CHAPTER 2

The 'Greek Crisis' and the Austerity Controversy in Europe

John G. Milios, Spyros Lapatsioras, and Dimitris P. Sotiropoulos

Introduction: The Global Crisis as a Point of Departure for Consolidating Austerity Policies in Europe—the Greek Case

The 2008 global economic crisis is without precedent in the post-war period, a fact acknowledged by the majority of economists. In Greece, the crisis has become devastating for the working classes after implementing the 'Measures of Fiscal Adjustment' contained in the bailout programme, known as 'Memorandum of Understanding' (MoU), which was signed

J.G. Milios (✉)
Department of Humanities, Social Sciences and Law, National Technical University of Athens, Athens, Greece

S. Lapatsioras
Department of Economics, University of Crete, Crete, Greece

D.P. Sotiropoulos
The Open University Business School, Milton Keynes, UK

J. Marangos (ed.), *The Internal Impact and External Influence of the Greek Financial Crisis*, DOI 10.1007/978-3-319-60201-1_2

between the Greek government and the Troika (International Monetary Fund [IMF], EU, European Central Bank [ECB]) in May 2010. In fact, Greece can be seen as a 'guinea pig' for shaping the second phase of the project of European Unification, the cornerstones of which are on the one hand austerity policies and on the other institutional reforms aiming at significantly increasing the power of employers over workers and dismantling the welfare state. These policies, in the framework of the so-called European 'economic governance', constitute an attempt to place all the fallout of the systemic capitalist crisis on the shoulders of the working people.

These extreme austerity policies were not left undisputed. A series of mass demonstrations and strikes ensued in Greece, soon after the bailout agreement. The most important result of these mass movements was the unravelling of the Socialist Party (PASOK) that has stayed in power for more than 20 years in the last three decades and which negotiated the 'stabilization program'. Mass movements and popular demonstrations finally led to national elections in May and June 2012, through which the Coalition of the Radical Left (SYRIZA) became the major opposition party in Parliament. SYRIZA was until then a small radical left party (4.6% in the national elections of 2009). In the early national elections on January 25, 2015, SYRIZA achieved a stunning victory with 36.3%, as compared to 27.8% of conservative New Democracy and 4.7% of PASOK, the two government coalition partners, until that time. This electoral result was translated to 149 parliamentary seats for SYRIZA, out of the total 300, and led to a coalition government with the 'Independent Greeks' (ANEL), an anti-austerity party stemming from the conservative political camp (4.75%, 13 seats). New Democracy elected 76 MPs and PASOK 13 MPs. Other parties in the Parliament were as follows: Golden Dawn (Nazis) 6.3% and 17 seats, To Potami (liberals) 6% and 17 seats, and KKE (Communist Party of Greece) 5.5% and 15 seats.

However, after six months in office, the SYRIZA-ANEL government agreed on a third financing programme by the European Stability Mechanism (ESM), connected to a new austerity memorandum. The IMF retained its consultative role, as part of a still in force MoU programme with the Greek government. The secession of 25 SYRIZA MPs, who soon after formed a new anti-austerity parliamentary group called Popular Unity (LAE), led to the resignation of the government and to new national elections on September 20, 2015. SYRIZA won again with 35.4% and 145 seats, as compared to 28.10% and 75 seats of New Democracy, and formed a new coalition government with ANEL (3.69%, 10 seats). LAE, with only 2.86% of the vote, did not reach the 3% electoral threshold and remained without any representation in Parliament (Milios 2016).

After the capitulation of SYRIZA and the Greek government, who had promised to 'end with austerity' and, by 'changing Greece', to initiate a 'democratic chain reaction' that would re-establish the 'European social model', neoliberal austerity policies remained undisputed all over the EU. Both the 'Treaty on Stability, Coordination and Governance' (March 2012) and the planning of 'National Competitiveness Boards', which shall be established in all Eurozone member states in the time span July 2015–June 2017, are typical. They signify the strategic target of European economic and political elites to deepen and render irreversible the neoliberal policy framework all over Europe (Kennedy 2016).

By the word 'neoliberalism', in this chapter, we mean a form of capitalist governmentality that reshapes the relations between capitalist states, individual capitals and 'liberalized' financial markets. This recomposition presupposes a reforming of all components involved, in a way that secures the reproduction of the dominant capitalist paradigm. From this point of view, with the term 'neoliberalism' we denote a historically specific form of organization of capitalist power on a social-wide scale. For further elaboration, see Sotiropoulos et al. (2013, pp. 201–3).

European Austerity Policies and Global Imbalances

The 2008 global economic crisis had hit not only Greece, but also the EU as a whole. The European Unification project has entered its second, less optimistic phase. Cross-country differentials in growth and inflation, persistent current account (or financial account) imbalances, real effective rate appreciation (mostly for countries with current account deficits), a sharp rise in the sovereign debt overhang of several European countries, culminating in a European debt crisis and the setting up of a leveraged and highly integrated banking system were the most striking developments.

Political authorities in the EU and the Euro-area (EA) argued that only austerity policies were in a position to tame the crisis and to promote 'competitiveness' and a process of export-oriented growth. In the EA, where currency devaluations are not possible, austerity is considered to be a mechanism of 'internal devaluation' of wages and, consequently, of prices of tradable goods. A positive current account balance and a process of export-oriented growth shall thus be put in motion through austerity policies.

According to the *European Economic Forecast*, of Winter 2016 (European Commission 2016), the current account balance of both the EU and the EA has been improved for all countries during recent years, and it is expected to exceed 3.0% of the GDP of the EA in 2016, with Germany keeping the lead with a current account surplus of 8.5% of the GDP.

This apparently positive outcome coincides, though, with a negative performance as regards other crucial indexes of economic and social development:

Unemployment has risen since the 2008 financial meltdown in the EU and the EA more than in other regions of the developed capitalist world, still remaining above 10% (as compared to 5.0% in the USA and 3.3% in Japan), despite some mild improvement since 2013.

The output gap related to potential GDP was −1.1% in 2016 (as compared to 0.4% in the USA).

The inflation rate (Harmonized Index of Consumer Prices) reached near to zero values in recent years, trapping investment and growth.

Last but not least, the sovereign debt overhang in the EA cannot be contained by the methods implicit in the austerity strategy, that is, increasing primary surpluses and privatizations. The debt ratio of the EA increases in recent years, and this is especially the case for the higher indebted EA countries like Greece, Italy, Portugal, Cyprus, Belgium, Spain and France (Eurostat 2016).

Austerity has been criticized by many prominent economists as an irrational policy, which further deteriorates the economic crisis by creating a vicious cycle of falling effective demand, recession and over-indebtedness. Moreover, European austerity policies have been accused of dragging the global economy into recession and a liquidity trap, by exacerbating global imbalances.

Given that since the 2008 financial meltdown, the US current account deficit was reduced by almost 50%, while China's current account surplus was considerably reduced (Caballero et al. 2015; OECD 2016), austerity-led European current account surpluses are seen as the main mechanism creating global imbalances.

Heterodox Critical Approaches to Neoliberalism and Austerity

A crucial aspect of many heterodox critiques to austerity policies, which are being attributed to modern capitalism, crisis and the prevalence of the financial sphere, is the idea that the domination of neoliberalism and of the globalized financial sector of the economy produces a predatory version of capitalism, a capitalism that inherently tends towards crisis.

Recent heterodox literature is dominated by a persistent argument, according to which contemporary financial liberalization should be approached as a process in which the financial elites and financial intermediaries, that is, contemporary *rentiers* in the Keynesian terminology, have a leading role in working out the details of the neoliberal form of capitalism. According to Epstein (2001, p. 1), *financialization* denotes 'the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international level'. Writing in the mid-1930s, Keynes (1973, p. 377) predicted the eventual extinction ('euthanasia') of the rentiers 'within one or two generations'. Many present-day Keynesians portray the developments of the last decades as the 'revenge of the rentiers'—a phrase coined by Smithin (1996, p. 84)—who are said to have shaped the contemporary political and economical agenda in accordance with their own vested interests.

In this quasi-Keynesian discourse, the economic and political strengthening of rentiers entails: (a) an increase in the economic importance of the financial sector as opposed to the 'real' industrial sector of the economy, (b) the transfer of income from the latter to the former, thereby increasing economic inequalities, promoting austerity and depressing effective demand and (c) the exacerbation of financial instability, transforming it into a central aspect of modern capitalism.

According to these approaches, industrial corporations have ceased to be the 'steam-engine of the economy' as Keynes and Schumpeter portrayed them in the past. Their priority is to serve the interests of rentiers (i.e. of major shareholders and the financial institutions representing them): to increase remuneration for major shareholders, enhancing their influence over company decision-making at the expense of the interests of other stakeholders (viz. workers, consumers and managers).

It appears that two relevant changes have taken place in enterprises. Firstly, joint-stock companies are now conceived of as portfolios of liquid subunits that home-office management must continually restructure to maximize their stock price at every point in time. Secondly, and as a consequence of the first change, there is a fundamental (forced) change in the incentives of top managers who now think rather in terms of maximization of short-term stock prices. The end-product of the whole process is anti-labour business policies on the one hand and on the other a focus on short-term (speculative) gains rather than on long-term economic development, stability and employment.

These analyses are all more or less variations on the same theme and within the same problematic. Shareholders and the managers they hire are conceptualized as *collective economic agents* with distinct economic behaviours and objectives. Managers are supposedly interested in promoting their personal power and status through an infinite expansion in the size of the firm, but not interested in increasing dividends to shareholders. The renewed dominance of rentiers that has come with the resurgence of neoliberalism has forced managers to comply with shareholder demands. They were obliged to abandon the long-term policy of 'retain and reinvest' in favour of a short-sighted practice of 'downsize and distribute'.

Hence, neoliberalism is conceived as an 'unjust' (in terms of income distribution), unstable, anti-developmental variant of capitalism whose direct consequence is contraction of workers' incomes and the proliferation of speculation. To put matters schematically, the rentier owners of financial securities induce a fall in the 'price' of labour so as to increase the value of their stocks (bonds and shares) at the same time engaging in speculation so as to obtain short-term advantages vis-à-vis rival *rentiers*.

This general conception seems to be prevalent in the realm of Marxist discussion also. For a number of theoreticians, neoliberal capitalism has not succeeded (at least to date) in restoring the profitability of capital (the rate of profit) to high levels, that is to say to levels satisfactory for dynamic capitalist accumulation. It appears to be entrapped (since the mid-1970s) in a perennial crisis, the end of which is not readily visible. The result of this is that large sums of capital are unable to find outlets for investment. This has two probable consequences. Firstly, this 'surplus' capital stagnates in the money markets, creating 'bubbles', or is used to underpin ineffective policies of forced accumulation that depend on lending and debt (Brenner 2001, 2008; Wolff 2008). Secondly, this capital circulates internationally in pursuit of *accumulation by dispossession* (Harvey 2010), even profiting, that is to say, not from exploitation of labour but from direct appropriation of income chiefly from those who are not financially privileged or do not occupy an appropriate *position* in the market for credit.

The basic weakness of these approaches—and at the same time the link that holds them together—is that they represent the neoliberal formula for securing profitability of capital not as a question of producing surplus value but as a question of income redistribution pertaining essentially to the sphere of circulation. It thus appears that the developmental 'ineptitude' and the instability of present-day capitalism are the result of a certain 'insatiability', or at any rate of bad regulation, in the relations governing income.

In other words, these approaches understand extreme austerity policies, which prevailed in many parts of the developed capitalist world and especially in the EU and the EA, after the outbreak of the 2008 global economic crisis, as *irrational*. This supposed irrationality further deteriorates the economic crisis by creating a vicious cycle of falling effective demand, recession and over-indebtedness (Sotiropoulos et al. 2015).

However, these criticisms can hardly explain why this 'irrational' or 'wrong' policy persists, despite its 'failures' (for a critique of these approaches, see Sotiropoulos et al. (2013), Chaps. 9 and 10). In reality, economic crises express themselves not only in a lack of effective demand, but above all in a reduction of profitability of the capitalist class. As it will be argued in the next section of this chapter, austerity constitutes a strategy for raising capital's profit rate.

Karl Marx has clearly illustrated this point. Criticizing underconsumptionist approaches, according to which the cause of crises is a lack of effective demand, he notes that it is exactly when the purchasing power of the working people reaches a relatively high level that crises erupt. A crisis means rather a 'lack of surplus value', not of demand:

> It is sheer tautology to say that crises are caused by the scarcity of effective consumption, or of effective consumers. The capitalist system does not know any other modes of consumption than effective ones, except that of sub forma pauperis or of the swindler. That commodities are unsaleable means only that no effective purchasers have been found for them, i.e., consumers (since commodities are bought in the final analysis for productive

> or individual consumption). But if one were to attempt to give this tautology the semblance of a profounder justification by saying that the working-class receives too small a portion of its own product and the evil would be remedied as soon as it receives a larger share of it and its wages increase in consequence, one could only remark that crises are always prepared by precisely a period in which wages rise generally and the working-class actually gets a larger share of that part of the annual product which is intended for consumption. From the point of view of these advocates of sound and 'simple' (!) common sense, such a period should rather remove the crisis. It appears, then, that capitalist production comprises conditions independent of good or bad will, conditions which permit the working-class to enjoy that relative prosperity only momentarily, and at that always only as the harbinger of a coming crisis. (Marx 1992, pp. 486–87)

As a cure to the vicious cycle of austerity–recession–indebtedness–global imbalances, the proponents of these heterodox approaches propose a shift in European economic policies, through abandoning austerity, increasing public spending and curtailing German and European current account surpluses. A raise in wages in Germany (and Europe) should be the starting point of this policy shift. As former Chairman of the Board of Governors of the Federal Reserve System (Fed), Ben Bernanke (2015, p. 4), put it:

> German workers deserve a substantial raise, and the cooperation of the government, employers, and unions could give them one. Higher German wages would both speed the adjustment of relative production costs and increase domestic income and consumption. Both would tend to reduce the trade surplus.

Many economists share exactly the same view. For example:

> The eurozone needs to address its internal and external imbalances more seriously. This can't be achieved by fiscal consolidation, structural reforms and devaluations. It has to involve not only fiscal expansion in countries that can afford it most, but also a sustained rise in wages across the euro area to boost domestic demand. (Vallée 2015; see also Krugman 2015)

However, the question remains: What holds austerity policies together despite all criticisms? In the next section of this chapter, we will try to formulate a first answer to this discrepancy.

The Causal Interdependence Between Economic Crisis and Austerity

Austerity is a policy neither 'false' nor 'correct'. In reality, it is a policy promoting the (economic, social and political) interests of certain social groups, as opposed to others, especially after the outbreak of the global financial crisis. In this chapter, we mainly deal with European austerity policies.

Austerity as a Cost-Saving Capitalist Strategy

Economic crises express themselves above all in a reduction of profitability of the capitalist class. Austerity constitutes a strategy for raising again capital's profit rate.

Austerity constitutes the cornerstone of neoliberal policies. On the surface, it works as a strategy of reducing entrepreneurial cost. Austerity reduces labour costs of the private sector, increases profit per (labour) unit cost and thereon boosts the profit rate. It is complemented by economy in the use of 'material capital' (alas, another demand curtailing strategy!) and by institutional changes that on the one hand enhance capital mobility and competition and on the other strengthen the power of managers in the enterprise and share and bondholders in society. As regards to fiscal consolidation, austerity gives priority to budget cuts over public revenue, reducing taxes on capital and high incomes, and downsizing the welfare state.

However, what is cost for the capitalist class is the living standard of the working majority of society. This applies also to the welfare state, whose services can be perceived as a form of 'social wage'.

It is clear therefore that austerity is primarily a class policy: It constantly promotes the interests of capital against those of the workers, professionals, pensioners, unemployed and economically vulnerable groups. On the long run, it aims at creating a model of labour with fewer rights and less social protection, with low and flexible wages and the absence of any substantial bargaining power for wage earners.

Austerity does lead, of course, to recession; however, recession puts pressure on every individual entrepreneur, both capitalists and middle bourgeoisie, to reduce all forms of costs, that is, to try to consolidate her/his profit margins through wage cuts, intensification of the labour process, infringement of labour regulations and workers' rights, massive redundancies and so on.

Marx's analysis shows that the restructuring the enterprise, above all, means restructuring a set of social (class) relations and aims at increasing the rate of exploitation. It is thus a process which presupposes on the one *hand an increasing power of the capitalist class over the production process itself*, and on the other *a devalorization of all inadequately valorized capital* (downsizing or liquidating enterprises) and thus economizing on the utilization of constant capital (Marx 1990, p. 799).

From the perspective of big capital's interests, recession gives thus birth to a 'process of creative destruction': redistribution of income and power to the benefit of capital and concentration of wealth in fewer hands (as small and medium enterprises, especially in retail trade, are being 'cleared up' by big enterprises and shopping malls).

This strategy has its own rationality which is not completely obvious at a first glance. It perceives the crisis as an opportunity for a historic shift in the correlation of forces to the benefit of the capitalist power, subjecting (European) societies to the conditions of the unfettered functioning of financial markets, attempting to place all consequences of the systemic capitalist crisis on the shoulders of the working people.

This is the reason why, in a situation of such an intensification of social antagonisms like today, any government that wants to side with labour and social majority cannot even imagine to succumb to pressures to continue implementing austerity policies.

Austerity and Financialization

Neoliberalism is a form of capitalist governmentality, that is, of organizing the power of capital over the working classes and the social majority. It is based on the one hand on austerity, as already argued, and on the other on the crucial regulatory role of the globalized financial markets.

The financial sphere is not simply the reign of speculation or a casino; it is much more an overseeing mechanism. In his analysis in Volume 3 of *Capital*, Karl Marx illustrates that *the social camp of capital* is being occupied by two 'subjects': a *money capitalist* and a *functioning capitalist*. In the course of a lending process, the money capitalist becomes the recipient and proprietor of a *security*, that is to say a written *promise* of payment from the functioning capitalist, the manager.

In Marx's (1991, p. 504) own words: 'in the production process, the functioning capitalist represents capital against the wage-labourers as the property of others, and the money capitalist participates in the exploitation of labour as represented by the functioning capitalist'. Secondary contradictions between the managers and the big financial investors certainly do exist, but they are minor in comparison to the primary contradiction between capital and labour.

Every enterprise is a Janus-faced structure, comprising on the one hand the production apparatus *per se*, and on the other its financial existence, its shares and bonds, which are being traded on the global financial markets.

The production of surplus value constitutes a battlefield situation where resistance is being encountered, meaning that the final outcome can never be taken for granted. Techniques of risk management, organized within the very mode of functioning of the 'deregulated' money market, are a critical point in the management of resistance from labour, thus promoting and stabilizing austerity.

Financial markets generate a structure for overseeing the effectiveness of individual capitals, that is to say a type of supervision of capital movement. The demand for high financial value *puts pressure on individual capitals (enterprises) for more intensive and more effective exploitation of labour, for greater profitability*. This pressure is transmitted through a variety of different channels.

To give one example, when a big company is dependent on financial markets for its funding, every suspicion of inadequate valorization increases the cost of funding, reduces the capability that funding will be available and depresses share and bond prices. Confronted with such a climate, the forces of labour within the politicized environment of the enterprise face the dilemma of deciding whether to accept the employers' unfavourable terms, implying loss of their own bargaining position, or face the possibility to lose their job: *accept the 'laws of capital' or live with insecurity and unemployment.*

This pressure affects the whole organization of the production process. *It therefore presupposes not only increasing 'despotism' of managers over workers but also flexibility in the labour market and high unemployment.* Hence, '*market discipline' must be conceived as synonymous with 'capital discipline'.*

The theoretical sketching that we tried to present above apprehends austerity, neoliberalism, capitalist globalization and financialization as a complex technology of power, the main aspect of which is the organization of capitalist power relations. It is a technology of power formed by different institutions, procedures, analyses and reflections, calculations, tactics and embedding patterns that allow for the exercise of this specific, albeit very complex, function that organizes the efficiency of capitalist power relations through the workings of economic policies and financial markets.

Austerity and the Euro-Area

The working majority in practically every capitalist country will always be opposed to shrinking wages and precarious employment, degeneration and cut-back of public services, raising the cost of education and healthcare, weakening of democratic institutions and strengthening of repression. They will always conceive the ‘crisis of labour’ (i.e. unemployment, precarious and underpaid work etc.) as a social illness that shall be tackled by itself, not as a prerequisite of ‘growth’ or a side effect of the recovery of profits.

The continuation of austerity is therefore a matter of the social relation of forces. As Marx (1990, p. 334) commented on the limits of the working day: ‘The capitalist maintains his rights as a purchaser when he tries to make the working-day as long as possible […] On the other hand, […] the labourer maintains his right as seller when he wishes to reduce the working-day to one of definite normal duration. There is here therefore an antinomy, of right against right, both equally bearing the seal of the law of exchange. Between equal rights force decides’.

Beyond certain limits, the subjection of all parts of social life to the unfettered function of markets and the dictate of profitability may function as ‘political risk’ for the neoliberal establishment, since it can easily trigger uncontrolled social outbreaks. In the EA, political risk is supposedly being minimized through the introduction of an institutional framework in which austerity is the only way to deal with economic and financial instability.

In the usual nation state setting, a single national fiscal authority stands behind a single national central bank. As we have already mentioned (see also Sotiropoulos et al. 2015), this is not the case with the EA: There is no solid and uniform fiscal authority behind the ECB. Member states issue debt in a currency which they do not control in terms of central banking (they are not able to ‘print’ euros or any other type of currency, at least not for a considerably long period of time).

Member states will not always have the necessary liquidity to pay off bondholders. This will make the downsizing of the welfare state a precondition for financial solvency.

The ruling European elites have thus voluntarily subjected themselves to a high degree of sovereign default risk in order to consolidate the neo-liberal strategies. In other words, they have jointly decided to exploit the crisis as a means to further neo-liberalize state governance. Member states are faced with the dilemma: austerity-cuts-privatizations or default risk. By and large, these are commensurate choices. Even in the latter scenario, member states, like in the case of Greece, Portugal, Ireland and Cyprus, would accept a rescue package, the content of which is again austerity-cuts-privatizations.

This conservative perspective recognizes as 'moral hazard' any policy that supports the interests of the working class, expands the public space, supports the welfare state and organizes the reproduction of society beyond and outside the scope of markets.

In this framework, the strategic question for the EU neoliberalism is to define the level of austerity that targets an 'optimal' balance between 'political risk' and 'moral hazard'.

Generally speaking, these two risks, the 'moral' and the 'political' one, move in opposite directions due to their consequences in the political conjuncture. When moral hazard increases, political risk declines and vice versa. Therefore, the tension (when they encounter each other) results in an appropriate balance between them. The 'independent authorities,' being immunized against any democratic control, especially on issues related to the economy (the main example here is the 'independence' of the ECB), create a mechanism for detecting the balance between these two 'risks'. Nevertheless, this mechanism will always remain incomplete.

In Greece, the increasing 'political risk' of the period 2010–2015 was a strong weapon in the hands of the Greek working class, SYRIZA and the first left government that was formed after the January 25, 2015, elections, in order to stop austerity and guarantee an agreement with the lenders that would not violate the mandate of the Greek electorate. Under one prerequisite, which was though soon abandoned: that SYRIZA and the government would stick to the class partisanship of its programme, the strategy of 'people before profits', that is, a strategy with an anti-capitalist direction—redistribution of income and power in favour of labour, to re-found the welfare state, democracy and participation in decision-making; a radical reform of the tax system (so that capital and the wealthy strata of the society finally bear the appropriate burden); a wave of radical domestic institutional changes in order to build the allegiance of the subordinate classes on a new basis.

This programme was abandoned. However, class struggle will always create contingent events.

Conclusion

Extreme austerity policies implemented by Greek and European governments after the outbreak of the 2008 global economic crisis constitute neither a 'correct' strategy for economic reform and development nor an 'erroneous' strategy, which could be amended through reasonable argumentation and discussion. Austerity is a class strategy, aiming at reshuffling the relation of forces between capital and labour on all social levels to the benefit of capital; it is a class offensive of capital against labour. It is clear then that an anti-austerity agenda cannot be implemented unless a radical shift in the present balance of forces between capital and labour takes place. However, in order to establish a new distribution of the social balance of forces, the working classes must once again elaborate their own autonomous class objectives, independently of the capitalist imperative of labour discipline and profit maximization. For this to be possible, labour must recreate its anti-capitalist strategy of social transformation.

References

Bernanke, B. (2015). Germany's trade surplus is a problem. *Brookings Institution*, April 3. Retrieved from http://www.brookings.edu/blogs/ben-bernanke/posts/2015/04/03-germany-trade-surplus-problem

Brenner, R. (2001). The world economy at the turn of the millennium toward boom or crisis? *Review of International Political Economy, 8*(1), 6–44.

Brenner, R. (2008). Devastating crisis unfolds. *IV Online Magazine: IV396*, January. Retrieved from http://www.internationalviewpoint.org/spip.php?article1417

Caballero, R. J., Farhi, E., & Gourinchas, P.-O. (2015). Global imbalances and currency wars at the ZLB. Draft Paper, October 22. Retrieved from http://economics.mit.edu/files/10839

Epstein, G. (2001). *Financialization, rentier interests, and Central Bank policy*. Paper presented at PERI conference on "Financialization of the World Economy", December 7–8. Retrieved from http://www.umass.edu/peri/pdfs/fin_Epstein.pdf

European Commission. (2016). *European economic forecast, Winter 2016.* Retrieved from http://ec.europa.eu/economy_finance/eu/forecasts/2016_inter_forecast_en.htm

Eurostat. (2016). *Eurostat statistics explained. Structure of government debt.* Retrieved from http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Structure_of_government_debt&stable=0&redirect=no

Harvey, D. (2010). *The enigma of capital and the crises of capitalism*. London: Profile Books Ltd.

Kennedy, G. (2016). Embedding neoliberalism in Greece: The transformation of collective bargaining and labour market policy in Greece during the Eurozone crisis. *Studies in Political Economy, 97*(3), 253–269.

Keynes, J. M. (1973). *The general theory of employment, interest and money*. Cambridge: Cambridge University Press.

Krugman, P. (2015). Europe's trap. *The New York Times*, January 5. Retrieved from http://krugman.blogs.nytimes.com/2015/01/05/europes-trap/?_r=0

Marx, K. (1990). *Capital* (Vol. 1). London: Penguin Classics.

Marx, K. (1991). *Capital* (Vol. 3). London: Penguin Classics.

Marx, K. (1992). *Capital* (Vol. 2). London: Penguin Classics.

Milios, J. (2016). Does social democracy hold up half the sky? The decline of PASOK and the rise of SYRIZA in Greece. In I. Schmidt (Ed.), *The three worlds of social democracy. A global view* (pp. 127–145). London: Pluto Press.

OECD. (2016). *Current account balance*. Retrieved from https://data.oecd.org/trade/current-account-balance.htm

Smithin, J. (1996). *Macroeconomic policy and the future of capitalism*. Northampton: Edward Elgar Publishing Ltd.

Sotiropoulos, D. P., Milios, J., & Lapatsioras, S. (2013). *A political economy of contemporary capitalism and its crisis: Demystifying finance*. London and New York: Routledge.

Sotiropoulos, D. P., Milios, J., & Lapatsioras, S. (2015). Addressing the rationality of 'irrational' European responses to the crisis. A political economy of the Euro area and the need for a progressive alternative. In A. Bitzenis, N. Karagiannis, & J. Marangos (Eds.), *Europe in crisis* (pp. 67–76). Basingstoke: Palgrave/Mcmillan.

Vallée, S. (2015). How the Eurozone exports deflation. Fiscal devaluation without wage growth will trigger bad side effects both at home and abroad. *The Wall Street Journal*, November 5. http://www.wsj.com/articles/how-the-eurozone-exports-deflation-1446757311

Wolff, R. D. (2008). Capitalist crisis, Marx's shadow. Retrieved from http://www.monthlyreview.org/mrzine/wolff260908.html