

Talking Greece: neo-liberalism and new authoritarianism

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Introduction

Austerity, Mark Blyth argued, is a form of deflation in which the economy attempts to adjust through policies and legislation that reduce wages and welfare spending while increasing taxation, the rate of unemployment and precarious employment. It is part and parcel of a supply-side policy arrangement, the aim being the restoration of competitiveness or the improvement of it.¹ In particular, austerity comes to the fore in times of crisis, because, under capitalism, the costs and losses from the crisis should be borne by the working classes and the deprived, not the rich and the prosperous. Yet, austerity does not manifest itself the same way in the core and the periphery. Peripheral states and societies within the Eurozone, such as Portugal and Greece, experience much harsher austerity regimes than the wealthier core, such as Germany or Holland.

Improvement of competitiveness (and of the balance of payments) can also be assisted by currency (external) devaluation and a controlled rise in domestic inflation. However, this option does not exist within the European monetary union. The Eurozone states do not have monetary independence, the issuing institution of currency being the European Central Bank (ECB). Effectively, the Euro-zone is a fixed exchange rates system. Thus, austerity can only take the form of internal devaluation, given the no-bailout clause of the EU Treaties, in case an indebted Eurozone member is on the brink of default. The core argument I develop here is that the EU is not a state with a fiscal capacity and by virtue of it not being a state it disables all its members, especially Eurozone members, from being able to act as states with monetary sovereignty. This is, in my view, the darkest side of the European project and this is at the root of what Bob Jessop calls “the state of enduring austerity” in times of crisis.²

¹ Cf., Mark Blyth, *Austerity. The History of a Dangerous Idea*, Oxford: O.U.P., 2013, pp.1-21, 51-95 and Wolfgang Streeck, *How will Capitalism End?* London: Verso, 2016, pp.73-164.

² Bob Jessop, “Financialisation, ordoliberalism, neo-liberalisation and the state of permanent austerity”, paper presented to the STAMP workshop on “Neo-liberalism and Ordoliberalism: One or Two Critiques?”, University of East London, London 12 December 2017 [mimeo]

But austerity is not just a form of public policy that dominates the EU/Eurozone. Austerity, by and large, is a neo-liberal policy linked to globalisation and the crisis of it.

The aim of this chapter, therefore, is to place austerity in a comparative public policy context that connects globalisation and its crisis with the process of European integration and its crisis. The concept of “new authoritarianism” I introduce here corresponds to the crisis of both neo-liberal globalisation and the crisis of ordoliberalism at EU level. In this respect, austerity is consubstantial with “new authoritarianism”.

To achieve these aims, I first will shed light on Greece, by far the worst victim of the crisis. I will be looking at the social and economic consequences of the bailout austerity agreements imposed by the creditors. I will show that this is a form of rather formal, institutionalised imperialism. Second, I will offer some reflections as to why the EU/Euro-zone, far from representing a democratic aggregation of political agencies, is an ordoliberal construction operating under the disciplinarian-ordoliberal hegemony of Germany and, as such, it can never be expected to evolve into a democratic federal union. This, if at all, can be possible only as an outcome of social and political struggle. In this context, I shed light on two stylised and overlapping authoritarian policies, that of neo-liberal globalisation led by Anglo-American capitalist agencies and ordoliberalism, led by the German state. The aim is to achieve a deeper understanding of the German economic model and the extent to which it is being transplanted into the EU/Eurozone in an effort to compete globally with other regional assemblages in Asia and North America.

Given the extraordinary amount of scholarly information we already have on the causes of the Greek/Eurozone crisis and the proposed ways out of it, I believe that this type of discussion is useful and moves the debate forward.

The state of enduring austerity/“new authoritarianism” and its consequences

Neo-liberal austerity regimes correspond to the crisis of neo-liberal globalisation set off in 2007-08 and, as such, are deeply authoritarian and undemocratic. From May 2010 to August 2015 Greece was forced to sign up to receive three bailout funds from its creditors corresponding to three “economic adjustment” programmes. However, whereas the programmes were and are being implemented without any major deviation creating very high primary surpluses at the expense of an impoverished Greek society, almost none of the funds disbursed trickled down to the real economic sector or contributed to any decrease of the public debt. Just a year before the first bailout, the debt/GDP ratio was at 126.7%. After six years of harsh austerity, it soared up to 177.4% in 2015.

The first programme (2010) pushed the ratio of debt to GDP even higher at 172.1%, whereas by 2013, that is after the second programme, it went further up to 177.4%. From 2009 to 2015 the country lost 26% of its GDP, effectively losing in less than six years all what it gained in the previous twelve. Despite the fact that public expenditure was reduced up to almost 16% of GDP during 2008-2013,³ the fiscal deficit remained well above the benchmarks set at the Maastricht and Stability and Growth Pact Treaties.

I will proceed by looking first at the impact of austerity/“new authoritarianism” of subaltern social classes, followed by an examination of the impact of austerity on dominant classes.

Impact of austerity on subaltern classes

The bailout agreements forced the Greek cabinets to a number of authoritarian measures: poll-tax and "solidarity tax" was introduced and VAT went up to 23%-24%, including the islands, which enjoyed a lower VAT regime in order to encourage tourism (tourism's contribution to Greece's GDP stands at 18%). The underground economy also increased from 27% to 37% with some 6,000 firms owing to the Greek state more than 30bn Euros.⁴ Overdue debts of private firms and households is nearly 150bn Euros in 2016 of which 60bn are non-performing loans, 58.5bn overdue taxes, 27.4bn overdue social contributions, 3.7bn overdue customs and duties and 60bn overdue mortgage repayments. Evading paying VAT amounted to 6,5bn Euros per year. The real disposable income of Greek households has been deteriorating steadily since 2009, whereas the minimum wage was dropped down to the level of 2004. This represents a reduction by 22%, although to those under 25 the minimum wage is reduced by 32%. Also, the effects of the crisis and the bailout programmes induced capital flight. In 2012 alone, wealthy individuals expatriated some 280bn Euros placing either in foreign banks, mainly German, Austrian, Swiss and British, or investing in housing and financial assets. Law 4024 of 2011 reduced the personal tax allowance from 12,000 Euro a year to 5,000 with no effect as tax evasion continued becoming, effectively, a matter of survival for the impoverished.

The “new authoritarianism” of austerity decimated the middle classes drawing onto society clear demarcation lines of class polarisation with immediate effects on the political and party system.⁵ The rise of Syriza to prominence is mainly

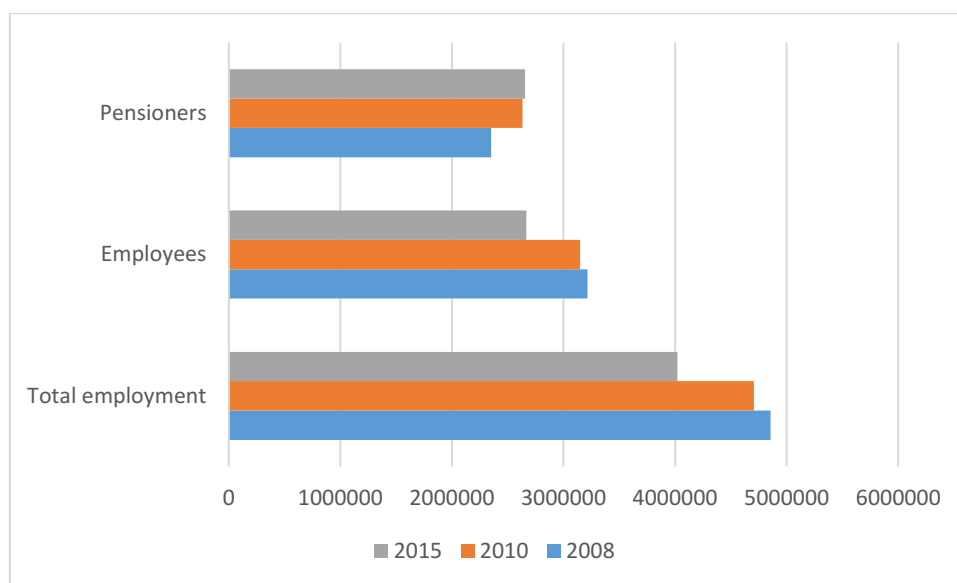
³ These are the highest cuts than any other country pursuing structural adjustment during that period, such as Ireland (11,3% cuts), Spain (5,9% cuts) and Portugal (2,7% cuts). See, Yiannis Tolios, *The Transition to the “National Currency”* (in Greek), Athens: Taksideutis, 2016, p.14.

⁴ *To Vima*, 28 March 2016 and *Kathimerini*, 7 December 2015 and 2 February 2016.

⁵ Among others, Vassilis K. Fouskas and Constantine Dimoulas, “The Greek workshop of debt and the failure of the European project”, *Journal of Balkan and Near Eastern Studies*, v. 14, n.1, March 2012, pp.1-33 and

related to this social transformation, which is typical of a crisis of this magnitude and the social impoverishment and inequality it causes. In addition, a permanent fissure within Greek class structures is between those inside and outside of the workforce. Out of a total population of 10,920.000 in 2015, the economically active population, that is, those participating in workforce, are less than 40% (4,038.676 people), whereas the pensioners were more than 2,700.000 (Chart 1).

Chart 1: Number of total employment, employees and pensioners in Greece. **Source:** Own compilation of data from ELSTAT (Hellenic Statistical Authority)



Having been committed to the austerity of the bailout agreements, all Greek cabinets since 2010 engaged in pension cuts and other measures, such as gradually increasing the pensionable age to 70 years and complicating the eligibility criteria. However, due to GDP contraction, Greek pensions are still the higher in the EU as percentage of GDP, despite the fact that the minimum national pension has been reduced to 392 Euros per month.

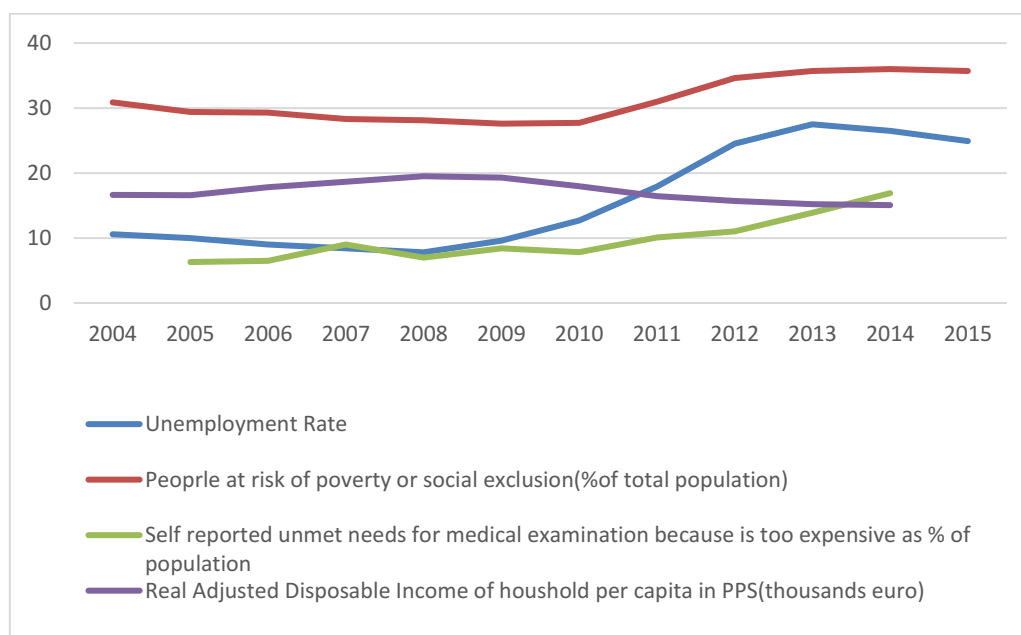
Law 3863 of 2010 introduced a new method in calculating the new pension: whereas before the final pension was defined by the best five years of contributions, the new law stipulated that the final pension results from the average sum of all contributions.

Alexander Kazamias, "The political effects of the Greek crisis", in Vassilis K. Fouskas and Constantine Dimoulas (eds), *Greece in the 21st Century; The Politics & Economics of a Crisis* London: Routledge, 2018.

Unemployment rate has always been below 12% since 1998 but it skyrocketed to 27.5% in 2013. Youth (up to 24 years old) unemployment was the highest at 53% during 2012-2015. Long-term unemployment also increased from 34.7% in 2007 to 41.9% in 2012, 70.5% in 2013 and 73.1% in 2014. Part-time, casual and precarious employment also increased, especially after the conversion of contracts from full-time to part-time and rotation work. Greek cabinets, acting under their creditors' diktat, introduced Law 4093 of 2012 in which annual leave became compartmentalised and the costs of hiring and firing workers was minimised. Experts estimate that there is an increase of 44.8% in the conversion of full-time into part-time contracts and an increase of 85.5% in the conversion of full-time contracts into rotation work.⁶ In 2013, youth involuntary part-time employment was over 64%.

Figure 1: Evolution of main indicators concerning living standards in Greece, 2004-2015.

Source: Our elaboration of data from Eurostat



Further, Law 4046 of 2012 dismantled the structure of national collective bargaining introducing agreements at the level of enterprise. Already in 2010, some 200 sectoral agreements had been signed covering 80% of employees. By 2015 even sectoral agreements ceased to be the norm: in 2015, there were only 19 sectoral agreements, no national collective agreement, the rest being in-firm

⁶ Yianis Kouzis (in Greek), "Industrial relations, unreliability of enterprises and the threat of joblessness during the recession" In: *Notebooks of the Institute of Labour/General Confederation of Greek Workers*, 36 (2012): pp.7-15.

agreements most of which were between “group of workers” and the employer (the trade union was absent).

The institutionalisation of the devaluation of labour-power via the deregulation of labour market is a substantial part of Greece's undemocratic “adjustment programme”. In these circumstances, informal employment and unemployment rose to over 30%. Due to high unemployment rate and precarious work, health insurance fees became unaffordable. Free health care for all was provided only by the second Syriza government in August 2015.⁷ Greece has now a distinct social group, that of the “new poor”, a social phenomenon quite common in Northern capitalist countries, which first appeared in Europe in Britain in the wake of Thatcher’s neo-liberal reforms. A substantial number of Greeks, especially pensioners, cannot afford to pay for a full meal a day and barter began to be widespread between 2011 and 2014, although it has now receded. More than 4.000 people committed suicide for reasons related to personal financial difficulties. Researchers note that the rate of extreme deprivation peaked in 2013 at 20% (it was 2.2% in 2009). The standard poverty rate increased from 19.1% in 2009 to 44.3% in 2013, affecting mainly the unemployed, children and the pensioner.⁸

Last but not least, the creditors pushed for reduction in public employment. They succeeded on that front too. In 2009, total employment in the broader public sector numbered 1,066.729 civil servants. By February 2013 it decreased to 776,954 and this despite the fact that employment in Greece's public sector as a percentage of economically active population is below the average of OECD countries.⁹ Flexibility has also entered the domain of the public sector. Seasonal employment in health, education, local administration and various community services were abolished. Arguably, austerity in Greece has created unsustainable social conditions.

Impact of austerity/“new authoritarianism” on dominant classes and foreign capital

The structural reform aspect of all three adjustment programmes was not so disastrous for the dominant classes within Greece. It had had some strong *class* polarisation effects within the “historic bloc” ruling Greece since the fall of the

⁷ The creditors pushed for the reform of Greece's fragmented health care system. All health care funds came under a new supervisory agency, the so-called National Organisation for Primary Health Care (EOPYY) whose beneficiaries, according to its president in 2011, were 9 million people (the number was reduced to 6.2 million in 2013). The reform included initial payment of 25% of all medical costs (medicine, diagnostics tests etc.).

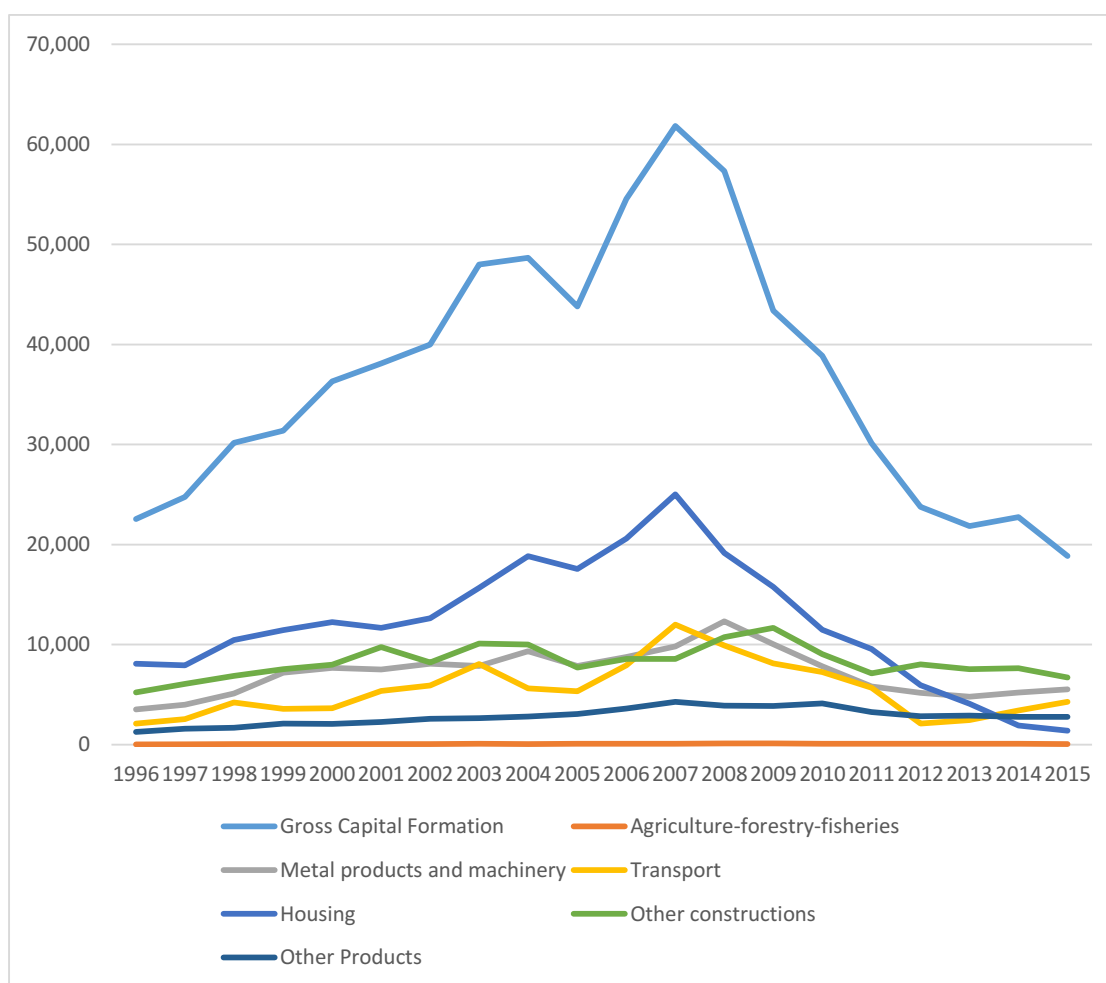
⁸ See, Dionysis Balourdos and Maria Petraki (eds) (in Greek), *Poverty in Greece. Trends, Challenges and Policies*, Athens: National Centre for Social Research, 2012, pp.16, ff., Manos Matsaganis and Chryssa Levendi (in Greek), *The Anatomy of Poverty in Greece in 2013*, Athens: Public Policy Newsletter, 5, 2013.

⁹ See, Ministry of Interior (in Greek), *The Truth about the Greek Public Sector. Wages, Employment, Development*, Athens: Ministry of Interior, 2016, p.11.

Colonels in 1974 supporting some class fractions against others, but it did not destroy capital nor did it damage the process of accumulation. It led to further concentration/centralisation of capital and intensified the rate of exploitation through deflation and punitive legislation.

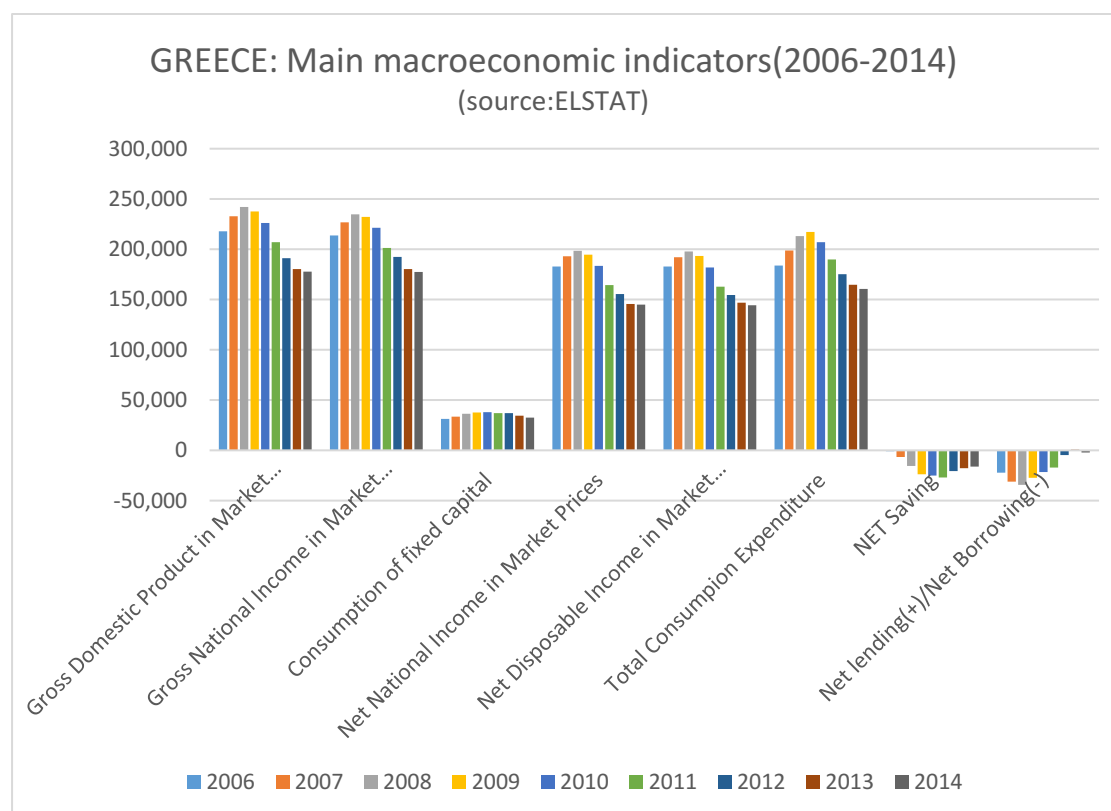
During the expansion period of 1995-2007, housing, transport, metal products, machinery and construction were the sectors that augmented most, whereas capital formation in agriculture remained rather stable. As it can be seen from the evolution of gross capital formation (figure 2), investments after 2007 began falling. By 2015, the gross capital formation was reduced by two-thirds reaching the level of 1995, losing all the gains it achieved during the expansion years of 1995-2007. The value of lost capital was nearly 80% in housing, metal products and machinery, whereas agriculture stagnated (see also below). In Chart 2, we can see all main macroeconomic indicators over the eight-year period of 2006-2014. All of them, with the sole exception of fixed capital consumption which remained rather stable, have since 2008 deteriorated.

Figure 2: Evolution of gross capital formation in Greece, 1996-2015. **Source:** Own elaboration of data from ELSTAT



The real net profits grew throughout the expansion period, reaching their peak in 2007, although if we trace the data back to 1980 we discern some fluctuations for short periods of time. The economic expansion led to further concentration/centralisation of capital, especially in banking, shipping, construction, the media sector and tourism. This trend was further intensified after 2010, that is, when Greece entered the era of permanent austerity. Infrastructural work, such as the Rio-Antirio bridge, the construction of the new Athens airport and works for the 2004 Athens Olympics had been financed by heavy external and domestic borrowing. When the crisis hit the Greek economy and hot speculation attacked the Greek bond and repo markets, the shaky foundations of the Greek expansion unravelled. All main macro-economic indicators contracted, the sole exception being that of fixed capital, leaving no space for recovery under this type of deflationary/authoritarian policy.

Chart 2: Main macro-economic indicators in Greece, 2006-2014. **Source:** Our elaboration of data from ELSTAT



Interestingly, however, only 18 out of 500 leading enterprises in Greece in 2013 registered losses. The rest continued to register profits throughout the heavy

austerity years of 2012-2014, especially the banks.¹⁰ Twenty profitable conglomerates represented 67,6% of all profits in 2013 and controlled 43,8% of the annual payroll of those 500 enterprises. Profits in the banking sector alone totalled 63,5% of all profits recorded, whereas tourism registered 36%. Greece's small manufacturing sector recorded 13% profit, but this covered only 166 firms. In retail, 99 firms covered 8,6% of all profits, although the number of the firms was reduced in 2014 due to bankruptcies and acquisitions.

According to data gathered from Greek national accounts, the sectors affected most from the crisis were the most dynamic ones, simply because they had borrowed heavily. Small family enterprises lost 58.2% of their added value, constructions 52%, social work 45,9%, communication and information services 40.3% and transport and warehousing 38.5%.¹¹ Other authors also report that large, long-established firms, such as Nutriat ABEE, declared bankruptcy in 2013. Greece's largest furniture company, NEOSET, employing over 1,000 workers, declared bankruptcy in 2012, as did SATO, another furniture manufacturer.¹² It should be noted that Greece's private sector is dominated by SMEs of which 98% employ less than 10 workers.

Lastly, we can see from Chart 4 that FDI inflows in Greece were dominated by German capital (from the late 1940s to early 1980s Greece was dominated by US capital). Before the crisis, the rate of investment was satisfactory. The amount of foreign capital invested in Greece during 2003-2008 was 28,4bn Euros of which one-third was German (9,1bn). The average annual investment ranged from 3,4bn to 7bn, but in 2012 it was only 2bn. Unsurprisingly, FDI inflows decreased after 2009. But the most interesting feature has to do with the *type* of FDI Greece experienced since the country entered neo-liberal financialisation/globalisation in the mid-1990s.

According to “Enterprise Greece”, a key professional agency recording FDI in Greece, during 2003-2008, 71% (19,9bn) of FDI went to the tertiary sector of the economy, more specifically, to finance (33%) and telecommunications (41%). Investment in agriculture, forestry, fisheries and manufacturing was almost zero.¹³ From 2009 to 2014, FDI was also directed to services (70% or 11,9bn), with the breakdown now being 29% to telecommunications, 24% in finance, 18% to the devalued real-estate and 15% to the retail sector. All in all, FDI did not

¹⁰ See, Yiannis Toliou (in Greek), *The Transition to the “National Currency”*, op.cit., pp.27ff., passim; Lefteris Tsouflidis and Michel Zoumboulakis (in Greek), *Greek Sovereign Defaults in Retrospect and Prospect*, MPRA Paper No. 71588, 26 May 2016; Marica Frangakis, *Inequality and Financialization: the Case of the EU*, Berlin: Rosa Luxemburg Stiftung, April 2014.

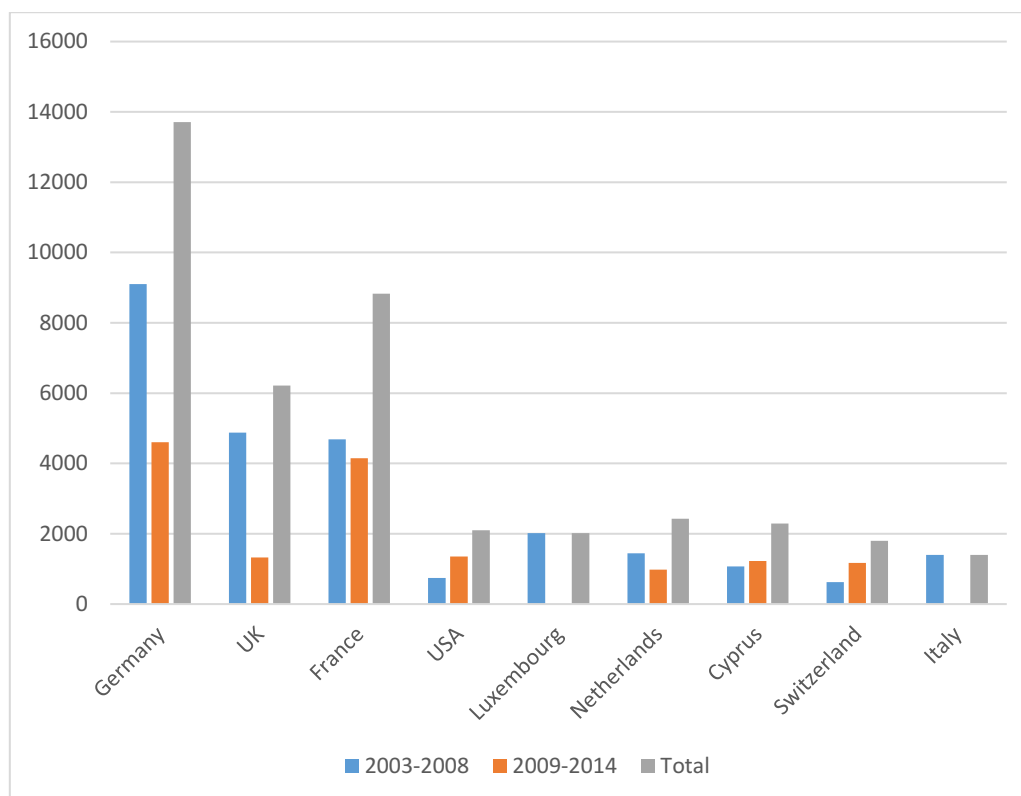
¹¹ See, www.statistics.gr (accessed on 28 December 2017)

¹² See, Marica Frangakis, “Public debt crisis, austerity and deflation: the case of Greece” In: *Review of Keynesian Economics*, 3 (2015/3): p.307.

¹³ Enterprise Greece, <http://www.enterprisegreece.gov.gr/gr/h-ellada-shmera/giati-ellada/ksenes-ameses-ependyseis>, Accessed on 26 December 2017.

contribute to the development of the real economic sector in Greece. Its business concentrated in the acquisition of equities and shares and the floating assets of Greece's privatising companies (portfolio investment).

Chart 3: Origin of inward FDI, Greece (2003-2014). **Source:** Own elaboration of data from the Bank of Greece



As far as the agricultural sector is concerned, it shrank from 8% of GDP in 1995 to 3,1% in 2009 and it began a gentle pick up with the advent of the crisis, when some internal migration took place as people, due to the crisis, was forced to leave the urban centres, returning to their provinces of origin. Remarkably, though, the EU's CAP (Common Agricultural Policy) did not manage to offset any of the chronic problems of the Greek agricultural sector, namely its labour-intensive character and uncompetitive position (Greece's agricultural sector is dominated by small, family-based farms). If at all, its financing mechanism widened the gap between small and large firms and increased relatively the number of seasonal workers. The overall number of farms, nevertheless, declined from 860,154 in 2007 to 709,449 in 2013.¹⁴

¹⁴ Spiros Sakellariopoulos (in Greek), *Crisis and Social Stratification in Greece in the 21st Century* (in Greek). Athens: Topos, 2014, pp.123 ff., passim

Preliminary discussion and context

On the basis of the above factual analysis, one may rush to conclude that the harsh austerity regime described represents the dark, indeed the darkest, side of the European project as it applies to the case of Greece. After all, as the creditors along with all sorts of neo-liberals have argued, austerity in Greece is the necessary outcome of state profligacy, recklessness and the low labour productivity of the real economic sector. The German Minister of Finance from 28 October 2009 to 24 October 2017, Wolfgang Schäuble, put it as follows: “It is an undisputable fact that excessive state spending has led to unsustainable levels of debt and deficits (...). Governments in and beyond the Euro-zone need not just to commit to fiscal consolidation and improved competitiveness: they need to start delivering now”. Schäuble argued that this is the only way to achieve sustainable development and took a clear position against a fiscal union at the European level because, as he wrote, it would make the crisis worse by “removing a key incentive for the weaker members to forge ahead with much-needed reforms”. After all, he continued, the fiscal union is “against the very nature of European integration”.¹⁵

The Minister’s analysis is wrong. As we have shown elsewhere, the Eurozone crisis is not a fiscal crisis. It is a balance of payments *cum* profitability crisis and, as such, its roots go back to the breakdown of the Keynesian compromise in the 1970s and the end of the fixed exchange rate system centred on the primacy of the dollar in global currency markets.¹⁶ The profitability crisis in the real economic sector that began in the 1970s in the Anglo-American world, failed to be restored via the policy of neo-liberal financialisation/globalisation and when the latter imploded in 2007-08 it immediately trickled down to the Eurozone via the banking sector. The first banks that failed were German and French banks.

The Minister is also wrong in saying that a fiscal union is impossible because it constitutes a bad example for the “weaker members” to implement the “much-needed reforms”, whose consequences I have described above. One of the reasons why the former Minister does not wish a fiscal union is because such an event would force the rich countries of the core, and first and foremost Germany, to cancel the debt of the periphery and then pay for it. But debt forgiveness is impossible not just because the Treaties disallow this but because such a move would destabilise the political and fiscal systems of the core countries, leading to

¹⁵ Wolfgang Schäuble, <<Why austerity is the only cure for the Euro-zone>>, *Financial Times*, 5 September 2011.

¹⁶ Among others, Robert Brenner, *The Economics of Global Turbulence* London: Verso, 2006; Vassilis K. Fouskas and Constantine Dimoulas, *Greece, Financialisation and the EU. The Political Economy of Debt and Destruction* London and New York: Palgrave-Macmillan, 2013; Vassilis K. Fouskas and Bulent Gokay, *The Fall of the US Empire. Global Fault-lines and the Shifting Imperial Order* London: Pluto press, 2012; Peter Gowan, *The Global Gamble* London: Verso, 1999.

major social upheavals and, eventually, a break-up of the EU. The interesting part of the lecture, however, is when Schäuble says that, after all, fiscal union is against the “very nature” of the European project. This begs the question: which is the *very nature* of European integration?

I argue that the “very nature” of European integration are the guiding principles of it. These are premised upon German-Austrian ordoliberal principles, which have been inserted in the institutional materiality of the European Treaties, reflecting more or less the German model of a peculiar capitalist-imperial rule. As a form of public policy, ordoliberalism dominated the process of European integration, dictating rules and norms across Europe in a typical *imperialist* fashion. As such, it does not aim at *politically* and *fiscally* uniting Europe and, after all, the “political” unification of Europe is provided by the USA under the security umbrella of NATO.

It is in this respect that Schäuble is correct: fiscal union is “against the very nature of European integration”. However, we need now to have a closer look at the main ingredients of ordoliberalism and the way in which it overlaps with Anglo-American globalisation, another key imperialist policy. Thus, from this broader perspective, I would argue that austerity in Greece and elsewhere in Europe, including Germany itself, is not the dark side of European integration. It is, nevertheless, the result and the epiphenomenon of a deep historical crisis of the Western imperial system that began in the late 1960s and has become more visible and manifest after the collapse of the Soviet Union and the failure of the USA to control the Russian and Chinese states in the 1990s. In other words, it is connected to the power-shift to Asia and the new emerging economies centred on Chinese imperialism.

Two overlapping, yet stylised, authoritarianisms: Anglo-American neo-liberalism and German ordoliberalism

On the one hand, the “success” of Anglo-American neo-liberalism, its financial sites being the Wall Street and the City of London as offshore money-hubs *par excellence*, rested on excessive financial operations at home and abroad; excessive speculative arbitrage; excessive re-cycling of fictitious capital appropriating international value creating the “debt-driven” growth of the 1990s and early 2000s; and excessive production of legislation and norms at both national and global levels aiming, among others, at transplanting their politico-economic and ideational models of neo-liberal policies across the globe. In the relevant codified jargon, the names given to these imperial processes were (and are) “structural adjustment programmes”, “rule of law” and, in the case of embattled peripheries and war zones, “transitional justice” or “Washington consensus”. The aim was and remains the transformation of the domestic orders

of all capitalist states in the world and the appropriation of international value: these are the two key features of any imperialist project in modern capitalist history. These activities, it should be said, coupled with military interventions in key neuralgic areas of the globe, have spectacularly failed to regulate the structural contradictions of capital despite the indisputable defeat of the labour movement in the 1980s. In addition, they failed to arrest the slow and protracted decline of the Western economies as a whole.

On the other hand, the “success” of German-Austrian ordoliberalism rested on the victory of the economic model of “social market economy”, which Germany managed to transpose onto the EEC/EC/EU and even beyond, and after having prevailed over France, especially after Francois Mitterrand’s famous U-turn in 1983. The (secret and open) negotiations between French and German delegations from the 1960s onwards over the thorny issue of EMU and the monetarist-ordoliberal criteria firmly enshrined in the Maastricht Treaty secured Germany’s hegemony in the EU. This negotiating process, so vividly described by Kevin Featherstone and Ken Dyson in their classic, *The Road to Maastricht*, tells us how Germany’s economic model came to prevail, defining the process and the principles upon which Europe’s economic Constitution and institutional rules should be build.¹⁷ Time and again, as with the Anglo-American neo-imperial design, the aim of German-Austrian ordoliberalism is the transformation of the domestic environment of European states making it conform to their own ordoliberal socio-economic model.

This brief sketch alone suffices to define both public policies as inherently authoritarian and imperial, two dimensions that unfolded during their crisis that set off in 2007-08. But there are more reasons militating in favour of such a characterisation. As we saw earlier, the global financial crisis of 2007-08 penetrated the Euro-zone via the banking sector. Neo-liberal globalisation and the ordoliberal integration process of the EU are strictly intertwined. German and French banks, exposed to toxic financial commodities from the USA and Britain, were the first to fail. Germany's economy has one of the highest degrees of financialization/globalisation in the EU. But Germany, having frozen wages from the mid-to-late 1990s onwards, became the top exporting country in the Euro-zone amassing and recycling large surpluses at the expense of the periphery. Thus, she was in a position to displace the crisis of its failing banking sector and impose an austerity agenda especially on the indebted periphery of the Euro-zone, effectively bailing out its failing banks.¹⁸ Thus, in the wake of the bailout

¹⁷ Kevin Featherstone and Kenneth Dyson, *The Road to Maastricht. Negotiating Economic and Monetary Union* Oxford: O.U.P, 1999.

¹⁸ Among others, Yanis Varoufakis, *Adults in the Room. My Battle with Europe's Deep Establishment* London: The Bodley Head, 2017; and my review of the book in *The Political Quarterly*, v.88, n.4, 2017.

agreements that passed the debt from the private onto public institutions, it is now the Greek, Spanish and Portuguese taxpayer bailing out the banks of the core.

Three issues are important here. First, the crisis in the Euro-zone spread from the Anglo-American financial core as a crisis of the imperialism of neo-liberal financialisation: this was a crisis of the function of core-core interpenetrative transatlantic financial transactions. Second, Germany's deflationist agenda, inspired by an ordoliberal public policy, failed to protect its own economy, and that of the EU/Euro-zone, from this Anglo-American driven global financial crisis, indicating failure of ordoliberal public policy to insulate the Eurozone. Third, and given the nonchalant growth rates of the Euro-zone and the EU as a whole from the 1980s onwards, German "social market" principles failed to deliver sustainable growth, especially under EMU conditions. Austerity and growth are two irreconcilable magnitudes.¹⁹ However, what is of relevance for our purposes here is also *the extent* to which Germany's ordoliberal public policy is imperialist. To answer this question, we must understand the profound policy meaning and determinants of ordoliberalism and how it operates in the EU/Euro-zone and beyond.

Ordoliberalism is what others call "social market economy" or "The Freiburg School". Effectively, it is the German-Austrian version of neo-liberal economics. It emanated from academic circles during the inter-war period and influenced policy-making after the war. Ordoliberal Alfred Müller-Armack, a member of the Nazi party during the inter-war period, was Germany's chief negotiator for the Treaty of Rome (1957). The literature that examines the way in which ordoliberal principles and rules have dominated the process of European integration becoming Treaty-bound norms and legal obligations for all member-states, especially Euro-zone members, is now vast.²⁰ As we saw earlier, the argument advanced is that Germany, following decades of (secret and open) negotiations primarily with France, has managed to transplant into the institutional architecture of the EU key policy tenets of its economic-institutional model, creating a pan-European system of supranational governance that resembles

¹⁹ Vassilis K. Fouskas and Shampa Roy-Mukherjee (2016), "Austerity and growth in Europe: Germany's impossible mission", *Croatian Political Science Review*, v.53, n.4, pp.7-29

²⁰ Among others, Michel Foucault, *The Birth of Biopolitics* New York: Palgrave, 1979/2010; Andrew Gamble, *The Free Economy and the Strong State* London: Palgrave-Macmillan, 1988; Derick Dale and Nadine El-Enany, "The Limits of Social Europe: EU law and the ordoliberal agenda", *German Law Journal*, v.14, n.5, 2013, pp.613-649; Kevin Featherstone and Kenneth Dyson, *The Road to Maastricht*, op.cit.; Bob Jessop, *The State* Cambridge: Polity press, 2015; Michael Wilkinson, "The spectre of authoritarian liberalism: reflections on the constitutional crisis of the European Union", *German Law Journal*, v.14, n.5, 2013, pp. 527-560. Foucault was the first tackling the ordoliberal phenomenon in some depth. In England, I should point out the pioneering essay by Andrew Gamble in 1979 in *Socialist Register*, later turned into the aforementioned book.

Germany's model of capitalism. This model is based on the following inter-related principles:

- A) Anti-inflation bias, balanced budgets and a monetary policy protecting the Euro.
- B) Central bank independence.
- C) De-politicisation of economic policy-making and technocratic quantification of it.
- D) Anti-trust legislation and a rigid rule-making economic constitution inserted in Treaties and buttressed by an ensemble of "federated executives".²¹

This last point, in many respects, resembles the design of Friedrich Hayek in his rather forgotten essay, "The Economic Conditions of Inter-State Federalism", who wrote in 1939.²² Wolfgang Streeck goes as far as to say that all major European institutions, such as the European Central Bank, the European Commission, the Council of Europe and even the European Court of Justice are forms of authoritarian governance protecting European free markets from democratic interference.²³ A similar point of view from a juridical-philosophical perspective is developed by William E. Scheuerman.²⁴ From this perspective, the very meaning of the *rule of law* in conditions of ordoliberal (and neo-liberal) financialisation, in both the metropolises and the peripheries of capitalism, has nothing to do with justice, democracy, rights and civilization as liberal theorising in the field of international politics wants us to believe. "Rule of law" (for the core) and ideologies of "transitional justice" (for the embattled peripheries of the global South) are embodiments of the technocratic rules that the individual of a fragmenting neo-liberal society, at home and abroad, must internalise so that it can be inserted without any resistance to the supreme rule and disciplinarian realm of capital accumulation, expansion, coercion and "free" global markets. Working class family units and, with them, the Fordist wage, have to be undermined because they are not conducive to the devaluation of labour-power through the market mechanism, whereas they over-burden the fiscal component of the state. The "new citizen" in the West and the East, North and South, must

²¹ Werner Bonefeld, "Freedom and the strong state: On German ordoliberalism", *New Political Economy*, v.17, n.5, 2012, pp.633-656; Werner Bonefeld, "Authoritarian liberalism: From Schmitt via ordoliberalism to the Euro", forthcoming in *Critical Sociology*.

²² Friedrich A. Hayek, (1939/1947), "The economic conditions of interstate federalism", in *Individualism and Economic Order* (Chicago: The University of Chicago Press, 1939/1947).

²³ Wolfgang Streeck, "Heller, Schmitt and the Euro", *European Law Journal*, v.21, n.3, 2015, pp.361-370

²⁴ William Scheuerman, "Hermann Heller and the European Crisis: Authoritarian Liberalism Redux?", *European Law Journal*, 21, 2015, pp.302-312

feel co-responsible with the “entrepreneur” in a society in which the workers-consumers of both sexes are no longer defined contractually as *employees* but as *associates*, with no rights whatsoever while accepting ridiculously low wages and harsh working conditions.²⁵ This is what Michel Foucault, who tackled the ordoliberal/neo-liberal phenomenon as early as the late 1970s and somewhat juxtaposed it with the Anglo-American neo-liberalism of the “Chicago School”, called *bio-politics*, after what ordoliberals called *Vitalpolitik*. According to Foucault, without this bio-political dimension, which effectively summarises a new life-style and a way of life, the ordoliberal project may not succeed.²⁶

These analyses should be read in tandem with contemporary events in various EU states and the impact of the Euro-zone crisis. In order to crack down on acts of terror, EU states impose, one after the other, “states of emergency” reinforcing the executive-authoritarian arm of the state, which acts already in an authoritarian manner by way of imposing austerity and welfare retrenchment. Whereas Anglo-American neo-liberalism is consubstantial with globalisation and the dominance of American-led finance since the 1980s in an increasingly securitised global environment after 9/11, ordoliberalism is consubstantial with the process of European “integration”, the management of its current crisis and the hegemonic posture of Germany in those processes. Same as neo-liberalism, ordoliberalism, too, has an authoritarian core which is centred on the disciplinarian, de-politicised and technocratic rule-binding approach to the construction of the EU, a policy approach implemented by the federated executives of member-states in a completely undemocratic manner.²⁷

All in all, the public policy of ordoliberal financialisation that guides the process of European “integration” and manages its crisis via harsh austerity regimes is a clear-cut imperialist policy. Apart from the Single Market mechanism, imperial arrangements of value transfer from the periphery to the core were institutionalised in the EU well before the current crisis and the launch of the Euro in 1999 (2001 for Greece). Appropriation of value by the core became more pronounced during the crisis, especially in peripheral countries, such as Greece. The announcement by the European Central Bank in October 2017 that it has so far made €7.8bn in profits from its Greek bond holdings reveals the true imperial nature of the so-called “bailouts” of Greece that EU (read: German-Austrian ordoliberalism) and IMF (read: Anglo-Anglo-American neo-liberalism) policy-makers organised in return for massive austerity measures from 2010 onwards.²⁸

²⁵ This has started from the USA with the Wall-Mart and expanded quickly to the UK and elsewhere. This is the very meaning of Tony Blair's "stakeholder society", launched in Britain in the late 1990s and embraced by the ideologues of "Third Way". In this respect, it could be argued that Tony Blair, as leader of the Labour Party, contributed far more than Thatcher's Tory party in embedding ordoliberalism in the UK.

²⁶ Foucault, *The Birth of Biopolitics*, op.cit., pp.103-243.

²⁷ Bonefeld's work cited previously is very important in understanding this dimension of ordoliberalism.

²⁸ Mehreen Khan, “ECB made Euros 7.8bn profits from Greek bond holdings”, *Financial Times*, 10 October 2017.

Discussion and context

Since the 1980s, austerity has become the dominant form of socio-economic policy in the West.²⁹ At the European level, one can find it enshrined in the Maastricht Treaty (1992) and the Stability and Growth Pact (SGP, 1998), both of which aimed, among others, at streamlining the budgetary process of the member-states in order to optimise monetary integration by avoiding currency crises and minimising risk. Exchange rate stabilisation was paramount for all core European states and the USA as it facilitated trade and transatlantic integration under American primacy. Austerity was thus institutionalised in the EU policy regimes well before the onset of the global financial crisis and the Euro-zone crisis in 2008-09. Austerity is enshrined as a key policy norm in the supply-side economics of both neo-liberalism and ordoliberalism. What happened after the crisis, especially in the beleaguered periphery of the EU, was the severe intensification of austerity; intensification of operationalisation of existing ordoliberal rules and norms embedded in the Treaties; introduction of new rules and norms and intensification of their implementation. This was to be expected because the ruling financial and political elites of the West, contrary to the way their predecessors reacted in the aftermath of the global financial crisis in 1929, took the strategic decision not to alter the principle upon which globalisation and European integration has been developing since the 1980s, namely, that of continuous support for the supply-side of the social economy and the embedded regime of austerity in it. In the wake of the Euro-zone crisis, new, stricter versions of the SGP came into force in the form of “European Semester” and “Fiscal Compact” programmes.

Austerity takes different forms and intensity levels in different countries. This is because capitalism, as a (global) social system, is developing in an uneven way. It is very important to recognise this, because it challenges head-on neo-liberal policy. This approach brushes aside uneven development and core-periphery dynamics in which public and private agencies of the core extract rents and profits from peripheral countries via value transfer mechanisms. Imperialism is appropriation of international value and this can happen via a variety of means and methods. In the context of the EU/Euro-zone, this can take the form of recycling of the surpluses of the core and the financialization of various commercial transactions. For neo-liberals, imbalances and asymmetries are seen at the state level alone and should be rectified at that level, because state

²⁹ There are exceptions, such as the Scandinavian countries. But Greece, too, had not been served by austerity cabinets in the 1980s and early 1990s, although there were strong factions within the ruling parties of PASOK (left-wing) and New Democracy (right-wing) representing specific business groups calling for supply-side policy. For a full exposition, see Vassilis K. Fouskas & Constantine Dimoulas, *Greece, Financialization and the EU. The Political Economy of Debt and Destruction*, Basingstoke: Palgrave-Macmillan, 2013, pp.109-133.

profligacy is the culprit. External disequilibria, such as current account deficits reflecting developmental cleavages, are disregarded. In short, in order to use the state executive as an instrument of austerity *par excellence*, core states, offload the debt resulting from structural asymmetries and monetary and trade interactions onto the peripheral state. Democracy and elections do not matter. The European Union is not a state and the member-states of the Eurozone do not have the right to oppose austerity even if their electorates wished to do so. In this context, I argue that there is no state, whether at European or national level, to host democracy and democratic procedures. Legitimation comes via coercion. In the Greek case of summer 2015, the ECB stopped providing liquidity to the Greek banking system, forcing the left-wing, anti-bailout government of Syriza to capitulate.

Austerity in Greece took an unprecedented form. This is because Greece was the worst of all peripheral countries in terms of both internal (budget deficit) and external liabilities (current account deficit). As a result, the crisis took a very acute form. Under the treble discipline of the IMF, the ECB and the EU, Greek cabinets have since 2010 pursued a most peculiar and acute form of bondage, that of *internal devaluation*, and by way of accepting a direct *colonial* regime within Greece proper. The crisis in Greece revealed that even specific departments and branches of the Greek state are controlled *directly* by the creditors, or the “troika” (ECB, IMF EU). For example, when Yanis Varoufakis tried to test his “Plan B” when he was Minister in January-July 2015, he found out that even the General Secretariat for the Public Revenue based in his Ministry of Finance was controlled by the creditors, who refused to provide him with the tax codes he wanted in case Greece's negotiations with the troika failed.³⁰ This resembles aspects of *formal-colonial* imperialism of the 19th century.

Having said this, “dependency” may no longer be an adequate term to describe Greece's position in the international and European capitalist system. During the Cold War, core-periphery theories of international relations and political economy used the term to describe the political and economic control of the periphery by core imperial powers, chiefly the USA. The collapse of the Soviet bloc, the ordoliberal process of European integration and the relative decline of the USA have led to the advancement of new forms of governance and rule of the periphery by the core at the European level, effectively reducing to zero even the minimal relative autonomy they used to enjoy during the Cold War. Apart from the forms of political dependency that are clear and need no further explanation, one should consider the total loss of monetary sovereignty of all countries that are either members of the Euro-zone or have their currencies pegged to the Euro. Thus, in periods of crisis in which the terrain of structural contradictions sharpens

³⁰ Yanis Varoufakis, *Adults in the Room*, op.cit.

dissipating any liberal ideological pretext of “equality” and “solidarity” and makes all actors appear in clearly defined *class* terms and roles, one can distinguish clearly the *imperial* from the *subaltern*. In this class equation, imperial forces forge a *subordinate merging* of the executive of the subaltern state with the *imperial-dictating* posture of the dominant state, creating a unique form of governance for which I would reserve the term of *symphysis*.

Concluding remarks

I have examined the social and economic consequences of the “adjustment programmes” imposed on Greece by the EU, the ECB and the IMF. Subaltern classes in Greece were the main losers, the winners being select Greek business elites and the banking system of the core. Arguably, however, this is not the dark side of European integration but a symptom of broader historical and structural processes in Western capitalist economies. Austerity in Greece and everywhere should be placed in the context of the crisis of neo-liberal globalisation (led by the USA) and ordoliberal European integration (led by Germany). I have argued that what Bob Jessop calls “a state of enduring austerity” is an epiphenomenon of the neo-liberal, supply-side authoritarian turn of western capitalist economies as a whole, a turn aiming at arresting the profitability crisis of the 1970s. However, the project failed in both of its dimension, the Anglo-American neo-liberalism and the German-led ordoliberalism. Both public policies failed to advance long-term sustainable growth regimes; protect capitalism from crises; and arrest and reverse the slow and protracted decline of Western economies as a whole that ushered in with the breakdown of the Bretton Woods system in the late 1960s.

I have also examined the key features of neo-liberal globalisation and ordoliberalism and argued that they are both authoritarian and imperialist policies. German-led ordoliberalism, in particular, constitutes an authoritarian regime of binding norms that become truly unbearable and undemocratic in times of crisis. Specific departments of the Greek state are controlled *directly* by the creditors depriving it of any meaningful (relative) autonomy. Democracy has become meaningless in Greece, and surely in many other parts of the EU/Eurozone, because the state policy is the result of the institutionalisation of the *merging* of the “national” (the Greek/X European government), the “European” (the EU and the ECB) and the “global” (IMF) into an executive committee, regardless of liberal-democratic processes taking place within Greece or any other member-state. But the EU is not a federal state and the Greek state cannot act as a democratic state under Eurozone conditions. It cannot, for example, devalue its currency in order to improve competitiveness. *Thus, democracy does not exist not just because neo-liberalism is inherently authoritarian, but because there is nowhere a state to host it.*

The solution to this unique historical phenomenon created by global and European banking and financial interests are two: either an orderly break-up of the Eurozone and return to the *status quo ante*; or an orderly break-up of the ordoliberal rule and the advancement towards a *political* European Union. Both perspectives can only be the outcome of social struggle not just between the elites and the subaltern classes, but also among factions of the liberal-financial bourgeoisie themselves. Given the rise of China and the new assertive security positioning of Russia in key geo-strategic parts of Eurasia and the Middle East, both perspectives are pregnant with geopolitical risks about which this contribution reserves the right not to pass judgement.

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