'In the margins of Europe': Cypriot nationalism, liminality and the moral economy of the financial crisis

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In his ethnography of village life in Egypt, Amitav Ghosh, the Indian anthropologist and well-known novelist, describes a quarrel with the local Imam for whom the Indian practice of 'burning the dead' and 'worshiping cows' were signs of a primitive condition. Having argued with him bitterly as to whose country was more 'modern and civilised', it finally dawned on Ghosh that he and the Imam had much in common. 'At that moment, despite the vast gap that lay between us, we understood each other perfectly. We were both travelling, he and I: we were travelling in the West' (Ghosh 1992: 236).

One of the contentions of this paper is that this is also the case with the long-standing conflict between Greek and Turkish Cypriots. Although it may appear to be ethnically motivated and religiously based, the roots of the conflict are thoroughly cultural in this broad anthropological sense of the distinction between the West and the other. Greek and Turkish Cypriots as well as mainland Greeks and Turks have been travelling in the West striving to become 'modern' and 'civilised'. A second and perhaps more controversial contention is that this is a Sisyphian task, a never-ending journey as there is no such destination to be reached or condition to be appropriated. The West, as much as the notion of modernity itself, is simply an idea or, to put it more strongly and provocatively, a figment of the imagination. There is no such entity that exists in and of itself, as a fixed point in space, an independent, autonomous entity. To the extent that it does exist and is itself, it is only in relation to something not itself, a discredited but nonetheless indispensable other. To be it must be West of an East, another point arbitrarily chosen on a circle that turns constantly and knows nothing of beginning and end, east or west—a circle on which every point can be both beginning and end, as good an east as a west. Without an Orient (Said 1979) then, the West would lose its orientation and disappear in thin air. This means that it pays all those who imagine themselves as the West and wish to be something rather than nothing to maintain an Orient at all costs—sometimes, as we shall see shortly, as a source of inspiration and even a tool with which to critique the West.

All this is of course well known. What seems to have received less attention is the predicament of all those societies—which is most, if not all societies around the world—travelling in the West. They become liminal—the third contention of this paper—which is to say, entities that are neither here nor there, neither this nor that. They get caught 'between and betwixt' what they themselves reject for not being 'modern and civilised'—the East—and what rejects them for not being 'modern and civilised'—the West.[1] What is perhaps even less discussed is that this predicament befalls also societies in the European periphery, 'the margins of Europe' (cf. Herzfeld 1987), such as Cyprus—a case of the marginal becoming liminal. This is the case even when the marginal appears to have merged with the centre, as Cyprus had done in 2004 when it joined the European Union. Yet the country is now no less peripheral and marginal than it has ever been for the simple reason that without a periphery there can be no centre. And there should be no doubt: Europe posits a centre for itself and is determined to maintain it.

The aim of this paper is to demonstrate these claims by exploring the recent history of Cyprus and an even more recent event—a 'haircut'—the moral economy of the recapitalisation of the Cypriot banks by means of their clients' deposits as the condition imposed by the European Union for saving the country from defaulting.

Travelling in the West

Bitter Lemons of Cyprus is part travel book part novel by Lawrence Durrell that describes his short sojourn on the island in search of inspiration and, once there, also as a civil servant in the employ of the colonial a government. The time was 1957 and the Greek Cypriot struggle against the British—in essence, a struggle to liberate Cyprus from British rule and bring it under Greek rule—was in full swing. Anti-British sentiment was running high but even so one of Durrell's close friends, a Greek Cypriot nationalist teacher, could still argue that in reality Greeks Cypriots loved the British. There is a paradox here, no doubt—in fact, there are two paradoxes and I will turn to the second shortly. If Greek Cypriots loved the British, why fight them? Was this man lying or talking nonsense? Hardly. There is no doubt that Cypriots—both Greek and Turkish Cypriots—genuinely admired the British. They admired them to such an extent as to want to become like them. And if Durrell is to be believed, to a large extent they had succeeded. Durrell came to Cyprus looking for inspiration. He was looking for the exotic but what he found was deeply disappointing.

> Disturbing *anomalies* met the eye everywhere; a Cypriot version of the small-car owner, for example, smoking a pipe abs reverently polishing a Morris Minor; costumed peasants buying tinned food and frozen meant at the local version of the Co-op…. As far as I could judge the townsman's standard of living roughly corresponded to that of a Manchester suburb…. Somewhere, I concluded, there are must be a Cyprus beyond the red pillar-boxes and the stern Union Jacks … where *weird* enclaves of these Mediterranean folk lived a joyous, *uproarious, muddled, anarchic* life of their own. Where? (Durrell 1959: 34; my emphases)

The life that Durrell witnessed in Cyprus in the late 1950s was not 'proper' Cypriot life, which is to say, not exotic, Mediterranean, Middle-Eastern enough. It was disturbingly familiar, a version of the kind of life that one could encounter in a Manchester suburb. Greek Cypriots fought the British, then, not because they did not like them but precisely because they liked them so much as to want to be just like them, especially in those important respects that the British would not allow such similarity to develop. The fundamental problem here was the same as in the rest of the colonised world. As Chakrabarty (2000) points out in the case of India, the British preached freedom to Indians but refused to grant it in practice. They argued that Indians were not yet mature enough to govern themselves. It is for freedom also that Greek Cypriots fought the British even though the picture in this case is rather more complex—which brings me to the second paradox. Cyprus is probably the only colonised land to have fought against colonial rule not to become independent but part of another country. Greek Cypriots fought the British because they wanted Cyprus to become part of Greece. A textbook case of nationalism, one might say. Perhaps, but the paradox of fighting against one rule only to come freely and willingly under another should not be ignored. If anything, it must be sharpened. To say that the Greek Cypriot desire is a manifestation of nationalist sentiments may be true but explains very little. To understand *why* Greek Cypriots wanted to become part of Greece we must examine two parallel and complementary processes in a specific historical context. The context is the invention of ancient Greece as the cradle of (European) civilization (c.f. Herzfeld 1987; Bernal 1987), the processes the Europeanization of Greeks, which meant first and foremost their de-Ottomanization.

Greece was an Ottoman province for almost four centuries and gained its independence in the early nineteenth century. By that time ancient Greece had been firmly established in the European imagination as the cradle of (European) civilisation so much so that some of the more romantically inclined Europeans actually went to Greece and fought in the Greek war of independence—notable among them Lord Byron. For such people it was inconceivable that the land that gave birth to democracy, philosophy, theatre and so on was under 'oriental' rule. Much the same can be said about many educated Greeks who lived aboard and were deeply influenced by the Enlightenment and the French Revolution, notable among them, as Anderson (1991) notes, Adamantios Koraes. The descendants of the ancient Greeks, the people who had just gained their independence, were nothing like western Europeans. Yet this, according to the nationalist, Eurocentric argument, was both understandable and reversible. If contemporary

Greeks were more like the Ottomans than other Europeans, it was because, unlike the latter, they had experienced neither the Renaissance nor the Enlightenment. They were kept by Turks in the Middle Ages, as in museum. To catch up with the rest of Europe and to become what they were meant to be—'modern and civilised'—contemporary Greeks had to de-Ottomanise themselves, beginning with their language, which was to be purged of all foreign elements. Significantly, the language invented to replace the vernacular was called *katharevousa*, meaning 'pure' or purified', and resembled closely ancient Greek. An indication of the power of this nationalist ideology is that this fictive language was still taught in schools in Greece and Cyprus as late as the1960s.

It is within this context that the Greek Cypriot desire to unify Cyprus with Greece should be understood—a context in which it was asserted that by right, as descendants of the ancient Greeks, contemporary Greeks were de facto Europeans, even if not yet 'modern and civilised'. This is not to say that this claim went uncontested (Herzfled 1986). But if it was possible to contest it in relation to mainland Greeks, it was even easier and more likely to do so with regard to Greek Cypriots. The island is much closer to Turkey and Syria than any part of Greece. The British and other European travellers expected its culture to be Levantine and, as we have seen, Durrell found the similarity of urban life in Cyprus to that of European cities a 'disturbing anomaly'. But it was not simply that Cyprus was thought of as part of the Middle East. It was also that the Cypriot claim to Greek ethnic identity was actively disputed by the British who wanted to maintain control of the island (e.g. Hill 1952). Becoming part of Greece then, was imperative. It would put an end to this sort of disputation and guarantee Cyprus's European credentials.

The Greek Cypriot call for union with Greece was met by the Turkish Cypriot call for the division of the island and union of one part with Turkey. Safety was no doubt paramount in this, but nationalist sentiments and their relation to cultural concerns should not be overlooked. Turkish Cypriots were themselves de-Ottomanizing themselves—a process of Europeanisation initiated in mainland Turkey by Mustafa Kemal and the founding of the Turkish Republic in 1923. The Turks were determined to show the world (and themselves) that a Muslim country could be secular, democratic, modern and civilised. They still are of course. In the last few decades the aim has been to demonstrate that a Muslim country can be religious rather than secular and democratic, modern and civilised. Indeed, given its history and proximity to Europe, it could also be a member of the European Union. Turkish Cypriots were warm supporters of the Kemalist revolution and its Europeanising message and still are today, more so now perhaps than ever before. They too have been travelling in the West—on a different path perhaps but parallel to the Greek Cypriot path.

In 1960 Cyprus became an independent country despite itself but the seeds of conflict had already been sawn and the first inter-communal violence erupted in 1963 to be followed by more violence in 1967. In 1974 there was a coup against the then president, Makarios, orchestrated by Greek Cypriot nationalists and Greek army officers stationed on the island the avowed aim of which was to unify Cyprus with Greece. A week later, Turkish troops invaded and occupied the northern part of the island. Greek Cypriots living in the north fled to the south and Turkish Cypriots living in the south moved to the north. A small opening in the dividing wall appeared in 2003 when the Turks decided to allow Greek Cypriots to visit their homes and properties in the north. In the same year, a United Nations sponsored plan for the reunification of the island was put to the vote in both communities. Greek Cypriots overwhelmingly rejected it while Turkish Cypriots endorsed it by a large margin. The dispute remains unresolved and the country is still divided despite repeated efforts.

In 2004 Cyprus became a member of the European Union and although officially it was the whole island that acceded, in practice the Acquis Communautaire could only be enforced in the area controlled by the internationally recognised (Greek Cypriot) government in the south. The accession was a momentous event and for many confirmed that Cyprus, much like Greece 23 years earlier, had finally achieved what it had always wanted to achieve—full recognition of its status as a European hence also 'modern and civilised' society. It may have been travelling in the West, one could say, but not aimlessly and for nothing. The EU accession meant that it had finally arrived. But has it? It is certainly closer to Europe than it has even been, entangled in all sorts of institutions, legislation, bureaucratic networks and the like. Yet, is closer ever close enough (Argyrou 1996?)? Can it ever be? I have suggested above that it cannot be if by 'close enough' we mean identical—in this case, in terms of cultural value. It stands to reason. If two things are to be the same, they must be different. If they are not different, if they are identical they become indistinguishable, which is to say, they lose their identity as distinct things and cease to exist as such—neither West nor East, as we have said. This is one aspect of what Derrida (1982) calls differ*a*nc*e*—to differ as opposed to be deferred. We have also said that because of this the West itself, which assumes that it is something rather than nothing, ensures that the other is kept a safe distance, close perhaps to be the same but not so close as to be indistinguishable.

I have been talking about the West and the other in a rather abstract way so let me hasten to add that I do not mean to suggest that these categories are fixed in any way. Although apparently there are limits to their flexibility, the West can be whoever assumes this role depending on the context and what is at stake and the other whoever is assigned to it. As already suggested, this means, among other things, that cultural difference and distinction are as feasible and viable within the West and Europe itself as they are between the West and the rest of the world. It also means that the fault line need not always be visible. Indeed, as we shall see shortly, because it is more often than not invisible, some mistakenly assume that it does not exist. But this is an illusion. As Durkheim rightly pointed out long ago, we feel the force of social facts only when we run up against them. Such is also the case with this particular social fact, the division *within* Europe between the West and the other. The recent financial crisis constitutes a prime example of this. Most peripheral European societies crashed against the wall of this divide and were badly bruised, more so than anyone else perhaps Cyprus. Unlike other peripheral, liminal countries collectively and only have jokingly known as PIGS—Portugal, Italy, Greece and Spain—or PIIGS with the addition of Ireland in the mix, Cyprus is far too small to matter. It could therefore be punished and made an example of for others to heed without danger. Here is how the *Guardian* put the matter:

> Never before have bank account holders seen their savings raided to help finance a bailout…. Never before has Germany appeared so determined to make example of a Eurozone country, all the way to the euro exit, unless it does what it is told…. It is the Eurozone's fifth bailout in

> three years. But this time it is different. Since the beginning of the year, Berlin has been insisting that Cyprus is not "systemic", in other words that a Cypriot crash could be contained, with minimal impact on the rest of the Eurozone (Traynor 2013).

We shall examine the moral economy of this punishment in due course. For the moment I turn to the story of the 'haircut' itself.

'The haircut'

In the summer of 2012 it became apparent that the second largest Cypriot bank, Laiki Bank, which had been nationalised due to liquidity problems, required an extra €1.8 billion in recapitalisation to remain solvent. Much like the other major Cypriot bank, the bank of Cyprus, it had invested heavily in Greek government bonds and had lost large amounts of money. By this time the international credit agencies had downgraded Cyprus' rating to junk status, which meant that the money required could not be raised directly from the money markets. The Cypriot government therefore had no option but to ask the EU for financial assistance. Negotiations with the so-called Troika (European Commission, European Central Bank and the International Monetary Fund) begun in earnest but dragged on largely because the communist government at the time had hopes of securing another loan from Russia, as it had done two years earlier, hence avoiding the harsh conditions that the Troika was expected to impose.

In February 2013 there were elections in Cyprus and the new conservative government sough to speed up the negotiations. The expectation was that the Troika would be more positively inclined towards the country and its financial problems because, unlike the communists, the new government was clearly pro-European and pro-Western and the new President, Anastassiades, maintained friendly relations with the leaders of major European countries, notably the German Chancellor, Angela Merkel. By this time the amount of money needed to recapitalise the banks rose considerably. What is more, the new government as well as those who expected preferential treatment were in for a nasty surprise. At a meeting of the finance minsters of the Eurozone countries in Brussels it was decided—under the guidance of the German finance minister and the strong support of the French, Dutch and the Finns— that any bail-out loan—now estimated in the region €10 billion—would have to be combined with a bail-in, meaning that a large part of the Cypriot banks' recapitalisation would have to come from their customers' deposits. The Troika called this euphemistically a 'tax', a one off charge to help the banks stay afloat, but its significance was not lost on anyone. Without the depositors' trust there can be no banks, and it was clear that in the case of Cyprus this trust was tested to the limit. The Cypriot delegation and the President in particular resisted the proposal because, as they rightly pointed out, it was bound to destroy the country's banking sector. Negotiations drugged into the night and finally, under extreme pressure, the President relented and accepted the package.

The deal was subject to ratification by the Cypriot parliament, which rejected it thus forcing the President to renegotiate. Under the new agreement only deposits over €100,000 would be taxed. As it turned out, after months of calculations and negotiations, the rate came to almost 50% of all deposits over the 100,000 mark. The new packaged included: The closure of the second largest bank; the implementation of anti- money laundering measures; fiscal consolidation to bring down the government budget deficit; structural reforms, primarily in the public sector; and an extensive privatization programme. I shall not be concerned here with these measures. I will focus exclusively on the bail-in and explore in turn how EU officials justified it as well as the counter-arguments put forward by the Cypriot side.

Before I turn to these arguments however, it may useful to refer briefly to how Turkish Cypriots received the news and reacted to this state of affairs. As I have already mentioned, although Greek Cypriots voted against the UN unification plan for Cyprus in 2003 and Turkish Cypriots for it, it was the former who became part of the EU in 2004 not the latter. Understandably Turkish Cypriots felt betrayed by Europe and many resented the prosperity of the south, which was seen as being partly the outcome of joining the EU. It should not come as a surprise, therefore, that the news of the 'haircut' was received with glee by Turkish Cypriot nationalist circles. As far as they were concerned, the 'haircut' was a punishment that Greek Cypriots thoroughly deserved. For many others however, who had jobs in the south or depended on Greek Cypriot clientele, such as the Turkish Cypriot casinos in the north, the crisis looked more ominous. For still others it presented a unique opportunity for the reunification of the island. Some reasoned that a poorer Greek Cypriot side would be more willing to compromise. Others thought it was possible that Greek Cypriots would be tempted to pre-sell part of the gas reserves recently discovered off the south coast of the island. As these reserves belonged equally to Turkish Cypriots, it would force Greek Cypriots to negotiate with Turkish Cypriots including perhaps an overall agreement for the settlement of the Cyprus problems itself. In the end, as it turned out, there was no need to pre-sell any gas but there is little doubt that the woes of the Greek Cypriot economy affected the Turkish Cypriots as well. Many working in the south, mainly in the construction industry, lost their jobs as this sector of the economy was particularly badly hit by the crisis.

But to return to how EU officials presented the package of measures imposed on the Greek Cypriot economy, let me first turn to the statement made by Jörg Asmussen, a member of the executive committee of the ECB, at the Economic and Monetary Affairs Committee of the European Parliament,.

> In the 2000s, the Cypriot economy evolved towards a rather unbalanced business model with an inordinate weight for the financial industry. The country aimed to become leading provider of banking services. Cypriot banks attracted large inflows of foreign deposits…. The overall banking system represented more than 700% of the GDP… An *active* use of the relevant policy tools could—and indeed should—have curbed these unsustainable developments. But *prudential* supervision was too *weak* and did not prevent the build-up of large financial sector imbalances (Asmussen 2013; my emphases).

I have highlighted the terms 'active', 'prudential' and 'weak' because I wish to revisit them. For the moment let us turn to the German finance minister and a more blunt statement made just before the second euro zone meeting in March. 'The banking sector in Cyprus simply has no future in its current form. Everyone in the Euro-group agreed on this. The Cypriots' hope they could continue like this, attracting capital with low taxes and lax regulation and then others should pay for it when the model doesn't work any more—this is unfortunately an illusion and the ones in charge should explain this to their population' (quoted in Pop 2013). There is a new element in this statement—lax regulation. While Asmussen simply said that the Cypriot 'business model' was unbalanced and unsustainable because the banks were allowed to become too big for the size of the country, the German finance minister adds here that the banks became so big with money whose provenance was not properly checked. What he meant, of course, was money laundering, a widespread and persistent accusation among certain Eurozone countries, and, as we have seen, the target of one of the conditions of the Troika—the obligation imposed on the Cypriot government to allow independent auditors to carry out an investigation of banking practices in the country. Finally let us note here the French finance minister's description of Cyprus as a 'casino economy', an expression worthy of further comment, since there are no casinos in the south of the island and could not have meant 'an economy based on casinos'. It would be interesting then, to speculate on what the French finance minister meant.

The Cypriot counter-argument was that the 'business model' adopted by Cyprus and deemed unsustainable by the Troika was the very same model adopted by many other small countries, including European countries. Here is Christopher Pissarides, former LSE Professor of economics, Nobel Prize winner and currently Professor at the University of Cyprus and adviser to the President of Cyprus:

> The trouble, according to the troika, … is that this [the measures taken by the Cypriot government after the Turkish invasion of 1974] also brought large amounts of large deposits to Cyprus, blowing up the banking sector to

> "unsustainable" dimensions. Deposits are about eight times the gross national product. This figure, however, is still smaller than Luxembourg's and not too different from that of Malta and Ireland' (Pissarides 2013).

Moreover, as others pointed out, 'the Cypriot business model is not something that they all discovered just now ["they", meaning those who argued that it was unsustainable]. In a so-called convergence report dated 2007, one year before Cyprus joint the Eurozone, the ECB mentioned the large influx of capital' (Pop 2013)—not disapprovingly, one presumes. Against this, it could be said that other countries with a similar model, like Malta and Luxembourg, had not made the mistakes that Cypriots made, hence, unlike Cyprus, they had no need for financial assistance. This is true, of course, but it is a rather different argument. It does not blame the business model itself, but the mistakes that Cypriots made. As for the claim made by, among many others, the German finance minister, namely, that Cypriots could not expect others to come and pay for their failures, the Cypriot response was three-fold: Firstly, it was pointed out that the EU and the Eurozone were built on the idea of solidarity among the member states. Cypriots were not shown this solidarity. To put the matter the way the German finance minister put it was to make a travesty of this idea. Secondly, this was not how other countries were rescued. Ireland and Spain, for example, faced similar problems to Cyprus and required a far larger amount of money to recapitalise their banks but no bail-in was imposed. Finally, the financial assistance given to Cyprus (as well as to the other countries 'rescued') was not a gift. It was a loan expected to be fully repaid with interest. To say, therefore, that one cannot expect others to pay for one's mistake, as the German finance minister said, was to misrepresent what was actually happening.

There is finally the question of the money laundering accusations. From the very beginning of the crisis, the Cypriot government responded to these allegations by pointing out that it had enacted strict anti-money laundering regulations, ratifying international conventions and harmonising domestic legislation with EU directives. But doubts continued to exist, particularly with regard to the implementation of these regulations and, as we have seen, the Cyprus government agreed to the Troika's demand for an independent audit. The report of this audit showed that although there was room for improvement, the situation was not as bad as it had been presented. Indeed, as it turned out, the situation in Cyprus was far better than in the country which above any other had been accusing it of money laundering—Germany. The Cypriot press published reports of a Swiss NGO, the Basel Institute on Governance, which showed that Cyprus was much lower than Germany on the list of money-laundering countries.

In the end Cypriots explained the haircut in a rather predictable way—in terms of narrowly conceived economic interests and the power to impose one's will to serve those interests. Here is Pissarides again: 'Cyprus finds that not all nations are equal. The interests of the Eurozone's large nations come first, says Christopher Pissarides' (Pissarides 2013). This is the heading that the *Financial Times* used to introduce Pissarides's article already referred to and the essence of his argument. There are two problems with this way of understanding things however. The first is the question of the interest of the large countries, the second the 'discovery' that European nations are not equal. To begin with, it is not clear how the interests of the large Eurozone countries such as Germany are served through the downsizing of the Cypriot banking sector. That some of the foreign money in Cypriot banks could move to these countries is quite possible. But it would be absurd to claim that this was the motive behind the German and French demands as the amount of money was far too small to have any impact on such large economies. Secondly, it is hard to believe that Cyprus or Pissarides speaking to the *Financial Times* on its behalf had only just now, in the midst of the crisis, found out that not all nations are equal. Everyone knows this and knows it quite well. Some nations in the EU—those of the northwest—are more equal than others—the eastern European nations, for example, and certainly the nations of southern Europe.

Take a country like Spain, a member of the stigmatised PIGS or PIIGS group. As Marion Fourcade (2013: 625) argues in a discussion of the moral categories in the financial crisis, 'the moral sinkhole has fuelled centrifugal tendencies as people and governments have been striving to distance themselves from those countries not (really) like them. Spain's desperate efforts to avoid a European stability mechanism/IMF program is all about the stigma of being lumped together in the same category as Greece'.[2] Spain, it seems, did not wish to be part of the PIGS and share in whatever comfort there might be in knowing that 'we' are not the only ones. It knows full well that there is no equality in the Union and wishes to be regarded as part of the more equal countries rather than the less equal. All southern and eastern European countries know this. This is the main, if not the only reason they sought to become members of the EU to begin with. This is also why, with some exceptions, they are its most enthusiastic supporters. They wished to be among the 'superior' countries at the centre of the world, the very definition of what it means to be 'modern and civilised'. And let us be clear that it is not with economic equality we are concerned here. It is what it signifies—moral or as anthropologists say, cultural equality. This is the core working hypothesis of this paper: the economic is never divorced from the moral and the cultural, the attempts of the Troika to present their 'rescue' packages of southern European countries as the embodiment of economic rationality notwithstanding.

How then is the Cypriot 'haircut' to be understood? There is no doubt that Cypriots have been punished for something and made an example of for other Eurozone countries to heed. But this punishment would be more fruitfully understood not within the context of taking—that is, serving narrowly conceived economic interests—but rather in the context of giving—giving light, therefore enlightening, those who are supposed not to have it and do not see clearly enough. This, let us remind ourselves, was the very rationale of the colonial enterprise and although this enterprise has long ended, it would be a grave mistake to assume that imperialism itself has ended with it or that it is meant only for non-European countries. It is alive and well and in tune with the times—a 'postmodern imperialism', as it has been called by a leading light (Cooper n.d.)—both within and without. My claim then, is that Cyprus has been punished and made an example for others to heed because in the eyes of countries like Germany and France it had not learned what it was supposed to know, namely, how to think and act as a proper, modern European society. The punishment was largely a civilizational lesson.

The moral economy

In an article on the crisis and its moral aspects, Fourcade (2013: 623) captures quite graphically the civilizational aspects of the financial assistance that countries receive in times of crisis from international bodies such as the IMF, and I will quote her here at some length. The assistance is 'conditional', a 'mix of coercion and training', she says. As such:

> It is a deeply corrective mechanism with inescapable moral effects. Aimed at governments, programmes have an unmistakable civilizational purpose--…to train, educate and profoundly reform those societies whose poor performance has exposed them as inadequate, insufficient, incompetent and shackled by outdated institutions inimical to the flourishing of capitalism. Experts … have their own vocabulary to designate the typical flaws: rampant "corruption", low "state capacity", poor "governance", "rigidities" of all sorts and "inefficient" policies.

It should not come as a surprise that this was also the terminology used by the 'experts' to describe the Cypriot case. Here is a quote from the *Guardian* again.

> Angela Merkel, the German chancellor, takes the view that the Cypriot financial and economic model is *rotten to the core*, needs *vital overhauling* if it is to be saved and that Germany is not going to send its taxpayers' money to secure the low-tax, high-risk investments of Russian

squillionaires dominating the *bloated* Cypriot financial sector (Traynor 2013; my emphases).

Let us also remind ourselves here how Asmussen describes the Cypriot economy in his address to the Economic and Monetary Affairs Committee of the European Parliament. Asmussen says that although the Cypriot government had at its disposal all the relevant policy tools to curb the 'unsustainable' development of the banking sector, it did not make 'active' use of them; that although there was some kind of supervision of the banks, this was 'too weak'. In effect, he says what Fourcade says that the experts say about countries in such cases—limited 'state capacity', poor 'governance' and the like. In fact, he is saying far more than that or, at any rate, he is saying things that point to historical connections between economy and culture as well as culture and power. It is *prudential* supervision that was 'too weak' in Cyprus, Asmussen says. This term—prudential—is not at all innocent. It carries tremendous cultural baggage that we need to investigate.

Prudence comes from the Latin prudentia, which is a contraction of providentia, meaning foresight. The Oxford dictionary defines prudence as being sensible and careful when you make judgements and decisions, in effect avoiding unnecessary risks. However, I think a better definition is that of the Merriam-Webster dictionary—prudence: the ability to govern and discipline oneself by the use of reason. This definition is better for two reasons. Firstly because it explains why people lack foresight, are not being careful and sensible when they make judgements and decisions, in short, why they take unnecessary risks. It is because their reason cannot control and discipline their desires and passions. They become excited, for example, and they make decisions that are neither careful nor sensible, which is the stereotype of Mediterranean people—warmblooded and impulsive. The Merriam-Webster definition is better than the Oxford definition also because it allows us to see the cultural baggage that the term carries with it as well as to make historical connections. This tenet—the ability to govern and discipline oneself by the use of one's reason—is the criterion used to make and justify a whole host of divisions. This is how European men saw themselves over the last few centuries—as being in possession of the ability to master nature within—the archetype being perhaps the Victorian male. It is how European men legitimised divisions and power relations within—patriarchy, for example—as much as divisions and power relations without—I am thinking here of the colonial enterprise itself. The image of the natives in the colonial literature as being innocent like children who do not know any better and cannot be allowed to run their own lives without instruction and close supervision is well known to anthropologists to require elaboration here.

I am not suggesting of course that in using the term 'prudential' Rasmussen meant to say that Cypriots could not use their reason to discipline themselves and to control their desires. For all we know, he may not even have written the speech himself. Yet it is not personal intention that counts here but cultural history inscribed in language. In this sense the civilising, modernising, Europeanising implications of what has been said are unmistakable. Cypriots should have known better than to allow their banking sector to grow to eight times the GNP. They should have been able to foresee the danger and realise that they were taking an unacceptable risk. But perhaps, being a Mediterranean people, they became too enthusiastic about turning their country into a centre for international baking and were carried away by the excitement. Taking unacceptable risks is also what the French finance minister may have meant in describing Cyprus as a 'casino economy'. Gambling means placing your faith for gain in nothing more than blind fate. This apparently is the reverse of economic rationality.

I should say here that Luxembourg, which is smaller than Cyprus and has an even bigger banking sector, took the rhetoric of the 'unsustainable business model' at face value and became quite concerned. Let me quote here from a Reuters' report in March 2013: '"Germany does not have the right to decide on the business model for other countries in the EU", foreign minister of Luxembourg Jean Asselborn told Reuters'.

> 'It must not be the case that under the cover of financially technical issues other countries are choked. It cannot be that Germany, France and Britain say "we need financial centres in these three big countries and others must stop". That was against the internal market and European solidarity, and 'striving for hegemony which is wrong and un-European', he said (Rinke 2013).

As it turned out, the accusation of imprudence and everything else this term suggests in allowing the banking sector to become several times bigger than the rest of the economy was not meant for all countries, certainly not for Luxembourg. It was meant for Cyprus, a country in southern Europe, closer to the Middle-East than any part of Europe, economically 'under-developed' until relatively recently, with an impulsive culture and plagued by all the problems that such countries face: endemic corruption, nepotism, authoritarianism, aggressive masculinities and the like.[3] The German finance minster was quick to clear up misunderstandings and put Luxembourg's fears to rest. Reuters reported him as saying that 'Luxembourg had a totally different Business model to the east Mediterranean island…. Any comparison between the two would be "absurd"' (EurActiv 2013). Luxembourg is not a country in need of modernising, civilising lessons after all. Unlike Cyprus, its European credentials are impeccable.

Let us finally turn to the question of the interests of the big countries, which as Pissarides says always come first. We have already noted that it is not inaccurate to say this. What is problematic, rather, is the assumption firstly, that these interests are always material and secondly, that they are always served by taking, as Pissarides implies in the case of Germany versus Cyprus and, indeed, as the foreign minister of Luxembourg clearly states. If the big countries can destroy the banking sector of small countries like Cyprus and Luxembourg, their financial industries have much to gain. Let us remind ourselves that this is exactly what happened many time over during the colonial era, for example, Britain destroying India's textile industry in order to promote its own. Yet colonial and imperialist thinking in general demonstrate *also* that the best way to serve one's interests is not by taking but, paradoxically, by giving. This is so because, as Derrida (1994) argues so compellingly in his analysis of Marcel Mauss's book on the gift, giving is taking with a certain capitalisation or interest. This is not because the gift is repaid by the counter-gift of the recipient. The interest is virtually instantaneous. As soon as one thinks about making a gift to someone else, s/he is instantly repaid with an interest. The return is not anything material but it is a profit nonetheless, for example, the pleasure in knowing that one's gift will make someone else happy or in knowing that one is doing the right thing. Serving one's interests is not something that one can avoid. If there were no interest to be gained in giving a gift, there would be no interest in giving it.

Elsewhere (Argyrou 2013) I reflected on this paradox of taking by means of giving with the help of Kipling's famous poem 'The White Man's Burden'. As the poem says, the white man shouldered this burden—sent his 'sons to exile', asked them to 'wait in heavy harness' and to 'seek another's profit' and so on—knowing too well through experience that the only reward he will ever receive from the natives is 'the blame of those ye better, the hate of those ye guard'. The white man gives the light of civilisation to the rest of the world and receives nothing in return or worse, blame and hatred. He sacrifices himself for nothing and insists on continuing to do so. Is the white man a saint or a fool? He is neither of course. It really does not matter that he receives no counter-gift from the natives, say, gratitude. He has already been repaid with an interest. He has done the most 'profitable' thing—giving—and reaped the most 'valuable reward', as Winston Churchill once put it.

> What enterprise that an *enlightened* community may attempt is more *noble* and more *profitable* than the reclamation from *barbarism* of fertile regions and large populations? To *give* peace to warring tribes, to administer justice where all was violence, to strike the chains off the slave, to draw the richness from the soil, to plant the earliest seeds of commerce and learning, to increase in whole peoples their capacities for pleasure and diminish their chances

> for pain—what more *beautiful ideal* or more valuable *reward* can inspire human effort? (quoted in Ferguson 2004: xxvii; my emphases).

The most valuable reward is precisely the confirmation of the 'enlightened community' as such a community—enlightened, civilised and, of course, superior to the 'barbarian populations' to which it gives.

I believe this is the context in which we should place and try to understand Germany's determination to punish Cyprus and to make it an example for other countries in the south and the east to heed—a neo-colonial or postmodern imperialist context. Germany punished Cyprus, not out of vindictiveness but for the island's own good, not to serve its economic interests but to discipline and teach Cyprus a lesson—a civilizational lesson. Can there be anything more profitable?

Notes

[1] A number of writers (Szakolczai 1999, 2014; Horvath, Thomassen and Wydra 2015) have argued that modernity is itself liminal. This is not very different from my claim that it is nothing or, at any rate, a figment of the imagination. To be liminal is to be neither here nor there but everywhere, hence nowhere (in particular), neither this nor that hence nothing.

[2] For a different take on Greece's financial problems see Herzfeld (2016).

[3] A classic anthropological image of 'Mediterranean society' put forward as late as the late 1980s, for example, by David Gilmore (1987) but by this time also severely criticised. See in particular Herzfeld in the same volume.

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