

Transformations of Greek and Cypriot Economy as a Universal Recipe for the Surpassing of the Current Structural Crisis

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1. Cyprus in the frame of crisis-hit countries

- After Greece (5.'10), Ireland (12.'10), and Portugal (5.'11), Cyprus (3. '13) is the last country which accepted the implementation of draconian austerity policies (under the form of Memorandum) as a precondition of a rescue loan of 10 bn. Euros.
- Cyprus' case has much more similarities with Ireland because a) of the size of banking sector (350% of GDP and 550% adding the cooperative credit institutions) and b) the fact that the derailing of public finance is due to the failure of banking sector.
- Bankruptcy of Cypriot banking system happened because of the restructuring of Greek sovereign debt, on March of 2012 (PSI+).
- Cyprus is the first country where is adopted the bail-in plan. Under which depositors are considered stock-holders losing their money in order to rescue the banks.
- The last peculiarity of Cyprus is that the first Memorandum was discussed by the left government of president D. Christofias.

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2. Similarities

a. The roots of the crisis

- On periphery and rest of Europe too, the origins of current crisis are traced on beginning of 70's. It isn't a product of few last years or a phenomenon which is strictly located on periphery or core eurozone countries.
- On Europe and USA too, 70's crisis was due to the Falling Rate of Profit. The cause of this tendency is the increased organic composition of capital.
- This crisis hasn't been surpassed till now as it is proved from the fact that the most crucial indicators never have reached the pre-crisis levels (Brenner).
- Current crisis is a metastasis of the crisis which appeared in the same production. Took the dual form of a) banking crisis because of the the over-expansion of banking sector of previous decades and b) sovereign debt crisis because capitalist states were funding expansion of capital, even rescue of banks, as a means to facilitate the capitalist accumulation while at the same time declined tax rate on corporations reduced public revenue and the adoption of euro was accumulating macroeconomic imbalances.

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2. Similarities

c. Rise of Public Debt

- It is observed not only into peripheral countries or the whole European continent. We can see through all over the world.
- Especially in the USA, general government gross debt increased from 8,502 bn USD (67.4%) on 2005, to 10,80 bn (75.6%) on 2008 and 17,556 (108.1%) on 2013.
- Austerity policies are proved inadequate to even to freeze the debt as a percentage of GDP.
- The most aggressive the austerity policy the most spectacular the increase of the debt (Greece: from 129% on 2009, to 175% on 2013)

General Government Consolidated Gross Debt (%GDP)							
	2008	2009	2010	2011	2012	2013	Δ% 2008-13
EU 27	62,1	74,6	80,2	83,1	86,9	89,8	44,60%
EA 17	70,2	80	85,6	88	92,7	95,5	36,04%
Greece	112,9	129,7	148,3	170,3	156,9	175,2	55,20%
Cyprus	48,9	58,5	61,3	71,1	85,8	109,5	123,90%

Source: Data Base of European Commission, AMECO, Last update 3 May 2013

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2. Similarities

d. Austerity Policies

- Austerity policies are the order of the day through all over the world. The only differences consist of whether they are accompanied by an expansionary monetary policy (QE in USA or Abenomics in Japan).
- In european continent, EU has played a pivotal role in the design and implementation of these measures. EU's role is comparable to IMF's role in the implementation of Washington Consensus in global South.
- Growth and Stability Pact along with Stability Pact has played a pivotal role mainly through the:

Constitutionalization of austerity, and

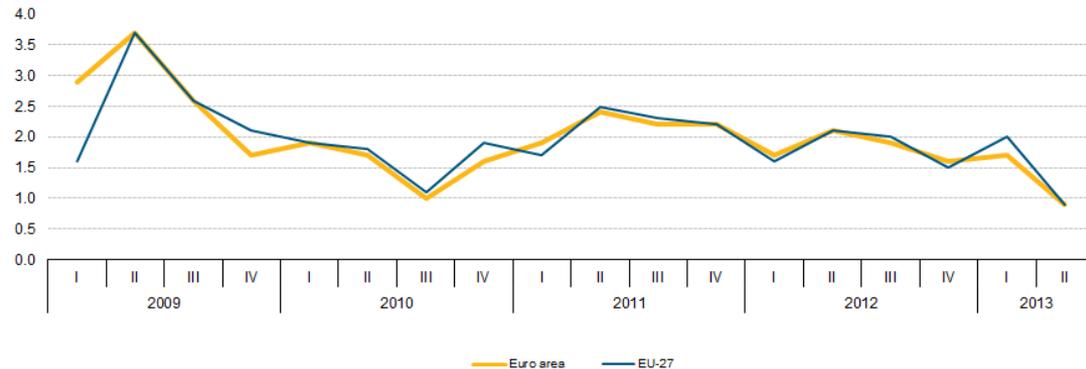
Criminalisation of budget deficits despite the fact that have been proved the most effective policies in creation of working seats.

There are many other channels through which this policy is implemented, like even the fundings by EU (CAP, Coherent) which are accompanied by claims of privatisations and liberalisation.

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2. Similarities / e. Reduction of Labor Cost

- Greece is the most emblematic case of abrupt reduction of labor cost while it has reduced by an average of 55% from 2010. (Disposable income has reduced much more because of the rise of taxes).
- Examining the quarterly measures of Eurostat the most striking changes are obviously the reductions of labor costs on S. Europe (Greece: -9.5%, Cyprus -1.5%, Portugal: -1.9% vs a quarterly average rise of 2% for EU28).
- At the other side the formation of a two tier work-force through part-time and mini-jobs and lower than inflation increases diminish the real increases in other countries (UK, Germany)



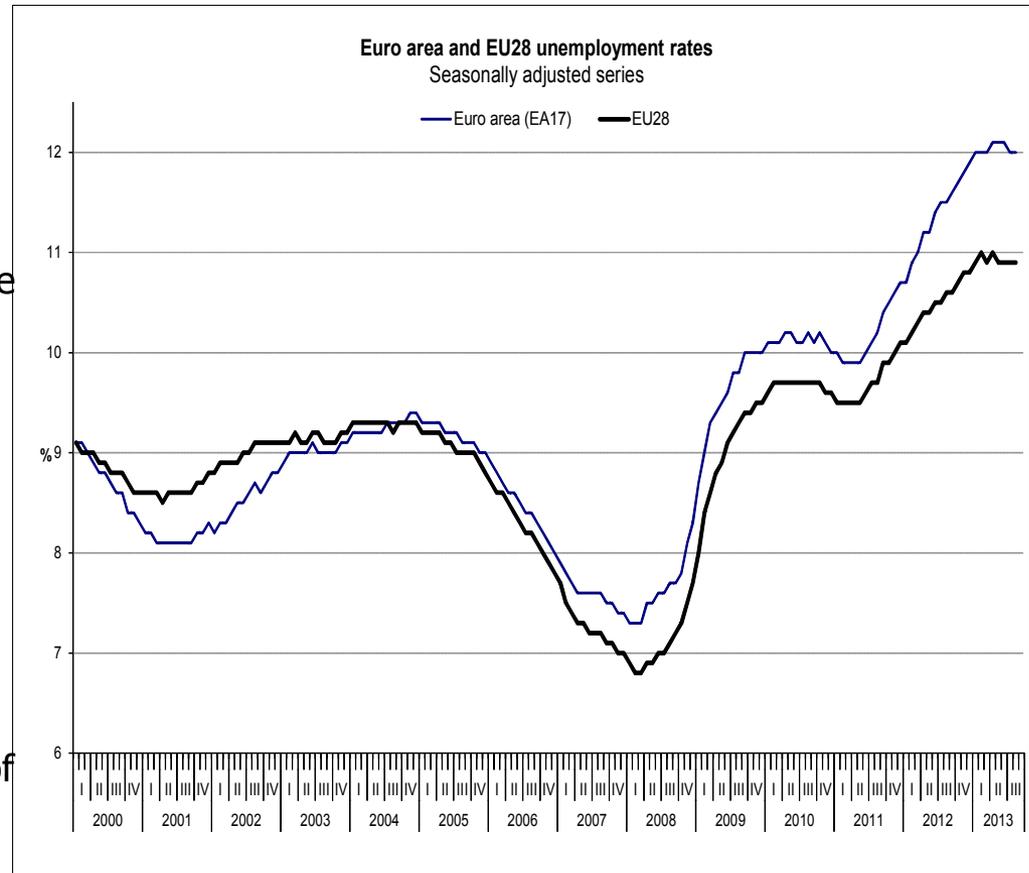
Source: Eurostat News Release 135/2013 – 16 September 2013, Annual Growth in Labor costs slowed to 0.9% in both euroarea and EU27

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2. Similarities

f. Unemployment

- In crisis-hit countries is recorded the highest unemployment of EU27. In Greece 27% (8% on 2008), Spain 27% (11.3%), Cyprus 17% (3.7%), Portugal 16.5% (8.5%) and Ireland 14.2% (6%).
- Just the same trend is remarked through all over the European Union as a result of the austerity policies.
- The reduction of unemployment which is noticed in some countries (Germany, Austria) is due to the flexibility of industrial relations because of the reforms of Schroeder's government, speaking about Germany, and not of adoption of full employment policies.



Source: Eurostat news release 140/2013, 1 October 2013, Euro-area unemployment rate at 12,0%, EU at 10,9%

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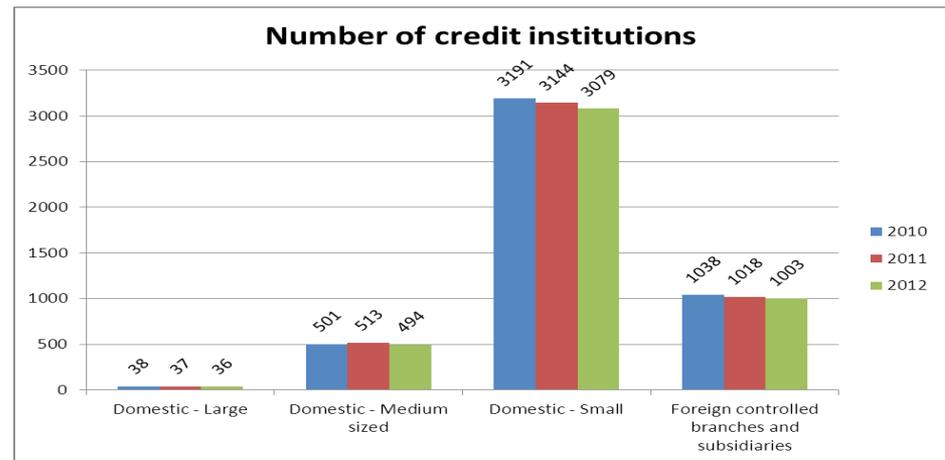
2. Similarities

h. Definancialization.

Reduction and concentration of financial sector in Greece (4, instead of nearly 15 banks) and Cyprus are comparable with broader tendencies in Europe.

Disruption of financial hubs of periphery (even by the stigmatisation that they are money laundering) help to:

1. the concentration of deposits to the core banks, and
2. the finding of those financial resources which will allow the renaissance of european industry so that European industry from its current level of 16% of GDP to reach at least 20% by 2020.



Source: ECB – Eurosystem, Press Release, 28 June 2013, ECB publishes consolidated banking data for 2012

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3. Differences: Confirmation of imperialism's revival

- In parallel with the similar way that austerity policies are applied in EU countries there is a basic dichotomy among them: The degradation of crisis-hit countries role on global and European division of labor in favor of core countries.
- This fundamental shift can be seen basically through the challenging of their sovereignty.
- The ideological argument which accompanies this classification is that sovereignty looks like a luxury good for those countries who failed on their public finance.
- Troika and much more Task Force which has been settled in these country has undertake crucial operations of the state: from allocation of public finances (emphasizing the reduction of consuming expenses of budget) to priority of privatization plan (serving the interests of very concrete multinational companies).
- As a result the plung into crisis of peripheral countries operates as a means to overcome their own crisis those countries which play an hegemonic and imperialist role into EU (i.e. Germany).
- Especially in Cyprus this challenge of sovereignty will accelerate unification processes bringing very soon a new neo-colonial Anan Plan like that of 2004.

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4. Conclusions: What has to be done

- Cypriot and Greek economy is on a process of a rapid and violent transformation under the guidances of Troika.
- These transformations will increase the exploitation and deteriorate the living standards of working majority. At stake are the achievements of post-war working movement. In a sense now capital attempts to close a whole historical period.
- The aim of these recipes isn't the rescue of the countries, but the rescue of banks and a permanent overcoming of structural crisis of '70s which is due to the Tendency of Falling Rate of Profit.
- These neoliberal transformations have many common characters with the changes which are appeared to all other countries of Europe (rise of unemployment, reduction of labor cost, etc.) because of the synchronised pressure that EU exercises.
- In EU countries struggle against austerity and "banksters" means struggle against EU. Struggle against EU is part and parcel of the struggle against our governments who impose these policies and oligarchies who gain from these measures.
- Restoration of European Monetary System, as has been recently proposed by O. Lafontaine, is a first step before the exit from Eurozone and disruption of EU towards the formation of a socialist Europe.