Capitalist crisis, odious dept and default of payments:
The Greece’s dilemma

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(Extensive Summary)

The deficit and public debt crisis that has recently broken out in Greece and nearly every developed country are not simply manifestations of just another economic crisis of modern capitalism. This is actually the “tip of the iceberg”, which hides the accumulated dead - ends and contradictions of a pattern of growth, wealth distribution and aggressive stance against the environment, which is stretching towards its historic limits. Such policies, applied for the sake of confronting deficits and public debt, only deteriorate the social and development dead – ends, while pushing the route of history towards past times. As a consequence, viewing the crisis immediately concerns, not only its economic basis, but also the social super-structure in general, as an overall crisis of the capital’s political dominance in its neoliberal aspect.

1. The nature of the crisis

The new global crisis is, in fact, a crisis of over-accumulation of capital and particularly, over-accumulation of “fictitious capital” in the form of overproduction and augmentation of the value of different kinds of securities. This comes as a result of policies of “liberalization”, “deregulation” and “securitization”, as well as “financialization” of capitalist economy. A clear
image of the over-accumulation of “fictitious capital”, it can be provided by comparing GNP and total value of financial “products”, circulated in the global economy. According to BIS (Bank of International Settlements) records, global GNP was estimated at 62 trillion dollars in 2010, whereas total value of financial derivatives of any kind was 1,020 trillion dollars: 437 trillion were transferred in organized stock markets and 583 trillion in “over-the-counter derivatives” stock markets! In such times of crisis, a great part of the “fictitious capital” anxiously seeks profit, trying to avoid the consequences of a speculative “bubble”, with “external help” from the states and with policies of fierce redistribution of income and wealth, at the expense of the popular strata and hired labour, in particular.

This explains the unpopular “exit strategies” on behalf of the capitalist countries’ dominant elites (a mixture of Keynesian and neo-liberal “prescription”), in order to support bankers and boost profiting for the financial capital. However, this particular policy generates public deficits and debts and generates long-term austerity, recession, unemployment, poverty and social marginalisation. This is the greatest proof for the failure of neo-liberalism, both in “creating” and “way out” of the crisis.

2. Crisis in the euro-zone and the euro

This new economic crisis has deeply shaken the EMU (Economic and Monetary Union) superstructure, which had created the “euro-zone” and the euro from the early 2000. Functional problems, until then mounted-up and covered-up for almost a decade, have rapidly come to the limelight with the burst of the financial crisis, especially with the crisis passing up to the “real” economy. The EMU superstructure has proven to be rickety!

It is, in fact, a corrupt economic union, with no unified macro-economic and structural policy, which serves the powerful national economies of the euro-zone, especially Germany. Throughout its ten years, the EMU has demonstrated divergence of economies, instead of convergence; the gap between “centre” and “periphery” has been widened; the chronic problems in the balance of payments have deteriorated, while needs for public and private
lending have increased! In addition, incontrollable credit extension of banks with low interest rate has only encouraged further indebtedness (of states, enterprises and households). Countries like Greece, Spain and Portugal have increased their debts.

Where is the problem really concentrated? The permanent fixed parity among countries with different levels of development and competitiveness, while lacking united economic policy, becomes a basic factor of disequilibria in the euro-zone, with respective problems arisen in the future! Here lies one of the basic issues with the EMU and the euro.

Recent neoliberal pylons of supporting euro cannot solve the problem. The “European Fund of Financial Stability” (ESFS), which, effective 2013, will turn into the “European Mechanism of Stability”, has limited funds and cannot establish reasonable support of the member-states, whereas they will be provided in extremely onerous terms. At the same time, an even stricter “Stability Pact” will deteriorate the fate of the periphery, causing long-term austerity, economic decay, depression, high unemployment, broadening poverty and social marginalisation. Finally, the so-called “Pact for Euro” only expands over-exploitation and unequal distribution of income at the expense of the workforce and in favour of capital profitability. In truth, the new “pylons” of supporting euro lead to an even worse form of the EMU and eventually to an antilabour “typhoon”, which breathes only social and political totalitarianism.

If this is the new vision for a “United Europe” offered by the dominant elites of Brussels, it is certain that the European peoples and the great majority of workers will not tolerate this! Actually the mere notion of “European integration” is being violently struck by such policies, putting the “United Europe” vision at risk.

3. Debt crisis in Greece and confronting policies

Greece currently has a debt, which is continuously growing at least until 2014: from €343 billion in 2010 (or a 148% of GNP) to €380 billion in 2014 (or a 170% of GNP), without counting in “Troika’s” (EU-IMF-ECB) €110 billion
loan. However, it is not just the debt itself, but the *burden of public debt*, as the amortizations are estimated to grow from €79 billion in 2009 (33% of GNP) to €90 billion in 2014 (40% of GNP). Obviously, this loan cannot be repaid.

Over the last months, various scenarios grow concerning loan regulation (restructuring, renegotiation, refinancing, etc). However, the "thin red line" between any options lies in the basic question: regulating the loan in terms of lenders or in terms of debtors? Regulating the loan in terms of finance capital or in terms of social benefit? What is more, the answer feeds two other different scenarios, which signal two different policies: the policy of "controlled bankruptcy" and the policy of "progressive renegotiation" of the loan, including the default of payments.

The first scenario, the one of "controlled bankruptcy", is being imposed by the dominant circles of the EU, the IMF and Greece and begets long-term austerity programs, back-to-back "Memoranda", liquidation and privatization of public property, etc. The goal is to ensure the loans of the lenders, which, at the same time, would leave nothing but "scorched earth" for employees, pensioners and the youth, both socially and economically.

Nevertheless, there is also the option of "default of payments" of the debt and first of all the "repudiation of odious debt". According to international law, a country can claim to be in "state of necessity", refuse to pay the debt, ask debt renegotiation and eventually aim at erasing a great part of it and repaying the rest in much better conditions. Argentina is a recent example of such a case.

According to the "state of necessity", the position of the UN "International Law Commission" should be reminded, which states: "A State cannot, for example, be expected to close its schools and universities and its courts, to disband its police force and to neglect its public services to such an extent as to expose its community to chaos and anarchy merely to provide the money wherewith to meet its moneylenders, foreign or national". (Yearbook of the International Law Commission, Volume II, Part Two, Article 33)
As for the “odious debt” repudiation, according to international law, a country holds the right to deny repaying that part of the debt that was not in favor of the people, nor had their consent, while the lenders were aware of that fact. Again the case of Ecuador is an example of that situation. This is where the idea for an “Audit Commission” becomes suitable and necessary, in order to define precisely the Greek public debt.

In addition, “odious debt” repudiation brings forth the issue of a country remaining within the euro-zone. Here comes another dilemma, experienced by the Greek society in a very particular fashion: remaining in the euro “at any cost” or reviewing terms and conditions? Persistence in remaining at any cost is a pessimistic, defeatist choice, both static and unrealistic, as it “cages” greek economy and society (as well as any other European nation, especially in peripheral member-states) in choices made by the euro-zone dominant elites, with no promising prospect.

On the other hand, the choice of disengaging from the euro-zone also comes with objections and reservations based on the fact that leaving the euro and returning to the national currency would have significant consequences. However, at this point, all choices have consequences; especially when retaining the present “euro-zone” status would launch problems even greater comparing to the perspective of disengagement. Retrieving the control of the “instruments” of economic policies and applying a progressive “exit strategy” can put the country back on developing track, increase working places, reduce unemployment and breed fair redistribution of wealth and income, while putting in motion a plan to actually confront deficits and public debt.

4. “Ethno-centrism”, “euro-centrism” and socialist perspective

Nevertheless, this particular scenario is considered by certain objections from a part of progressive forces as the output of another political standpoint. Instead of debt repudiation on a national level, the idea of debt renegotiation on a pan-European level while connecting this struggle with radical reforms and a socialist perspective.
However, debt in Greece and in other “peripheral” member-states is not of equal volume or depth comparing to the “central” member-states. The law of unequal economic and political development between capitalist countries takes place also within the “euro-zone”. Imbalance in competitiveness inevitably leads to imbalance in deficits, debts, social implications of the crisis, etc. Thus, achieving immediate solutions on a supranational level is harder than on a national level.

Equally unrealistic is the notion about altering political relations simultaneously in all member-states and implementing radical reforms aiming at the “Europe of the peoples and the workers”. Still, if the socialist perspective in a single country is considered unrealistic, then the perspective of socialism in all member-states at the same time should be regarded as fiction! In contrast, “leaving the door open” for radical reforms in one, two, three or more member-states can indeed bring “lifelike” chances in overthrowing the neoliberal EMU super-structure and in re-founding the European vision for the sake of peoples and workers. In any case, Europe with EMU policies and the euro-zone is different from a European “common home for the peoples”!

5. Social and political conditions of a progressive “exit strategy”

The analysis above shows clearly that the debt issue is not just another economic-managing issue, but a composite and mostly a political problem, which touches all the aspects of social life and international relations, especially among the «euro-zone» member-states. Simultaneously, it directly effects the terms in which class struggle takes place, as well as strategies and tactics of the progressive movements in general, both in national and supranational level. As a result, the way it is being dealt with is an essential element of the left alternative policy for a progressive “exit strategy” and an open socialist perspective. Thus, it takes a closer look to the political and social prerequisites, in order to promote it inside the Greek society.

From this point on, three issues occur: firstly, processing an alternative program of economic uplifting, which will begin from confronting the debt and
unfold an entire bundle of measures, aiming towards a progressive, radical direction; *secondly*, developing a strong movement of resistance against Memorandum and controlled bankruptcy policies, by coordinating actions with respective European movements; *thirdly*, altering political relations and creating a broad radical front of forces, able to give rise to a progressive government, which will introduce the country to a reliable “way out” of crisis. Necessities of moments and dynamics of things can speed up times and processes of accomplishing them.

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