



web: [www.ecogreens.gr](http://www.ecogreens.gr) - email: [ecogreen@otenet.gr](mailto:ecogreen@otenet.gr)

## THE ECOLOGIST GREENS (*ECOLOGOI PRASINOI*) AND THE CRISIS

### 1. The crisis is not limited to what dominates the news

It would appear that the financial crisis will have a decisive influence over developments in our country for some years to come. During this period public finances will be in the limelight along with the involvement of the International Monetary Fund, the painful austerity measures, the public debt, the deficits, interest rates and the international markets. Of equal importance are a series of parallel crises that will aggravate the difficulties:

- The crisis in the country's 'real economy' with a large deficit on the current account balance, widespread and rising unemployment, low savings, a steep rise in the cost of living in recent years, a crisis in productive orientation and the dependence of large areas on a single economic activity.
- The international crisis of 2008 and the environment of austerity in the public finances that it created, when vast sums were spent on the rescue of major industries, further undermined the weakest countries and increased scepticism as to which investments are ultimately safe.
- The crisis in society which had eroded, long before the corrosive effect of market forces, basic trust among citizens and the priority of protecting the public good. This crisis of culture formed, among other things, the foundation for the extensive malfunction of the public administration and the explosion of corruption, widening the country's traditionally wide social inequalities.
- The crisis in the environment where the short-term outlook of quick profits, the downgrading of natural resources as well as the threat of climate change affect not only the ecological balance and quality of life but mortgage whole sectors vital to the economy, ultimately undermining the prospects of future generations.

The crisis is also the bankruptcy of the entire political system which for many years has been constructing, with a general consensus, an economy with an obvious sell-by date, almost entirely built on the endless expansion of public and private consumption, an expansion that, at some point, had to come to an end.

The political system had been bankrupt long before the financial collapse came along. With policies in conflict with environmental, social and economic sustainability and unable to command society's confidence, with statistical data giving a false picture and which ultimately undermined the country's international credibility, with a clientele relationship creating an expectancy of special treatment but little desire to fight for rights and the public interest, with hyper-inflated state machinery and a limited welfare state, with government-dependent businesses that transferred many of the failings of the public sector to the private and with a long-term failure effectively to utilise billions in European resources.

The failings of the political system are not just one dimension of the crisis but the central cause of all its aspects.

What we are now facing in Greece can be considered as a second phase of a crisis in capitalism that has developed from a credit crisis into a deficits crisis since the state, having saved the banks and financial sector by transferring the cost to the nation's budget, is forced to borrow back from those it rescued (the banks) at increased rates of interest, as the 'markets' reassess the risk of bankruptcy of the debt-burdened state. Leaving aside its particular features, the case of Greece falls within this more general picture.

A perhaps more worrying phenomenon is that despite the effective bankruptcy of the neoliberal policies of the last thirty years which led the world economy into the present crisis, basically the same model continues to hold sway at the ideological and theoretical level, while its principal exponents continue to hold key positions at a global level. Unfortunately, this does not bode well since the solutions proposed to deal with the problems – as can be seen from the proposals and measures being taken in our country – are within this same ideological framework.

## **2. The measures and where they lead**

Other than the government's responsibility for the way it handled the crisis, three basic factors have acted as a catalyst in the unchecked escalation of the crisis and the final recourse to the IMF:

- The suffocating deadlines given to Greece by the EU for reducing its deficits took account of the falsification of statistical data and earlier periods of supervision but did not allow for the extension of public intervention needed in a period of crisis nor the time needed for the reform of mechanisms for collecting taxes.
- The scheduling of public borrowing in previous years that resulted in the expiry of a large part of government bonds in the period 2010-14 and the country being dependent on renewing its borrowing.
- The explosive rise in the cost of the country's borrowing on the international money markets which operated like a betting shop and focused excessively on the weakness of the Greek economy. International competition as well as pressure on the euro also played a role in these developments. High interest rates converted the country's problem of over-indebtedness to an actual borrowing crisis with the overt possibility of bankruptcy.

From the start of the crisis it appears that neither the government nor the rest of the political system had an overall plan to deal with it. The current government handled the problem in an impromptu and piecemeal way with its communications image as its primary concern. Taking measures in instalments, initially, had the goal of gaining time at the cost of protracted uncertainty; it then became apparent that the measures were being imposed from abroad against the wishes of the Prime Minister.

When, at the beginning of March, the main package of measures was finally announced, the cuts were harsh, blind, inflexible and unrelated to Greece's peculiarities, lacking basic fairness in the distribution of the burden. Reassurances that there would be no further measures during

2010 went together with an attempt to postpone the next moves until after November's municipal and regional elections.

In an economy that in the past has been dependent on private and public consumption, the large-scale removal of purchasing power, as a result of increases in indirect taxation and cuts in salaries and pensions, inevitably leads to deep recession and unemployment. In this situation, events may lead, as they unfold:

- Either to a self-sustaining, long-term crisis with recession further aggravating the deficits in the public finances leading to pressure for new, harsher, measures that in turn will lead to even deeper recession.
- Or to an International Monetary Fund call for a drastic 'export reorientation' which, in practice, will lead to extensive pillage of natural resources and ecological destruction, creating an investment bonanza with little benefit to the country's citizens.
- Or to a coordinated strengthening of the 'real economy' with serious investment funds so as to stem the tide of the crisis. In today's circumstances such funds could either be European or come from higher taxation of a much more redistributive type.

In theory, all these options support the strengthening of investment. However, this can only have long-term prospects if new direction is given to the Greek economy at the same time as substantial responses to the various crises undermining its future.

It is not by chance that neither the government, nor New Democracy nor the Left have failed to put forward practical proposals on this matter.

### **3. The European dimension and the International Monetary Fund**

The factor completing the equation is the European dimension. The Greek crisis is to a large extent part of the European crisis which itself has a multifaceted nature with parallel economic, social and environmental dimensions. It comes as no surprise that the 'weak links' are once again mainly the countries of the Mediterranean South as in the 1980s, which indicates that the process of economic integration has helped the stronger rather than the weaker partners.

A common European policy is therefore needed, not only for solidarity and the support of the weaker countries, but principally in order to plan a sustainable exit from the crisis simultaneously for the whole of Europe.

- By extending the demanding deadlines for reducing the country's excessive deficits from three to five years as in other countries with high deficits.
- With a facility for floating the national share of finance from the Structural Funds so that problems with public finances are not an obstacle to disbursements, with a search for further resources from sources such as the European Investment Bank.
- By effective regulation and taxation of the money markets, EU guarantees for borrowing by the weaker countries, issue of European bonds.
- By constructing a common economic policy that would act as a framework for the common currency with a common taxation framework and an adequate Community budget, sufficient to finance policies for exiting the crisis and a green revolution in the economy. Commercial competition needs to be balanced by cooperation, maintenance of a common framework of minimum social protection, maintaining limits for commercial deficits and surpluses as well as private-sector indebtedness to the banks.

- By securing adequate private and public resources for a green revolution in the economy at a pan-European level and their exemption from the restrictions of the Stability Pact.

Some of these points have already gathered support in the European Parliament but the policy of the European governments has moved along entirely different lines.

Adjustments to the support mechanism, instead of helping, have ultimately managed to destroy the state's ability to secure its borrowing. The amounts are limited and bear interest rates much higher than those of other European nations with similar levels of borrowing. Loans under the mechanism will enjoy preferential repayment over other borrowing while the International Monetary Fund will set its own terms. These decisions remove any possibility of issuing Eurobonds or providing European loan guarantees that would provide a margin of disengagement from market pressures, proposals put forward by the Greens and adopted by the European Parliament in this year's report on the euro. The sole positive development was the European Central Bank's move to continue to accept Greek bonds as security from banks.

Such adjustments accentuate the European lack of a political and social dimension, creating risks to European cohesion itself. For there to be a different policy at a European level, priority needs to be given to a policy of European integration, something which the policy of the governments and the resurgence of national competition currently throw into ever increasing doubt. Disengagement is also needed from current economic orthodoxy that requires the economy's dynamic to focus on competitiveness, supported mainly by squeezing wage costs. The inability of the Christian Democrats and Socialists to promote a viable exit strategy and disengage from policies that aggravate the European crisis underscores the need for a change in political alliances at a European level.

The involvement of the IMF creates serious threats to Greece, without providing even technocratic solutions.

- In its recent interventions in EU Member States such as Hungary and Latvia, its economic policies caused recessions in 2008 and 2009 several times worse than the estimates of their own planners. This raises serious doubts about the adoption of IMF know-how which, moreover, could not forecast the international crisis of 2008.
- The credits it could grant to Greece correspond at most to 20-30% of the country's borrowing requirements for 2010. This would merely postpone the problem to a later date. Simply putting off the stalemate by a few months with a parallel expansion of indebtedness is no solution. It could prove even more painful since it leaves no margin for political initiatives on the Greek side.

Since classical measures of cuts have already been pushed through, a more fundamental problem is the IMF's call for 'growth' which in many countries has led to the pillaging of natural resources. In Greece, where European legislation on the environment imposes restrictions and where many public enterprises have already been privatised, the most likely risks concern pressures for unchecked mining activity, abandonment of the regional rail network, development of public land (rocky islets, former army barracks, forest areas, the former airport at Elliniko) primarily for developing second homes for foreigners.

The Ecologist Greens are opposed to recourse to the International Monetary Fund. What we find particularly problematic is the government's move to raise this matter first, thereby creating a self-fulfilling prophesy. Also worrying are policies of 'selling off public real estate'

already officially proposed by both New Democracy as well as parliamentarians from the governing German Christian Democratic Party. Estimates put their total value at €300 billion, a sum comparable in theory to the entire Greek public debt.

Finally, we note that recourse to the IMF has a radically different nature from the usual transfer of responsibilities to a supranational body, such as the EU, where our country participates as an equal. In this case, the Greek economy is being assigned to an opaque machine without democratic control or political accountability.

#### **4. A green way out**

The gravity of the present situation in Greece far outstrips the demands that the proposed Green Solution, the Green New Deal, is called on to face in other countries. To this end we need to construct, from scratch, our own manifesto for a green revolution in the economy that will improve our quality of life and prosperity, detaching them from financial aggrandisement and ever-increasing GDP. In this context, we could explore and develop the planned responses already at our disposal.

Therefore, along with the reform of public finances and the crackdown on corruption and tax evasion, such a green approach would concentrate investment and the financial tools on three priorities that could change the direction of the economy:

- Sustainable reconstruction of the countryside, with organic production at its heart, revitalising the economy at the local and regional level, balancing the dominant sector in each region with the other local economic activities.
- Promoting and upgrading the public good and services with the aim of quality of life once again becoming a right for all, irrespective of purchasing power, as a parallel ‘social wage’.
- An urgent energy revolution, with independence from coal and oil, promoting alternative solutions to the use of private cars as well as investment in energy saving and renewable sources, designed so as to offer additional income to the greatest possible number of households.

A set of policies needs to be designed around these priorities to free up resources and creative forces:

- Tax reform, both fair and redistributive, that will use taxes as a tool to encourage or discourage activities depending on their impact on the environment and society. Within this context, taxes, such as those on fuel, must be combined with aggressive promotion of alternative solutions to the use of the private car, to encourage local products less costly in terms of transport, extensive programmes to insulate buildings so as to reduce the need for heating and cooling as well as planning to ensure the economically disadvantaged are not affected.
- Promotion of transparency measures and a crackdown on major and minor corruption should be combined with restoring a sense of justice. Other than the severe punishment necessary for those responsible for affairs such as Siemens, Vatopedi or the structured bonds of the insurance funds, we propose publication of ‘sources of income’ for the past 10 years for politicians and senior members of the administration with an invitation to justify each annual increase in their assets. Acquisitions that cannot be adequately explained will bear annual taxation at a rate in the order of 10% of their value over 10

years, even if they have changed hands. Unexplained discrepancies will be confiscated immediately.

- A reduction in armaments expenditure and talks with Turkey on further, larger mutual reductions, at the same time as withdrawal of Greek forces from international missions in distant lands. The progression of the Greek-Turkish armaments expenditure ratio over the past decade (1:1.20 in 2008 down from 1:2 in 1999) offers some margin for unilateral reductions. In view of the Turkish candidacy for entry into the EU, it would be logical for there to be greater involvement in the effort to resolve Greek - Turkish tensions.
- Alignment of narcotics policy with the corresponding policies of countries such as Spain, Portugal or Great Britain could save us the greater part of the hundreds of millions of euros that the current, fruitless war costs each year and which leads to enrichment of the dealers, mushrooming of corruption and fills the jails with the wrong people.
- Abandonment of projects and programmes such as the diversion of the Acheloos which creates illusory economic growth but, in reality, does not contribute to financial, social or ecological sustainability.
- Defence of 'green' sectors particularly vulnerable to the crisis, such as biological products or ecological tourism, in particular by their inclusion in public procurement policy, such as food in nursery schools and hospitals or social tourism.
- Formulation of a completely new sustainable model of production for the country with a drive for research, innovation and production in sectors associated with the environment as the first steps, and a return of the banking sector to the role of 'serving the real economy'.

Of central importance to us is the promotion of the Social and Solidarity Economy. The reconnection of the green movement with the tradition of the 'ecology of the poor', as expressed by Chico Mendes in the Amazon or Vandana Shiva in India has once more become timely.

In countries such as Argentina, achievements in the field of the Social Economy have surpassed, by a long way, the policies of governments, often even the bounds of the system itself, providing a safety net for survival with dignity to a large section of the community. The development of cooperatives of producers and consumers, local networks for exchanging products and services without money, or other forms of social cooperation like institutions for alternative finance along the lines of the Italian Ethical Bank, will form a basic challenge for Greek society. It will be necessary to give priority to promoting a suitable institutional framework as well as tools for financing such initiatives. It is also worth noting the possibility of casual (paid) social employment of the unemployed without loss of their other rights.

## **5. Are the measures inevitable?**

The issues of the public debt and the deficits would be less pressing if problems of similar severity were not embedded in practically all the economic indicators. In terms of the size of the problem, the most worrying aspect is the ongoing large deficit on the current account balance as well as the negative levels of personal saving over many years. The latter wipe out the relatively low indices of personal debt (borrowing by businesses and households).

From the ecological point of view, large trade deficits and surpluses also mean a large wastage of energy in transporting products over long distances. From the economic standpoint, without a common currency the chronic deficit on the current account balance would have already led to devaluation, a measure having a large element of social injustice, which would squeeze the purchasing power of salaries and pensions while favouring holders of foreign exchange and property. Participation in the euro transfers this same pressure to the cost of production and labour.

- From a green point of view, an initial response would be the restriction as a priority of those imports that are a substantial burden on the country. Cumulatively, imports of arms and energy (oil, electricity, natural gas) represent over 80% of the deficit. Rapid de-escalation of armaments and Greek - Turkish tensions as well as aggressive policies for saving energy and exploiting renewable energy sources could greatly ease the balance of payments.
- The demand for imports would also shrink if 'tainted money' were limited through effective policies to fight corruption, tax evasion and evasion of statutory contributions.
- Limiting unit wage costs could be done without reducing workers' net pay, if employers' social security contributions were reduced and the loss covered by a return of the tax on company profits to 2005 levels. Measures to give flexibility to small and medium-sized enterprises at risk of closing are not acceptable without adequate security for employees at risk from their misuse.
- Even if cuts ultimately prove unavoidable, fundamental social justice demands that at least those on low wages and pensioners be protected since their purchasing power is already very low. We are, therefore, opposed to measures such as a 'sweeping' rise in VAT or a uniform cut in public-sector salaries rather than designing a new salary scale with fewer inequalities.
- In particular in insurance, where the cuts will affect expectations and incomes for decades, it must be recognised that state liabilities both for the older reserves that evaporated in the boom of wild growth in the period 1950-85 as well as the associated haemorrhaging of the Funds' resources, are an untypical form of public debt for society and cannot be limited by statute.

## **6. Who benefited in previous years and how did we get into the present state?**

The burdening of the weakest is the hidden side of today's 'flowering of consumption'. Increases in Greek salaries have been above the European mean but in line with correspondingly higher inflation. In turn, increases in the prices of basic goods, housing, food and transport have been somewhat higher than the official index (and increases in salaries and pensions) while prices of purely consumer goods such as electronics, cars or air travel have been much less. This dual inflation reflects fundamental weaknesses in the Greek economy and society, such as the absence of a strong consumer protection movement or the inadequacy of competitive mechanisms. In reality, those on lower incomes have only minimally improved their lives in the decade preceding the crisis while the rise in consumption has been the virtually exclusive prerogative of middle and higher income groups.

During the same period, in European countries such as Germany, the Netherlands and Austria, salaries have effectively been frozen in order to promote even greater exports. The result has been an ever-growing divergence between the trade balance surpluses of the countries of the

North and the deficits of the countries of the South, a divergence that failed to equalise when the crisis broke. European programmes to rekindle the economy such as scrapping of cars and air-conditioning units took account of the needs of the exporting countries but not, however, the fragile trade balances of the South.

Further weaknesses made our country even more vulnerable. The rise in the price of oil played a special role since more oil was consumed for every euro in its economy than in any other country of the Europe of 15.

## **7. Facing the consequences**

The Ecologist Greens envisage production models and prosperity with limited demands on natural resources that can be extended to the entire world population without putting our planet's survival at risk. We want discerning consumption and ecologically and socially responsible economic activity, so as to contribute to social justice and to long-term conservation of natural resources and ecosystems.

To construct these, not only do we need to distance ourselves from the models of consumerism but we also need to have suitable infrastructure in sectors such as energy-saving, adequate public transport and a return to nature in the city. We want the public good gradually to replace purchasing power as a basic factor for quality of life, mutual trust to start to function once more, to extend the institutions of the social economy to create a strong Third Sector beyond private enterprise and the wider state.

For a large part of society, the abrupt drop in purchasing power, before these changes take shape, threatens to have a negative impact in a number of areas:

- Nostalgia for the recent past that will deter the search for more sustainable prospects.
- Pressure to select, exclusively, the cheapest products, even when they represent poor quality or risks to health or which have been produced under unacceptable conditions.
- The risk of displacing small businesses even more and worsening the trade balance yet further since domestic production is not always as 'glowing' as European nor as cheap as products from low-cost countries.
- Difficulties in financing the investment needs of the green revolution.
- A factor inhibiting the investment requirements needed at a household level, such as insulating homes or solar roofs.
- A search for scapegoats (immigrants, neighbouring countries, the European Union, the money markets) or a demand for a strong authority-protector with 'greater honesty' but less democratic restraint.
- A retreat from important green values such as the protection of the environment and rights in the face of direct and pressing demands of a short-term economic imperative.

In all these cases, a telling green reason is needed that will explain responsibilities for the policies which have enmeshed us in an economy with a sell-by date and will explain the demands for a just distribution of the burden, the impossibility of having real transparency without democracy, the opportunities to formulate, together as citizens, new aspects to our lives and the need for an integrated exit plan from the crisis so that any sacrifices soon take effect.

In this context, our critique needs to combine two fundamental lines of reasoning that are usually seen as conflicting:

- Greece is due for radical change, primarily, from all those within it. We should not look for an alibi by blaming the money markets, the EU or the IMF. We should not exonerate anyone from the political choices or social perceptions that have brought us to this point. As a society, we surely need drastic surgery on matters of transparency, personal responsibility, mutual trust, collective wealth, standards of prosperity and consumption.
- There is something unhealthy with the current economic system when the decisions of a handful of capital managers can condemn whole communities to bankruptcy or if we accept that, without an annual increase in GDP above 3%, the ongoing rise in unemployment is inevitable. So, we seek solutions not merely to manage it better but rather to supersede it.

It is always important to remember that if our country's hitherto models of consumption were to become general throughout the world's population, 3.5 times the Earth's available resources would be required. Equally apposite is the experience of the 700-euro Generation who, even before the crisis, could not develop professionally and become financially independent of their parents.

## **8. The crisis is a failure of the entire political system**

Those responsible for the current crisis are not just the recent and earlier governments, all self-reliant and 'powerful', as prevailing political reasoning would have it. The blame is not restricted to short-sighted interests, Greek or international, or to those benefiting from corruption. Responsibility also lies with forces such as the Left, that focused their criticisms almost exclusively on how consumption is democratically shared out and on where the boundaries of the private and public sectors are to be drawn.

Already in 2003, the Ecologist-Greens warned of building an economy with an expiry date, based on the perpetual expansion of private consumption. We opposed the 'big ideas' of the age such as the 2004 Olympics or the Diplomacy of Armaments, we warned that in times of austerity the downgrading of our collective wealth would make us twice as poor. When the international crisis broke, we were the first to talk about the need for a simultaneous way out of the economic, social and environmental crisis.

At a European level, the green movement has borne the greater burden for solidarity with Greece, both in the European Parliament as well as in the 'difficult' countries such as Germany. It has disputed the stereotypes of Greece held by the Germans as well as Greek stereotypes of the Germans; it has opened discussion on what must change, not only in Greece, but also in Europe.

At a juncture where no Greek political force appears to have a crisis exit plan, it is our duty to open this debate ourselves. Many will judge the progress of the green movement in our country on our ability to respond.

Athens, 25 April 2010

## The National Council of the Ecologist Greens