Economic Crises as an ‘Opportunity’ for Both:
The Reaction of Capital and Labour to the Current Economic Crisis in Greece

Özgün Sarımehtet Duman

This paper aims to evaluate the contradictory relationship between labour and capital that becomes more visible during economic crises, which turns into an opportunity for both since the class struggle becomes harsher and the class positions became much obvious.

Keynesianism had reached its limits by the end of 1960s, when the contradictions inherent to the capitalist mode of production (‘the tendency of the rate of profit to fall’ and ‘the overaccumulation of capital’) necessitated a shift from Keynesian economic policies to monetarist-competitive economic policies. Because “the capacity of the existing production methods had reached their limits” and “the important changes in the power relations between classes” had made any increase in the exploitation and thus productivity of labour impossible (Savran, 1988: 48). In that respect, “the conditions that had prevented the occurrence of capitalist overaccumulation were exhausted by the end of 1960s” (Bonefeld, Brown and Burnham, 1995: 39).

As the control of capital over labour weakened, the cost of exploitation increased, and the circumstances of accumulation hardened, two things happened: “On the one hand capital borrowed more money to make up for falling profits to overcome difficulties for expanded accumulation. On the other hand, earned profits were increasingly placed on money markets” (Bonefeld, Brown and Burnham, 1995: 39). The expansion of credit as a tool of monetarist-competitive economic policy meant both “the future income of the
debtor” (or labour) and thus the future profit of the capital (Bonefeld, Brown and Burnham, 1995: 40). Moreover, “debt was socialised as through fiscal reforms, rescue of banks, the use of public expenditure as a means of imposing the discipline of poverty, and the encouragement of credit-based private consumption” (Bonefeld, 1995: 38). Workers, who personally became indebted by mortgage and consumption credit, happened to be more subservient with the fear of losing their jobs.

As a result of the rise in the cost of labour power and the decrease in the rate of profit, the investment in the productive sector became an unsafe one. The investment of money into the financial sector instead of the productive sector was perceived as a risk-free way of capital accumulation, and the financial sector has expanded in comparison to the productive sector. In that respect, capital “responded by fleeing the factory”, “started to accumulate wealth in the money form without a corresponding exploitation of labour power in the factory” (Bonefeld and Holloway, 1995: 212); and “financial investment yielded higher returns than productive investment” (Bonefeld, Brown and Burnham, 1995: 39). The contradictions that are inherent to the capitalist mode of production have deepened by the attempt of capital to emancipate itself from labour vis-à-vis conversion from the productive to the financial capital.

As financial capital has grown uncontrollably, it needed to be accompanied with increasing rates of exploitation and profit in the productive sector. In accordance with the monetary-competitive economic policy, the rates of exploitation and profits in the productive sector have increased by labour market reforms (de-unionisation, deregulation, flexibilisation, and social insurance policies). However, the accumulation of capital and exploitation of labour could not match the growth of financial capital.

The augmented amount of surplus value accumulated in production has been diverted to the financial market, and financialisation has enabled capitalist accumulation to
grow rapidly. The breakdown of the international monetary system and the trade of not goods but capital with much velocity have resulted in the integration of national financial markets; and inflow/outflow of speculative capital and endemic/epidemic economic crises consequently occurred at local markets. Credit, mortgage, social insurance funds and bonds at stock markets became tools of financial capital, which do not have an equivalent in the productive sector.

2008 global economic depression is a result of the excessive growth of financial capital in comparison to productive capital and people’s inability to pay their “subprime mortgage loans” in the USA, which created a domino effect in the world financial market (Savran, 2010). Firstly, the mortgage finance corporations and the banks providing credit to these corporations have experienced huge losses. In that respect, 2008 global economic depression is dissimilar to previous economic crises so that it started not in the developing world but in the developed world, it affected the whole capitalist system, and it was not instantly followed by economic growth as in the short-term economic crises. 2008 economic depression has developed as a consequence of the crisis of capitalist mode of production, which gave way to unemployment and poverty, and capitalist market mechanisms have been unable to eliminate its conditions of existence (Savran, 2008). To sum up, it can be argued that 2008 economic depression is a result of monetarist-competitive economic policies of the post-1970 period and their promotion for investment in the financial capital rather than the productive capital (Bağımsız Sosyal Bilimciler, 2009: 59).

In 2008, the situation of the mortgages and thus the banking sector created a common credit bottleneck in the economy, and all corporations operating with credit have experienced economic difficulties, stock markets have become upside down. Consumption has decreased, unemployment and poverty have increased. National governments have
taken several measures (like providing credit and liquidity to the market, introducing reductions in the interest rates and taxes to promote consumption, guaranteeing the investments of households and socialisation of national banks) in order to assure the sustainability of the capitalist economy (Erman, 2010; 211-233).

The theoretical framework outlined up till now is used to explain the economic crisis and depression in the capitalist world. Although Greece is part of the world capitalist system, the economic situation experienced in Greece cannot be explained using the same theoretical assumptions. That is because; Greece has shifted its economic policy from Keynesianism to monetarism in the late 1980s, but has not developed a competitive productive and financial market yet. Concerning the productive sector, the necessitated reforms in the labour market have not fully applied due to several reasons, the most important of which is the level of working class resistance.

In terms of the financial market, it could be argued that, despite regulations for the integration of Greek economy with the world economy, the level of financialisation is quite low. More than 70% of the wealth is tied up not in stock, bonds and other financial instruments but in real estate. Thus, the Greek real estate has not experienced the kind of recession as in the financially liberalised and integrated economies. It rather suffered from the fact that Greek firms are receiving their revenues from operations in the neighbouring emerging markets. That is to say, in Greece, the type of banking is comparatively “of a fairly simple nature”, do not “involve work with the more speculative side of modern international banking”, “loan levels are low”, the mortgage market is “only beginning to develop in a modern form” and “heavily leverage products are not known” (Pettifer, 2010: 1).

Greece’s level of financialisation in comparison to other European countries could be analysed using the data of financial transactions.
As it could be perceived in the graphic, the total amount of financial transactions in 2001-2008 period in Greece is almost 1/25 of France and 1/23 of the United Kingdom. This amount is equal to 1/5 of the average financial transactions in Germany, Spain, Italy, Netherlands, Belgium, Denmark, Sweden and Austria. That is to say, the theory of excessive growth of financial market as the reason of 2008 economic depression could hardly be used in the case of Greece, where the level of financialisation is quite low.

However, since “it does not have developed financial markets”, this does not mean that Greece has not been affected by 2008 global economic depression, as it was declared by the General Director of a Private Equity Fund (Kathimerini, 2008a). In that respect, in order to explain the effects of global economic depression in Greece, there is a need to start from the other aspect of the economy: the productive sector. The transition process of the economic policy from Keynesianism to monetarism in Greece would help to explain the long-term problems in the productive sector, and especially the labour market,
that has given way to the inability of the Greek economy to compete with other industries and resulted in the reflection of current global economic depression on Greece.

Following the end of the military dictatorship (that protected the interests of the foreign capital at the expense of national capital) by the coalition of the national capital and the working class, Keynesian economic policies had dominated the labour relations in Greece until the middle of 1980s. In accordance with Keynesianism, an anti-EU agenda was pursued along with the promises of socialisation and extensive social spending, regardless of the accession to the European Union in 1981. However, since the national capital reached at the limits of capitalist accumulation under Keynesianism, class coalition was ended and transition from Keynesianism to monetarism was started. Moreover, the EU’s single market and capital liberalisation policies demanded the member states to become equally efficient and competitive, and Greece commenced to undertake the necessary financial reforms to be part of the European Monetary Union. Integration of the national market to the global one has been realised via policy tools such as financial and capital market liberalisation in order to render the economy consistent with the Single Market. Labour costs have been decreased, labour market deregulation has commenced and several laws/regulations regarding part-time work, privatisations, flexibilisation of working hours and places, social security system reform and labour productivity were passed for increasing the competitiveness within the Union. In line with these regulations, real wages declined, working hours extended, and job security deteriorated.

Labour unions could express their resistance to the neoliberal reforms, and raised their objections by strikes, protests, demonstrations and marches. The increasing number of strikes, arduous wage bargaining processes and escalating conflict among classes led to the postponement of some of the labour market reforms with the initiative of the capitalist class, who is hurt the most by industrial actions. Moreover, the reformist or revolutionary
vision of the trade unions has been effective on the labour-capital relations in such a way that the trade unions have achieved to transcend wage-politics and other short-term targets. Thus, the working class and trade unions have efficiently made use of collective bargaining processes, and they successfully blockaded important labour market reform attempts. Although there have been several issues in which the working class could not manage to sustain its position, there have also been significant achievements in preventing the neoliberal reforms and labour market deregulation policies.

Therefore, the organised struggle of the working class against the labour market reforms has prevented the application of neoliberal reforms that aimed to make workers more productive and the capitalist production more profitable. The deferral of the labour market reforms that have been designed to increase the comparative advantage of national industries in the global market had structurally influenced the Greek economy. Moreover, the inability to apply labour market reforms concerning social security and pension systems as well as the high levels of expenditure on education have increased the burden on the budget. Contrary to many other capitalist countries, education has been protected as a civil right (Constitution of Greece, Article 16), and several attempts for reforming the social insurance system have been postponed due to the organised struggle of the working class. That is to say, the current economic crisis in Greece is a consequence not of excessive financialisation but of the lack of competitiveness of the economy due to the postponement of labour market reforms. Thus, the Greek debt is based on the “serious and long term structural factors in the economy” (Pettifer, 2010: 2).

During the recent economic crisis, the state, which was supposed to be ‘minimised’ and withdrawn from the economic area (as if it is separate from the political one) in accordance with the ‘hands off’ approach promulgated by the neoliberal agenda, was on duty for assuring the sustainability of the capitalist economy and for
compensating/confiscating the loss of the capitalist class. Implementation of production incentives and tax exemptions for increasing comparative advantage of national industries were followed by financial measures for increasing public revenues and decreasing public expenditure. These measures included the removal of the tax exemption of the first 9,500 Euros of income, increase in the taxes to be paid by workers, fiscal tightening, reductions in social benefits and services, reduction in public investment, and freeze in the public sector wage increases.

Labour market reforms were duly pursued in order to increase the exploitation of the working class with the execution of various restrictive measures regarding working conditions, wages and pensions, as well as the weakening of the social rights in health, pension and education. In other words, economic crisis is instrumentalised to increase the accumulation of surplus value and to decrease the cost of production. In that respect, the economic crisis, which allows policy-makers to present the structural reforms as a ‘necessity’ for a successful recovery, indeed provides the capitalist class with an invaluable ‘opportunity’ to conclude publicly-opposed reforms that have long been delayed.

In October 2008, 28 billion Euros rescue plan was declared, aiming at “helping the country’s banks [to] survive the crisis” (Kathimerini, 2008b). According to the plan, the state was decided to “guarantee three- to five-year bonds issued by banks operating in Greece in 2009 for up to 15 billion Euros; issue special government bonds worth up to 8 billion Euros and deposit them with local banks, which, in turn, can use them to borrow from the European Central Bank; [and] boost the capital of Greek banks by buying preferred shares with voting rights” (Kathimerini, 2008b).

As an apparent impact of the global economic crisis, the growth rate of the Greek economy fell to 3.1 % in the 3rd quarter of 2008 with a decline in investment, consumption and exports (Kathimerini, 2008c). To remedy the impact of the economic crisis, a spending
package of almost 1 billion Euros (consisting of 500 million Euros in public investment and 400 million Euros in social spending) was prepared. Moreover, it was announced that “the government is here and is displaying responsibility, seriousness and specific measures to confront the effects of the international crisis”, and decided that pensioners and the unemployed will receive heating fuel supplement between 100-200 Euros; unemployed people and those on basic state pensions who have mortgages will be given a boost of 500 Euros; and about 280,000 unemployed will be granted an extra Christmas bonus between 103-430 Euros (Kathimerini, 2008d).

Before the emergency meeting of the EU leaders in early March, it was stated that cuts on public spending are inevitable because of the excessive budget deficit. Thus, without touching the education and health sectors, 10 % cut in the budget of most of the ministries, an identical reduction in spending on contract workers and a ban on hiring permanent/temporary staff in the public sector were declared (Kathimerini, 2009a). Intending to limit the wages of managers in some sectors, the wages of the officials in the public sector were restricted by 6,000 Euros per month, and the salaries of the MPs were levied a 5 % tax (Kathimerini, 2009a; Kathimerini, 2009b). Freezing the wage increases of public sector employees earning more than 1700 Euros; postponing 5 % wage increase of the MPs, judges and doctors; taxation of the ones gaining over the average income; extra payment to the pensioners and public sector employees with limited income; and the privatisation of Olympic Airlines were the measures taken by the state (Papathanassiou, 2009). Being dissatisfied by these recovery measures taken, the European Commission notified Greece that the budget deficit should be decreased below 3 % of the GNP; taxation system should be changed; and the level of debt should be reduced. Combating tax evasion was declared as the main target when these policy measures are implemented.
The precautions taken by the government was not structural but conjunctional ones, and structural measures should be taken for Greece’s transition from Keynesian to monetarist economic policy and its full integration with the global market. That is to say, to rescue the reproduction of capitalist mode of production, ‘the poison pill should be swallowed’ by Greeks. Since the reasons of the postponement of neoliberal reforms (namely the organised resistance of the working class) have persistence, the intervention of the IMF and the EU has made significant effects in the legitimisation of the crisis policies and structural reforms in the Greek economy.

On May 2010, the IMF and the EU has announced a 110-billion € rescue package (30 billion € from the IMF and 80 billion € from the EU), which covers several austerity measures concerning the labour market. The most important of these labour market reforms has been on the agenda since the loan was taken in May: the social security system reform. Despite many resistance movements, demonstrations and strikes, the social security system reform package was accepted in July 8th. The structural reforms proposed/presented as a requirement for the release of the next instalments of the credit by the troika (the EU, the ECB and the IMF – as mostly mentioned by the Greek press) have been followed by privatisation policies, which have been accelerated with the privatisation of ATE Bank and Post Bank. Privatisation as a direct method of collecting revenue is now restructuring the whole public sector in Greece, where privatisation was always the mostly performed among other neoliberal reforms. Moreover, according to the memorandum signed with the troika, the wages in the public sector are decided to be frozen (Eleftheros Tipos, 2010)².

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² In the collective agreement signed in July 2010, the wages are decided to be frozen for one year, and to be increased by 1.5 % in 2011 and 1.7 % in 2012. This could be assessed as the success of the resistance of the working class.
After the first auditing of the troika in 14 June 2010, the second instalment of the credit was agreed to be released in September, in case the structural reforms are implemented in accordance with the memorandum. These structural measures include the homogenisation of the wages of public employees, opening of the “closed” occupations, and liberalisation of the energy market.

The precautionary measures taken by the governments at the beginning of the global economic crisis and the structural reforms proposed by the troika at the later stages of the political/economic crisis in Greece indicate the fragility of capitalism, the role of national state in the reproduction of capitalist mode of production and the relations between the international financial institutions and the national states. Since the prerequisites for transition from Keynesian to monetarist economic policy could not have been fulfilled in Greece due to high levels of class struggle, the inevitable crisis of capitalism has exposed the profit-based problems in the productive sector and expenditure-based problems in the budget, both of which are directly related with the functioning of the labour market.

That is to say, on the side of capitalist class and the national state (as a form of capitalist social relations and an area of class struggle), the economic crisis in Greece is perceived as an opportunity so that the long-been-delayed reforms in the labour market has been presented as a requirement to rescue the country from a total collapse. Moreover, the introduction of the EU, the ECB and the IMF into the operation of recovery is used by the Greek government as a tool for legitimisation of the structural reforms.

These developments on the side of the capitalist class and the state do not mean that troika’s policy proposals and the long-been-delayed labour market reforms are welcomed by the working class. On the contrary, the class struggle among two happened to be much harsher, the class positions became more explicit, and the class consciousness of
the working class has improved. Moreover, the unity among trade union confederations and chambers were strengthened whereas the role and position of the political parties were reshaped.

On the side of the working class, the confiscation/socialisation of the crisis of ‘capital’ism and the losses of capital deteriorated the working conditions as well as the living standards by decreasing wages and increasing taxes on consumption goods. After the 28 billion Euros rescue plan is accepted in October 2008, GSEE and ADEDY called for a 24-hour strike, intending to resist the socialisation of the economic crisis and charging the whole economy for the banking crisis (GSEE, 2008). It was argued that “austerity measures, limits on labour rights, privatisations and flexible working relations should be reversed” (ADEDY). PAME also participated to resistance movements, and organised marches and protests all over Greece.

With the argument that “workers should not take the burden of the crisis”, ADEDY and GSEE organised a 24-hour general strike, and protested the freeze of pensions and wages, flexibility of working hours, and the changes in the social security system (Apoyevmatini, 2009). Strike was attended by metro/bus/train/trolleybus/ship/airline workers, teachers, doctors, journalists, social security employees and others in the public sector. Trade unions and confederations pointed out the “neoliberal attack” and “decrease in the wages and labour rights”, which have been sustained by the “coalition of the state and the EU” (ADEDY). Workers expressed their demands on wage increase, a just taxation system, recruitment of the health services, protection and improvement of the public services and arrangement of the promotion procedures. In 14 May 2009, another strike was organised to re-express the opinion of the working class on the economy’s recovery programme and deterioration of the labour rights. With the slogan of “We’ve been paying their profits; we will not pay
their crisis”, it was aimed to criticise flexible working relations, privatisations, low level of wages and other neoliberal policies besides claiming for social justice, full-time contracts and a just taxation system (ADEDY).

In 2010, there have been two general strikes until May, two general strikes in May (on 5th and 20th), two general strikes in June (on 12th and 29th) and one general strike in July (on 8th). Among structural reforms implemented both before and after the signing of memorandum with the troika, the social security system reform has been the mostly resisted one. With the resistance of the working class and the opposition of the political parties and MPs in the parliament, some articles of the agreed reform package are amended.

That is to say, the ‘so-called’ recovery process of the capitalist economy that has actually been working at the expense of labour made the inherent contradictions of capitalism more explicit and noticeable for the working class. In other words, the economic crisis in Greece contributed to the class struggle and class consciousness of the working class, providing it with an ‘opportunity’ to struggle, raising its awareness against the structural reform policies, and revitalizing any form of resistance that might have already existed, against labour market reforms, deregulations, collective dismissals and increasing rates of exploitation. The economic crisis, therefore, has a potential to enable the working class to comprehend its objective conditions and to resist exploitation.

To sum up, the paper aimed to employ the theory and methodology outlined above to explain the case of Greece, where the current economic depression is regarded as an instrument for implementing structural reforms that have long been postponed due to

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3 Social security system has a special importance in the labour market reform process of Greece that since the early 2000s, the attempts for the reform of the social security system has been collectively resisted and successfully deferred until the troika’s intervention. That is because; the social security system is a labour market reform, which affects every segment of society (workers and civil servants in the public and private sector, retired workers, university students who will enter the labour market soon, and etc.).
high levels of working class resistance. No matter how those measures are presented as vital and indispensable to prevent the economy from a total collapse, the never-passive working class organisations have been successfully resisting them since the economic crisis has also equipped the working class with a unified agenda and a common front to defend. In that respect, the serious troubles faced by the Greek economy are not a mere reflection of the current global economic depression, but also a result of the inability of the Greek state to pursue the structural reforms for a long time.

Nonetheless, there are couple of things to be pointed out for a more comprehensive struggle of the working class against capitalist exploitation. First of all, there needs to be a better collaboration between the political party of the working class and the trade union organisations. Secondly, fragmentation among trade union organisations and bourgeois-democratic approaches to the structural adjustment policies deteriorate the working class struggle. And lastly, since the global economic depression requires the introduction of similar structural reforms in almost all countries and the working class is affected in the same way across countries, international alliance of the working class resistance is a prerequisite of success.

Bibliography:

Books and Articles


**Online Resources and Newspapers**

ADEDY, Available At: [http://www.adedy.gr/adedy/site/](http://www.adedy.gr/adedy/site/)


