial base, unable to produce capital goods and thus compete internationally, generating a pattern of sustainable economic development and inter-dependence. Throughout the period in question, the sources of the Greek debt and its dependence on the European core are both external and internal. This chapter also examines in detail the political and economic consequences of the defeat of Greece in Asia Minor in 1922, the only time in its modern history in which Greece behaved, at Britain's instigation, as a kind of imperial power. This chapter also looks at the impact of the financial crisis of 1929 on Greece and the default of 1932. Our discussion on the causes of Greece's dependency and debt generation over the decades takes place in tandem with the political alignments and power coalitions that mark developments in the political system (*kampfplatz*). We use the term 'diaspora Greeks' to describe ethnic Greeks living in Ottoman territories from 1830 to 1922. This term is not accurate, but we use it for reasons of convenience. Ethnic Greek communities living in Ottoman lands are not 'diaspora' communities because their origin can be traced back to ancient times, when ancient Greek city-states colonized Asia Minor and the Black sea coastal areas.

Chapter 4 focuses on the political economy and international relations of Greece from the 1940s through to mid-1970s and examines the new forms of dependence and subordination of the Greek state and its ruling classes under the hegemony of the USA. It shows that despite the rapid economic development of the country in the 1950s and 1960s, Greece continues to be a dependent social formation, this time on American capital and political-strategic imperatives, lagging far behind the developed core and unable to articulate an independent foreign policy, especially on the Cyprus issue. Time and again, this chapter illustrates the inter-connection and inextricable relationship between political economy and geo-politics in which a weak industrial country

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(Greece) presents an elevated strategic value in Cold War conditions, yet its ruling classes are unable to capitalize on it in order to offset the economic disadvantage of dependency. This discussion relates directly to the vicarious dictatorial regime of 21 April 1967. When an alternative to the dependent ruling class (read: *kampfplatz*) of the 1950s and 1960s appeared on the horizon under the leadership of Andreas G. Papandreou in Greece and Archbishop Makarios in Cyprus, the USA halted the democratic process by facilitating a dictatorship. At the same time, it encouraged the vivisection of Cyprus in summer 1974. The dependent/subaltern position of the country in the neo-imperial chain seems to have been advantageous to Greece's regional rival, and NATO ally on paper, Turkey. This chapter also explains why Greece, as opposed to the rest of Western Europe, did not follow a Keynesian policy during that period, staying aloof of any attempt to build a proper welfare state and provide a Fordist wage to its working population.

Chapter 5 focuses on the first period of *metapolitefsi* ('political change-over', 1974–89), which corresponds to the political phenomenology of PASOK-ND. It examines the reasons why the ruling political classes of PASOK and ND advanced a Keynesian strategy 'Greek-style' at the domestic level at a time when the rest of the West pondered (1970s) and finally implemented (1980s) a new set of supply-side economics (neo-liberalism), while unleashing the powers of financial capital (globalization). A new cycle of debt spiral began appearing in the late 1970s and 1980s, which the bipartisan ruling class was unable to control. At the same time, American capital in Greece retreated, its position now being taken by European capital and aid (e.g., Mediterranean integrated programmes, various loans). We argue that the country entered into the EEC in 1981, five years ahead of Portugal and Spain, mainly for geo-political and security reasons. An extensive set of quantitative data substantiate the main argument of this chapter: supply-side economics was not the route out of the crisis of the peculiar Keynesian policy-making in Greece in the 1980s, as the monetarists have argued and the 'modernizers' of PASOK under Simitis embraced opposing Andreas G. Papandreou's 'Keynesian populism'. The chapter views the second part of the 1980s as a period in which PASOK experienced a kind of 'crisis of crisis management', a concept proposed by Claus Offe to explain the crisis of the welfare state in Western Europe.

Chapter 6 illustrates further the theoretical propositions made in Chapter 2 by way of providing inferences drawn on a wide range of quantitative and comparative data. Themes tackled here include: the Greek banking system and its penetration into the Balkans and the Near



East; the way in which Greece entered the constellation of neo-liberal financialization in the mid-1990s, again with some 10–15 year delay in comparison to the developed economies of the Euro-Atlantic core; how neo-liberalism and financialization, instead of improving Greece's debt problem in the 1980s made it much worse by fostering debt-driven growth; how EU transfers to Greece, instead of halting the debt spiral, made it worse by destroying the country's productive base even further; and how Greece's entry into the EMU in 2001 contributed to the aggravation of the country's debt problem. We have also presented a set of data on state revenue and expenditure and defence spending. Countering arguments that privilege either the domestic or the external sources of the Greek debt crisis, this chapter advances the following positions: (a) the sources of the Greek debt are both external (e.g., the large current account deficit due to its weak productive base) and internal (e.g., fiscal malaise); (b) that Greece's entry into the EMU is not the only cause of the Greek debt problem and that the country would have defaulted anyway and much earlier had it not been for the specific geo-political and security conditions of the early 1990s in the Balkans in the wake of the collapse of 'really existing socialism'; (c) the country's subordination and dependency on the Euro-Atlantic core becomes even deeper and more organic during the 1990s and 2000s, when the ruling political classes of PASOK and ND subscribe completely to the programmes of neo-liberalism and financialization; (d) the growth registered from the mid-1990s onwards, the time when Greece enters the constellation of financialization, is comprehensively debt-driven; (e) the reading of the whole period, at least from the 2000s onwards, can be seen in the context of a power-shift to the 'global East' (China, India, Russia, Brazil, etc.) in which debtor states seem to reside in the Euro-Atlantic core and Japan and the creditor ones to the 'global East/South'. Eventually, the argument, from the perspective of *class agency*, is that responsibility for the country's debt crisis should be placed squarely on Greece's two main parties ruling the country since 1974, in conjunction with the Euro-Atlantic political elites, the inter-section of which is straddled by a comprador *cum* financial oligarchy 'Greek style' (we define the concept of 'comprador bourgeoisie' in Chapter 2). This chapter also discusses the consequences of three rounds of austerity (2010–13), which led to the disintegration of the middle classes, precipitating the end of the last political *kampfplatz* of PASOK versus ND generating conditions for a new polity and, perhaps, *kampfplatz* altogether.

As each chapter is self-sufficient with its own concluding remarks, in our final concluding chapter we concentrate on the normative aspects

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of our research question: Is there a *programmatic* way out of the crisis for Greece, Europe and the world? We answer this question affirmatively, offering our thoughts for further reflection.

Before closing this introduction, we deem it necessary to include a note on the *method*. As usually happens with researchers, either they tend to start from theoretical assumptions, proceeding to the application of those assumptions by trying to find quantitative evidence and empirical/historical facts to support them (this is the case, predominately but not exclusively, with many political scientists);<sup>5</sup> or they amass first the empirical/quantitative data from which they then draw inferences (this is the case, predominantly but not exclusively, with many economists). We contend that these are flawed approaches and are bound to lead the researcher into misleading inferences. The former imposes theory on reality, or to paraphrase Marx, it is an approach that 'makes its way not from reality into the textbooks, but rather from the textbooks into reality'.<sup>6</sup> The latter approach, however, might be even more dangerous, inasmuch as it leads the research straight into the realm of positivism, whose paramount deficiencies have already been dealt with long ago.<sup>7</sup>

On the face of it, both approaches appear to be a world apart. Yet they converge substantially, because both are comprehensively ahistorical, lacking any profound understanding of the history of the subject matter they study. Eventually, they disregard the role of the *collective agency* in society and history, that is, the role of social classes and social/political struggle. We have also tried to address this problem, but it is up to the reader to decide whether or not we have accomplished our aims. After all, the arguments we put forth here are but propositions for further discussion and possible rectification.

## 2

# The Sinews of Capital and the Disintegrative Logics of Euro-Atlanticism

We advance here a crisis theory of financialization and imperial geo-politics in order to recast key concepts and causal parameters related to the sources of debt and the way in which the Euro-Atlantic area is in danger of complete disintegration. Our central thesis is that ‘debt’ is not just a category of political economy that can be theorized, but also a geo-political notion that can be examined alongside an analysis of imperial politics and the state. We unravel the deeper connection and inter-penetration between capital, imperial geo-politics and the political economy of financialization. In this context, we show how the present crisis in the eurozone is a manifestation of deeper disintegrative tendencies embedded in the hub-and-spoke system of neo-imperial governance built by the USA in Western Europe, the Middle/Near East and East Asia in the aftermath of World War II. This crisis process exposes the weakness of the USA to contain Europe’s economic woes, while elevating Germany as a powerful, monetarist imperial power within the EU. Yet the picture is truly global and not just Euro-Atlantic. We contend that, historically, the crisis dynamics of the current international order can be best understood in terms of a *power-shift* to other centres and caucuses of capital accumulation, mainly in Asia. Let us be more analytical.

Germany has every reason to want to reshape the political and economic contours of Europe after its own model of capitalism, especially now that the USA, a debtor power, is not in a position to impose across the globe and Europe its own economic and political arrangements as it did after the end of World War II, when it was a creditor power. The plates of global economic power structures have for some time now been shifting from the Euro-Atlantic heartland to the ‘global East’ (China, India, Brazil, Russia, Germany, Indonesia, South Africa, etc.). This is a structural-historical process that the USA cannot arrest. It can only

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be delayed. This shift is dangerous because, as Lenin noted almost a century ago well before the appearance of any systematic realist thinking in the discipline of IR, 'when the relation of forces is changed, how else, *under capitalism*, can the solution of contradictions be found, except by resorting to *violence*?' (emphasis by Lenin).<sup>1</sup> Germany's end-aim in Europe is not far off the mark. It is fruitless and dangerous. It is fruitless because, as we show below, regional and global fault-lines, working in tandem with asymmetries generated by the 'law of value', prevent Germany from accomplishing her objective of outright monetary and even political domination of the EU. The metrics of violence in Europe, at least for the time being, are not a European *cum* global war as in 1914 or 1940. They are, under Germany's tutelage, the transformation of the European polities, especially in the periphery (Greece, Portugal, Spain, Italy and Ireland), into coercive and predator policy-making machines that have imposed untold austerity measures upon their citizens and destroyed entire societies and communities on the altar of 'debt repayment' and 'bank recapitalisation'. This is as dangerous as war can be.

## 2.1 Preliminary remarks

Let us make some further preliminary comments on the structure and presentation order of the theoretical essays here, thus facilitating reading and removing some conceptual and other obstacles.

The notion of 'hub-and-spoke (informal) imperialism' occupies a key position in our analyses. In its ideal-typical form, it is a method of imperial governance put forth and exercised by the USA in the aftermath of World War II in order to deal with the inadequacies of previous European imperialisms that had been unable to tame the contradictions caused by the uneven flows of capital and labour across time and space, what Marx has theorized as 'the law of value'. Hub-and-spoke arrangements came to replace the *imperialism of finance capital*, substantiated by the merger between industrial and banking capital under the aegis of specific imperial currency blocs (the British, the French, the German, etc.). Hub-and-spoke imperialism is what diversifies US post-war informal imperialism with all previous modern, and mainly formal, imperialisms, which have been analysed by John Hobson, Rudolf Hilferding, Nicolai Bukharin and V.I. Lenin. In their ideal-typical form, the great virtue of hub-and-spoke arrangements is that the central imperial power of the international system is in a position to dominate all major components of international relations: the field of international political

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