IIPPE Financialisation Working Group

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Title: See No Evil – Financialized Shock Therapy in Greece

Abstract

The ongoing sovereign debt crises in the European Monetary Union (EMU) have revealed both the shaky foundations of the currency union, as well as the dysfunctional political economies of the peripheral states themselves. In the wake of these crises, austerity measures imposed by the so-called 'troika' of the European Commission (EC), European Central Bank (ECB), and International Monetary Fund (IMF) have produced the ostensibly counterproductive effect of throwing crisis-hit countries into deep depressions and rendering it more difficult to repay their debts. I address this apparent paradox by examining both the integration of Greece into the EMU and post-crisis austerity measures with respect to the ongoing process of financialization within the EMU. I do this by employing a historical materialist framework which synthesizes: David Harvey's conceptualization of debt as fictitious capital, capital not backed by a commodity transaction, but by a claim on future value; the 'golden noose' of sovereign debt, which must be loose enough to prevent a debtor delinking from the global lending game, while tight enough to ensure debtor governments follow through on privatizations and austerity measures; Bob Jessop's Strategic-Relational Approach; and finally, neo-Gramscian work on neoliberal integration in the EMU. I argue that Greece, despite joining the EMU in 2001, still possess a political-economy very different from its counterparts in the 'core' of the EMU which are legacies of its post-junta experience. These include: 1) Greece's dependent development associated with its outward-oriented bourgeoisie; 2) Greece's consumption-and-credit driven entry into the EMU; 3) the dependence on foreign funds from financial capital, emigrants, tourism, and EU transfers; and 4) the highly fragmented nature of Greece's welfare and taxation systems, which have created one highly protected strata and one highly unprotected one. In this context, the sovereign debt crises have provided a crucial opportunity to impose a radically accelerated process of financialization in the Greece through the austerity programs imposed by the troika. However, despite the widespread unpopularity and catastrophic social consequences of this accelerated financialization, there has been little change in policy tack since the crises broke out in 2009. I finish the paper with a discussion of the possibilities avenues of resistance to austerity and financialization, by comparing the Greek case to the Latin American debt crises of the 1980s and the Argentinian default of 2001.