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Greece

# The limits of flexibility

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**At the end of 1996, Moody's Investors Service "promoted" Greece to BAA1 credit rating. [1]** These high marks will make it easier for Greek capitalists to borrow money abroad. The rating is also a pat on the back for Yannis Papantoniou, the Socialist Party Minister of Finance and Economics. For ordinary Greeks, these "rigorous" economic policies have brought misery. Ilyas Altinoglu reports on the waves of protest which have swept the country.

Greece has suffered ten years of austerity policies, and most people have seen no improvements in their situation. On the contrary, unemployment is rising and the standard of living falling.

True, Greece is every day more "European" But only in the sense that misery, violence and begging are increasingly visible in the streets. A social fracture is widening, just like in the main European nations.

Most Greeks comfort themselves with illusions. Conversations are dominated by a strange mixture of aggressive nationalism and a cosmopolitanism reinforced by emigration, links with the diaspora, and the internationalism of Greek capital. Everyone agrees that economic backwardness is the cause of our misery. Some say we must tighten our belts to catch up with the rest of Europe. Others say our underdevelopment condemns us to domination by the mandarins of the European Union. [2]

Contradictory, of course. But hardly surprising, given the country's very limited weight within the European Union, and the determination of the Euro-capitalist elite to unravel all the social advances made by the workers over the last 100 years.

Reality is beginning to shake Greece's curious ideological consensus. The country now has one million, mainly "illegal" foreign workers (Albanians, Kurds and Poles), in a total population of 10.3 million. Meanwhile, wages fell 20% in real terms between 1985 and 1996, and sharp cuts were made in social spending.

More is to follow. The OECD says Greece has "one of the most generous retirement pension systems in the European Union." And unemployment benefits (less than 50% of the minimum wage, paid for 5-12 months) are, apparently, a barrier to "labour market flexibility." [3]

In the old days, Greece has a dense social tissue. Family and village solidarity helped absorb private sector "rationalisations" and the resulting unemployment. But after 10 years of "modernisation," these mechanisms are less and less responsive. Rather than finding a job in a family business or through kinship contacts, young people stay unemployed. Nor can people move back to their village of origin so easily. [4]

The "underground" economy, and the mass of small companies which characterise the Greek economy are booming, on paper. One in three members of the workforce are "self-employed", compared to one in seven in the EU as a whole. But in reality, most of these "self-employed" workers are paid on a piece-work or daily basis. With 30-50% of economic activity in Greece undeclared for tax, social security and workplace safety purposes, these marginalised workers, Greek and immigrant, experience "labour market flexibility" in its most modern, infernal forms.

The unemployment rate now fluctuates around 10%, depending on the contraction or expansion of the European Union heartlands. As in the rest of the European Union, most of the pain is concentrated among young workers, women, immigrants, and the long term under-employed.

## Vulnerable consensus

Greece is the only EU country which \*no-one\* expects to meet the Maastricht convergence criteria, and adopt the new common European currency. Inflation is 6.5%, the public sector debt is 113.4% of GDP, and the government predicts a 1997 budget deficit of 4.2% (assuming GDP growth of 3.3%).

The impossibility of meeting the Maastricht criteria has not prevented the government from trying its best. The combination of domestic cuts, and the knock-on effects of the slowdown in the larger European states, stifled the signs of economic upturn in 1994, and will probably do the same this year.

Already handicapped in the race towards Maastricht convergence, the Greek bourgeoisie must implement even harsher cuts than in the dominant member states. The Maastricht Treaty was signed by a conservative government, but even the Socialist Party (PASOK) which dominates Greek politics has been won over to the values of neo-liberalism. A "modernist" and "European" leadership has superseded the "nationalist" PASOK bosses of the Papandreou period. [5] The new PASOK leadership has not hesitated to confront its own social base - as striking farmers and teachers have recently discovered.

Consensus on the importance of the Maastricht convergence criteria could win majority support, or at least acquiescence, as long as the only alternative was a retreat into nationalism. Though it is striking that the nationalist explosion of the 1980s, when Greece became obsessed with its Turkish, Macedonian and Albanian neighbours, and with the major European powers, did not lead to an isolationist or autarkic strategy within the country's elite.

On the contrary, the pro-European wing took control of the PASOK, and steered the party to victory in the September 1996 elections. The conservative right is now entirely oriented towards Europe, without the "national sovereignty" ruptures visible in Britain and some other countries.

On the left, only the Communist Party continues to blame "foreign powers" for all the country's problems. [6] The Synaspismos coalition (Left and Progressive Regroupment) has reinforced the pole of trade union and communist militants who are convinced that "there is no salvation outside Europe." The other left party, the Democratic Social Movement (DIKKI, formerly part of PASOK) criticises the Maastricht Treaty, but does not suggest that Greece renounce its signature!

Greece is probably the only European Union where the bourgeoisie as such is marginalised in public political life. PASOK wins most of the elections and, in September 1996, the Communist Party, DIKKI and Synaspismos each won about 5% of the national vote. The conservative New Democracy Party has been out of power for nearly 20 years, apart from a brief taste of power in 1990-93, when the party tried to run parliament with a majority of one vote.

People only voted for PASOK because they knew the right would attack even harder. During the campaign it was virtually impossible to find a party worker who agreed with PASOK leaders.

## Waves of protest

Nevertheless, last year's election results were perceived by the working population as a victory for left currents in society. And there was a bitter response when the "socialist" government began to cut spending and increase revenue. The first to demonstrate against the PASOK government were mothers of large families, threatened with a reduction in their benefits. Retired people were told that they would have to pay more tax.

## The limits of flexibility

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Next to protest were sailors. Greek shipping companies control half the European Union's fleet: and are a real supranational force. Not surprisingly, their all-powerful "Committee" is based in London, rather than the Greek port of Piraeus. Their power and mobility has given these capitalists the confidence to demand the complete liberalisation of the sector. Why should Greek ships have Greek crews and captains, earning Greek wages? After all, Holland only requires that captains of Dutch ships have that nationality. Britain doesn't even demand that. [7]

While sailors faced a powerful sector of the European bourgeoisie, protesting peasants confronted a government which, in agricultural matters, is a transmission belt for decisions made in Brussels, and within the World Trade Organisation. As well as discouraging "overproduction", the European Commission is now trying to prevent subsidies and grants to the large number of Greek peasants who have been obliged, over the years, to work their land on a part-time basis, and spend the rest of their time in salaried work, or a small service business (particularly along the coast). The bureaucrats' goal is to eliminate two thirds of the agricultural workforce. To do so, they are willing to empty the countryside of its inhabitants, and tolerate a collapse in the quality of agricultural produce. [8] The country's 60,000 secondary school teachers started industrial action on 20 January 1997. Few, if any, suspected that they would be on strike for eight long weeks. The teachers were determined, and there was organised solidarity from both pupils and parents. But they were unable to provoke an extension of the strike to other parts of the public sector: probably the only thing which could have forced the government to back down.

Their demands were hardly extraordinary, and the trade union current leading the campaign was the closest to PASOK, the ruling party. But because of the government's obsession with the Maastricht convergence criteria, and the continuing programme of public sector cutbacks, the government refused even the slightest concession, and seemed rather happy to have "saved" two months of salary, despite the disruption and suffering. [9]

These successive waves of protest have not brought an improvement in living conditions. But they have re-centred public debate in Greece along class terms. By thrusting the question of human need to the centre of discussion, the labour movement has knocked a few holes in the wall of consensus which protects the "necessity" of budget cuts and restrictive monetary policies. [10]

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[1] From BAA3, with effect from 23 December 1996.

[2] According to the OECD, Greece has a foreign debt of US\$38 bn., and GDP of about \$120 bn.

[3] Greece has an official unemployment rate of 10%. In 1995 unemployment benefits represented only 1% of GDP.

[4] In the 1980s, the agricultural sector absorbed many urban workers who would otherwise have been unemployed. But the growing number of job losses, the effects of the EU Common Agricultural Policy, and the dictates of the World Trade Organisation mean that the countryside can no longer play this "shock-absorber" role. On the contrary, the government hopes to reduce the proportion of the population engaged in agriculture from 22% to 8%, so as to increase competitiveness.

[5] The transformation of PASOK is analysed by George Mitralias in "Painful birth of a new era," International Viewpoint #276, April 1996, pp. 17-18.

[6] The Greek Communist movement is analysed by Ilyas Altinoglu in "Back to Stalin," International Viewpoint #279, July 1996, pp. 13-14.

[7] In March 1996 Greek interests \*owned\* 3,246 commercial vessels, with a total tonnage of 75 m. tonnes. This is the largest fleet in the world. Although only 2,019 vessels, with a total tonnage of 28 m. tonnes, are registered in Greece. In 1980 there were 3,896, with a total tonnage of 43 m. tonnes. In 1974 there were 120,000 Greek sailors on these ships. Today, there are only 30,000.

[8] Greece produces much of Europe's cotton, at a "profitable" price. But despite a catastrophic harvest this year (962,000 tonnes, compared to 1,300,000 in 1996) the country has again exceeded the European Union quota of 800,000 tonnes. Brussels has fixed a price (290 Drachmas)

## The limits of flexibility

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which, because of the overproduction, includes a "co-responsibility penalty." This price may stop income falling further, but it does not solve the sector's acute problems.

[9] The state education system is extremely selective. The result is growing violence and disillusionment in the high schools, with a programme which neglects knowledge and culture, and leaves young adults without real job opportunities. The result is an increasing number of "incidents" in the schools.

[10] One very tangible result is the higher-than-expected response to the Greek initiative within the European Marches against Unemployment, Marginalisation and Job Insecurity.