Neoliberal transformation and authoritarianism
The case of Greece

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Outline

- Poulantzas’ ‘authoritarian statism’
- Defining ‘authoritarian neoliberalism’
- From the national state to the EU
- The EU response to the crisis as a case of authoritarian neoliberalism
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- The chronicle of the public debt crisis in Greece
- Economic, social & political implications
- Manifestations of authoritarian neoliberalism on EU and national level
- Fragile legitimacy and the weakening of the state – Crisis of democracy
- What is to be done? Challenges for the Left
Poulantzas’ ‘authoritarian statism’

- Poulantzas was born in September 1936, a month after the dictatorship of Gen. Metaxas took over (lasting until 1941)
- As a young boy, he experienced the Greek civil war that followed WWII (1946-1949) and as a teenager, the repressive right wing regime of the 1950s
- He studied law in Greece and moved to France where he completed a doctorate in the philosophy of law. He was in Paris during the student uprising of the late 1960s
- P’s theory of the ‘authoritarian statism’ can be seen partly as a reflection of his own life experiences, leading him to insightful observations, still relevant 35 years later, as the financial crisis of 2007/2008 escalates into a deepening, economic, social and political crisis
Defining ‘authoritarian statism’ (AS) I

- ‘intensified control over every sphere of socioeconomic life combined with radical decline of the institutions of political democracy and with draconian and multiform curtailment of so-called ‘formal’ liberties’ (NP, 1978: 203)

- Differentiated from ‘totalitarianism’, which is an ‘exceptional form of state corresponding to a real crisis of the State and involving a real break in the State’ (NP, 1978: 209)

- However, under AS, para-state mechanisms come into existence – i.e., ‘scattered elements of totalitarianism … crystallise their organic disposition in a permanent structure running parallel to the official State’ (NP, 1978: 210)

- Role of the Left – to challenge AS ‘through not only defense, but also development and extension of democratic liberties’ (NP, 1978: 205)
Defining ‘authoritarian statism’ (AS) II

- AS: linked to institutional reality, as distinct from the economic role of the State and its political content (‘periodization of capitalism’)
- AS: marked by increasing inequalities between working class/petty bourgeoisie and dominant classes and by sharpening of contradictions within the dominant classes
- ‘Paradox’: AS reproduces the crisis via the growing political involvement of the State in economic contradictions, which broadens the ‘cracks in the power bloc’ and increases the politicization of popular struggles due to the curtailment of public services (the ‘welfare state myth’)
- Thus AS displays a tendency of both strengthening and weakening of the State, as its legitimacy is questioned
Authoritarian Neoliberalism (AN)

- AN: ‘rooted in the reconfiguring of the state into a less democratic entity through the use of constitutional and legal changes that seek to insulate it from social and political conflict’ (Bruff, 2013:1)

- Qualitative difference from neoliberalism, albeit not necessarily a structural break: under AN, ‘dominant social groups are less interested in neutralizing resistance and dissent via concessions and forms of compromise that maintain their hegemony, favouring instead the explicit exclusion and marginalisation of such groups’ (ibid:1)

- Growing tension between the state’s function of domination (organising the hegemony of the power bloc) and representation (legitimizing the regime by means of popular democratic forms): crisis of legitimacy/democracy
From the nation state to the EU and back again!

- EU: a particular type of polity, whereby multi-level system of governance approximates a confederation - i.e., located between interstate and intrastate patterns of rule – Executive dominated

- Onset of neoliberal agenda in EU led to norms and institutions increasingly penetrating national level, as needs of capital – esp. financial capital – expand on international level

- Deepening of EU economic/financial integration vis-à-vis subordination of social issues/policy to economic priorities

- Poulantzas’ work allows for the study of multiple trajectories of national economies within and across the world capitalist system

- Will apply notion of AN both on EU and on national level
The EU response to the crisis as a case of AN

(i) Readiness to divert huge amounts of resources to the financial sector vis-à-vis slow and ineffective financial policy reform

(ii) Resorting to pro-cyclical fiscal policies under the austerity narrative: public debt ‘fetishism’

(iii) Putting in place a strict fiscal policy and surveillance framework through constitutional-legal changes both on the EU and on the national level;

(iv) Attaching harsh conditionality terms to bail-outs and to fiscal and monetary stabilisation measures (ECB’s OMT; ESM)

(v) Widening the inherent democratic deficit – Major decisions taken by a hegemonic group of countries
The EU response to the financial crisis

- **Size of banking sector** in EU > US and Japan - 2011: 350% of GDP vs 78% US GDP and 174% Japan GDP
- E. Council decision of Oct 2008: Lifting of anti-state aid (competition) rules; member states undertook individual responsibility for the rescue of their national banking systems
- Oct. 2008 - Oct. 2012: 40% of **EU GDP** (€5.1 trillion) has been approved to **support the financial sector** (contingent taxpayer support). Of this amount, >two-thirds (26% GDP) disbursed between Oct. 2008-Oct. 2011 (EFSIR Report)
- Three member-states accounted for approx. 60% of total aid: UK (19%); Germany (16%), Ireland (16%) - Aid concentrated on a few financial institutions. E.g. 3 top banks in UK and Ireland got > 80% and in Germany > 50%
- **Financial policy reform** - G20 agenda to be implemented by 2012 includes rating agencies, hedge funds, OTC derivatives, capital standards, crisis management: EU response: slow, no impact
Austerity as a legitimizing tool

- ‘Austerity’ as a tool of policy denotes a broad set of policies going beyond fiscal contraction, deemed necessary for its implementation: viz. privatisation, labour market reform, market deregulation;

- Austerity as a means of hegemony in Gramscian sense - “ideological and cultural domination of one class by another, achieved through ‘engineering consensus’ through controlling the content of cultural forms and major institutions” (Urry & Urry, 1995:279)

- A. Merkel’s “Schwäbische Hausfrau” (Swabian housewife)- If it is prudent for individuals to avoid getting into debt, would it not be wise for governments to do the same? If a government does become indebted, would it not be best for it to suppress expenditure &/or increase public receipts, so as to reduce, if not extinguish, the public debt?
Public debt ‘fetishism’ - Theoretical fallacies

1. Governments have “monetary sovereignty”; 2. Reducing the public deficit shrinks the economy; 3. Public debt = transfer of wealth from taxpayers to bond holders, not a net burden; 4. No connection between size of public debt and price government must pay to finance it; 5. Low borrowing costs for governments do not necessarily reduce interest rate the cost of capital for private sector.

As Keynes argued long ago, running a government deficit is a necessity, especially if it is held domestically, since it provides the private sector with new funds for saving and a means to save (interest-bearing government bonds), thereby increasing private sector wealth and reducing the need to save from current income, i.e. leading to increased demand and consumption. More so at a time of crisis and recession.
Public debt ‘fetishism’ – Wrong empirical assumptions and imaginary thresholds

- **IMF**: “… the multipliers used in generating growth forecasts have been systematically too low since the start of the Great Recession, by 0.4 to 1.2 … the multipliers implicitly used to generate these forecasts are about 0.5. So actual multipliers may be higher in the range of 0.9 to 1.7 (WEO Oct 2012: 41-43).

- ‘90 per cent rule’: Olli Rehn (E.C.June 2011): “C.Reinhart & K. Rogoff have coined the ‘90 per cent rule’. That is, countries with public debt exceeding 90 per cent of annual economic output grow more slowly… This conclusion is particularly relevant at a time when debt levels in Europe are approaching the 90 per cent threshold”.

- **Ideological undertones** - Attempt by financial industry to shift public discourse from the need for radical changes in the financial sector to the ‘living-beyond-one’s means’ accusation in order to secure more bail-outs for the banks and deflect pressures for financial policy reform
EU austerity policy after 2008

- Fiscal and monetary restrictive policies inherent in Euro construction (SGP; ECB)

- Fiscal compact: (i) *debt brake* – max. allowed structural (cyclically adjusted) budget deficit 0.5% GDP; (ii) *debt reduction roadmap* - each year government debt to be reduced by 1/20th of difference between actual level and 60% GDP benchmark; (iii) *sanctions* on non-complying countries to be imposed by European Court of Justice: interest-bearing deposits/fines (*Treaty on Stability, Coordination and Governance*)

- Austerity & Conditionality - EU/IMF Programmes for Greece, Ireland, Portugal, Hungary, Latvia and Romania; monetary support by ECB (Outright Monetary Transactions); fiscal aid by EFSF & ESM
The chronicle of the public debt crisis in Greece

- April 2009: Greece as a ‘seating duck’ viz-a-viz financial speculators
- October 2009 elections: clear majority of PASOK
- November 2009: revision of public finances statistics
- The ball started rolling: yields on 10-year Greek government bonds started rising, while the CDS market began to bet on the (possible) default of Greece
- Early 2010: First batch of austerity measures; financial pressures continue
- May 2010: Bail-out I + austerity measures + structural reforms + privatization
… the crisis escalates … no end in sight

- **Mid-2011**: ambitious fiscal targets unattainable, as the economy went intro free-fall
- **June 2011**: discontent turns into unrest; government reshuffle
- **October 2011**: Bail-out II agreed + ‘private sector involvement’, i.e. restructuring of part of public debt held by private investors.
- **November 2011**: ‘technocratic’ government takes over, led by L. Papadimos, former ECB vice president & Goldman Sachs executive
- **May 2012**: elections; June 2012: repeat elections
- The saga continues… yield on 10-year GGB up from 5.43% in Jan. 2009 to 12% in May 2010, to 25% in Oct. 2011 and 84.7% in Nov. 2011; hovering bet.12-10% (29th Sept 2013)
An economy in fast-forward collapse …

Between 2007 and 2013

- **Increase in public debt by 76%**
- **Public debt as % of GDP: up from 107% in 2007 to 175% in 2013; due to PSI, 157% in 2012**
- **Decrease in**
  - GDP by 24%
  - GFCF by 61%
  - Domestic demand by 32%
  - Final demand (incl. exports) by 29%
... unprecedented social hardship

- Unemployment up by more than 3-fold, from 8.3% of the labour force in 2007 to 17.7% in 2011 and 27.6% by May 2013; more than one-third of the unemployed have been without a job for over one year.

- Certain groups hit hardest - In May 2013, unemployment rate for women was equal to 31.6% and to 64.9% for the under 25s, from 16.3% and 22.9% respectively in 2007.

- The increased flexibility of the labour market has resulted in a steep increase in individual and firm-level work contracts and in a decline in private sector wages by more than 30%.

- Pensions reduced by more than 30%; Cuts in public health and education expenditure; Poverty up from 20% of the population to 28% (2010)
The Greek Depression exceeds the Great Depression

**Figure 1** Greece and the United States: Two Great Depressions—Real GDP Indices

![Graph showing Real GDP Indices for Greece and the United States](image1)

- **Greece (2008=100)**
- **United States (1929=100)**

**Sources:** BEA; ElStat

**Figure 2** Greece and the United States: Two Great Depressions—Unemployment Rates

![Graph showing Unemployment Rates for Greece and the United States](image2)

- **Greece (base year = 2008)**
- **United States (base year = 1929)**

**Sources:** BEA; ElStat
Transfer of income from capital to labour (adjusted wage share as percentage of GDP)
The political system in a state of flux – Rise of fascism - Electoral results 2009 & 2012 (% share of votes)

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<th>Party/Group</th>
<th>2009</th>
<th>6 May 2012</th>
<th>17 June 2012</th>
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<td>New Democracy</td>
<td>33.48</td>
<td>18.85</td>
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<td>13.18</td>
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<td>6.97</td>
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<td>LAOS (extreme right wing)</td>
<td>5.63</td>
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Manifestations of Authoritarian Neoliberalism by the EU viz-a-viz the Greek case

- The handling of the crisis by the European elites: they adopted a creditors’ point of view + intensified neoliberal agenda + ‘fiscal profligacy’ legitimizing narrative

- Greek political sovereignty in retreat: Task Force resident in Athens; Review Procedure by Troika before each tranche is paid out; priority of Creditors over other budget expenditures (segregated account); Privatisation Fund

- Economic collapse and social hardship considered as the necessary price for the country’s ‘economic adjustment’ to the post-crisis aggressive, finance-led, neoliberal model

- IMF ex-post evaluation – “notable failures” (fiscal multipliers); ex ante debt restructuring not attempted
Fear of contagion or finance in the driver’s seat?

**IMF:** ‘Contagion from Greece was a major concern for euro area members given the considerable exposure of their banks to the sovereign debt of the euro area periphery’ (IMF, 2013:8)

**Varoufakis:** “None of the bailouts had the purpose of solving Greece’s problems. The original bailout was a cynical ploy for transferring losses from the books of the German and French banks onto the shoulders of the Greek, German and French taxpayers. The second bailout was merely an acknowledgment that the first bailout had imposed upon Greece conditions that it could never meet. Similarly with the one being prepared now.” (http://yanisvaroufakis.eu/2013/09/02/was-chancellor-merkel-about-greece/#more-4174)
The so-called Rescue of Greece
Troika saves banks, not people

77% of the bail-out money went to the financial sector

101.3 bn (49%) through debt service
58.2 bn (28%) through recapitalisation

Banks holding Greek bonds

EUR 206.9 bn
* public money
* 23 tranches
* until June 2013

Greek government

Greek population

...doesn’t benefit at all ...pays for so-called rescue by austerity:
* wages and pensions cut
* welfare state destroyed
* 35% below poverty line

All details, full analysis and sources available online:
www.attac.at
Manifestations of Authoritarian Neoliberalism by the Greek State

- Introducing increasingly coercive legal, institutional and policy processes; e.g., reform of employment protection laws; suspension of collective bargaining; min. wage set by law; deregulation of professions (legal, medical, pharmacists, etc); pension reform/nominal cuts in pensions; layoffs of civil servants (despite life tenure); closing down/merging public entities; downsizing an already weak welfare state.

- On the political level, exercise of brute, coercive force vis-à-vis demonstrations; tolerating the rise of neo-fascist forces; emergence of para-state mechanisms in police and army.

- Overall, lack of a strategic vision + shifting both the blame for and the cost of dealing with the crisis to Greek salaried sections and petty bourgeoisie: unique opportunity to introduce reforms that had long been resisted.
Fragile legitimacy and the weakening of the state – Crisis of democracy

- Crisis of democracy: linking the contradictions of democracy as a structured political regime to those of capitalism as an expanding, imperialist mode of production; domination of finance in post-Bretton Woods era is an added twist.
- Is AN tantamount to a crisis in democracy/to a turning point in finance-led capitalism? *Poulantzas*: AS could be a phase (1978) or even a stage (1979)
- Social discontent/social movements challenging AN
- But, so far, AN is *not* a structural break from neoliberalism
- Trust in European institutions – Only 31% of European citizens trust the European institutions (57% in 2007); trust in national institutions even less: 26% in national parliament and 25% in national government (Eurobarometer July 2013)
What is to be done? Challenges for the Left

- Poulantzas’ analysis of AS is by many believed to be pessimistic. In fact, he shows the way out of the crisis through his emphasis on democracy. The Left must challenge AS ‘through not only defense, but also development and extension of democratic liberties’ (NP, 1978:205)

- In short-run, the Left must (i) change the narrative – regain hegemony; (ii) restore decent living standards and reverse the deterioration in worker rights and employment protection regime; (iii) reinstate public services (iv) bring forward socially and ecologically sustainable modes of development

- In long-run, the Left has to move in the direction of socialism with democracy

- *Greece should not go it alone* – Long-run changes require overhaul of institutional arrangements and policies at EU and at Eurozone level