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Put an End to the Farce That's Turned Into a Tragedy

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The 2007–08 global financial crisis was the second most disastrous global economic event of the last 80 years. Its severity hasn't been quite as dramatic as that of the Wall Street Crash of 1929 (and clearly not as catastrophic as the socioeconomic crisis in Russia and Eastern Europe engineered by the Milton Friedman economists at Harvard and Chicago following communism's collapse), but for that we have only the visible hand of government and the legacy of John Maynard Keynes to thank.

Even so, we can be only minimally grateful for the latest interventions from the public sector. While governments in the United States and Europe rushed to protect the banks and the financial firms—thereby avoiding a more severe financial crisis and the possible collapse of the global financial system—they have taken rather limited measures to alleviate the pain and suffering of the millions who lost their jobs, their homes, and their savings as a direct consequence of the reckless and fraudulent behavior of the banks and other "great capitalist" financial institutions. Indeed, looking at developments in the European Union (EU), where the neoliberal mercantilism of German Chancellor Angela Merkel is spreading havoc throughout the eurozone economy, one wonders if any lessons at all were learned from the Great Depression of the 1930s. Thanks to severe austerity measures and a fanatical commitment to fiscal consolidation, Europe's overall economy is now close to stagnation and extremely high levels of unemployment prevail in many countries, especially in the eurozone periphery.

In Greece, the situation is completely out of control, with the standard of living rapidly declining to 1960s levels and the number of unemployed having reached the one million mark (out of a workforce of five million). There is a lack of heating oil for many public schools, homelessness abounds throughout its two largest cities (Athens and Thessaloniki), the working class has seen major cutbacks on public transportation routes, and more than one-third of the population lives on less than 500 euros per month.

Since 2010, because of an international bailout package worth 110 billion euros, the government has adopted a number of International Monetary Fund (IMF) austerity measures with the aim of reducing the deficit (it stood at 13.5 percent in 2010, but no one can be sure of Greek statistics) and making its humongous public-debt-to-GDP ratio manageable (142.8 percent in 2010). The target of the neoliberal restructuring has been the public sector (massive budget reductions and salary cuts, layoffs, and blanket privatizations), but the most brutal form of fiscal adjustment in contemporary European history has now been extended with equal severity into the private sector as well. Part of the second IMF/EU bailout plan, agreed to only this morning, demands salary cuts in the private sector of 20–25 percent—all while essential labor rights have been rolled back, creating almost preindustrial conditions in the labor market.

The austerity measures have backfired, just like most economists expected they would. The economy sank deeper into depression and the debt increased (it rose to close to 160 percent of GDP by the end of 2011). With the economy in free fall, Germany and the IMF insisted on even bigger doses of the same medicine, thereby sending the country's economy deeper into depression and unleashing a process of social decomposition that, in combination with the total surrender of national sovereignty to Berlin, is leading many in Greece to draw (mistakenly) symbolic parallels to the nation's occupation by Germany during World War II.

The second bailout plan will do nothing more than buy extra time (an official default is simply inevitable) for the EU to build firewalls to prevent the spread of Greek contagion into the rest of the periphery—and prepare the ground for Greece's exit from the euro. The only ones failing to see this are the nation's political class. Indeed, indicative of the mood prevailing in Germany and in Brussels in general, the characterization of Greece as a special case has shifted to one of a hopeless case, and virtually everyone there acknowledges that the implementation of Plan B is merely a matter of time.

It is high time for Greece to put an end to the EU farce that has now turned into a real tragedy. The nation should refuse to accept another lethal injection and threaten immediate default. At this juncture, there is no other way out. However, if the EU is intent on keeping Greece in the eurozone, it should respond in turn with the immediate implementation of a large-scale economic plan (something along the lines of a Marshall Plan) as a means of halting a member-state's economic hemorrhaging and the dissolution of an entire society.

For further discussion of the evolution of the Greek political economy up to and including the debt crisis, see www.levyinstitute.org/pubs/wp_688.pdf.

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