

<https://internationalviewpoint.org/spip.php?article2752>



Greece

# The Euro, the Greek Crisis, and the Left

- Debate - Perspectives in Greece -

Publication date: Wednesday 26 September 2012

---

Copyright © International Viewpoint - online socialist magazine - All rights reserved

---

**As this is written, in early September, the Greek government is expected to soon announce its new “austerity program” — aligned with the troika, of course — which will initiate another round to plunge working and young people, pensioners, migrants into yet deeper despair. [1]** However, it is quite possible “that the Greeks could spare themselves the trouble of the economy package. Governments in Europe are preparing long before, expecting that and the next report of the creditors, the troika (EU Commission, ECB and IMF), will detect new holes in the budget. In that case, the real emergency, the breakup of the monetary union, will be on the agenda.” [2] Along the same line, a report in the conservative German newspaper, the *Frankfurter Allgemeine*, was given a revealing title: “The secret plans for the euro crash - Banks and corporations are preparing for the possibility the euro could fall apart. They hoard cash, change contracts, and rehearse how to introduce the new drachma.” (August 25).

Whether Greece will soon be thrown out of the euro-zone or not, the Greek workers' movement must strive to overthrow the policies of their rulers through strikes, occupations, and other acts of resistance. At the same time, the question of an alternative policy is posed, one that might open up some way out of the crisis with its catastrophic decline in living standards, the collapse of the last vestiges of bourgeois democracy and the increasing emergence of fascist tendencies. One of the key problems that appeared with the introduction of the memoranda policies in the Greek left - and to some extent in the European left more widely - and which has led to controversial and different concepts of economic policies to combat the crisis, is whether Greece should try to remain in the euro-zone or reintroduce its own national currency (return to the drachma).

This question played a significant role in this year's election campaigns. The fear of expulsion from the euro and the threat that payment of wages and pensions could be totally stopped, i.e. “total destruction” (as the German newspaper *Bild* wrote to the “dear Greeks” on June 15), apparently persuaded many to again cast their vote for the memoranda parties, New Democracy (ND) and PASOK, on June 17. The leadership of the left alliance SYRIZA had also committed itself to keep the country in the euro-zone and, although engaging in an offensive against the memoranda policies, to strive for an agreement with the creditors and the troika, thus hoping to bring about a partial easing of their demands.

## Can Greece be kept in the euro?

The orientation of SYRIZA only makes sense if there are realistic prospects for such a compromise. But it was clear that neither the troika in general, nor the governments in Berlin and Paris in particular, showed any interest in negotiating with a possible “left government” formed by SYRIZA to discuss amendments to existing credit agreements. These agreements condemn Greece - or, more precisely, its working people and all the oppressed - to a wasting away without prospect. It is another question entirely, of course, whether the troika and the German government were bluffing. Recent developments and estimates show, nonetheless, that a withdrawal of Greece from the euro-zone would indeed be very difficult and raise many questions for the other euro-zone countries, also for the entire international capitalist economy. Still, it is being more and more seriously considered since business as usual cannot easily continue. The SYRIZA leadership had nothing up its sleeve before the June elections to counter the massive campaign of intimidation by those in power, both in Greece and in Europe. In other words, for everybody who wanted to avoid the catastrophe (!?) of Greece being kicked out of the euro, what made sense was a vote, for example, for ND but not for SYRIZA.

It should be noted that the position taken, during the June elections, by those in the Greek left who advocate maintaining the euro - namely the Tsipras leadership in the SYN party [5] and some of the organizations that belong to SYRIZA [6] - is becoming obviously weaker and less and less convincing. If the "center" of the euro zone, i.e. particularly Germany, is openly thinking through whether "Grexit" (Greece's expulsion of the euro), may ultimately be the cheaper and more reasonable option, then the Greek left - and probably also others - should be planning how to continue without the euro. The "argument" that only with the euro Greece can avoid further impoverishment is clearly null and void since the memoranda policies and the unconditional maintenance of the euro-zone are the main causes for the ongoing social process of degradation.

Undoubtedly, Greece is ULTIMATELY to be saved only by worker-friendly policies on the European level, through a radical restructuring of production and distribution in favor of the working people and all that goes with it. This would require a fundamental reorientation of European politics, meaning that the "center" ACTUALLY came to support and help rescue the "periphery" (the so-called PIIGS countries) and not just with loans designed to earn profits for the banks by accruing exorbitant rates of interest. It is important to note, however, that the chances of the EU institutions making an imminent change in this direction are not very favorable. In the major countries of the center, France and Germany, only the left parties, the German "Left," the French Front de Gauche, the NPA, etc. would advocate such a change - in the words of the left German politician Gysi, a new "Marshall Plan" for Greece and the periphery. But these parties currently represent less than 20% of the electorate in France and probably less than 10% in Germany.

The EU institutions are also totally undemocratic and hierarchically organized. They comply 100 percent with the imperial project of the ruling classes of Western Europe -including Greece - to secure and improve the best positions on the world market in competition with other imperialist blocs. The treaties (from Maastricht to Lisbon), the last reactionary "European Fiscal Pact" along with the introduction of the euro, all served the interests of finance capital and of the multinational corporations of the "center." They continue to do so, essentially under German leadership. Incidentally, it is not correct, therefore, to believe that a "pro-euro" attitude is basically more "progressive" or "internationalist" in a socialist sense. The institutions of the EU and the euro-zone are clearly defined in favor of the capitalist classes and therefore cannot be "reformed" to serve the workers. They must ultimately be dissolved and replaced by European institutions of workers' democracy and self-rule.

## European periphery and center

The division of European nations into "center" and "periphery" has intensified with the outbreak of the world economic crisis of 2008. This has revealed that there is no "European solidarity" operating today, but only the merciless self-interest of each national ruling class. The wage earners of the weaker countries have to take up all of the cost and consequences of the crisis. Because of the balance of power that exists in the EU and in the euro-zone, it is extremely unlikely that "euro bonds" - i.e. loans with extremely low interest rates such as the European Central Bank (ECB) grants to private banks - can rescue the countries of the periphery from the debt crisis in the foreseeable future. The announcement of M. Draghi that the ECB will buy government bonds issued by the countries of the euro-zone in the future does not alter this situation to any significant degree.

This does not affect the necessity for international solidarity by the center with the periphery. That is a requirement for the workers' movement and the left. Obviously there are great opportunities for development, but also a need to catch up, since the networking and organization of the exploited and oppressed in the trade unions, movements, and the left on a European level still remain far behind the well-organized international collaboration of the ruling classes and their political institutions.

The memoranda policies have already led to an almost complete social decay, to a decline in GDP of about 20% within 4 years, dramatically increasing unemployment - especially in the young generation - and to an abrupt rise of

the suicide rate. These trends will intensify after the second memorandum of February, the PSI agreement, the fiscal compact, and the recent “austerity measures” of nominally 11.5 billion euros. They will lead to a further deterioration in working conditions, a possible collapse of the remaining social security funds, the auction of national property and of the workforce itself. At best, the public debt in 2020 will be 120% of GDP, the same ratio as in 2009. Even assuming a very favorable economic development in the context of the agreements, the debt will amount to 174% of the GDP in 2020 - assuming an annual income rate in the primary sector (raw materials, agriculture, etc.) of 1%, an inflation rate of 1- 1.5%, and an annual growth rate of 1 %. The growth rates would have to reach totally unlikely 4.5% to limit the debt to 120%. [7] No need to mention that this situation is completely untenable for Greece.

Likewise, there is no doubt that the trouble cannot be attributed to internal factors such as the excessive cost of public services, corruption, lack of willingness to work, etc., as has been rumored in the media at home and abroad. It is caused by the impact of the global capitalist crisis of 2008-09, which has driven the private and public debt to new heights worldwide. But there is also a structural problem. Decisive for the special plight of the European periphery is the faulty design of the euro itself, which means that the euro zone has now become the Achilles heel of the entire world economy. For the periphery this birth defect of the euro caused a sharp decline in its competitiveness, and it is now no longer possible for these countries to compensate for this tendency, that has always existed, by a devaluation of their own national currency in relationship to the currencies of the center.

The result is constantly increasing deficits for the periphery, as is clearly apparent in the development of the balances of trade between the center and the periphery from 1999, before the euro was introduced, until 2007, before the outbreak of the great crisis—during a time when the periphery seemed to be doing well. The German account balances increased from -1.3% (1999) to 7.7% (2007). This was due to the totally one-sided export-oriented German economy. Its advantage required virtually stagnant real wages and placed the heaviest burden on the periphery, where the balances developed negatively: They declined in Ireland from 0.3% (1999) to -5.4% (2007), in Portugal, from -8.5% to -9.8%, in Spain from -2.9 % to -10.1%, in Italy from 0.7% to -2.5% and in Greece from -5.6% to -14.1%. [8] The periphery got deeper and deeper into debt, while the euro was the main cause of the catastrophic crisis management which brought an unlimited procession of cheap lending to the banks, while only expensive loans were made available to the various countries. Finally, the absurd strategy of “growth through radical austerity” and systematically induced recession, as in the case of Greece, became the general recipe for crisis management.

## The euro: badly designed

In the years following the introduction of the euro the Greek banks succeeded in increasing their profits, primarily by a strong expansion of activities in the countries of the Balkans and in Turkey. This expansion, however, was not replicated in the profits of small and medium-sized Greek companies. Yet it is clear that the euro was the main option of the Greek bourgeoisie and remains so to this day, because the euro provided them a decisive advantage in their competition with neighboring countries. It seemed to secure their role as an imperialist junior partner of the European center in the Balkans and in the wider region. According to Lapavitsas, the Greek “banks are now in a very precarious situation because they hold a high proportion of government bonds, are exposed to the growing risks of medium and small firms, and depend on a supply of credit by the ECB for which they need the guarantees of the Greek state. In essence, they survive by artificial respiration.” [9]

The present (memoranda) policies of crisis management must be deemed to have failed, and their continuation can only lead to the aggravation of the already imminent disaster. Lapavitsas, who has advocated the withdrawal of Greece from the euro-zone since 2010, says that Portugal and Spain also have no future with the euro and will soon have to return to their own currency. When asked about the alternative, however, he also replies that “the periphery, without a Marshall Plan, has no chance of survival.” [10] However, this would, according to him, presuppose that Germany makes a decisive change in its policy, as the German banks and large corporations benefit from the current

export orientation, although they do so at the expense of the German population as well as the entire monetary union.

Michel Husson also paints a bleak picture of the situation, pointing out that the debacle was predictable even before the introduction of the euro: “The worm was in the fruit, for a basic reason which was possible to anticipate: nothing in theory or practice supports the postulate that monetary constraints would guarantee a real convergence of the European countries (Husson, 1996). The single currency postulates the realisation of a homogeneous entity, to which it is then supposed to contribute (Husson, 2001). With the passing of time, the introduction of the euro-system will probably appear as a terrible error stemming from a dogmatic, indeed neurotic, blindness, and in any case from a total incomprehension of the challenges to a genuine European unity. Today, the Euro zone has become the weak link of the world economy, and we can even say that Europe is in the process of devouring its own children. The policies pursued at the European level amount to a blind headlong rush which plunges the whole zone into an infernal spiral of austerity and recession. Unemployment settles in at unprecedented levels and the only way out is a shock therapy targeted on the deconstruction of the social model.” [[Michel Husson, “The political economy of the â€˜Euro-system.’”](#)]

## The necessity for a withdrawal

Lapavitsas responds to the question of what possible alternatives might exist: “The exit from the euro will be very painful for Greece, Portugal, and Spain. If the euro collapses completely, this will be a disaster for Europe. If the European leaders still have common sense, they must therefore examine seriously how a withdrawal from the euro can be accomplished in as normal a fashion as possible.” [11] To say it once more: IN THE FINAL ANALYSIS it is impossible that Greece and the other peripheral countries will pull themselves up by their own bootstraps. They will continue to be dependent on cooperation with the center and on its assistance.

But this doesn't mean that Greece cannot or must not take steps by itself to throw the dictates of the troika and the pernicious memoranda policies overboard. In short, initiatives that could show a way out of the present mess must be taken by the workers' and resistance movement and by the left in Greece itself. The balance of power and the political orientation must be radically changed if the country is to regain any prospect for a development of the productive forces and of economic growth, appropriate to the social needs, to social cohesion and to justice. (We leave aside the question of whether this is achievable under the present conditions of Greek capitalism.)

The orientation of the SYRIZA leadership that marked the election campaigns was an insistence that Greece should stay in the euro-zone. This was controversial within SYN and SYRIZA. P. Lafazanis, Member of Parliament of SYN/SYRIZA and one of the protagonists of the minority but not insignificant “Left Current”, has long advocated the exit of Greece from the euro-zone. The same applies to Lapavitsas who also supports SYRIZA. It is very unlikely that the SYRIZA leadership can still credibly maintain the same propaganda. The goal of ending the memoranda policies (although the SYRIZA leadership promised after the May elections only to limit them!) is not compatible with remaining in the euro-zone. Real developments have already left that propaganda promise behind.

Consequently, a solution to the crisis would require a plan B, sketched with minimal requirements for a promising alternative economic and social program. In any case, Greece must reject the claims of its creditors. It needs to stop paying the sovereign debt in order to use available funds for the reconstruction of its social and industrial infrastructure. There are two alternative approaches to a rejection of the debt payments: First is the radical one of ANTARSYA which insists that the legitimacy of all claims of all creditors - and thus also those of the troika - must be denied. This demand corresponds to the slogan of the site occupation movement during the spring of 2011 which declared, “We owe nothing, we do not pay, we do not sell.” The second, milder version is the call for establishment of an “audit” commission, to review the legitimacy of the sovereign debt. This is supported by the SYRIZA leadership.

For simplicity, we will assume for further discussion that this second option would lead to serious differences with the claims of the creditors, since otherwise it would be pointless.

Stopping of all debt payments will immediately reveal the true state of Greek banks and make their nationalization inevitable. Thus the domination of capital can be called into question, especially if the expropriation is carried through without compensation and under workers' control, as demanded by ANTARSYA. The proposal by Lapavitsas is a bit less radical: Instead of the usual government bonds the banks could get new loans of "long term tangible assets with governmental guarantees at a low interest rate. Something similar could be done to protect the insurance funds." Finally, the banks, after having become public property, should "serve as a lever for the transformation of the Greek economy." [12]

## Lapavitsas' and Husson's proposals for solutions

The ideas of Lapavitsas appear here in a kind of intermediate zone, between radical reform within the existing economic and political system, on the one hand, and an actual transition that is aimed at transcending these limitations and at breaking with the established order (i.e. at a socialist transformation) on the other. In any case, it is clear to him that his approach is not compatible with the euro-zone, certainly not with the form in which this has existed for so many years. He replies to the objection that SYRIZA wants to keep the country in the euro-zone as follows: "But SYRIZA also accepts that there is a limit beyond which the Greeks cannot bear the situation within the euro-zone. If the euro-zone still calls for tougher measures, SYRIZA will deny it. In the final analysis this will mean the withdrawal of Greece." [13]

It should be stated, in any case, that stopping the debt payments (that is, a bankruptcy declaration, which cannot seem unthinkable to anyone at this point), the socialization and nationalization of the banks (including their profits and not only their losses), and the disassociation of Greece (possibly its expulsion) from the euro-zone represent essential and interconnected elements of an alternative approach as a the solution to the current misery. Nothing less is possible anymore, as the reasoning of Lapavitsas demonstrates. The weakness of his approach appears to be that it is conceived as a program for a possible "left government" led by SYRIZA, and remains within that framework. He fails to recognize the role of the bourgeois state and the need for the development of dual power structures through the self-organization of the exploited and oppressed. The ruling class and its repressive state organs will not stand idly by if some future government attempts to gradually take into its own hands control over the banks, the means of production, and the social wealth. Moreover, it has been shown that the strategy of SYRIZA simply does not conceive of this as its objective.

Husson's proposal for a solution remains less convincing than the one of Lapavitsas. It denies that stopping the payment of the debt and the nationalization of the banks are connected to a withdrawal of Greece from the euro-zone. Husson writes: "To get out of this impasse, there is a path which would involve a unilateral break with the currently existing Europe in the name of another European project. We can speak here of a transitional programme combining rejection of the rules of the Euro-system with a will for generalisation of the alternative experience to the zone as a whole. We do not await the miraculous appearance of a 'good' Europe and instead adopt a 'protectionism of extension' which consists in protecting the experience of social transformation while proposing its extension. It is such an approach which underlies the emergency plan advanced by SYRIZA for the Greek elections of June 17, 2012. It was centred on these three points: 1. Cancellation of the memorandum, all austerity measures and employment counter reforms; 2. Nationalisation of the banks; 3. A debt moratorium to identify and cancel illegitimate debt." [14]

This is a misunderstanding: The SYRIZA leadership proposed neither the cancellation of "all" austerity measures nor



the nationalization of banks, but only their “control” before June 17. Moreover, when Husson speaks of “illegitimate” debt of Greece, he should explain what debt claims made by banks and other creditors might be considered “legitimate.” If Husson considers an exit of Greece from the euro-zone as a nationalist aberration, he needs to explain what else Greece might possibly do under the present conditions imposed by the troika. He also leaves open the question whether a solution of the crisis is possible in the capitalist framework when he writes at the end of his article: “The principles of a solidarity-based Europe are indeed incompatible with a pure (!) capitalist logic.”

## The “call” of the KKE

In early September, the Political Bureau of the Central Committee of Communist Party of Greece (KKE) issued a “call” which rejects, in a peculiar way, both the “euro one-way street” of the new Greek government (ND, PASOK, DIMAR), though also of SYRIZA, and a sovereign default combined with an exit from the euro-zone. The KKE leadership proposes a “workers’ and people’s power” through the establishment of a “people’s government” and the transformation of the current ownership of big business (big companies, all means of transportation, the land) into “public property.” This would be, so to speak, the program of the socialist revolution from the viewpoint of the KKE leadership, at least as a propaganda formula. The KKE leadership refers back to the countries of former “real socialism” and writes: “The workers’ and people’s power gave a lot to the peoples of socialist countries. It solved problems in a way workers of the capitalist nations can only dream of. We (apparently the KKE leadership itself is meant here) are learning from the omissions (!) which led to the counter-revolution and the overthrow of socialism.” [[15](#)]

The KKE leadership does not explain what intermediary steps or strategy might lead to the implementation of this “workers’ and people’s power.” The target floats in space, which is probably the reason why the KKE leadership does not consider it necessary to answer the question of whether their “workers’ and people’s power” could be established while preserving the euro. If the answer is “no,” does this not mean that Greece has to return to the drachma?

Nevertheless, the call of KKE points out that this alternative would also be harmful: “The sovereign default and exit from the euro would cause a sharp rise in prices for the huge quantity of imported products, along with a dramatic loss of purchasing power by the workers. In both cases (meaning: even if the country remains in the euro-zone) tax increases and a deep pruning of existing opportunities for growth in the country are inevitable. Certain factions of the capitalist class want to benefit from an exit of Greece from the euro-zone, because they will then invest less capital in a country with a depreciated currency and with Bulgarian wages.” Indeed, this perspective cannot be ruled out if Greece reintroduces the drachma without capitalist rule being called into question. The inconsistency of the KKE’s position remains evident.

## ANTARSYA and the exit

ANTARSYA, an alliance of about 10 organizations and the most important formation of the anticapitalist-revolutionary left, brings the main elements of a real transitional program into the class confrontations. Its approach aims at overcoming capitalism through extra-parliamentary struggles, the development of self-organization of the exploited and oppressed, workers’ power and democracy. The ultimate goal is to replace capitalism with a socialist system. This orientation is also reflected by statements of ANTARSYA during the election campaigns, e.g. in a central call before the elections of May 6.

The key passages are quoted here again: “There is another way! Without debt, euro, EU and memoranda! For the anti-capitalist overthrow of the coalition government and the troika!â€”Power and wealth must pass into the hands of

working people.” The list of demands is as follows:

- Immediate cancellation of the credit agreements, memoranda, and all of their accompanying measures!
- Against recognition of the debt and for its cancellation.
- Break with and exit from the euro-zone and the EU.
- Expropriation without nationalization of the banks and large enterprises under workers’ control.
- Immediate wage and pension increases. Abolition of the poll tax and all tax increases.
- Prohibition of layoffs, full social protection for the unemployed. For the reduction of working hours and the lowering of the retirement age. Expropriation of hundreds of closed firms. Resume their operation under the control of the employees themselves.
- Good quality and cheap food provided by cooperatives, cutting out the middlemen and large companies.
- A general workers and popular uprising and anti-capitalist revolution.

SYRIZA and KKE are criticized as follows: “The parties of the parliamentary left do not meet their historical responsibility. SYRIZA speaks of a ‘left-wing government,’ but does not dare say a word against the euro and the EU. It is looking for more and more solutions for the debt through agreements with the creditors! KKE is now against the debt and EU but postpones this to ... the Judgment Day of ‘people’s power’ achieved through the parliamentary path by winning a majority in the elections. ... It avoids any open political conflict and still refuses to contribute to a unified workers’ and popular uprising. Such an attitude hinders the struggle. Unity of action for the overthrow is now more necessary than ever before!” [\[16\]](#)

In the election campaigns ANTARSYA placed a strong emphasis on the need to exit from the euro-zone and the EU. One can criticize this, but not so much because it is wrong to speak of such a course. It should, however, not be presented as a central demand. Instead, the stress should simply be on the fact that this represents a necessary consequence of refusing to pay the debt and of nationalizing the banks, etc., things which point to a way out of the crisis. The withdrawal from the euro-zone is undoubtedly practicable within capitalist conditions and has no transitional character in the socialist sense, as a specific objective. Moreover, strong objections to this course of action existed and still exist among the Greek people, since the reintroduction of a national currency is a very complicated issue; it would lead to devaluation and inflation. Nevertheless it is inevitable.

In Greece, actually, the future of Europe is at stake. Solidarity from the rest of Europe, particularly Germany and France, for the resistance movement of the Greek population must be accompanied by a critical understanding of what is actually happening in Greece. This solidarity can help to bring about a change, and therefore a constructive solution to the crisis for the exploited and oppressed of Greece, i.e. the vast majority of the population, against neo-liberalism and capitalism. This would open up new prospects for the socialist alternative in Europe as a whole.

---

[1] “Exploitation without end,” German left newspaper *junge Welt*, 05/09/2012



[2] "Waiting for the Greek meltdown," *Frankfurter Rundschau*, 21/08/2012

[3] "Exploitation without end," German left newspaper *junge Welt*, 05/09/2012

[4] "Waiting for the Greek meltdown," *Frankfurter Rundschau*, 21/08/2012

[5] The SYN (Synaspismos) is a left reformist party with origins in euro-communism that dominates SYRIZA.

[6] These organizations include AKOA, to some extent DEA ("Internationalist Workers' Left"), a semi-Trotskyist organization, which created the slogan "No sacrifice for the euro, do not trust the drachma," as well as the "Kokkino" group (Â«RedÂ»). KOE (Â«Communist Organization of GreeceÂ»), an organization with origins in Maoism and after the SYN the largest grouping in SYRIZA, considers, however, that Greece is once again an occupied country and must regain its national independence from the troika in order to restart a national development policy.

[7] The figures are taken from the article by Jannis Tolios, "â€Euro - drachma,' realistic growth and progressive solution to the crisis," Feb. 2012, Greek website ISKRA. (Here and below, my translations, AK.)

[8] Source OECD.

[9] Kostas Lapavitsas, "The crisis requires radical solutions," website *Aristero Vima*, 26.10.2011. Lapavitsas is a professor of economics in London at the School of Oriental and African Studies. Many of his articles and papers, for example in the *Guardian*, are accessible on the Internet in English.

[10] Lapavitsas, "Only a Marshall Plan can save the euro," website *Aristero Vima*, 02/07/2012.

[11] See (8)

[12] See (7).

[13] See (8).

[14] See (9).

[15] Call by the PB of the CC of the CPG (KKE), *Rizospastis*, 09/02/2012.

[16] From an ANTARSYA call for the elections of May 6, published on 14/04/2012.