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## The Pitfalls and Possibilities of Socialist Transformation: The Case of Greece

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# The Pitfalls and Possibilities of Socialist Transformation: The Case of Greece

## Abstract

With its 2015 electoral victory in Greece, Syriza became the first left political party to lead a European government since the founding of the European Union. As such, its eventual capitulation to the demands of the Troika was a bitter development, and not only for the people of Greece. Because the need for change remains as great as ever, and efforts at electoral-based transformations continue, especially in Europe, this paper seeks to assess the Greek experience, and in particular Syriza's political options and choices, in order to help activists more effectively respond to the challenges faced when confronting capitalist power.

Section 1 examines how Greece's membership in the euro area promoted an increasingly fragile and unsustainable economic expansion over the period 2001 to 2007. Section 2 discusses the role of the Troika in Greece's 2008 to 2014 downward spiral into depression. Section 3 discusses the ways in which popular Greek resistance to their country's crisis helped to shape and nourish Syriza as a new type of left political organization, "a mass connective party." Section 4 critically analyzes the Syriza-led government's political choices, highlighting alternative policies not chosen that might have helped the government break the Troika's strangle hold over the Greek economy and further radicalize the Greek population. Section 5 concludes with a presentation of five lessons from the Greek experience of relevance for future struggles.

## Keywords

Greece, Syriza, Troika, Austerity, Socialism

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## **Introduction**

With its 2015 electoral victory in Greece, Syriza became the first left political party to lead a European government since the founding of the European Union. As such, its eventual capitulation to the demands of the European Commission, European Central Bank, and the International Monetary Fund (the Troika), transforming the party from an instrument of social transformation to an agent of continued austerity, was a bitter development and not only for the people of Greece.

The imperatives of capitalist globalization have restructured economic processes in countries throughout the world leading to growing economic hardships and social dislocation. Unfortunately, this very outcome, especially the rise in work precariousness and decline in social safety nets, has tended to reinforce neoliberal precepts of individual competition, thereby complicating efforts to advance collective resistance to capitalist dynamics much less alternative social visions. It is for these reasons that Syriza's electoral victory was a watershed event. Activists from throughout the world, especially in advanced capitalist countries, were inspired to rethink their own political strategies, giving greater attention to electoral possibilities.

Understandably, Syriza's failure to withstand European elite demands for austerity has raised serious questions about whether a meaningful transformation can be advanced by an elected left government forced to operate in a hostile economic and political environment. Because the need for change remains as great as ever, and efforts at electoral-based transformations continue, especially in Europe, it is critical to assess the Greek experience, and in particular Syriza's political options and choices, in order to help activists, in Greece and elsewhere, more effectively respond to the challenges faced when confronting capitalist power. That is the aim of this paper.

Section 1 examines how Greece's membership in the euro area promoted an increasingly fragile and unsustainable economic expansion over the period 2001 to 2007. Section 2 discusses the role of the Troika in Greece's 2008 to 2014 downward spiral into depression. Section 3 discusses the ways in which popular Greek resistance to their country's crisis helped to shape and nourish Syriza as a new type of left political organization, "a mass connective party." Section 4 critically analyzes the Syriza-led government's political choices, highlighting alternative policies not chosen that might have helped the government break the Troika's strangle hold over the Greek economy and further radicalize the Greek population. Section 5 concludes with a presentation of five lessons from the Greek experience of relevance for future struggles.

### **1: Greek Growth and the Euro**

Greece joined the euro area in 2001, two years after eleven countries launched the process by fixing the value of their respective currencies to a virtual euro, but in time to participate in the 2002 introduction of euro notes and coins as the area's sole currency. Greece's entry was delayed because of its failure to satisfy all the required European convergence criteria. These included exchange rate requirements that mandated two years of fixed and stable rates, monetary requirements that specified limits to inflation and interest rates based on the record of the area's best performing countries, and budgetary requirements that limited annual government deficits to a maximum of 3 percent of GDP and total national debt to a maximum of 60 percent of GDP.

Only the budgetary requirements remain once a country joins the euro area, since member governments no longer have control over exchange rate or monetary policy.

Greece had especially struggled to meet the budgetary requirements and, in 2004, the newly elected conservative New Democracy-led government announced that the country had manipulated its recent budget deficits to make them look lower than they actually were. Thus, Greece had gained euro membership under false pretenses. Although the country had yet to satisfy the 3 percent deficit requirement, it suffered no punishment for its deceit.

The euro project had a long history with complex political forces pushing it forward along an often contested and convoluted path. In broad brush there were three main interests that helped to secure its establishment in its final form. Most importantly, the German government wanted a common European exchange rate to ensure the country's continuing export competitiveness in the region. It saw a common currency as the best way to guarantee that German trade surpluses would not force an appreciation of its currency relative to those of its regional trade partners, thereby undermining its export-led growth strategy. The French government saw the initiative as a way for France to remain a relevant force in shaping European political and economic trends. It hoped that binding Germany to a common European project would allow it to manage Germany's growing regional dominance. And the governments of southern European countries, including Greece, saw the project as a way to secure a new attractive currency, which would enable them to more easily attract funds and at a far lower cost, thus stimulating growth and political stability.<sup>1</sup>

Initially it seemed that Greek hopes would be realized. For example, Greece achieved a respectable 4.2 percent average rate of GDP growth over the period 2001 to 2007, faster than its rate of growth in the latter half of the 1990s (Bank of Greece, 2014, p. 13). Working people also enjoyed real gains, although from a relatively low standard of living. Real median wages rose by over 24 percent from 2000 to 2007, the largest increase in the euro area; this brought the country's median wage from 53.6 percent to 66 percent of the German median (Papadimitriou, 2015, p. 3). Unemployment also fell, from 10.8 percent in 2001 down to 7.6 percent in 2007 (Bank of Greece, 2014, p. 13).

Unfortunately, this growth was not sustainable. Among the most important reasons is that it was largely driven by debt. Over the period 2001 to 2007, debt-financed private consumption averaged a high 85 percent of GDP and the government deficit averaged close to 6 percent of GDP. Investment remained generally weak except for the housing sector, which benefited from a debt-financed housing bubble. Perhaps most troubling, domestic demand was increasingly satisfied by imports. Greece's current account deficit exploded over the period, from 7.2 percent to almost 15 percent of GDP (Bank of Greece, 2014, pp. 12-14). As a consequence, Greek spending did little to strengthen the country's weak industrial base. The country's growth became ever more dependent on low interest loans from European banks, especially those from France and Germany (Rogers, 2011).

It is commonplace to blame the Greek state for the crisis that engulfed the country beginning in 2009. It routinely ran large deficits because of low tax rates and poor tax compliance and its spending did little to lessen the country's economic reliance on tourism and shipping. However, the country's growing economic fragility had wider European roots. Here, the spotlight shifts to Germany.

As noted above, German leaders embraced the euro project in order to support their country's export growth strategy. And the euro area functioned as they hoped. Germany's trade

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<sup>1</sup> For a history of the Euro system see Lapavistas et al. (2011). I do not take up the French experience in this paper.

balance soared from a deficit of approximately 2 percent of GDP in 2000 to a surplus of over 7 percent of GDP in 2007, with euro area trade accounting for some two-thirds of the total (Bebow, 2013, p. 5). Horn et al. (2010, p. 8) describe the strength of Germany's reliance on exports and the consequences of its export growth strategy for other euro area countries, including Greece:

Germany had the lowest growth rate of all member states [from 1999 to 2007], alongside Italy and Portugal. Germany is also the only country whose net exports contributed more on average to GDP growth than its domestic demand; and in no other euro area country did final government expenditure contribute so little to GDP growth. The combination of these facts led to high current account surpluses and massive capital exports. This export-oriented strategy could only work because the domestic demand in other member states was stronger: They contributed significantly more to the aggregate demand of the euro area than Germany did – the largest country of the union (accounting for more than a quarter of the euro area-GDP). All along, the euro area's current account is almost perfectly balanced, its imbalances are internal: Germany with its weak domestic demand, rising net exports and increasing current account surpluses on the one side, Greece, Ireland, Portugal and Spain on the other side, with strong domestic economies, rising import surpluses and growing current account deficits.

Germany's export success was underpinned by two state policies: a highly restrictive fiscal policy and a punishing labor policy. For example, Germany was the only European country to actually reduce its total public expenditures between 1999 and 2007 (Horn et al., 2013, p. 8). As for the government's labor policy, the unification of Germany and a series of labor initiatives designed to increase the "flexibility" of German labor markets, coupled with the country's slow growth, ensured that median German wages remained flat over the period 2000 to 2008. This translated into an enormous competitive advantage for German industry. While euro area unit labor costs grew by 16 percent on average over the period, Germany's grew by only 3 percent (Stockhammer, 2011, p. 26).

In short, given German policy, Greece's pursuit of domestic-led growth, which included gains in worker compensation, had to produce growing current account deficits and foreign borrowing. And, since the Greek government had lost its ability to use exchange rate policy (and tariff policy as well) once it joined the euro area, there was little it could do to protect its domestic economy. Thus, while there is much to criticize about Greek state policy, the origins of the Greek crisis are also to be found in euro area trade dynamics. In this regard, it is also worth noting that the growth in private sector Greek borrowing was greater than the growth in state sector borrowing (Truth Committee on Public Debt, 2015, p. 14).

## **2: The Greek Crisis and the Troika**

The Greek expansion was finally undone by the world-wide recession triggered by the bursting of the US housing bubble. The collapse of the Lehman Brothers investment bank in the United States in mid-September 2008 sent global financial markets into crisis, leading to a freeze in credit markets, dramatic fall in economic activity, and sharp decline in world trade. These developments hit the Greek economy hard. The downturn in international production, employment and trade devastated the country's tourism and shipping industries. Tightened

credit markets stressed the Greek banking system; new funds became scarce at the same time as the quality of bank loan portfolios deteriorated.

The Greek economy began its dramatic decline in 2008, contracting by 0.3 percent. The next year the decline accelerated, with GDP falling by 4.3 percent. The following four years saw more of the same, with GDP declining by 5.5 percent, 9.1 percent, 7.3 percent, and 3.2 percent, respectively. Only in 2014 did conditions stabilize, with GDP recording a slight increase of 0.7 percent. Not surprisingly, as the Greek economy fell into depression, government deficits skyrocketed from 6.8 percent of GDP in 2007, to 9.9 percent in 2008, 15.7 percent in 2009, 11.1 percent in 2010, 10.2 percent in 2011, 8.7 percent in 2012, and 12.3 percent in 2013 (World Bank).

With the economy in decline, Greek voters returned the social democratic PASOK to government in October 2009, but the PASOK-led government appeared helpless to reverse the country's economic collapse. Greek banks were losing deposits and increasingly forced to rely on currency infusions from the European Central Bank (ECB) to maintain their liquidity. Without its own national currency, the Greek government also found it increasingly difficult to raise the funds it needed, especially once major credit rating agencies began downgrading the credit status of Greek government bonds. This, in turn, meant that Greek banks, large holders of Greek government debt, suffered further losses in the quality of their own asset base, adding to the difficulties they faced in attracting funds and diminishing any interest they might have had in purchasing new government bonds.

In December 2009, the European Commission put Greece under supervision for its smashing of European Union budget deficit limits. Beyond that, "the head of the European Central Bank, Jean-Claude Trichet, appealed to the recently elected prime minister, George Papandreou, to enact 'courageous' measures." Papandreou, for his part, declared that Greece was not going to go bankrupt, that it was "a responsible country," and the government would soon bring its deficit under control (Smith and Seager, 2009). Then, he announced immediate plans to cut government spending and increase taxes. While he hoped that such actions would reduce the need for further borrowing, their primary effect was to further depress demand, economic growth, and tax revenue. Greek workers responded to the worsening conditions and the new austerity policy by taking to the streets in protest.

Over the first days of 2010, the Greek government, with the encouragement of the European Commission, continued to assert that the country was fully capable of reigning in its huge borrowing needs despite a budget deficit that topped 15 percent of GDP in 2009. However, in February, European leaders began discussing a possible bailout, with France in favor and Germany strongly opposed. The *Guardian* newspaper described the German position as follows: "Rather than bailing out Athens, Berlin is insisting on rigorous policing of the Greek austerity program by a triple force from the commission, the ECB and the International Monetary Fund, an exercise never attempted in the eurozone" (Traynor, 2011).

In early April, after Greek bonds had been downgraded to junk status, the Greek government decided it had no choice but to request financial assistance and the German government reluctantly agreed that a European-led financial intervention was needed. The new consensus was not motivated by concern for the welfare of Greek workers who were now experiencing their third straight year of recession, but rather by fear that a Greek government unable to borrow new funds might default on its bond obligations, thereby endangering the solvency of a number of European banks, including German and French ones. The threat of a

Greek debt default was also beginning to encourage speculation about the financial solvency of the governments in Portugal and Spain, leading to a sharp rise in their borrowing costs.

At first, the plan was for Greece to receive €30 billion from the other eurozone states in bilateral loans coordinated by the European Commission and paid through the ECB. The IMF also agreed to contribute, but made clear that the Greek government would have to toughen its budget-reduction policies. However, by May 2, when the agreement was finalized, the scale of the Greek problem had become so great that the eurozone states, the ECB, and the IMF decided on a three year loan of €110 billion. For its part, Greece pledged to implement new austerity measures, privatize government assets worth €50 billion by the end of 2015, and implement a number of structural reforms involving the deregulation and liberalization of the country's labor and product markets. Less than a year later, it was clear to Troika leaders that the May bailout was insufficient to stabilize Greece's financial situation. Thus, in February 2012, they arranged a second loan of €130 billion, conditional on yet another round of austerity and a restructuring of debt held by private creditors which resulted in a 53.3 percent "haircut" on the face-value of their bond holdings.

The Troika presented their loans as a good faith attempt to help halt the slide in the Greek economy. However, in reality, the agreements were not designed to support Greek economic recovery; in fact, the austerity requirements only deepened the country's economic crisis. Rather, the money was earmarked to replenish banks' capital and pay off Greek bonds held by Eurozone banks and governments. More specifically, €48.2 billion went to recapitalize Greek banks, €81.3 billion went to pay maturing debt obligations, €40.6 billion went to interest payments, €34.6 billion went to commercial banks that had taken losses on their Greek debt, and €9.1 billion went to IMF repayments. Only €27 billion went to support Greek governmental "operational needs" (Ewing, 2015). As a result of the agreements, the share of bonds in Greek debt decreased from 91.1 percent in 2009 to 20.7 percent in 2014 and the share of loans increased from 5.2 percent in 2009 to 73.1 percent in 2014 (Truth Committee on Public Debt, 2015, p. 20). At the end of 2014, the Greek government owed €317 billion, with approximately 78 percent owed to European Union governments, the ECB, and the IMF (Resnikoff, 2015).

Significantly, many mainstream analysts actually spoke out against these two "bailout" agreements at the time of their negotiation. There was even deep concern about their terms within the IMF. For example, a number of IMF executive directors expressed strong skepticism about whether the May 2010 bailout was truly in the interest of Greece. As the journalist Ambrose Evans-Pritchard (2015a) reported:

leaked minutes from the IMF board meetings showed that all the emerging market members (and Switzerland) opposed the terms of the first loan package for Greece. They protested that it was intended to save the euro, not Greece.

It loaded yet more debt onto the crushed shoulders of an already bankrupt country, and further complicated the picture by allowing one large French bank and one German bank – no names please – to offload much of their €25 billion combined exposure onto EMU taxpayers.

"Debt restructuring should have been on the table," said Brazil's member. The loans "may be seen not as a rescue of Greece, which will have to undergo a wrenching

adjustment, but as a bailout of Greece's private debt holders, mainly European financial institutions."

Arvind Virmani, India's member, was prophetic. "The scale of the fiscal reduction without any monetary policy offset is unprecedented. It is a mammoth burden that the economy could hardly bear," he said.

"Even if, arguably, the program is successfully implemented, it could trigger a deflationary spiral of falling prices, falling employment and falling fiscal revenues that could eventually undermine the program itself." This is exactly what has happened.

And, IMF staff openly argued against the austerity requirements tied to the February 2012 bailout agreement, having concluded that previous modeling work had underestimated the size of the government multiplier and by extension the damage that would be done from large cuts in government spending. In this case, staff work was ignored by the head of the IMF who continued to demand the inclusion of strict austerity conditions as part of the second bailout agreement (Ban, 2012).

Greece had entered the euro area with a weak economy and high hopes on the part of its leaders that euro membership would help the country's economy become more diverse and competitive. Unfortunately, after several years of debt-fueled growth, euro membership proved to be a straightjacket, intensifying rather than ameliorating Greek economic problems. Improving Greek standards of living could not be sustained in the face of German determination to pursue export-led growth. And, once crisis hit, the lack of a national currency left the Greek government unable to finance its debts and vulnerable to Troika demands. Troika leaders, for their part, ruthlessly forced Greece to adopt a set of policies promoting austerity, privatization, and deregulation and liberalization of economic activity.

### **3: The Rise of Syriza**

While it is difficult to capture the human cost of the Greek crisis, the following statistics provide at least an indication of the magnitude of the country's social collapse over the period 2010 to 2014, a period whose starting date already follows two years of recession. According to official Greek government statistics (Government of Greece, 2015):

The average wage fell by 38 percent

The average pension fell by 45 percent.

The average household income fell by 20 percent.

Youth unemployed increased from 30 percent to 55 percent.

The percentage of Greeks living below the poverty line increased from 27.6 percent to 34.6 percent.

The number of suicides grew by 35 percent.



The number of depression cases increased by 270 percent.

The number of people without health insurance grew by 500 percent.<sup>2</sup>

Greeks did not passively accept the deterioration in their working and living conditions. They engaged in militant strikes and demonstrations in opposition to the recessionary policies imposed in response to Troika mandates. But beyond resistance, growing numbers of people, out of necessity, struggled to create alternative ways of living and even institutions, thereby producing glimmers of a new society in the wreckage of the old.

The *Guardian* (Henley, 2015) describes this latter development as follows:

The Peristeri health center is one of 40 that have sprung up around Greece since the end of mass anti-austerity protests in 2011. Using donated drugs – state medicine reimbursements have been slashed by half, so even patients with insurance are now paying 70 percent more for their drugs – and medical equipment (Peristeri’s ultrasound scanner came from a German aid group, its children’s vaccines from France), the 16 clinics in the Greater Athens area alone treat more than 30,000 patients a month.

The clinics in turn are part of a far larger and avowedly political movement of well over 400 citizen-run groups – food solidarity centers, social kitchens, cooperatives, “without middlemen” distribution networks for fresh produce, legal aid hubs, education classes – that has emerged in response to the near-collapse of Greece’s welfare state, and has more than doubled in size in the past three years.

These groups, which could be found throughout the country, were mostly self-organized, democratically run collectives. The majority worked cooperatively as members of an umbrella organization called Solidarity For All, which provided them with key logistical and administrative support.<sup>3</sup>

It was within this milieu of both defensive and offensive activism that Syriza grew. Its roots were in the 1988 formation of Synaspismos (the Coalition of the Left and Progress) by several left parties, including the Greek Communist Party (KKE), and independent socialists; the KKE left the coalition three years later although many of its members stayed. In 2000, Synaspismos and a number of different political formations and looser groupings formed a network to explore possibilities for political cooperation. In 2004, with electoral ambitions in mind, the network gave birth to the Coalition of Radical Left, or Syriza, with Synaspismos at its core.

Syriza sought to mobilize a broad left in the space between a rightward shifting PASOK and a dogmatic KKE. It pursued this aim by taking up issues of importance to the labor and social movements and building ties with their activists. Drawing on this new base of support,

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<sup>2</sup> For more details, especially on the collapse of the country’s health system, see Truth Committee on Public Debt (2015, pp. 34-40).

<sup>3</sup> The solidarity economy movement began as an economic response to austerity but thanks to the work of Solidarity For All it also became a “political energizer and incubator of social transformation.” For more on this movement see Kolokotronis (2016).

Alexis Tsipras, running as a Syriza candidate, entered the 2006 election for mayor of Athens and won over 10 percent of the vote. Syriza activists also continued to play an important role in popular mobilizations, including the 2006-7 student mobilizations against legislation that would have allowed the establishment of privately run universities. Syriza's electoral strength continued to grow; it polled 5 percent of the vote in the September 2007 legislative elections. In 2008 Tsipras was elected head of Synaspismos and the following year he was unanimously chosen to lead Syriza.

What made Syriza stand out was its innovative capacity to engage in electoral activity while simultaneously maintaining strong connections with the country's fast growing social movements. As the Greek scholar and activist Michalis Spourdalakis (2012, p. 103) explains:

Throughout the year [2008], Syriza displayed a steady increase in its popularity, as all public opinion polls showed that the party had doubled its support since the 2007 election. Syriza had chosen a strategy which was open to the social movements as a model for both its survival and development. In fact, the symbiosis of the two cultures guaranteed the survival of the Coalition by forcing it to adopt the kind of functional and organizational practices that are close to what has been called a 'mass connective party', in contrast with the old conception of the working-class 'mass party' whose main organizational trait was its capacity, or at least its ambitions, to unify all political, social, ideological and cultural anti-capitalist expressions within it, and to channel them towards facilitating the leadership's goals of challenging or managing the affairs the state. The main organizational trait of the 'mass connective party' would reflect its ambition not so much to unify but rather to connect in a flexible way, the diverse actions, initiatives and movements that embody these expressions into a stable federation, and to concern itself with developing popular political capacities as much as with changing state policy.

This political orientation allowed Syriza to draw energy and vision from the popular struggles and in turn create new political space for them to grow. The process pulled people into motion around a new political project that appeared capable of advancing real transformative change. This dynamic gave people hope that a Syriza election victory would represent a real break from the politics of the past.

The Greek government's approval of the May 2010 bailout dramatically transformed the country's political landscape. The associated Memorandum of Understanding required the Greek government to slash its spending on public sector wages and social programs in the midst of a deepening recession. Established political parties lost legitimacy, as growing numbers of people, from diverse walks of life, began to recognize that they were being sacrificed to save the European financial system. The terms of the second bailout approved in February 2012, only hardened people's desire for a new political direction and leadership.

Syriza was a major beneficiary of the country's growing radicalization. It received 16.9 percent of the vote in the May 2012 national elections. When New Democracy, the top vote recipient, was unable to form a new government, a new election was held the following month. Syriza did even better, winning 27 percent of the vote, only three percentage points behind the leading New Democracy. This time New Democracy succeeded in forming a coalition government, one that excluded Syriza and lasted until the election of January 2015.

Significantly, Syriza's electoral success did not lead it to abandon its movement commitments. In fact, as the *Guardian* reported, "When they were first elected in 2012

[Syriza's] 72 MPs voted to give 20 percent of their monthly salary to a solidarity fund that would help finance Solidarity for All. (Many help further; several have transferred their entitlement to free telephone calls to a local project.) The party says the movement can serve as an example and a platform for the social change it wants to bring about" (Henley, 2015).

Thus, Syriza's orientation as a mass connective party enabled it to attract growing numbers of supporters, some who joined the party and some who didn't, while strengthening its own democratic and emancipatory strategic vision. In 2013 Syriza held a founding congress to establish itself as a unified party. Its founding document made clear that meaningful transformation required a complex interplay between movement and party, with each supporting and driving the other forward (Syriza, 2013):

The state we are in today calls for something more than a programmatic framework; even something more than a complete program formed democratically and collectively. It calls for the creation and expression of the widest possible, militant and catalytic political movement of multidimensional subversion that will operate in a spirit of utmost solidarity, elation, and inspiration; a movement that will bring close together and mobilize hundreds of thousands of people. We are referring to a movement that will creatively unite all the people that flooded the squares and took enthusiastic part in small and large strikes, in towns and villages; all the people that are brutally affected by the crisis in their everyday life; all social actors, collectivities, and initiatives; all the social radicalism that emerges from every cell of the society.

Only such a movement can lead to a Government of the Left and only such a movement can safeguard the course of such a government.

More practically, Syriza declared that if elected it would, among other things, cancel the Memoranda, renegotiate past loans and cancel those found to be illegitimate, nationalize the banking system, end planned privatizations, and rehire laid off public sector workers. And, as Michael Lebowitz (2015) summarized, "Syriza promised, to tackle any possible threats and blackmail from the lenders with all possible means we can mobilize, and we are certain that the Greek people will support us. As its old slogan, 'no sacrifice for the euro,' indicated, Syriza's absolute priority was to prevent humanitarian disaster and to meet social needs, and not to submit to obligations taken on by others."

Finally, in 2014 the economy appeared to stabilize, even if at depression-level conditions.<sup>4</sup> The New Democracy-led government sought to convince the Troika that it was on schedule to meet all the conditions of the 2012 Memorandum and thus should receive the final €7 billion loan payment in December. It also argued that it no longer had need of the extended

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<sup>4</sup> The economy registered a small increase in GDP in 2014 and the first two quarters of 2015 before resuming its downward trajectory. The conventional wisdom held that a fragile Greek recovery was aborted by Syriza incompetence. However, this was not the case. Real GDP rose during this period not because of a rise in national income but because prices fell by more than national income, a devastating situation for a debt-burdened population. As Yanis Varoufakis explains (2016): "the reality (and at odds with the troika's propaganda) is that Greece was *not* recovering in 2014. Instead, throughout 2014 Greece continued to languish in its Great Depression (its money income falling by 1.8%). Moreover, during our combative negotiations with the troika in the spring of 2015 . . . money incomes continued to fall but at a reduced rate. The recession of course accelerated again when, on 30<sup>th</sup> June 2015, the troika, in its bid to asphyxiate our government, closed down Greece's banks!"

IMF program which was scheduled to run through 2016 and should therefore receive the €11 billion of unused bank recapitalization funds being held in reserve at the Hellenic Financial Stability Fund.

However, the Troika was not convinced that the country would be able to meet its current deficit target or cover its future financing needs in the private bond market, even with the release of final bailout funds. A new round of austerity might be necessary. In December a deal was struck between Greece and the Troika: the bailout program would be extended for two additional months to allow for a final budget review. If Greece satisfied Troika officials at that time, the remaining funds would be released and the Troika and IMF programs ended.

Also in December, the Greek parliament held presidential elections. After three inconclusive rounds of voting, in which the leading candidate failed to win the required number of votes, the government was forced to dissolve the parliament and order new general elections. Those elections were held on January 25, 2015 and Syriza dominated them, winning 36.3 percent of the vote and falling only two seats short of securing an absolute majority in the parliament. The party moved quickly to establish its control, forming a coalition government with ANEL, an anti-austerity center-right party. Alexis Tsipras was now Prime Minister.

European leaders, especially the Germans, were shocked by the outcome and even more so by the Syriza-led government's first actions, which included halting several major privatizations and promising to rehire fired public sector workers and restore pensions. A government of the left was in power; the challenge of guiding Greece's transformation lay ahead.

#### **4: The Challenge of Governing**

Syriza's immediate goal was, as spelled out in its 2014 electoral program, the advancement of "a National Reconstruction Plan which focused upon restarting the Greek economy through public investment and tax reduction for the middle class. Recovery and growth (along with a negotiated moratorium on debt servicing) would rescue the Greek economy and allow it to 'gradually' reverse all the memorandum injustices, 'gradually' restore salaries and pensions and rebuild the welfare state" (Lebowitz, 2015). Apparently, Syriza hoped that recovery would give it both the economic capacity and political credibility to pursue its longer term goal of the creation of a new democratic, participatory, and solidaristic economy.

However, the weak state of the Greek economy, especially its sizeable foreign debt, coupled with Syriza's determination to keep Greece in the euro area, meant that even this immediate goal could not be accomplished without Troika support. More specifically, Syriza needed the Troika to dramatically reverse course and support an expansionary Greek fiscal policy underpinned by significant new financial assistance and debt forgiveness.

On the fifth day of the new government, Greek finance minister Yanis Varoufakis told euro area finance ministers that Greece would no longer deal with the Troika. Instead, Syriza would, as leader of a sovereign government, renegotiate the terms of the existing agreement separately with each of the three participating institutions. No doubt Syriza leaders hoped that their argument that foreign debts could be paid far more easily out of a growing rather than shrinking economy, as well as European fears of the broader regional consequences of a Greek bankruptcy would be the carrot and stick necessary to force a change in Troika policy.

Unfortunately, despite a strong opening statement challenging the status quo, Syriza was in a weak bargaining position. If Greece did not comply with existing Memorandum conditions by February 28, when the negotiated extension expired, Troika officials could refuse to release

funds the Greek government needed to meet its domestic obligations and pay its debts. Because Greece had no national currency, the lack of funds would force another major contraction of the Greek economy. And, because of the terms of the past bailouts, the European banking system was no longer vulnerable to a Greek bond default. In fact, a default on loan repayments to Troika institutions would give the ECB the freedom to end its financial support of Greece's hemorrhaging banks, an act that would quickly collapse the Greek economy.

Not surprisingly, with money flowing out of Greece, Syriza was forced to yield to the reality of Troika power. Thus, it was the Troika, not Syriza, that set the terms of the first agreement signed by the new government. The bailout review period was to be extended for four additional months. During that time, the framework of the existing agreement was to remain in place. As the Eurogroup stated: "The purpose of the extension is the successful completion of the review *on the basis of the conditions in the current arrangement*, making best use of the given flexibility which will be considered jointly with the Greek authorities and the institutions.... We remain committed to provide adequate support to Greece until it has regained full market access *as long as it honors its commitments within the agreed framework* (emphasis added)" (as quoted in Smith, 2015). In other words, no further aid would be given Greece until Syriza showed its willingness to implement the same austerity conditions as its predecessor and it was given very little time to demonstrate its obedience.

Syriza leaders were in an incredibly difficult position and while it is always easy to criticize choices after their outcome is known, their call to replace the existing agreement was certainly a reasonable first attempt to seize the negotiating offensive even though it was unsuccessful. However, the Troika response should have taught them an important lesson, which is that Troika policy was not shaped by some "objective" interest in promoting European unity or well-being. Rather, it was motivated by a long-standing capitalist class project to weaken labor, privatize public assets, and liberalize and deregulate economic activity throughout Europe.

Unfortunately, despite their commitment to a transformative class-based politics, Syriza leaders never did seem to learn this lesson. Certainly, their political and policy choices over the following months did not reflect such an understanding. Said differently, they treated the Troika as good-faith negotiating partners, and ignored or rejected options that could have strengthened their bargaining position, and even more importantly, the long term movement for socialism in Greece.

The Syriza-led government had only four months to prepare for a repeat showdown. During that time Syriza leaders appeared focused on making the case that the Troika approach to Greece was counterproductive. They made numerous proposals for a new long term agreement, all of which sought to show Troika leaders that Syriza was strongly committed to keeping Greece a responsible member of the euro area, which included meeting the country's financial obligations. Strikingly, none of their proposals received much mainstream media attention or were taken seriously by the Troika.

To many people, inside and outside of Greece, it appeared that the Greek government was unwilling or unable to implement a serious reform program. "But," as Varoufakis (2015b) explained in May 2015, "the reality of the talks is very different. Our government is keen to implement an agenda that includes all of the economic reforms emphasized by European economic think tanks. Moreover, we are uniquely able to maintain the Greek public's support for a sound economic program."

Syriza leaders argued that the Troika obsession with lowering the country's ratio of nominal debt to national income had led to an austerity trap. "When fiscal consolidation turns on

a predetermined debt ratio to be achieved at a predetermined point in the future, the primary surpluses needed to hit those targets are such that the effect on the private sector undermines the assumed growth rates and thus derails the planned fiscal path. Indeed, this is precisely why previous fiscal-consolidation plans for Greece missed their targets so spectacularly” (Varoufakis, 2015a).

What was needed, they argued, was a new agreement that would allow the Greek government to pursue expansionary spending in order to stimulate growth, which would over time lead to a stable Greek economy and a lower debt ratio. The current agreement, by contrast, required Greece to run primary surpluses equal to 3 percent of GDP in 2015 and 4.5 percent in 2016. Surpluses of that size would doom the country to more years of recession, making it harder not easier for the government to make its debt payments. The process of recovery would also be greatly accelerated if the new agreement included meaningful debt relief.<sup>5</sup>

Troika officials were not swayed. They remained united that Greece must meet its commitments under the existing Memorandum. However, after months of negotiations, they did agree to a slight modification of primary surplus numbers. Because of the renewed slide of the Greek economy, caused in large part by the ECB’s own monetary tightening, they announced that they would accept a reduced primary surplus of 1 percent in 2015 and 2 percent in 2016. But, any new agreement would have to include a rise in the primary surplus to 3.5 percent by 2018.

As June wound down, desperate for an agreement that would unlock the last bailout funds and gain them access to new monies, Syriza leaders capitulated. The Greek government submitted a proposal that satisfied the Troika’s requirements, including the new budget surplus targets. However, much to Syriza’s surprise, even this proposal was rejected. Troika officials claimed that the proposal was too reliant on new taxes rather than cuts in spending to reach the targets (Thomas, 2015; Spiegel and Hope, 2015).

Syriza leaders were right to challenge the Troika, showing why its austerity policies failed, at enormous cost to Greek workers, to achieve the stated aim of debt reduction and demonstrating the benefits of an alternative program of expansion. The problem is that Syriza leadership did little else. Top Syriza leaders should not have been surprised that Troika officials routinely dismissed all their counter proposals. The policies of the Memoranda were designed to achieve far more than Greek debt stabilization. In broad brush they were about strengthening capitalist power--in Europe as a whole as well as Greece--and more often than not, that meant undermining worker power and pushing down majority living conditions. Thus, it would have been quite surprising if the representatives of European capital had decided to reverse course and support policies that boosted the credibility of a Greek government that proclaimed its opposition to capitalism.

It is this reality that Syriza leaders had to communicate, especially but not exclusively to Greek workers. The Syriza-led government needed to clearly and repeatedly explain why Troika officials rejected their reasonable proposals, making visible the logic of the contemporary capitalist class project. And they needed to tie their critique of Troika policy to a critical analysis of Greece’s own history of class-shaped economic dynamics. This type of ideological offensive would have helped Syriza broaden and deepen popular understandings of the limits of capitalism and also the strategic necessity of preparing for a break from the euro area.

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<sup>5</sup> Syriza also proposed a plan for restructuring and improving the efficiency of state industries which “was greeted with deafening silence.” See Varoufakis (2015c).

Unfortunately, Syriza officials repeatedly pulled their punches. For example, here is Varoufakis (2015a) in April:

The current disagreements with our partners are not unbridgeable. Our government is eager to rationalize the pension system (for example, by limiting early retirement), proceed with partial privatization of public assets, address the non-performing loans that are clogging the economy's credit circuits, create a fully independent tax commission, and boost entrepreneurship. The differences that remain concern how we understand the relationships between the various reforms and the macro environment.

None of this means that common ground cannot be achieved immediately. The Greek government wants a fiscal-consolidation path that makes sense, and we want reforms that all sides believe are important. Our task is to convince our partners that our undertakings are strategic, rather than tactical, and that our logic is sound. Their task is to let go of an approach that has failed.

In May, Varoufakis (2015b) had this to say:

Fair-minded observers of the four-month-long negotiations between Greece and its creditors cannot avoid a simple conclusion: The major sticking point, the only deal-breaker, is the creditors' insistence on even more austerity, even at the expense of the reform agenda that our government is eager to pursue.

Clearly, our creditors' demand for more austerity has nothing to do with concerns about genuine reform or moving Greece onto a sustainable fiscal path. Their true motivation is a question best left to future historians – who, I have no doubt, will take much of the contemporary media coverage with a grain of salt.

And here is Tsipras (2015) in May:

The lack of an agreement so far is not due to the supposed intransigent, uncompromising and incomprehensible Greek stance.

It is due to the insistence of certain institutional actors on submitting absurd proposals and displaying a total indifference to the recent democratic choice of the Greek people, despite the public admission of the three Institutions that necessary flexibility will be provided in order to respect the popular verdict.

What is driving this insistence? . . .

My conclusion . . . is that the issue of Greece does not only concern Greece; rather, it is the very epicenter of conflict between two diametrically opposing strategies concerning the future of European unification.

The first strategy aims to deepen European unification in the context of equality and solidarity between its people and citizens. . . .

The second strategy seeks precisely this: The split and the division of the Eurozone, and consequently of the EU.

The first step to accomplishing this is to create a two-speed Eurozone where the “core” will set tough rules regarding austerity and adaptation and will appoint a “super” Finance Minister of the EZ with unlimited power, and with the ability to even reject budgets of sovereign states that are not aligned with the doctrines of extreme neoliberalism. . . .

Judging from the present circumstances, it appears that this new European power is being constructed, with Greece being the first victim. . . .

Europe, therefore, is at a crossroads. Following the serious concessions made by the Greek government, the decision is now not in the hands of the institutions, which in any case – with the exception of the European Commission- are not elected and are not accountable to the people, but rather in the hands of Europe’s leaders.

More generally, Syriza leadership tended to vacillate between blaming ignorance, mean-spirited individuals, deaf institutions, or aggressive nations for the impasse in negotiations; at no time did they use a class framework to explain developments, at least domestically. They appeared, almost until the end of June, to have real hope that Troika officials would “do the right thing.” This was a serious mistake, since it left the Greek people confused about what was happening and why, and totally unprepared for the devastating defeat at the conclusion of the negotiations.

If the Syriza-led government was to have any chance of achieving its negotiating aims, it needed to demonstrate to the Troika that it had the commitment and capacity to manage the Greek economy in the face of Troika threats to cripple it financially. Unfortunately, top Syriza leaders pursued none of the options available to them to demonstrate this. For example, with negotiations their top priority, Syriza leaders became increasingly unresponsive to the solidarity economy, apparently discounting its potential for involving working people in building new institutions and relationships capable of helping them withstand Troika-induced economic pressures.

As Sam Ginden and Leo Panitch (2015) describe:

Two leaders of the ‘Solidarity for All’ assembly . . . told us how frustrated they were that they could not even get from the Ministry of Agriculture the information they need on the locations of specific crops so they might approach a broader range of farmers and develop more direct links between them and people in need. Only 12 people in total are employed in working for Solidarity for All – their numbers should be multiplied with the state’s help. The military trucks sitting idle between demonstrations could be used to facilitate the distribution of food through the solidarity networks as a way of offsetting some of the cuts to the poorest pensioners, and of compensating for the increased VAT on food imposed by the latest memorandum. Various state departments could be engaged in identifying idle land – of which there is plenty in the countryside and in light of the crisis also in urban areas – which could be given over to community co-ops to create work in growing food, and coordinating this across sub-regions.



The Ministry of Education should be actively engaged in promoting the use of schools as community hubs that provide spaces for the social movements organizing around food and health services, and also to provide technical education appropriate to this. We talked with many students who were clearly enthusiastic about working in the community but were also quick to admit that while they were adept at competing in student union elections and good at distributing pamphlets and organizing demonstrations, their skills for longer-term community organizing were very limited. The Ministry of Education could help overcome this by setting up special programs to prepare students to spend periods of time in communities, contributing to adult education and working on community projects.

Similarly, the privatizations forced on the Greek state should be accompanied by requirements that the new owners make a compensating commitment to establish industrial parks where new jobs might be created. Privatized firms might be required to source inputs inside Greece, while the state's own purchases of furniture, materials and supplies (including for schools and hospitals) might be sourced from new production units set up this way. With so many structures standing idle and under-used (like the Olympic sports facilities), all manners of co-ops and small businesses should be supported in setting up operations in them, aided by groups of young architects and engineers recruited to reconfigure these spaces. The U.S. New Deal Work Projects Administration could serve as an example not only in this respect, but especially in respect to the broad range of artistic, theatrical and cultural activities in which so many unemployed young people are already engaged.

Tsipras also declined to pursue initiatives aimed at reducing Greece's debt load. In late October 2013, Tsipras held discussions on the possibility of a European conference on Greek debt similar to the one held in 1953 at which the US orchestrated a major debt reduction and cap on international debt payments for Germany to ensure that country's growth.<sup>6</sup> However, that idea was soon dropped, in part because of lack of support from the broader European left but also because Tsipras did not see it as useful, perhaps because he feared it would anger Troika leaders.

Another example: Greek social movements had initiated a citizen audit of the country's debt in 2011, which received substantial popular interest and support. It was not until April 2015 that the Syriza-led government decided to return to this option. Then, the Speaker of the Greek Parliament launched an official Truth Committee on the Greek Public Debt. In the words of Eric Toussaint (2015), who was the committee's coordinator:

we studied all the debts whose repayment is being demanded by Greece's current creditors, the conditions under which they were contracted etc., and we defined the criteria that would be used to identify debts that are illegitimate, illegal, unsustainable, or odious. Based on those criteria and on a rigorous analysis of the debts whose repayment was being demanded, we produced a preliminary report which we presented on 17 and 18 June. It concludes that the debts claimed by the public creditors, the Troika, are in our estimation illegitimate, illegal, unsustainable, or odious. When I say "in our estimation,"

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<sup>6</sup> For a discussion of the German Debt Conference and its relevance for Greece see Kaiser (2013).

of course I mean according to scientific criteria and based on concepts in international law and internal law.

According to Toussaint, Tsipras should have launched the debt audit and halted debt payments in February, once it became clear that the Troika was determined to maintain the terms of the existing agreement. The Syriza-led government not only delayed the start of the audit, but then never made use of the Committee's conclusion that the debt incurred since 2010 should not be repaid. Instead, the Greek government continued to use its scarce funds to meet its payment obligations to the IMF, the European Central Bank, and private creditors.

Perhaps even more puzzling, Tsipras refused to pursue the creation of an electronic parallel euro economy, perhaps the government's most effective response to the Troika's strategy of squeezing the Greek economy by limiting its access to euros. As Toussaint (2015) explains:

The central bank of the country could open credit via mobile telephone, say for 100 euros, that would allow the people who receive the credit – like retired people, who would receive part of their pension that way, or public-service employees, or persons who receive government aid – to use it to pay their electricity bill, for example, or their water bill, for public transportation, and so on. But they could also use that credit to make payments in supermarkets – because you have to understand that even though the private supermarkets wouldn't be enthusiastic about the creation of a parallel currency, they'd end up accepting it because if they don't let people use the parallel currency, potential customers would go to stores that do accept it. Then the country's authorities would be able to grant wage increases, increases in pensions, without depending directly on the official currency.

This strategy could have been used, in concert with any of the above highlighted proposals, to either boost the government's negotiating leverage, or buy time for an actual exit from the euro system and reestablishment of a national currency. Varoufakis had actually worked on plans for a parallel currency system with a five person team as early as January but it had been kept secret. Apparently the government didn't want the Troika to know about its work, but that was a serious mistake.

Planning should have taken place on a large scale and in a visible way. For example, discussions should have been held with international legal experts. In other words, Eurozone leaders should have been made aware that Syriza was seriously studying and developing its alternatives. When finally faced with the collapse of negotiations, Tsipras decided against activating the parallel currency system (Lambert, 2015).

Finally, a number of Greek economists had strongly advocated an exit from the Euro area as the only option for national renewal. Costas Lapavitsas and Heiner Flassbeck published their Program of Social and National Rescue in early spring 2015. It "outlines twenty-nine steps that chart a coherent way out of the disastrous monetary union for Greece" (Lapavitsas, 2015).

Top Syriza leaders also refused to plan for, much less consider, this option. In fact, Tsipras repeatedly stated during negotiations with the Troika that this option was off the table. Doing so only further weakened Greece's leverage at the bargaining table. Varoufakis, also an opponent of breaking with the euro, made this very point in an interview given after he had been removed as Greek finance minister (Lambert, 2015):

The Eurozone can dictate terms to Greece because it is no longer fearful of a Grexit. It is convinced that its banks are now protected if Greek banks default. But Varoufakis thought that he still had some leverage: once the ECB forced Greece's banks to close, he could act unilaterally.

He said he spent the past month warning the Greek cabinet that the ECB would close Greece's banks to force a deal. When they did, he was prepared to do three things: issue euro-denominated IOUs; apply a "haircut" to the bonds Greek issued to the ECB in 2012, reducing Greece's debt; and seize control of the Bank of Greece from the ECB.

None of the moves would constitute a Grexit but they would have threatened it. Varoufakis was confident that Greece could not be expelled by the Eurogroup; there is no legal provision for such a move. But only by making Grexit possible could Greece win a better deal. And Varoufakis thought the [July 5] referendum offered Syriza the mandate they needed to strike with such bold moves – or at least to announce them.

He hinted at this plan on the eve of the referendum, and reports later suggested this was what cost him his job. He offered a clearer explanation.

As the crowds were celebrating on Sunday night in Syntagma Square, Syriza's six-strong inner cabinet held a critical vote. By four votes to two, Varoufakis failed to win support for his plan, and couldn't convince Tsipras. He had wanted to enact his "trptych" of measures earlier in the week, when the ECB first forced Greek banks to shut. Sunday night was his final attempt. When he lost his departure was inevitable.

Not surprisingly given Syriza's rejection of a more aggressive negotiating strategy, talks between the Greek government and Troika officials ground to a halt some two weeks before the June 30 expiration of the February bailout extension. The Troika refused to release funds from the last bailout or offer a new loan as part of a new agreement until Greece satisfied their demands. The Greek government was fast running out of funds and without a new agreement it would soon begin missing loan payments to Troika institutions. Once that happened, the ECB was on record saying it would end its support of the Greek banking sector. In fact, the ECB actively encouraged a run on Greek banks to force Syriza to accept Troika terms. Here is how the journalist Evans-Pritchard (2015b) described the Troika's hard ball tactics:

Does anybody dispute that the ECB – via the Bank of Greece – is actively inciting a bank run in a country where it is also the banking regulator by issuing this report on Wednesday?

It warned of an "uncontrollable crisis" if there is no creditor deal, followed by soaring inflation, "an exponential rise in unemployment", and a "collapse of all that the Greek economy has achieved over the years of its EU, and especially its euro area, membership."

The guardian of financial stability is consciously and deliberately accelerating a financial crisis in an EMU member state - with possible risks of pan-EMU and broader global contagion – as a negotiating tactic to force Greece to the table.

Most commentators were highly critical of the Troika position, correctly pointing out that austerity had already been tried and failed, and at great cost, to stabilize Greece's financial situation. Moreover, the Troika was now talking about a third agreement with yet more austerity required to access another loan. While the new funds would enable Greece to meet its debts, a new round of austerity coupled with more borrowing would only deepen the very debt crisis that the Troika claimed to seek to end.

IMF staff again spoke out against the Troika's austerity demands, with the former head of the IMF's bailout of Ireland commenting, "Syriza should recruit the IMF's research department to be their spokesman because they are saying almost exactly the same thing as Syriza on the economics of this. The entire strategy of the creditors is wrong and the longer this goes on, the more it is going to cost them" (Evans-Pritchard, 2015a).

On June 25, the Troika made its final offer. It would provide additional funds to Greece, but only enough to enable it to make its debt payments over the next five months. In exchange Syriza would have to accept the austerity terms it had until then rejected. As the Greek government recognized, this would just be "kicking the can down the road." In five months the country would again be forced to ask for more money in exchange for more austerity. Tsipras finally had enough. He announced that he had given up hope of reaching an acceptable deal and would call for a national referendum to allow the Greek people to vote on whether the offer should be accepted. He would recommend a no vote.

The Greek parliament approved the referendum on June 28 and the Troika responded by withdrawing their proposal the following day. The referendum was set for July 5. Troika officials did all they could to encourage a yes vote, with several speaking out against the Greek government. Perhaps most powerfully, the ECB announced it was limiting its support of the Greek financial system. This, in turn, forced the Greek government to close the banks and the stock market and place limits on ATM withdrawals and transfers of funds. Despite the hardships caused by such moves, the people of Greece rebuffed the Troika. The no vote won with 61 percent; it won a majority in every region of the country.

Three days after the referendum, the Syriza-led Greek government announced it would submit a new bailout request. Shockingly, its terms were remarkably similar to the ones that had just been rejected in the referendum. With the economy in shambles and no plan B, the government appeared desperate for a new agreement. On July 13, after a marathon negotiating session lasting 17 hours, Syriza leaders accepted a new three year program that was actually worse than the one rejected.<sup>7</sup> In return, European leaders agreed to open negotiations on a new €86 billion bailout loan; the loan was approved in August.

*The Guardian* (2015) discussion of the terms of the new agreement is suggestive of how bad the deal was for Greeks:

Our economics editor Larry Elliott has been going through the details of this morning's deal and concludes it will deepen the country's recession, make its debt position less sustainable and that it "virtually guarantees that its problems come bubbling back to the surface before too long."

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<sup>7</sup> For a summary of the final agreement see Wearde (2015) and Varoufakis (2015d).

He continues:

One line in the seven-page euro summit statement sums up the thinking behind this act of folly, the one that talks about “quasi-automatic spending cuts in case of deviations from ambitious primary surplus targets.”

Translated into everyday English, what this means is that leaving to one side the interest payments on its debt, Greece will have to raise more in revenues than the government spends each and every year. If the performance of the economy is not strong enough to meet these targets, the “quasi-automatic” spending cuts will kick in. If Greece is in a hole, the rest of the euro zone will hand it a spade and tell it to keep digging.

This approach to the public finances went out of fashion during the 1930s but is now back.

In sum, the Greek people, despite their heroic efforts, once again found themselves trapped in a Troika straightjacket. And tragically, this time it was Syriza that had delivered them. It remains to be seen how the Greek people will respond.

Tsipras and a refashioned Syriza appear to have retained popular support despite their poor defense of popular interests. After negotiating the new loan, Tsipras resigned as Prime Minister to force a new election, which gave him the opportunity to cleanse the party of opponents to the new bailout agreement. Syriza won over 35 percent of the vote in the September 2015 elections, remaining the majority party and once again governing in alliance with ANEL. But the Syriza in power is far from the party that once inspired so much hope. For at least the present, the struggle to advance a socialist transformation in Greece has lost its momentum.

## **5: Lessons**

Working people, especially those in Greece, have suffered a terrible defeat. Perhaps the worst part, is that it was a Syriza-led government that agreed to and is now in charge of implementing the third Memorandum of austerity, privatization, and deregulation and liberalization of the Greek economy. I certainly do not know what motivated the decisions of Alexis Tsipras and other key Syriza leaders and there is no way to turn the hands of the clock back to mobilize for different decisions.<sup>8</sup> Still, there is much that can be learned from the Greek struggle that can benefit other movements for emancipatory social change. What follows are five lessons.

I believe that Syriza’s organization as a type of mass connective party was central to its ability to mobilize great numbers of people and win popular support. Perhaps more importantly, this organizational form seems especially well suited to advance the kind of struggle required to

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<sup>8</sup> A number of explanations have been advanced to explain the passive response by Syriza’s leadership to Troika intransigence. Among the most common are that Tsipras and other key leaders were: social democrats and never committed to real revolutionary change; naive and truly believed that if they showed the Troika that they did not intend to challenge European power relations the Troika would agree to a reasonable compromise on austerity; unprepared for the challenges of governing and paralyzed with fear; unwilling to risk the potential social crisis that might result from continued resistance to Troika demands. Kouvelaskis (2016) offers a critical perspective on these issues.

build a socialism for the 21<sup>st</sup> century, in that it incorporates the understanding that “this goal requires you to walk on two legs – both to capture the existing state and reverse policies supportive of capital and also to build and nurture the elements of a new socialist state based upon self-government from below” (Lebowitz, 2015). Thus the first lesson, drawn from Syriza’s organizing experience, is that we need to be sensitive to the ways in which party and social movement interact. Ideally, the former should recognize the importance of encouraging the independence and vitality of the latter, while the latter should recognize that the conquest of governmental power is critical to the expansion and deepening of new social and economic relations.

While there can be no doubt that Syriza came to power under extremely difficult circumstances and had little room for maneuver, it is also true that its leadership did far too little to challenge those circumstances. In other words, the defeat in Greece cannot simply be explained by capital’s overwhelming power as channeled through the Troika. This is an important and encouraging point since it means that we should not feel powerless to influence the outcome of future struggles against capitalism. Thus, the second lesson, taken from Syriza’s governing experience, is the importance of audacity. The very weakness of Syriza’s initial position should have encouraged its leaders to take bold actions in order to change the balance of power. Future governments of the left confronting capital must be prepared to run risks in order to push the movement forward.

The overwhelming no vote in the July 2015 referendum was an incredible statement of resolve on the part of the Greek people. People rallied to support Syriza despite the threat of severe economic hardship. The third lesson, then, is that there is good reason to believe that strong majorities will, if given the opportunity, support necessary acts of defiance by a government of the left.

The Syriza-led government failed to make revolutionary education a priority. When Syriza formed as a unitary party in 2013 it did so as a left party committed to advancing a popular movement for socialism. When it participated in the 2015 elections it did so as an anti-austerity party. That moderation of its political message likely helped to broaden its appeal and secure its election victory. However, once in office, it did little to use its new position to encourage its supporters to develop a revolutionary consciousness. The absence of revolutionary education was especially notable during the months’ long negotiations with the Troika. Syriza never took the opportunity to use Troika intransigence and popular resistance to educate people about the destructive logic and limits of capitalist accumulation and the gains from pursuing a radical transformation of Greek society. Had it done so, it is likely that the imposition of another Memorandum would have further radicalized rather than demoralized people. The fourth lesson is that a government of the left needs to develop both clear explanations of how and why the decline in people’s living and working conditions is tied to the logic of capitalist production and effective and ongoing ways to share them with workers and their communities.

Visions of a more humane Europe are illusionary. European leaders were more than willing to pursue the complete collapse of the Greek economy in order to break Syriza for fear of the demonstration effect a successful Syriza-led government might have had on broader European politics. Their repressive policies towards Greece reflect the increasingly exploitive nature of contemporary capitalism everywhere. In fact, as Panitch and Ginden (2015) point out, the contemporary European Union “has neoliberalism in its DNA, going back all the way to the Treaty of Rome let alone the Economic and Monetary Union 30 years later.” The final lesson,

then, is that a government of the left in Europe must develop the technical and political capacities necessary for a break from the Euro area when the moment requires, and on its own terms.

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