THE GREEK CRISIS AND EUROPEAN MODERNITY

Edited by Anna Triandafyllidou, Ruby Gropas and Hara Kouki

IDENTITIES AND MODERNITIES IN EUROPE
Identities and Modernities in Europe

Atsuko Ichijo

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The Greek Crisis and European Modernity

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For our parents, who, at this vulnerable time of their lives, have to face such harsh austerity. And for all the residents of Greece who do not give up on the hope that this country can change.
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The idea for this book was conceived during a conversation that the three of us had over coffee in December 2011 in Athens; indeed, it was the \textit{nth} such conversation we had shared about what was wrong with Greece as a country, why the austerity measures taken by the then Socialist government were not leading anywhere, whether there were any alternative ways to deal with the crisis, why Greek citizens were not behaving as ‘expected’. Naturally, we did not agree among ourselves on our diagnosis, or on our suggested ‘cure’ of the Greek patient. Our then ongoing research work on the IME Project, which concentrated on identities and modernities in different European countries (the three of us formed the Greek research team working from the Hellenic Foundation for European and Foreign Policy, Athens (ELIAMEP) for IME), provided a challenging theoretical framework, the theory of multiple modernities. According to this approach, European countries could trace a path towards modernity in their own ways and not according to a predefined (Western) ‘paradigm.’ Suddenly, it seemed that Greece was proposing a different way of being modern. While everyday stories seemed to challenge the viability of this ‘alternative road to modernity’, we felt we had a theoretical basis from which to depart.

We unearthed some old photocopies (from the time when one had to go physically into a library to copy book chapters and journal papers) of several interesting works by sociologists and political scientists of the previous generation, notably Constantine Tsoukalas, Nikos Mouzelis, and Nikiforos Diamandouros, and started reading again. What was puzzling – and also sad – was that these texts sounded so contemporary and so familiar. Yet at the same time, things had changed. So we thought it would be interesting to ask some of the prominent intellectuals of this decade to share their opinions on the issue: was there anything more or different to say?

That is how this book was started and how we began contacting contributors, inviting them to join in this attempt to understand the crisis, its causes, and its effects. They all accepted wholeheartedly, despite leading very busy lives. It has actually been a challenging process to get these people to write and revise their chapters while sticking to our focus
and even reading each other’s contributions with a view to somehow indirectly ‘replying’ to one another.

However, once the wheel got going it could not stop. Our endeav-our found a friendly ear at Palgrave, and with the support of Atsuko Ichijo, the series editor, who is also a colleague and a long-time friend, we embarked on the adventure of writing and editing.

This journey could not have taken place, first of all, without the intellectual input of our fellow researchers in the different countries and universities that took part in the IME Project Consortium, particularly Atsuko Ichijo, who was the academic coordinator of the IME Project. We also benefited from the generous support of the European Commission, DG Research, Seventh Framework Programme on Social Sciences and Humanities, without which we would have not been able to successfully complete this volume. Even though the chapters of this book are not directly related to the project, the IME research provided the intellectual stimulus for the book, as well as a significant financial contribution to its copy-editing.

We would like to thank our home institutions, ELIAMEP in Athens and the European University Institute (EUI) in Florence, Italy, for providing a welcoming environment in which to work. Naturally, our warmest thanks and gratitude go to our partners, Evgenios, Loukas, and Ntanos, and our five little boys who will be the citizens of Greece and Europe tomorrow. We hope that we and they will live in a better and more equal Greece, whether more modern, alternatively modern, or otherwise.

This book is dedicated to our parents, who lived in post-war Greece, worked hard, and contributed to making the country more affluent, more democratic, and ‘European’. It is hard to think that people who grew up in the war and faced the dictatorship have to face such harsh austerity as they are ageing, in this more vulnerable part of their lives. So this book is a small expression of our gratitude, for all that they did for us, which, no matter how hard we try, we will never be able to ‘pay back’. It is also written in solidarity with the younger generation, growing up at this very moment in a country where all certainties are collapsing and a better future seems hard to imagine. Lastly, this book is for all those in Greece – its citizens, immigrants, and second-generation Greeks (who are still not granted citizenship) – who do not give up hope and struggle in their daily lives so that this country can change.
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Introduction: Is Greece a Modern European Country?

Anna Triandafyllidou, Ruby Gropas, and Hara Kouki

1.1 Introduction

History is not constructed of facts; it is constructed by the way we perceive, interpret, and narrate those facts. Since early 2010, Greece has been apparently undergoing ‘historic moments’. Historic moments are events that define and shape a period of history and constitute ‘landmark’ dates or periods for each generation. Indeed, since the spring of 2010 almost every month has been marked by meetings, decisions, and declarations on behalf of Greek politicians, European heads of state and government, bankers, and high-level officials from international or European organizations that are considered ‘historic moments’ and have been leading Greece, the Eurozone, and the European Union (EU) into uncharted waters. Rescue mechanisms, bailouts, debt haircuts, austerity measures, strikes, bankruptcies, and the danger of the ‘Grexit’ have become points of reference forming these historic moments.

Over the past two years, news agencies around the world have been reporting on a daily basis on the adoption of increasingly harsh austerity measures, on Greece’s political crisis, on the causes and roots of the crisis, on the violent demonstrations and civil unrest, and on the social consequences of this crisis. Some analyses tell the story of a predictable crisis that was a long time coming, one that was to be expected from a country that did not quite modernize, in spite of its EU membership, and with strong legacies of a backward political culture impregnated with clientelism and institutionalized corruption that can be traced back to the formation of the Greek nation state. Others narrate a story that presents these events as the product of global capitalism and (vaguely defined) supranational corporatist interests that are
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Located beyond national borders and supported by the corrupt domestic political system. Amidst these readings of facts and efforts to weave them together into different historical accounts of the roots and causes of the crisis, the questions that are posed in various forms, styles, and tones can essentially be summed up in the following two: Is this crisis a result of Greece’s incomplete modernization? Or is this crisis a result of this phase of European modernity and modernization, in which Greece happened to be one of the weakest, more vulnerable links, thus placing it at the centre of the storm?

This book attempts to capture responses to both these questions. It is, thus, not so much about this current economic and political crisis as an important historical moment in Greece’s national history or Europe’s shared history. It is mostly a debate and exchange of different perspectives and interpretations of this crisis with respect to Europe, Greece, and the normalities and paradoxes inherent in modernity. Through a set of ‘paired essays’, this book takes Greece as a case in point that exemplifies the contradictions of the dominant paradigm of European modernity, the ruptures that are inherent in it, and alternative modernity discourses that are being framed.

In this book, we offer an analysis of modern Greek politics and contemporary Greek history in an attempt to revisit the tensions between tradition and modernity that have, in fact, challenged the modern Greek state and society since its creation in the nineteenth century. We recast the old question in terms of civic and political culture by touching upon different dimensions, such as the economy, citizen rights and popular protest, religion, and the welfare state. We also place Greece in its European context as a peripheral capitalist country where a narrative of ‘catching up’ with Europe is strong and at the same time internally contested. We question the incomplete or ‘deviant’ character of modernization and secularization processes in Greece and consider to what extent the current Greek economic and political crisis is either a symptom of a crisis in European economic and political modernity or, indeed, an exceptional case.

In this introductory chapter, we present the dominant discourse interpreting the current crisis of Greek identity, which explains the unfolding of national history after 1974 as a conflict between tradition and modernity. We then offer a short critical overview of this turbulent relationship in national history and how it has been perceived and explained in scholarly literature. The last section of this chapter explains the organization of the book in four paired essays. Each pair develops a debate on one of four central dimensions of the crisis: the economy, the legal and political culture, the welfare state and social policy, and, last
but not least, the place of religion in society. The concluding section of this chapter argues that the contributions to this book tackle not only the issue of Greece but also the question of Europe and Europe’s paradigm of modernity. At a time when the crisis is gradually affecting other European countries, as well as shaking the very foundations of the EU, such a theoretical endeavour on our past appears necessary so as to move forward.

1.2 The Greek crisis: The backlash of the underdog culture?

In the early 1990s, Nikiforos Diamandouros described the cultural dualism that was deeply entrenched in post-1974 (post-dictatorship) Greece as a tug of war between an ‘underdog’ and a modernizing political culture. This has since been disseminated to political discourse and has become a reference point for understanding modern Greece and the country’s relation with Europe. While the former of the two cultures is a pre-democratic, nationalist, defensive culture, favouring clientelistic networks of power, bearing a strong imprint of the Orthodox Church, phobic of the Western world view, and rather ambivalent towards capitalism and its market forces, the latter – described in a more favourable light – is inspired by European Enlightenment, promotes rationalization in society and politics along the lines of liberalism, secularism, democracy, and free-market economics, and privileges the exercise of power through modern political parties.

In essence, what Diamandouros implied is that the construction of a modern nation state in Greece meant the introduction of a series of Western institutions and their accompanying rationale, comprising bureaucracy, political personnel, distinction between public and private, and other principles of a Western polity. However, this procedure provoked social tensions and strong dividing lines in society in Greece, since those institutions had to be applied to ‘traditional and precapitalist, indigenous structures’ (Diamandouros 1994, p. 8). The ‘extensive, traditional, more introverted, and least competitive strata and sectors of Greek society’ developed what was called an underdog culture. This was the total opposite of the other cultural camp, which was influenced by Enlightenment, aimed to apply the principles of modernization and Western liberal democracy in the country, and was largely hampered by the traditionalism promoted by its adversary. While the underdog culture is inward-focused, stresses tradition, and is largely influenced by the Ottoman and Byzantine past, the modernizing cultural camp is extroverted, pursuing social, political, and economic reform in order
to promote Greece’s integration into the international system and the European family. This distinction is so profound and all-encompassing that elements of both cultures are to be found across the political spectrum in both the left and right-wing forces of the political system, Diamandouros argued.

A couple of years later, in 1995, Nikos Mouzelis further developed this idea of two cultures, competing albeit cutting across Greek society and economy, noting that in the post-1974 period the traditionalist political culture had further developed into two sub-types: the clientelistic and the populistic. The clientelistic sub-type continued to draw its legitimacy from highly abstract references to justice, freedom, and progress, and very concrete particularistic practices of distributing ‘favours’ to family, friends, and co-villagers. In other words, the clientelistic sub-type continued the ‘old’ version of the traditionalist culture which sought its basis and its legitimacy in the pre-modern organization of society and politics. The second sub-type, the populistic one, mainly supported by the socialist party (PASOK) and its ascendance to power since the 1980s, offered a new basis for legitimizing the alternative path of Greece to modernity. It promoted a romantic search for a ‘third road to development’ (anti-Western but also anti-Communist) and an anti-Western rhetoric through a glorification of the ‘Greek people’. The Greek people, as also analysed by Constantine Tsoukalas (1993; 1995), were glorified through references to their quintessential, albeit elusive and adaptable, ‘authenticity’. This authenticity, as Tsoukalas (1993, p. 69; also 1995, p. 200) argues, was considered a supreme cultural norm that was offered to the Greeks by history (rather than being conquered by some cultural or material effort) and had an immutable essence: it is trans-historical.

There is also a further dimension highlighted by those scholars when picturing Greece’s path to modernity. It concerns the particular role of the Orthodox Church, which is constitutionally sheltered and retains its stronghold on the country’s civic and, on occasion, political life. Although there has been a consistent weakening of religious practice, and the church’s presence in public, state, societal, and political affairs has been incrementally rolled back by the state, nevertheless, its influence remains considerable. The church continues to consider itself the guardian of Greek national identity, often adopting an introverted protective nationalistic discourse, and demanding preferential treatment on the part of the state in recognition of, and in return for, its contribution to the nation (Mouzelis 2002). This has resulted in tensions in the public sphere that have at times been considered in literature as unfitting for a modern, liberal democratic state.
Against this background, Constantine Tsoukalas has argued that Greece was characterized by a model of growth without development and remained largely pre-modern both in cultural and in economic terms, while the capitalist mode of production and capitalist social relations came to dominate and the traditional forms of socio-economic organization were disrupted. A concomitant depersonalization of social relations took place, whereby Western social ethics remained marginal at the ideological and cultural level. In other words, the pre-modern particularistic ideological tenets were substituted by anti-modern or alternative-modern particularistic ideological tenets.

That actually meant, according to Tsoukalas, that citizens kept their free-rider economic and social behaviour without espousing a labour ethos, impersonal market honesty, personal reliability, compliance with collective norms of efficiency and performance, and dedication to the notion of citizenship as values per se (Tsoukalas 1995, p. 200). The public domain, and by extension anything collective, he argued, was seen as a resource available for any individual or corporatist ‘taking’ without the citizen owing something to the collectivity and the state in return. Greece’s modernization did not take place through the recognition and pursuit of a collectively rational goal of development. It has, rather, been marked by an aggregate of individual paths to growth and prosperity. Allegiance was thus not due to the state but to this intangible and trans-historical essence of the ‘nation’ and the ‘Greek people’, which did not require a civic ethos to exist.

It was in the mid-1990s, after yet another period of socio-economic crisis (in the early 1990s) and another economic austerity period, that Mouzelis observed that Greece had good prospects for change. The forces for change in the twenty-first century could come from below (from the anti-party mood of the electorate in the 1990s and the student movement), from within (the loosening class divide, the reshuffling of party structures, and the emergence of modernizing political forces), or, last but not least, from above (notably from the rules imposed by the European Community and later the EU on Greece’s economy and society).

The same was argued by Nikiforos Diamandouros in 1993; the two cultures, the traditionalist and the modernizing, were cutting across the entire political spectrum more than ever. It seemed as if these were becoming apolitical, because modernists and traditionalists could be found among both the left and the right, without distinction. Naturally, Diamandouros (like Mouzelis) acknowledged that the restructuring of society and economy along the lines of collective rationality
rather than along the aggregate of individually rational projects would have a high political and economic cost. And, it was whether the political parties were prepared and willing to bear this cost. Perhaps Diamandouros (1993, p. 20) was too optimistic. The trade unions and the employers’ associations, he argued, would be among the modernizing forces as they pursued their collective interests, thus pushing the state towards the actual completion of the Greek modernization project.

Considering the social and economic costs of such a change of direction and of the overhauling of societal and economic structures in line with mainstream Western modern collective rational behaviour, Tsoukalas (1995, pp. 209–210) was asking:

Whether it is rational and just to have the poor and helpless of today pay for the promotion of an imposed, but all too real, collective imperative [of modernising reforms] is a question to be answered in only ethico-political terms. For it is obvious that if all Greeks must become virtuous, honest, and disciplined, some must become more virtuous, more honest, and more disciplined than others will ever need to be. The necessary socio-cultural adjustments concern the underdogs, whereas the happy few, at least most of them, can go on putting a patronising face. But... things are more or less clear: within an increasingly blurred wonderland, if the Cheshire cat does not let listening and obedient ears appear before his insatiable mouth, he might forget how to grin, for the simple reason that there will be nothing left to grin at.

Even if, in the second half of the 1990s, competition became higher and resources became increasingly scarce, as Tsoukalas argued1 (1995, p. 211), there were also external developments, largely driven by Greece’s integration into the EU, that counteracted this tendency and testified to the viability of an ‘alternative path to modernity’. There was a certain effort at rationalization of public spending and structural reform during the years (1996–2004) of the Simitis-led PASOK governments as well as during the early years of the Karamanlis-led New Democracy (2004–2007) government, which made the system temporarily viable. The EU, in a paradoxical way, helped sustain the contradictions of Greek society and economy by handing out subsidies that supported Greece’s economic development with minimal modernizing reforms in the economy, the public sector, or society at large. Material prosperity was increasing while painful structural reforms were always delayed or watered down, for fear of their political costs (for parties) but
also for fear of their socio-economic cost to the vulnerable strata of the population in particular (as Tsoukalas aptly describes above).

The positive signs of this period included the country’s entry to the Eurozone and a steady economic growth during these years, buttressed by huge infrastructure projects and a plentiful, cheap, and flexible migrant labour force. Attempts at structural reforms; a wider political consensus concerning the country’s strategic priorities in its foreign policy and its role in the EU; the appearance of new dynamic industries in the private sector, such as in information technology and transportation services; privatizations; liberalization; huge infrastructure projects; and increased European exchanges across different spheres from culture and education to the municipal level further enhanced a conviction that change and modernity were underway. These feelings were fuelled further by an unprecedented credit growth in the early 2000s, which was supported by the ease with which Greek financial institutions could access funds from the broad European unified capital market, and which created a sense of prosperity, growth, and modernization across all socio-economic strata. These socio-economic developments disguised the fact that the country’s private sector overall lacked competitiveness, the public sector kept growing disproportionately, and economic growth was taking place at the expense of continuing heavy public borrowing as well as an expansion of private households’ borrowing through credit cards and smaller or larger loans. The epitome of this period seemed to be the Athens Olympic Games in 2004 – which combined in a single event the glories of the Hellenic past with a view of modern Greece as a well-organized, prosperous, European country. Actually, the Olympic Games were heralded as proof that the Greek public culture was changing: the organization of the Olympic Games had been presented (and was embraced by many citizens) as a collective goal that was beyond individual projects. The mobilization of several thousands of volunteers to help with the organization of the Games was a tangible expression of new forces in Greek civil society.

This euphoria did not last for long, however. Following social tensions and rising unemployment in the second half of the 2000s, a severe debt crisis hit the country in 2009, which shattered any perspective or hope related to the country’s economic development. In less than five years this ideal image was replaced by overwhelming pessimism about the economic and political situation in the country, matched with almost unanimous disapproval of leading political and institutional figures for their responsibility in bringing the country to the verge of bankruptcy. What went wrong?
The dominant interpretation since the outset has been that, beneath the surface, Greece failed to reform where necessary due to the domination of the traditional political culture (the so-called parochial/underdog) over the ‘modern’ one (liberal/reformist). In effect, most academic analyses up to now have followed the argumentation outlined above by underlining that compliance with European rules and directives has had only a limited impact on social and economic reform. The working and middle classes, as well as the intelligentsia, showed a lack of interest or even outright opposition towards any efforts at undertaking structural reforms, due to the political cost these could impose upon established interests. As a result, it is said that clientelistic features of the patrimonial Greek state have prevailed, leading to the poor performance of the public sector, populism, lack of meritocracy, and free-rider economic behaviour, at the expense of the labour ethos and the development of a law-abiding culture. The ‘underdog’ culture aspect has been presented and is understood as being at the root of the country’s debt crisis, and of the Greek society’s and state’s inability to address its structural shortcomings.

At the same time as this line of reasoning was gaining ground, the economic crisis gradually proved to have both roots and consequences of a more European and even global dimension. For the purpose of this introductory chapter, we put the emphasis on the interpretation focusing on the national roots of the crisis. It has, however, become evident by now that Greece is no longer alone in suffering its costs. In what appears to be a snowball effect with potentially devastating consequences, one country after another within Europe is drawn into a visceral economic and financial crisis that appears to be challenging even the economic and political viability of the EU. The so-called sovereign debt crisis has become at the same time a cultural, political, and social crisis that has put into question the modernization project adopted by the EU, which at this point cherishes ever-diminishing support and consent among European citizens.

Within this social and political context, therefore, the question that arises is whether the Greek crisis is the precursor of a systemic crisis of the neo-liberal welfare capitalism model or whether the Greek crisis is largely due to internal deficiencies and the inability of Greek elites and citizens to create a common social platform for them. In short, are the roots of the Greek crisis more European and global than they are national? It has become evident by now that there is no clear answer to this question, since the ongoing crisis that emerged in Greece originated from broader and systemic causes that go far beyond the narrow
national borders of this country. Blame can no longer be attributed solely to the ‘Greek particularities’, which, however, have become even more evident at this time of acute and radical crisis. Is Greece exceptional? Is the European modernization project in crisis, and, more importantly, what will be the impact on it of this crisis? In this book, we focus on those social and ideological dimensions that seem embedded within the political culture of the country, while at the same time indicating the European levels of a crisis that will alter the way we live at a global level to an extent that is still unpredictable.

1.3 Between East and West: Greece’s ‘historical uniqueness’ in history and in historiography

While adhering to the description of two cultures, one originating in the experience of Ottoman rule and the other in the encounter with European Enlightenment, Diamandouros in his seminal work suggested that after 1974 an ‘underdog’ culture emerged that impeded reforms in the country. Since the outbreak of the crisis in 2010, the ‘underdog’ culture is widely under attack, both abroad and within national borders, for bringing the country to the verge of economic and political bankruptcy. No matter how special current circumstances may appear, cultural dualism has been commonplace in the discussion of Greek political culture since the very foundations of the state. Since the outset, it was on the one hand the loaded historical background that differentiated the country from the ‘barbarian’ Muslim East, and its unique language that separated it from its Slavic neighbours. On the other hand, this ‘cradle of civilization’ remained after all a poor and economically underdeveloped country, different from the industrialized western Europe where it officially ‘belonged’. Greeks have been rather comfortable with their references and attachments to their foundation myths; however, the question of ‘where do we belong?’ has never stopped being quintessential for the national collective consciousness.

Since the birth of the modern Greek nation, the influence of Byzantium and of the West have been defining for the country and its identity, though the two legacies are characterized by mutual mistrust and cultural distance (Diamandouros 1983a, b; Tsoukalas 1994). Modernity in Greece has been equated since the outset with Westernization and was seen as the opposite to the Ottoman past. Juxtaposed was the idea of progress, inherent to the evolutionary ideology of the nineteenth century, which contrasted the past with the present, and was translated in the Greek context into a battle between the Ottoman
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and Byzantine traditions and modern European democratic institutions. This incongruity thus represented tradition as inferior to the future and the progress that was to be achieved. On the other hand, modernity was harshly criticized, not because of its principles, but because of its connection with ‘foreign’ social actors intervening in internal politics, as well as with domestic actors who uncritically praised everything that originated from the ‘West’. At the same time, due to the romantic admiration of the West for ‘traditions’ such as ancient Greek philosophy and democracy (Hertzfeld 1987), the dominant historiography within Greece and across Europe linked modern Greece with Hellenic antiquity. This unavoidably created a past upon which to construct a national future and also contributed to building the European identity of the country. As a result, national identity from the outset was defined by the past and by cultural distinctiveness, that is, Greek Orthodoxy and the Hellenic heritage, along with the Greek language. From the establishment of the modern Greek state until today, there has been an inherent tug of war between characteristics and behaviours associated with tradition and those associated with modernity that has shaped a matrix within which national identity has been created, negotiated, debated, and represented.

The Greek state was institutionalized in 1832 with the crucial help of the Great Powers (Britain, France, and Russia), who, in their attempt to control the Mediterranean region, served as patrons of the newly formed country. Otto, the first King of Greece, was an ‘imported’ one, as were the institutions created to manage the state on the basis of Western ideas and the Enlightenment. They were not enough, however, to fully grasp the country’s cleavages, contradictions, politics, particularities, and needs (Veremis 1990). Up until World War II, in parallel with Western foreign interventions in national affairs that became standard practice, there was a widespread expectation that the country would finally be ‘Westernized’. Very soon, however, it became evident that the nascent nation state could not live up to such expectations by following the pattern of modernization followed by western European countries.

There was a plethora of reasons for this: the Greek economy was mostly agrarian, the structure of the economy could be characterized as pre-capitalist, industrialization was absent, while at the same time provincial agents exerted more influence than a central bureaucracy upon local affairs, as the political edifice in the country remained underdeveloped. As a result of those factors, public life was dominated by patronage and what was perceived by ‘foreigners’ as civil disobedience. But the country’s particularities ran deeper than this; the cultural
and ideological environment was not as European politicians and local intelligentsia had imagined. Greeks seemed unruly, ‘oriental’ in their habits, like their former Ottoman rulers, and unwilling to comply with a Western type of rational collective citizenship ethos (Tzanelli 2008).

From about the 1920s and until the colonels’ dictatorship in 1967–1974, the country was divided between the right and the liberal forces of the centre and the left, following the national schism (*dichasmos*) reflected in the clash of the prominent Greek statesman Eleftherios Venizelos and his liberal party with the Monarchy. Each camp instrumentalized national traditions and modernization prospects in different ways in a long-lasting effort to come to terms with a ‘double-faceted’ past (Hellenic and Eastern) and an always ‘more developed’ West.

It was mainly after the transition to democracy in 1974 that a number of significant changes brought the country towards the long-desired path to modernization. It was then, after the end of the seven-year military junta and the abolition of the monarchy, that most reforms took place, as consequences of the country’s transition to a parliamentary republic. In a very short period of time, Greece ceased to be an agrarian society, and the third sector became the dominant one, followed by rapid upward social mobility. The political and ideological divisions that had persisted within Greek political and social life since the civil war (1945–1948) also formally ended with the abolition of the exclusionary state of emergency and the establishment of a competitive political system. Reforms in the education sector, the development of a welfare state, the renewal of political personnel, and the democratization of public life brought into the public discourse terms such as ‘equal opportunities’, ‘social justice’, and ‘political rights’. However, the so called ‘particularities’ of Greece persisted; the country never became a profoundly industrial one, while society seemed to keep intact many of those ‘pre-capitalist’ economic modes. The continuity of the country’s political culture was not transcended by the institutionalization of political modernization; an atrophic civil society was often coupled with sentiments of strong nationalism, whereas clientelistic statism and widespread grey economic activities gave vent to what looked like anomic pre-modern citizenship behaviour (Demertzis 1997, p. 117). The dualism between tradition and modernity may have occasionally changed forms and intensity, but it continued to cast its shadow on the way the Greek national identity was formed throughout the twentieth century.

Thus, Greece appears balanced between a troubled tradition and a desired modernity. Far from being reconciled with this cultural dualism, the country is in constant need to explain this peculiar condition
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both to itself and to its ‘significant others’, as evident in its political discourse, but also in scholarship. This peculiarity has been argued to be a case of a society in transition from a pre-modern to a modern era. Departing from this point, it has also been argued that those two camps in contemporary Greece serve as cleavages of modern political culture, superseding other dividing and interpretative lines – as is the case with Diamandouros’ schema.

These scholarly arguments, which have come to dominate academia and political discourse, understand modern Greece from the outset as being somewhere between a past and a future, the periphery and the centre, modernity, and tradition. This thesis is apparently imbued by the evolutionism that marked social and political theory, especially in the United States of the 1950s and 1960s. According to this, in most societies, reform processes did not provoke a conflict between the new and the old, as the new is built upon the old. Modernity, as the process of transformation and rationalization of human societies, is rooted in tradition, while reform is an endogenous change not requiring abrupt ruptures with the past.

This process, however, describes the way industrialized liberal western European democracies were modernized, and as such implies a differentiation between those and the rest of the world. In the case of peripheral capitalist societies, like Greece, for instance, tradition and modernity emerge as conflictual trends in an antagonistic relationship. According to modernization theory, time evolves in a linear and progressive way, and as a result, in the case of this country, it unavoidably brings about radical ruptures with the past. It is only by uprooting tradition that reform can be implemented. Within this narrative, there are two options: either any sign of traditional particularities is eradicated or the country is alienated from the family of developed societies (Tsoukalas 1983).

According to the historian Liakos, the modernization paradigm was also adopted in Greece by a generation of scholars who blended social anthropology with historiography by transforming the concept of clientelism into the fundamental interpretative key for explaining political behaviour and state–society relations (Liakos 2004). As also noted above, Mouzelis located Greece, along with the Balkans and Latin America, in a cluster of belatedly modernized countries, in which clientelism was transformed from a personal system to a bureaucratic one without putting an end to the state’s despotism or creating a robust civil society (Mouzelis 1986). Tsoukalas emphasizes the role of the state in Greece, which continued serving the interests of a dominant class by
creating state personnel through a machinery serving clientelistic inter-
estests (Tsoukalas 1981). George Dertilis shifted the emphasis to the way
politics as a platform of social antagonism was formed in the country. He
has argued that class ‘vagueness’ and the absence of a class-based social
conflict in the newly formed state meant that there was no structure or
tradition through which to represent social interests (Dertilis 1977).

The work of these scholars significantly influenced academic and pub-
lic discourse in presenting a historical parcours that compared Greece’s
development with Western patterns of economic development. It thus
presented the country as industrialized in a belated, dependent, and
anomalous way, characterized by state interventionism, clientelistic
relationships between state and society, the reproduction of anomic
patterns, a populist political system, and so on. Moving a step further,
Diamandouros’ thesis presented above managed to blend this political
analysis with the discourse on political culture, thereby arguing that the
clash between Westernized institutions and traditional segments of soci-
ety essentially characterized not only Greece’s political system, but also
its political culture (Diamandouros 1994).

Everyday life often appears to confirm this interpretative framework
to an impressive degree. However, there has been a growing field of
scholarly work that has tried to offer alternative perspectives and more
nuanced interpretations. For instance, Tziovas has argued that the ‘tra-
dition vs. modernity’ schema, like all dualist representations, is too
rigid and simplified (Tziovas 1995, p. 347). Such dichotomies, it is con-
tended, form part of colonial politics by maintaining that there are some
deeply embedded cultural traits that fly in the face of modernization as
defined by most Americans or western Europeans (Tziovas 2001, p. 201).
Similarly, Kokosalakis and Psimmenos have suggested that this bipo-
larity runs the risk of ideological closure, which applies mostly to the
traditionalists. On the contrary, they argue that in real life there is a
continuity and a mixture of tradition and modernity (2002, p. 15). Oth-
ers have argued that the contradiction between tradition and modernity
is not so clearly defined, but, on the contrary, penetrates all identi-
ties in each and every individual or collective actor (Demertzis 1997,
p. 118). Recent research has also indicated that it is often the case in
the country that political actors, lay people, or even institutions can
defend both traditionalist and modernist positions, and do not necessar-
ily adhere to the one or the other camp. For instance, social subjects can
at the same time defend an ethno-cultural and religious conception of
national citizenship and demonstrate tolerant and modernist positions
towards religious diversity (Triandafyllidou et al. 2011).
This ambivalent attitude does not seem to provoke confusion in social subjects, as realities are more complex. In fact, this contradiction takes place not only externally, between the adherents of those two groups (tradition and modernity), but also internally, in every national citizen of the country, who in empirical reality must come to terms with issues of identity and participate in the broader political culture (Stavrakakis 2002, p. 40). Lipowatz has termed this conflict ‘split Greek identity’ (Lipowatz 1994, p. 129), and Demertzis asserted that the Greek peculiarity is actually not about the conflict, but about the co-existence of those two apparently antagonistic camps (‘inverted syncretism’; Demertzis 1997, p. 119). Liakos goes as far as asserting that national self-castigation about the country’s oriental habits is actually the other side of narcissism related to its unique historical heritage (Liakos 2012). What this scholarship suggests is that the construction of the dilemma ‘tradition vs. modernity’ is valuable to the extent that it does not obscure the tensions and realities permeating the lives of both individuals and collectivities.

From another point of view, the cultural dualism thesis has been criticized for translating cultural attitudes into political agendas. In other words, in terms of academic analysis, it is considered risky to directly equate the underdog culture with state interference, or market liberalization policies with the reformist camp, for instance. Though valuable for understanding how political and social conflicts emerge and develop, Diamandouros’ scheme tends to consider tradition and modernity as essential realities, ignoring the fact that reform, for instance, can also be a strategic choice, adopted by the so-called ‘underdog’ agents as well (Sevastakis and Psimitis 2002). Tsoukalas also, as early as 1983, criticized the essentialism entailed in similar dualisms for attributing to tradition and modernization the status of two coherent and clear camps that argue for an equally self-evident historical division (Tsoukalas 1983, p. 37). The dualist vision precludes the possibility of new agents or different versions of political and social conflict emerging. It also presupposes that there is an ideal type of change, following the Western modernization pattern, and changes are interpreted according to this blueprint. That is why, Tsoukalas notes, tradition and modernity acquire contradictory connotations not in every society, but in the case of the countries located in the periphery. This point forms part of the criticism that has been directed towards modernization theories at large, according to which whatever differentiates peripheral countries from those at the core is considered an anomaly, a weakness, or an aberration. Underlying the cultural dualism thesis, there is a subtext that reads Greek society as ‘in the process of reform, or the lack of it’ and
looks for the elements that impede such process from taking place. Such an analysis is about the causes of backwardness, about absences and divergences (Liakos 2004). However, this is not the only way modernity can be interpreted; for instance, in the inter-war period, modernization was seen as a response to the crisis that brought forward experimentation and fluidity and not a categorization between countries. Against this dichotomous thinking of modernization theories, which equate modernity with the West and Europe, Eisenstadt put forward his theory of ‘multiple modernities’ (Eisenstadt 2002), and Jusdanis described the Greek case as a history of a ‘belated modernization’ (Jusdanis 1991).

At the beginning of the current crisis, the dominant narrative blamed the ‘underdog’ culture for the problems of the country and equated the European Union–European Central Bank–International Monetary Fund ‘troika’-driven rescue mechanism and austerity plans with a modernization project that would eventually bring salvation. Gradually, however, the unfolding of the crisis beyond Greek national borders shifted the debate and the criticism to also include the modernization paradigm as put forward by the EU. In effect, many current analyses reassess the complexity of the relationship between local cultures and the European modernization project. Mouzelis, for instance, refers to the inequality ingrained within the Eurozone system and the ‘dictatorship’ of the markets (EKKE 2012), while Tsoukalas, 30 years after the publication of his seminal work, notes that clientelism as an interpretative term may serve as a moralistic narrative that attributes wrongs to a perversion of behaviours rather than actually contributing to a better understanding of the situation (Tsoukalas 2012a, b).

Coupled with the criticism directed against theories of modernization in general, broader European and global developments have also brought about a revisiting of the cultural dualism thesis. However, a new approach has not yet emerged, and public opinion both abroad and within the country, as well as political and academic discourse, is still permeated by the binary oppositions set by this scheme. This is because the central questions posed throughout modern Greece’s history remain the same and appear to be presented as all the more urgent. Where does Greece belong? Is the Greek crisis an exceptional case of failed modernity or a glimpse into Europe’s future?

In the next section, therefore, we discuss this relationship between national and European identity as well as the tradition vs. modernity tug of war, in order to present the background to these complex interactions that are explored in the subsequent chapters.
1.4 Greece, Europe, and ‘being European’

Questions such as ‘How European is Greece?’, ‘Does Greece belong to the West?’, and ‘Has Greece’s “Europeanization” been successful?’ have motivated debates, initiated academic research, and triggered political antitheses throughout modern Greece’s history. These questions seem to be perpetually posed and re-posed. The extent of Greece’s European or Western identity is regularly revisited due to its geographic and cultural positioning between East and West; similarly, the question of how much more and in what ways Greece has to reform in order to ‘become European’ is equally repetitive.

In the post-World War II context, and particularly since the end of the Cold War, European integration and access to EU membership has become the dominant, if not the exclusive, institutional framework representing the ultimate paradigm of Western modernity. Within this context, countries at the geopolitical and economic centre of Europe, such as Germany, France, or the Netherlands, have been synonymous with being both ‘modern’ and ‘European’ (even though their socio-economic models differ), while countries at the southern and central-eastern periphery of Europe have sought to confirm their ‘Europeanness’ by reforming and converging with or towards what has been increasingly defined as ‘core’ Europe in EU jargon. Thus, ‘modernizing’ has become synonymous with ‘catching up with Europe’ or, more specifically, ‘catching up with the EU’, just as EU membership is essentially perceived as representing the accomplishment of modernity and the formal confirmation of ‘being’ European.

In a nutshell, it is the founding, ‘older’ member-states of western Europe that have essentially defined the political, legal, administrative, judiciary, societal, and economic conditions that represent the ideal to be attained by the project that has brought about the EU. Moreover, these member-states have defined the path that needed to be pursued in order for this ‘ideal’ to be achieved by the southern European countries that acceded to the European Economic Communities (EEC) in the 1980s, as well as by the newly independent states of central, eastern, and southeast Europe in the late 1990s. They have set the pace, conditions, and processes that had to be followed and abided by (for instance, through the Copenhagen and Maastricht criteria), and provided the means, the resources, the technical assistance, and the narrative in order for countries to transition from military dictatorships (Greece, Spain, and Portugal) or from Communism and state-planned economies to be ‘Europeanized’ again.
As Ichijo et al. (2009) have noted, European identity/identities come with a political and normative baggage. This has certainly been the case for European integration. EU enlargement has been framed by a ‘return to Europe’ narrative. This narrative has been perceived by many as a paternalistic Eurocentrism that finds its origins in the eighteenth-century idea of Western imperialism as a *mission civilisatrice* (Lawson et al. 2010, p. 28). It reached its apogee with the eastern enlargement, but it is the same ‘return to Europe’ narrative that had been used with the southern EEC enlargements a few years earlier. On the occasion of Spain’s EU accession ceremony in 1986, Madrid’s Mayor, Tierno Galvan, had declared that ‘we are more European today than we have ever been’ (Eder and Spohn 2005). King Juan Carlos I and Prime Minister Felipe Gonzalez had made similar declarations, depicting Spain’s EU accession as its ‘triumphant passage to modernity and democracy’. The nation had thus become ‘European’ and thereby ‘modern’ (Eder and Spohn 2005, p. 118).

Over the past decades of European integration, ‘Europe’ has entered national political debates as a dimension of national identity and as a dimension of power. These debates have concentrated on ‘Does our nation belong to Europe?’, ‘How does our national identity relate with our European one?’, and ‘What more must we do to “become” more European?’ The costs and the obstacles of ‘further Europeanization’ are debated, as well as the sort of Europe that will result from the accession of the (previously ‘Eastern Other’) candidate member-states. Increasingly, however, as the political, institutional, and economic crises that have struck Europe since the mid-2000s persist and deepen, the questioning shifts increasingly to ‘Is there “too much” Europe?’ and ‘Have we reached the limits of how much diversity Europe can digest?’ Concerns are rising over the neo-liberal nature of Europe and whether this is threatening to social justice, welfare, and employment rights, along with debates over the too protectionist and bureaucratic way Europe stifles competition, innovation, and entrepreneurship. ‘Is the path to Europe a uni-directional, dialectic path or can we retract from it?’ and finally ‘Will some Europeans always be part of its periphery?’

The notion of periphery is indeed core to the very definition of European identity, and it is particularly relevant for any understanding of the process of Europeanization and resistance to it. European identity has been defined through the model proposed by the EU during the more recent decades. In some cases it is seen as inherent to and an integral part of national identity; in other cases, it constitutes a challenge or even a threat to the nation. In the geographic periphery of
the continent, while at times ‘Europe’ has competed with alternative, and often preferred, regional identities (af Malmborg and Stråth 2002, p. 10), at other times it has inspired modernization reforms and driven transitions in order to ‘become’ Europe. It is this latter dimension that is relevant for the case of Greece, as the history and historiography of modern Greece that we have referred to above suggests.

For many scholars, ‘Europeanization’ was long treated as the process that would permit rupture with the structural weaknesses and problems of the modern Greek state and the dysfunctions of the Greek economy. Falling well within the ‘Enlightenment’ argument presented above, ‘Europeanization’ was often presented as a force of change that would serve as an incentive to break with the vestiges of its ‘Ottoman’, ‘oriental’ past and thus enable the country’s modernization. In short, it would permit breaking with the clientelistic, particularistic state; it would encourage decentralization and the empowerment of new actors; and it would render the state more efficient. It would also promote a civic dimension to Greece’s strong ethno-national identity. The current crisis is offering an opportunity to reconsider this narrative and to explore the process of Europeanization, modernization, reform, and change from a more critical perspective. In effect, the unravelling of this crisis has offered the opportunity not only to examine and try to understand whether modernization was indeed hindered, and if so by which factors, and in what ways this led to the current crisis in Greece, but also to examine whether and how the dominant narrative of modernity as it has been framed by the ‘Europeanization’ literature is also connected with and affected by this crisis.

1.5 The contents of this book

This book is organized into pairs of scholarly contributions by scholars who adopt contrasted, or at least alternative, perspectives on the issues under discussion. To begin with, the first cluster of essays touches upon the complex field of the economy. Is the Greek economic and political crisis a case of failed modernity or a symptom of Europe’s path to modernization? Loukas Tsoukalis contends that Greece served as the catalyst for the transformation of a crisis of the Western financial system into a crisis of the euro area and also a sovereign debt crisis. It did so because it had the worst combination of three deficits, namely, a budgetary deficit, a current account deficit, and a deficit of credibility, at a time when markets began to wake up to the reality of sovereign risk. Greece remains today the weakest link in the euro chain. Yanis Varoufakis, on
the contrary, argues that Greece is not, and ought not to be, that important in the context of the current global developments. If it has caught the limelight, this is because its malignancies are quite representative of a well-hidden malaise plaguing the world economy since 1971. In this sense, Greece has not only been the proverbial canary down the mine but, more significantly, a microcosm of the socio-economic dynamic that has been keeping global capital and trade flowing over the past 30 years.

The second pair of contributions tackles the issues explored in this book from a legal perspective and attempts to offer two different explanations of the country’s current political culture and of what frames Greek citizens’ resistance to change. Ioannis A. Tassopoulos draws from Jacobinism to explain the current crisis of legitimacy in Greece, which occurred at a time when the country had achieved the highest level of democratic life it has so far experienced in its history. George Katrougalos takes a critical stance, arguing that the dualism between ‘underdogs’ and modernizers does not accurately reflect the basic dichotomies of Greek society, and therefore fails to explain the symptoms of Greek exceptionalism. Rather, as he argues, the Greek crisis is just a part of the generalized crisis of the failed attempt to build the EU following the postulates of a fundamentalist version of neo-liberal monetarism.

The next pair of chapters focuses on the issue of religion and religiosity in contemporary Greece and discusses whether this is a modern experience or a vestige of the past. Thalia Dragonas argues that contemporary Greece appears quite anachronistic as regards religious freedom. Moreover, the Greek church’s discourse, often tinted with populist and nationalistic rhetoric, is rather incompatible with what is considered to be a modern notion of liberal democracy. Yet, at the same time, she notes that there is a diminishing interest in the church and its hold over the laity’s beliefs and practices. Dragonas draws from empirical material to analyse these asymmetrical developments in the religious sphere, distinguishing between intra-institutional and inter-institutional secularization/desecularization. While the Orthodox Church demands very little of its nominal members in terms of their daily lives, it retains its stronghold as a national church, thus posing an insurmountable obstacle to religious freedom. Stavros Zouboulakis offers a different reading of the situation. He argues that, since the fall of the junta in 1974, the separation between church and state in Greece has indeed taken place, though not by means of clear-cut constitutional reform, but, rather, gradually, through a series of laws regarding particular matters. While
the state constantly restricts the legal (and, therefore, social) power of the church, the church remains unable to perceive the new reality and to redefine its public role within the new cultural and political circumstances.

Lastly, we turn our attention to the welfare system. Maria Petmesidou entitles her contribution ‘The chances for modernization amidst an ambivalent EU record on “Social Europe”’. In her chapter, she examines from a critical point of view the reform dynamics under the current conjuncture of a severe economic and financial crisis expected to have protracted knock-on effects on Greek society and economy. Structural changes and drastic social spending cuts in Greece are framed and assessed in terms of EU-wide policy choices. Stringent European austerity and protracted recession, she argues, will dismantle social Europe. Petmesidou suggests that, under a deficit-cutting ‘frenzy’, it is highly probable that the modernization path will lead to a hotchpotch of residual, stigmatizing programmes for the most needy. Manos Matsaganis notes that, as a result of the limited unemployment protection provided by the welfare system and the lack of a minimum income guarantee scheme, the recent severe crisis and the concomitant sharp rise in unemployment have exposed the weaknesses of the system in a dramatic way. The rationale for a radical reorganization and rationalization of the system is clear, and, in fact, a number of steps in this direction have already been taken.

We could not have a better conclusion to this edited volume than the contribution by Nikiforos Diamandouros, who currently serves as the European Ombudsman. Diamandouros revisits the thesis he put forward 30 years ago of the ‘underdog vs. modernist culture’, which has returned so vehemently to the forefront since the outset of the crisis, and elaborates on what this crisis may mean for Europe and for Greece.

### 1.6 Concluding comments

In times of crisis, identity issues become more important than during times of equilibria, as all internal tensions, at the individual, collective, or national, and even supranational, level, rise to the surface in confrontational ways. In times of crisis, perpetual questions like the ones mentioned above become even more important, more polarizing, and probably also more defining. Crises are transformative; they offer both an opportunity for growth and a risk of deterioration. The outcome of any crisis, whether psychological, political, institutional, or economic,
depends on the resolution of a complex of conflicting forces and centres of power during the period of disequilibrium. At present, Greece is facing a crisis on multiple fronts. It is undergoing a deep economic and financial crisis, and, much more importantly, it is undergoing probably the deepest and most fundamental political, institutional, and societal crisis since the restoration of democracy in the mid-1970s. And, against this background, the questions that dominate the public sphere are whether and to what extent Greece has Europeanized or modernized enough, or, more aptly, why it has not Europeanized or modernized enough, and what are the factors that have defined its ‘resistance’ to ‘more’ Europe, or more of a ‘particular kind of Europe’. Questioning identities, perceptions, and definitions can be a particularly insightful, constructive, and enriching experience and process. It can also, however, lead to dead-end circular arguments that confuse cause and effect, that overlook changes and transformations, and that provide easy comfort through references to the myths of ‘exceptionalism’.

As we have attempted to outline in this introductory chapter, Greece’s own perception of its national and European identities is based on a web of rival and even conflictual relations between tradition and modernity; between attachment to tradition and continuity on the one hand and pursuit of social contestation, rationality, and secularism on the other. Although Greece is considered as being at the core of and having inspired modern Europe’s values and identity, at the same time Greece has had, and still has, to undergo repeated (and in many cases extremely costly and painful) reforms in order to become more ‘modern’, to become more ‘Europeanized’. This book, therefore, in the chapters that follow, attempts to examine some of these dimensions in an effort to understand what may be at the origins of this crisis and how it is being understood. For us, this has been a particularly interesting endeavour, as, in this effort to better understand the context of the Greek crisis, we have also touched on aspects of what has been unravelling as Europe’s deepest existential crisis. We hope that the readers of this book find some insightful clues to understanding both crises in the chapters that follow.

Notes

1. ‘For the first time since the end of the 1950s, the miracle of individual and family planning is being massively seen as a mirage. To the extent that the availability of outlets for individual strategies is increasingly restricted, antagonism among the riders is increasingly becoming an ordinal competition for place, thus raising the level of general dissatisfaction. Everyone continues to
stand on tiptoe, no one follows rules, yet no one sees better, and most seem even worse than they did before...And if a new set of collective rules is not invented and obeyed, cutthroat competition for positional goods and services tends to develop into anomic hierarchy' (Tsoukalas 1995, p. 211).


3. A necessary note is that the member-states acceding in 1993 – Sweden, Finland, and Austria – ‘enriched’ this dominant definition through the emphasis they accorded to human rights, participatory democracy, civic activism, environmental policy, and good and transparent governance in order to democratize the EU and address its democratic deficit and legitimacy challenges.

References


Europe is going through a deep crisis, arguably the most dangerous since the foundations were laid for the European political order after the end of the Second World War. The crisis will shape Europe and European integration for years to come. Long gone is the tide of Euro-enthusiasm that helped raise the Euro-boat at the beginning of the twenty-first century, when economic and monetary union, together with the prospect of an ever more ambitious enlargement and the transformation of the founding treaties into a constitution, were expected to lead Europe to a much higher stage of integration.

It all began with the bursting of the biggest financial bubble since the Great Depression. Continental Europe was not at the origin of this bubble. The Anglo-Americans had provided the ideology and the instruments, and the rest of Europe followed with a mix of anticipation and embarrassment characteristic of young virgins. Private and public debt kept on rising for many years, thus helping to preserve consumption levels in the West (and politicians in power) that were clearly unsustainable in the long run (see also Hemerijck et al. 2009; Roubini and Mihm 2010). Deregulated financial markets grabbed an ever-increasing share of the economic pie, while their operation resembled more and more that of a casino. And the international recycling of funds continued as long as China, the emerging economic power, remained strongly attached to its export-led growth model sustained by an undervalued currency. It was good for many, while it lasted.
When the bubble first burst in that obscure segment of the US financial industry, the sub-prime market, most Europeans believed, or wanted to believe, that it was none of their business. With the benefit of hindsight, we, of course, know they were dead wrong. The crisis spread rapidly to the whole financial sector, the most globalized part of the world economy. And it then spilled over to the real economy, leading to negative rates of growth in gross domestic product (GDP) in North America and Europe that had not been experienced since the 1920s and 1930s. The crisis entered a new phase around the end of 2009, when markets began to realize that a sovereign debt crisis was in the offing. The banking crisis was one side of the coin, and the sovereign debt crisis the other. Most inconveniently, they have been feeding each other. Increasingly illiquid, or insolvent, banks have turned into a heavy burden for sovereigns that tried to save them; and, in places, it has also worked the other way round.

What had begun as a financial crisis of the West, only indirectly affecting the rest of the world, later turned into a European crisis, more specifically a crisis of the euro area, as people (and markets) began to realize what a currency without a state (Padoa-Schioppa 2004) really meant in difficult times. And Greece became the catalyst for the transition into this new phase, despite its relatively small size, representing only 2 per cent of the output of the euro area. While the Greek political class slowly began to realize the magnitude of the problem it had to cope with, and acted even more slowly, the response of its European partners shifted from denial first (it was a problem for Greeks only to deal with) to reluctant acceptance that Greece’s problem was also a European problem, requiring national as well as European solutions. Greece then became a test case for national and European policies in response to the crisis – more precisely, policies that became a stress test for the domestic political system, the economy, and society at large in the context of economic austerity, recession, and reform-induced change, while European institutions experimented on ways of managing a crisis they had clearly not been prepared for. The belief, judging at least from official communiqués, that Greece was unique persisted for some time, despite the fact that it was soon followed by other countries also asking for help from their euro partners.

At the time of writing (autumn 2012), while the crisis continues to spread further, with more countries being shut off from international bond markets and hence forced to seek funding from EU institutions and partner countries, Greece remains the most vulnerable link of the euro chain. Some people in other European countries have come to the
conclusion that Greece is a lost cause and should leave the euro. Others still want to give it a chance, because of solidarity or simply because they are fearful of the possible domino effects of an eventual Greek exit – some are indeed convinced that, if this were to happen, it would be the beginning of the end. The balance of opinion has clearly shifted lately towards those who want to prevent a Greek exit. Furthermore, an increasing number of people, especially in the embattled periphery of Europe, begin to suspect that, with existing policies, Greece may be showing the way that other countries may follow sooner rather than later – and it looks like the way to hell. Thus, Greece has attracted attention that is totally disproportionate to its size – surely, not the kind of attention that Greeks particularly enjoy.

We shall begin with the main characteristics of the Greek problem, followed by a discussion of all those ‘unthinkables’ that have already happened in Greece and elsewhere in Europe as a result of the crisis. We shall continue with different perceptions of the problem and possible solutions to it, and end up with concluding remarks on the way forward.

2.1 The Greek problem

It all began in October 2009, when the newly elected government of Greece, led by George Papandreou of the socialist party (PASOK), announced that the Greek budget deficit of 2009 was going to be much bigger than previously claimed by the outgoing centre-right (New Democracy) government, well into double-digit figures. The announcement was not followed by serious measures to deal with the problem. Jittery markets, still under the spell of the Lehman effect, suddenly focused on the prospect that the financial crisis could transform itself into a crisis of sovereign debt, as governments were forced to increase their borrowing in order to deal with the adverse effects on banks and the real economy. Spreads on Greek state borrowing rose fast as the Greek government and EU institutions dithered.

Greece was the catalyst for the outbreak of the crisis of the euro area, because it had the worst combination of three different deficits. First, it had a large budget deficit, which reached 15.4 per cent of GDP in 2009 after a number of revisions, on top of an already big public debt (at 127 per cent of GDP in 2009, it was the highest in the euro area). Second, it had an equally large, indeed unsustainable, deficit in its current account, which was almost 15 per cent of GDP in 2008 – a deficit of competitiveness, in other words. Last but not least, it had a serious credibility deficit,
as people realized that Greek politicians had been repeatedly economical with the truth and creative with the use of statistics (of course, there have been many less polite ways of describing this unpleasant fact). Greece was not unique with respect to any of those three deficits among members of the euro area and the wider world. But it had, undoubtedly, the worst combination, when markets began to panic again while governments, notably Greece’s own government, took their time in trying to get a grip on an admittedly very difficult situation.

Since Greece joined the euro in 2001, budget deficits have always exceeded the 3 per cent Maastricht limit, partly camouflaged through creative accounting but seen as manageable as long as nominal and real growth rates remained high (and they were significantly above the EU average during this period). They were manageable no longer when the international crisis hit. At the time, Greece had a weak government, which, faced with the prospect of early elections, allowed public finances to get completely out of control in 2008–2009. Political irresponsibility thus reached a new peak, and this was true of both government and opposition.

Greek politics is clientele politics par excellence: political parties distribute money and favours to voters/clients. Greece is, of course, not unique in this respect either. But the problem grew bigger with time. The quality of the Greek political class steadily deteriorated, the enrichissez-vous culture became dominant after many years of rapidly rising prosperity, while membership in the European Union, and the euro in particular, came to be perceived as an all-protective umbrella against adversity, as well as a provider of free or cheap money, rather than an agent for reform. For somebody who has written and fought for years for EU structural policies and an effective redistributive role of the common budget,1 it is painful to admit that EU money has contributed in a significant way to corruption and inefficiency. The Greek state became increasingly corrupt and dysfunctional, an instrument of parties in power and a victim of the clientele system, which, if anything, grew stronger over the years. There was cheap money to spend, especially as a member of the euro area. Organized interests and the forces of inertia in a basically conservative society that does not much like change combined to kill any attempt at structural reform. The result was a deadlocked country in many ways, although one still enjoying a steadily rising standard of living.

It had not always been like this. Greece is a country that underwent a remarkable transformation during the second half of the twentieth century, from economic underdevelopment and deeply flawed democratic
institutions, with a spell of dictatorial rule, to a high standard of living and a fully fledged democracy. Before the outbreak of the crisis, Greece was classified among the top 25 countries of the world according to United Nations indicators of living standards. Some of us had dared to argue it was ephemeral, because Greece’s prosperity did not correspond to the productive capacity of the economy, and hence it was unsustainable (Tsoukalis 2009). But prophets of doom are usually not listened to while the party goes on.

Greece is the country that organized the highly successful, albeit extremely costly, Olympic Games of 2004, the only country of its size to do so for several decades, and the one that played an important stabilization role in the Balkan region after the collapse of communist regimes, with Greek banks and enterprises acquiring in the process an important foothold in the area. It could be argued that Greece has often tried to punch above its weight. This tendency has largely to do with history, going back a long way. But there is something else playing a key role: a Greek elite, consisting largely of expatriates, with a strong global presence in the arts and sciences, in finance, and in shipping, but not directly participating, with few exceptions, in the running of the country. From the peak of success and self-confidence only a few years back, Greece has suddenly come tumbling down and is now treated as a basket case. The fall has been big, sudden, and painful; and Greek people realize it is far from over yet: hence, a society in a state of deep shock turning increasingly into despair.

No doubt the main responsibility for the derailment of Greek public finances and the steady loss of competitiveness during the period of euro membership lies with those who governed the country, and indirectly with those who entrusted them with their votes (and who may also have been engaged in the party while it was on): in other words, Greek society in general, albeit a society with large inequalities and differences. But, if we are to engage in a blame game, the blame is surely not confined to Greek politicians and their voters. At least part of the responsibility also lies with EU institutions and Greece’s European partners. Successive Greek governments pretended that public finances were in order and reforms were under way, and their European partners pretended to believe them. When it came to the crunch, reluctance to interfere in each other’s domestic affairs and tacit support from national leaders belonging to the same political family were key factors. But, again, Greece is not unique. There was systemic failure: the surveillance mechanism for the euro set up at Maastricht clearly did not work. The Stability and Growth Pact proved inadequate from its conception, and it was
poorly implemented. If properly implemented in the way it had originally been intended, it might conceivably have prevented the Greek crisis. But it was surely not designed to deal with privately created bubbles, such as those of Ireland and Spain. When the crisis struck, we all discovered (or were just reminded) that the European Union had no mechanism to deal with it – some had apparently been afraid of moral hazard.

But were Irish politicians less to blame, having allowed a small group of bankers to bankrupt the Irish economy? More recently, we began to learn more about the role of Spanish politicians in their national version of the bubble – and there are surely other national lessons to learn, given the chance. Responsibility does not stop there, either. What about Anglo-American politicians, including those of New Labour, who had acted as missionaries for deregulated financial markets, allegedly the pioneers of modern capitalism? Last but not least, were German politicians (and regulators) blameless, and hence morally justified in chastising the others? They were apparently caught unaware that their own banks had been an integral part of the big bubble, feeding into it the savings of their customers while accumulating all kinds of debts of questionable quality in deficit countries of the periphery, together with super-modern toxic assets. This was meant to be efficiency in a globalized world of casino capitalism, was it not?

There was manifest market failure. Greek governments and others kept borrowing at very low interest rates – at times, at negative real interest rates. Spreads over German bonds remained at very low levels for years, thus implying that Greek government bonds were perceived by markets as presenting almost the same risk as German ones. Markets did not bother to look at the figures, or ask awkward questions. To be fair, the possibility of sovereign default for a member of the euro area was not at all an issue until fairly recently. It belonged to the category of unthinkables. Now, markets know better, having moved to the other extreme, as they often do, thus helping to make the non-sustainability of Greek (and other?) public debt into a self-fulfilling prophecy.

The crisis is the result of colossal failures in markets and institutions. It also marks a big failure for economic science and its prophets. The efficient market hypothesis, resting on the behaviour of rational actors armed with perfect information, which had provided the intellectual basis for financial deregulation in the West, was shown to bear little resemblance to real life financial markets in which greed and moral hazard met in an explosive mix, with the old herd instinct being added for extra effect. One may, indeed, wonder what kind of world the authors of
those theories inhabit, although some have been rewarded with Nobel prizes. Financial power often translates into political power. We know that from history, with many instances of politicians being hijacked by financial lobbies. They were not alone: members of the academic profession were shown to be particularly prone to mainstream thinking, and this was not always unrelated to pecuniary interest.

2.2 So many ‘unthinkables’ have happened

Much has happened since the late months of 2009, when the crisis hit. Rating agencies, markets, and analysts looked more closely at figures and institutional structures and began to doubt both the sustainability of Greek public finances and Europe’s possession of either the instruments or the political will to deal with the more general problem that had arisen. They placed their money accordingly. Those doubts were more pronounced in Wall Street and the City of London, where speculation about the viability of the euro, or even the European Union, has been particularly rife since the very beginning. Was it rational expectations, wishful thinking, or some combination of the two leading to big bets being placed that sometimes have the capacity of shaping outcomes?

Many unthinkable things have happened since then – and in a big way. Crisis is, after all, the mother of change, helping to transform the unthinkable into reality. It has happened in Greece, as well as in other vulnerable countries of the euro area that have followed Greece on the way to financial disrepute. It has unavoidably happened in the rest of Europe, leading to the adoption of measures that had been completely off the radar screen only a short time ago. The trouble is that measures have usually come late, they have often been poorly implemented and even more poorly supported in a highly decentralized political system such as the EU, and, hence, they have been invariably judged by markets as insufficient. In the meantime, a growing number of critics have begun to suspect (and argue) that there is something fundamentally wrong with the overall strategy adopted.

In Greece, PASOK was elected in October 2009 with a strong majority and a mandate to spend and to further strengthen the welfare state. Of course, PASOK should have known better. Lynched by reality (and the markets), it was forced to make a volte-face a few months later. The government raised taxes, cut public sector salaries and pensions, adopted fiscal and pension reform, changed the statistical service, and began to take measures to restore the international competitiveness of the economy. The latter included half-hearted liberalization measures in the
labour market and closed professions. Surely, these are not the kind of measures that most socialist parties identify with, especially not Greece’s PASOK, with its strong populist tradition and with most members of the party machine safely and comfortably (or so they had thought until then) ensconced in the wider public sector. Internal resistance was, as expected, ferocious, while opposition parties saw in this avalanche of unpopular measures the opportunity for easy political gain – and they acted accordingly. Those who thought that the Greek political class had already reached the peak of irresponsibility were apparently mistaken. It proved capable of reaching new heights.

Macroeconomic adjustment, with the emphasis on fiscal consolidation, and structural reform were the Greek part of a deal reached at the level of the euro area in May 2010. It was a bail-out that the architects of the Maastricht treaty had wanted to make sure would never happen. Greece was treated as a unique case requiring exceptional measures. The deal was intended to provide Greece with the necessary finance (€110 billion) until 2013, when it was supposed to be able to go back to the markets in order to continue servicing and refinancing its public debt. For its part of the deal, Greece was expected to take the necessary measures to restore sustainable public finances, encourage competitiveness, and establish the conditions for healthy long-term growth. The other, erstwhile unthinkable, part of the deal was the involvement of the International Monetary Fund (IMF) in an internal euro area rescue operation with funds and active participation in the so-called ‘troika’, together with the European Commission and the European Central Bank (ECB). The ‘troika’ was assigned the task of closely monitoring the agreement. Since then, Greece has been on European and IMF life support under close supervision by its lenders.

Support has also been extended directly to Greek banks through the ECB. The banks have been the victims of the Greek sovereign debt crisis, and not the other way round as happened in Ireland, Spain, and other countries. Greek banks were big holders of Greek state bonds. As a result of the crisis, they were cut off from inter-bank lending, while domestic deposits shrank and bad loans exploded, thus leaving the ECB and the Greek central bank, being part of the Eurosystem, as the main source of liquidity. Total borrowing from these two sources has usually —exceeded 100 billion.

A new financial support package was agreed by euro area leaders in July 2011, with more money and new provisions for reduced interest burdens, extension of maturities, protection of Greek banks, and measures to foster growth, including the frontloading of EU Structural Funds
flows to Greece. It took rather a long time to be put into action. The new package was meant to correct some of the weaknesses and faulty assumptions of the previous one, when the punishing mood of Greece’s lenders had clearly prevailed. The new agreement also broke another big taboo, a mega-version of the unthinkableables that Europe has been forced to think and implement while trying to manage the crisis. On the insistence of Germany, and against the strong opposition of the ECB, defending central bank orthodoxy, it was agreed that private holders of Greek sovereign debt would have to undertake part of the burden of adjustment: the official term employed was private sector involvement (PSI) in the restructuring of Greece’s public debt. This decision, however, led to further instability in the markets: the growing suspicion that sovereign debt was no longer sacrosanct was now officially confirmed. It was fed all along by numerous statements made by officials in several European countries casting doubt on the validity or sustainability of measures agreed in Brussels: European cacophony at its best (or worst?).

It was originally meant to be a small step. But, once the genie was out of the bottle, people began to get bolder. In fact, it appears that the Germans at least saw the decisions reached in July as only the hors d’oeuvre. In October 2011, leaders of the euro area went much further, announcing an agreement to proceed with a ‘voluntary’ haircut of no less than 50 per cent of the notional value of Greek sovereign debt held by private institutions, which at the time exceeded €200 billion. The stated objective was to bring Greek debt down to 120 per cent of GDP by 2020, still under assumptions that were generally deemed to be too optimistic. A new assistance programme for the period 2012–2014 for Greece was also agreed that would add €100 billion to the amount already committed in May 2010, plus €30 billion as the official counterpart to the PSI package: unprecedented amounts for an unprecedented crisis.

The PSI operation was successfully carried through by a former central banker turned Prime Minister, Mr Lucas Papademos, who led the Greek government with the (reluctant) support of a broad coalition of parties between November 2011 and May 2012. One of the many ironies of a political situation that had clearly exceeded the bounds of normality was that the former central banker was called upon to implement a decision he himself had previously opposed in public (Papademos 2011), although he did implement the programme extremely competently. The ‘haircut’ for private holders of Greek debt reached 70 per cent in present value, although the relief for the Greek state was significantly smaller, since a large part of that debt was held by Greek banks and pension funds that needed to be recapitalized as a result of the PSI.
A new memorandum of understanding between Greece and its lenders was signed in February 2012. The measures in terms of further fiscal consolidation and structural reform to be implemented during 2013–2014 were the subject of difficult negotiations between the Greek government and the ‘troika’ at the time of writing.

Many unthinkables have happened in Greece, and elsewhere in Europe. During 2010–2011, Greece reduced its budget deficit by more than six percentage points of a rapidly declining GDP, something no other Organisation for Economic Co-operation and Development (OECD) country had done for several decades. Yet, at the time of writing, Greece is still some distance away from a primary surplus. It has also brought about a significant reduction of wages and salaries, although less so in terms of prices, which is the internal devaluation asked for by the IMF and its European lenders as a means of restoring the competitiveness of the economy. Although Greece has gained a sizeable reduction of its debt, it is still not enough to make it sustainable. Sustainability, of course, depends on growth prospects, shaped in turn by policy decisions and developments in the European and international economic environment. As long as uncertainty prevails regarding Greece’s continued participation in the euro, those prospects will not be good. Since most of Greece’s debt is now in the hands of governments as well as European institutions and the IMF, further restructuring in the future would be, of course, politically even more sensitive. Living standards have fallen dramatically: the loss in GDP since 2008 reached 20 per cent by the end of 2012, the fifth year in recession and with no end in sight as yet. Unemployment is above 24 per cent and still rising, while youth unemployment exceeds 50 per cent. Not surprisingly, society is in despair and the number of suicides on the rise. The old political order is crumbling, while demagogues and parties of the extremes have been gaining strength.

Is exit from the euro the next unthinkable in line? Interestingly enough, all opinion polls show that a large majority of Greeks still believe (and they are, almost certainly, right) that life outside the euro would be even worse, while they are increasingly unhappy (indeed angry) with the country’s old political establishment and the policies resulting from the memorandums of understanding signed between Greece and its lenders. They want to stay in the euro, although they hate the conditionality attached to continued membership. In the crucial June 2012 election, following the inconclusive result of another one held a month earlier, they voted with a small margin in favour of political parties committed to safeguarding Greece’s membership of the euro,
against those who argued (or pretended) that different and less painful policies are indeed possible inside, or outside, the euro. This now looks like the last chance for Greece to stay in the currency union.

Meanwhile, all kinds of unthinkables have been happening in Europe. They include sovereign bail-outs, with more and more countries joining the emergency room; huge refinancing of private banks through the ECB and direct purchases of sovereign bonds in secondary markets; binding coordination procedures of national fiscal and economic policies that will take the joint management of European interdependence into new and uncharted territory; and big European firewalls, notably the European Financial Stability Facility (EFSF) followed by the European Stability Mechanism (ESM), that were not supposed to be there because of the fear of moral hazard (Pisani-Ferry 2011; Cline and Wolff 2012). Yet, all those unthinkables have clearly not been enough, or so it has been judged by the financial markets. And the crisis goes on, with continuous ups and downs.

2.3 Different narratives of a complex truth

One of the few good things about the crisis is that it has generated a lively public debate about ways and means of dealing with it at the European level. It has not been a mere juxtaposition of national debates going on almost independently of each other and limited to a small number of cognoscenti, which is the usual pattern with respect to EU-related issues. The debate generated by the crisis has been both national and European; it has involved a large number of participants, including policy makers, economists and others, as well as national tabloids and the ordinary citizen.

The differences have been along national and ideological lines, cross-cutting each other and often sprayed by doses of prejudice. Some of the exchanges have turned really nasty, bringing back images of ‘the other’ that most of us had hoped had been buried for good under successive piles of European integration. Germans and Greeks have usually disagreed, but they have also disagreed among themselves. The intra-German debate has been one of the liveliest, with the main opposition parties criticizing Chancellor Merkel for not doing enough.

One line of argument, popular among the creditors and inside Germany in particular, sees the origin of the problem in excessive borrowing, public and/or private, together with the loss of competitiveness in the deficit/debtor countries. The recipe automatically follows: fiscal consolidation and structural reforms. ‘Become like the Germans’: this is
the message implied, or even stated explicitly. The Greeks have not done enough, many of their foreign critics say. True, there has been progress in terms of budget deficit cuts and also in terms of internal devaluation, but more is needed. The Greeks should repent for their sins, those with a more religious inclination often argue. There are no painless cures, they add, reminding everybody who cares to listen that Greece has done little in terms of structural reforms, especially the reform of a bloated and inefficient (indeed corrupt) state, which remains the biggest obstacle to economic development in the country. Privatizations have proceeded at a snail’s pace, and so has the restructuring of the public sector. Tax evasion is rampant and little has been done to deal with it. If only Greece had the tax-collecting capacity of the average OECD country, it would already enjoy a healthy primary surplus, interjects the Paris-based organization (OECD 2011). Relatively little has, indeed, so far been done on all those fronts, because of the indecisiveness of the Greek political system, and more so because of many vested interests engaged in a fierce domestic battle against reform. This will be the mother of all battles in a country that has been held hostage for years by an unholy alliance of clientele politicians, economic oligarchs, and irresponsible trade unionists, all dressed up in a flashy ideological garb.

Fiscal consolidation and a wide range of structural reforms are absolutely necessary in Greece. Only advocates of extraterrestrial economics may think otherwise, and there are, of course, quite a few of those in all countries, notably including Greece. The serious debate, however, centres on the context as well as the timing and pace of much-needed, albeit difficult, measures. There is little doubt that the Greek economy has been caught in a deadly spiral of austerity and recession. Cuts in wages and salaries, together with tax increases and a drastic deleveraging of banks and the whole private sector, have been driving the economy downwards much faster than had been anticipated by the ‘troika’. This makes the target of budget deficit reduction as a percentage of GDP ever more difficult, if not self-defeating: you do not have to be an unreconstructed Keynesian to agree with this simple proposition. Even the IMF has finally come around to endorsing that view (IMF 2012). In fact, the vicious circle of austerity and recession is already being experienced in other parts of Europe.

Inside Greece, criticism of the adjustment programme has, unsurprisingly, been closely correlated with the pain inflicted by the measures following from it.² The pain has been much stronger than initially anticipated, the suffering has lasted longer, and the fairness of its distribution has left much to be desired. As income kept falling
and more jobs were lost, fewer Greeks continued to believe (or hope) that the particular therapy could cure them. They tended to see themselves as guinea pigs in a nasty experiment. Others were more tempted by conspiracy theories that often abound in this part of Europe, and elsewhere. Sovereignty became a much more relative concept even by the standards of an EU member, as the credibility of the domestic political class sank and the patience of foreign lenders did so as well. In some instances, the arrogance of foreign controllers, as expressed in all kinds of undiplomatic remarks and interventions, poured oil on the growing fire of nationalism. Greeks felt humiliated.

Some people pointed to the need for earlier and bigger debt forgiveness\(^3\) (it had happened, after all, to the best of families and countries before); others asked for a longer timetable for fiscal consolidation and/or a new Marshall plan. They had valid economic arguments, although these arguments tended to fall on deaf ears in the countries of the lenders, with exceptions that have been growing in number. Many people in Greece, especially those at a safe distance from power and responsibility, have consistently overestimated, and in a big way, the negotiating margin available to successive Greek governments since the crisis broke out. The loss of credibility has been truly devastating, while the political climate in Europe deteriorated. Opposition parties from left and right – and individuals who should have known better – have argued in favour of the suicide bomber approach, suggesting that Greece should threaten its lenders with a unilateral debt moratorium in order to secure a less painful programme of adjustment, together with more debt forgiveness. Negotiating to death may be a way of life in the EU, but not like this. Threatening to blow yourself up and take the lives of others with you is not acceptable behaviour in intra-EU politics, even less so when your economy and the banking system are on life support provided by European institutions. A number of Greeks have come to believe (or pretended to do so) that the threat of a Greek exit from the euro was not real: Greece’s partners would be the first to wink, if Greece raised the stakes. It is, of course, impossible to prove one way or the other, until you have tried. But by then, it may be too late. The radical approach put forward is more the product of ignorance, irresponsibility, and despair – and all three have been in ample supply.

What is the room for manoeuvre for more deficit financing in a heavily indebted Europe (although less so for the EU as a whole than the United States) faced with the spectre of a double-dip recession? Which is the bigger danger of the two, more debt or recession and unemployment?\(^4\) There is a major controversy among economists and policy
makers on those issues, which is certainly not confined to Greece, nor is it conducted only in terms of economic arguments. If we agree that fiscal consolidation in Greece (and the other countries of the European periphery that have lost, or are rapidly losing, their access to financial markets) should follow a longer timetable in order to reduce its recessionary impact, somebody needs to provide the money to finance the deficits. And this somebody can only be creditor countries in the euro area, such as Germany and the remaining triple-A countries, together with European and international organizations (EFSF, ESM, and the IMF), since markets are no longer willing to lend, or only at prohibitively high rates of interest.

It may make economic sense for governments and official institutions to do this, and I believe it does, but the politics of it has become increasingly difficult. There are several reasons for this, including wide economic divergence inside the euro area, the growth of nationalism and populism in individual European countries, accompanied with a decline in trust and solidarity among them, as well as basic arguments about who is to pay the bill. When it comes down to paying the bill (and it could end up being quite expensive), Germans are usually pitted against Greeks, Spaniards, and others, stakeholders of banks against taxpayers, creditors with safe and well-paid jobs against those joining the ever-longer queues of the unemployed in Europe. The distribution of pain is highly controversial, no doubt about it.

Experience suggests that structural reforms are politically very difficult when the economy shrinks (or sinks). Greece is being asked to carry through wide-ranging reforms in a short period of time, under the constraints of democracy, a deeply ingrained domestic culture of protestation, and a downward spiralling economy: not easy, even by the standards of other countries. Even if Greece’s political leaders had the knowledge and determination required in times of crisis, and most apparently did not, it would still have been an almost impossible task to deliver all that was expected of them by their lenders.

On the other hand, their lenders are accused of bearing at least part of the responsibility for the ever-deepening crisis. They misunderstood the nature and magnitude of the problem when it arose. They took a long time to respond, and, when they did so, it was the usual cacophony of the European system delivering messages that often contradicted each other, and were always slow on delivery. Policy decisions were made on the basis of unrealistic assumptions and little understanding of the psychology of markets. They have clearly mishandled the problem of illiquidity or insolvency of sovereigns and banks. With the benefit of
hindsight, most people would now agree that Greece was insolvent (not illiquid) when the crisis broke out, meaning that its inability to service the accumulated debt could not be solved with extra injections of liquidity. It took a long time to recognize this unpleasant fact, and even longer to act. We are still nowhere near the end of this story, and there could be one or more countries that follow Greece down the road of debt restructuring. The recognition of the problem of illiquidity (or insolvency) of several of Europe’s banks also took an inordinately long time, thus delaying much-needed restructuring and recapitalization. Some would argue that an early recognition of the nature and size of the problem by European governments and the ECB, rapidly followed by action, could have had a highly destabilizing effect on the financial system: one needed to prepare the ground and build the firewalls, the ECB perhaps would argue. It is surely impossible to know how markets would have reacted if governments and central banks had resorted early on to the use of financial nuclear weapons. No doubt, we have been for some time searching for our way in uncharted territory.

There has also been disagreement all along about the distribution of the burden of adjustment. Competitiveness is, after all, a relative term: the loss of competitiveness in the European periphery during the first ten years of the euro had as its counterpart the gain in competitiveness of other countries in the currency union, such as Germany and the Netherlands. The deficits of the ones have been the surpluses of the others: some find this difficult to accept. It is, by definition, impossible for all countries of the euro area to follow the German example in running big current account surpluses (currently running at 6 per cent of GDP in Germany), unless countries outside the euro area, notably the United States, China, and others, were willing to oblige by accepting an undervalued euro for long – and this is most unlikely. If adjustment were to fall entirely on the shoulders of the deficit countries, without the possibility of devaluation, it would imply many years of economic stagnation and much pain, since structural measures take time to bear fruit. Is Germany willing to undertake part of the burden of adjustment by boosting domestic demand, and hence imports, while also accepting a higher rate of inflation than the average in the euro area? This would be the horror of horrors for many Germans. There are, in fact, a few signs pointing in this direction, but they are still too modest to promise much of an impact before the Second Coming.

Many blame the crisis on financial markets that had clearly gone out of control. They are highly unstable, and they have been a major factor behind the large increase in inequalities within countries during the last
20–25 years. Having run wild, distributing large gains to insiders in the process, they finally crash-landed, inflicting much pain on large sections of society and the economy at large. It is, again, a matter of distribution, but not only that. More radical critics go further, arguing that, beyond the asymmetric information that most economists now acknowledge as inherent to financial markets, there are also instances of manipulation by big players for large profit. This is becoming an increasingly popular story, as the wider public in many countries turns against bankers and financiers, following a pattern set by previous financial crises.

Democracies and financial markets have always been difficult bedfellows. A distinction can be drawn between democratically regulated markets and market-driven democracies, the latter having prevailed in recent times. Many years back, Susan Strange (1986) talked about casino capitalism, and warned us of the likely consequences. Critics of a system that clearly grew out of control follow up the analysis with recommendations for stricter regulation and supervision of financial markets – and we have surely not seen the end of this particular story as yet. To be fair, however, Western (including European) governments also have themselves to blame for their increased vulnerability to the vicissitudes of financial markets through their excessive borrowing. Markets financed the Greek debt for years, as they did with other public and private debtors. They exacerbated the problem, once the crisis broke out, through overreaction (and occasionally manipulation?), but, surely, they have not created a problem out of nothing. Justified and properly documented criticism of the way financial markets have been allowed to operate needs to be distinguished from conspiracy theories.

2.4 Is there a way out?

There is surely a Greek problem, and there is also an Irish problem and a Spanish problem, to mention only those three. The Greek problem is different, perhaps more difficult and intractable than the others. But all those national problems are directly linked to a systemic problem of the euro area, which has in turn acquired much bigger proportions because of the bursting of the big bubble in the Western financial system. Tackling those problems requires national and European (indeed, also international) measures. This necessity has taken a long time to sink in, or to be accepted politically in all that it implies. The Greek problem is big, and there is no easy way out of it; only demagogues and the economically naive would think otherwise. However, the agony has been prolonged and the pain has grown bigger for all concerned as the inertia
and ineptitude of much of the Greek political class came up against the incoherence of European governance and the fundamentalism of the high priests of economic orthodoxy, in full view of the madhouse of financial markets. What a world!

Greece needs a peaceful revolution, nothing less than that. It is bankrupt in more ways than just economically. But a peaceful revolution takes time, especially in a democracy. The old political order is shaking; bits are falling off. The old is dying, as Gramsci would have said, and the new has not yet been born. In this intermediate stage, all kinds of monsters are cropping up, demagogues and much worse. It is an extremely painful period for Greek society and dangerous for democracy. Greeks need to take ownership of a wide-ranging programme of reforms. These cannot simply be imposed from outside. After all, we should know by now that the so-called Europeanization has limits, in Greece and elsewhere. The programme of reform needs domestic agents to articulate it and domestic messengers to spread it around. Otherwise, it will not work. This is the key challenge facing Greece, and we are less than halfway there.

This is a necessary but not a sufficient condition for coming out of the crisis. Greece needs time, money and an external environment that is more propitious to growth. Europe can provide all three as part of a new grand bargain that will take regional integration to a new stage – of course, with conditions attached; no free meal for anybody, but with conditions remaining within the bounds of realism. Fiscal consolidation and structural reform are a must. However, they cannot continue while the domestic economy goes through the torture of slow strangulation. Bail-out programmes need to be re-examined in the light of an ever-deepening recession. Debt sustainability remains the elephant in the room. It hasn’t gone away, and is unlikely to go on its own. The restructuring of banks needs to be coupled with recapitalization. Liquidity in the Greek economy has dried up. And export-led growth cannot take place in conditions of stagnation all around.

The Greek problem, for all its special characteristics, is an integral part of the European problem. Europe needs to restore confidence in the irreversibility of its currency union, and to do that it must first tackle a dual problem: on the one hand, the fear of moral hazard prevalent in creditor countries, meaning that money lent to countries in difficulty may go into a bottomless pit, and, on the other, convertibility (or country) risk; a risk translated into high interest rate premiums and fed by self-sustaining market perceptions leading in turn to disintegration in the banking and financial sector. Economic divergence between
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creditor and debtor countries grows, while Greece is leading the suicide dance among the debtors. This situation cannot last for very long. Restoring confidence in the irreversibility of Europe’s monetary union is about restoring confidence in the capacity of institutions, national as well as European, to take control of an admittedly very difficult situation. It is also about restoring trust between countries and regaining the conviction that there are benefits for all in the survival of the euro.\(^5\)

There is growing consensus about what needs to be done at the European level. The list includes a banking union, some kind of fiscal union including close and effective coordination of fiscal policies coupled with partial and gradual mutualization of debt, as well as further advances in political union. Surely, the devil lies in the detail, and politicians are tempted to leave difficult decisions for later: ‘God give me virtue, but not yet.’ There are more people arguing in favour of more growth-oriented policies, thus tilting the balance between stabilization and growth towards the latter. The stakes are high. Failure to deal effectively with the worst economic crisis since the end of the Second World War risks having much broader consequences for Europe and beyond. European integration would surely be one of the main victims.

Notes
1. See, for example, Tsoukalis (1997) and Tsoukalis (2003).
3. Greece’s former representative to the IMF argues that Greece’s debt should have been recognized as unsustainable early on, and he suggests that this was the view held within the IMF (Roumeliotis 2012). If true, this view was not expressed in public or in negotiations until late. The same applies to Greece’s European partners. One therefore wonders what, if any, was the negotiating margin left to any Greek government at the time.
4. For opposing views, see Corsetti (2012) and Sarrazin (2012).
5. There is a huge literature, and growing fast, on ways to resolve the crisis of the euro area. This is not the place to discuss it at length. For a short policy paper, see Tsoukalis (2012).

References


3
We Are All Greeks Now! The Crisis in Greece in Its European and Global Context

Yanis Varoufakis

3.1 Introduction: There is no such thing as a Greek crisis

Greece is arguably in the deepest economic crisis in its modern history. Yet, there is no such thing as a Greek crisis, in the same sense that it would be meaningless to speak of an Ohio crisis in the 1930s. Just as Ohio was then caught up in the Great Depression that had engulfed the whole of the United States, and indeed the capitalist system as a whole, so, too, today there is a European and global crisis, of which Greece is an interesting part.

Put differently, had Greece been left out of the Eurozone in 2000, the world’s networks and newspapers would have left it off their front pages and main bulletins during the past four years. Following a substantial depreciation of the drachma, Greece would already have stabilized, probably at around the same GDP level as now, and would be on the way to anaemic, yet clear, recovery (in contrast to the current, never-ending free fall). Economic historians would have described the past few years as a recession consistent with that of Thailand in the 1990s or, closer to home, Bulgaria today. The reason why Greece is in free fall, and economic history will mark the present moment as a definitive Greek tragedy, is none other than its membership in the Eurozone – a currency union that was never designed to sustain the shockwaves caused by the collapse of global finance, circa 2008.

In the context of this book’s theme, if my argument is right, it is the highest of ironies that Greece’s accession to the euro, the greatest ‘modernizing’ success of the post-war era (at least from the perspective of Greece’s elites), may well end up an albatross around the nation’s neck,
threatening it with a hideous slide back to a post-modern Middle Ages. While it is certainly true that an exit from the Eurozone would be catastrophic for Greece, there is no doubt that Greece would have been better off had it kept its currency.

At this point of my argument, the rejoinders usually come thick and fast:

- Is there not something inherent in the Greek political economy, even its culture, that has, at least in some part, caused the nation’s recent woes?
- Are we Greeks going, once again, to blame it on ‘exogenous forces’?
- Did we not waste the chance that membership of the Eurozone afforded us?
- Will the proverbial buck be passed one more time so that the malignancies of our own norms and institutions are kept out of the spotlight?

Let me be clear on these questions: Greece’s institutions are cancerous; its state bureaucracy was and remains the Greek public’s ‘enemy number one’. Our society is replete with forces that undermine the common good and marginalize those who are keen to serve it, and the private sector is just as corrupt and decrepit as our state sector. In short, we have wasted great opportunities for pulling ourselves up by the bootstraps and becoming a more modern, less accident-prone society. And yet, this crisis has nothing whatsoever to do with any of these very real malignancies of Greece’s state and private sector. Greek society’s ills are legion, and must be addressed for a variety of excellent reasons. However, my simple point is that they do not explain the current free fall.

In summary, my argument is that, even if all Greeks had turned into saints at the time of Greece’s entry into the Eurozone, and God’s angels were running the Athens government, Greece would be suffering the same destructive dynamic that we are experiencing currently. Widespread virtue might have saved us the indignity of being the first Eurozone country to file for bankruptcy, and would have kept our debt-to-GDP figures closer to Italy’s or Belgium’s. Nonetheless, bankruptcy was inevitable, as was the death spiral that has caused our quadruple cataclysm: exploding debt, negative investment, insolvent banks, and a delegitimized polity.

The rest of this chapter is organized as follows. Section 3.2 presents a quasi-mythological tale of the conditions under which the Eurozone was born, and of why it was bound to begin disintegrating (regardless
of Greece and its malignancies) once the financial sector imploded in 2008. Section 3.3 depicts the Eurozone crisis, which followed the events of 2008, as a twin recycling problem that, prior to 2008, had been masked and kept at bay while the financial sector was in ill health and generated massive flows of what I term ‘private money’, which caused equally large bubbles in Europe’s periphery whose ‘deflation’ led it to insolvency. Section 3.4 claims that the European leaders’ response to the crisis was wholesale and persistent denial of its essence. The Greek bailout-and-reform programme played, in this context, a significant part in maintaining ‘denial’, at great cost to both Greece and the rest of the European Union. Section 3.5 discusses how the crisis might have been dealt with effectively without a transfer union (which countries like Germany reject) or federation (which cannot be achieved before the crisis is addressed).

3.2 On the Eurozone’s woes: Lessons from the mists of time and the contemporary wastelands of Europe’s periphery

Once upon a time, in the famous maze-like labyrinth of the Cretan King’s palace, there lived a creature as fierce as it was tragic. The Minotaur’s voracious appetite had to be satiated to guarantee King Minos’ reign, a ‘globalized’ regime which secured peace and enabled trade to crisscross the high seas in bountiful ships, spreading in its wake prosperity’s benevolent reach to all corners of the then known world. Alas, the beast’s appetite could only be satiated by human flesh. Every now and then, a ship loaded with youngsters sailed from far away Athens bound for Crete – to deliver its human tribute to be devoured by the Minotaur. A gruesome ritual that was, nonetheless, essential for preserving the era’s peace and for reproducing its prosperity.

Millennia later, another, this time a global, Minotaur rose up from the ashes of the first post-war phase (also known as the Bretton Woods system). Its lair, a labyrinth of sorts, was located deep in the guts of America’s economy, taking the form of the US trade deficit, which consumed the world’s exports. The more the deficit grew, the greater its appetite for Europe’s and Asia’s capital, which ended up returning to America, via Wall Street, in search of higher returns. These capital flows back to the United States can be thought of as modern-day tributes to our modern-day Minotaur, helping satiate its hunger and allowing it to continue providing the rest of the world with the demand its exporters need to profit. A glorious mechanism for recycling global surpluses of goods and capital was thus established.
Less allegorically, the United States’ trade deficit, which grew inexorably from the 1970s onward, absorbed a large portion of the rest of the world’s surplus industrial products. America’s net imports were, naturally, the net exports of surplus countries like Germany, Japan, and (later) China. In turn, the profits earned by the surplus nations’ entrepreneurs were returned, daily to Wall Street, in search of higher payoff. Wall Street would then use this influx of foreign capital for three purposes: (a) to provide credit to American consumers, (b) as direct investment into United States corporations, and, of course, (c) to buy United States Treasury Bills (i.e., to fund American government deficits).

Central to this global surplus recycling mechanism, which I likened to some Global Minotaur, were the two gargantuan deficits of the United States: the trade deficit and the federal government budget deficit. Without them, the global circular flow of goods and capital (see Figure 3.1 below) would not have ‘closed’, destabilizing the global economy.

This recycling mechanism broke down because Wall Street took advantage of its central position in it to build colossal pyramids of private money on the back of the net profits flowing into the United States from the rest of the world. The process of private money minting by Wall Street’s banks, also known as financialization, added much energy to the recycling scheme, as it oozed oodles of new financial vitality, thus fuelling an ever-accelerating level of demand within the United States, in Europe (whose banks soon jumped onto the private

![Figure 3.1](image-url)

*Figure 3.1* The Global Minotaur’s global surplus recycling mechanism
money-minting bandwagon) and in Asia. Alas, it also brought about its own demise. When, in the fall of 2008, Wall Street’s pyramids of private money auto-combusted and turned into ashes, Wall Street’s capacity to continue ‘closing’ the global recycling loop vanished. America’s banking sector could no longer harness the United States’ twin deficits (trade and budget deficits) for the purposes of financing enough demand within America to keep the net exports of the rest of the world going (a financing process that, until the fall of 2008, tapped the rest of the world’s surplus profits, which these net exports produced). From that dark moment onwards, the world economy entered a series of crises from which it will not escape unless an alternative mechanism for recycling surpluses is put in place.

The significance of this unfolding drama for Europe cannot be overstated. The Eurozone was built on the silent assumption that the Minotaur would carry on providing effective demand for Germany’s exports to the rest of the world while, at the same time, generating the capital flows to the European periphery that were necessary for maintaining the surplus position of countries like Germany, the Netherlands, Finland and Austria within the Eurozone. The basic reason why Europe’s politicians felt comfortable in designing and implementing a common currency area that lacked an internal surplus recycling mechanism was the presumption that America would be looking after global surplus recycling and that this would suffice within the Eurozone too. So, when America lost its capacity to recycle surpluses and thus to generate, on behalf of the Eurozone, the requisite demand for Europe’s manufacturers, a systemic crisis became inevitable.

Recalling that the Minotaur was not only absorbing other people’s capital and goods but also, via Wall Street’s financialization drive, pumping out private money outflows that the world had never seen before, the sudden disappearance of these funds was bound to wreak havoc in the markets where it had sought refuge during the years of unbounded exuberance. Sadly, many of these markets were located in Europe. Indeed, mountains of private money had found their way into the lean economy of the Irish Tiger, had settled on the plains of Spain’s real estate, had given Greek politicians access to dirt-cheap finance with which to build overpriced infrastructure. This influx of private money contaminated continental Europe’s inane banking system, turning Europe’s banks into a cesspool of toxic derivatives. An era of cheap, plentiful, highly mobile private money was made to seem permanent and, remarkably, ‘natural’. Only it was neither, as the events of 2008 proved.
In the grand scheme of things, and from the perspective of the present crisis, it matters little that the Irish state was free of the corruption that is pervasive in Greece. The capital influx that enriched the developers and assorted spivs exposed the Irish banks to such tremendous heights of potential losses that, when the financial sector keeled over internationally, it was inevitable that the developers’ excrement would suffocate Ireland’s taxpayers via the banking system. The fact that in Greece it was the state that had borrowed directly, on behalf of our own spivs (developers, bankers, etc.), makes little analytical difference. When financial capital receded like a vicious tide from all markets, including the market for public debt (also known as the bond market), both types of state, Greece’s corrupt state and Ireland’s upstanding state, were doomed.

While the rivers of private money kept flowing from the Global Minotaur’s labyrinth in Wall Street (and its outposts in the City of London and Frankfurt) to Europe’s periphery, and the American consumer was keeping northern Europe’s factories busy, the Eurozone resembled a fine riverboat crossing a peaceful Pacific Ocean. Then the storm clouds gathered pretty quickly. With the private money gone, the banks became insolvent overnight, and the ever-reliable taxpayers had to replace the departed private money with freshly minted public money. It was the first step in a dynamic process that caused the Eurozone’s member-states to fall sequentially into the clutches of bankruptcy. Naturally, no member-state can fully replace the lost ‘liquidity’ after a crash of the magnitude that we had in 2008, especially given the lack of a printing press to back it or of an opportunity to devalue its currency. This is, for instance, the reason why Spain was doomed even though its debt and deficit levels were much lower than Britain’s. Once the financial crisis struck an ill-prepared, badly designed Eurozone, the periphery began to resemble what happens when a cruel tide goes out in a hurry, leaving behind nothing to remind us of the ample liquidity of the past, save perhaps for a few weedy posts buried in the mud. Greece was the first such eyesore to emerge – and the ugliest.

Unsurprisingly, the economic implosion was followed by political troubles. The storm of 2008 revealed that Europe’s splendid vessel was captained by fair-weather commanding officers who remain, to this day, in denial regarding their ship’s unseaworthiness, blaming the low-lying ‘peripheral’ compartments for being too close to the water. As long as passengers and crew are bickering, refusing to accept the urgent need for a redesigned vessel, a shipwreck is unavoidable.

The question that should occupy us all, and which is central to this book, is simple: how can the Eurozone be prevented from dealing a
massive blow to modernity, both in peripheral countries like Greece and in advanced nations like Germany and France?

3.3 The Eurozone’s crisis as a twin recycling problem

Europe’s crisis is caused by its institutional failure to confront two recycling problems: a *debt recycling problem* and a *surplus recycling problem*.

The *debt recycling problem* emerged after the crash of 2008. Banking losses, following the implosion of the market in securitized derivatives and the death of our Global Minotaur, led to increased government deficits. These increased deficits in turn (aided and abetted by the panicky credit rating agencies’ downgrades) led to: (a) doubts about the capacity of some peripheral countries to fund their debt, and (b) further uncertainty about the capacity of banks exposed to the stressed governments’ debt (on top of pre-existing holdings of toxic debt) to survive under the strain of a hypothesized or actual public debt default. In a few short weeks, insolvent banks and insolvent states were in a death-embrace; like two weakened swimmers, holding onto each other, sinking very fast towards the bottom of an unforgiving sea. The rest, as future historians will surely say, is the sad history of the euro crisis.

The *surplus recycling problem* has been a permanent feature of the Eurozone from its very inception. Its nature is simple: in every currency union there will always co-exist regions (or member-states) that are permanently in surplus with the rest, and others that are deficit regions. Given that in a currency union the deficit regions cannot devalue as a means of keeping their deficits in check, some mechanism must exist by which the surpluses are recycled from the surplus regions and into the deficit regions, not as fiscal transfers but as productive investments that lessen the divergence and help with cohesion. The Eurozone has always lacked such a surplus recycling mechanism.

While everything was going swimmingly in the Eurozone in 1999–2008, the *surplus recycling problem* was working single-mindedly under the surface to cultivate and deepen two important imbalances within the Eurozone: an imbalance in competitiveness (primarily between Germany and the rest) and another one in trade and capital flows. So, when the crash of 2008 unleashed its calamitous forces upon an unsuspecting Europe, the *surplus recycling problem* coalesced with the *debt recycling problem* to produce a gruesome feedback between the two problems. In essence, the rapture in 2008, which was partly caused by the *surplus recycling problem*, led to the explosion of the *debt recycling problem* (after 2009), which then boosted the *surplus recycling problem*, which is
now worsening the *debt recycling problem*. It is multiplied by ensuring that no one in their right minds will invest in Greece, Italy, Portugal, and so on, therefore increasing the competitiveness gap between core and periphery. This process has created a vicious cycle that peripheral states cannot escape.

The trick is how to deal with both recycling problems at once. Alas, Europe is nowhere near even beginning to understand that this is the task at hand. In the next section I discuss briefly the nature of Europe’s denial, before turning in Section 3.5 to some concrete proposals on how our pressing recycling problems can be addressed effectively and with minimal institutional change.

### 3.4 On denial

It is often said, not least among Greece’s own ‘modernizing elites’, that Greeks are in denial. We Greeks, as the dominant paradigm would have it, do not want to face up to the fact that we have created a failed state; a state that was *bound* to crash and burn. Be that as it may (and I am not interested in disputing the truth-status of this ‘accusation’), there is a harsher reality out there: *Europe’s denial of its systemic failures*.

From the moment the government of George Papandreou signalled to its partners in Europe, back in early 2010, that it could not refinance the country’s public debt, Europe has insisted that Greece is a special case. According to the EU, Greece’s debt crisis has nothing to do with the institutions and structures of the Eurozone and everything to do with Greece’s chronic struggle with corruption, backwardness, inefficiencies, and so on. When Greece’s debt was brutally ‘trimmed’, in early 2012, Europe once more pretended that this was a special case. Now that it is clear that the remaining Greek public debt (to the European Union and the International Monetary Fund) will also be in need of further ‘trimming’, again we hear that Greece may have to be ‘politely’ asked to leave the Eurozone, so as to save the currency union.

The common thread in these responses is that Greece is a ‘special problem’ and that, if it were not for the fear of ‘contagion’ following a Greek exit from the Eurozone, the Eurozone would have ‘amputated’ Greece long ago. This is, I submit to you, dear reader, the grossest and riskiest form of denial gathering pace and supporters within the European Union. It is a clear-cut case of toxic denial, for the simple reason that it masks the fact that the Greek debacle is only a manifestation, possibly at its worst, of what was bound to happen throughout the Eurozone after the crash of 2008 occasioned the nasty coalescence of the *debt recycling* and the *surplus recycling problems*. 
To put it differently, suppose Greece had stayed out of the Eurozone in 2000. Does anyone seriously believe that the euro crisis would have not ensued? Of course it would have! The Franco-German banks would have been in the same dire straits, the Irish and Spanish real estate markets would have collapsed just as surely as they in fact did, the domino effect would have began (not in Athens but in Dublin or Lisbon), and Italy would have fallen into the bosom of insolvency one way or another. The euro crisis is, in fact, what happens after a heavily leveraged banking sector collapses within a currency union lacking a surplus and any debt recycling mechanisms. Greece, with its malignancies, was simply a convenient excuse for European leaders in denial. The fact that we Greeks are also likely to be in denial about our own responsibilities and failures is neither here nor there.

3.5 Could the missing recycling mechanisms be put in place without fiscal union, treaty changes, or federal moves?

If my argument so far holds, Europe’s crisis can only be addressed if the two recycling problems, of debt and surpluses, are addressed at once. From an institutional perspective the question becomes: is it possible to do this without major institutional changes that require treaty changes, a degree of fiscal union that many surplus nations will resist, or, even, moves towards a federation (for which Europe is simply not ready)? In this section I wish to argue that Europe possesses the institutions that are necessary to solve the twin recycling problems without any of the institutional changes that would require any of these aforementioned moves. All that is necessary is the will to treat this systemic crisis systematically, as opposed to in a piecemeal fashion that maintains the fantasy of a Greek crisis which is separable from the Portuguese, Irish, and Spanish crises.

The debt recycling problem emerged, as argued previously, after a banking crisis caused: (a) doubts about the capacity of some peripheral countries to fund their debt, and (b) uncertainty about the capacity of banks exposed to the stressed governments’ debt (on top of pre-existing holdings of toxic debt) to survive under the strain of a hypothesized sovereign default. The rest, as they say, is the sad history of the euro crisis.

The surplus recycling problem has been a permanent feature of the Eurozone from its very inception. Its nature is simple: in every currency union there will always co-exist regions (or member-states) that are permanently in surplus with the rest, and others that are deficit regions.
Given that the deficit regions cannot devalue as a means of keeping their deficits in check, some mechanism must exist by which the surpluses are recycled from the surplus regions into the deficit regions, not as fiscal transfers, but as productive investments that lessen the divergence and help with cohesion. The Eurozone has always lacked such a surplus recycling mechanism, courtesy of the assumption mentioned above that the Global Minotaur would provide all the surplus recycling that the currency union needed.

By refusing to address these two problems at once, the European Union ensures that they feed off each other, the result being a Euro crisis that is spiralling out of control. The debt recycling problem is causing a vicious cycle between the government debt crisis and the banking losses crisis. Meanwhile, at a time when growth is needed more than ever, the debt recycling problem is highlighting, and boosting, the surplus recycling problem. The trick is how to deal with both problems at once. Let us see how this could be achieved.

3.5.1 Dealing with the debt recycling problem

Europe’s banks are replete with bad debts. Some of these are private paper assets that still bear toxic prices; others are public (e.g., peripheral government bonds). On the other hand, the Eurozone has excess, such as idle savings that individual savers are too frightened to put into productive uses. This is a typical case of mismatch.

There is another related mismatch: the Eurozone’s overall government (or sovereign) debt is highly manageable, albeit unevenly distributed. Indeed, most of it is weighing down the Eurozone’s weakest shoulders. These two cases of mismatch constitute, taken together, the Eurozone’s overall debt recycling problem. A rational response to this problem would be to find ways of rebalancing the existing debt–losses combination in a manner that shrinks the sum of debts and bank losses without giving rise to so-called moral hazard problems (i.e., without creating incentives to those responsible for the debts and the losses to create new debts and losses in the hope of another ‘cavalry’ coming to the rescue).

One proposal of how this rebalancing can be achieved is offered in Varoufakis and Holland (2011). The gist of the proposal is simple: debt recycling requires a decoupling of the public debt crisis from the banking crisis. For the troubled governments, we propose a conversion loan for the part of their debts that does not exceed the EU’s limits.

As for the troubled banks, the fresh capital raised by the European taxpayer (through the European Financial Stability Facility, the EFSF)
should be channelled to the troubled banks directly (without burdening the member-state where the bank is domiciled), and in return for shares of the banks that receive bail-outs, the future sale of which will repay the European taxpayer with interest.

Let us look at these two ideas in more detail: banks, everyone agrees, must be cleansed and recapitalized. Since the existing stockholders will resist tooth and nail any such process (so as to retain their hold over ‘their’ banks), they must be expropriated by the EU. For it would make a nonsense of all the talk of moral hazard for those owners (who allowed their banks to become utterly dependent on the kindness of the European Central Bank, the ECB, for their survival) to be allowed to continue to pose as owners, courtesy of an endless stream of public monies. The sole solution that simple capitalist principles dictate is that the EU forces the banks that fail proper solvency tests to receive capital in exchange for equity, which the newly instituted European Stability Mechanism (the ESM) holds until a date when its sale will pay back the European taxpayers (who fund the ESM).

Turning to our proposed conversion loan to indebted member-states, the idea here is that the ECB acts as a go-between for the fiscally stricken member-states and global investors in public debt. Put differently, rather than printing money to buy member-states’ bonds, the ECB could borrow on their behalf (e.g., by issuing ECB bonds) and have the member-states service this debt. The great benefit from this would be a substantial (up to 30 per cent) reduction of the mountain of interest that Europe’s periphery would have to repay to bondholders in aggregate. To safeguard itself, in case a member-state defaults in the future, the monies owed to the ECB by the member-states could be (a) given priority over all other loans (as the International Monetary Fund insists in relation to its loans), and (b) insured by the ESM. The reader is reminded that, under the current arrangements (the massive Greek loan, the bailout loans for Ireland and Portugal, and the one currently prepared for Spain), the weakest states are indebted to the strongest lenders. But, and this is crucial, in the process, the collateral victims of this arrangement are, systemically, the marginal member-states, which are dragged into effective insolvency – following the domino chain from weaker to stronger. In the limit, there is no braking mechanism that will prevent this chain reaction from culling even, ultimately, the strongest. In sharp contrast, our ECB-administered conversion loan would stop the domino effect in its tracks and would allow all parts of the currency union to plot their successful escape from the crisis’ trap.
3.5.2 Addressing the surplus recycling problem

The surplus recycling problem is fundamentally different from the debt recycling problem. One difference is that, as explained earlier, it is a problem that was built into the very architecture of the Eurozone. Nonetheless, the crisis not only brought up the debt recycling problem but also highlighted the great importance of solving the pre-existing surplus recycling problem. Thankfully, the solution to the former opens up a broad window into a remedy for the latter.

The crux of the surplus recycling problem is a foundational asymmetry within a currency union. This is evident especially after a crisis hits, when countries on the deficit side of payments suffer deflation, while countries on the surplus side do not suffer inflation. The problem is, thus, cumulative, as the debt crisis forces deficit countries to adopt austerity measures of increasing savagery, which, unsurprisingly, exacerbate further the surplus recycling problem – the result being an increasing debt-to-GDP ratio (courtesy of the worsening debt recycling problem) and decreasing growth (courtesy of the accelerating surplus recycling problem).

The reader, at this point, would be excused for thinking that a solution to the Eurozone’s surplus recycling problem may be a bridge too far: that to sort out a long-standing original sin of a problem, when the Eurozone is struggling with its debt recycling problem, is simply to ask too much. This is not so. The institution that could solve the surplus recycling problem at a time when growth and recovery is most needed not only exists, but is twice the size of the World Bank: it is the European Investment Bank (EIB).

But if the institution that can address this problem already exists, we hear the reader ask, why has it not been solving the Eurozone’s surplus recycling problem all along? For a very simple reason: because, as things currently stand, every investment project financed and supervised by the EIB requires 50 per cent of its cost to come from the member-states. And, since the member-states that most need investment have the least cash to invest, the EIB is itself constrained from investing in potentially lucrative projects in the European periphery. Clearly, the EIB’s investment protocols must be suitably tweaked to overcome this institutional impediment. Here is a simple, uncontroversial suggestion: that the 50 per cent of project funding which at present must be sourced by means of national borrowing (by the member-states) should be funded by a net issue of bonds backed by the ECB. These bonds will then be serviced, just as the bonds that the EIB has been issuing for years have
been, by EIB-funded projects themselves (e.g., a toll bridge or a super-fast railway linking the Balkans to Vienna and Munich), without the intervention of any member-state. In this way, the combined forces of the ECB and the EIB act as a major pillar of a brand new surplus recycling mechanism that the Eurozone is so sorely missing. Indeed, the EIB (with ECB backing) will have metamorphosed into the surplus recycling mechanism, the engine of growth that the Eurozone has been craving since its inception.

In summary, this section has offered simple solutions for the Eurozone’s two major problems (the debt and the surplus recycling problem). Importantly, none of the proposed solutions require new institutions, treaty changes, or moves towards federating as a means of addressing the Eurozone’s woes. No implied policy requires more than a rational reassignment of existing institutions (e.g., the ESM, the ECB, and the EIB). Clearly, the Eurozone crisis, which also constitutes a major threat to the wider European Union, can be addressed without any of the interminable negotiations on fiscal pacts, fiscal unions and federal budgets which are currently consuming our elites and disorientating the public debate.

### 3.6 Conclusion

‘We are all Greeks now!’ What does this mean? It means that, under the present institutional arrangements, the Eurozone’s otherwise manageable debt is unmanageable. It means that investment will wither inexorably until it reaches a point when it will turn negative and push the whole of the continent into a mire from which no amount of hard work, virtue, or innovation can extricate us all. It means that Europe’s banks will continue to live a zombie-like existence that makes their Japanese counterparts look like paragons of financial rude health. Finally, it means that sinister political agglomerations, like Greece’s Golden Dawn, will be given an ill-deserved chance to spread their noxious nonsense throughout the European Union.

Whose fault is it that Europeans have once again become Greek – only this time not in the sense of falling victims to the charms of its classical literature or mimicking Greek heroism, as they did, according to Churchill, during the early stages of World War II? It is, of course…America’s fault. However absurd this statement may seem, it does contain a kernel of truth. For it was the United States that, throughout the modernizing post-war era, ensured that Europe’s current debt and surplus recycling problems never reared their ugly, twin heads. During the first post-war phase (1947–1971), the so-called Bretton
Woods era, the United States was recycling its own surpluses to Europe and Japan. It was also ensuring through the Marshall Plan, and via its helpful hand in the formation of the European Common Market, that trade and capital flows within Europe were kept fairly balanced. Later, in the second post-war phase, the era of what I label the Global Minotaur (1971–2008), again the United States was helping to recycle global surpluses (even though they were other nations’ surpluses!) in a manner that kept Europe stable and oblivious to its lack of mechanisms for recycling its own debts and surpluses.

So, when in 2008 the United States imploded under the massive hubris of Wall Street, which killed off the Global Minotaur, Europe was left to its own, poor, devices. Bereft of either a debt or a surplus recycling mechanism, it fell headlong into a black hole. Greece, being the flimsiest part of the European edifice, fell into the hole first, and thus gave Europe’s elites the opportunity to remain in denial for at least three years: the crucial three years which future economic and social historians are, sadly, likely to identify as the period that paved the way for a very North European tragedy.

If I am right in this assessment, the pressing question is: How did European modernity allow itself to be bamboozled by a preventable crisis? Why all this denial? How did Greece become such an important contributor to the unfolding European drama?

The answer, I suspect, is purely political. It is based on several factors: (a) straightforward incompetence; (b) a misguided identification of the surplus countries’ ruling classes’ perceived self interest with ‘fiscal discipline’; (c) pure and simple concerns about the effect of a crisis resolution on the elites’ capacity to keep their working classes’ aspirations bottled up; (d) tension between financial and industrial capital; (e) and a great deal of the misanthropic (and xenophobic) discord that all large-scale crises occasion. But, above all other components of an answer, one stands out predominantly: Germany’s determination to retain its option to exit the Eurozone and to keep the truth about its banking sector under wraps.

Whatever happens from now on, Greece’s continuing implosion will go down in history as a unique phenomenon: a case in which a peripheral country’s modernizing dreams turned into a nightmare courtesy of European Modernity’s failure to reproduce itself.

Notes

1. While it is true that Greeks have been much poorer than now in the past, and had to struggle against the spectre of famine (during the German Occupation,
in 1941–1942, in particular) and crippling wars, the current crisis is unique in that it was not occasioned by war or political strife but, rather, by pure economic forces. Among such purely economic crises, the current one is by far the worst the nation has had to face.

2. My hypothesis here is that GDP would have risen much more slowly, outside the Eurozone, between 2000 and 2009, but that (a) its decline in the post-2009 period would also have been much lower (in absolute terms) and (b) recovery would have been underway.

3. This section sums up the gist of my argument in Varoufakis (2011).

4. The reader may protest that the European Union does feature two recycling mechanisms: the Common Agricultural Policy (CAP) and Structural Funds that channel investment to the less developed parts of the Union. True, yet these two recycling processes are tiny in size and scope compared with what the task demands. First, the CAP, while substantial in size, is not really a recycling mechanism between surplus and deficit regions. It is, rather, a mechanism that transfers part of the profits earned by the industrial sector of middle Europe to the farmers of the same countries (reflecting the CAP’s origins as an agreement between Franco-German industrialists and Franco-German large-scale farmers). As for the Structural Funds administered by Brussels, they represent less than 1 per cent of the Eurozone’s GDP; minuscule compared with what is necessary given the internal imbalances of the Eurozone.

5. Unlike in the USA, Europe’s banks have not been made to account for the true market value of their private paper. The private collateralized assets that remain on their books retain their pre-2008 toxic prices. I choose not to call them toxic assets because their true problem is the toxicity of their prices. For, if their actual market prices were used, the banks’ assets would be shown to be so low as to threaten the said institution with insolvency.

References


4
On the Jacobin Dimension of Greek Constitutional Tradition

Ioannis A. Tassopoulos

4.1 Introduction

This chapter explores the issues examined in this volume by drawing from critical constitutional theory. I refer to the Jacobin dimension in order to present a ‘frame of mind’ with historical, political, and organizational overtones that has been pervasive enough in Modern Greece to find expression at the constitutional level and provide the theoretical milieu within which Greek legal doctrine has developed (Tassopoulos 1999, p. 225). Critical constitutional theory is interesting in this context as it follows the evolution of frames of mind through their ascendance and decline as breathing spaces of constitutional doctrine. It definitely requires a sense of irony, sometimes tragic irony, in pursuing the transformation of once liberating ideas into iron straitjackets of dogmatism. Yet critical constitutional theory also needs to be approached with care, in order to avoid overhasty judgements. While at times remaining loyal to a specific ideological frame may suggest a closed mind, in others it may be illustrative of a determination to preserve and not to give up easily something that may have enduring value.

Jacobinism represents a state of mind that is perfectly suited to a critical analysis of the situation in Greece. Jacobinism can be summarized as immediate and collective political action committed to the realization of an egalitarian but abstract socio-political ideal of citizenship through strong and centralized state institutions. Jacobinism offers a specific discourse of republican political ideology (Jaume 1989, pp. 25–26) in the sense that it is radical, voluntaristic, patriotic, universalist, democratic, energetic, secular, and egalitarian (Vovelle 2001, pp. 127, 147). According to Matthias Waechter, there are ‘three different political traditions, associated with Jacobinism, one revolutionary,
another republican and statist, and finally one secular, according to the French model of laïcité’ (Waechter 2007, p. 101). The central problem of Jacobin constitutionalism, as is argued in the sections that follow, is the optimum synthesis of democracy and representation in order to arrive at a genuine representative democracy. In Greek constitutional tradition, the imprint of the Jacobins, the historical French revolutionaries (Michelet 1952, p. 53), comes first of all through the work of Rigas Ferraios Velestinlis, the martyr of Greek Enlightenment. His Constitutional Charter (1797) offered his political vision of a post-Ottoman polity, encompassed all the nationalities and religions of the Empire, including the Turks, and was based on the French Constitution of 1793 (Kitromilides, in Rigas 2000, p. 23). In true Jacobin spirit, Rigas Ferraios complemented his charter with a paean to inspire political enthusiasm and instigate revolutionary action. Its verses ‘an hour of free life is better than forty years of slavery and prison’ have captured the public imagination and have become core to Greece’s political culture. Rigas Ferraios was a pioneer in spreading the spirit of the French Revolution across the Balkans (Kitromilides 1989, p. 239) and in particular in the constitutions that were drafted during Greece’s revolutionary period (Svolos 1935, pp. 737–738). The influence of the French Revolution was, however, restricted by the political exigencies of the post-Napoleon order, which made it impossible for Greece to gain its independence under a regime other than a monarchy. The appeal of Jacobinism may have faltered, but it did not wither away; it was revived during the National Schism of the inter-war years by republicans who were returning to the roots of Greece’s anti-monarchical past (Svolos 2008, p. 48).

On the contrary, the legacy of the arch-figure of the Greek Enlightenment, Adamantios Korais, who lived in Paris during the reign of the Terror, had a much wider impact than that of Rigas Ferraios. Korais was an ardent supporter of the message of the French Revolution for liberty, equality, and fraternity, but his own philosophy was marked by a spirit of moderation in favour of the mean. This spirit of moderation aimed at balancing progress with the principle of reciprocity and the golden rule of morality, which requires that one should treat others as one would like others to treat oneself (Korais 1933, p. 39). It also aimed to cultivate an independent mind, liberated through education from prejudice, and loyal to good and just laws (Korais 1933, p. 117). These principles constituted the pillars of his philosophy. Korais repeatedly admonished the Greek revolutionaries to follow the model of the American Constitution for the organization of their new polity (Korais 1933, pp. 39, 135). Thus, we find two main strands in Greek constitutionalism: one
emphasizes popular will (Rigas), and the other moderation and reason (Korais).

There are two main features of what I refer to as the Jacobin dimension of Greek constitutional tradition. The first is expressed through an excessive form of voluntarism which prioritizes and promotes the collective will of the majority rather than the individualistic principle of impartiality as democracy’s moral basis. The second is a rather self-referential conception of popular will as a goal in itself, independent of its object, that is, of the res publica. The combination of the two, as I argue in the sections below, undermines the role of reason in promoting the public interest. Thus, the negative effects of Jacobinism’s emphasis on will have been to the detriment of reason, and this is aptly illustrated by the current Greek debt crisis. The appeal of Jacobinism that we can discern in Greece’s present realities is associated with what J.J. Rousseau called ‘the only natural virtue’, that is, man’s ‘innate repugnance to see his fellow men suffer,…which precedes in him any kind of reflection’ (Rousseau 1992, p. 36).

The working hypothesis of this essay has been that European integration is an attempt to prevent the most menacing and repelling aspects of Jacobinism. Characteristically, Carl Schmitt claimed that ‘democracy can exist without what one today calls parliamentarism and parliamentarism without democracy’ (Schmitt 2001, p. 32). He argued that:

Theoretically, and in critical times also practically, democracy is helpless before the Jacobin argument, that is, when faced with the authoritative identification of a minority as the people and with the decisive transfer of the concept from the quantitative to the qualitative.

(Ibid., p. 31)

A democracy can be militarist or pacifist, absolutist or liberal, centralized or decentralized, progressive or reactionary, and again different at different times without ceasing to be a democracy.

(Ibid., p. 25)

The challenge, then, is to focus on the more fundamental and structural aspects of the regime of parliamentary democracy and of popular sovereignty in Europe. European integration can be seen as a response to the pre-war constitutional situation in the Continent, including Schmitt’s ‘Jacobin argument’, which led to the crisis and the overthrow
of the Weimar Republic (Jacobson and Schlinck 2002, p. 210). An important aspect of the constitutionalization of the European Union lies in the amplification, starting with the Treaty of Maastricht, of abstract, universal values like democracy, the Rule of Law, liberty, justice, solidarity, and so on. This process culminated in the attribution of full legal validity to the European Charter of Fundamental Rights and the recognition of its binding character. These universal values are borrowed from the constitutional traditions of the member-states. Their solemn declaration establishes that the European construction cannot be reduced to the specific compromises on various contested issues at the inception of the European Treaties. Europe is not simply the sum of its existing institutional structures; it is also an ideal defined by these values.

This chapter suggests that the Jacobin dimension of Greek constitutional tradition, sacrificing the rational aspect of public interest to electoral victory, was a catalyst in the formation of Greece’s huge national debt. Subsequently, the severe austerity measures, following the Greek bail-out and the deep recession of the economy, led to record high unemployment, particularly among youth. Moreover, the public discourse of official Europe was strikingly missing any ideal element, vacillating between the dry and sterile technocratic language of billions of budgetary cuts, and reprehensions and threats of Greece’s expulsion from the Eurozone.

The current crisis in southern Europe has deleterious effects. It undermines the belief that European participation means consolidation and protection of democracy and social cohesion in Europe; it nourishes Jacobinism, whose lure is warranted opposition to social injustice. The endorsement of the Jacobin frame of mind, as described below, does not leave the European political project unaffected. Were Greece to be expelled from the European project, then Greek society – economically destroyed, politically isolated, and socially overwhelmed by an acute problem of immigration – would run the risk of having its old democratic and constitutional tradition destabilized.

4.2 On the Jacobin frame of mind and its aspects

The controversial character of the historical Jacobins of the French Revolution, and of Jacobinism as a political tradition, is notorious (Furet 1978, pp. 257, 262). The question of Jacobinism is equally intriguing and challenging from a constitutional point of view. Rousseau distinguished three kinds of will: a private, a corporate, and the general will. In a perfect system of legislation, the general will would be ‘always dominant
and always the sole regulator of all others’ (Rousseau 1986, p. 108). The general will that Rousseau refers to, however, is cut through by a very rational distinction of interests, which set the limits to sovereign power, clearly delineating the legitimate scope of the sovereign as well as the rights of citizens. Rousseau clearly stated that ‘the general will derives its generality less from the number of voices than from the common interest which unites them … having no end but the common good’ (Rousseau 1986, pp. 76–77). The ‘public interest’ is, thus, the ‘public thing, the res publica’ (Rousseau 1986, p. 82). Moreover, Rousseau argued that ‘the law considers all subjects collectively and all actions in the abstract; it does not consider any individual man or any specific action’ (Rousseau 1986, p. 82). Actually, he emphasized that the general will ‘changes its nature if it seeks to deal with an individual case’ and that, when there is rule by decrees instead of general laws, then the general will ceases to be sovereign (Rousseau 1986, p. 76). In other words, the general interest is served through general laws, and reason can thus be considered legitimate. Reason and will sustain one another and create an equilibrium between liberty and government, thereby realizing popular sovereignty.

The question is, then, what happens when reason and will founder? Good intentions may well be at the heart of all legal or political decisions, but mistaken assumptions regarding the facts of a given situation, the prediction of the course of events, the possible alternatives, and the assessment of risks may lead to ‘bad’ decisions (Alexander and Moore 2007, para. 2.1). Or decisions may, instead, be driven by self-interested, egotistic, or excessive claims that may lead to injustice which harms others or the collective, by either ignoring or even dismissing their legitimate interests. As Saint-Just has underscored, ‘One cannot reign innocently. The insanity of doing so is evident. Every king is a rebel and a usurper’ (Saint-Just 2004, p. 480). The Jacobin frame of mind, however, concentrates on the distinction between decisions made by ‘good’ or ‘bad’ intentions, thereby leading to a strong polarization in the political realm, and an unyielding opposition to tyranny in favour of liberty.

However, in the field of politics, one cannot equate the attitude against evil with the attitude in quest for the good, and the two cannot be treated in the same manner. Rousseau stressed the importance of ‘the greatest good of all’ and actually attributed the highest qualities to the principles of freedom and equality, which ought to be, according to him, the core objectives of every legal system (Rousseau 1986, p. 96). Moreover, Rousseau distinguished clearly between the wider, general ‘good’ and the independent question of what was actually ‘good’
from the individual point of view of those who compose the political body. ‘Civil liberty,’ he argued, ‘is limited by the general will’ (Rousseau 1986, p. 64). We therefore find a number of interpretations of what is ‘good’, as there exist different interests, ranging from the private, to the corporate, to the general. The challenge posed here is how to achieve the optimum harmonization between the various kinds of interests. Is this a question of reason and judgement or of good will? An intellectual approach is focused on the power of reason to undertake a factual and objective analysis of the situation and to propose the most adequate means to achieve reasonable goals (Israel 2010, pp. 33, 63).

However, Rousseau’s and the Jacobin’s answer to the aforementioned question is twofold. First, legitimate interests are those reflected in general and private wills, whereas the corporate will represents factionalism and undermines the general will, given that ‘the will of each of these groups will become general in relation to its own members and private in relation to the state’ (Rousseau 1986, p. 73). Second, the private and general wills are assessed, from a political point of view, on the grounds of whether they are an expression of good will rather than whether they conform with sound and good reason. This is another aspect of the Jacobin frame of mind. The point has been made forcefully by J. Shklar (1987, p. 34), who has essentially argued that, in the Jacobin frame of mind, virtue takes priority over the intellect, just as Higonnet has clarified that the general will is a higher will (Higonnet 1998, p. 163). As a result, it is always an option to question a law as one that ‘legalizes the power of the masters’ (Shklar 1987, p. 178).

The leap from the self-righteous position of someone who considers himself/herself to be the true advocate of popular interests and the embodiment of political purity and virtuous attitudes, to one of intolerance vis-à-vis those who are differently minded, is really small. During the Cold War, with Europe divided, J. Talmon spoke insightfully of:

A Jacobin type of democratic perfectionism…based on a fanatical belief that there could be no more than one legitimate popular will. The other wills stood condemned a priori as partial, selfish and illegitimate.

Talmon (1961, p. 104)

It has been tempting, therefore, to think of the Jacobins as a paradigmatic case of ‘tyranny exercised for the good of its victims’ by ‘omnipotent moral busybodies’ (Lewis 2002, p. 292). Such a hasty conclusion would, however, disregard Jacobinism’s other, more
sophisticated, characteristics. A third dimension of Jacobinism relevant in this context is what I refer to as its peculiar negative perfectionism. This serves as an Archimedean point for modern egalitarian democracy’s relentless criticism of all artificial aspects of social and political life, which corrupt the natural goodness of man. ‘Men are not naturally enemies,’ wrote Rousseau in *Social Contract* (Rousseau 1986, p. 55). The source of Jacobinism’s influence on political imagination is precisely its appeal to regeneration; its plea in favour of plain people with good hearts and simple minds. It is a story powerfully told by Rousseau: the metaphysics of natural innocence which must be retrieved and re-established within political society. The fascination it exerts is understandable, as it relies on an important array of human characteristics and inclinations, such as the natural sentiment of pity for human suffering, which precedes reflection (Rousseau 1992, p. 36), placed in the progressive perspective of constant renewal of humanity from generation to generation. The Jacobin standards of political morality are antecedent to political order. The matrix of social inequalities and privileges is natural equality and goodness, which are distorted and destroyed by artificial social relations.

In this context, Jacobinism may be approached as a political attitude committed to a genre of ethico-political perfectionism that is particularly retrospective, static, and frugal and aims at the recovery and restoration of rudimentary human dignity. Moral improvement, for this type of humanism, lies not in a dynamic and flourishing view of human nature, but in reaffirming and upholding the fundamentally invariable and universal human attributes of liberty, equality, and fraternity. Their combination captures ‘sameness’ (ομοιότης), which marks radical, egalitarian democracy. These values, standing for vital conditions of human flourishing, are considered as neither artificial nor redundant but, rather, represent their essential nature as grains of moral truth. This constitutes the fourth aspect of the Jacobin interpretive scheme, namely, that the more fixed its abstractions are, the greater the pervasiveness of its message, and the stronger its political appeal and mobilizing potential.

Rousseau and his Jacobin ideological proponents hold an ambivalent attitude towards civilization (Starobinski 1989, pp. 11, 16), and this translates into a preference for natural sentiment (l’amour de soi as opposed to l’amour propre) rather than procedural schemes to produce democratic legitimacy. Their humanism is not that of a creative common endeavour culminating in an elaborate synthesis, like the coordinated and complex network of intellectual and technological
activities, achievements, and skills of the modern city, or like the synthesis of opinion out of the pluralist universe of democratic politics. The ‘cry of nature’ is ‘man’s most universal language’, wrote Rousseau (Rousseau 1992, p. 31), suggesting that the pressures and artificial ways of society lead to alienation. For this reason, the general will is supreme in that it restores fraternity, and essentially liberates the otherwise isolated individual, who is exposed to the social rhythm of vain and arrogant egocentrism (*l’amour propre*) despite his or her true longings.

As partisans, therefore, of an abstract and undivided will, the Jacobins look to remove those actual socio-political hurdles (usually associated with private property) which divide men psychologically and politically within a certain historical formation, and fight in favour of a republican egalitarian virtue and probity (Higonnet 1998, pp. 185–187).

In essence, the Jacobin political message is the restitution to the virtuous citizen of that to which he is in any case entitled, and of which he has been illegitimately deprived by political tyranny, by cunning minds, and by devious and corrupt institutions. Accordingly, Saint-Just argued that Louis XVI should be judged as a ‘foreign enemy’ (Saint-Just 2004, pp. 482–483).

This idea of sweeping away the causes of social disharmony in order to restore natural harmony is crucial for the analysis of Jacobinism, as it explains the fifth element of the Jacobin frame of mind: the propensity for negative thinking and the prevailing critical political tone. In order to understand this dimension and avoid simply considering the Jacobin as a disingenuous demagogue, it is perhaps necessary to be reminded of the circumstances of emergency and peril menacing the nation and the Revolution that led to the Jacobin Terror under Robespierre’s leadership in 1793–1794.

Jacobinism can hence be regarded as a version of populism (Laclau 2007, p. 151) based on a radical universalism that upholds abstract notions of liberty and equality as universal moral truths expressing the rational nature of man and the freedom of his will. This is the sixth pillar of Jacobinism, which essentially treats universalism as the blueprint of democracy and of the rule of law. Unfortunately, one becomes painfully aware of the materiality and of the universal value (over and beyond all particularities) of abstract liberty and equality *only* when these are compromised, and it is, thus, typical that the Jacobin legend is revived whenever democracy is at stake (Raynaud 1989, pp. 656–657).

But the Jacobin is not an ethical deontologist; rather, he can be a pretty wild political animal. The Machiavellian latitude regarding the means employed to achieve the ends, and, consequently, the
instrumentalist subversion of universalism for the sake of partisan and factional political ends, is the seventh feature of the Jacobin frame of mind. As Crane Brinton noted, one has to distinguish between ‘Jacobin political practice, Jacobin theory, Jacobin religion’ (Brinton 2012, p. 6). And, indeed, Jacobinism’s vicious face is associated with its governmental function, in full control of the state apparatus (Jaume 1989, p. 390). This is why one must distinguish between a Jacobin running the state and the Jacobin criticisms of the way the state is run. The distinction between governing Jacobinism and governed Jacobinism, or Jacobinism in opposition (Vedel 1949, p. 143), is exacerbated by the radical nature of Jacobinism, which vacillates, according to H. Taine, between ‘anarchical’ and ‘despotic consequences, depending on the ‘circumstances’ (Taine 2002, p. 902), as long as ‘spontaneous anarchy, by means of the Constitution, becomes legalized anarchy’ (Taine 2002, p. 249). Art. 35 of the Declaration of Rights of 1793 provided that: ‘When government violates the rights of the people, insurrection is for the people, and for every portion of the people, the most sacred of all rights and the most indispensable of all duties.’ Similarly, Saint-Just argued for the immanence of the revolution within the sovereign: ‘La revolution est dans le peuple …’ (Saint-Just 2004, p. 706). Thus, Art. 25 of the Déclaration des Droits de l’homme et du citoyen proposed by Robespierre went even further in accepting that ‘to subject to legal forms the resistance to oppression, is the ultimate refinement of tyranny!’ (McPhee 2012, p. 76).

The distinction between Jacobinism in the opposition and governing Jacobinism is the eighth element of the Jacobin frame of mind; it also holds for times of normal democratic politics. Jacobinism in the opposition, as a rectifying, conscientious, and participatory political criticism, may stress the fundamental republican values of liberty, equality, and fraternity, casting a scrupulous and vigilant eye on the performance of government. The situation is very different with governing Jacobinism. As Remo Bodei has argued, Jacobinism reverts to ‘democratic despotism’ and is tempted to resort to the exaltation of hope and terror in order to elevate man from his microcosm to the higher plane of abstract reason, smashing the traditional hierarchies of privilege and inequality (Bodei 1997, pp. 423, 428–429). Yet this aspiration to republican unity and homogeneity makes the state increasingly intolerant of concrete manifestations of liberty, that is, of individuality.

There is no doubt, however, that what gives governing Jacobinism its ominous character is the combination of the Jacobin frame of mind with state power. This raises the question of Jacobin constitutionalism, to which we turn now.
4.3 Jacobin constitutionalism

The central concern of Jacobin constitutionalism is to intertwine parliamentary government with the continuous presence of the people in political life, both formally (e.g., through institutions of direct democracy such as referenda) and informally (e.g., where street politics are regarded as a legitimate expression of public sentiment), so as to arrive at a genuine representative democracy. As such, Jacobinism expresses the fundamental conflict between those who favoured representative government and those who advocated direct democracy (Raynaud 1989, p. 655). The Jacobin Constitution of 1793, the most democratic of the French Revolution, provided that the Constitution must be submitted to the people for ratification (National Convention, Decree of 21 September 1792). It provided a number of measures aimed at making the representatives of the people not only directly accountable to them, but virtually revocable, realizing to some extent Rousseau’s rejection of the free mandate. According to Rousseau, sovereignty, being the general will, cannot be represented, because a will accepts no representation (Rousseau 1986, p. 141). More specifically, this Constitution established the rule of law. It provided for solely one legislative body (rejecting the Senate as aristocratic), elected for the very short term of one year, directly, by universal male suffrage. The executive power was assigned to an executive council of 24 members (Art. 62), who were chosen by the legislative body from a list proposed by the primary assemblies of the departments (Art. 63). Half of it was renewed at the end of every legislative period (Art. 64). But probably the most striking feature of all regarded the direct involvement of the people in the legislative process through an extremely cumbersome procedure. In short, the Jacobin Constitution offered the opportunity to the communities of the republic (Art. 58 and 59) to object to legislative proposals, and even to hold a referendum in the case of a majority objection, thereby going even beyond the Girondin Constitution’s more common possibility of a popular veto to derogate laws.⁵

Rousseau’s Social Contract, despite its impractical rejection of representation, was highly influential on the Revolution’s legal meaning of representation. In effect, Nicolas N. Saripolos emphasized, with R. Carré de Malberg’s approval, that ‘if representation is collective at its summit [i.e., the National Convention], it is atomistic and individualistic in its origin’ (R. Carré de Malberg 1985, p. 245; Saripolos 1899, p. 178). Sieyes had already neatly classified the various kinds of legal interests in his classic Qu’est-ce que le Tiers Etat?: ‘the personal interest, the interest
of [collective] bodies, the common interest’ (Saripolos 1899, p. 154). Hence, the fundamental question was how to move from the atomistic basis, where each individual has its own morsel of sovereignty, to the formation of the general will, with its specific distinctive characteristic of being one and undivided. The challenge here is that, in principle, the general will regards matters in common and in a manner of equal concern for all, and therefore, by definition, leaves no room and no motive for one to take advantage over another; otherwise the will would not be general. The task is formidable. What looks like an intractable problem has, for the Jacobin frame of mind, a simple answer: *the problem of the general will is less the intellectual query of defining its object than the moral and political probe of acting on good motives consistent with it, or evil ones.* It is hard to exaggerate the constitutional implications of this position. The Jacobin logic is inexorable, showing the way to move ahead.

State sovereignty plays an indispensable unifying role in this context (David 1997, p. 97). Representative institutions render the people actuality to the extent that they enable them to express a collective will, as a political body including each and every citizen. Political unity acquires its specificity and realization in parliament, the central locus of representation (Jaume 1989, p. 337). As a result, popular sovereignty is inextricably related to the institutional apparatus of the state, without which it loses its centre of gravity (Jaume 1989, pp. 339, 352).

The problem of how to secure the unity and indivisibility of popular will is aggravated by the vast size of a modern republic, which makes direct democracy challenging. Thus, indivisibility is closely related to the issue of a centralized administration. On this issue, the Jacobin position is the opposite of American federalism (*The Federalist* 1941, pp. 53, 79). The fragmentation of political will is prevented through the centralization of legislative and executive functions within a unitary state, securing the linear and more or less direct transition of political legitimacy from the people to a unicameral legislature enacting binding laws, and to the government and the executive, throughout the territory of the state. In Greece, as we will see below, the centralization of political authority in the office of the prime minister has been a basic feature of the constitutional order since 1975, when democracy was restored in the country.

Moreover, from Burke’s perspective, people like the Jacobins lacked prudence, being perilously inclined to highly speculative reasoning (Burke 2004, pp. 152–153, 277, 287). In Greece, a mentality favouring the proliferation of abstract legal rights and privileges has prevailed in
the post-dictatorship era in quest for the democratization of state and society.

However, the political presence of the people in the Jacobin republic creates a tension between popular sovereignty and representation. The challenge this raises is: in what way can there be a popular rejection of certain policies or officials? This question is critical for Greece, where there is no tradition of direct democracy. The more institutions of direct democracy, such as referendum, are embedded in the political culture of a society, leaving room for the democratic expression of the people, the less the propensity to resort to street politics and to political violence by ‘virtuous minorities’ (Jaume 1989, p. 339), which assume that they express in their fanatical partiality the authentic voice of the people; or, even worse, that they incarnate the people themselves.

State coercion can, thus, stifle political liberty. In effect, the Jacobins, while in power, proceeded to the elimination of their political opponents as deceitful internal enemies (Michelet 1952, pp. 688, 788). The Jacobin Terror is the phobia of conspiracy to the point of paroxysm. As Saint-Just retorted, ‘The revolution is like Saturn, devouring all its children… it is repeated by all those who tremble as they have been uncovered. No, the revolution will not devour its children, but its enemies, no matter what impenetrable mask disguises them!’ (Saint-Just 2004, pp. 733–734). Any challenge to the Jacobin frame of mind can be an assault on the Jacobin republic, a proof of evil motives, and a hint of a hidden conspiracy. As a result, the status of political liberty in the Jacobin republic is in a permanent state of ominous and precarious instability. The more the intransigence, the fanaticism, and the polarization, the greater the degree of suspicion. This truism is important for a nation like Greece, which had the experience of civil war in the 1940s. Political disagreement was interpreted by the Jacobins as insinuating the division of the people to make popular sovereignty more vulnerable during exceptional times of extreme national emergency. Saint-Just claimed that ‘popular sovereignty wants the people to be united; therefore, it is opposed to factions: every faction is therefore an attempt against sovereignty’ (Saint-Just 2004, p. 695).

This distinction between friend and foe in times of exceptional situations, along with an energetic political will against internal or external threats, had an impact far beyond the haunting nightmare of the Jacobin Terror. It has, in fact, been given authoritative expression in Carl Schmitt’s constitutional theory. Schmitt elevated the distinction between friend and enemy into the milestone of political relationship. In his ‘Concept of the Political’ Schmitt mentioned the practice
of the *Comite de Salut Public* as an example of declaring the political enemy as an outcast of the law, *hors-la-loi* (Schmitt 1988, pp. 73–74). The immanence of ad hoc, legally arbitrary decision-making in political life is underlined in Schmitt’s epigrammatic definition of sovereignty: ‘Sovereign is he who decides on the exception’ (Schmitt 1985, p. 5). According to Taine, ‘A dictatorship suits [the Jacobin] because by this means the people recover their sovereignty with no limitations’ (Taine 2002, p. 471). However, the most crucial feature underpinning Schmitt’s notion of the political is, probably, his radical rejection of universalism, that is, of the political value of humanity, of the intrinsic worth of human life, and of the rebuff of political violence, which materializes ‘efficiently’ the distinction between friend and enemy (Schmitt 1988, pp. 84, 102). As G. Vedel noted, commenting on the exercise of violence against the supposed enemies of the people, ‘in violence, in war, in dictatorship, the instincts of aggression and domination grow’ (Vedel 1949, p. 252). Let us be clear. No positivist pretext about the separation of law and morals, and no ideological controversy over political legitimacy, can change the fact that constitutional law devoid of humanity, humility, and civility makes bad constitutional law. Human rights, the separation of powers opposed to the hubris of absolute power, and rejection of political violence remain permanently the constitutional essentials.

Sapped of its universalism, Jacobinism loses all claims to legitimacy, remaining a crude form of domination based on terror and violence, *decoupled* from virtue (McPhee 2012, p. 186). In that sense, the abstractions that stand for the Jacobin values served a real political purpose, providing the inclusive normative horizon, answering ‘the question of intellectual and moral reform, that is [t]he question of religion or worldview’ necessary for the ‘development of the national-popular collective political will’ (Gramsci 1987, pp. 132–133), making the Jacobins, therefore, according to Gramsci, ‘a categorical embodiment of Machiavelli’s Prince’ (Gramsci 1987, p. 130).

The Jacobin drama lies precisely in the failure to recognize and to reconcile the irreducible bipolarity of human nature, which is really unique in its assertive individuality and yet radically common in its most vital and elementary forms of moral dignity and subsistence. Patrice Higonnet described Jacobinism’s dualism between ‘universalism and individualism’ as ‘unstable’ and, ideally, ‘reconcilable’ (Higonnet 1998, pp. 2, 20). Attracted by universalism, the Jacobin has realized that man’s radical vulnerability can become man’s radical strength. But the straitjacket of Jacobin-practised political dogmatism can hardly accommodate the common knowledge that people develop diverse world
views and form different frames of mind. Like all apostles of political faiths, the Jacobin aspires to regenerate men, converting them to his world view. His universal principles being beyond question, he appraises the freedom of the enquiring mind from the point of view of virtue, as a sign of subversive political will, rather than from the point of view of reason, as an enlightening probe against prejudice and fanaticism. From a liberal perceptive, B. Constant described the Jacobin irritation with the dignity of the thinking person as follows: ‘It is in the shape of a dogma that the notion of freedom dawns in unenlightened minds’ (Constant 2003, p. 415). Fanaticism ‘finds the educated bothersome because they find it hard to embrace an opinion without certain restrictions and nuances. It is suspicious of the person of proud spirit, because proud spirits experience some kind of antipathy to the strongest people and serve the powerful only with distaste. The only qualities in demand are belief and will’ (Constant 2003, p. 416). Jacobin austerity kills the flourishing of human individuality, for which the liberals care most. Tragically, the Jacobins have failed to recognize to what extent such individuality, in the form of an independent and mindful conscience (rather than in the form of elitist attitudes and expensive tastes), is equally necessary for their own republican political morality against despotism and domination (Pettit 1999, p. 21).

Still, it would be inaccurate to accuse the Jacobins willy-nilly of an anti-intellectual stance. The Jacobins are famous for their sociétés de pensées (Cochin 1921). As staunch republicans, they are zealots of the abstract impartiality of citizenship, mindful and respectful of universal human rights, to which, it must be stressed, Robespierre included the right to existence (McPhee 2012, p. 145). The Jacobin anti-intellectual mentality regards only the manifestations of individual autonomy and intellectual independence vis-à-vis Jacobin moral and political authority. There exists, thus, an unfortunate split in an inconsistency of double standards which venerates the most radical exercise, perilously close to anarchy, of the natural rights of man against all political authority other than the Jacobin himself! As Taine put it, ‘outside of the sect, you are outside of the law’ (Taine 2002, p. 434). The Jacobin predicament lies in the enigma of how to combine – morally and intellectually – universal abstract impartiality with concrete impartiality, which dictates respect for the conscientious opinions of other individuals, and state neutrality vis-à-vis the diverse world views aired in civil society. Indeed, the Jacobin dimension of Greek constitutional tradition should be taken into account in analysing the weakness of civil society in Greece (Tsoukalas 1993, pp. 20–21, 23).
The Jacobin inability to resolve this riddle of impartiality is due to the fact that the Jacobins obviously failed to derive the full moral and political implications of the golden rule of morality, *ne fais pas à un autre ce que tu ne veux pas qu’il te soit fait* [do not do to another what you would not like to be done to you]. Although they included this maxim, which is the most common standard of impartiality in human civilization (Parfit 2011, p. 321), in Art. 6 of their Constitution as the moral limit of liberty, they refused to apply it to themselves. They set themselves *apart* from other individual citizens, refusing to be submitted to the rule of *reciprocity*, which would obligate them to mutually respect their adversaries. Or, rather, the Jacobins set themselves *above* all others, becoming, thus, the oracles of popular interests, on the ground of the strength of their faith and the purity of their will. The Jacobins are the divinely elect; the true missionaries of a monotheistic deity; the relentless revolutionaries who keep moving the revolution to the end, *jusqu’au bout*, in the name of the modern political God, the People. Once their moral authority is coupled with their political authority, then this twin authority makes them masters of ordinary people; and in the name of popular sovereignty they override political liberty. Jacobin humanity lacks humility, and, for this reason, I argue that the Jacobin violates civility, betraying his own avowed commitment to political virtue and egalitarianism.

The political consequences of the Jacobin deficit of reciprocity go beyond his lack of respect for individual liberty and the persecution of his political enemy. There is a public and institutional counterpart of the Jacobin hostility to civil society. This is, as the political scientist G. Mavrogordatos shrewdly points out, the problematic lack of legitimacy of political parties, to the extent that: ‘The French Revolution failed utterly to conceive party pluralism – or in other words effect the transition from “faction” to “party” ’ (Mavrogordatos 1996, p. 15). As P. Rosanvallon notes, Jacobinism is, in its inability to accommodate the intermediary social bodies, an archaic and pre-pluralist culture of politics (Rosanvallon 2004, p. 68). Bruce Ackerman, emphasizing ‘the role of the political party in channeling reform movements’, contrasts the ‘nonhierarchical understanding of political parties in America’ with a ‘general European tendency toward hierarchy – on the right no less than on the left’, of which ‘the “democratic centralism” practiced by Leninist parties represents an extreme example’ (Ackerman 1991, pp. 281–282). Indeed, Marx’s concept of the dictatorship of the proletariat had been heavily influenced by the Jacobin historical example (Hobsbawm 2011, p. 56), while Gramsci underlined the hegemonic role of the Jacobins ‘in
forcing the situation, in creating irreversible faits accomplis’, insisting that ‘the Jacobins were realists of the Machiavelli stamp and not abstract dreamers’ (Gramsci 1987, pp. 77–78). The public and institutional element associated with political parties consolidates the sociological dimension of the Jacobin priority of unity at the expense of diversity.

In sum, the Jacobin rift between abstract and concrete reciprocity erodes what is probably the Jacobin’s most sacred principle, the indivisibility of sovereignty, whose symmetrical complement (like two faces of the same coin) is the indivisibility of liberty. The one sustains the other, and they stand or fall together. In 1797, Rigas Velestinlis, the foremost Greek Jacobin, clarified this connection very well in his ‘New Political Administration’ (Art. 23 of the Rights of Man):

The Common affirmation and security of every citizen lies in the activity of all citizens; namely, to contemplate that, when something bad happens to someone, all are affected, and for this reason we must reassure one another of the enjoyment and protection of our rights. This certainty is founded on the self-government of the nation; therefore, the nation as a whole suffers an injustice when an injustice is committed against even one sole citizen.

Rigas (2000, p. 42, emphasis added)

Having discussed the basic features of Jacobin constitutionalism, it is now time to turn to Greek constitutional tradition, in quest for its Jacobin dimension.

4.4 Popular sovereignty and representation in Greek constitutional theory

The equation of the majority will with the will of the people is not necessarily an indication of Jacobinism. Rather, the Jacobin dimension of Greek constitutional tradition is reflected in the excessive political voluntarism and the self-referential conception of popular sovereignty, whose object is taken to be the will of the people per se, instead of the res publica, often to the detriment of rationality in the functioning of the state and in the delimitation and coordination of public, collective, and private interests according to the rule of law. To put it bluntly, it is the downgrading of the rational dimension of questions of public interest and social justice in favour of an undifferentiated popular will emerging out of majoritarian elections. The story of the Jacobin dimension of Greek constitutional tradition is largely untold. This is probably due
to the fact that the most compelling and insightful analysis by a Greek pertinent to the study of Jacobin constitutionalism has been written in French. Nicolas Saripolos, one of the most eminent scholars of constitutional law, in his influential monograph *La démocratie et l’élection proportionnelle* (1899), followed the evolution of the two fundamental principles of popular sovereignty and representation before and during the French Revolution. The French doctrine had been received in Greek constitutional law by Saripolos’ father, who wrote in 1851 that ‘the sovereignty of the nation is neither extinguished nor falls asleep under the parchment Constitutional Charter.’ It is ‘always alert… supervising the authorities, ready to intervene when they deviate from the established order’ (Saripolos, 1993, p. 56). Nikolas Saripolos tried to show how proportional representation, both national and individualistic, had been established in French public law and should be further developed, reforming the electoral system. For Saripolos, the institutional expressions of proportionality could serve as major safeguards for the rights of minorities, which were at the mercy of parliamentary majorities. To him, the rule of majority will, within its appropriate scope, results from the equality of citizens, that is, from the individualistic basis of political representation. On the contrary, majority rule becomes the instrument of despotism and tyranny if its public law justification is sought not in the broad democratic and individualistic basis of the electorate, but in the narrow collective summit of representation, according to the legal fiction which identifies majority will with the will of all, as if they were unanimous (Saripolos 1899, pp. 200–201); *herein lies the Jacobin element of excessive voluntarism in constitutional law.*

What made Saripolos’ arguments particularly forceful was his method of reading the modern doctrines of Rousseau and the French publicists in the light of Aristotle’s parallel line of thought in *Politics* (Saripolos 1899, pp. 235–237). The ancient philosopher had captured conclusively and with epigrammatic clarity the gist of the problem inherent in the Jacobin tension between representation and democracy:

For the people becomes a monarch, and is many in one; and the many have the power in their hands, not as individuals, but collectively… At all events this sort of democracy, which is now a monarch, and no longer under the control of law, seeks to exercise monarchical sway, and grows into a despot… The decrees of the demos correspond to the edicts of the tyrant; and the demagogue is to the one what the flatterer is to the other.

(Aristotle: Δ, 4; Γ, 10)
On the Jacobin Dimension of Greek Constitutional Tradition

The lurking tension between representation and democracy has re-emerged in the current political context of the Greek crisis, as we will see below. However, the direct impact on Greek constitutional tradition of Saripolos’ classic work has been quite marginal. Probably the basic reason for this is that Saripolos himself made a striking shift of scientific paradigm, adopting the German theory of the legal personality of the state. In the first edition of his *Greek Constitutional Law* (1911), Saripolos explained that, while his French classic had been a parallel study of law and political science, his new book, as well as another one published in Germany in 1909, was exclusively a study of positive constitutional law ‘as it really is’ (Saripolos 1987, pp. 8–9). Though Saripolos has been criticized for excessive legal formalism (Tsatsos 2010, p. 102; but see Drosos 1996, pp. 215, 219, 572), in fact, he aligned Greek constitutional law with the prevailing tendency in European public law (e.g., G. Jellinek in Germany, V. E. Orlando in Italy, R. Carré de Malberg in France) at the end of the nineteenth century. This legal doctrine, as Maurizio Fioravanti has argued (Fioravanti 2001, pp. 581, 598), was serving in reality the clearly liberal aim of neutralizing, through the impartiality of the rule of law and the sovereignty of the Constitution, the revolutionary potential of the French doctrine of popular sovereignty, influenced by Rousseau. Indeed, Saripolos argued explicitly in both his German and Greek works (Saripolos 1987, pp. 261–264; 1909, p. 46) that parliament does not represent the people, other than in a tenuous political sense, because they are both state organs directly established by the Constitution, and therefore the one cannot be the representative of the other. In his opinion, the electorate merely elects parliament.

Saripolos highlights state sovereignty and the role of the Constitution as the charter which regulates the organization of the state, establishing its primary organs and their legal competences. In a sense, state sovereignty is the foundation of popular sovereignty, the latter corresponding to the source of state power and the qualitative nature of the political regime, for example, of monarchy or republic. Therefore, the object of popular sovereignty is, in principle, not the will of the people per se, in any self-referential way, but the *res publica* and public power. Its existence presupposes, and is intrinsic to, the legal personality of the nation state. This dimension of the Constitution as the fundamental law of the state is captured in the provision that ‘all powers shall be exercised as specified by the Constitution’ (Greek Constitution Art. 1, Par. 3). This results in the conception of popular sovereignty as a qualification of state sovereignty. The will of the majority of the people cannot disrupt the constitutional framework, which defines in a positive, binding, and concrete manner the procedural conditions and the
material limits for the formation and expression of state will. Popular will is thus not a goal in itself, independent of its object.

Saripolos’ student and successor at the University of Athens, Alexandros Svolos, rejected as a chimera the theory of the legal personality of the state (Svolos 2008, pp. 84–87). For Svolos, popular sovereignty retains only the relative, but democratically crucial, value of government according to the majority will. On this last point, Svolos clearly disagreed with Saripolos’ position that the electorate merely chooses the members of parliament. Of course, this does not alter the mandate from free to binding and imperative, but still there clearly exists a legal bond between the people and their representatives, who are supposed to follow the direction determined by the people. It is the legal right of the people to affirm their political presence in everyday politics and to employ the various channels of political communication in an effort to influence the government. The deputies are expected to abide by the political principles of their political party, and in reality the deputy is so constrained that free mandate essentially becomes fictitious (Svolos 2008, p. 139).

At the same time, however, Svolos addressed the concerns of the liberal-democratic constitutional strand, adopting Saripolos’ critique of the risks inherent in the combination of popular sovereignty with the theory of representation. Svolos rejected as a legal fiction the absolute doctrine of popular sovereignty, most prominently expressed in Rousseau’s general will, which preserved absolutism while substituting the collective person of the people to that of the monarch (Svolos 2008, p. 85). He further argued that the absolute doctrine of popular sovereignty is pernicious for the liberties of the dissenter. Institutional checks and balances pose a problem of constitutional organization of power so as to counterbalance and mitigate the partisan state. Through the ‘anxious quest’ for constitutional limits on the ‘absolutism’ and ‘authoritarianism’ of parliamentary democracy, ‘which lie in the oligarchies of political parties, and more particularly in the person of their leaders’ (Svolos 1958, pp. 265, 278), the indirect impact of Saripolos’ contribution to democratic theory and political representation has been immense in the Greek context.

Aristovoulos Manessis, the third classic Greek constitutionalist of the twentieth century, in his ‘Guarantees for the Observation of the Constitution’ (1965), emphasized, similarly to Saripolos, legal positivism in employing the analytical framework of the juristic personality of the state. He, however, applied the realistic and sociological approach of Svolos. Manessis underlined that ‘the highest organ of the state is the people, i.e., the electorate,’ ‘which consists of the totality of citizens’
who share ‘in equal parts’ the formation and the expression of the
supreme will of the people (Manessis 1991, p. 88). Manessis argued
that the people are both the source and the subject of all state power
(Manessis 1991, p. 90). Negatively speaking, popular sovereignty ‘forbids
the imposition as the supreme will of the state of any other will than
that of the totality of active citizens’ (Manessis 1991, p. 92). Manessis
made clear ‘that no invocation of the name of the sovereign people can
cover a deviation from the Constitution’ (Manessis 1991, p. 93).

On the thorny issue of the relationship between the principles of pop-
ular sovereignty and representation, Manessis clarified that in elections
people express their substantive political will, and therefore, legally
speaking, ‘the electorate and parliament are connected somehow with
a substantive bond,’ going beyond the formal one of choosing the
delegates, notwithstanding the fact that the latter ‘do not represent nec-
essarily’ the will of the voters (Manessis 1991, p. 191). ‘The voters elect
the delegate so that he acts within the contours of their declared elec-
torial will’ (Manessis 1991, p. 201). At the same time, Manessis undertook
a monumental analysis of the institutional guarantees for the observa-
tion of the Constitution, and of the principle of separation of powers,
developing in a liberal-democratic spirit the study of constitutional law
as ‘a technique of political liberty’ (Manessis 1980b, p. 11).

In sum, Greek constitutional law has shaped a conception of popular
sovereignty in relation to representative government whose main prior-
ities have been both the empowerment of the people and the protection
of political liberty by imposing checks and balances. Being fully aware
of the fictitious nature of the equation of the relatively prevailing will of
the majority with the will of the people, and in order to prevent exces-
sive voluntarism, the liberal-democratic strand of Greek constitutional
law has emphasized the necessity of institutional guarantees in the logic
that the minority may not be hindered from becoming a majority. But
the prospect of an endless alternation in government of minorities who
become majorities does not address the structural and political quandary
of Jacobin constitutionalism, which lies precisely in its excessively vol-
untaristic notion of democracy and in its self-referential conception of
popular will. We turn to these fundamental issues below.

4.5 Jacobin voluntarism, majority will,
and constitutional impartiality

According to Condorcet, the fundamental problem of constitution-
making is ‘to combine the parts of the Constitution in such a way
that the necessity of obedience to the laws, of submission of individual
wills to the general will, leaves thriving to the greatest possible extent,
and the sovereignty of the people, and the equality among the citizens,
and the exercise of natural liberty’ (Mannoni 1994, p. 374). In a way,
democracy’s fundamental constitutional dilemma is whether it assumes
a rational answer or a practical solution to this problem.

The Jacobin metaphysic of ethico-political perfectionism mentioned
above plays the role of a catalyst in resolving this conundrum. From the
Jacobin perspective, good will resolves the dilemma, since the only way
to deal with actors motivated by bad will is not to engage in an argumentation
with them, but simply to prevail, depending on the balance of
power (Mannoni 1994, p. 381) reflected in the distribution of interests –
mainly economic ones – within society. In essence, the Constitution is
instrumentalized in favour of voluntarism. The Machiavellian end of
this logic is Jacobin militancy and Jacobin political practices, for which
Jacobinism has become infamous in history. Presumably, therefore, if
the causes of conflict between social classes are eliminated and the state
withers away, then the Constitution’s significance as the specific legal
outcome of the antagonism of socio-political forces (Manessis 1980a,
pp. 106–107) reflecting class interests also withers away – and with a
happy end.

Putting all its eggs in the basket of will, Jacobinism stands at the
antipode of American constitutionalism, if the gist of the latter lies in
an affirmative answer in favour of reason to Alexander Hamilton’s ques-
tion of ‘whether societies of men are indeed capable of establishing good
government from reflection and choice, or whether they are forever des-
tined to depend for their political constitutions on accident and force’
(The Federalist 1941, p. 3).

But is there really a dilemma between a practical and a rational solu-
tion? What is at stake is the place of reason in politics (Oakeshott 1991,
pp. 5, 99) and in constitutional law. According to Kant, a jurist can state
what the laws of a country prescribe. But to answer ‘whether what these
laws prescribed is also right’ he must ‘seek the sources of such judgments
in reason alone’ (Kant 2009, p. 23). Kant defined right ‘as the sum of
conditions under which the choice of one can be united with the choice
of another in accordance with a universal law of freedom’ (Kant 2009,
p. 24). The formal character of right illuminates its significance. As Kant
explains,

[In the] reciprocal relation of choice no account at all is taken of the
matter of choice, that is, of the end each has in mind with the object
he wants. . . . All that is in question is the form in the relation of choice on the part of both, insofar as choice is regarded merely as free, and whether the action of the one can be united with the freedom of the other in a universal law.

Kant (2009, p. 24)

Democratic constitutionalism opens the channel of political legitimacy from the people to the state, not necessarily directly (representation is unavoidable in a vast republic), but, rather, immediately, that is, without intermediate levels which would distort the immediacy of the political message of the people (similarly, Rosanvallon 2004, p. 66). Elections are the belt which transfers democratic legitimacy to political leadership. The authority of government to make decisions is invested as much in the permanent structure of state sovereignty as in the mutable opinion of popular will.

Democracy sets the normative standard of collective self-government with full respect for individual self-determination and with absolute protection of political liberty, defined by Montesquieu as cette tranquillité d’esprit qui provient de l’opinion que chacun a de sa sûreté [this tranquility of mind that comes from the opinion that each one has of one’s security] (Montesquieu 1995, pp. 327–328). The indivisibility of popular sovereignty is a principle against the fragmentation generated by an ill-conceived federalism (Saint-Just 2004, p. 692), which allows the mushrooming of undemocratic structures of public power and socio-economic privileges in violation of equality before the law. But the only reliable solution available to the modern state in order to master a technique of democratic organization of political authority is the impartiality of the rule of law, and in particular a rigid constitution which guarantees fairness. The fundamental principle of democracy is impartiality; it is not majority will (Dworkin 1999, pp.15, 26). Egalitarian reciprocity between citizens and impartiality in the exercise of public power, under the guarantee of law, are, thus, the essentials of democracy. Majority rule follows as a logical deduction out of these principles. To reverse this relationship is to put the cart before the horse. It is to beg the question of whether the will of the majority is in the service of the public interest.

In fact, the first question that ought to be posed is whether an issue falls from the outset within the legitimate scope of public authority. In answering this question, it is critical to determine the type of interest involved. Is it a matter of private (individual), collective (social), or public (general) interest? Precisely because this is a highly contested
matter, modern constitutional democracies subject it to the democratic process, under the guarantees of judicial review, regarding the reasonableness or arbitrariness of the political decision, in the light of the nature and the gravity of the state interest involved (Greek Constitution Art. 25, guaranteeing the principle of proportionality). The standard of liberal decision-making is individual choice; the standard of republican decision-making is, hence, majority rule. As already noted, the underlying scheme, of individual (civil) or political rights, respectively, is in both cases one of impartiality and reciprocity in the recognition and distribution of rights. Depending on the sphere of justice into which a matter falls (Walzer 1983, pp. 17–20), the corresponding authority, the individual or the majority of the people, takes precedence.

Modern constitutional democracy is both liberal and republican, to the extent that it recognizes that the legitimate boundaries between the various spheres accept principled arguments, and also that there are paradigmatic cases falling within one or the other category (e.g., freedom of religious conscience, the decision to make war). There is private, collective, and public self-government (Tassopoulos 2001, p. 244). The quality of democracy in making the adequate choices depends on the level of argumentation and deliberation in public discourse. Democracy is not the application of majority rule across the board, irrespective of the object of the decision. It is, in my opinion, the association of the appropriate delimitation of spheres (which, of course, may be a matter of degree and not necessarily black or white) with the greatest impartiality of the corresponding and applicable standard of decision-making, thus realizing multifarious self-government.

4.6 Jacobin themes of the Greek crisis

Fortunately, in the context of the Greek crisis, Jacobinism is not related to the threat of ‘decoupling’ parliamentarism from democracy as in the Weimar Republic (Schmitt 2001, p. 32). Now, the acute problem is that Jacobin voluntarism brings at once anarchical and despotic consequences (Taine 2002, p. 902). Under conditions of strong democratic legitimacy, when the tension between representation and democracy is eased, the combination of anarchy and despotism takes the form of self-aggrandizing political power and corruption in favour of powerful and arrogant people who tend to believe that they are above the law (Montesquieu 1995, pp. 325–326). Under conditions of intense political polarization and social divisions, exacerbated by the economic crisis, Jacobin voluntarism invites conflict between political authority
and dissent, cultivating distrust and undermining the moderate and reasonable voices who strive for consensus. The one situation leads to the other, and in both cases Jacobin voluntarism erodes the legitimacy and stability of the constitutional order. This succession, from a highly concentrated and insufficiently controlled exercise of political power, to corruption, huge national debt, and an intense crisis of legitimacy, offers a crude, but basically correct, outline of Greece’s current political predicament. More specifically, popular sovereignty is a powerful idea in Greece. Popular will must be diffused into the state like the flow of the blood through the veins. This process takes place at three levels.

First, the democratic formation of popular will requires the uninhibited exercise of free speech and of individual rights of collective political action, for example, the rights of assembly and association. Greece has no tradition of direct democracy, for instance through the undertaking of referenda, but it has a strong tradition of negative freedom. An influential reading of Greek history (Svoronos 1981, pp. 12–13) highlights its ‘resistant character’ in the quest for independence and democracy. The authority of law is frequently challenged by political dissenters, and political participation tends to take the form of street politics, where a relatively high degree of political violence is tolerated.

Ultimately, the inadequacy of Jacobinism lies in its inherent lack of representativeness on the matter of immediate political action. Resistance is justified only against a dictatorial regime; not against a functioning democracy, with reliable political procedures for the expression of the will of the people. The distinction between Jacobinism in the opposition and governing Jacobinism becomes evident here. In this respect, the social unrest in Athens against austerity was quite different from that in Cairo during the Arab Spring of 2011; in Athens it occasionally took a violent turn, directed against the parliament as such and endorsing a quite idiosyncratic idea of ‘democracy’, like that of Antonio Negri, who legitimizes the ‘constitution of strength,’ that is, overt political violence against representative government (Negri 1999, p. 321).

Second, political life in Greece is dominated by political parties which basically crystallize popular representation. Although the Greek Constitution stipulates that the organization and activity of political parties must promote democratic freedom (Art. 29), the prevailing opinion recognizes full autonomy and unbridled discretion of the political parties regarding their internal organization (Greek Supreme Court, 509/2009). As a result, party leaders and their ruling inner circle concentrate political power with no effective guarantees of intra-party democracy. Moreover, the way in which rules regulating the finances of political parties are applied is very loose and superficial, in part because the
supervision and enforcement of the relevant legal regime are entrusted to a parliamentary committee, in which the representatives of the political parties form the majority (Contiades 2009, p. 57). There are, thus, significant gaps in the checks and balances mechanism as regards the playing field of political parties.

And, third, the National Schism (1915–1935), a historic conflict between the executive and the legislature, had cut to the core of state power, weakening the rational and consensual dimension of Greek political life. Thus, the dispute over the sovereign will, of the people or of the monarch, occupied the centre of Greek constitutional tradition (Tassopoulos 2006, p. 251). This experience led to the immense concentration of political power in the office of the prime minister: on the day of the elections the people choose the prime minister in a quasi-direct way. The prime minister is simultaneously the head of government, the leader of the parliamentary majority, and the chief of the party who won the elections. The leader of the opposition plays the role of the prospective prime minister, and during the electoral campaign political conflict often takes the form of a duel between the prime minister and the leader of the opposition.

The modality of Greek politics, as these three issues suggest, is, thus, deeply confrontational. The Jacobin frame of mind offers a useful analytical tool for understanding the phenomenon of populism that is characteristic of Greece’s political life (Lyrintzis 1987, p. 669). Polarization sets the tone of the public debate, rather than rational consensus regarding agreed ends on the basis of commonly accepted facts. Populism assumes the existence of ‘a foe’ (expressed, e.g., in the ‘State of the Right-Wing,’ i.e., the state constructed by the reactionary right-wing political forces in the post-civil war period and which became PASOK’s target in the 1980s, or, later on, the arcane forces of globalization) (see, inter alia, Laclau 2007, pp. 87, 96; Lyrintzis 1993, pp. 30–31; Mavrogonatos 1993, pp. 48, 50).

The economic crisis and the huge national debt plunged the political system of Greece into a deep crisis of legitimacy. The elections on 6 May 2012 had devastating results for the two governing parties, PASOK and the New Democracy, which have been alternating in power since 1974. They highlight the deadlock of Jacobinism’s political voluntarism, which is rich in promises but very poor in effective public policies and practical solutions to real problems.

However, to regard the present crisis of representation that Greece is undergoing as one more illustration of the old mistrust and hostility between the state and the people would be a mistake. Such an analysis would totally miss the crucial historical difference between the current
constituutional situation in Greece and that of the past, when popular sovereignty and national independence were at stake due to major constitutional crises (e.g., the civil war of the 1940s or the dictatorship of 1967–1974), interrupting the regularity of the constitutional order (Alivizatos 2010, p. 221). By contrast, the current crisis has unravelled during a period in which the country had achieved the highest level of democratic life in its history. Consequently, such an analysis would misunderstand both the nature and, more importantly, the challenge of the current crisis of legitimacy. It would apply old-fashioned ideas and inadequate interpretive schemes, coming from the Jacobin dimension of Greek constitutional tradition, to totally novel situations in Greece.

The Greek debt crisis marks the bankruptcy of the deadly combination of political voluntarism, polarized partisan politics, and social partiality in the form of clientelism, partisanship, and corruption (Contiades 2009, pp. 39, 59), which have been undermining the state structures and functions, eroding public finances to the point of collapse. The Greek debt crisis reveals the contradictions of a political system which respects the fairness of elections but which has transformed electoral success in the name of popular will into a goal in itself, disregarding the rational dimension of politics and, essentially, the public interest. Economic modernization and structural reforms across the field, from the private sector to the public sector and the state’s core institutions, are mandatory, not only in order to prepare the ground for economic recovery and growth, but also to implement the ideals of justice and the rule of law in the production and distribution of national income (Alivizatos 2010, pp. 565, 573).

4.7 Conclusion

Excessive political voluntarism in the name of the people, undermining rational solutions to pressing problems, marks the Jacobin element of Greek constitutional tradition. The self-referential conception of popular will as a goal for its own sake, independent of the ends of the state and their rational and effective pursuit, constitutes an important impediment to the evolution of civil society in Greece. The prevailing feature of the current crisis is the violation of elementary economic rationality in accumulating excessive national debt. Jacobinism is of no avail for the handling of the current situation. Rather, it has become a serious part of the problem, especially in light of its populist lure, which erodes common sense.

The Jacobin dimension of Greek constitutional tradition forms an integral part of European political tradition. Among the elements of
the Jacobin frame of mind, there is one of enduring value, which no European society is going to give up easily. That is the prospect of hope for plain people with good hearts and simple minds. Democracy leaves room for the economic future of ordinary citizens. If not, it is only a matter of time until other elements of the Jacobin frame of mind come into place. It is an open question to what extent the European nation-states and the European Union will sustain the project of European integration and social cohesion, in both northern and southern Europe, in an attempt to prevent the most menacing and repelling aspects of Jacobinism.

Equally attached to the core values of Europe is the Korais strand of Greek constitutionalism, with its emphasis on tolerance, education, moral progress, and respect for human rights in a democratic society. It is the spirit of the European Convention of Human Rights. Eunomia, isonomia, and justice (δικαιοσύνη) have been profound and central values of the Greek Enlightenment. They have prepared and sustained the European political journey of Modern Greece; they are as valid as ever, for now and for the future.

Notes

1. Rigas Ferraios was a Greek writer, political thinker, and revolutionary who was active in the Modern Greek Enlightenment. He is one of Greece’s most important national heroes and a forerunner of the Greek War of Independence from the Ottoman Empire.

2. Adamantios Korais was a humanist scholar and a major figure of Greek Enlightenment. He was born in Smyrna in 1748 and he died in 1833. He studied medicine in France. He translated ancient Greek authors and his impact on Greek letters has been immense.

3. See Treaty of Lisbon (Consolidated version of the Treaty on European Union) Article 2, ‘The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.’

4. See Treaty of Lisbon, ‘1. Declaration concerning the Charter of Fundamental Rights of the European Union: The Charter of Fundamental Rights of the European Union, which has legally binding force, confirms the fundamental rights guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and as they result from the constitutional traditions common to the Member States. The Charter does not extend the field of application of Union law beyond the powers of the Union or establish any new power or task for the Union, or modify powers and tasks as defined by the Treaties.’

6. Such as the law of 10 June 1794 (22 Prairial), which punished ‘Those who have spread false news to divide or disturb the people. Those who have sought to mislead opinion and to prevent the instruction of the people, to deprave morals and corrupt the public conscience’ (McPhee 2012, p. 202).

References


This chapter challenges the foundations of the methodological axis of the book: It argues that the dualism between ‘underdogs’ and ‘modernizers’ (Diamandouros 1983) does not reflect accurately the basic dichotomies of Greek society, and therefore fails to explain the symptoms of ‘Greek exceptionalism’. If there is a permanent, dividing line, it is one which separates social strata having a symbiotic relationship with the public power and those deprived of any kind of special access to it.

The first part of this chapter explores the relationship between the Greek state and society, explaining the basic causes of institutional dysfunction and the weak legitimacy of public power. Since independence, the economy has been state-driven because of the chronic weakness of its productive basis and the eclipse of a strong national bourgeois class. It was not the expansion of the state that suffocated the economy, but quite the inverse: public power has just filled the vacuum of the absence of any substantial capitalist productive forces. However, it has never acquired the character of a Weberian, neutral administration, as it was from the beginning based on the satisfaction of clientelistic interests.

The second part of this chapter analyses the policies of ‘Memoranda’. It defines them as a mere variant of the neo-liberal strategy of ‘Washington consensus’, having little, if any, understanding of the real problems of the Greek economy. For this reason, the remedy has been more lethal than the disease. Greek society has become a kind of ‘lab mouse’, in the framework of a social experiment trying to explore the limits of societal resistance to ‘shock and awe’ policies1 dismantling the social state. Therefore, the two camps of the raging battle are
not actually modernizers vs. traditionalists, but, rather, proponents of neo-liberalism and defenders of the European social state.

5.1 The ‘European patient’: A short genealogy of the Greek political system

5.1.1 A historical glimpse

Flawed legislation, inadaptable to our morals and our interests and its ruinous application by partisan state organs: these are the reasons for our lack of respect and contempt for our laws.

A. Antoniadis (The Municipalities (Τα Δημοτικά) 1866; 13)

Already in the nineteenth century, Greek publicists, such as the aforementioned Antoniadis, and foreign visitors (About 1872; Thiersch 1833) were describing the same grim situation: public administration was omnipresent and simultaneously distrusted by the majority of the population (Filias 1977; 1996; Svoronos 1972; Tsoukalas 1987). Along the same lines, in one of the most influential reports on Greek administrative reform commissioned by the government, Professor Georges Langrod stated the obvious, writing that ‘the vicissitudes of the history of Greece... are the source of the discrepancies between the institutional framework and the reality and the persistence of popular mistrust and hostility towards the public power’ (Langrod 1965, p. 71).

What are these ‘vicissitudes’? And how can one explain the paradox of the administration being universally disdained, but seemingly all adult citizens wanting to become civil servants (About 1872, p. 190)? In fact, towards the end of the nineteenth century the number of public servants per 10,000 population was seven times greater than in the UK (Dertilis 1976; Grigoriadis 1975, p. 24; Makris 1972, p. 207).²

First of all, one should take into account that the Greek state was founded after a devastating, although victorious, revolutionary war against the Ottoman Empire, on the ruins of a very poor, pre-capitalist society. It has thus become, by necessity, ‘the functional axis of economy’ (Moskof 1978; Vergopoulos 1985) and an employer of first and last resort. As Comte de Gobineau was writing some decades later, ‘the entire population was thinking that if the state was the only one who had money, one should try to take advantage and work as a public servant’.

During most of the nineteenth century, this functional necessity for constant state intervention in the economy remained unchangeable. The very weak Greek bourgeois class was obliged to ally itself with the traditional pre-capitalist strata, especially big landowners,
local notables, and Phanariotes. These early proto-capitalist elements, which consisted mostly of merchants and ship owners, were struggling for access to the state dividends instead of accumulating capital through industrial endeavours. Their economic activities were not oriented to manufacturing but, rather, to banking and commerce, and basically were driving wealth by special relationships with the political apparatus.

This ‘comprador’ character of Greek bourgeoisie (Mouzelis 1978, p. 20), its parasitic relationship with the state and its dependence on foreign capital are salient features of the Greek ruling class. This should be clear: the state did not suffocate private initiative; it has just filled the vacuum left by the inability of the Greek bourgeoisie to function as an autonomous, independent economic actor. In this framework, the separation of society and state did not take place in the same manner as in other European states. The fusion of political and economic power has remained a constant of the politico-economic system to date, despite periods of fast economic growth that brought Greece closer to the European average (Mhlios and Ioakimoglou 1990, p. 95; Petmezidou-Tsoulouvi 1987, p. 162). This is basically due to the ‘rent-seeking’ behaviour of Greek elites (Featherstone 2008), who have never acted according to a Protestant capitalistic ethic, but were always looking to ensure profits through special linkage with the authority.

More importantly, the modernizers of the Greek state, such as Trikoupis and Venizelos, did not break with this tradition. Instead, these politicians forged personal political alliances with the magnates of their day (some that they helped make). For example, Prime Minister Trikoupis was a close friend of Syngros, a banker who was one of the main perpetrators of the state bankruptcy of 1893; similarly, Bodosakis, a powerful industrialist, had close ties both with Venizelos and Karamanlis.

As a result, the division between privileged social strata having special access to state resources and the rest of society is one of the constant institutional traits of the Greek polity. This overt merging of public and private economic power through horizontal networks leads to a very fragile legitimacy, because the relationships of power are not being legitimized by the seemingly impersonal forces of the market, but by direct political intervention.

In this ambiance both a Protestant ethic of capitalist development and a rational, Weberian administration are impossible (Katrougalos 1993). Moreover, the lack of civicness in public life has resulted in a permanent absence of confidence in the state as a neutral, impartial mechanism
which is at the service of the general interest of its citizens. As a result, there occurs a generalized crisis of trust and legitimacy. Therefore, the question of hegemony cannot be resolved outside the sphere of the state by non-political means (Petmezidou-Tsoulouvi 1987, p. 189).

The dominant classes have tried to substitute organic, institutional legitimacy either by constructing nationalistic mirages (such as the ‘Great Idea’, which included the political goal of annexing all territories with historic Greek populations to the fatherland) or by seeking cultural (Demertzis 1994), economic, or even direct political and military support from ‘protector’ foreign countries. This tradition of reliance on ‘protectors’ goes back to the Greek revolution, when the direct military intervention of the fleets of England, Russia, and France in the battle of Navarino was pivotal for winning independence of the Greek state. Since the revolution, foreign nations (British and, since World War II, the Americans) have played a role and influenced political and social life so much that at times Greece appeared to have become a protectorate rather than an independent nation. One of the major Greek poets of the nineteenth century, Andreas Kalvos (1826), describes vividly in his poem ‘Wishes’ the popular resentment towards this kind of political tutelage:

It is better, better
The Greeks dispersed in the four corners of the world
To beg for bread with the hand extended
Than to have protectors.

It is a common, but fallacious, misunderstanding that this reaction hides a division between ‘modernizers’, proponents of the Westernization of Greece, and ‘traditionalists’, the defenders of the Balkan status quo (in this sense, Veremis and Koliopoulos 2006; in opposition see Katrougalos 2009). On the contrary, this reaction to the ‘protectors’ was never limited to traditionalists but has been widely shared by various political and social actors; primordially by the progressive and radical forces whose goal was political independence and the socialist transformation of the country.

In a situation like this, the only way to popularly legitimize public power is through the development of horizontal clientelistic networks, and through non-programmatic, patronage-oriented political parties. Suffrage for the male population has existed since the 1830s for municipal elections (Katrougalos 1993), and has given political clout to these parties, which functioned on the ‘spoils system’, whose sole basis is
control of the staffing and functioning of public administration (Maisel and Cooper 1978).

This explains another paradox: why has the undeveloped political system in Greece expanded the electoral right much earlier than core European states? (Zakaria 2003, p. 80) In the latter, the emergence of the mass parties is concomitant with the institutional response to the ‘social question’ of the nineteenth century: how could the market be made compatible with the extension of political and social rights, without a socialist revolution? Hence, the expansion of electoral rights was not possible as long as the working class remained a revolutionary classe dangereuse. Unlike other European countries, such a dangerous class for the political system did not exist in Greece. Quite the opposite; patronage-oriented politics, reinforced by the generalization of suffrage, was the basic pillar of political stability.

The schism between the privileged strata, with access to state resources, and the deprived classes deepened in the period after the civil war (1946–1949, when pro-Western and communist elements clashed), when political prosecutions against the communists resulted in a profoundly divided society. An unfair prosecution for clearly political motives through a wide spectrum of authoritarian measures has resulted in a partisan, police state (Tsoukalas 1987, p. 32). The basic legal instrument of the political purges has been a corpus of legislation, which, despite being blatantly contrary to human rights, protected by the Constitution, remained unchallenged by the courts. Therefore, this set of legislative measures has been considered in constitutional theory to form a ‘para-constitution’, which remained in force parallel to the Constitution of 1952, although it encroached on several of its provisions (Alivizatos 1979).

‘Certificates of sound social beliefs’, that is, official documents issued by public authorities in order to determine political loyalty, were necessary for any interaction with the public services, even for the issuance of a driver’s licence or passport, or for participation in the university exams. The prosecutions, the deportations, and the executions continued many years after the end of the civil war, as they were part of a systematic effort at restructuring the political system. For instance, in 1957 – eight years after the end of the civil war – 5,521 citizens were stripped of their Greek citizenship, compared with only 52 in 1951 (Alivizatos 1979, p. 371; Nikolopoulos 1980, pp. 149–150).

Purges in the public sector were widespread and systematic. During the first decade after the civil war, almost one-third of public servants
were fired for reasons of political disloyalty (Alivizatos 1979). In order to cover the large number of vacant posts, but also to create new bonds of loyalty between the masses and the state, recruitment in the public service has ballooned. According to some estimates, the percentage of employees and workers in the general public sector in the post-civil war period reached almost 50 per cent of the workforce (Tsoukalas 1985, p. 112).

This impressive extension of the state apparatus did not coincide with the foundation of welfare state structures. The public sector has been reorganized according to a different socio-political goal: to build a social alliance between the ruling class and the new middle social strata of loyal public servants (Tsoukalas 1987, p. 89). The lack of a fully developed welfare state, together with the prevailing authoritarian and paternalistic policies, have shaped the symbolic collective image of the administration not to that of a benevolent father, as in the main European welfare states, but to one of a brutal gendarme (Legendre 1974, p. 204). Along the same lines, law is conceived as an instrument of oppression rather than for the implementation of a social contract.

The public deficit in the field of social protection coincides with a strong intrusion of the state into most sectors of social life. This prima facie paradox is the direct corollary of the predominance of patronage policies, which compel the state to intervene ad hoc and without any pre-defined strategy into every facet of socio-economic life. The purpose of such intervention is not rational and systematic regulation, but to satisfy ephemeral clienteles. Another side effect is the excessive juridification of the public sphere, which results in a bureaucracy full of red tape and a monstrous legal formalism. In Langrod’s report on administrative reform, he remarked that ‘the law regulates every detail, even the most trivial thing, and that makes the legislation rigid and inflexible and impedes all necessary adjustments’ (Langrod 1965, p. 21). In this framework, instead of the norm of law being an instrument of social change, it just erects barriers between society and the bureaucracy.

The rigidity of the legislation serves both as an alibi and as a screen behind which public servants can hide and avoid any personal responsibility for their actions. It should be noted that overregulation does not translate into actual implementation of the legislation in force. Very often the statutory provisions remain a dead letter, either because the necessary secondary norms (presidential decrees, ministerial decisions) are never issued, or because of a general lenience towards deviation from the rules which is closely related to patronage.
The welfare structure system led to a highly fragmented income maintenance system that displayed an internal polarization, with peaks of generosity (especially regarding pensions for some categories, i.e. the magistrates) for the privileged strata of the population, co-existing with huge gaps in protection: an important fraction of the population remained without effective social coverage, especially the unemployed, those in flexible forms of employment (temporary, part-time), and those working in the informal sector or having irregular jobs.

Since the fall of the military dictatorship in 1974 (Mavrias 1997, p. 49), traditional clientelism, which was centred around local notables and MPs, has transformed into a more bureaucratic, party-directed patronage, as the main political parties, PASOK (socialist party) and New Democracy (conservative party), have been gradually transformed into organized, mass parties (Charalambous 1999, p. 83). With the ascension of PASOK to power in the 1980s social expenditures increased, at levels comparable to – but still a bit lower than – the EU average. Ironically, the expansion of welfare structures occurred during a period of general economic recession, contrary to other European welfare states, which flourished in the economic prosperity of post-World War II trente glorieuses. By necessity, its funding has been based on public lending, which has, inevitably, increased the public debt.

Moreover, the expansion of a highly fragmented pension system has once more been used for distributing differentiated entitlements to selected party clienteles, creating a highly collusive mix between public and non-public actors and institutions (Ferrera 1999; Gunther et al. 2006; Katrougalos and Lazaridis 2003). Public institutions continue to display a low degree of state power, as they are still highly vulnerable to partisan pressures and political manipulation.

5.1.2 Greek state and society

The majority of scholars see in the aforementioned institutional setup a bipolar antithesis between a strong and ‘gigantic’ state and a weak, ‘atrophied’, ‘membranous’, and ‘underdeveloped’ society (Filias 1977, p. 249; Mouzelis 1978, p. 29; Vergopoulos 1985, p. 30). This paradigm is currently under reconsideration as being oversimplistic and in many ways inaccurate with regard to the current reality (Mouzelis 2007; Voulgaris 2006). First of all, with regard to ideological hegemony, the Greek state is much weaker than the European average, because of its fragile, non-organic legitimacy, its institutional incompetence, and the generalized lack of ‘trust’ (Lyberaki and Paraskevopoulos 2002; Putnam 1993; 2002) towards public and societal institutions (Tsoukalis 1997).
Moreover, it is not ‘gigantic’, but irrationally organized, hypertrophic in some areas and underdeveloped in others, especially in the welfare sector. Surprisingly, however, the Greek public sector is actually below the European average regarding both the number of public servants and the total public expenditure. Indeed, the distribution of human and economic resources within it is highly problematic, due to prevailing clientelistic policies whereby the ruling element is the underdevelopment of welfare structures, pensions, and the health system.

More importantly, this theorization ignores the symbiotic character of political and economic elites. The image of a ‘dirigiste’, overwhelming, ‘Soviet’ state, which suffocates a defenceless, weak, but healthy entrepreneurial class, is completely ideological and misleading. As already mentioned in this chapter, historically the state has replaced the vacuum left by the inability of the Greek bourgeois class to act as an autonomous economic agent and not as a parasite on the public purse. Even today, business collusion and dependence on the public budget define the rules of the economic game. The majority of Greek capitalists maintain privileged relationships with those in power, regularly exchanging political influence for public money (e.g., mass media magnates who use their newspapers or television channels as leverage for gaining public contracts).

For the same reasons, Greek society was never state-corporatist (Mavrogordatos 1988), at least not in the sense of the authoritarian state-corporatism of neo-fascist Spain or Portugal, where trade unions and other private associations have been organically integrated inside the state. The assimilation of individual or societal institutions into an organic entity aligned with the state has remained alien to the dominant ideology, despite some efforts made in this direction during the short-lived dictatorship of Metaxas (1936–1940). It is an acute political incrementalism and not a hierarchical ‘organic’ unity of private and public instances that prevails throughout modern Greek history. Needless to say, this fragmented and rent-seeking character of interest mediation is also far from the typical European social neo-corporatist pattern (Katrougalos 2005).

Last, but not least, civil society has never been tamed in its totality, nor has it unconditionally surrendered to the bondages of patronage. There is a long history of social resistance and radical civil disobedience in Greece, politically expressed by a strong left, with traditional links to wider social strata. At least once in Greek history, most recently during the resistance against the German occupation (1941–1944), most of society engaged in some sort of direct political participation. During
the occupation, the National Liberation Movement (EAM) developed genuine institutions of public representation and direct democracy in the liberated areas of the country. This historical project was abruptly terminated by the subsequent civil war.

Even in the aftermath of this war, the effort of the state to manipulate the organizations of the working class, by dismantling leftist trade unions and establishing state-funded ones, did not result in full-scale state syndicalism. Rather, it resulted in a dual situation, marked by the parallel existence and competition of official, state-controlled, and ‘dissident’ militant trade unions (Avgoustidis 1999, pp. 304, 308; Seferis 1976). This tradition explains why the radical response to the recent crisis was not easily controlled or smothered, as happened in other EU countries.

In summing up this section, the dominant contradiction of the Greek political system has never been one between modernizers and traditionalists. If there is a permanent, dividing line, it is one which separates social strata having a symbiotic relationship with the public power and those deprived of any kind of special access to it. This has resulted in ineffective and partisan administration as well as in a segmented and partial welfare state.

5.2 Memoranda: A neo-liberal remedy, more lethal than the disease

5.2.1 An ideologically biased appraisal...

‘We have not made any kind of preparatory work. Just at the last minute we have copied and pasted isolated segments from earlier Letters of Intent to the IMF by Turkey, Mexico or Hungary and hastily adapted them to synthesize the Greek Memorandum.’ ‘It’s a bad compilation, a Frankenstein Memorandum’ (Papadopoulos, To Vima 16 October 2011).9

As mentioned initially in this chapter, the Greek political system was in deep crisis even before the bail-out, and in urgent need of radical reform. It was suffering from an unbalanced, irrationally built, uncoordinated public administration and a distorted relationship between the political and economic powers that be. Moreover – but analysis of this topic escapes the confines of this article – the productive basis of the Greek economy has been seriously eroded over the last three decades, above all in the primary and secondary sectors. The huge deficits created by this situation have been temporarily camouflaged due to the easy lending that the country enjoyed after joining the Eurozone in
A consumerism boosted through easy bank loans and a ‘credit card’ frenzy contributed to a false image of prosperity and profligacy, especially for the new middle classes. This false prosperity could not be funded any longer, and came to the fore when the global financial crisis turned into an international debt crisis.

Instead of specific, elaborated reforms aiming to remedy these fundamental structural deficiencies, the recipe of the Memoranda (besides some self-evident technical reforms against tax evasion) has just repeated the same general dictates of the neo-liberal orthodoxy. In essence, the recipe called for horizontal reduction of all public expenses, primarily social expenditures; it also called for a thorough deregulation of labour law legislation, and a massive transfer of wealth from the public to the private sector through privatizations of public enterprises. These privatizations were to take place regardless of their strategic nature or their financial utility for the budget (Katrougalos 2012).

The purported gigantic size of the public sector has been officially presented as the basic cause of the crisis. Moreover, the European media (and, in unofficial or semi-official statements, even International Monetary Fund (IMF) or EU representatives10) presented the licentiousness and profligacy of the Greek people as the real root of the problem. Both these narratives are ideologically incorrect and misleading.

As the OECD data clearly show, total public spending in Greece (as a percentage of GDP) has been constantly lower than the EU average, and remained so both in the 1990s and in the 2000s. Moreover, public employment as a percentage of the labour force is lower than not only the EU average but also the OECD average.11 Hence, the purported ‘gigantism’ of the Greek state is not supported by any empirical evidence, and is clearly a by-product of the neo-liberal anti-state fundamentalism.

To reiterate, the basic problem of the Greek public sector is its limited effectiveness, which is due to its skewed organization and the irrational and uncoordinated development of its resources. Indicatively, only 11 per cent of the public sector’s personnel are employed in welfare services, compared with the EU average of 15 per cent (Petmesidou 2011; 2012). Instead of introducing measures that would redeploy personnel from overpopulated branches of government to the much-needed social services sectors, the Memoranda have imposed completely arbitrary, horizontal reductions. These arbitrary reductions have created even more acute problems in the everyday functioning of public services and
have undermined the capability of the state to deliver public goods (see Figure 5.1).

Despite the fact that, due to these restrictions, many public services are functioning with skeleton crews, especially in socially sensitive sectors such as schools and hospitals, the Memoranda call for a further personnel reduction of over 150,000 staff in the public sector by 2015. If this reduction, equal to 22 per cent of the already reduced public sector, takes place, the total public wage will fall to about 9 per cent of GDP, less than in the lowest-spending OECD countries.\(^{12}\)

With regard to the cutbacks in welfare services, the Memoranda are not just repeating the usual neo-liberal mantras; they are overtly manipulating data. The supporters of the Memoranda claim, for instance, that ‘Greece’s level of social spending (as a share of GDP) remains well above the euro area average’,\(^ {13}\) and thus call for further reductions in the order of 1.5 per cent of GDP to be made between 2013 and 2014. This is a colossal inaccuracy, to use a euphemism. In 2008 Greek social expenditure was only 81 per cent of the EU-15 average,\(^ {14}\) and since then, due to the crisis and the austerity measures, it has plummeted. Actually, the European Commission expects social spending in Greece to be cut by 18 per cent in 2012.\(^ {15}\)
Equally ideological and untrue are the allegations that Greek citizens have a moral share of responsibility for the crisis, due to their profligacy and licentiousness. They have been likened to the frivolous grasshoppers of the south wanting to live at the expense of the northern, Protestant ants. Not only is the private debt of Greek households considerably smaller than the European average (Viliardos 2010), but average working hours are higher in Greece than in any other European Union member country.

More importantly, the social salary (social transfers minus the corresponding paid taxes) that the Greek working class received in the period 1995–2009 (Maniatis and Gousiou 2012, p. 149) was consistently negative. Tax income represents only 21.2 per cent of GDP in Greece, compared with an EU average of 27.2 per cent and, due to massive tax evasion by the wealthier strata, the bulk of it is paid by those receiving a declared salary and by pensioners. That means, simply, that the working class is subventioning the state, not the opposite way around.

5.2.2 … Leading to the implementation of unconstitutional, socially unfair, and economically inefficient measures

Almost none of the money is going to the Greek government to pay for vital public services. Instead, it is flowing directly back into the TROIKA’s pockets… On its face, the situation seems absurd. The European authorities are effectively lending Greece money so Greece can repay the money it borrowed from them.

Alderman and Ewing (New York Times, 30 May 2012)

Despite the pathology of the political system, the Greek crisis should be more widely seen as part of the general crisis of European capitalism. This crisis has surfaced with different facets in various countries, reflecting specific national structural weaknesses such as banking over-exposure in Ireland, the real estate bubble in Spain, or excessive public debt in Greece. It has been produced by the confluence of two parallel trends: the general deregulation policies of globalization, combined with the gradual abandonment of the European social model by the European Union and its transition towards a neo-liberal system of social regulation.

The ‘European social state’ (Katrougalos 2007, 2008) was the institutional result of the historical compromise of the golden post-World War II decades. Not only did it guarantee capitalist economic relations, but also, according to T.H. Marshall:
Political power to supersede, supplement or modify operations of the economic system in order to achieve results, which the economic system would not achieve on its own … guided by other values than those determined by open market forces.

T.H. Marshall (1975, p. 15)\textsuperscript{17}

This ‘market-correcting’ function (Deakin and Browne 2008, p. 27) impregnated the legal culture, in the sense that, in the words of R. Aron:

The concept of State and law is not any more merely negative, but also positive, so that the law is considered to be not only the juridical foundation but also the source of the material conditions for its fulfilment.

Aron (1972, p. 242)

This specific polity is very different from the Anglo-Saxon liberal state, and was undermined by the process of European unification even before the recent crisis (Katrougalos 2007). This is due to the constitutional asymmetry between the national ‘social states’ and the predominant ‘mercantile citizenship’. Thus, the state is still defined not by a link to a demos but, rather, to the market. Despite the inclusion of social rights in the Charter of Fundamental Rights, the European Court failed to introduce a new scale of social values into Community law, demonstrating a pure neo-liberal ‘market mentality’ (Katrougalos 2010).

The current crisis has exacerbated these already present trends. Following Germany’s national strategy of the Agenda 2010 to cut domestic wages in order to increase competitiveness – a policy of ‘beggar thyself and thy neighbour’ (Lapavitsas et al. 2010) – the EU insisted on austerity policies aiming to reduce deficits, regardless of the social cost. These austerity policies contrast sharply with the more expansionist, neo-Keynesian ones followed by the Federal Reserve and the USA.

In this framework, the Memoranda could be seen as just one more episode of the prevailing ‘Sado-Monetarism’ (Perelman 2012) of the EU economic orthodoxy, or as a part of the more general neo-liberal Washington consensus, imposed by the IMF on various countries of the Third World and beyond. However, never before has a country in the First World been called on to adjust and converge so abruptly downward to ‘competitive levels’ that are much closer to Asian or Latin American wage standards.

This shift cannot be legally implemented within the existing constitutional boundaries. The Memoranda imply that the \textit{troika} of the EU,
the IMF, and the European Central Bank will have the responsibility for defining and implementing economic, financial, and social policies which are innately contrary to the fundamental principle of a social state. Hence, this transfer of sovereignty does not merely put the Greek government and parliament under the direct political control of their debtors, but gravely violates the constitutional order (Katrougalos 2010; Katrougalos and Pavlidis 2011).

As described in a joint statement by five professors of constitutional law in Greece (of which I am one of the signatories\(^\text{18}\)), the Memoranda, their executive legislation, and the loan treaties constitute a deviation from constitutional, European, and international legality on both procedural and substantive grounds. At the first level, neither of the two loan treaties has been ratified by parliament, contrary to Art. 36 para. 2 of the Constitution. More specifically, the two ‘Memoranda’, the first of 2010 and the second of 2012, have been annexed into Laws 3845/2010 and 2046/2012, respectively. However, according to the Council of State, the Memoranda do not contain legal norms; rather, they have the nature of a political programme.\(^\text{19}\) Therefore, only the ratification of these two international treaties between Greece and its lenders could provide the obligations contained therein with the force of international law within the Greek legal system.

According to Art. 36 para. 2 of the Greek Constitution:

> International treaties on trade, taxation, economic cooperation and participation in international organizations and all others containing concessions for which, according to other provisions of this Constitution, no provision can be made without a statute or which may burden the Greek citizens individually, shall not be operative without ratification by a statute voted by the Parliament.

Despite this clear and unambiguous clause in a constitution ratified decades before the crisis, Law 3847/2010 has stipulated that the economic agreements of the bail-out shall be submitted to parliament not for ratification, but merely for ‘discussion and information’, as they shall be ‘valid with effect from the time of their signature’.

Moreover, the guarantees of respect and protection of national sovereignty within constitutional and international law have also been violated, by the inclusion in these treaties of a waiver of immunity on reasons of national sovereignty. Besides the de facto transfer of economic sovereignty to the ‘troika’ for all important decisions, since
a refusal to comply will result in failure to collect the next instalment of the loan, the treaties also include an explicit waiver of immunity, which, according to the legal opinion attached therein, expands also to issues of ‘national sovereignty’. This goes much further than the generally accepted waivers of immunity from execution known by international law.

Finally, and more importantly, the austerity measures violate several structural constitutional principles such as the principles of equality of public burden, and of social state of law (Art. 4 para. 5 and Art. 25 para. 1), and fundamental social rights (Articles 22 and 23) of the Greek Constitution. They also violate essential guarantees of the EU Charter of Fundamental Rights and International Labour Law. For instance, laws 3845/2010, 3899/2010, 4023/2011, and 4046/2012 have imposed important reductions of salaries, not only for civil servants or staff employed in the public sector under private law, but also for private employees, encroaching on the collective agreements in force. This is a clear violation of collective autonomy, which is guaranteed by Art. 22 para. 2 of the Greek Constitution and a number of international treaties, for example, Art. 8 of the International Labour Convention No. 151 of 1978 and Art. 6 of the European Social Charter.

Thus, the corpus of legislation imposing the austerity measures constitutes a modern ‘para-constitution’, analogous with the one orchestrating the purges in the aftermath of the civil war. However, Greece does not have a constitutional court, and the majority of the ordinary courts have, till now, upheld the respective laws as constitutional, exactly as happened some decades ago when they upheld the oppressive legislation of the first ‘para-constitution’.

Although the legal dimension is important, it should not hide the political essence of the Memoranda, which is to serve a double objective. The first objective is overtly admitted: to help the debtors take back their money. The second is to implement a vast two-pronged programme of social engineering that aims to shrink and remodel the state according to neo-liberal postulates, and to reconstruct Greek society by deregulation of labour and other protective legislation.

Therefore, the most destructive impact of the Memoranda was at the level of labour law. After all, the deregulation of the latter is one of the structural reforms that the IMF intends to impose on all countries it ‘helps’. The reform (a genuine counter-revolution) comprised a complete annulment or premature termination of all collective labour agreements. Even the national collective agreement has been unilaterally
modified, so as to reduce the minimum legal salary. Obviously, as Nobel Laureate Amartya Sen recently remarked (Sen 2012),

Such indiscriminate cutting slashes [constitute] a counterproductive strategy, given huge unemployment and idle productive enterprises that have been decimated by the lack of market demand.

Moreover, the abrogation of the law permitting trade unions to ask for an arbitration award if the employers refuse to negotiate wages means practically the end of all collective agreements in the immediate future.

Even with regard to the reform of the public sector, the Memoranda failed to be the ‘handmaiden of change’, as hoped by their proponents (Lyberaki and Tinios 2011). Besides the horizontal reduction of personnel, as we have seen, it has merely worsened the structural problems of Greek administration. This is evident because the only public agencies that have been terminated by the new legislation were those mostly needed (i.e., the Organization of Social Housing and the Public Institute of Geology and Mineral Exploration (IGME), vital for future investments and the exploitation of physical resources). Thus, we see that, instead of improvement, the gaps of a skewed organization have been accentuated rather than diminished.

The advocates of the Memoranda are presenting them as the remedy for the institutional vicissitudes of the country. Actually, the truth is that none of these has been touched by the (counter-)reform. The gaps in welfare protection remain, and the Greek administration has been always irrationally organized and badly coordinated. The basic failure of these policies, however, lies in their rejection by the vast majority of the people. The Greek guinea pig has escaped, and that means that the social experiment of shock and awe has failed. The representatives of the IMF have understood that, and they have slightly modified their attitude towards the country as a result.20

Still, the essence of these policies has not changed, and, therefore, they represent a real danger not only for the economy but for the democracy as well. In the words of Amartya Sen (Sen 2012):

Both democracy and the chance of creating good policy are undermined when ineffective and blatantly unjust policies are dictated by leaders. The obvious failure of the austerity mandates imposed so far has undermined not only public participation – a value in itself –
but also the possibility of arriving at a sensible, and sensibly timed, solution.

However, this is a battle that is still raging. Its outcome will define not only the institutional outlook of Greece in the years to come, but also the future of European integration.

Notes


2. See G. Dertilis (1976), Table XIII. However, in later years the number of civil servants decreased: they represented 4.8 per cent of total workforce in 1904, 3.3 per cent in 1920 and only 1.84 per cent in 1928.

3. Greeks residing in Phaner, the main Greek quarter of Constantinople, who had acquired great wealth and influence during the seventeenth century and had since occupied high political and administrative posts in the Ottoman Empire. Due to their diplomatic and political skills, many of them participated in the Greek revolution and played a key role after the liberation of Greece. However, during the revolution the Phanariotes clashed with military leaders (kapetanioi).

4. The electoral law of 24 April 1833 gave the general electoral right for municipal elections to all male adults over 25, with the exception of domestic servants. After the Constitution of 1864, the electoral law of 1877 gave the right to vote at national elections to the entire adult male population, with the same exception.

5. In the UK, the most democratically developed country of the nineteenth century, only 1.8 per cent of the male population had electoral rights before the Reform Act of 1832 and just 2.7 per cent did after it. In 1867 and 1884 the respective figures were 6.4 and 12.1 per cent.

6. According to K. Tsoukalas (1985), in 1962 60,000 people worked for the secret services of the police and army, amounting to almost 1 per cent of the entire adult population!

7. PASOK had 27,000 members in 1977 and 100,000 in 1981; New Democracy had 20,000 members in 1976 but over 100,000 in 1985.

8. The Portuguese Constitution of 1933 and the Spanish ‘Fuero de los Espanoles’ of 1945 attributed high competence of public law to the syndicates and associations and established a corporate assembly.

9. Anonymous interviews with PASOK ministers reported by Paul Papadopoulos, ‘The dramatic background of two years of the Memorandum’, *To Vima*, 16 October 2011. *To Vima* is one of the newspapers that vehemently defend the Memoranda. Its director has served as spokesperson of the Papadimos Government, the coalition that was formed in order to implement the second bail-out (PSI) and the related austerity measures. Therefore, the credibility of these references, although anonymous, is not contested.
10. In a statement by the IMF Director Christine Lagarde on 25 May 2012, she said that she has more sympathy for poor African children than for the tax-evading Greek people.


14. According to the European System of Integrated Social Protection Statistics (ESSPROS) (Petmesidou, 2011), for 2009 the respective figures of social protection benefits as percentage of GDP were as follows: EU-27 average 28.4 per cent, EU-15 29.1 per cent, Greece 27.3 per cent.


16. The private debt of Greece is estimated at about 123.1 per cent of GDP, compared with 208.3 per cent for Germany, 198.3 per cent for Italy, 240.5 for France, 238.4 per cent for Portugal, and 386 per cent for the UK. This is derived from data based on a 2010 study by the McKinsey Global Institute.

17. Marshall was referring there to social policy in general, but his description very precisely defines the basic functions of the social state principle also.

18. Joint statement by George Kasimatis, Emeritus Professor at the University of Athens, Andreas Dimitropoylos, Professor at the University of Athens, George Katrougalos, Professor at the University of Thrace, Ilia Nikolopoulos, Professor at Panteion University, Costas Chryssogonos, Professor at the University of Thessaloniki, Athens, 12 February 2012.


20. See, for instance, the remarks of IMF’s Deputy Managing Director Nemat Shafik, Monetary Fund Reviving Growth in Europe Brussels Economic Forum Brussels, 31 May 2012, available at: http://www.imf.org/external/np/speeches/2012/053112.htm: ‘Overall, fiscal adjustment plans for this year are broadly appropriate in Europe. In a few euro area countries, however, the nominal fiscal targets for 2013 agreed before the current slowdown in growth may prove too pro-cyclical and may need to be adjusted or at least expressed in structural terms.

References


Religion in Contemporary Greece – A Modern Experience?

Thalia Dragonas

‘Greece is under the protection of the Virgin Mary; we have nothing to fear’, a deputy of the New Democracy conservative party (ND) argued.¹ This statement was pronounced during a severe political crisis at the time of the formation of the coalition government under Prime Minister Papadimos. Admittedly, that particular deputy has a very crude populist orientation, but the above statement could have easily been evoked (possibly in a more sophisticated fashion) by many of his colleagues across several parties. Clearly, politicians employing such discourse present themselves as guardians of the supposedly threatened national identity, drawing from the deep-rooted identification of the Greek nation with Orthodoxy, and appealing to the empirically documented high and widespread religiosity of the Greek people.

It is not my intention in the present chapter to go into an analysis of the way nationalism and religion were crafted historically during the Greek nation-building process. This has been done successfully elsewhere. The main points that we should retain are: (a) the church’s strong support of nationalism and irredentism throughout the history of independent Greece (Mavrogordatos 2003); (b) the high conflation of secular with religious forms of collective identity, occurring not only in Greece but in all Balkan states (Prodromou 2004); (c) due to the non-differentiation between church and state and the post-independence Bavarian Protestant influence from the establishment of its charter in 1833 onwards, the church became an administrative extension of the state (Frazer 1969); (d) given the above, it was not only the church which was influencing political developments; it was also the state which was systematically interfering in religious affairs (Mouzelis 2002).² The aim here is to examine the extent to which the fusion of religious and national identities historically grounded in pre-nation-state Byzantine
and Ottoman experiences is still strong, and whether, in a country that has been a member of the EU since 1981, religion, religiosity, and religious freedom deviate from the European modernizing paradigm or not. An important question to be answered is the Greek church’s level of commitment to liberal democracy and to elements of pluralism such as choice, diversity, and tolerance.

Since the democratic transition began in the mid-1970s, Greece has embarked upon a process of modernizing its economic, political, and cultural structures. Modernity is supposed to be directly related to man’s declining interest in religion and the church’s diminishing hold over the people’s beliefs and practices (Wilson 1966). A salient characteristic of modernity is the differentiation of economic, political, social, religious, and cultural institutional spheres. Each one tends to adopt its own logic, values, and reproductive mechanisms. This relative autonomy renders religion’s impact on and control of the other institutional spheres much weaker than was the case in pre-modern societies (Mouzelis 2012a). As a result, a number of recent polemical publications promoting the secularization thesis see the eventual disappearance of religion in the enlightened world of modernity (Bruce 2011; Wilson 2011). Yet this assertion has not proved to be valid, since the differentiation between the religious, political, and public spheres put forward by the secularization thesis has not had a ubiquitous and unidirectional character.

In order to clarify in what respects the Greek Orthodox Church is losing its influence and in what respects it is not, or its influence is even enhanced, one should make the key distinction between intra-institutional and inter-institutional secularization (Mouzelis 2012b).

### 6.1 Intra-institutional secularization

The problem here is to what extent the Greek church’s power within the religious sphere is diminishing, as the proponents of the secularization thesis imply. In practice, the Orthodox Church, in contrast to the Catholic Church, demands very little from its members in terms of their daily lives and practices.

The European Social Survey (ESS) results indicate that one-fourth of Greeks go to church at least once a week. This figure is much lower than that for the Catholics in the EU, who, as a rule, are much more systematic churchgoers. Yet, surprisingly, only 4.1 per cent state that they never go to church, which is the lowest figure among the 18 Catholic or Protestant countries participating in the ESS (Georgiadou and Nikolakopoulos 2007).
As regards the religious practices of the young (15–29 years old), a study conducted by the New Generation General Secretariat (2005) reveals that only 6.6 per cent go to church once a week, while for 60 per cent of them churchgoing is a ritualistic observance of the major religious holidays of Easter and Christmas. In terms of religious faith, a high percentage of youths seem to be very sceptical. Younger ones, girls, and the less educated express a greater religious sentiment. Similar patterns to those of churchgoing are detected with fasting – following tradition rather than being loaded with religious meaning. As Mavrogordatos (2003) notices, referring to the late Archbishop Christodoulos, short of other arguments, he chose to promote fasting as a superior diet [sic] formula! As regards other manifestations of religious practice, there is a steady downward trend in Sunday school attendance, with religious circles complaining that parents are indifferent to the moral education of their children. The conclusion one draws from the above data, and other opinion polls published in dailies, is that Greeks observe religious practices in a rather loose but stable fashion, ‘keeping on good terms with God’, following a cultural norm rather than expressing spirituality. Yet what is very interesting is that, despite this quite loose connection with religious practices, the levels of expressed religiosity are very high. Georgiadou and Nikolakopoulos (2007) underline that churchgoing and religiosity are not highly correlated. Referring again to the ESS, Greeks have by far the highest scores on the question ‘how religious do you consider yourself?’ Forty-two per cent of Greeks perceive themselves as ‘very religious’, followed by the Poles, with only 21.6 per cent (Ibid.). The emphasis on religion was comparable in the ‘Youth and History’ study, conducted 16 years ago, addressing 15-year-olds. Eighty-eight per cent of youths responded that religion was of great or very great importance to them. Such an immense emphasis on religion was otherwise only expressed by Turkish youths, followed by their Polish counterparts (Kindervater and von Borries 1997, p. A63). ‘One’s religion’, ‘one’s family’, and ‘one’s country’ clustering together were found to elicit strong emotional reactions in the Greek youths, bridging notions such as homeland, community, and togetherness. In connection with responses that revealed high ethnocentrism and xenophobia, the religious faith evoked was interpreted as referring less to religiosity and religious practice, and more to identification with the nation and belonging to that nation. The young people accorded far more importance to religion than politics. What was striking, however, was the way the religious and the political conflated in the nationalist imaginary (Dragonas and Bar-On 2000).
In analysing developments within the religious sphere proper in the context of late modernity, Mouzelis (2012b) suggests that, given growing individualization, non-churched religiosity is on the increase. The so-called religious movements or cults and the proliferation of religious informal groups are an indication that individual ‘seekers’, who construct their own spiritual identity, are multiplying. Whether this is the case in today’s Greece is something that needs to be explored further. But, even if there is a trend among some small circles of searching for spiritual modes of relating to the self, the other, and the divine, the question of whether or not there is a weakening of faith in terms of intra-institutional secularization remains. I would tend to support the idea that Greek religiosity, as portrayed in the studies mentioned above, has to do less with spirituality and a religious deepening among believers and more with the ethno-religious nature of the Greek Orthodox Church. This brings us to an examination of the relationship between the religious and other institutional spheres.

### 6.2 Inter-institutional secularization

The overall loss of direct control of the church over other institutional spheres is, without doubt, a dominant trend in the Western world. Yet, as is the case with intra-institutional secularization, the trend here again is neither linear nor unidirectional. The ethno-religious character of the Greek Orthodox Church is an example of resistance to differentiation between the religious and the political. Not only is there no complete separation between church and state, but also the church has in very many instances been heavily politically involved.

The Greek constitution provides that ‘the prevailing religion in Greece is the religion of the Eastern Orthodox Church of Christ’ (Art. 3), the president (Art. 33) and the members of parliament (Art. 59) have to take a religious oath, and the opening of parliament each year is marked by sanctification performed by the archbishop and a considerable number of clergy. The constitution grants the right to all citizens to practise the religion of their choice (Art. 13), but considers only ‘known religions’ (§ 2 and 3). The separation of church and state has been a subject of public debate since the restoration of democracy in 1974, and was incorporated in the 1981 pre-electoral agenda of the socialist party (PASOK); even a number of ND politicians seemed favourable at the time to such a development. Yet PASOK soon backed away, adhering to a populist ethno-religious rhetoric. In the constitutional revision of 1999/2000, despite the fact that PASOK had included the church–state
separation in the regulations to be revised, notwithstanding the overwhelming parliamentary majority of the two major parties, PASOK once more retreated in fear of alienating practising Orthodox voters (Sotirellis 1999). Thus, the Greek Orthodox Church, predominant and institutionally protected, has been allowed to exert a strong influence on the design and implementation of state policies.

The politicization of religion has deep roots going back to the Byzantine and the Ottoman past. The open political role of the church continued throughout the twentieth century. The strong involvement of the church in the political conflict between Prime Minister Venizelos and the monarchists in 1916; the important political role of Archbishop Damaskinos during the Nazi occupation; the excommunication of literary figures such as Laskaratos, Roidis, and Kazantzakis; the involvement of the church in the ideological battle against communism from 1925, during the civil war, and up to the dictatorship (1967–1974); and the rallies organized by the church during the conflict over the name of Former Yugoslavian Republic of Macedonia (FYROM) in the early 1990s are all markers of the open politicization of the church.

There are many examples indicating the nationalist orientation of the church’s ideology and its ambivalence towards pluralism and acceptance of ‘otherness’. We will look at some examples.

6.3 The identity cards affair

The identity cards affair at the beginning of the twenty-first century is an example par excellence of the politicization of religion in contemporary Greece. In 1992 the European Parliament issued a strong recommendation, urging the Greek government to modify its legislation concerning issues of religious difference. Among these issues was the deletion of religious affiliation from identity cards, in compliance with the new European ones. The early 1990s marked the intensification of Europeanization processes in Greece, and it was a period when international organizations started bringing to light systematic violations of rights. Although the pressure for reforms was not direct, the Greek government was mobilized to change its disreputable, anti-human rights face in Europe. It was the time when a more tolerant attitude and liberalization measures were adopted as regards the Muslim minority in Western Thrace. Yet, given the fact that the Macedonian question was at its height, the Greek government was disinclined to open up a new field of contention with the conservative powers and with the church.
The issue of an individual declaring religious affiliation in his/her identity card resurfaced in the year 2000. The Authority for the Protection of Personal Data decided unanimously that sensitive personal data, such as religious belief, should not be mentioned in identity cards. Prime Minister Simitis, representing the modernizing faction of PASOK, immediately endorsed this ruling as final. The decision set in motion an extraordinary reaction on behalf of the church, headed at the time by Archbishop Christodoulos, who led a campaign articulating a clearly political and populist discourse (Stavrakakis 2002). Rallies were organized and more than 3,000,000 signatures were apparently gathered asking for a referendum on the optional mention of religion in identity cards. The issue dominated the media; the Greek society and political parties were polarized. ND unreservedly supported the archbishop, and declared that when it came to power it would reverse the decision and run the referendum – when it came to power two years later, however, it did not keep its promise.

Modernization and the perils of globalization were among the primary targets of the archbishop. The religious populism expressed during the identity card crisis can easily be situated in the struggle between the two antagonistic political cultures that have existed ever since the construction of the Modern Greek state. They were identified by Diamandouros (2000) as the modernizing culture and the ‘underdog one’, the former drawing from the Enlightenment culture, being secular and extrovert, and the latter representing tradition and having its origins in the Ottoman Empire. In his analysis of the politicization of Orthodox Christian discourse during the identity card crisis, Stavrakakis (2002), without necessarily dismissing Diamandouros’ bipolar schema, brings to attention the cross-sectional nature of the two political cultures. Most importantly, though, he underlines that this cultural dualism is played out within subjective identities themselves. As far as religion’s position in this dual framework is concerned, he refers to Demertzis’ (1997) assertion that, since religion is so pervasively spread throughout Greek society and its institutions, it is very difficult to register it under one of the two cultural camps.

The opposition of the church led by Archbishop Christodoulos against the government during the identity cards affair, and the frenzy that seized the devout members of the church, greatly enhanced church politicization. It was as if the church wanted to replace the state. It is unclear how things would have developed had the archbishop not died so soon, given his high popularity.
The rhetoric employed by the archbishop marked, claims Mavrogordatos (2003), not the revival of religion as such, but, rather, of nationalism identified with Orthodoxy. This inextricable link between Hellenism and Orthodoxy, constantly highlighted by the archbishop, is also the *leitmotiv* of the official history taught in Greek state schools.

### 6.4 Religion in education

Educational systems are mechanisms par excellence for the institutional reproduction of national identities. The Greek educational system is no exception. Content analysis of Greek school textbooks has revealed the way Orthodoxy and Hellenism are crafted together to constitute the ‘Hellenic Christian’ civilization (Frangoudaki and Dragonas 1997). In the history textbooks, religion is raised basically in relation to the nation. What is highlighted in the Ottoman Empire period is the importance and the actions of the church in the conservation of Hellenism, while the Patriarch of Constantinople is called ‘Head of the nation’. Moreover, there is no mention at all of the discontinuity between ancient Greek religion and Christian Orthodoxy, no mention of non-Orthodox Christian Greeks, no mention of the Jews during the Ottoman period or the twentieth century (Frangoudaki 1997).

What is striking in the Greek case is that the mission of education to shape national and religious consciousness is explicitly stated in Article 16 of the Greek constitution. The combined interpretation of Article 16 with Article 3, stating that the prevailing religion in Greece is the Christian Orthodox one, accords the Greek educational system its denominational character and thus forecloses the possibility of following a secularist model. This is despite the fact that at least 10 per cent of students are of a different cultural and religious background. Religious education is, thus, taught in a confessional and catechist way, while there is daily prayer at school (Sotirellis 1998). However, only a small part of Greek society seems to support the view that a secularist education might be a better alternative (Zambeta 2000).

It is worth mentioning that, up to 1988, Christian Greek citizens who did not belong to the Orthodox Church could not be appointed as primary school teachers. It was Law 1771/1988 that alleviated this exclusion, nevertheless prohibiting the appointed teachers from being in charge of religious education.

Religious education is a compulsory subject throughout the entire primary and secondary public education. In 1998, the Council of State⁴
ruled unconstitutional a reduction in the hours of religious instruction in schools. In July 2010, a mere draft proposal by the Ministry of Education for a new curriculum for the last two years of Lyceum based on the International Baccalaureate (IB) model, whereby religious education would be grouped with other social science subjects, thus rendering it an optional course, triggered very strong reactions on behalf of the church. Archbishop Hieronymus protested vehemently to the Minister of Education, who immediately backed down and withdrew the stillborn project.

The Greek educational system, if not hostile, systematically ignores any form of cultural diversity and pluralism. The Christian Orthodox religion is viewed as a fixed characteristic of identity. The Council of State in 1995 came up with a decision that only pupils whose parents made a formal request invoking different religious beliefs could be exempted from religious classes. Yet, in 2002, the Independent Hellenic Data Protection Authority introduced two important decisions regarding the handling of religious identity at school: (a) it is not only parents adhering to a religion other than Orthodoxy who are free to choose their children’s exemption from religious classes; parents who do so are not obliged to give a reason for such an option; and (b) mention of religious belief in school certificates is a discriminatory act and is thus illegal. However, these decisions have since met with great ambivalence on the part of both the Ministry of Education and religious circles. Practices were changed back and forth. Circulars were issued every time ministers changed, never assuming a clear stance. Even under the socialist government (2009–2012) the Minister of Education left the issue pending, declining to provide an answer either to the questions of the Greek Ombudsman or to those from religious associations.

The exemption was initially not replaced by another option for religious education, while later students were offered the possibility of following some other course. The entire provision remains vague, and much depends on how individual headmasters deal with the issue. The awkward way in which the matter of exemption and that of mention of religious belief in school certificates is approached clearly shows that the educational system is intolerant towards the possibility that someone might lack a religious identity, and that students may easily feel discriminated and marginalized in cases where options deviating from the norm are made.

Proposals for the reorganization and modernization of the religious curriculum have met with strong resistance on the part of the church (Zambeta 2000). In 2010, a new committee was set up to revise the
curricula of the nine-year compulsory education. Religious education was also part of that revision, and a team of ‘pro-modernization’ religious education instructors were involved in this project. The rhetoric used is more modernized, adopting the term ‘religious literacy’, and the introductory chapter reveals a more polished orientation, including a broader perspective comprising other non-Christian religions. However, it is too soon to know the direction in which this new curriculum will go, since it is still in the pilot phase. Furthermore, considering the strong resistance of the Ministry of Education, even under a socialist government (2009–2012), towards making religious education an optional course in the last two years of secondary education, the defensive attitude towards exemption from religious classes, the mention of religion in school certificates, and the refusal to endorse the new history education curriculum, one cannot but remain very sceptical as to the intention of the educational policy towards a more critical and up-to-date religious education.

6.5 Religious oath

Similarly to the disclosure of one’s religion in the case of exemption from religious classes at school, civil oath taking may result in discrimination.

In 2008, in the judgement of the Alexandridis vs Greece case, the European Court of Human Rights (ECtHR) ruled against Greece for violating religious freedom in its court procedures. The courts require witnesses to take an Orthodox Christian oath on a Bible. Individuals may opt for another oath or a non-religious declaration. This means that one is obliged to reveal one’s religion in court. The ECtHR held that ‘the freedom to manifest one’s religion or belief has also a negative content, the right of one not to be forced to manifest his religious beliefs or to act in a certain way on the basis of which his religious beliefs can be presumed’.

The National Commission for Human Rights (NCHR 2009) thus recommends the replacement of a religious oath by a civil one. The reasoning on which the recommendation is based is that, given that the vast majority of Greeks are Greek Orthodox, the choice of civil oath would automatically be interpreted as admitting that one is not Greek Orthodox, and this in turn can potentially lead to prejudice and discrimination. Moreover, the NCHR notes that judges do not always offer witnesses the choice as to which oath they want to take. As a result, the witnesses themselves need to explicitly express their wish to take
the civil oath, thus generating the presumption that they are not Greek Orthodox.

The interesting point is that the church itself has not officially taken a pro-religious oath position. Interestingly, Holy Church Rules, and a Circular issued by the Ecumenic Patriarch that was based on the gospel, maintained that religious oath taking is not allowed in the Christian religious tradition. Based on this, it has also been argued that the religious oath is unconstitutional, since it obliges individuals to act in a way that is a violation of their religious belief. Yet, despite all the above, the state persists in not replacing the religious oath by the civil one, thus indicating just how deep-rooted is the state’s reluctance to distance itself from the religious sphere.

6.6 Perceptions of ‘otherness’

Modern Greek society has been, for historical and socio-economic reasons, relatively homogeneous. The wars between Greece and first the Ottoman Empire and then Turkey, and the neighbouring Balkan countries, from the nineteenth century up to the 1920s were followed by a forced exchange of populations in the 1930s. Subsequently, between 1941 and 1944, the Nazis exterminated almost the entire Jewish population of northern Greece. In the years that followed World War II the Muslim Albanian-speaking Chams and the Slavo-Macedonians became subject to persecution and expulsion. Thus, after the end of the civil war in 1949 and up until the 1990s, when immigrants started to enter Greece in large numbers, the Greek nationalists could easily establish the myth that Greece had been since World War II a homogeneous and monocultural society, with the exception of the Muslim minority in Thrace, being the ‘other’ par excellence.

The arrival of a large number of immigrants, reaching, according to wide agreement, at least 10 per cent of the Greek population, placed multiculturalism on the public agenda, stimulated growing debates on difference and identities, and fuelled racist and nationalist discourses and practices. This is not an exclusively Greek phenomenon. The post-colonial multicultural, multi-racial, and multi-ethnic Europe presents challenges to societies that imagined themselves as homogeneous. Racism, intolerance, anti-Semitism, and xenophobia persist, at both personal and institutional levels, in more or less virulent forms, in every single country in Europe (Ginsburg and Sondhi 2000).

The revival of nationalism was bound to encompass the immigration issue, becoming central to church discourse. Widespread reactions of
the local community and the clergy against an Albanian student carrying the flag at the school parade urged Archbishop Christodoulos in 2003 to make a statement indicative of the imagined threat posed by immigrants. He said, ‘We are in danger of becoming refugees in our own country.’ Similar fears are raised by the Archbishop of Thessaloniki, Anthimos, who has expressed notorious statements such as, ‘I was in Athens, five minutes away from Omonia square and I was in dismay...black everywhere’ or ‘I prefer to be a nationalist... if some of you in Athens do not believe in our homeland... you are free to remain in the realm of treason’.12

Yet, this has not been the unanimous attitude in the church circles. The moderate Archbishop Hieronymus, who became head of the Greek church following Christodoulos’ death in January 2008, assumes a different rhetoric: ‘We are not the ones who brought in the foreigners, but it is not our role to drive them away. When they knock at our door, we have to give them a plate of food because this is what Christ said.’ Following Anthimos’ disdainful statement, the archbishop, together with the Patriarch Vartholomaios, who was visiting Greece, made a symbolic act of coming together with the legal and illegal immigrants, the homeless, and the dispossessed in the inner city area and delivering a Christian message against poverty and xenophobia.

The law, introduced in 2010, conditionally granting citizenship to the so-called second generation of immigrants13 divided the metropolitanans of the Greek church. Several of them voiced positive remarks, such as ‘the immigrants are children of God’, while others raised fears and reservations, presenting the issue as an existential threat leading to ‘the loss of national independence to be brought about by multiculturalism’. Metropolitan Amvrosios of Aigeailia condemned the new law, asserting, ‘The Greek blood has been contaminated! It has now been mixed with Pakistani, Afghani, Iranian, Iraqi, Albanian blood and who knows what else.’14

Karyotis and Patrikios (2010) have argued that religious élites can be a significant stakeholder in the social construction of security, when the church’s defence of faith is equated with its defence of national identity. They measured the relative impact of the discourse of different actors on public attitudes, and showed that the Orthodox Church acts as an important discourse entrepreneur, outweighing political rhetoric in influencing public attitudes on immigration. Their findings demonstrate that ‘exposure to the securitizing15 religious discourse through church attendance immunizes citizens from the softening effect of the political message’ (2010, p. 43). They argue that the relative strength of religious
over political messages on immigration among churchgoers offers a plausible explanation for the persistence of high anti-immigration attitudes.

6.7 Anti-Semitism

A religious identity that often becomes a target of intolerance and prejudice is that of Jews. Overt expressions of anti-Semitism and bigotry are, as a rule, emitted by the extreme right politicians and press. Yet, there is latent anti-Semitism in the mainstream press and the public discourse. Quite often criticism of the anti-Palestinian action of the Israeli government takes a sweeping form against Jews in general. Israel is almost never described as a country or a society where different views may prevail. Very rarely does one see any effort to disentangle traditional anti-Semitism from the violence of the current Israeli government in the political sphere. This enmeshment strengthens traditional anti-Semitism and its reproduction.

The 2010 International Religious Freedom Report lists a number of acts of vandalism against Jewish monuments and properties, as well as complaints filed by the Jewish community. The Jewish cemeteries in Thessaloniki and Ioannina were vandalized – the latter several times. The Etz-Hayyim synagogue of Chania, Crete suffered two arson attacks, resulting in the destruction of the building and of religious items and books. The attacks were condemned in a more or less official manner, but, while two suspects were arrested in the case of the synagogue of Chania, the Central Board of Jewish Communities systematically complains about the lack of witnesses and the fact that suspects remain unknown and uncaught. Moreover, the Jewish community has been complaining that publicly owned Jewish cemeteries are not properly maintained, as they should be, since the law requires maintenance by the local authorities.

What was a shocking anti-Semitic affair was the fate of the pro-Nazi book *The Jew-The Whole Truth* by K. Plevris (an extreme right-wing candidate in 1994), containing unforeseen extremities, lamenting that the ‘final solution’ was not achieved. The Greek Helsinki Monitor and the Central Board of Jewish Communities brought charges against him. Mr Plevris was convicted of inciting hatred and racial violence in 2007. Two years later an appeals court acquitted him on the basis of the right of free speech, while subsequently the Supreme Court rejected the cassation. There were very few reactions in the public discourse.
The intensely anti-Semitic attitude of the Popular Orthodox Rally Party (LAOS) has led D. Grawman, the President of the Central Jewish Board, to publicly voice his disapproval against its participation in the recent coalition government on the basis of the founding statement made by the head of the party, G. Karatzaferis,: ‘We are the only true Greeks. We are neither Jews, nor homosexuals or communists.’

Of course, anti-Semitic attitudes have been strengthened a great deal further with the spectacular rise of the extreme neo-Nazi party ‘Chryssi Avgi’ (Golden Dawn), which adopts a much more vehement rhetoric than LAOS and openly violent practices (mainly against immigrants) reminiscent of the Weimar Republic.

In December 2010, the Metropolitan of Piraeus Serafim argued in a TV interview that international Zionism is behind the destruction of the Greek family and the promotion of single-parent families and homosexual families. He then went on to state the most unbelievable conspiratorial thesis, whereby ‘Adolf Hitler, as an agent of Zionism funded by the Rothschild family, aimed at convincing the Jews to evict the rich European lands and descent to Israel and build a new empire.’ Ms Bakogianni, the head of a new, very small, party of the centre right, and the Archbishop of America were the first to react strongly to this statement. Reactions from the official Greek Church and the government came much later when the press ridiculed them. However, Metropolitan Serafim did not retract his statement. The eminent intellectual Zoumboulakis (2011), who is also a believer, stated: ‘The Orthodox Church in Greece is a par excellence context where anti-Semitism is flourishing ... direct or indirect anti-Semitic discourse has a big audience inside and outside of the Church’.

6.8 The pending mosque

The saga regarding the construction of a mosque in Athens best illustrates the lack of tolerance of the Greek polity and the Orthodox Church. The Muslim communities in Athens do not belong socio-politically to the officially recognized Muslim minority in Western Thrace. They consist of approximately 100,000 migrants from South Asia, the Middle East, and East Africa. Athens is the only European capital without an official mosque or a cemetery for Muslims. In 2000, the government promised to build an Islamic cultural centre and a mosque on the occasion of the upcoming Olympic games in 2004. Foreign Minister George Papandreou argued that the mosque would be built ‘in the spirit of the multicultural democratic Europe of which Greece is a part’
and explained that ‘migration has made the necessity for a mosque even greater, because Athens’ Muslim population has gotten that much bigger’ (Smith, in Karyotis and Patrikios 2010).

The area identified as fit for the construction of the mosque at the time was in a peripheral location close to the international airport, calculated to minimize local resident reactions. The building of any place of worship required not only the minister’s authorization but also that of the local bishop at the time. While the church representatives and Archbishop Christodoulou claimed that they did not oppose the building of the mosque per se, at the same time the spokesman of the church raised concerns that the first thing tourists would see upon landing would be the mosque, while the Archbishop stirred up fears that the Islamic centre might harbour terrorist acts. The plan froze, the Olympic Games took place, and no mosque was constructed. A survey of religious freedom on the occasion of the Games described the situation as the ‘Achilles’ heel’ in Greece’s human rights record (Filos 2004).

In 2006, Parliament passed legislation for the establishment of the mosque in central Athens on land used by the navy, belonging to the Ministry of Defence. The spokesman of the church this time objected to the idea of a minaret in the city centre, stating that it was a disturbing sight for the ‘average Greek’. The plan froze once more until April 2010, when the government announced that it planned to relocate the naval facilities and construct a mosque with a capacity of 500 worshippers. While the Muslim organizations lauded the announcement, they considered the size of the mosque insufficient. In September 2011, new legislation passed through Parliament to construct what was called ‘a simple, metal structure’ befitting the industrial aesthetics of the area, without a minaret, with a capacity of 350 people. Despite the backlash from the initial ambitious plan for an Islamic Centre, and, later, for a much bigger structure with a minaret, the Secretary General of Religious Affairs gave assurance that the mosque would at long last be in place by the spring of 2012. Yet this announcement was too good to be true; the Metropolitan of Piraeus Serafim, together with others, appealed to the Council of State against the ministerial decision. In addition, the minister in charge, who was a member of the extreme right party (LAOS), a party that participated in the coalition government under Prime Minister Papademos, decided to freeze the project once again. So it seems that Athens will continue to be the only European capital without a mosque.

In the absence of an official mosque, Muslims operate about 70 unofficial mosques and prayer rooms. These unofficial mosques do not
apply for prayer permits because members think that their applications will be rejected or held in limbo for years. Muslims living in Athens or in other areas in the country have to travel to Thrace or go abroad in order to have official marriages or funerals. Those who cannot afford the expense of travel participate in unrecognized religious rites (International Religious Freedom Report 2010).

Muslims have also been complaining about the continued lack of an Islamic cemetery in Athens. In 2005, the Orthodox Church announced that it would set aside three hectares in the area of Schisto for an Islamic cemetery. Soon after, however, the land was reviewed as unsuitable for a cemetery. In May 2009, in response to a parliamentary inquiry, several government ministries provided conflicting accounts of the cemetery’s status. Delays upon delays have led to a fruitless outcome. Hence, the government has not yet authorized the construction of a Muslim cemetery (Ibid.).

6.9 Other areas of religious rights infringement

The intention of this chapter is not to cover every single area of religious rights violations. What has, however, been documented over and over again is that domestic regulation of religious practices works to the detriment of religious communities other than the Orthodox Church. The domestic constitutional and legislative provisions founded on, and perpetuating, a low degree of religious tolerance have been harshly criticized by several academics (Psychogiopoulou 2010).

Law 1363/1938 regulating non-Orthodox places of worship and the repressive legislation regarding proselytism, which is considered a criminal offence, are two issues under constant discussion. As regards the regulation of non-Orthodox places of worship, the Ministry of Education, Life Long Learning and Religious Affairs stated in early 2010 that it would reform the existing legal framework as regards house of prayer permits, and it would review all pending applications under a new religions law. This new legislation has not been introduced to date. As regards proselytism, the European Commission against Racism and Intolerance (ECRI) in its 2009 Report expressed concern that it remained a criminal offence in Greece. The government’s response was limited to the statement that anti-proselytizing laws have fallen into disuse.

Several members of religious minorities have turned to the ECtHR for remedy. The first individual application to be filed with the Court was in the mid-1990s, from the Jehovah’s Witnesses sect. The fact that the case was won urged other religious minorities such as Old Calendarists, Protestants, and Catholics to apply to the ECtHR as well. Some of these
cases ruled by the Court brought the deficiencies of the Greek legal system to centre stage. Others concerned faulty judicial interpretation of national legislation making proselytism a criminal offence or raising administrative obstacles to the creation of non-Orthodox places of worship. Violations were also found concerning allegations regarding discrimination on account of religious beliefs, detention for not performing military service despite the fact that national legislation made clear that under certain conditions the applicants could be exempted from military obligations, and infringement of the right not to manifest one’s religious beliefs (Ibid.).

Multiple reports of societal abuses or discrimination based on religious affiliation, belief, and practice are mentioned in the International Religious Freedom Report (2010); however, these cases are not discussed in detail here.

The last point worth bringing up is that of the cremation of the dead, a practice that was not allowed for a very long time because of church opposition. Yet in 2006, under a conservative government, it was voted unanimously in Parliament. The then Archbishop Christodoulos, who had raised such vehement objections to the omission of religion in identity cards, this time proved to be non-oppositional. However, despite the five years that have elapsed since, no cremation site has been constructed. Boutaris, the Mayor of Thessaloniki, has voiced many daring statements about tolerance and religious freedom, and was the first to announce the creation of a project to build a crematorium. The Mayor of Markopoulos followed with a similar plan for the wider region of Athens. However, both of these initiatives were violently opposed by the church. Anthimos, the Archbishop of Thessaloniki, and Nikolaos, the Metropolitan of Mesogaia and Lavreotiki, a high-powered scientist, aggressively opposed the project of a cremation site. For Anthimos this is ‘an act of nihilism’, while Nikolaos warns that those who may opt for cremation will not be offered a religious service. He adds that ‘cremation is not a priority at a time when we should all be mobilized for the resurrection of the spiritually dead’.

All the examples cited above indicate the inextricable embrace between religiosity and nationalist ideology, the often-politicized discourse of the church, and the low degree of political tolerance.

6.10 Concluding remarks

This chapter attempts to explore the commonalities and differences between ‘modern’ religious practice and experience in contemporary
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Greece. Modernity tends to entail a differentiation between institutional spheres. Consequently, the impact of religion on other spheres, such as the political, the educational, and the cultural is bound to be weaker than it was in pre-modern times, leading to secularization. The extent, however, to which religion is losing its influence is not linear and unidirectional. Thus, in order to examine the influence of religion in contemporary Greece and the power of the Greek Orthodox Church, we resorted to the distinction between intra- and inter-institutional secularization.

As regards the power of the church within the religious sphere proper, secularization seems to be decreasing. Despite the fact that 25 per cent of Greeks state that they go to church once a week, that a large number identify themselves as ‘religious’, and that there has been an ‘Orthodox revival’ led by a small group known as ‘neo-Orthodox’ thinkers, religion is on the decline. However, whether there is a recent spiritual revitalization and strengthening of faith in contemporary Greece remains to be investigated.31

Yet, while intra-institutional secularization is mounting, at the inter-institutional level differentiation between the religious and the political spheres is weak. The Greek Orthodox Church, due to its ethno-nationalist features, consistently resists its separation from the state. This is not a unique feature of the Greek church, but of all eastern European Orthodox churches. Inevitably, identification of the church with the nation is at the expense of religious freedom.

The nationalist stance of the church in an emerging globalized world has been sharply criticized as parochial, reactionary, isolationist, and impeding pluralism and the respect of human rights (Manitakis 2000; Sotirellis 1999). The church, in order to modernize and meet the challenges of contemporary reality, has resorted to various means of bringing its profile up to date. Thus, by utilizing the media, such as the radio and TV, by opening an office in Brussels keeping up with developments in the EU, by trying to change its rhetoric, as was the case with the populist discursive style imitating the language of the young employed by Archbishop Christodoulos, even by strengthening charity action towards the dispossessed, by all these attempts the church is sending a message that it is keeping up with the times.

Yet the persistent non-differentiation between Greek ethnicity and orthodox religiosity and the church’s systematic effort to be the guardian of national identity, considered to be under imminent threat, both prevent the type of inter-institutional secularization which is
marked in most western European societies. It is true, of course, that in the latter societies many liberal religious organizations have been actively involved in the public sphere by criticizing the growing inequalities and exclusion of the state’s neo-liberal policies. But the Greek church continues to enter the political arena, not in order to redress social injustices, but in order to prevent what it calls the westernization of Greek culture and identity.

As stated by Karagiannis (2009), Orthodoxy was never bounded within the private sphere in Greece. Due to its politicization and ‘nationalization’, it has been an integral part of Greek public and political life before and after the 1967–1974 dictatorship. Archbishop Christodoulos never denied that all the actions of the church are political, distinguishing, though, the term ‘political’ from party politics (Stavrakakis 2002). The current Archbishop Hieronymos, who is much more moderate, declared ‘a change of course’ after the passing away of Archbishop Christodoulos. He has openly stated that the activities of the church are independent from the world of politics. Yet, at the service he held in Cyprus on Christmas Day (2011), he addressed Cypriots from the pulpit by saying: ‘The hypocrisy of the foreigners will soon come to an end and we will return to Cyprus announcing, while church bells will be ringing, the unification with Greece; the daughter will fall into her mother’s arms.’ One notes a clear contradiction in the discourse employed: on the one hand it declares its non-involvement in politics, and on the other, because it systematically opposes the differentiation between the religious and the political sphere, it cannot avoid political involvement in a variety of issues.

As far as future developments are concerned, it is difficult to assess the prospects of intra and inter-institutional secularization in Greece. The only certain prediction is that, if Greece retains its liberal orientation and its position in the Eurozone, the church will be gradually obliged to reduce, or even cease, its political interventions in matters concerning religious freedom and the rights of non-Orthodox minorities. On the other hand, if Greece regresses to extreme right-wing politics and/or fails to remain in the Eurozone, the ethno-religious features of the Greek church will be greatly enhanced.

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Notes

1. Αντιπαράθεση προσώπων και γραμμών στη ΝΔ [Confrontation between persons and lines in New Democracy], Kathimerini 20 November 2011.
2. State interference was diminished in the post-dictatorial period in 1974.
4. The Council of State is the Supreme Administrative court.
11. ECtHR, Alexandridis vs. Greece (no. 19516/06), 21 February 2008.
14. ‘Becoming a citizen has nothing to do with human rights. It is surrendering the country; it is putting at risk the unity of the homeland, a unity being disputed by people such as Mrs. Dragonas …’ said Bishop of Piraeus, Serafim. Available at: http://nationalpride.wordpress.com/2010/01/23/διχαζειτηνεκκλησιαουμος/ (accessed 29 December 2011).
15. Karyotis and Patrikios (2010) borrow the term from the Copenhagen School, which argues that political elites construct issues (e.g., migration) as threats to security. The social construction of security is typically associated with religious elites that are likely to be very influential, particularly in countries where national and religious identities are closely interwoven.
16. In April 2010 the Jewish community, the Simon Wiesenthal Center, and the Greek Helsinki Monitor protested that a cartoon in the newspaper Ta Nέa (Ta Nea) did not respect the memory of the Holocaust, and the cartoon’s author apologized to the Jewish Community (International Religious Freedom Report 2010).
17. While K. Plevris has collaborated directly or indirectly with members of LAOS, its leader, G. Karatzaferis, has on many occasions denied that there has been such collaboration. At the trial of K. Plevris, his son A. Plevris, a prominent LAOS MP, defended him.
18. Η ανοδός της ακροδεξιάς, [The ascent of the extreme right], Kathimerini newspaper, 20 November 11. While Mr Karatzaferis tried to deny he had ever made such a statement, in addressing his audience in Korinth in 2002 he said: ‘First: I am not a Jew. I wish the Prime Minister could say the same. Second: I am not a communist. I wish Mr. Karamanlis could say the same. Third: I am not a homosexual. Not many can say that’ (Eleftherotypia newspaper, IOS, 9 June 2002).
20. This figure was quoted by Moavia Ahmet, coordinator of the Migrants’ Greek Forum, in a personal communication; however, the exact figure is unknown. In the International Religious Freedom Report (2010), the Muslim population in Athens is estimated to be 200,000, while in his ethnographical study Antoniou (2007) corroborated the fact that there are no reliable figures and says that the number given by his migrant informants fluctuated between 80,000 and 500,000. The figure quoted by Ahmet is probably the closest, taking into consideration that a large number of migrants are gradually leaving the country due to the economic crisis.

21. This location would have proved ineffectual because it is very far from where the Muslim communities live, making it hard for them to use the mosque not only on a daily basis but also for Friday prayers.

22. The local bishop’s authorization for the construction of a place of worship was waived in 2006 (Law 3467/2005, § 27).


24. Moavia Ahmet (personal communication). Yet, as is the case with the size of the Muslim communities in Athens, the number of unofficial mosques and prayer rooms is equally unreliable. There is mention of hundreds of such places of worship in the International Religious Freedom Report (2010), while the figure is much lower, not exceeding 30, elsewhere (Antoniou 2007).

25. Schisto is a large area bordering the industrial zone where the garbage collection site of the municipality of Athens is located.

26. Article 13 (2) of the Greek Constitution.


31. It is possible that the present severe economic crisis may lead many individuals to religious forms of consolation or solidarity.

32. Archbishop Christodoulos was famous for using language in a very skilful way. While he was claiming that ‘yes our discourse is political, only in the ancient Greek sense of the term; it was never associated with party politics‘ (To Vima, 11 February 2001), one does not forget that, in congratulating Prime Minster Karamanlis when ND came to power in 2004, he spoke about the victory of the ‘Almighty Right of the Lord’ (η δεξιά του Κυρίου).

33. ‘Ο Χριστός σώζει’ (Christ saves), Kathimerini, 31 December 2011 – 1 January 2012.

References


If a modern inhabitant of Paris, Berlin, Copenhagen, or Prague came to spend some time in Greece, they would observe expressions of religious life no longer seen in their own country, and, if they were young, they would not even have the memory of such things. The distinctive priestly garb is in evidence everywhere, people crossing themselves in front of churches, baptisms for nearly all children, church burials, and religious memorial services; these are some of the daily characteristics of religion in Greece. At patronal feasts icons are carried in procession through the streets, with local dignitaries and usually many politicians processing behind. At national day parades, the local bishop is always flanked by political figures on the podium. At Theophany (in the Orthodox Church, the Feast of the Baptism of Christ), when a cross is thrown into the sea, a lake, or a river during the service of the Great Blessing of the Waters, attracting huge crowds, literally every single political figure will be there – from the president of the democracy and the prime minister down to the last local dignitary, who at the end will always make a statement containing a forced link between politics and the meaning of the Feast. Whereas in the countries of central and northern Europe the word Easter generally no longer holds any meaning, in the cities and villages of Greece there is hardly a soul who does not go to church, if only for a short while, on Good Friday and Easter Saturday for the midnight service of the Resurrection. Hundreds of monasteries, for monks or nuns, scattered across the most beautiful places in Greece, are constantly visited by large numbers of visitors and pilgrims. In fact, many people maintain a permanent link throughout the year with one of

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I would like to thank Caroline Makropoulos and Alexandra Sherrard for translating this chapter.
these monasteries. Mount Athos, a vast monastic state – which is out of bounds to women – with its two thousand or so monks in 20 coenobitic monasteries, sketes, and smaller monastic dwellings, is a Pan- and non-Orthodox place of pilgrimage. I could cite many more examples, but the conclusion that our supposed visitor to Greece would come to is the same: the Orthodox Church in Greece is visible wherever one looks in society.

And, if our visitor happened to have an interest in religion and wanted to observe the life of worship of the Orthodox Church more closely, he would realize that services forgotten or even unknown in Catholic Europe (where the liturgical life of parish churches is essentially limited to the celebration of the Sunday Service – not to speak of the Protestant churches), continue to be held in Orthodox parishes: Vespers, the Hours, Matins, Great Compline (during Lent), the Service of Supplication to the Mother of God (in the two weeks before the Feast of the Dormition on 15 August), and many others. He would be put off by the long services and the liturgical music. He would realize that many of the appointed fasts are observed (and that even many non-churchgoers fast on certain days of the year), despite the fact that the observance of the fasts has dwindled sharply – while in the Catholic Church this element of religious life has essentially disappeared.

If, however, our hypothetical visitor relied on these first outward impressions and concluded that the Greece of today was a country of deep religious faith and life, he would be greatly mistaken. While Orthodox Greece undoubtedly presents a distinctive religious picture in relation to the rest of Catholic and Protestant Europe, this does not denote that it is an isolated case of uniqueness which has remained impervious to the long historical process of secularization. Quite the contrary. An attempt will be made below to understand its particularity both in historical terms as well as inwardly, in terms of theology, and certain issues will be discussed that are matters of public controversy and that always involve the relationship between church and state, and the presence more generally of the church in the public sphere.

I should explain beforehand that I am not writing about the Orthodox Church as a historian or a social scientist but as a member of the church, who wants to see it capable of giving witness to the Gospel in the modern, secularized, pluralist, and ultimately post-Christian society of Europe. In the pages that follow it will become clear, I believe, for what historical and inherent reasons the church is finding it difficult to meet this challenge. However, nothing that is written below changes the main essential point: that the church will always be the
place where the word of God is heard, his Kingdom is preached, and people are called to walk in the steps of Christ – to keep the commandment to love throughout their lives. These truths can only be known by one who has experienced the life of the church, and not through academic study.

7.1 Historical overview

In the history of a church, more than any other institution, it is not easy to carve out divisions of time. Churches are institutions of tradition and continuity. Yet their course through time runs in parallel with political history and follows in its wake. So it is not surprising that modern Greek ecclesiastical history, no matter how much it carries with it from the past, takes as its starting point the foundation of the modern Greek state in 1830. The Orthodox Church of contemporary Greece is both a national and a state church, which has been a constant companion of the modern Greek state in national adventures and political clashes. This national and state character is met in the other Orthodox Churches of the Balkans and eastern Europe, although the history of each country reserved for or imposed on the respective churches a different historical role. For those who would view the Orthodox Churches through the prism of an isolated historical uniqueness, whether attaching a positive or negative value to this idea, it should be added here that in Europe and America the Catholic and Protestant Churches have played, and still do, a national and political role. Only comparative examination would reveal the different ways in which this came about in each different circumstance and at each moment in history. Whatever the case may be, the particular instance of the national and state character of the Greek Orthodox Church, and the political role it has played, needs to be understood – something that is a precondition for understanding the current controversies concerning the Church.

Only three years after the foundation of the modern Greek state, the Autocephalous Church of Greece was created (in 1833, a process that was completed canonically in 1850, with the publication of the Synodical Volume, in which the Ecumenical Patriarchate of Constantinople officially pronounced its autocephalous status). The idea that, in becoming an independent state, each former part of the Ottoman Empire also had to have its own independent church and not to belong to the Ecumenical Patriarchate (which was still under Ottoman rule) was what led the dioceses on Greek soil to break away from the jurisdiction of Constantinople. The same road to autocephaly was followed by other
Orthodox Churches in the Balkans, some of which observed the canonical route, as in the case of Serbia (a sensitive point for the Ecumenical Patriarchate), and some of which did not, such as Romania and Greece. It was this natural and familiar ecclesiastical process of changing the administrative organization of the Church according to a change in the political situation that led to the constitution of the Orthodox Church of Greece on a national and state basis. Its administrative head was the king, who in our case (Otto of Bavaria) somewhat peculiarly happened to be Catholic. The members of the Holy Synod were all appointed by the monarch, and, on pain of nullity, the presence of the monarch's representative at its every session was mandatory.

The church came to share in the struggles, aims, and ideology of the Greek state. For a newly founded nineteenth-century state struggling for national completion, this ideology could be none other than nationalism. The church played its part, too, taking a leading role in all the national struggles. Its adherence to nationalist ideology was confirmed in the 1870s, with the crisis of the Bulgarian ecclesiastical schism. This ideology of nationalism was to pervade the body of the church, which would view the whole of its previous history through this prism. For example, the way in which the church sees itself and its role during the years of Ottoman domination as the ark of the Greek nation that saved Hellenism from historical obliteration is an anachronistic projection of nineteenth-century nationalist ideology. The church was used as a vehicle for nationalism, which it would adopt in exchange for the privileges of the security granted by the state. The church participated wholeheartedly in national conflicts (the Macedonian Campaign in 1905, the Balkan wars of 1912–1913, and the Asia Minor Campaign of 1919–1922) and, if its main work was not the war effort, it certainly prided itself on its contribution above all things. Such hands-on involvement in national conflicts also means that the church cannot avoid getting caught up in political disputes, with all the costs implied.

The church continued to be embroiled in national and political matters throughout the twentieth century, particularly at two crucial moments after the Second World War: the civil war (1946–1949) and the dictatorship (1967–1974). The civil war is to be seen as a particularly important juncture; it was not simply a new moment in the political history of the church of modern Greece, but defined the complete and total identification of the church with the political right. The church felt threatened by the rise of the Greek Communist Party (KKE), which led the national resistance during the years of the German occupation, and, once the war was over, subsequently sought power. Naturally, the
church had a justifiable fear of communism, as the example of Russia and the merciless persecution of the church there showed. Its anti-communist position was not only understandable but unavoidable. All the other Christian denominations throughout Europe had adopted a similar stance. After the end of the civil war, however, the church wholly and without any crisis of conscience sided with the victorious right-wing police state, the state of persecution, courts martial, executions, and exiles. Not only was the accord between church and police state complete and unqualified, but there was more to it. The church became a mechanism of this state through a complex network stretching from the army’s religious department to its own welfare policy, whereby to be admitted to its charitable institutions you had to be a declared anti-communist. In post-civil war Greece the church was wholly identified with the right, the priest with the gendarme. The church’s stance during the years of the military dictatorship, which it supported completely and unreservedly, was the natural extension of its stance during the civil war and the years immediately following. It was this stance, together with the more general political climate of the 1960s, that led, during the dictatorship and the years immediately following it, to the mass exodus of young people from the church – young people who were never to return.

The church entered the post-dictatorship years completely scorned in the common conscience, precisely because of the cooperation of the church hierarchy, almost in its entirety, with the junta. During the post-dictatorship period, the church was now associated with the junta, and was thus seen as having lost its credibility and trustworthiness. The first post-dictatorship governments clearly did not need a church such as this one on its side, as any dealings with it were politically dangerous. For this reason, Konstantinos Karamanlis, the new prime minister, made a conscious decision for the state to cease involvement in church administration. The formal expression of this decision was the new Constitutional Charter of the Church of Greece (1977), in which the institution of the governmental representative at the Synod was abolished. It should be emphasized that, while nearly all state institutions went through a process, even if limited, of purging dictatorship elements from their ranks, the church remained outside this process. Ironically, under Archbishop Seraphim (1974–1998) the church leadership managed to appear almost anti-junta – for it overthrew the anti-canonical Archbishop Ieronymos (1967–1973), whom the colonels had installed. Yet Seraphim himself was installed by the most extreme junta group, that of the head of the military police, Ioannidis, who overthrew Colonel Papadopoulos in a bloodless coup after the Athens
polytechnic uprising against the junta. The fact that the church did not undergo purging of dictatorship elements is not a reflection of its power, but, rather, of the indifference of the state towards the church. The post-dictatorship years, nonetheless, are not seen as a time of purging, but are characterized by a more general movement of democratizing and modernizing the public life of the country. The church was really the only institution that remained impervious to this spirit of the post-dictatorship years. As a result, every change in the relationship between the church on the one hand and the state and society on the other (the decriminalization of adultery, divorce, civil marriage, and so on), led to conflict: each time it resisted change it lost. All these legal and civil changes were imposed on it. As time went by, little by little, piece by piece, the de facto separation of church and state took place, without constitutional regulation – something that will be discussed below.

It should also be noted that, under Archbishop Seraphim, the church dissociated itself to a large degree from the political right, principally because of its more neutral political stance after the rise to power of the socialist party PASOK (in 1981), and it succeeded in attaining a certain political neutrality. Archbishop Seraphim’s successor Christodoulos (1998–2008) was to reidentify the church with the political right, and sought again to play a political role, along nationalist lines, within the new historical framework of globalization.

In conclusion, since the foundation of the modern Greek state the Orthodox Church of Greece has expressed itself publicly as a national political power, and as a trustee of Hellenism. It was used as a political tool by the state in pursuit of its aims, yet it profited from state protection. It seems that the democratic spirit and the spirit of tolerance were foreign ideals for the Greek church, as it fought against every progressive idea in education, culture (the well-known ‘language question’), and social relations and behaviour.

7.2 Principal features of the Greek Orthodox Church

Any discussion of the church solely through the prism of its relations with nation and state must of necessity be limited. To better understand its position in the public sphere, in contemporary secularized society, it should be approached by considering internal criteria, that is, in relation to its tradition and its members. This is precisely what will be attempted below, focusing roughly on the last five decades.

The Greek Orthodox Church – in fact, the whole of the Orthodox Church, as well as the Eastern Churches in general – boasts of its rich
liturgical life, of its liturgical spirit. In this it is right. In view of the
liturgical poverty of the Protestant denominations, and also the impov-
erishment of the liturgical life of the Catholic Church following Vatican
II, the liturgical beauty and richness of the Orthodox Church is notable
(its many services, and the richness of the poetic and musical tradi-
tion of its liturgical rites and hymns). There is another side to all this,
however. The words of the services are nowadays incomprehensible,
and all this wealth of language therefore remains uncommunicated.
The readings from the New Testament are read in the original Greek,
and those from the Old Testament in the Septuagint translation, mean-
ning that these cannot be understood either. The problem becomes
more pronounced in the sacraments and services, that is, marriages,
baptisms, and funerals. These are still attended by most Greeks, who
otherwise barely have any relation with the church. All this is not
without consequence, for it cultivates a religiousness that undervalues
rational thought, the importance of understanding, and which in the
end moulds a Christian of experience, of ‘devoutness’, who ignores the
teachings of his faith and who cannot give witness to it in the public
realm. And there is something worse: it leads to superstitious practices,
in the sense that some people believe that it is enough for salvation to
participate in certain rites, while the priest is seen principally as a mere
celebrant. On the other hand, worship, the meaning of which remains
completely incomprehensible, prevents the participation of the congre-
gation and so undermines its communal character. It is not by chance
that in the Orthodox Church today the importance of the sermon
and catechism is so undervalued, for both require a certain intellec-
tual preparation. Preachers improvise, saying whatever comes into their
head without prior preparation or study, their sermon lying half-way
between nationalist and patriotic rhetoric and small-minded, moralizing
pronouncements.

After the decline during the 1960’s of the religious organizations *Zoi
(Life) and Sotir (Saviour), which had done a huge amount of work in
catechesis, the Church was unable to devise a new catechetical model
to replace the one that died out together with the organizations. The
vacuum has still not been filled. Orthodox believers in Greece today
have effectively received no teaching in the faith.

The theology of Orthodox theologians focuses primarily on the
Fathers of the Church – that is, the Greek Fathers, of course. Patristics
takes pride of place in theology study programmes. It is true that
important studies on various Fathers have been published, which have
revealed the richness and power of their thought. However, over the
last 20 years this area of study has acquired polemical characteristics in the hands of many writers of patristic studies. In demonstrating the richness of Greek-speaking patristic thought, the aim has been to turn against, first, the West as a whole, and, second, modern thought, theological or otherwise. It is as if to say: ‘We have the Fathers; we do not need the heretic Latins or modern theologians and thinkers.’ It is not by chance that, while in Greece much is being translated in all cultural fields, none of the great Western theologians has yet been translated into modern Greek. Greek readers cannot, for instance, read one single book by the Swiss Reformed theologian Karl Barth translated into their language. Modern Greek theologians work in a bubble, mostly ignorant of all theological discussions conducted outside the bounds of Orthodoxy, looking all the while with zeal to the patristic past. Patristics, together with liturgics and ecclesiology, enjoys greater prestige in Greece than any other branch of theological thought, even biblical, which is considered suspiciously Protestant. The Fathers come foremost, and after them the New Testament takes precedence.

The overriding interest in patristics that is evident in Orthodox theology over the last 50 years does not simply represent a reorientation of academic theological interest, but, rather, is part of a more general return to genuine Orthodox tradition. This process began gradually after the Asia Minor disaster in 1922, and intensified from the 1960s onwards. It was mainly a reaction to the theology of the religious organizations Zoi and Sotir, which defined the tone of ecclesiastical matters in the first half of the twentieth century and were seen as bearers of a pietistic, Protestant spirit. This tendency manifested itself in all spheres of church life and arrested any attempt at renewal. Most elements acquired a Byzantine tone: the music, architecture, art, woodcarving, miniatures, and embroidery. The edifice of Byzantine church art is undoubtedly colossal, yet, with a few exceptions, modern Greek Orthodox artists only copy. Anyone who visits an icon-painting workshop will see this immediately. Iconographers literally trace over the top of older icons. The turn towards Byzantine art, instituted by the powerful personality of religious and folklore painter Fotis Kondoglou (1895–1965), while releasing churches from the by-products of the Nazarene Movement, became over time an inflexible dogma that suffocated any breath of creativity. New church structures are required to be in the Byzantine style, that is, to have as many domes as possible: the undomed basilica is not considered sufficiently Orthodox, regardless of the fact that during the years of Ottoman domination Greece was full of churches and chapels of this kind. Church hymnography is also Byzantine. Hundreds of new
services are still composed, but their structure, rhythms, and language are all from the Byzantine era.

The prestige of monasticism is so great in the Orthodox Church that monastic spirituality also dominates the life of a large proportion of the laity, often with warped results (e.g., the misguided application of monastic obedience in the life of ordinary Christians). The works of the great ascetical writers (the *Gerontikon*, John Climacus, Isaac the Syrian, Abba Dorothea, and so on) are favoured reading matter for non-monastics. The most popular books among the Greek Orthodox who do read are the lives and teachings of modern elder monks, which are published in the tens of thousands (e.g., Father Paisios, Father Porphyrios, and so on).

The church’s keen interest in national issues has had, among others, the following two side effects: first, a general neglect of social work, above and beyond the charitable work of offering food and clothing (which one can only respect and commend) that is organized and undertaken by trained people with specialist knowledge; and, second, the neglect of any missionary work. The lean Orthodox missionary presence in third-world countries is the fruit of individual initiative. Even at this time, when everyone can see how the axis of Christianity has shifted geographically from Europe to Asia, Africa, and Latin America, the Orthodox Church is troubled about other matters. It is more concerned with the name of FYROM than the historical future of Orthodoxy itself.

Without going into administrative details, a few words will be added on the Orthodox clergy. First of all, the chief feature of Orthodox clergy nowadays is the fact that all are civil servants. Deacons, priests, and bishops are paid by the state. Second, the question as to who will become a priest in Greece is entirely a matter of chance, and rests at the discretion of the local metropolitan. There are not really any terms and preconditions, nor is there any special training. A bishop may ordain anyone he wishes to in order to meet the needs of his diocese. After ordination, the new priest will be left to improvise on his own, in all the areas of his pastoral work. Third, there is a distinct category of clerics, the notorious archimandrites – that is, unmarried clergy who do not live in monasteries but in society, and join the ranks of the church administration as well as serving as priests-in-charge in parish churches. These priests are career clerics, and their ultimate aim is to move up the church career ladder to the rank of bishop (throughout the whole Orthodox Church bishops must be unmarried). However, even if they do not become bishops, they still have great privileges in the ecclesiastical order and administration,
which they often exercise in an authoritarian manner. The church is
governed according to the old synodical system: every bishop, within
the bounds of his diocese, expresses the church, with complete freedom
and power, and he brings this experience of the local church to the
Holy Synod, the highest organ of government in the church, in which
all active bishops, without exception, participate (once elected, bishops
keep this position for life). The element of this system that essentially
still applies in practice is the undisturbed and quite despotic dominance
of every bishop within the bounds of his diocese. Bishops are elected by
the Holy Synod, that is, the body of active bishops, and only archiman-
drites are eligible for election. Priests and laypeople do not take part in
the process of the election of bishops.

The laity does not play an active role in the life of the church: among
the parishes of Greece one rarely finds true communities, which share
their concerns and where decisions are taken communally. They partic-
ipate only when hands are needed for work. The reason for this is the
deeply bureaucratic structure of the church. Priests behave towards the
laity just as their bishops do towards them: they never listen to them.

In summarizing the status of the Greek church, one can conclude sev-
eral points: first, that the Orthodox Church of Greece is possessed by an
intense nostalgia for the past or, to put it in other words, by the fear
of the present. This led it on the one hand to exult in its historical role
and the wealth of its tradition, and on the other to feel constantly under
attack and threat, constantly turning to the protection of the state. Prin-
cipally, however, this attitude prevents it from being able to give living
witness to the Gospels, for one can never give witness by looking back-
wards or from a defensive position. Second, despite making claims to
the contrary, the church of Greece is governed bureaucratically, and
not synodically. This is due, among other things, to the complete lack
of trust in the laity, and their exclusion from the domain of decision-
making. Third, the Greek Orthodox Church is characterized by a sense
of insularity and indifference in relation to the modern world and mod-
ern culture, other Christian denominations, and, in the end, vis-à-vis its
own future outside the bounds of Hellenism.

7.3 The Orthodox Church in the public sphere:
Present challenges

Public discussion on the Orthodox Church in Greece revolves mainly
around the relation between church and state. The matter is consid-
ered a legal issue, or a political one but clothed in legal terms. From the
purely legal aspect, the question has to a large degree been resolved, and only a few matters remain to be dealt with, which are mostly of a symbolic nature. Many of the practices that interlink the church and state in public life, and that every so often provoke discussions in the media, belong to the realm of custom. Specifically, there is the example of the service of blessing with holy water during the swearing-in of new members of parliament, at educational institutions marking the beginning of the academic year, at ribbon cuttings of new buildings, and so on; these rituals are customs that are not prescribed by law. Their continuation is evidence that neither side dares to take the decision to bring them to an end. Furthermore, the legal reality of the relations between church and state is also obscured by the fact that non-religious citizens continue to settle certain aspects of their lives through the church. This occurs for several reasons, either because they ignore the possibilities that the law gives them to settle matters through civil channels, or simply because they do not want to take the civil route (such as the naming of a child, or funerals). In terms of marriage things have drastically changed since 1982, when civil marriage was instituted. Nowadays, thanks also to the economic crisis, roughly half of weddings are conducted as civil ceremonies. If the separation of church and state is not complete and the neutrally religious character of the state has not been consolidated, this is because the church resists this prospect, for it does not want to lose its privileges. Political parties also appreciate the voting power that the church and its followers have, so it is in their interest to maintain the status quo.

Many people in Greece point to the example of the constitutional situation in western European countries, overlooking the fact that for these countries the process of separation was a long and painful matter. The separation of church and state for Europe was the legal expression of the long and difficult cultural process of secularization. Prior to legal separation, that is, the removal or distancing of the church from the state and state institutions, a secularized mentality had already become a driving force in society and ordinary people's lives. People gradually stopped believing in God, and God was no longer the first and last point of reference in their lives. The Catholic Church, and Christianity in general, fiercely resisted secularization, that is the de-Christianization of society and the legal expression of it, which is the separation of church and state, and it lost the fight. Things developed differently in America, but that is another story. The current constitutional situation as we know it in European states is founded on the historical defeat of Christianity. Pushed out of the private sphere and not visible in the public one,
Christianity in Europe is now a tame animal – the reason why polemic and enmity towards it has decreased.

Of course, this is not to say that there ceased to be Christians in Europe during the twentieth century. Not only do they exist, but they have tried to find new ways to live out, and give witness to, their faith, amidst a difficult cultural status quo, which has meant that they have had to endure a divided existence. This is evidenced in the fact that they have had to live their public lives according to one set of requirements and their personal lives according to another. No matter how much Christians accepted many of the assumptions and values of the modernist secularized culture and religiously neutral state – such as the pluralist world view, difficult and scandalous for Christians as it may be, that is, the idea that Christ is not the only truth, and the concept of the differentiation of spheres (the economic, political, social, religious, and cultural) – in the end, modern life changes and challenges overtook them. Christianity in Europe is shrinking on a daily basis and becoming spiritually enervated, and churches are emptying. The Christian churches of Europe sought new members outside the bounds of Europe – in Africa, Asia, and Latin America. As a result, Christianity now flourishes outside Europe.

Yet Orthodox Greeks often have the misguided idea that all this does not concern them, that the chosen Orthodox Church cannot suffer the fate of heretical Western Christianity, and that it should not correlate its present and future with the historical course of the Christian churches in Western Europe. Thus far, in Greece we experience in our own way two parallel realities: the de-Christianization of society is in our case an unarguable fact. This is evident regardless of the large crowds who attend church on Good Friday and Easter Saturday (mainly out of custom), or the huge gatherings at local religious festivals, as they give one the misleading impression that things are different from what they actually are. The church in Greece continues, of course, to be socially and politically visible, through the religious swearing-in ceremony of the president of the Republic and members of parliament which is set out in the constitution, and other rituals which are mere customs. As a public entity, it enjoys many privileges (a salaried clergy being not the least), it plays a political role (it has undertaken, or it has been entrusted with, defending national rights), and it has a certain electoral strength. However, all this is trifling in the face of the sweeping historical current of de-Christianization. The historical ground is giving way under the feet of the Orthodox Church, and it fears losing its last privileges, both economic and symbolic, as it clings to the state in an attempt to preserve
them. It is mobilizing its forces and giving battle against the completion of the separation, a fight that it will lose within a short period of time – just as the church has lost everywhere else in Europe. The Orthodox Church should consider how it could, after separation, earn a fundamental and respected position in the public sphere, and not simply take on a symbolic and empty role. This, of course, presumes that, after intense internal deliberation, the church will make certain concessions, the most important of all being that practising Christians are a minority in society, and that the state is bound over to be religiously neutral in order to guarantee the religious freedoms of all. It presupposes more generally a genuine acceptance on its part of the system of values of European democracy, of the spirit of tolerance and respect for others.

The Greek church consistently opposes any attempt to accord legal status to convictions that are in opposition to its teachings, and does not allow those who hold these convictions to exercise them unimpeded. This is not to say that the church should not fight against convictions that are in direct opposition to Christian teachings – on the contrary, it has the duty to do this – but simply that it cannot call upon the state arm to impose the church’s opinion on anyone who disagrees with it. For example, the church must be, according to its teaching and tradition, opposed to cremation, but it does not have the right to obstruct the opening of crematoria. There are people who choose to be cremated, but their families are forced to travel out of the country, and at great expense, in order to fulfil the last wish of their family member. Athens is also the only European capital which does not have a mosque. In this case the state and political system in general also bears great responsibility for this, and it is not only the church that is opposed to the building of a mosque – although it has always been against the idea.

A typical example of the church’s intolerance towards those who happen to think differently is the awful or even non-existent relations with other Christian denominations, both Catholics and Protestants. According to many clergy, monastics, and theologians, they are not even ‘Christian’. It should be added, moreover, that over recent years the church’s stance towards other Christian denominations has hardened. This was not surprising amidst the movement of return to the Fathers and genuine Orthodox spirituality, which had been ‘altered’ by the influence over the centuries of ‘heretical Western Christianity’, especially within the framework of reactions against the cultural levelling of globalization and the crisis of identity. A clear regression in ecumenical relations can be seen during this period. Other religions are often seen simply as demonic deceptions and not as respected choices
with which the Greek Church disagrees. Jehovah’s Witnesses, for example, have been consistently harassed in Greece and are not protected legally.

There are several matters that reveal the problematic relationship between the Orthodox Church and the legal and political culture of democratic Europe. These two issues, one being institutional and the other ideological, will be discussed in more detail below.

7.4 Religious education in schools

If there is one really serious issue that remains unresolved in church–state relations, it is compulsory religious education in primary and secondary schools. The issue does not solely have to do with the curriculum, but also with the presence of religion in school more generally (such as morning prayers, and attendance at church). Religious instruction is compulsory for all pupils; lessons start in the third year of primary school and continue up to and including the final year of secondary school, and are denominational in nature. The issue is of crucial importance for the church, as this is a way for it to maintain its teaching and symbolic presence for children and young people in the absence of any independent catechetical work of its own. In other words, it accomplishes through state education what it should be doing itself. Let us start by clarifying two things: the (a) compulsory and (b) denominational nature of religious instruction, so as to avoid unrealistic exaggeration.

Pupils belonging to different Christian denominations or to other religions, agnostics, and atheists are exempted from the lessons. Since 2008, this can be achieved with a written statement from the pupil’s guardian, or, if the pupil is of age (as may be the case with a few pupils in the final year), with a statement of his or her own. It is worth pointing out that, after the fall of the junta, this self-evident exemption was only implemented in small increments and as a result of judicial proceedings. Prior to the present situation, it had to be stated that the pupil was ‘heterodox’, ‘of another religion’, or ‘of no religion’ in order to be exempted from religion classes, whereas after 2002 (see encyclical G2/61723-13.6.2002), it sufficed to state simply that he/she was not Orthodox, without requiring further reference to his/her religious convictions. The difficulty that the church, society, and the Greek legal system have in accepting all the consequences of the principle of freedom of conscience was most recently manifested by what followed the 2008 encyclical now in force (new clarifying encyclicals, opposition to the encyclical from the Athens Theological School, intervention of the independent
ombudsman, ministerial level responses, etc.). It should be added that in fact parents do not make use of this exemption for many reasons, one of those being that in Greek schools no alternative class is provided for students who do not attend the class, and all they can do is wander around the playground. The same holds true for the other religious obligations of the pupils, such as morning prayers and church attendance. However, anyone who relies on what the law lays down, and has no first-hand knowledge of the daily practice in schools, risks coming to the wrong conclusions. The reality is actually rather different, since in primary school, for example, most teachers do not teach the religious knowledge class, but prefer to use the time to do mathematics or Greek, while secondary school pupils who attend church – not once a month as prescribed by law, but far more rarely – look forward with glee to a day of no lessons, which most of them spend outside the church anyway.

Instruction is indubitably denominational, instructing pupils in the Greek Orthodox faith, teaching, and culture. It is true that in today's school manuals the denominational tendency has diminished, and is expected to even more diminish in the new education programme for Primary and High school, which was drafted in 2011 but has not, however, been incorporated into any school manual yet. In primary school, the classes are taught, insofar as they are taught at all, by the teachers, while in secondary education they are taught by theology instructors, or at any rate graduates of the theological schools of state universities (rather than of the church). Of course, things become even more complicated when religion is taught in secondary schools by theologians who are also priests.

The teaching of religion is a subject of public debate and confrontation precisely because of the two aspects mentioned above: the fact that it is compulsory, and its denominational and catechetical nature. The ongoing debate has been initiated from both sides, by secular thinkers as well as theologians, and has enjoyed much debate. The main alternatives to compulsory religious classes that have been put forward to date are as follows:

1. Comparative religion classes, in which the various religions will be taught as well as the phenomenon of religion in general, but with an emphasis on Christianity and on the Orthodox religion (suggested by the secularists);
2. Cultural classes, in which the spiritual and cultural richness of Orthodox tradition will be demonstrated (suggested by progressive theologians);
3. Bible classes, that is, classes which would not involve faith but which would focus on Biblical writings, thought, and tradition (as is the case with the teaching of ancient Greek civilization) – a proposal that has not been discussed, not even by Biblical theologians.

The Greek church and the majority of theologians, however, insist on keeping the subject compulsory and denominational. But, even within the hierarchy, some voices are finally being raised in favour of toning down its denominational character. What the church does not realize is that it is defending something which is indefensible within the European political and legal context. In 2006, confession for pupils was abolished, something that we had not even realized existed until that moment. A relic of the past, entirely redundant, yet the Church protested against its abolition, although essentially nothing changed. The Church insists on compulsory denominational teaching out of defensiveness, out of a wish to safeguard its vested interests, and, of course, out of ignorance of the legal and political culture of the European Union. It is waging yet another losing battle. On the other hand, the modernizers, the intellectuals of secular reason, have essentially continued their monotonous insistence on comparative religion classes, mechanically putting forward ideas and solutions that work in other countries, without bothering to think of a solution that would be genuinely Greek.

7.5 Anti-Semitism

The Greek Orthodox Church is anti-Semitic, however vigorously it denies it, albeit less so than other Orthodox Churches, such as the Russian or the Romanian. Many editions of *The Protocols of the Elders of Zion* are in circulation in present-day Greece. A good number of these have been published by members of the Church, and there are others in circulation in the form of anastatic reprints printed by religious publishing houses. Anyone who wants to obtain a copy easily has only to visit a religious bookshop. We will now examine in more detail two publishers of the *Protocols*, Nikos Psaroudakis (Mynima, Athens, 1976), and Archimandrite Charalambos Vasilopoulos (Orthodoxos Typos Publications, Athens, undated).

Nikos Psaroudakis (1917–2006) was the founder of the Christian Democracy Party in 1953, and of the newspaper of the same name in the same year. He was responsible for introducing Greece to a political form of Christianity with democratic-socialist tendencies. After the Athens
Polytechnic uprising in 1973 he was arrested, imprisoned, and exiled to the island of Gyaros, and his paper was closed down by the dictatorship. This made him a famous figure in the first post-dictatorship years. The fact of his reimprisonment, after the restoration of the democracy, for writing an article in which he condemned a decision of the Supreme Court regarding the nature of the injustice of the coup, allowed him to be seen as an utterly uncompromising fighter. He contributed electorally to almost all the political parties, from the United Democratic Left (EDA) and the Greek Communist Party of the Interior to New Democracy (and in 1985 he was appointed a state deputy for PASOK). Yet this Christian socialist and anti-dictatorship militant was in reality a populist and a conspiracy theorist, and profoundly anti-Semitic. In fact, he attributed every Greek setback to a masonic Jewish plot.1

Archimandrite Charalambos Vasilopoulos (1910–1982) was one of the leading figures of the Greek Orthodox anti-ecumenical movement, and is still held in high esteem in conservative ecclesiastical circles. In 1959, he founded a religious society (the POE, Panhellenic Orthodox Union) with an anti-heretical agenda, and in 1961 he established the newspaper Orthodoxos Typos (Orthodox Press), which continues to be the chief voice of Orthodox fundamentalism. He was abbot of Moni Petraki monastery from 1962 to 1968. He published a huge number of biographies of saints, initially in collaboration with Fotis Kontoglou, which have collectively sold in the hundreds of thousands and still retain their popularity. Archimandrite Vasilopoulos’ favourite word was the verb ‘to uncover’. Everywhere he went he saw hidden enemies of Orthodoxy and of the nation (ecumenists, freemasons, Jehovah’s Witnesses, and, above all, Jews), and considered it his duty to expose them. Hence the titles of his books, all published by Orthodox Press Publications, at very low prices and in tens of thousands of copies: Uncovering Freemasonry (1967); Jewish Freemasonry Revealed (1975), an extended version of the former; Ecumenism Unmasked (1971); Uncovering Jehovah’s Witnesses (undated); The Rotary Club Unmasked (undated); Theosophy Uncovered (1973); ‘Inspired Women’ Unmasked (1977). I have included these few remarks about the two men, one ‘progressive’ and one ‘conservative’, both completely unknown and of no concern to the foreign reader, in order to show that people can arrive at the anti-Semitism that permeates Orthodoxy by following different routes, even apparently opposing ones.

Possibly more significant even than the prevalence of the Protocols and of other anti-Semitic books by various obscurantists and extreme fundamentalists is the stance of the official church and of Orthodox
theologians. The church has never come out with a definite condemnation of such manifestations and people. There is no official, important written pronouncement about it, as in the Catholic and Protestant Churches. On the contrary, all it does is conceal from itself the dark truth of its anti-Semitism and to maintain continually that the Greek Orthodox people have never harboured anti-Semitic feelings and that, unlike all other European nations, they have always supported the Jews, particularly during the terrible years of the Occupation. This was the objective served by the volume entitled *Memories and Testimonies from the 1940s and the Occupation*, published by the Greek church in 2000 (pp. 363–384), under the archbishopric of Christodoulos, in which pro-Jewish acts on the part of churchmen and women are singled out, but no answer is provided as to why, given all this concern, Greece had the highest proportion of Jews exterminated during the Holocaust. For their part, Orthodox theologians think and write as though anti-Semitism had never existed, and Auschwitz has not entered into their theological calculations. Indeed, nowadays there is an explosion of anti-Semitic speech, at the limits of what is legal, such as that uttered by Seraphim, the Metropolitan of Piraeus, with the silent complicity of his fellow-bishops. An acknowledgement of its anti-Semitism on the part of the Church and a public rejection of it would result in (and would also presuppose, alas!) an extensive cleansing of minds and consciences within the church, and consequently within society.

### 7.6 Other religious communities

If we returned to that hypothetical visitor with whom we began and asked him whether any other religions existed in Greece, apart from Christian Orthodoxy, I truly do not know what he would say – that is, I do not know how easy it would be for him to find out, because such communities are absent from the public space; they are socially invisible. On the other hand, no serious attempt has ever been made to register the prevalence of any other religions; as a result, all the statistics about them which we find here and there are essentially the result of personal estimates.

Greece has long-standing communities of Catholics and Protestants. At a generous estimate there are up to about 50,000 Catholics who have lived here for centuries (mainly in the Cyclades), and about 150,000–200,000 recent Catholic immigrants, mainly Poles and Filipinos. There are also small communities of Protestants in Greece who have lived here for over two centuries, about 10,000–12,000 of them.
in all, and there are more recent communities of Pentecostalists and neo-Protestants generally, again about 10,000–12,000. A characteristic common to these denominations is their introversion, their reluctance to publicize their presence, which is due above all to the hostility they have encountered during all these years. They are imbued with a profound sense of their minority status, the sense that it is best not to say too much or to pose a challenge, to live a hidden existence. Greece also has about 5,500 Jews, most of them in Athens, after the extermination of the Jewish communities by the Nazis. They too are marked out by the same introversion and hesitation, and they continually peddle the myth of the wonderful co-existence of Christians and Jews before the Holocaust. Inevitably, the country has its share of Eastern spiritual traditions, in common with the rest of the Western world.

What is totally new is the overwhelming number (just how many, it is difficult to say) of Muslims who have settled here over the last few years. Orthodox Greece also differs from most European countries in its long history of co-existence with Islam. The four, and in some places five, centuries of Ottoman domination filled the country with minarets and mosques. After the founding of the independent Greek state, in the name of national homogeneity, all these began to be demolished. In addition, after the exchange of populations between Greece and Turkey (Treaty of Lausanne, 1923) which followed the Asia Minor catastrophe of 1922, in the context of the reorganization of Greece and Turkey as exclusively mono-ethnic nations, Muslims essentially disappeared from the Greek state. Only Thrace, at the northeastern corner of Greece, was exempted from the exchange of populations agreement. Thus, there are undoubtedly over 100,000 Muslim Turks, Pomaks, and Roma residing there today, many of whom are Greek nationals who experience oppression and discrimination simply because of their religion and ethnicity. It should be added that Greece is the only country in Europe where family and inheritance issues for its Muslim citizens are governed by Islamic (Sharia) law. Greek society is changing with the waves of immigrants who have entered Greece since the start of the 1990s. The first Muslim immigrants to enter Greece en masse were Albanians, who have absolutely no religious conviction or identity, and who thus make no religious demands. Things have changed radically with the influx of immigrants from Iraq, Pakistan, Afghanistan, the countries of the Maghreb, and so on. Their arrival has created new dilemmas, particularly with regard to the issue of the provision of formal space for worship. Communal prayers are currently conducted in dozens of basements and other places outside the law, with unregulated
imams. The problem has now become intractable, and has acquired a
dangerous political dimension.

The institution which could contribute most to change the climate of
tolerance and hostility towards religious minorities and to create a cli-
mate of religious peace and cooperation is the Orthodox Church. Given
all that we have written about it here, I do not think there is much
margin for hope in the foreseeable future.

Note

1. In this connection, it is worth noting that none of the political parties with
   which he was associated ever had a problem with his anti-Semitism.
8
The Crisis and the Welfare State in Greece: A Complex Relationship

Manos Matsaganis

8.1 Greece in crisis

As every European who occasionally switches on their TV set must be aware, Greece is in the throes of a dramatic crisis. This started off in 2009 as a fiscal crisis, soon turned into a sovereign debt crisis, and finally mutated into a full-blown recession, unprecedented in depth and duration. By late 2012, the Greek economy had already been in recession for four consecutive years, and showed few signs of recovery. The latest official figures (Bank of Greece 2012) estimated the size of (negative) growth in 2012 at just over 6 per cent, and bleakly forecast a further −4.0 to −4.5 per cent in 2013. Based upon that forecast, in 2013 GDP will have contracted by 23 per cent or more in real terms relative to 2008. So deep and drawn out a recession simply has no precedent in the peacetime economic history of most advanced economies.

The Greek crisis started inconspicuously. As a matter of fact, upon entry to the euro area, Greece had enjoyed a period of fast growth (averaging 4 per cent in 2000–2008). However, behind the façade of prosperity based on strong consumer demand, boosted by cheap credit, lay a largely uncompetitive economy, evidence for which took the form of a current account deficit of 14.9 per cent of GDP in 2008 (up from 5.8 per cent in 2004). More clouds began to gather in the run-up to the general election of October 2009. Immediately after the election, the incoming socialist government announced that earlier fiscal statistics had been misreported by the previous conservative government. What seemed like a routine piece of point-scoring between the country’s two largest parties soon assumed unanticipated dimensions. In fact, the extent of the correction was enormous. Eventually, budget deficit figures for 2009 were revised from 3.7 per cent to 15.6 per cent of GDP,
while the corresponding public debt estimate had also to be raised from 99.6 per cent to 129.4 per cent of GDP (Bank of Greece 2012).

The revised figures stunned public opinion at home and shocked markets abroad. Coming as the European economy was smarting from the impact of the 2007–2009 international financial crisis, and coinciding with sluggish growth worldwide, the news revived speculation about the future of the euro, and shattered the credibility of Greece’s claim to remain part of it. Immediately the cost of borrowing began to climb to prohibitive levels, as markets reacted by increasing spreads (i.e., interest rate differentials from German government bonds) and by lowering credit ratings (Featherstone 2011; Meghir et al. 2010).

In an effort to bring public finances back under control, the government announced a first round of austerity policies in March 2010. This failed to placate the markets. In April 2010, the rating agency Standard & Poor’s downgraded Greece’s credit rating to below investment grade (i.e., junk status), while spreads on ten-year government bonds continued to rise sharply to 1,000 basis points (i.e., ten percentage points), from 200 basis points three months before. At that point, Greece effectively lost access to the international financial markets, and a sovereign debt crisis threatened to develop into a solvency crisis.

After much procrastination on all sides, an unprecedented €110 billion bail-out package was agreed in May 2010 with the European Commission, the European Central Bank, and the International Monetary Fund, designed to cover Greece’s borrowing requirements for the next three years. In return for that, the government signed a Memorandum of Economic and Financial Policies. The Memorandum committed the government to sweeping spending cuts and steep tax increases, aiming to reduce the country’s public deficit to below 3 per cent of GDP by 2014 (EC 2010; IMF 2010). To prove its trustworthiness, the government announced a second austerity package at the same time.

This time the news did manage to impress international markets, but caused strong domestic reaction. Civil unrest reached a paroxysm on 5 May 2010, in the context of a huge and largely peaceful demonstration, when three workers lost their lives as extremists set fire to a high-street bank in Athens. The tragedy cast further doubt on the country’s future, and lengthened the odds that the ‘Greek programme’ might prove effective.

Since then, the bail-out package and the austerity programme have been revised several times. After the Greek parliament approved a mid-term fiscal strategy framework (2012–2015), the euro area summit of July 2011 improved the terms of the Greek programme by conceding lower
interest rates and a longer repayment period (CEU 2011a). When the deal proved ineffective against the markets’ bet that the country could not realistically service its foreign debt, and would therefore be forced to default, the European summit of October 2011 opened the way to a negotiated reduction in the nominal value of Greek government bonds, colloquially known as a ‘haircut’, and a new loan. The two instruments, ‘accompanied by a strengthening of the mechanisms for the monitoring of implementation of the reforms’, were hoped to help Greece reduce its public debt to 120 per cent of GDP by 2020 (CEU 2011b).

Under the terms of the austerity policies, public sector pay and pension benefits were cut. Nominal reductions were not compensated by falling prices: inflation, caused by VAT hikes as well as rising oil prices internationally and product market rigidities domestically, jumped to almost 5 per cent in 2010, then fell to slightly above 1 per cent in 2012. At the same time, as a result of higher tax rates in a context of falling income and no discernible change in tax evasion, the fiscal pressure increased.

Austerity policies were introduced when the economy was already in recession, and thus made it deeper still. As a result of business failures, job losses started to mount to unprecedented levels. The latest figures available at the time of writing showed that the unemployment rate in September 2012 had climbed to an all-time high of 25.7 per cent of the workforce.

In a bid to reverse the rise in unemployment, boost competitiveness, and revive the economy through ‘internal devaluation’, the statutory minimum wage was cut in February 2012 by 22 per cent to €585 per month, and by 32 per cent to €510 per month for workers aged below 25. The cut, presented to a notably unenthusiastic Greek government by the ‘troika’ as a condition for securing the release of the new loan, had to be eventually enforced by decree, given that trade unions as well as employer representatives had shortly before released a statement that the minimum wage ought to be maintained at its current level in nominal terms.

In workplaces across the country, the cut in statutory minimum wages reverberated throughout the earnings scale. Coming in a period of rising unemployment and shrinking profit margins, and conceived as a remedy for both, the cut reinforced one key effect: it shifted the balance of power further against workers and in favour of employers. In this context, according to official estimates (Bank of Greece 2012), by the end of 2013 average earnings will have fallen in real terms by 26 per cent relative to 2009 – and by 9 per cent relative to 2000!
So severe and drawn out a crisis simply had no precedent in Greece’s economic history, at least since the late 1940s. Needless to add, prospects for recovery at home were negatively affected by the wider uncertainty abroad concerning the survival of the European common currency (IMF 2011; OECD 2011).

It was in the context of this bleak outlook that the general election of 6 May 2012 took place. When this proved inconclusive, a second election was called for 17 June 2012, following which a coalition government was formed. Still, the heterogeneity of the parliamentary majority and the staunch resistance to austerity on the part of opposition parties bode ill for political stability.

This chapter analyses a particular aspect of the Greek crisis: the role of the country’s system of social protection. Its main thesis is that the relationship between the crisis and the welfare state in Greece is ambivalent: the welfare state can be cast as a villain, at least partly responsible for the crisis, as well as one of its victims. And yet, an effective social safety net remains one of the few instruments known to us capable of preventing the economic crisis from turning into a social catastrophe. In this context, the chapter argues that the crisis can be an agent for renewal, giving birth to a radically reformed welfare state.

The structure of the chapter is as follows. Section 8.1 introduces the subject by briefly reviewing the most salient aspects of the Greek crisis. Section 8.2 examines the role of the welfare state as a social ‘shock absorber’, and argues that its capacity to mitigate the social impact of the crisis was already seriously compromised before the onset of the crisis. Section 8.3 reviews the contribution of the welfare state to the crisis, its failures including poor performance and exploding costs. Section 8.4 discusses the effects of the crisis on the welfare state in terms of cuts and reforms. Section 8.5 concludes by speculating on prospects for the welfare state in an era of permanent austerity.

8.2 The welfare state as a shock absorber

There is certainly more to the welfare state than simply poverty relief. Other objectives, such as insurance and consumption-smoothing over the lifetime, are also important (Barr 2012). However, no modern system of social protection can be said to be complete and/or successful without a comprehensive social safety net for those threatened by extreme poverty. A crisis puts pressure on social safety nets, and tests their capacity to function as ‘shock absorbers’.3
There can be no doubt that, in the case of the Greek crisis, that pressure was particularly strong. In May 2008, unemployment figures reached their lowest level for over a decade: 325,000 persons, 6.6 per cent of the labour force. By September 2012, the number of jobless workers had reached almost 1.3 million, while the unemployment rate stood at 25.7 per cent (ElStat 2012).

Until recently, labour market institutions and norms protected ‘male breadwinners’, often at the expense of their wives and (grown-up) children. Without doubt, this was rather a socially conservative pattern: it stifled mobility, forced many women to remain housewives, and prevented many young adults from leaving the parental home before an unusually late age. However, it had at least one key advantage: by protecting ‘primary earners’, it ensured that unemployment did not directly translate into poverty. Indeed, the unemployed and the poor seemed to be two different populations: the former comprised mostly wives of employed men and young persons sharing the parental home, while the latter concerned elderly persons and others living in rural areas, plus marginal groups in cities.

Following the onset of the crisis, unemployment rose as much for men as it did for women, by more than 13 percentage points, to 19.7 per cent and 26.5 per cent respectively (first quarter of 2012 compared with the same quarter of 2009). Youth unemployment, in particular for those aged 20–29, increased enormously by 22–23 percentage points (to 36.6 per cent for men and 45.1 per cent for women). However, this time men of prime age (30–44) were not spared: their unemployment rate went up from a mere 5.6 per cent in 2009 to 18.1 per cent in 2012. Many of those affected now found themselves living in jobless households, and with few other resources to draw upon.

The impact of the crisis on jobs has been asymmetrical in other respects. Generally speaking, unemployment affected manual workers more than non-manual ones, men more than women, employees in small firms more than those in larger ones, young workers more than older ones, and foreign workers more than Greek nationals.

Loss of earnings was also significant. Average real gross earnings for employees lost more ground following the onset of the crisis than they had gained in the nine years before that. In the civil service, the loss of earnings was 25 per cent relative to 2009, and 8 per cent relative to 2000. In the banking sector, cumulative losses were 25 and 13 per cent (relative to 2009 and 2000, respectively). In the utilities, pay awards had been extremely generous in 2000–2009 (+57 per cent in real terms), so
recent losses left real earnings in 2013 slightly above what they had been in 2000 (+1.3 per cent). In other private firms, where most job losses took place, real earnings lost an estimated 27 per cent in 2009–2013 and stood at 9 per cent below their 2000 level. Finally, the minimum wage had lost 25 per cent of its real value since 2009; in 2013 it was 10 per cent lower than it had been in 2000 (Bank of Greece 2012). Earnings from self-employment (more common in Greece than elsewhere) also declined, but in that case reliable data were more difficult to find.

Note that the above applied to the formal sector of the economy. In the so-called informal sector (concerning part of the construction industry, agriculture, tourism, and other services), where employers were subject to no constraints other than those implicit in the free play of (unregulated) market forces, earnings may have declined by even more.5

In view of the above, it must be beyond doubt that the Greek crisis has caused severe income and job losses. But has it also caused poverty and inequality to increase?

Predicting the distributional impact of a crisis is less straightforward than may appear at first sight. Its effects on family incomes vary substantially, depending not only on the earnings and employment status of workers directly affected, but also on those of other members of the households in which they live, as well as on the capacity of the tax–benefit system to absorb macroeconomic shocks (Atkinson 2009; Nolan 2009). Moreover, the distributional impact may vary depending on the dimension considered: in a crisis, average living standards may decline, but inequality need not rise, and the estimated effect on poverty will be less pronounced when the relevant threshold is set as a proportion of average (or median) incomes than when it is held constant in purchasing power terms (Jenkins et al. 2011).

In other words, the effect of the Greek crisis on the income distribution has to be estimated directly rather than simply assumed or read off labour market or GDP growth figures. Since income statistics (whether national household budget surveys or cross-national ones like European Union Statistics on Income and Living Conditions (EU-SILC) tend to become available two or three years after their reference period (unlike labour force statistics, which can be typically released within two or three months), the only realistic alternative to waiting is microsimulation (Figari et al. 2011).

Our most recent findings can be summarized as follows. As a result of the crisis, relative poverty (measured by reference to a poverty line of 60 per cent of median incomes) has risen from 20 per cent in 2009 to 21.3 per cent in 2012. Alternatively, when the poverty line is fixed at
60 per cent of 2009 median real incomes, poverty appears to have risen to 38 per cent in 2012. While both indicators reveal different aspects of reality, the latter is arguably better suited to periods of rapid change in living standards, capturing the sense of impoverishment when incomes fall and prices rise (as is currently the case).

Looking at poverty by category, the situation of households headed by unemployed workers emerged as clearly alarming. Not only has their poverty rate increased dramatically (from what was a very high level before the crisis), but so has their relative weight in the population, because of the sharp rise in unemployment among primary earners. Considering the gaps in the social safety net (of which more below), and that long-term unemployment was expected to remain high in the foreseeable future, the plight of those in jobless households had become the new social question par excellence.

Changes in inequality depended on the index used. We estimate that the Gini coefficient has risen moderately, from 0.349 in 2009 to 0.369 in 2012. But we find that the S80/S20 ratio (showing the income of the richest 20 per cent of population as a multiple of that earned by the poorest 20 per cent) has registered a steeper increase in inequality: from 6.1 in 2009 to 7.8 in 2012. Our findings suggest that changes were more significant at the two ends (especially the lower end) of the income distribution than was the case around the middle. Compared with results for Ireland (Callan et al. 2011), and with early estimates for other countries hit by the great recession (Jenkins et al. 2011), our findings suggest that the Greek crisis has made the income distribution more unequal, and has led poverty to increase by a greater extent.

The picture is bleak at the moment; nearly a million jobs have been lost since the onset of the crisis, the unemployment rate is over 25 per cent (ElStat 2012), another 4 per cent of the workforce wishing to work have stopped looking for a job, or are working part-time because a full-time job could not be found (Bank of Greece 2012), and income losses are severe enough to push a staggering 38 per cent of the population below the poverty line (fixed at 2009 levels in real terms). All this implies that the need for social protection in Greece is more pressing than at any other point in the past since the end of the civil war in 1949. The question is: has the welfare state risen to the occasion?

8.3 The welfare state as a villain

In general, a recession (even a ‘great’ one) should not overly trouble a well-designed system of social protection. Mitigating the social effects of
economic crises is what public institutions spectacularly failed to do in the 1930s, but is what (among other things) modern welfare states were created for:

Long lines of the unemployed caused by economic crises are the core business of the welfare state… These are precisely the kinds of emergencies that welfare state programmes and institutions are designed to deal with, so that when a financial crisis turns up we have routine mechanisms… for coping with its consequences.

Castles (2010, p. 96)

On the eve of the crisis, the Greek system of social protection fitted perfectly the celebrated characterization of the southern European model of welfare as a combination of serious gaps in the social safety net and ‘unparalleled peaks of generosity reserved for the protected core of the labour market’ (Ferrera 1996, p. 21).

Social expenditure in Greece had always been lower than the EU27 average (23.5 per cent vs. 26.4 per cent of GDP in 2000), but shortly before the onset of the crisis it had practically converged (26.3 per cent vs. 26.7 per cent of GDP in 2008). In 2009, social expenditure increased as a proportion of GDP in both Greece (to 28.0 per cent) and the EU as a whole (to 29.5 per cent), but the better reflexes of European welfare states in ‘coping with the consequences of the crisis’, as well as the differential timing of the crisis itself in Greece and the rest of Europe, meant that the distance widened again (Eurostat 2012).

Peaks of generosity were mainly – but not exclusively – located in the pension rights of public sector employees (in the civil service and the utilities sectors) and professionals (judges and lawyers, doctors and pharmacists, engineers and architects). Other employees, in private firms outside banking, and self-employed workers did not get such a good deal. In a context of institutional fragmentation, the parameters defining entitlements differed enormously: for instance, the statutory retirement age for men ranged from 45 to 65 years for a full pension. Variation was also wide in terms of contribution rates, minimum length of contributory period, reference earnings, and replacement rates. The general picture was complex, but systematic cleavages could be identified between groups of pensioners, actual or future. In general, pension rules favoured the self-employed over wage earners, public over private sector employees, middle-aged contributors over younger ones, standard over non-standard workers, and men over (most) women.
Pensions had emerged as the most highly contested policy area in Greek politics over the last few decades. In an ageing world, pension expenditure as a proportion of national income was expected to rise everywhere. In view of that, since the 1990s most European countries had taken measures to counter the fiscal effects of unfavourable demographics. By and large, the reforms have defused the pensions ‘time bomb’. For instance, spending on pensions in the EU was estimated to rise gently to 12.3 per cent of GDP in 2040 and 12.5 per cent in 2060. In countries affected by the current crisis, pension expenditure was set to increase a bit more rapidly than in the EU27 as a whole: in Ireland to 6.4 per cent and 8.6 per cent of GDP in 2040 and 2060, respectively; in Portugal to 12.5 per cent and 13.4 per cent; in Spain to 13.2 per cent of GDP in 2040 and to 15.1 per cent in 2060. Nevertheless, nowhere was pension expenditure projected to rise as steeply as in Greece: to 21.4 per cent of GDP in 2040 and 24.1 per cent in 2060 (EC 2009). It was hard to view such a burden on public finances as anything other than unsustainable.

Spiralling deficits were so often analysed in economic (efficiency) terms that it is easy to lose sight of the key fact that they primarily amount to a violation of equity, in this case between generations. Indeed, nothing can undermine the celebrated ‘inter-generational contract’ as much as the decision (it matters little whether by omission or commission) to send the bill for current largesse to future generations of workers and pensioners. It is not difficult to work out what a pension system absorbing almost one-quarter of a nation’s resources might require in terms of contribution rates or, conversely, what the necessary benefit cuts might be if reform were left until too late. Moreover, as explained above, largesse was unequally shared also within the current generation of retirees.

In spite of rising expenditure, poverty in old age remained above the European average (22 per cent vs. 19 per cent). What is more, the gap between Greece and the EU in terms of poverty rates was wider in the 75+ age group (28 per cent vs. 22 per cent). Inequality measures (S80/S20 income quintile share ratio for those over 65: 4.5 in Greece vs. 4.0 in the EU27) told a similar story. In sum, the country’s pension system failed to deploy the huge resources it commanded to meet fundamental distributional objectives.

And yet, although Greek pensions were socially inequitable as well as fiscally unsustainable, attempts at significant reform had ended in failure. A combination of fierce opposition on the part of labour unions and other professional associations, and lack of resolve on the part
of the political class, led to paralysis. Particular episodes of aborted reforms, and of legislation passed only at the cost of nearly total capitulation to the demands of privileged groups, are extensively documented in a growing literature (see references cited in Matsaganis 2011). As explained shortly, the crisis changed all that.

Uneven access to benefits was the main feature of supplementary pensions too. The relevant social insurance schemes concerned about 62 per cent of all insured workers. While coverage was practically universal in the civil service and public utilities, and extensive among private sector employees (95 per cent), it was much more limited in the case of the liberal professions (48 per cent), extremely low for self-employed workers (2 per cent), and almost non-existent for farmers. Since most schemes were set up in the 1970s, and had therefore not yet reached maturity, only 38 per cent of pensioners received a supplementary pension on top of their main pension. While two in three retired employees were recipients of a supplementary pension, this was the case for one in five former members of a liberal profession, and only one in 70 retired self-employed workers (no farmers were involved). Benefits were almost randomly set by each social insurance scheme separately, at between 20 per cent and 45 per cent of end-of-career earnings. From an actuarial point of view (i.e., taking into account future claims of those currently insured), all supplementary pension funds were in deficit.

Elsewhere in the system, gaps in the social safety net were considerable. Child benefits were only substantial for large families, as were family allowances for core workers. In contrast, the majority of families – those with one or two children – received little or no support, even when they lived in poverty. Public assistance with housing costs was limited. The social rented sector was underdeveloped, while a means-tested rent subsidy was only available on a contributory basis, beyond the reach of most poor families. Short-term benefits in the case of sickness or maternity ranged from quite generous (for labour market insiders) to non-existent (for non-standard workers). Disability benefits were extremely fragmented even by Greek standards, with no fewer than ten different categories and 22 sub-categories, often hiding absurd examples of differential treatment (e.g., in 2011, a blind person received €362 per month if in employment or education, but €697 if a member of the legal profession). Contributory unemployment insurance seemed adequate on paper – but its duration was short (a maximum of 12 months) and its coverage inevitably incomplete. As a result of stringent eligibility conditions and very low rates of take-up,
non-contributory unemployment assistance failed to play the major role envisaged when it was introduced in 2001. Finally, Greece remained the only EU country where a comprehensive social assistance scheme, acting as a social safety net of last resort, was not available – not even on a local or regional basis, as in Italy, Spain, and Hungary (Matsaganis 2011).

On a different note, the heavy reliance of Greek welfare on contributory social insurance disenfranchises non-standard workers and their families. The risks inherent in this were fully revealed by the crisis, as hundreds of thousands of workers lost their jobs and hence access to social benefits for themselves and their dependants.7

Health care, as explained elsewhere (Matsaganis 2012), was emphatically not underresourced; there was no shortage of qualified doctors, of hospital beds, or of expensive biomedical technology. Yet, the reputation of hospitals remained poor, many people held doctors in low esteem, and services were costly to users, while the burden of private health spending fell more heavily on lower-income groups. This amounted to a systemic failure whose causes might be identified as design faults (mainly the survival of Bismarck-style social health insurance even after the creation of a Beveridge-style national health service in 1983), blurred lines of responsibility, and poor administrative capacity. To the above should be added what could only be described as a ‘moral crisis’: a significant shift away from ‘knightly’ towards ‘knavely’ behaviour, in Le Grand’s terms (2003). This shift, evident in the rampant individualism and loose ethical standards of medical doctors and other actors, had seriously compromised the norms of public service.

In fact, poor administration and loose standards were evident in other policy areas as well. In March 2012, the government estimated the cost of benefit fraud at over €4 billion, equivalent to 2 per cent of GDP or 13 per cent of all social expenditure! Several factors converged to bring this about. The pervasiveness of a political culture based on the exchange of favours for votes, as shown by the case of invalidity pensions in Crete (traditional battleground of rival politicians), twice as common as elsewhere in the country,8 was one such factor. The complicity, often morphing into full-blown corruption, of medical doctors and local administrators sitting on committees processing disability claims9 was another. Low levels of ‘civicness’ and a widespread attitude of mutual suspicion between citizens and the state did the rest.10

As this brief outline suggests, the Greek welfare state was singularly unfit for the crisis. As a matter of fact, when the crisis did arrive, the policy response was rather feeble. In 2009 and early 2010, a string of ‘special support schemes’ were solemnly announced, targeting existing benefit
recipients, to whom a few hundred euros were paid as a lump sum. Then came the bail-out package, and social policy (like all public policy) came under the strict supervision of the European Union/European Central Bank/International Monetary Fund (EU-ECB-IMF) troika.

8.4 The welfare state as a victim

By far the most popular account of the relationship between the crisis and the welfare state in Greece is that the latter has simply been a casualty of the former. The ‘demolition thesis’ is often invoked in the political discourse, in media reports, and in scholarly publications.11 That the crisis and the policy measures to counter it are profoundly affecting the welfare state cannot be seriously contested. Change occurs in at least two ways. On the one hand, ‘fiscal consolidation’ (i.e., the attempt to reduce budget deficits through austerity policies) may deprive the welfare state of precious resources – unless, of course, special care is taken to protect social benefits and services. On the other hand, the crisis may act as a catalyst for change: a ‘critical juncture’ (Pierson 2004) that makes reforms more urgent than ever, and sets in motion far-reaching transformations.

Rather predictably, proponents of the ‘demolition thesis’ view reforms, irrespective of their actual content, in exactly the same way as cuts: as neo-liberal attacks on the welfare state. To judge the extent to which this view is justified, we need to examine the evidence. Both benefit cuts and welfare reforms are reviewed in some detail below.

8.4.1 Benefit cuts

There is little doubt that social benefits were not made safe from cuts to public expenditure. Pensions, especially higher ones, were significantly reduced in nominal terms. Under the 2010 austerity policies, prior to which pensions (and salaries) were paid in 14 monthly instalments, the 13th and 14th pay checks were abolished: they were replaced by a new flat-rate vacation allowance of €800 p.a. (which was only paid to pensioners aged over 60 whose pension did not exceed €2,500 per month). The vacation allowance was eventually abolished from 2013, under the terms of the 2013–2014 spending review (Law 4093).

A ‘pensioners solidarity contribution’ was also introduced in 2010.12 This amounted to a tax on pensions at steeply rising rates. In 2010, the contribution rate ranged from 3 per cent (pension bracket €1,401–€1,700 per month) to 10 per cent (pensions over €3,500 per month). Pensions below €1,400 a month were exempt. In 2011, all contribution
rates above the €1,701 cut-off point were drastically increased. For pensioners aged over 60, the new rates ranged from 6 per cent in the pension bracket €1,701–€2,000 per month (up from 4 per cent in 2010) to 14 per cent for pensions over €3,500 per month (up from 10 per cent in 2010). For younger pensioners (aged below 60), even higher rates applied: from 12 per cent in the pension bracket €1,701–€2,000 per month, up to 24 per cent for pensions over €3,500 per month. Pensions in the €1,401–€1,700 bracket continued to be taxed at 3 per cent, while those below €1,400 a month remained exempt.

A similar ‘solidarity contribution’ on supplementary pensions was also introduced in 2011: the contribution rate ranged from 3 per cent (€301–€350 per month) to 10 per cent (€650 or more per month). Supplementary pensions below €300 a month were exempt. Moreover, supplementary pensions were further reduced in 2012 by a rate that was inversely related to benefit levels: by 10 per cent for pensions between €201 and €250 per month, by 15 per cent for pensions in the €251–€300 per month bracket, and by 20 per cent for pensions above €300 per month. Supplementary pensions below €200 a month were left intact.

Under the terms of the 2013–2014 spending review, pension benefits were cut again, the rate of reduction being inversely related to total pension income: zero per cent for pension income below €1,000 per month, 5 per cent for pension income between €1,001 and €1,500 per month, 10 per cent in the €1,501–€2,000 pension income bracket, 15 per cent in the €2,001–€3,000 pension income bracket, and 30 per cent for pension income above €3,000 per month.

On the whole, social insurance organizations were caught between a rise in benefit claims and a fall in contribution income. In an extreme case, payment of means-tested rent subsidy, provided by the Workers’ Housing Organization (OEK), was wholly suspended in 2010. What apparently made the scheme vulnerable was the fact that most rent subsidy recipients were non-Greek (even though in most cases fully meeting contributory and other conditions). In a context of rising xenophobia (partly fuelled by concerns about soaring crime rates), the pattern was repeated in February 2011, when, on the suggestion of the far right in parliament, a clause explicitly designed to exclude foreign immigrants (‘a minimum 10 years of permanent and continuous residence in Greece’) was added to the eligibility conditions for benefits to large families.

In a similar condition (dwindling receipts, soaring expenditures), the Manpower Employment Organization (OAED) seemed content to leave
the income test for eligibility to unemployment assistance unchanged in nominal terms since 2001, allowing recipient numbers to dwindle to 733 in 2009 (1,850 in 2010). These figures corresponded to approximately 0.4 per cent (0.7 per cent) of all long-term unemployed workers, or 2.7 per cent (5.1 per cent) of those eligible, respectively.13

Equally unsettling was the government’s misconceived bid to crack down on benefit fraud. In one instance, in November 2010, EKAS (a means-tested top-up on pensions, known as the ‘pensioners’ social solidarity supplement’) was suddenly withdrawn from 15,285 pensioners (about 5 per cent of all recipients) in IKA (the main social insurance agency) alone. When 8,447 of them appealed immediately, they were told their case could not be examined before April 2011, due to a shortage of personnel. The same pattern of administrative ineptitude causing unnecessary hassle and temporary interruption of income support was to be repeated.

Funding cuts also affected the proper functioning of public services, even where the scope for efficiency improvements was substantial. This seems to have been the case with health, on which spending rose fast in the heady years immediately preceding the crisis – in fact, faster than GDP (which, as mentioned earlier, grew itself at an average annual rate of 4 per cent), as shown by the fact that total health spending went from 7.9 per cent of GDP in 2000 to 9.6 per cent in 2007. Much of the extra cost was accounted for by pharmaceuticals: the relevant expenditure increased from 1.4 per cent of GDP in 2000 to 2.0 per cent in 2007. According to the Memorandum, public health spending should be brought down to 6 per cent of GDP or less by 2012 (it was at 5.8 per cent in 2007), while public expenditure on pharmaceuticals should not exceed ‘the European average’ of 1 per cent of GDP (it was 1.78 per cent in 2007 in Greece, up from 0.95 per cent of GDP in 2000).

On that evidence, the required cuts, while significant, should probably have been feasible to achieve in a well-run health service without fatally compromising vital services. The trouble is that the Greek National Health Service (ESY) cannot easily fit that description. If it were better run, doctors and managers on the ground should have been able to eliminate waste and guarantee essential health care on reduced budgets. But this, for reasons briefly analysed in the next section, has not been the case. Instead, the cuts were introduced from above, item by item, were implemented clumsily and sometimes randomly, and seemed to work mostly by creating supply shortages, rather than by achieving proper savings. On the whole, the prevailing mood was a bitter distributional struggle and a scramble for shrinking resources on the part of
those who make their living working for or with the National Health Service.\textsuperscript{14}

Farther from the public gaze, more vulnerable beneficiaries suffered more, as the case of the Home Help programme (a popular domiciliary care scheme aimed at elderly persons able and willing to live at home if supported) demonstrates. Discontinued by the conservatives when European funds ran out, the programme was reintroduced in 2010 by the socialist government in a distorted version: now targeted to elderly persons living with unemployed relatives, the move secured European Social Fund financing but left an estimated 30–40 per cent of previous beneficiaries no longer eligible.

In all these respects, policy makers failed to protect recipients of essential social benefits.

\subsection*{8.4.2 Welfare reforms}

As explained above, Greek pensions, in spite of being fiscally unsustainable as well as socially inequitable, seemed to be immune to reform – until, that is, the Memorandum of Economic and Financial Policies was dictated to the Greek government by the international ‘troika’ of donors (the EC, the ECB, and the IMF) in May 2010.

Indeed, the passage of Law 3863, approved by a narrow majority in Parliament in July 2010, was the first significant pension legislation since the early 1990s. The broad outline of the law had been laid out in the Memorandum – down to the provision that in the new system the annual accrual rate should not exceed 1.2 per cent on average.\textsuperscript{15} The reform, widely criticized as neo-liberal, did indeed imply lower pension benefits and a higher age of retirement for all – especially for some of the privileged groups accustomed to getting much more in benefits than they had ever paid in contributions. Nonetheless, in terms of structure, the reformed system (to be introduced from 2015) might almost be described as Scandinavian – at least, by IMF standards (for a more detailed analysis, see Matsaganis and Leventi 2011).

Specifically, the reform introduced a quasi-universal basic pension and a contribution-related proportional pension. The latter will be calculated as lifetime earnings multiplied by annual accrual rates multiplied by the number of insurance years. To enhance incentives, accrual rates increase with career length, from 0.8 per cent per year for workers with less than 15 insurance years, to 1.5 per cent per year for those with 40+ insurance years. The risk is that low-paid workers, with loose attachment to the labour market and uncertain career prospects, might see little point in paying contributions – and hence face poverty in old age.
The basic pension was set at a modest €360 per month in 2010 prices. Access conditions fell short of full universality: those failing to meet the contributory conditions for a proportional pension will have to pass an income test as well as a residence test.

True to form (and against the advice of the ‘troika’ of donors), the reform accommodated the demands of the liberal professions (medical doctors, law practitioners, and engineers), press workers, and Bank of Greece employees to preserve their own separate schemes, effectively opting out of the reformed system. Moreover, it also protected the acquired rights of public utility workers and banking employees hired before 1983, and those of uniformed workers (the police, military, etc.) irrespective of date of entry. Finally, the reform did not at all affect farmers, whose contributory pension had been phased in gradually since 1998 on more favourable terms. In all these respects, the familiar pattern of powerful groups securing favourable treatment for themselves at the expense of the less powerful reasserted itself – even under emergency conditions.

The 2010 reform (Law 3863) also raised the age of retirement for those eligible to retire from 2011 onwards. More recently, under the terms of the 2013–2014 spending review (Law 4093), the statutory retirement age for future cohorts of pensioners was further raised by two years (except for mothers of young children), while, again, no attempt was made to equalize treatment across categories.

Supplementary pensions had escaped policy makers’ attention for a long time. Even the 2010 reform made no provision for supplementary pensions – or, for that matter, for separation payments paid as a lump sum on retirement to civil servants and workers in public utilities. And yet, in 2012 supplementary pensions were more unsustainable and inequitable than main pensions had been before the 2010 reform.

Supplementary pension schemes had been originally set up to be self-funded: employee and employer contributions would pay for pension benefits, requiring no state subsidy. However, with a typical contribution rate of 3 per cent plus 3 per cent of current earnings, and a benefit rate of 20–45 per cent of end-of-career earnings, it was only a matter of time before the relevant schemes got into serious trouble. In 2009, total expenditure on supplementary pensions reached 2 per cent of GDP, out of a total pension spending of 13.4 per cent of GDP.

In early 2012, the ‘troika’ demanded a reform of supplementary pension schemes ‘designed in consultation with the European Commission, ECB and IMF staff’. Its objective should be to ‘stabilise pension expenditure, guarantee the budgetary neutrality of these schemes, and ensure
medium- and long-term sustainability of the system’ (IMF 2012, p. 62). In the context of strict conditionality, the reform had to be completed ‘prior to the disbursement’ of the next tranche of the loan. In record time, and with no prior debate, a draft bill was hastily prepared, presented to parliament, approved by a majority of MPs (those affiliated to the parties of the ruling coalition), and made it to the statute books as Law 4052 in March 2012.

The reform merged all existing schemes into a single supplementary pension scheme (ETEA), refashioned as a ‘notional defined contribution’ system. Individual benefits will be calculated on the basis of a notional rate of return (linked to the rate of growth of the wage bill of insured workers) and a sustainability factor (adjusting benefits in light of demographic trends to eliminate future deficits), both to be periodically revised by the National Actuarial Authority. The new system will apply to all future recipients of supplementary pensions, with older workers enjoying a smoother transition: for those who entered the labour market before the end of 2000, the new method for calculating entitlements will be introduced on a pro rata basis for contributions paid from 2015.

In view of the above, the 2012 reform of supplementary pensions can be judged as balanced, and with a strong Scandinavian flavour – given that notional defined contributions are the key feature of the Swedish pension system, following its ‘path-breaking’ reform in the mid-1990s (Palmer 2002).

Other cash benefits, comprising the social safety net, were shown earlier to suffer from poor administration, differential treatment, and significant coverage gaps. Nevertheless, nothing was done to put in place a more effective system of social assistance. Nothing, that is, until mid-2012, when an OECD report explicitly commissioned under the provisions of the ‘Greek programme’ recommended the radical overhaul of existing benefits. Specifically, the report’s main recommendations were summarized as follows:

Define and implement a coherent and comprehensive reform strategy for social welfare in order to strengthen the efficiency and effectiveness of social welfare policy and governance. Establish a task force to define the new system and its governance, and to carry the reform process forward. Abandon universal benefits and move progressively to a system of means tested benefits for various groups of people in hardship. Restrict access to social programmes to the poorest income brackets before transfers. Extend unemployment assistance and its duration, based on a means test. Specifically, extend unemployment
benefits by an additional 12 months for existing eligible unemployed, and cover those with no initial entitlement for the same period, based on means testing. Close existing family benefits and replace them with a new single means tested benefit. Close existing disability benefits and replace with a new single means tested benefit. Close the existing housing benefit and replace with a new means tested benefit.

OECD (2012, p. 20)

At about the same time, an IMF periodic review of the ‘Greek programme’ explained that:

In this context, the authorities are to identify 1–2 per cent of GDP in additional savings, with the focus on discontinuing non-essential programs and improving the targeting of core programs. The largest potential savings would be possible through replacing most existing programs with a single, income-tested minimum income scheme targeted at the bottom 20 per cent of the income distribution (with presumptive income also used to control for evasion. Some savings from the reforms – targeted at ½-1 per cent of GDP – would be reinvested in strengthening core programs (for instance unemployment benefits) to protect the most vulnerable.

IMF (2012, p. 19)

The two reform proposals shared a predilection towards means testing, but differed in crucial respects. Most significantly, the OECD explicitly rejected the option of moving towards a guaranteed minimum income scheme, as favoured by the IMF, ‘because of the length of time, transitional cost, and administrative difficulties of such a radical development in the current Greek context’ (p. 57). The objection is certainly not groundless, but could be raised just as well against the principal recommendation of the OCD report that ‘the Greek social welfare system would become anchored in means testing’ with ‘distinct programmes retained for different groups’ (p. 57).

Under the 2013–2014 spending review, aiming to cut public expenditure by 5 per cent of GDP in 2013 and a further 2.25 per cent of GDP in 2014, very little scope was allowed for policies to strengthen the social safety net. Eligibility conditions for unemployment assistance were significantly broadened, a new means-tested child benefit was introduced in place of family benefits targeted to large families, while a minimum income scheme was to be piloted in 2014 in two local areas. Other than that, and as mentioned earlier, cuts in social benefits and social services
were identified as a key source of savings for the purposes of fiscal consolidation: cuts in social spending were to provide 45 per cent of total savings, while increases in social contributions another 5 per cent.

Part of the explanation for this rather depressing outcome was that, of course, new social benefits cost money – which in turn suggests that, in order to make room for new spending, cuts in other areas of public expenditure would have had to be even deeper. As Pierson (2011) has argued, the main reason social programmes have proved relatively ‘resilient’ in the ‘era of permanent austerity’ (from the mid-1970s to the present day) is that, by benefiting large sections of the electorate, they help create coalitions in favour of the status quo. Let us set aside for a moment the fact that the current austerity in Greece is much harsher than the ‘permanent austerity’ of the last four decades in Europe and North America. Pierson’s point implies that the coalitions in favour of new social programmes, not yet in force, and potentially benefiting groups that are weak in political and social as well as economic terms, will be a lot less powerful. There is evidence that this is exactly what has been happening in Greece: defenders of the status quo, ranging from trade unions in nationalized industries to professional associations (judges, engineers, medics) with good connections to the political establishment, have been quite successful in resisting cuts; as a result, most of the burden of fiscal consolidation is shifted onto less powerful groups (civil servants, other public sector workers including university professors), leaving little space for policy measures aimed at the real victims of the recession (the unemployed, the poor).

In health policy, the most significant development was the amalgamation of the four largest sickness funds, covering over 90 per cent of the population, into a National Organization of Health Service Provision (EOPYY), under Law 3918 of February 2011. The new organization will be responsible for providing primary care, including diagnostic tests and pharmaceuticals prescribed out of hospital. It will be funded by employee and employer contributions, as in the constituent sickness funds, supported by a state subsidy set at 0.6 per cent of GDP annually. A further cash injection of €1 billion per year will be added in the transitory period, to account for the costs of providing primary care to farmers, hitherto only eligible for visits to out-patient hospital departments and rural health centres.

By international standards, the provisions of Law 3918 may be seen as rather unremarkable, if not timid. Nevertheless, the reform provoked extreme reactions, including the occupation of the Ministry of Health by medical activists for several days. The main bone of contention was
the remuneration of medical doctors providing services to members of EOPYY. Eventually, doctors were allowed to practise privately, and to work part-time for the organization, providing to patients a maximum of 150 or 200 consultations per month free of charge, in return for a fee of €10 per visit. As a result of this rather odd arrangement, public provision was compromised, as patients had no way of knowing before they set out to visit a doctor whether theirs was among the first 150 or 200 free visits a month.

At the time of writing, the new organization seemed to be in a shambles, as doctors protested that they had not been paid for services rendered, patients protested that doctors were either unavailable or asked for an illegal fee, while the chairman of EOPYY protested to doctors over lack of cooperation, and to the government over inadequate funding.

How can the experience of welfare reform in Greece since the onset of the debt crisis in 2009 be summed up? Without exception, reforms were forced on reluctant governments, on an ill-prepared public administration, on hostile interest groups, and on a (at best) suspicious public – from above: by the ‘troika’ of donors. The fact that domestic actors reacted furiously or passively to reforms limited the latter’s appeal and legitimacy. Moreover, the long years of rapid growth having been wasted, reforms had to be implemented at the same time as funding cuts, reducing policy makers’ room for manoeuvre and their capacity to absorb the frictions inevitably created as welfare programmes moved away from the status quo ante towards a new equilibrium. On the whole, more progress was made where cash benefits (especially pensions) were concerned, while changes were less successful in policy areas (notably health) involving service provision.

8.5 The crisis as an agent for renewal?

The current crisis has found the Greek welfare state poorly equipped to cope with its social consequences. And yet, policy responses over the last three years have mostly failed to redress traditional imbalances and to strengthen social safety nets. As a result, the provision of social benefits and services left many victims of the crisis with little or no support, exactly when the need for social protection was greater than ever. The failure to protect low incomes (coupled with the widespread feeling that other injustices, such as tax evasion at top incomes, remained endemic) has dealt a blow to the acceptability of austerity policies. This, in turn, has fuelled protests against the cuts, and raised serious doubts about the
feasibility of reconciling the expectations of markets abroad with the requirements of democracy at home.\textsuperscript{16}

This was not inevitable: social rights in Greece have always been so unequally distributed between categories that the scope for improving social protection, while at the same time trying to cut budget deficits, remained more substantial than elsewhere. Nevertheless, since the onset of the Greek crisis, policy makers have done little to expand coverage and mend holes in the social safety net using savings from reductions in the generosity of benefits reserved for privileged groups. Rationing resources, scarcer now than ever before, by political influence rather than by need for social protection has often reaffirmed itself as the guiding principle behind the exercise of social policy in Greece.

In the interests of social justice, this evidently had to change. Might not the reforms listed before, recommended (or often dictated) by international agencies, open up opportunities for just such a change? Egalitarian reform brought about through pressure by the ‘troika’? One should distinguish between form and content. The method of many of these reforms was certainly objectionable, if not an offence to democracy and national sovereignty. However, their content was often an unambiguous improvement on current policies. A multi-pillar pension system, with a (quasi-universal) basic pension and a (quasi-actuarial, contribution-related) proportional pension, plus (for most) a supplementary pension set on the basis of notional defined contributions; closer coordination of social health insurance, coupled with tighter control of medical spending; a streamlined system of income support, comprising improved unemployment assistance, single child and disability benefits, and extended housing assistance; the real prospect of a guaranteed minimum income scheme being seriously considered for the first time ever – these items had been on the agenda of egalitarian reform of Greek welfare for years (Matsaganis 2005).

At the time of writing, the future of the euro seemed at risk, and the place of Greece within the Eurozone even more so. It may turn out that popular reaction against austerity reinforces a well-entrenched hostility to reforms, in favour of a nostalgic return to the \textit{status quo ante}. If the preceding analysis is anything to go by, that would be unfortunate. The many failures of the Greek welfare state preceded the current crisis, and made it unfit to cope with its social consequences. Alternatively, a reformed welfare state, less generous to favoured groups, and probably more stringent overall, but also more equitable and more effective at the low end of the income scale, might gradually emerge. The verdict must remain open.
Notes

1. Note that the 2009 figures have (so far) undergone six revisions, the latest in October 2011.

2. It also prompted the celebrated economist and Nobel Prize winner Paul Krugman to comment: ‘If Greece were a highly cohesive society with collective wage-setting, a sort of Aegean Austria, it might be possible to [confront the crisis] via a collectively agreed reduction in wages across the board – an “internal devaluation”. But as today’s grim events show, it isn’t.’ From Paul Krugman’s New York Times blog ‘The Conscience of a Liberal’, entry dated 5 May 2010, rather ominously titled ‘Greek End Game’ (http://krugman.blogs.nytimes.com/2010/05/05/greek-end-game/, accessed 25 April 2013).

3. The term social shock absorber is rarely used in English, but is common in Italian (ammortizzatori sociali).

4. In 2008, the female employment rate in Greece ranked 25th in the EU-27 (only Italy and Malta scored worse). In 2005, the mean age at which Greek men left the parental home was 30 years (see Ward et al. 2006).

5. For a description of ‘the new proletariat’ in Greece, see Mouriki (2010). For a recent analysis of labour market segmentation, drawing on the case of Italy, see Jessoula et al. (2010).

6. This became increasingly evident as the recession deepened. In September 2012 the proportion of unemployed workers receiving unemployment benefit was below 15 per cent.

7. Labour Force Survey data, cited by the Bank of Greece (2012, p. 65), showed that in 2011 the number of those insured with IKA (the general regime) had dropped by 8.7 per cent relative to 2010. The corresponding figures were 8.6 per cent for OGA (the farmers’ scheme), 2.8 per cent for civil servants, and 2.3 per cent for OAEE (the self-employed scheme).

8. In Crete, 20 per cent of all pensions paid to residents of Chania or Iraklio were invalidity pensions, compared with 9 per cent in Athens. Available at: http://www.ethnos.gr/article.asp?catid=22770&subid=2&pubid=63685163, accessed 25 April 2013.

9. In some well-publicized cases, benefit fraud seemed to involve well-organized rackets, as in the Athens district of Kallithea, and in the islands of Zante, Chios, Kalymnos, and elsewhere. In Kallithea, an investigation found that the managers of the local agency of IKA, the largest social insurance organization, had approved hundreds of benefits to illegitimate claimants, with whom they split the profits (http://www.tovima.gr/society/article/?aid=448190, accessed 25 April 2013). In Zante, out of 700 recipients of blind benefit only 40 were found to be eligible. Kalymnos was found to be home to 31 per cent of all disability benefit recipients in the prefecture of Dodecanese, even though accounting for only 8 per cent of its population (http://www.tanea.gr/oikonomia/article/?aid=4703917, accessed 25 April 2013). In Chios, all 450 recipients of blind benefit (an abnormally high proportion of the local population) were re-examined in July 2012 to establish their legitimacy (http://www.ethnos.gr/article.asp?catid=22770&subid=2&pubid=63685163, accessed 25 April 2013).

10. In July 2012, IKA announced it had identified 8,000 cases of pensions paid for persons who had in fact been dead for years (http://www.ethnos.
English readers are referred to the Reuters post ‘Greece pulls plug on 200,000 benefit fraudsters’ (http://www.reuters.com/article/2012/04/25/us-greece-benefits-idUSBRE83O0G420120425, accessed 25 April 2013). With respect to ‘civicness’, only 24.3 per cent of Greek respondents to the 1999 World Values Survey stated that ‘claiming government benefits to which you are not entitled’ was ‘never justifiable’, compared, for example, with 64.9 per cent of Italians (see http://www.worldvaluessurvey.org/index_html, accessed 25 April 2013).


12. The introduction of a pensioners’ solidarity contribution might be seen as a substitute, albeit blunt and inaccurate, for the pension reforms that had failed to materialize until 2010. By taxing more pensioners aged below 60, and those on higher pensions, some justice was restored.

13. According to Labour Force Survey data, the number of long-term unemployed workers was 222,600 in 2009 and 261,600 in 2010 (first quarter). Note that the corresponding figure in the same quarter of 2012 had more than doubled to 632,500. Naturally, not all long-term unemployed workers are eligible for unemployment assistance. As is standard practice, income conditions apply. However, not only is the income test in Greece excessively severe (€5,000 per annum plus €587 per dependent child), but eligibility conditions also include the requirement that recipients have previously claimed unemployment (insurance) benefit, receipt of which expires after 12 months at the most, and, moreover, that their age is above 45. Even so, we estimate the number of those eligible for unemployment assistance at 34,383 persons in 2009 and 36,141 in 2010, which implies a non-take-up rate of 97.3 per cent and 94.9 per cent respectively (Matsaganis and Leventi 2012).

14. Given that medical doctors tend to be an articulate and well-connected professional category, the state of health care in Greece has attracted considerable international interest. As described in a recent editorial of the European Journal of Public Health:

The consequences for Greece’s National Health Service are now apparent. Those in need are increasingly unable to see doctors. Neighbourhood clinics are closing so people must travel further, and those still open face staffing cuts and reduced opening hours; 26,000 public-health workers (including 9,100 physicians) have lost their jobs. Cuts of 40 per cent...
to hospital budgets have led to shortages of medicines and supplies. Those who once purchased private health care are turning to the public sector: admissions have fallen by one-quarter in private hospitals while increasing about 40 per cent in hard-pressed public hospitals.

Stuckler and McKee (2012, p. 2)

The editorial also cites recent studies on the adverse effects of the crisis on the health status of Greeks, including an alleged rise in suicide rates, a finding contested in a more recent paper in *The Lancet* (Fountoulakis et al. 2012).

15. The *accrual rate* is the rate of return on contributions, and is directly related to the *replacement rate* (pension benefits as a proportion of earnings): the replacement rate equals the annual accrual rate multiplied by the number of insurance years. Therefore, a 30-year career with an average accrual rate of 1.2 per cent results in a replacement rate of 36 per cent.

16. For an authoritative account of the current crisis in the light of the perennial tensions inherent in democratic capitalism, see Streeck (2011). For a radical analysis of the recent protests in Greece, see Kouvelakis (2011). For a range of views on the riots of December 2008, in many ways a foretaste of what may lie ahead, see the collection of essays in Economides and Monastiriotis (2009).

**References**


Conference of IARIW (the International Association for Research in Income and Wealth), Boston, 5–11 August 2012.
9

Is the Crisis a Watershed Moment for the Greek Welfare State? The Chances for Modernization amidst an Ambivalent EU Record on ‘Social Europe’

Maria Petmesidou

9.1 Introduction

‘Modernization’ is a slippery term. It may take different meanings in different historical conjunctures and is easily malleable in ideological–political terms. In the 1950s and 1960s the modernization school in development studies equated modernization with Westernization, namely with an evolutionary process in diverse indigenous (traditional) societies (constituting what is called the Third World) towards developing the social, economic, political, and cultural values, structures, and institutions characterizing western capitalism (Bernstein 1971). Since then debate on modernization has undergone various turns, and a raft of different meanings and approaches has emerged in the social sciences field as well as in lay debate.

In Greece, the concept gained momentum in the recent past, particularly in the context of an intense debate on how the country can respond to a pressing need for wholesale institutional and policy change in order to address major challenges in the EU and global context (see Mouzelis 2002). A comprehensive account of the turns and arguments of this debate is outside the scope of our analysis. We approach the idea of modernization primarily through the lens of how it relates to changes in social welfare, and attempt a brief critical account of where current reform is heading. The emphasis is on the reform dynamics under the
current conjuncture of a severe economic and financial crisis expected
to have protracted knock-on effects on Greek society.

This chapter consists of three parts. In a stylized and schematic
way, the first part highlights the limitations and deadlocks of a social
welfare model (prevailing for a long time in Greece) that combined rent-
seeking statist–clientelist practices with a ‘male breadwinner’/‘familialist
regime’. The next part considers the changing content of the ‘modern-
ization project’ with respect to various phases of welfare state devel-
opment, consolidation, and reform in Europe. Successive frames and
definitions of social policy modernization in Europe are taken as a basis
for gauging Greece’s trajectory with respect to welfare state develop-
ment. The third part delves into the question of whether the crisis may
be a spur to rationalize social protection, with the aim of improving
institutional capabilities and social redistribution, or a serious blow to
the (albeit weak) Greek welfare state.

The question whether stringent European austerity and protracted
recession will dismantle social Europe is at the forefront of the analysis.
Such a scenario underpins a deficit-cutting ‘frenzy’, reflecting a mod-
ernization path that leads to residual, stigmatizing programmes for the
neediest. An alternative scenario drawing upon a reconceptualization of
the European social model as a ‘social buffer’ and ‘economic stabilizer’
at a time of crisis could provide fertile ground for an ‘upward conver-
gence’ of social protection systems (Euzéby 2010). This could encourage
a modernization path in Greece towards a balanced mix of solidaristic
elements, redistribution principles, and market choice. Yet, so far, delib-
erate political decisions have made the latter scenario utterly unlikely.

9.2 The peculiarity of the Greek case: Growing social
expenditure without effect on poverty reduction – what
factors can account for this?

Figure 9.1 clearly depicts a parallel convergence of GDP and social
expenditure per capita in Greece (measured in Purchasing Power Stan-
dards) to the respective EU-15 averages over the 1990s and 2000s. It is
noteworthy that, even though the rise in social expenditure during
this period is remarkable, social spending per capita persistently lagged
behind increases in GDP per capita, indicating that the country under-
spent in social protection in terms of its wealth until the eruption of the
crisis.

Markedly, despite rising social spending, the poverty rate remained
high and stable. Thus, actual redistribution has persistently been
limited. The other side of the coin is that expansion of social expenditure was barely framed by universalist social citizenship values. Instead, characteristics such as ‘fragmentation, polarization and particularism’ prevailed for many decades in the post-World War II period (Petmesidou and Mossialos 2006, p. 4).

At the time of the eruption of the economic and fiscal crisis, the main features of social protection in Greece could be suitably described by two parameters: (a) the ‘hybrid’ form of welfare arrangements across the major social policy fields (social insurance, health, social assistance and care), linked to a distinctive pattern of redistribution; and (b) the ‘density of historical time’ in respect to institutional consolidation (Petmesidou 2012c).

The former parameter indicates that social protection persistently exhibited a ‘hybrid’ form, combining a Bismarckian element in social and health insurance with a social-democratic element in hospital care (though health care never reached the level of a fully fledged National Health System). Statutory social assistance and social care are rudimentary and an effective safety net is lacking. More specifically, the Bismarckian social insurance system constitutes the central plank of social protection: hence the predominance of transfer-heavy arrangements geared towards old-age protection, and the paucity of programmes for supporting families, developing housing policies, and

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*The at-risk-of-poverty rate refers to relative poverty and is defined as the percent of people falling below 60 per cent of the national median equivalized income.*

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Figure 9.1  GDP per capita, social expenditure, and the at-risk-of-poverty rate

Source: Own elaboration on the basis of Eurostat data.
tackling unemployment and social exclusion. Income transfers (mostly social insurance benefits, developed along occupational lines with eligibility conditions linked to the ‘male breadwinner’) have persistently been a major component.

More than any other south European country, Greece developed a highly fragmented and polarized system, with wide imbalances among the approximately 130 social insurance funds in existence until fairly recently. In 1982 a social-democratic element was introduced with the establishment of a National Health System, indicating a path shift that, however, remained incomplete (private health expenditure kept growing and multiple health funds with inequalities in coverage continued to operate). As to social care services and social assistance, these still constitute a less developed element of social protection. Means-testing defines access to residual statutory provision, indicating a liberal orientation. Also, in contrast to the so-called Latin rim countries, where low statutory coverage in these policy fields triggered a more or less dense network of NGOs, in Greece third sector social welfare activity remained limited.3 Family provision of social care and, over the last few decades, hiring of informal carers (mostly legal or illegal migrant women) by the family has prevailed. Yet the crisis puts this pattern under great strain.

The flip side of a highly fragmented and polarized Bismarckian welfare configuration is a rather weak variant of the male-breadwinner model in social protection. Income maintenance accruing to the male breadwinner has not been sufficient to cater for family welfare needs. Hence, pooling resources within the family (from a variety of sources: the formal/informal labour market, welfare benefits, etc.) to be distributed to its members and provide support in conditions of hardship has always been a major component of social protection. Pivotal in this (‘familialist’) welfare arrangement are what I call ‘soft-budgeting’ practices pursued by individuals, families, and enterprises that allowed budget imbalances to be transferred to the state through strategies of income appropriation by political means (i.e., on the basis of access to the clientelist poles of power).4 Needless to say, such a mode of socio-political integration hardly favoured a social citizenship view of welfare, but sustained a regressive socio-economic distribution (see Petmesidou 2006 for a more detailed analysis).

Another important parameter of the Greek welfare state (which bears upon its low redistributive effect) is the ‘density of historical time’ in welfare state formation. Institutional changes expanding social rights and social programmes took place in a much shorter time period
compared with northwest Europe. Thus, consolidation of new structures and institutions has been weaker. Besides, expansion of social programmes and new institutions (e.g., the National Health System (NHS)) took place at a time when the ‘welfare states’ in northwest Europe (particularly in the Anglo-Saxon world) were facing drastic contraction policies and a politico-ideological decline of welfare state legitimacy. Soon fiscal constraints became highly pressing in Greece (and in other south European countries), particularly under the project of joining the European Monetary Union. In the 1990s and 2000s cost-containment was a dominant policy guideline of the EU, while, lately, the crisis has triggered a decisive shift in the agenda and politics of the European welfare states towards retrenchment and austerity. Whether this is a ‘game-changing’ turn in Europe prioritizing ‘permanent austerity even if and when the economic crisis will be over’ is an open question (Kvist 2012).

In the next section we will very schematically trace the way ‘modern social policy’ was framed in theory and practice during welfare state formation, consolidation, and reform in Europe. Our focus is to sketch an outline of Greece’s trajectory in respect to the various modernization plans guiding reform in ‘the three worlds of welfare capitalism’, namely, the three main types of welfare state that developed in northwest Europe (Esping-Andersen 1990).

9.3 Framing ‘modern’ social policy

9.3.1 From a curative social policy to ‘neo-liberal’ retrenchment, and the ‘new risks’ and ‘social investment’ perspectives

Defining modernization in respect to welfare state development has persistently been a contentious issue, particularly as the meaning of modernization is embedded in different accounts of welfare state development and regime diversity. Starting with early (structural-functionalist) attempts, welfare state development was regarded as constitutive of the ‘grand project’ of modernization, seen as driven by either the ‘logic of industrialization’ (e.g., the welfare state emerges as the modern industrial economy destroys traditional institutions; Wilensky and Lebeaux 1958), or the ‘logic of capitalism’ (e.g., the welfare state emerges as a response to the inherent contradictions of capital accumulation and the needs of labour power reproduction; Gough 1979; Offe 1984). More fruitful analyses followed, emphasizing diversity in welfare patterns in modern societies and shifting focus to an actor-oriented approach prioritizing the role of class struggle and power resources, with
an emphasis on working-class mobilization and political representation (Korpi 1983; Stephens 1979). Esping-Andersen’s seminal work in 1990 further enriched this perspective by bringing to the fore the significance of class coalitions and socio-political legacies in different groups of countries. This led to a variety of institutional configurations of ‘modern social policy’ (clustering into different welfare state regimes) more or less compensating for the unavoidable negative effects of the market (unemployment, poverty, inability to work because of ill health, etc.). Even though welfare state regimes differed as to their effect on social stratification (and redistribution), an overarching approach to social citizenship anchored in ‘social rights’ commonly framed the modernization path they followed.

On the premise that ‘the mainsprings of modern social policy lie in the process by which both human needs and labour power became commodities, and hence, our well-being came to depend on our relation to the cash nexus’ (Esping-Andersen 1990, p. 35), the ‘modern’ element of the rise and consolidation of welfare state regimes (from the inter-war period until the ‘trentes glorieuses’) is viewed in relation to the degree of protection from the market they could provide, or, in other words, the degree of decommodification of labour they could secure. Hence, modernization of social policy entailed access to social citizenship rights and rationalization of policy programmes with the development of planning and monitoring machineries, so as to promote redistribution. Yet, as welfare state regimes followed diverse socio-historical paths leading to different articulations of ‘social solidarity, divisions of class, and status differentiation’ (Esping-Andersen 1990, p. 55), the scale of comprehensiveness and universality of social citizenship rights varied among them.

The economic crisis of the 1970s and 1980s, and the ascendency of neo-liberalism in the Anglo-Saxon world, created the conditions for eroding legitimacy of the welfare state. Concerns over budgetary constraints steadily grew. ‘Extreme-case’ socio-demographic scenarios of exploding ageing populations threatening the sustainability of social spending also contributed to this. In parallel, a discourse on social needs in post-industrial societies indicates a widening scope of ‘new social risks’ due to changes in family life (massive entry of women into paid employment, difficulties in reconciling work and family life, family instability, single parenthood, and so on) and in employment and work patterns (growing risk of unemployment, and particularly long-term unemployment, expansion of precarious work, and higher risk of poverty during working age). These prompted a significant shift in
the time horizon of social policy from the present to the future: from a social policy protecting from the market, to policies creating opportunities for the individual to plan his/her future within the market. Welfare state modernization was thus (re)framed as an attempt to restore market forces, while decommodification was criticized for nurturing a relationship of dependency that erodes the work ethic and burdens future generations with a high public debt (Alber 2010; Dingeldey 2007; Gilbert 2002).

Notably, the neo-liberal criticism of the welfare state did not significantly impact upon reform in Continental and Scandinavian countries during the 1970s and 1980s. On the one hand, the corporatist–continental welfare state regime responded to the crisis and the imminent economic restructuring with programmes facilitating early exit of the older worker cohorts from the labour market and consolidation of welfare structures. On the other hand, Scandinavian countries persistently pursued social-democratic welfare policies that combined security with integration in employment under conditions of high activity rates. What is more, during the 1980s the social citizenship perspective had been given a boost at the supranational level through Delors’ ambition to balance the market by creating integration with a European space of common social rights and policies. This vision, however, was short-lived, and since the early 1990s the view that public intervention in economy and society should be reduced has increasingly guided welfare state reform. Also distant from Delors’ ambition are the Lisbon Strategy launched in 2000 and its accompanying Open Method of Coordination that reinforced subsidiarity and, hence, national diversity and sovereignty.

Work-oriented human resource development measures (or, in other words, supply-side social policies) have been the main transformative dimension of European welfare states since the early 1990s amidst concerns over budgetary restraint, rising income inequality, and structural unemployment. In parallel, significant parts of pension and health insurance systems have progressively been transferred to the financial markets, advancing privatization (Seeleib-Kaiser 2008).

Over the last 15 years, a gradual convergence of welfare state regimes is observed around strategies for modernizing social models via work-oriented social policies promoting labour market activation of all adults and new forms of investment, especially in human capital. Particular emphasis is also given to early childhood education and care (Vandenbroucke et al. 2011). The Lisbon framework embraced this direction by linking economic dynamism with a social investment state, or
active welfare state, where a modernizing social investment policy is considered to contribute to ‘a virtuous circle combining adaptability, flexibility, security and employability’ (European Commission 2004). It is not our intention here to delve deeply into various versions of such a future-oriented strategy for modernizing social policy – for there is more than one such model on offer. Suffice it to say, however, that social investment loses ground in the face of the neo-liberal ‘workfare’ model. Even countries such as Sweden and Denmark, where for a long time high-quality active social policies prevailed, seem to be progressively moving away from social investment to less costly forms of activation, while compensatory policies (i.e., unemployment and other social benefits) have been drastically reduced (de la Porte and Jacobsson 2011).

Importantly, there are strong indications that the current economic and financial crisis signposts a fundamental change in policy reform with forthright agendas on drastic cuts in benefits, services, and staff and pay of welfare personnel. Such a fundamental change is far distant from both curative and high-quality proactive strategies. Evidently it is not limited to the debt-ridden countries, but is spreading across Europe even in countries with better public finances (Kvist 2012). Turning permanent austerity and retrenchment into a new mainstream is, thus, a highly likely scenario (albeit amidst increasing inequality, poverty, and insecurity). Our focus will shift now to how Greece compares with the successive modernization blueprints briefly outlined above, up to the eruption of the crisis.

9.3.2 Greece is persistently laggard vis-à-vis the successive modernization blueprints of the European welfare state

(a) Weak universalist citizenship values

Drawing upon the modernization plan characterizing the establishment and consolidation of ‘the three worlds of welfare capitalism’, the following remarks can be made. First, commodification of labour proceeded at a much slower pace in Greece compared with northwest Europe. Historical accounts show that petty commodity production predominated for a long time in the country. Hence, for a considerable part of the population the labour contract was not a basis for a person’s survival well into some decades after World War II. Moreover, historical developments since the early twentieth century, on which we cannot expand here, gave rise to a number of characteristics, ‘such as the primary orientation of social
demands towards the state, the weak role of collective bargaining between the social partners, and a social insurance system geared towards high fragmentation and inequalities’ (Petmesidou 2006, p. 28). Most importantly, Greece experienced a rapid shift from agrarian structures to a services-oriented society (skipping industrial development and fordist patterns of production and social organization); the effect being weak collective forms of solidarity and absence of universalist values in welfare provision.

Furthermore, a prominent characteristic which influenced the country’s particular trajectory of economic and social development for a large part of the post-war period was the wide social legitimation that underpinned a mode of income generation and distribution in which the state functioned as a vast apparatus for creating and distributing wealth, income, and benefits by extra-economic, that is, political, means and criteria. This feature does not limit the pre-eminence of market processes in the economy, but stresses that in some domains these processes were extensively conditioned by political intervention (creating ‘windfall profits’ and ‘political rents’ for those groups that enjoyed access to the poles of political power (Petmesidou 1996; 2006). As shown elsewhere, this type of state–society relationship significantly affected social stratification, while differential access to the revenue-yielding mechanisms of the state has persistently been a crucial dimension of social conflict mapping social exclusion/inclusion in society (Petmesidou 2006, p. 37). These conditions considerably hindered a modernization path towards the development of rational–bureaucratic structures and universalist social citizenship values. Instead, the dominant culture supported a particularistic/discretionary system of welfare provision; hence the high degree of fragmentation of social insurance, the great inequalities and gaps in coverage and in the range and level of benefits provided by the various funds, as well as the strikingly low redistributive effect of social benefits. Closely linked to this is also the weak capacity of the state to set goals for social and economic planning and rigorously enforce its implementation. For a long time, the only practice which attracted a wide level of legitimation was ‘that of using the state apparatus as a means of direct or indirect appropriation of resources and social surplus by the winners in the struggle for power’ (Ibid., p. 30).

In this context political parties dominate civil society, and the latter has not succeeded in creating a value system independently of statist practice and ideology. Also, trade unions have been largely
eroded by party political confrontations, and their demands have been strongly influenced by a clientelist practice and culture. Neither voluntary organizations nor any other actors – aside from state and political parties – have ever undertaken substantial initiatives in the social policy field (Petmesidou 1991). As mentioned above, third sector involvement in social welfare (including religious organizations) has persistently been low. Particularly as regards the role of the Church in welfare provision, significant differences characterize Greece in comparison to the Latin Rim countries. In the latter countries, large-scale involvement in social welfare provision by religious organizations, for instance Caritas, reflects the relative strength of the Catholic Church vis-à-vis the state. This is not the case with the Church of Greece, which has always been closely dependent upon the state, and its involvement in welfare provision has not been highly prominent or rigorously institutionalized. Also, Eastern Orthodoxy’s reliance on ‘pre-enlightenment’ dogma that did not support concern about ‘basic physical needs or the social reality of existence’ starkly contrasts with Roman Catholic and Protestant Europe, where concern with social/secular issues was intricately linked with religious values and beliefs.14

(b) The 1980s: Lagged growth in social spending – a sign of modernization?

Social expenditure stood at a very low level in the early 1980s (about 12 per cent of GDP in 1980). Fast growth of social spending followed the rise to power of the Panhellenic Socialist Party (PASOK) in 1981, accompanied by the expansion of social security coverage (pension for the uninsured, farmers’ pensions, etc.). Most importantly, the establishment of the NHS in 1982 indicated a path shift in health care towards universal coverage. Yet, as argued elsewhere (Petmesidou and Guillen 2008), the composition of social expenditure (with a heavy reliance on pensions) did not change, nor were attempts made to rationalize both funding and benefit distribution (blurring of social insurance with assistance elements persisted, as well as discretionary state funding of social insurance), while health reform hardly led to a fully fledged NHS, as a mixed tax and contributions-funded system continued to operate, maintaining significant inequalities in coverage. At the same time, private health spending (in the form of out-of-pocket payments) spiked.
Rising social expenditure and the establishment of new welfare institutions took place in a European environment of controversial ideas and practices. On the one hand, Delors’ vision of a common European model encouraged expansionary reforms in the south at a time when institutions and structures consolidating democracy in Greece, Spain, and Portugal were developing. However, at the same time the ascendancy of neo-liberal ideas prioritized retrenchment, particularly in the Anglo-Saxon countries, and stimulated debate on the need for extensive welfare state recalibration. Interestingly, in Greece during the 1980s, any public planning practice (or public involvement in investment projects) was discouraged, even though steadily increasing state intervention in market processes along statist–clientelistic lines is evident (Petmesidou 1991; 2006).

The emphasis on social provision and issues of decentralization during the 1980s could be taken as an indication of attempts at developing a welfare state. Yet there are hardly any signs of extensive rationalization in the allocation of social spending along the lines of a modernization process embracing the social citizenship tradition of western European societies. Contrarily, resources flowing into the country from the EU significantly boosted social expenditure in the 1980s and 1990s, though under the conditions of a weak welfare state.

The country soon faced serious fiscal constraints that became even more pressing when it embarked on the project to join the European Monetary Union. This considerably stalled expansionary trends and called for comprehensive social reforms across the board.

(c) EU initiatives in the 1990s and 2000s: A spur to modernization?

Following the launch of the European Employment Strategy in 1996 and later of the Lisbon Strategy, reform efforts in the EU prioritized the balancing of social expenditure with economic efficiency goals. Many European countries attempted to control social welfare costs through the introduction of managed competition in various policy areas. Tight performance management methods were put in place, and new regulatory practices were introduced for monitoring target achievement, cost-efficiency, and quality of services, under conditions of deepening austerity (Frericks 2010; Goodship et al. 2004; Pierson 2001; Taylor-Gooby 2001). The Lisbon agenda largely reflects these strategic directions for a ‘modernizing redesign’
of European welfare states, which takes into account increased competition and growing market finance of the economy. It underlines the importance of human resource investment and the fostering of inclusion and social cohesion, which became all the more crucial as economic trends over the last decades intensified inequalities.

Greece faced pressures and challenges linked to this modernization path, particularly as it had to meet the core convergence criteria of the Maastricht Treaty stipulating cost-containment and fiscal discipline. Yet, given the delayed development of a welfare state and the persistence of serious imbalances and clientelistic manipulations, the modernization plan needed equally to promote rationalization of the social protection system (e.g., to tackle fragmentation and inequalities and expand coverage to a number of deprived social groups with hardly any support). Such a need became highly pressing also because of the eroding capacity of the family to act as a major provider of social welfare. Changes in family structure and the excessive burden placed on women mostly account for this.

Notably, over the 1990s and 2000s, the influence of the EU was rather ambivalent. On the one hand, options, visions, and practices promoted by the EU social and employment policy agenda entered the national discourse and guided national strategic plans that the country had to submit to the EU. Piecemeal changes were also introduced, mostly in line with the need for Greece to approximate its legal and policy framework to a range of hard and soft EU requirements. Yet, on the other hand, the adjustments made did not add up to system rationalization and/or recasting along the lines of a social investment modernization plan. What is more, among the social partners (trade unions, employers, and state representatives), no major platform of negotiation and social concertation for radical reform emerged that could tackle pronounced disequilibria in social welfare with roots in a tradition of paternalist–particularist practices of resource allocation. Despite prolific legislation in various policy fields, major issues like the hybrid form of health care (with an overlap of universalist and corporatist organizing criteria), the blurred line between social insurance and assistance, the absence of a safety net, and growing informal privatization with respect to social care were barely touched. Some attempts at increasing labour market liberalization were accompanied by lip service paid to issues of human resource development and the balancing of flexibility with security.
9.4 The crisis as a ‘game-changer’: Is Greece showing the way of a ‘modernization path’ towards dismantling labour and social rights in Europe?

Reform agendas in European countries over the last few years markedly indicate that recalibration and consolidation are giving way to retrenchment and weakening of universalist citizenship. As stressed above, even in Scandinavian countries, we observe a move away from social investment towards less costly activation policies displaying an emphasis on workfare and flexibility with diminishing security.

Inequality and poverty significantly increased even in the bastions of the social-democratic welfare regime (Cantillon 2011). Strikingly, despite the comparatively high employment rates over the 2000s in many EU countries, up to the eruption of the crisis, there has been no decline in people living at risk of poverty in the Union. On the contrary, income inequalities and in-work poverty have increased in many places (Ibid.). This indicates that a mere focus on employment rates (as is the case with the Lisbon Agenda), without strategic efforts to improve the quality of jobs, balance flexibility with security, and promote equality of opportunity as well as of income appears to be misguided, even in times of prosperity.

Since the eruption of the economic and financial crisis, agendas and politics of reform demonstrate that, in contrast to previous decades when blame avoidance by governments and political parties set limits on change in major social policy fields (e.g., pensions and health care), an outright move towards ‘commodification’, workfare discipline, and declining security is gaining momentum in Europe. This is clearly reflected also in the Open Method of Coordination guidelines in major policy fields prioritizing financial sustainability of welfare systems to the detriment of social sustainability.16

Interestingly, in view of this shift of priorities in social protection at the European level, the crisis-ridden countries of the EU periphery (and mostly Greece) are taken to be ‘the canary in the mine’ with respect to testing the limits to social sustainability of harsh austerity, drastic retrenchment, and rising insecurity. The question that arises is whether radical retrenchment of social spending accompanying the bail-out plans indicates a new blueprint for welfare reform in Europe, downwards equalizing public spending on social welfare to a common low denominator. It is outside the scope of our analysis to examine in detail the reforms in various policy fields under the successive bail-out agreements that Greece signed with its international
lenders. Rather, the emphasis is on controversies characterizing the reform, hardly indicating a strategic approach to social protection policy that could improve redistribution. Instead, measures dismantling social and labour rights are implemented that, in parallel with a tax raid disproportionately hurting middle and lower incomes, seriously affect not only the most vulnerable groups but also large sections of middle-class strata (Petmesidou 2011a, b).

9.4.1 Fiscal sustainability versus adequacy and social sustainability

Pensions have been the flagship of change under the bail-out deal. The urgent need for a comprehensive reform has been at the forefront of the academic debate on social insurance for more than a decade. Serious deficits in pension funds, blurred lines between tax funding and contributions, and long lags in policy rationalization exerted great strain on the chronically weak public finances. Law 3655, passed just before the bursting of the sovereign debt bubble, aimed to improve administrative efficiency by drastically reducing the numerous social insurance funds. The above law framed amalgamations in a narrow perspective, as most of the funds retained their distinctive characteristics and regulations. Thus, no positive effects were recorded with respect to system rationalization, and pensions remained high on the agenda of the bail-out plan. The urgent priority of social insurance reform is also underlined by the coordination guidelines under the EU 2020 strategy, which take pension sustainability to be a crucial parameter of fiscal rectitude, while benefit adequacy is subsumed by fiscal priorities.

The 2010 pension reform manifests a ‘pathbreaking’ change from a highly fragmented, Bismarckian social insurance system (based primarily on the first pillar) to a unified, multi-tier system that distinguishes between a basic (quasi-universal) non-contributory and a contributory pension. Furthermore, replacement rates are drastically reduced; pensionable income is redefined on the basis of total career earnings; stricter conditions are introduced for early and regular retirement; measures are taken for equalizing men and women’s retirement conditions (in a staged way); and provisions are made for linking longevity to retirement age (from 2021 onwards). The reform aims at securing long-term viability and promoting distributional justice by eliminating accumulated privileges and inequalities built into a system long nurtured by clientelistic criteria. Nevertheless, fairness problems remain, as discretionary exemptions for some socio-professional groups were retained, while drastic cuts in current and future pensions impact negatively on the
adequacy of benefits. Severe reductions in pension incomes for future retirees will encourage complementary private savings. Yet potential inequalities of access to a funded, occupational pension tier, so far only in a nascent stage, as well as to private insurance, will further impair adequacy. A vicious cycle is already under way, as drastically falling incomes, galloping unemployment, and increasing firm bankruptcies mean lower revenue for social insurance funds, setting off yet another round of pension cuts with detrimental effects on pensioners’ living standards.

At the same time, a blend of regressive taxation policies severely hit middle and lower-income groups, in addition to the regressive impact of increases in value added tax and excise duties on various goods and services, not to mention the 2011 tax reform that reduced the lowest taxable yearly income from €12,000 to €5,000 (a level around the poverty line) and imposed disproportionately high tax rates for low to middle incomes. A regressive effect also characterizes the enforcement of an ‘extra’ property levy in 2011, a kind of ‘poll tax’ charged to all users of property under threat of having their electricity cut. Indeed, these regressive effects are only compounded by a persistently high inflation rate (particularly in basic commodities).

There are no available data as to the impact of a whole range of austerity measures on the extent and intensity of poverty. Yet anecdotal evidence on deteriorating living standards is mounting: pupils fainting in classrooms due to malnourishment, an increasing number of homeless people (estimated at over 20,000 in Athens), and rising numbers of people turning to soup kitchens and other philanthropic help are phenomena extensively recorded by the media. These are, indeed, unprecedented phenomena in the country, at least for the post-World War II generations.

As shown in Figure 9.2, positive trends in poverty reduction among elderly people (over 75 years) were realized in the decade prior to the crisis, but reversed in 2009. An upward trend of the poverty rate (diverging from the EU-27 average) is evident even on the basis of income data up to 2010 that do not wholly reflect the serious effects of the crisis.

As stipulated by the bail-out agreement, fiscal consolidation requires that pension expenditure should not increase by more than 2.5 percentage points of GDP through 2060. This is a very unrealistic premise, though, as the number of retirees will sharply increase over the following years when the baby-boomer generation retires. It can only be realized on the condition of additional drastic cuts in pension income. Problems are further compounded by the over 12 billion
Figure 9.2 Poverty rates for 75 years and above

Source: Own elaboration on the basis of Eurostat data.

euro losses of social insurance funds due to the ‘haircut’ in their government bondholdings (under private sector involvement (PSI) in a complex bond-swap programme implemented in Spring 2012). Needless to say, the effects of the PSI on social funds’ reserves, in parallel with diminishing revenues from contributions due to exceptionally high unemployment, undermine actuarial valuations guiding current reforms. Hence, a spiral of deteriorating fiscal sustainability drives benefits steeply downwards, with increasing numbers of pensioners thrown into poverty; and the vicious circle is intensified under protracted recession and austerity.

As public health expenditure has also been a key source of pressure to the state budget, an overhaul of the health care system is central to structural adjustment, and major planks of reform have been included in the Memorandum of Understanding (MoU) agreed between Greece and its international creditors. Significant developments have been recorded with respect to tackling fragmentation in the governance and administration of public health care (amalgamation of major health insurance funds, redrawing of the map of public hospitals and social care organizations, e-prescribing and e-referrals policies, introduction of diagnosis-related groups as a method of costing treatment,
a new drug-pricing system, changes in hospital procurement and in the NHS cost-accounting system, and compilation of a positive and a negative drugs list). Notably, reforms reflect binding commitments of the ‘rescue-deal’, and as such prioritize the finance of public debt to the detriment of quality, fairness, and universal access criteria.22 The flipside of this is increasing private health expenditure, albeit under conditions of grossly deteriorating incomes. Reforms tend to increase the need for out-of-pocket payments, because of rising co-payments for drugs and introduction of charges for clinical tests and a range of health materials and consumables for specific categories of patients; shrinking scope of treatment coverage in parallel with bottlenecks in primary care provision under EOPYY,23 forcing patients to go private; an entrance fee for all (regular) outpatient services in public hospitals; and other similar measures. Pilot studies conducted at an early stage of the crisis (Kentikelenis et al. 2011) provide ample evidence of how economic hardship and barriers to access to public health (long waiting lists, travel distance to care, etc.) impede people from seeking medical treatment even though they need it.24 Dramatic cuts in public health care spending (around 50% from 2009 to 2013), the shrinking number of beds (even in intensive care units), decreasing public health personnel, and roll-back of coverage do not augur well for meeting any rising demand for public provision (Triantafyllou and Angeletopoulou 2011). Levelling quality and coverage towards a low common denominator is a possible threat with detrimental effects not only on the most vulnerable groups but also on large sections of middle-income groups increasingly thrown into hardship (Petmesidou 2012b).25

Social care (including long-term care) remains a little-developed policy area, albeit badly hit by the austerity measures. A number of social care programmes (such as home help and daycare centres) are under risk of being discontinued, while significant cuts in benefits (in parallel with shrinking household incomes) weaken the ability of households to turn to the informal social care market. So far statutory social care has been seen as a residual measure addressed to the neediest (e.g., home help to the elderly) rather than as a citizenship right. Nor is there a plan for introducing social insurance for long-term care across the working population. Legislation enacted in the context of implementing the second ‘rescue-deal’ (Law 4052/2012) appears to be rather controversial. On the one hand, the law provides for the introduction of an extra contribution (from 1 September 2012, its level to be defined by Ministerial Decision later on)26 with the aim of covering the need for home help of people retiring from 2015 onwards. Yet, on the other hand, entitlement
to the provision of this service will continue to be limited to the most deprived elderly. Evidently, this arrangement not only does not provide social insurance for comprehensive long-term care, but also runs counter to insurance logic and fairness criteria. Given the binding commitment under the MoU to slash non-wage labour costs, it is highly likely that the provision concerning an extra contribution charge will remain inactive. Instead, the tactic of depleting the so-called AKAGE (the Insurance Fund for Inter-Generational Solidarity – a reserve fund, financed by levies on pension income over a certain threshold, for meeting future financial strains on social funds) will be followed in order to cover the cost of a social assistance benefit.

Markedly, under the strong grip of austerity policy, fiscal restraint overshadows adequacy and fairness criteria in the reform process under way. So far, it seems as though fiscal sustainability is incongruent with adequacy in both the pensions and health care fields. What is more, the ‘rescue-deal’ measures highly jeopardize the fiscal sustainability of social organizations, as is evident by the fact that it is not only banks and other major financial businesses that have borne the cost of the recent debt restructuring; social insurance funds also incurred sizeable losses on their government bondholdings. It should also be mentioned that even public hospitals, social care organizations, and higher education institutions saw their reserves, deposited with the Bank of Greece (to be used mostly for covering running costs and paying debts to their providers), fall in some cases by almost 70 per cent, without notice given by the government that they too would be included in debt restructuring. Obviously, if there are no counterbalancing measures, a downward spiral in social provision is imminent, with detrimental effects on social sustainability; the more so as employment insecurity deepens.

9.4.2 Modernization as flexibility without security

Labour markets stand out as the policy field in which abrupt deregulation constitutes the guiding principle of the reform. Undoubtedly numerous, complex, and restrictive legal regulations of a rigid ‘formal’ labour market (benefiting the ‘insiders’), combined with relatively extensive ‘peripheral’ informal employment (the ‘outsiders’) and an institutional stasis in industrial relations have persistently been a serious predicament of the Greek economy. Hence, policy reform in this domain is long overdue and, undeniably, is key to improving competitiveness and turning the economy around. Our emphasis here is primarily on whether the measures introduced under the bail-out agreement have the potential to set forth a transformative process towards sustainable
flexibility balanced with security, or, instead, whether they prompt a ‘race to the bottom’. In the rhetoric of the bail-out agreement a liberalization strategy (i.e., open up closed professions, cut protective regulations, allow flexible entry and exit, and so on) is taken as the solution to all ailments. In light of this, over the last two years, in tandem with drastic cuts in wages and salaries, a recruitment freeze in the public sector, the abolition of permanency for employees of state-owned companies, and a commitment to fire a large number of public sector employees, significant reforms were introduced redrawing the map of industrial relations and employment conditions. Initially, under the first bail-out agreement, legal reform facilitated the relaxation of the application of sector-wide collective wage agreements in favour of enterprise labour contracts (and/or individual contracts); the latter could deviate downwards from wages and working conditions laid down in sector-wide agreements, but provisions of the national collective agreement could not be violated. It also increased the threshold for collective dismissals, reduced severance payments and overtime cost, encouraged temporary contracts by extending the maximum period for them from two to three years, and facilitated part-time and rotation work. Concurrently, sub-minimum wages (e.g., below the level of the minimum wage set out in the national collective agreement) were introduced for young workers. Notably, the second bail-out agreement signed in February 2012 proceeded even further with overriding the national collective agreement, thus putting social dialogue and collective bargaining itself under threat. The insistence by the ‘troika’ on annulling the provision of the 2010–2012 national collective agreement for a 2.6 per cent increase in the minimum wage (to be in force from July 2012) enforced renegotiations between the social partners. These, however, were never concluded, as the government stepped in and unilaterally regulated a 22 per cent decrease in the minimum wage (32 per cent for young workers). Interestingly, the normal parliamentary procedure was bypassed and the regulation came into force through a legal enactment by the president of the Republic and the cabinet (allowed by the ‘Constitution’ exceptionally in cases of emergency). Leaving aside the controversial aspect of this strategy, namely, that in the name of promoting ‘market clearing mechanisms’ the ‘wage floor’ is defined by government fiat, the side effects of this policy are highly revealing in respect to the question stated above.

Given the fact that the minimum wage is the benchmark for all higher wages, part-time and rotation wage rates, as well as of the unemployment benefit, a steep downward move to ‘crashing wages’ has been unleashed. A ‘race to the bottom’ scenario is thus highly likely, if
we also take into account another facet of the recent legal enactment (‘limiting the length and after effects of collective agreements’) that more or less stipulates the expiry of collective agreements and renegotiation of (preferably individual) work contracts, pushing wage rates downwards towards the new minimum level.

Consequently, as the average wage will be falling towards the level of the minimum rate (thus pushing the ratio of minimum to average wage upwards), pressure will mount for further lowering the minimum wage, setting in motion a vicious circle of cuts. Available data so far seem to give credence to this scenario. According to the Labour Inspectorate, in 2011, enterprise-level work contracts concluded on the basis of Law 4024/2011 led to a 25–30 per cent reduction in wage rates. Wages have been further squeezed (reaching even a 60 per cent reduction) in cases where full-time contracts were converted into three hours of work, while in the cases of conversion to rotational work cuts amounted to about 40 per cent. The new, reduced minimum is forecast to drive wages down further, by approximately 25 per cent by the end of 2012.

At the same time, flexible and precarious work arrangements increased dramatically. Indicatively, in the total of new work contracts registered at the Labour Inspectorate, full-time contracts amounted to 79 per cent in 2009; they decreased to 67 per cent in 2010 and to 60 per cent in 2011. On the contrary, part-time and rotational work contracts almost doubled from 2009 to 2011, going from 17 per cent and 4 per cent, respectively, in 2009, to 31 per cent and 9 per cent in 2011. Figures concerning conversion of full-time work contracts into flexible work arrangements are equally staggering. Compared with 2010, in 2011 conversion of full-time to part-time contracts increased by 73 per cent, while the respective rate for rotational work skyrocketed to about 190 per cent (for conversions made with the agreement of the employee) and to 630 per cent (for conversions unilaterally enforced by the employer). As starkly put by the Special Secretary of the Labour Inspectorate, ‘an excessive and even abusive exercise of the flexibility option by employers is clearly evident’.

Such a changing labour market policy agenda, however, is hardly accompanied by policy options towards a proactive social investment policy combining flexibility with skills development, income support, and enforcement of social citizenship rights. Comparative studies on employment quality (measured on the basis of the level of control at work and the effort–reward balance) indicate Greece’s poor performance vis-à-vis other European countries. Poor quality of employment is largely the result of less developed occupational health and safety
standards. It is closely linked with reduced well-being (measured by poor self-rated health) and hardly encourages engagement in the labour force at older ages (Siegrist 2008, pp. 192–198). Until recently, the lack of effort put into education and skills upgrading, as well as into delivering high-quality activation, has been reflected in the comparatively low share of persons at working age participating in lifelong learning (3 per cent in 2010, compared with 24–33 per cent in Scandinavian countries, and about 10 per cent on average in EU-15) and very low spending on active labour market policies (about 0.2 per cent of GDP in 2008, compared with close to 1.5 per cent in Denmark and Belgium). At the same time, income support for cushioning economic hardship is meagre. Evidently, brutal fiscal tightening and social deregulation do not leave much room for a comprehensive social investment strategy. Instead, a dead-end path of competition on the basis of deteriorating working standards, low wages, and drastic cuts in social entitlements is highly probable.

9.5 Conclusion

In this chapter we approached ‘modernization’ from the point of view of social welfare structures and practices in Greece vis-à-vis northwest Europe. We briefly traced the peculiar characteristics of socio-political integration in Greek society and the lagging development of welfare state institutions. We also emphasized the stumbling blocks, over the past decades, to welfare reform that could advance institutional rationalization and effective redistribution along the lines of social citizenship values and criteria that, as stressed above, have been pivotal to welfare state development in northwest Europe.

Two remarks should be made here. First, social welfare modernization in the above sense necessitates wide-ranging changes in economy–society and state–society relationships in Greece (i.e., dismantling ‘clientelist machines’ for the distribution of resources, loosening the grip of political parties on civil society, rationalizing public administration, promoting effective social justice mechanisms, and so on). A comprehensive analysis of these aspects was outside the scope of this chapter. However, the brief overview of the profile and changing trends of social welfare in the last three decades strongly indicates that such major required transformations are still far from being achieved. Second, Greece climbed onto the train of welfare state development with a considerable time lag, in a period when the European social model was coming under strong pressure and ‘social solidarity’ was eroding.
Hence, ‘new blueprints’ of social welfare (emerging at the national and supranational levels, as briefly shown above), which manifestly deviate from universal social citizenship principles, are more likely to guide reform. Such ‘new blueprints’ emphasize a shift from ‘welfare’ to ‘workfare’, from collective responsibility for tackling inequality and poverty to individual responsibility, and strongly support privatization.36

A number of studies clearly indicate a drift towards a modernization plan prioritizing a liberalization strategy at both the EU and national levels. ‘Workfarist’ measures and diminishing security gain primacy over comprehensive strategies balancing flexibility with security (de la Porte and Jacobsson 2011; Hinrichs and Brosig 2012; Kvist 2012). This is highly evident in EU guidelines and recommendations, and in ongoing European national reform strategies. At the same time, however, the crisis conditions bring into sharp relief the fact that, as long as full-scale economic and political integration in Europe is not on the horizon, reform trajectories will be extensively influenced by a country’s location in a ‘hierarchical network’. Within this network a country’s degree of ‘security/insecurity’ will depend on its power to ‘push uncertainty on to other places’ that have a weak capacity to take counter-action (Crouch and Keune 2009, p. 16).

In Greece, as in the other crisis-ridden countries of the European periphery, uncertainty is progressively affecting large sections of the population. As social welfare support for the most vulnerable has persistently been rather low, the majority of cuts in welfare entitlements affect insurance-based schemes (i.e., social groups considered to be labour market and social protection ‘insiders’). These, in combination with regressive taxes, foreclosures because of inability to pay mortgages, bankruptcies, and waves of redundancies seriously hit households and individuals on low to middle incomes, increasing their social and economic insecurity. Growing work precariousness and unemployment, and drastic retreat of an already weak welfare state, trigger steadily rising hardship among large sections of the middle-class strata, thus reducing the gap between them and the very ‘needy’ groups and swelling the ranks of the ‘new poor’. A levelling of welfare coverage and quality towards a low common denominator is also highly evident. This strongly reveals a ‘universalism’, albeit in basic provisions, by what is becoming a deeply residual welfare state.

Interestingly, at the level of rhetoric, the attack on the ‘bastions of privilege’ (i.e., some socio-professional groups previously enjoying generous coverage, such as the liberal professions and employees of state-owned enterprises, among others) in the name of the needy poor,
though not unwarranted, can easily be twisted into discrediting the very idea of universal welfare provision in favour of the neo-liberal safety-net stance (i.e., welfare amounting to only last resort provision).  

Progressive dismantling of social and labour rights is all the more likely if neo-liberal recipes of drastic austerity and deepening hardship are to prevail for many years to come. A gloomy scenario of decimation of large sections of low- and middle-class strata and wide and permanent socio-economic divides can be foreseen for Greece (and probably for some other EU-periphery countries). This leaves little room for optimism about a politics of solidarity in Europe. Instead, it ostensibly makes the crisis-ridden countries a ‘test case’ of how far a drastically changed agenda and politics of welfare state reform prioritizing permanent austerity and retrenchment can be pushed in Europe. This is rather perilous for the European periphery and a bleak prediction for the European welfare states in general.

How far this is an irreversible path for Greece (and Europe) remains an open question. Suffice it to say that reinvigoration of the European Social Model could offer a way out of the crisis by creating jobs and stimulating the economy. If southern European countries opted to deal with the crisis by strengthening, rather than weakening, their welfare states, this could provide an economic stabilizer and a strong social buffer allowing the basic decency of society to survive. To say the least, under a scenario in which Spain and Greece expanded their welfare state services so as to reach the employment ratios in social welfare of the Scandinavian countries (where about 25 per cent of the workforce are employed in public welfare services), unemployment in these countries could be effectively tackled. However, the neo-liberal orientation that reigns in Europe does not leave much room for such a solution to be considered. Rather, harsh austerity and welfare state dismantling in southern Europe prefigures the collapse of the European social model, with ugly and dangerous effects. This is surely a deliberate political decision, as aptly indicated by the Nobel laureate Paul Krugman (2011): ‘The suffering that so many of our citizens are facing is unnecessary. If this is a time of incredible pain and a much harsher society, that was a choice. It didn’t and doesn’t have to be this way.’

Notes

2. A Bismarckian social insurance system is a stratified system in which different social-professional groups are covered by distinct social insurance funds with significant differences in the level of contributions paid and the scope and level of benefits provided (in this system income transfers, in the form of cash benefits provided to the insured persons – that is, the gainfully employed – predominate, and social services lag behind). On the contrary, social welfare systems supporting universal coverage are funded mostly via general taxation and are addressed to the entire population on the basis of universalist social citizenship rights. Service provision is an important element of these systems (examples range from the Beveridge system of a national, flat rate pension and a national health service covering the entire population, introduced in the UK in the mid-1940s, to advanced forms of social-democratic welfare systems – such as the Scandinavian welfare states – securing universalist welfare rights to benefits and services of a wide scope and high level of generosity).

3. Indicatively, in 2011 only about 8 per cent of citizens undertook voluntary work for an organization in Greece (compared to a little over a fifth in Italy and about a quarter in the EU-27; Eurobarometer 2012). The current crisis has exacerbated the need for volunteering work in welfare service provision, as a fast-rising number of people are struggling to provide the basics (food, rent, and utilities) and are turning to charities.

4. ‘Soft-budgeting’ is a term used for an accounting practice in which ‘the strict condition that earnings must always be greater than or, at least, equal to expenses is not obeyed, simply because someone else is paying the difference… [Under the statist-clientelist regime] … the ensuing imbalances are, so to speak, transferred to and dealt with by the state, through its “socially legitimized” capacity to create and distribute revenue by political means and criteria’ (Petmesidou 1996, p. 330). One can give various examples of discretionary appropriation of resources by enterprises, households, and individuals through differential access to statist-clientelistic practices, for example, ‘trespassing of public land and illegal house building on a massive scale in particular localities, large-scale tax-evasion and informal economic activities tolerated by the state, the abuse of invalidity benefits, or even the “discretionary” granting of other types of social benefits and subsidies on a particularistic-clientelistic basis… All these constitute the many aspects of a wealth creation and redistribution process providing what could be called “soft budgets” for individuals and families’ (Ibid.).

5. Health care constitutes a striking example in which a mixed system of both funding and delivery (highly skewed towards private spending) persisted long after the introduction of the NHS in the early 1980s.

6. The 30 years following the end of World War II that constitute the golden age of welfare state development in northwest Europe.

7. See Bonoli (2007).

8. By providing benefits that secured a means of livelihood outside the market. Instead, neo-liberal thinking privileges a kind of ‘do-it-yourself welfare’ – as Klein and Minnar (1995) argue – whereby the state simply ensures the conditions for the self-responsible individual to assess opportunities of future development within a ‘self-healing’ market system.
9. While at the same time it introduced the ‘indefinite discipline’ of competitiveness benchmarking as a neo-liberal technology of governance (Bruno 2009; see also Krugman 1994 for an illuminating discussion of the elusiveness of the concept of ‘national competitiveness’ and why ‘the obsession with competitiveness’ as the cure for all ailments in Europe is not only wrong but dangerous).

10. What Iversen and Wren (1998) call ‘the social service trilemma’, namely, that a trade-off between the three core policy objectives (budgetary restraint, wage equality, and expansion of employment) indicates that only two of these objectives can be successfully pursued at the same time.

11. That is, social policies aiming to invest in people’s capabilities and help them to enter or re-enter the labour market (see OECD 2005).

12. Statist–paternalistic forms of social organization originate in eastern autocracy and are features that Greece shares with the other Balkan countries (including Turkey).

13. A condition often referred to as ‘the primacy of politics’. Given the fact that the ability of the Greek state to effectively plan and implement strategic goals has persistently been limited, ‘the primacy of politics’ consists primarily in the exercise of political control over resources.

14. The cultural–religious legacies of Eastern Orthodoxy are at the forefront of a debate on incomplete secularization (and hence lagging modernization vis-à-vis west Europe; see Payne 2003; Pollis 1993). As Pollis (Ibid.) argues, in contrast to Catholicism and Protestantism, the religious value system of Eastern Orthodoxy does not allow a conceptualization of the person qua ‘individual’. Such a view evolved in Roman Catholic and Protestant west Europe. It constitutes the cornerstone for the development of the concept of ‘human rights’ and is conducive to concerns with social justice and redistribution that lie at the foundation of the welfare state (for the role of religion in social welfare, see Petmesidou and Polyzoidis forthcoming).

15. Given the fact that member countries had to embrace guidelines, strategic options, benchmarking, and other performance criteria, formed in the various fields of coordinated European strategies (e.g., equal opportunities, employment policy and social inclusion, pensions, and health).

16. While social investment (in human resources) becomes a vision for the future that maybe will be retrieved when times look brighter (de la Porte and Jacobsson 2011).

17. For a detailed analysis see Petmesidou (2012a, b).

18. Obviously resistance by the liberal professions to the merging of their distinct social funds with the unified fund for self-employed workers (OAEE) is accounted for by reasonable worries that such a reform would drag entitlements downwards for their funds.

19. As a result, 690,000 people who paid no tax before, some of them with monthly income below the poverty line (calculated at about €500 monthly for a single-person household), will be obliged to pay tax from 2011 onwards. Equally heavy is the burden placed on middle incomes by the new tax rates (the extra burden implied by the new tax scale appears to be disproportionately high for incomes up to €35,000 yearly; Petmesidou 2012a, b). At the
time of writing this chapter a new tax bill was tabled in parliament that abolishes the lowest taxable income threshold as well as various tax brakes and allowances affecting particularly households with children.

20. A highly unpopular levy introduced in order to plug a hole of 2 billion Euros in the 2011 budget, but it was later decided to retain it in the following years’ budgets. The ‘constitutional legitimacy’ of the levy was highly questioned, while DEI (the Public Power Corporation) trade union refused to ‘pull the plug’ in the homes of poor, unemployed, disabled, and highly indebted households. A number of mayors also took a stand against the unpopular property tax. After public outcry, some categories of vulnerable groups were exempted, and, according to a ruling of the highest administrative court of Greece, the sanction of cutting off electricity for non-payment was lifted. In late 2012 about 500,000 households had not paid this controversial tax; 70,000 of them had applied for exemption because of serious hardship.

21. The 2011 EU-SILC data refer to 2010 incomes, when the impact of the crisis was not yet very pronounced. Besides, given the fact that the poverty rate is calculated as a percentage of the median (equivalized) income, a drastic fall in earnings across a wide range of income groups may not result in any significant change in the overall poverty rate, even though a severe drop in living standards may have occurred.

22. In official documents (e.g., the National Reform Programme 2012–2015) fiscal restraint is not accompanied by any concrete measures regarding how to use savings from increased efficiency in order to improve quality and ensure fairness.

23. The ‘National Health Services Organization’ that was established through the amalgamation of the four largest health insurance funds embracing private and public sector workers, self-employed workers, and farmers. Health insurance funds of liberal professions maintained their separate insurance status until September 2012, when they too were amalgamated into EOPYY.

24. Another indicator of the impact of the crisis on vulnerable groups is increased use of free access clinics run by NGOs (e.g., Médecins du Monde).

25. Socio-economic polarization trends and the strain on the middle classes in Europe and the United States (even before the 2007–2008 global credit crunch and the ensuing sovereign debt crisis in the European periphery) are issues extensively documented in the relevant literature (among others, see Chauvel 2010; Hacker and Pierson 2010).

26. Even though, as the National Reform Programme 2012–2015 (Ministry of Finance 2012) states, the Greek government soon plans to legislate to reduce social security contributions (by about 5 percentage points).

27. One can easily infer this from the discussion of the relevant draft bill in parliament. The Minister of Labour, when asked by opposition parties about the incongruence of this proposal with the need to lower non-wage costs, responded with an equivocal answer (audio-visual data basis of parliamentary proceedings accessed at http://www.hellenicparliament.gr/Vouli-ton-Ellinon/ToKtirio/Fotografiko-Archeio/#3a139bb1-c286-4574-92b1-268a48b646c7).

28. To stress that extensive literature on international comparisons (e.g., Blanchflower and Oswald 1994; Sengenberger and Campbell 1994) provides
enough evidence of the imminent danger of drastic deregulation trapping the economy into the syndrome of low wages, low labour standards, and low productivity.

29. From 751 euros (for a single person without dependent children) reduced to 586 euros (gross earnings) or 476 euros (net earnings).

30. And the maternity benefit in the private sector.

31. On the grounds that the minimum rate is too high compared with the (abruptly falling) average.

32. For some thoughts on how the progressive idea of setting up a ‘European minimum wage in the form of a percentage of the average or the median wage’ can have a boomerang effect under the conditions of the crisis and steeply falling wages, see Janssen (2012).


34. Noticeably, although life expectancy (at birth) increased in Greece from 2000 to 2009 by about two years for both men and women (to 82.7 for women and 77.8 for men), healthy life expectancy (at birth) hugely declined (by eight years for women and six years for men), standing at about 60 and 61 years for men and women respectively; Petmesidou (2011b, p. 4).

35. The argument that the welfare state expansion in Greece was part of the reason the country ended up as ‘a client of Europe’s bailout mechanisms’ (Erixon 2012) to a large extent reflects the fact that social expenditure expansion over the last three decades (until the onset of the debt crisis) was not accompanied by comprehensive structural reforms in state–society/state–economy relationships.

36. Goodhart’s comments on social welfare nearing its end in British society (2012) aptly epitomize such a turn.

37. There is ample evidence on how structural adjustment imposed on highly indebted countries by the IMF and the World Bank produced such an effect (Deacon 2007, p. 15).

References


The central intellectual argument posed by the editors of this volume provides a welcome opportunity for revisiting the interpretative scheme of cultural dualism, which I first put forward 20 years ago in an attempt to provide a conceptual framework for better understanding and analysing the relationship between culture and politics (as distinct from political culture) in Greece and its impact on the nature and, ultimately, the quality of Greek democracy.

In focusing on the profound and multi-dimensional crisis which is currently gripping Greece and which has caused untold pain and suffering in ever-widening segments of its population, the editors pose five questions. First, is the crisis a result of incomplete Greek modernization? Second, and conversely, is it the result of the current phase of European modernization and modernity, in the midst of which Greece finds herself caught? Put somewhat differently, is the Greek crisis a symptom of a broader European crisis? Are its roots more European and global than national? Third, is it justified to speak of Greek exceptionalism when pondering the country’s reactions to the crisis? Fourth, is the cultural dualism construct relevant and useful in understanding the current crisis? Fifth and finally, if the last question is answered in the affirmative, what specific insights, if any, can the crisis provide us with in trying to answer the preceding questions?

My immediate and short response to the initial two questions is that they need not be understood as being mutually exclusive. On the contrary, it is both practical and also theoretically useful to treat them as intimately linked and as constituting two sides of the same coin. Such an approach is premised on the view that, whatever internal debates, divisions, contradictions, conflicts, and struggles are contained in the
historical trajectory travelled by Greek society since the War of Independence in 1821–1828 and the founding of the modern Greek state in 1830, it is a historical trajectory which, viewed from the perspective of state structures and institutions, has, in a path-dependent fashion, been decisively influenced by, and embedded in, the European experience and modernity since the beginning of the nineteenth century. Put otherwise, the stillborn political and constitutional experiments of the War of Independence, the Kapodistrian interlude, the Bavarian absolutist legacy, but also the subsequent periods of constitutional rule were all inscribed in what were partly convergent and partly divergent but, nevertheless, clear variants of a European modernizing paradigm: convergent because, to be sure, the constitutional arrangements crafted during the War of Independence and the state structures these envisaged (a) reflected the clear and decisive imprint of liberalism, (b) were driven by a distinct modernization strategy strikingly akin to similar initiatives undertaken during the first two decades of the nineteenth century in Spain, Portugal, and Italy, and (c) were informed by the desire to bring these societies within the fold of ‘Europe’ and of European modernity; divergent also, because the modernization model which Bavarian rule openly espoused during the critical initial years of state-building (1833–1843), so admirably and compellingly analysed by the late John A. Petropulos, was decisively influenced by the absolutist variant of European modernity. The Kapodistrian interlude fell clearly between the two but was also clearly inspired by the logic of modernization, albeit a more conservative one compared with its liberal or revolutionary antecedents, which it disowned.

Seen from this perspective, the answer to the initial two questions posed by the editors of this volume would seem to be that, to be properly understood and evaluated, the current Greek crisis cannot be placed outside the broader context defined by the experience of European modernity, in which the modern Greek experience has, for better or worse, been embedded from the start. This conclusion becomes all the more compelling once viewed from the perspective of Greece’s more recent but ever-deepening anchoring, over the past half-century, and especially over the last 30 years, in the process of European integration, however the latter’s vicissitudes across time may be interpreted.

Such an approach implicitly provides an answer to the sub-set of the second cluster of questions posed by the editors, which asks whether the roots of the Greek crisis are more European or global than national. Once again, the question raises both a methodological issue and a substantive/empirical one. On the level of methodology, this is important
because it touches on an area of social science inquiry that has historically been highly contentious in the study of Greece, to wit, whether domestic or foreign factors should be given precedence, if not primacy, when it comes to analysing and interpreting the evolution of modern Greek culture, economy, politics, and society. Certainly at the level of mass culture, but also within a significant circle of the Greek scholarly community, the prevalent tendency has historically been to privilege explanations giving precedence to external or foreign factors when seeking to identify, explain, or assign political or historical responsibility for events affecting the country’s developmental trajectory and to confront the policy dilemmas which inevitably present themselves in any given historical moment, and which both governments and society are called upon to confront, negotiate, and respond to.

I hasten to clarify that, in raising this concern, I in no way wish to imply that this is a view, however indirectly or inadvertently, adopted by the editors when posing the question at hand. I wish, rather, to render explicit an often implicit and unstated assumption which profoundly impedes and, in the last analysis, distorts social and political analysis in Greece by ultimately steering inquiry in the direction of essentially absolving Greek social and political actors of responsibility for events affecting their society and polity, and of effectively preventing critical and pragmatic thinking and approaches when it comes to identifying solutions to problems, be they policy-related or more broadly political–national, confronting citizens and elites alike. Such an approach is all the more intellectually inadequate and methodologically suspect in the circumstances confronting Greece during the current historical conjuncture, when there is a great temptation to attribute problems and dysfunctions in public policy and performance to external actors or forces, so as to minimize, if not to exorcise, national or domestic responsibility. Taken to its logical conclusion, such an approach carries the noxious danger of creating an illusory reality, in which, since developments and policies are ultimately externally driven, the need for introspection, the search for accountability, and the allocation of responsibility among domestic actors is marginalized, if not obliterated, and institutional and policy inertia carry the day, to the detriment of society, individual citizens, and, ultimately, the country’s capacity to craft a strategy for moving forward and for negotiating the next stages in its never-ending quest for modernity, however this is conceptualized.

The question concerning Greek exceptionalism is more difficult to answer briefly, if only because it poses methodological, if not epistemological, questions which need to be addressed before empirical
evidence is taken into account. To put it succinctly, I remain persuaded that the argument for exceptionalism in social and political analysis should only be invoked as a clear last resort, once, that is, alternative interpretations or arguments more amenable to strategies embedded in the logic of comparative inquiry have demonstrably failed to provide convincing explanations accounting for a particular phenomenon. To proceed otherwise risks falling into multiple conceptual traps linked to essentialist logics or arguments that are inherently resistant to comparison and decidedly prone to conceptualizing problems in ahistorical and transcendental intellectual constructions and categories which implicitly have a distinct, though unspoken, preference for ‘singularity’ and ‘uniqueness’, militating against systematic, let alone ‘scientific’, inquiry and ultimately rendering it well nigh impossible. As I hope to show in what follows, the Greek experience can arguably be subsumed within interpretative frameworks amenable to comparative inquiry, capable of providing firm theoretical ground for plausible, robust, and, to the extent possible, convincing explanations concerning outcomes, and, in the process, rendering recourse to exceptionalist arguments theoretically but also empirically unnecessary.

As regards, finally, the fourth and fifth questions, I will, in the remainder of this postscript, endeavour to demonstrate that the cultural dualism construct continues to provide a (but by no means the) useful analytical tool that retains its explanatory power with respect to the events leading to and surrounding the current conjuncture, and perhaps offers certain additional insights rendering more intelligible some of the more puzzling manifestations of the current crisis at the level of societal behaviour and reactions.

The concluding section of the original essay on cultural dualism, written in 1993, identified three scenarios for the future. The first hypothesized that the social and political forces adhering to the logic and precepts of what I called the ‘reformist’ culture in modern Greek history would successfully utilize the support structures generated by Greece’s membership in the European Union to emerge as the dominant political and cultural force in Greek society and polity. This scenario had two potential sub-options, with discrete individual logics leading to significantly different versions of reformist dominance. The first, which I called the ‘divergence sub-option’, would, I hypothesized, be characterized by the gradual and continuing eclipse of the social and political coalitions adhering to the rival cultural tradition, which I identified as the ‘underdog culture’, and could eventually lead to the latter’s
permanent marginalization. I went on to argue that the hidden cost of this sub-option would be that its outcome would be the result of a long, protracted, and agonizing process that was likely to leave its divisive imprint on Greek society and politics for a long time to come. I added that, though permanently marginalized, the adherents of the underdog culture would henceforth constitute a second, ‘lesser’ Greece, whose existence and survival would affect the quality of politics and ultimately of democracy in the country.

Conversely, the second sub-option would be driven by a convergence logic likely to lead eventually to the dominance of the forces associated with the reformist culture through a process of gradual rapprochement of the two rival cultural traditions. The salient feature of such a process would be the progressive accommodation of forces historically identified with the underdog culture to central tenets of the reformist culture. The incentive for this would be provided by a strategic recognition on the part of the underdog coalition of the risks associated with permanent marginalization and by an equally strategic decision to abandon confrontational politics based on a zero-sum logic in exchange for incorporation into a more moderate political arrangement holding out the prospect of eventually coming to power. I argued that both Alexis de Tocqueville’s analysis of the ancien regime in France and of the way in which an old order transforms itself to confront the challenge of modernity, and also the way processes of democratic consolidation have unfolded through similar strategies in a number of countries in Latin America and southern Europe over the past 40 years, provide telling evidence that the convergence sub-option is theoretically attractive.

The second, less optimistic, scenario I outlined envisaged two antithetical processes: on the one hand, an intensification of the European integration dynamic, coupled with, on the other, continuing Greek lagging in implementing necessary structural changes designed to bring about eventual convergence with the more developed societies in the European Union. Such an eventuality, I noted, could result in two adverse developments for Greece. It could enhance pressures among the more modernized societies and economies in the EU to move to a system of variable geometry and would, as a result, risk relegating Greece to the second or ‘slower speed or tier’. The backlash likely to be generated by Greece’s relegation to this slower tier could well serve as a reverse stimulus capable of enhancing the fortunes of the underdog culture, arresting whatever dynamic the reformist culture’s forces would have, and leading to protracted indeterminacy. I concluded that the stagnation such a
turn of events would be likely to generate could bring forth an inhospitable climate for the further deepening of Greek democracy and for further improving its quality.

The point of departure for the third scenario would be the potentially adverse reactions of EU member-states to the prospects of protracted structural indeterminacy in Greece. It could not be excluded, I argued, that such an eventuality could lead to the adoption of policies or attitudes on the part of the member-states whose net effect would first and foremost be the growing isolation and marginalization of Greece from mainstream EU affairs and trends. Such a turn of events would, in addition, tend to (a) greatly weaken the power position of the reformist sectors in Greek society, (b) commensurately enhance the fortunes of the coalition adhering to the underdog culture, (c) gravely undermine the prospects for reform in the country, (d) adversely affect the likelihood that Greek democracy would continue to evolve along lines enhancing its liberal orientation, and (e) increase the probability that the form of democracy that would eventually prevail would strongly reflect the distinguishing characteristics and populist logic that have long constituted the salient features of the underdog culture.

I concluded that essay by stating that, at the time of writing (1993), Greece stood at a potentially critical crossroads in the long, tortuous, and protracted process of negotiating its path to modernity. The options for the country, as I saw them and as became evident from the overall thrust of my analysis, lay between (a) a movement forward along the path of reform and modernization that would eventually help overcome the confining condition hampering such a breakthrough, which its enduring cultural dualism represented, and (b) becoming mired in the stagnation and inertia characteristic of a structural indeterminacy characterized by the inability of the social and political coalitions adhering to each of the cultural traditions to translate their periodic but ultimately transient ascendancy into permanent dominance and by their incapacity to provide for a strategy capable of leading the country forward. Such an eventuality would be reminiscent of Gramsci’s organic crisis, in which the new is unable to be born and the old refuses to die, so magnificently and graphically captured and evoked on the literary front in Giuseppe Tomasi di Lampedusa’s great historical novel, *Il Gattopardo*.

Fast forwarding now to the present, I would argue that the current crisis seems to have, to a considerable extent, borne out the assumptions underpinning scenarios two and three outlined above. Reduced to its essentials, what is generally referred to as ‘the crisis’ in Greece bundles together three analytically distinct processes, the combined dynamic of
which has given this phenomenon its peculiar intensity and profoundly disrupting impact. The first and more immediately visible of these processes is economic in nature and has unquestionably wreaked havoc in both the financial sector and the real economy, bringing about unprecedented levels of unemployment, ranging from roughly 25 per cent for the labour force as a whole to over 50 per cent for persons under 25 and causing suffering, misery, and despair among ever-widening segments of the population, especially in the urban centres.

The second process involves a crisis of the state and, ultimately, its capacity to govern. Although not fully visible and not sufficiently appreciated at the outset, it has, I would argue, with the passage of time acquired an increasingly potent, indeed noxious, dynamic that, in many ways, subsumes and overshadows the economic crisis, as its incapacity to respond to the challenges associated with critical aspects of the economic crisis, including the massive problems posed by rampant tax evasion, graphically reveals the extremely low levels of its reform potential, at the very moment when structural reform, long delayed and ever-resisted, emerges as the most pressing and compelling priority in the strategy seeking an exit from the broader crisis.

The third process moves the level of inquiry from the domestic to the European level, for there can be no doubt that the crisis in Greece is intimately linked to, and affected by, the broader crisis, which was initially unleashed by the collapse of Lehman Brothers in the United States in the autumn of 2008 but was quickly thereafter transplanted in Europe. In the process, it profoundly disrupted the economies of the EU member-states, above all those of the euro zone countries, where the constraints associated with the single currency have revealed sharp disparities in competitiveness between North and South, and, more broadly, have laid bare the structural weaknesses in the EU’s architectural construction, linked as these are to the profound asymmetry characterizing from the start the relationship between monetary and fiscal structures and policies in the bloc. In this broader context, Greece has emerged as the weakest link in the single currency area and has, during the last four years (2009–2013), had to subject itself to drastic measures seeking to address the major problems linked to its insolvency and, in the final analysis, to avert outright economic bankruptcy.

In other words, the foregoing analysis converges with and, indeed, confirms the editors’ interpretative framework, which views the Greek crisis within the broader context of European and international developments and suggests that the search for explanations and solutions to matters affecting the domestic front cannot be separated from
developments and the search for solutions undertaken at the European level. To take the logic of this argument one step further, I would argue that what I have referred to above as a crisis of the state is, to a very large extent, intimately linked to the European dimension of Greece’s domestic scene. To put it succinctly, the crisis of the Greek state is nothing less than a legitimacy crisis affecting the traditionally dominant paradigm of the Greek state, whose structural weaknesses have been laid bare within the context of the heightened demands for efficiency, efficacy, and effectiveness in governance, which Greece’s membership in the process of European integration has brought forth with a vengeance. I hasten to add that what precipitated this crisis of legitimacy of the state was the abrupt drying up and cessation of cheap credit in Greece, brought about by the financial crisis triggered by the collapse of Lehman Brothers and subsequently exported to the EU’s financial system.

The disappearance of cheap credit had two knock-on effects on the state’s legitimacy: first, it revealed, to a degree insufficiently appreciated by most analysts until then, the instrumental nature of the legitimacy which the state had enjoyed until that point in time. Simply stated, for as long as financial resources were plentiful, as they had been since Greece’s accession to the EU in 1981, and for as long as the cost of credit had been kept at historically low levels, as was the case once Greece entered the Eurozone in 2002, the capacity of the state to dispense patronage freely and plentifully had been taken for granted and had served as a powerful source of legitimation for state activities geared towards income enhancement and redistribution (as opposed to restructuring and reform).

The second effect of the disappearance of cheap credit on the state’s legitimacy was that the loss of the capacity to dispense patronage freely and almost without limits revealed with painful force and unrelenting ferocity the corrosive and ultimately corrupting logic that had long underpinned the operation of the traditional state paradigm. This logic, based pre-eminently on extensive clientelistic practices, on votes-for-jobs strategies, and, ultimately, on a highly instrumental (as opposed to a consummatory) type of legitimacy, constituted a distinguishing feature of the Greek state since its founding in the first half of the nineteenth century.

What, one may ask, was it that made the traditional state and the paradigm underpinning it susceptible to such phenomena? The answer to this question calls for a short excursus on the sources of legitimation of the traditional Greek state. Briefly, there are three: the Napoleonic state model; Max Weber’s concept of patrimonial authority; and his less
noted but, for present purposes, equally significant concept of sultanistic authority. While each of these sources of legitimation is driven by its own distinct logic and, taken separately, can be found in a wide variety of state arrangements and settings around the world, it is the combination of the three and their systematic interaction within a single type of state authority which can be thought of as constituting a discrete, hybrid paradigm worthy of more careful study and systematic elaboration. A salient, illustrative example of such a hybrid paradigm can be thought to include, among others, the successor states of the Ottoman Empire, and especially those where the centralist logic of the Napoleonic model became, over time, more firmly embedded and entrenched. For present purposes, I shall call this the post-Ottoman paradigm and would subsume under it the traditional Greek state model, thereby providing, inter alia, a methodological and theoretical setting for its comparative study.

Let us briefly look at each of these sources of legitimation. Conceived in ideal-typical terms, the Napoleonic state paradigm is characterized by four salient dimensions: first, as concerns state–society relations, this is a paradigm which subscribes to what Guy Peters has described as the organic conception of the state, according to which the state is assumed to be, from its very inception, indissolubly linked to society, serving as an agent of social integration and as a means of privileging uniformity over difference. This is a model which, in general, ascribes less autonomy to society, where governance is very state-centred, and where state administrators face relatively few limits in the exercise of their functions.

Second, the Napoleonic model demonstrates a pronounced legalism in the manner in which it conceives of the role and function of the state and of its administrative and judicial structures. In this conceptualization, the role of the administrator and of the judge is appropriately and effectively to apply the law, deemed to be readily intelligible, in order to attain public ends. In turn, legalism tends to breed formalism, which renders the state and its administrators less receptive to reform and to initiative, and nurtures a conceptualization of accountability that is equally formal and legalistic and, hence, discourages proactivity in decision-making.

Third, as already noted, the Napoleonic model exhibits a strong preference for uniformity in the operation of the state and a clear disinclination to allow for differences and, more generally, diversity. While uniformity has proved to be a useful, efficient, and successful instrument in constructing strategies of state-building, it has also had
an adverse impact on the development of civil society. Finally, the Napoleonic model tends to place fewer barriers to the exercise of political influence over the administration than other state models. Viewed from the perspective of the requisites of reform or of the presence or absence of reform potential, which constitute the backdrop of the current volume, these attributes of the Napoleonic state model effectively constitute confining conditions in Otto Kirchheimer's sense, that is, structural constraints which need to be overcome if a breakthrough allowing the adoption of an alternative reformist model capable of enabling Greece further to approximate governance practices more in line with those prevailing in the European legal order and contributing to the enhancement of the quality of democracy is to be attained.

The second constitutive element of the post-Ottoman state paradigm is based on Weber's concept of patrimonial rule. To put it succinctly, the salient characteristics of the patrimonial state are (a) a highly personalized exercise of power; (b) the absence of a clear distinction separating the state from the ruler's household and the official from the private; (c) the discretionary, unrestrained, and unmediated exercise of power; (d) the personal subservience of state officials to the ruler; (e) the use of tradition as the state's major principle of legitimation; and (f) the tendency to regard the state as a source of provisioning for the ruler. It follows that, by its very nature, the logic of the patrimonial state is alien and inimical to the logic underpinning the rule of law and of the mediated exercise of power, memorably captured by Montesquieu's phrase *corps intermédiaires* in the *Spirit of the Laws* and subsequently enshrined in the logic of constitutionalism and the principle of checks and balances.

What, finally, distinguishes sultanism from patrimonialism is its tendency more often than not to break with and jettison tradition as the axial principle informing the state and restraining the exercise of power, thereby relieving the ruler from the types of constraints which traditional practices and arrangements, as opposed to law, placed upon him or her under patrimonial rule. In other words, the logic informing sultanic state authority is prone to nurturing arbitrariness in the exercise of (personal) power, which often lapses into abuse and, as a frequent corollary, corruption. I note that, in historical terms, the exercise of power in the Ottoman Empire tended to conform to the patrimonial paradigm for most of its long history, well into the seventeenth century. Conversely, from the eighteenth century, when the Empire entered into a period of sharp decline, centrifugal forces began to tear its ruling institutions asunder, and the power of tradition to serve as an effective restraint
on the power of the ruler and his lieutenants vastly eroded and deter-
riorated, the exercise of power came to conform more closely to the
principles of the sultanic paradigm.
To summarize my argument thus far: conceived in ideal-typical terms,
the three-pronged post-Ottoman model undergirding the historically
dominant paradigm on which the Greek state has been operating since
the mid-nineteenth century is not congruent with, or supportive of,
the requisites of a modern state constructed upon legal–rational rules
and operating according to democratic principles. As such, the post-
Ottoman model constitutes part of the problem rather than of the
solution. In other words, the post-Ottoman state paradigm constitutes,
in Kirchheimer's sense, a powerful confining condition to the adop-
tion of those political, constitutional, and legal arrangements capable of
enabling Greece to negotiate the transition to a modern, legal–rational,
democratic state and to take a decisive step forward in its long, tortuous,
and frustratingly protracted transition to modernity.

Moving now to the current crisis and to whether or not the cultural
dualism interpretative framework is relevant to it, I will (a) briefly recall
and summarize the salient points in my original argument, (b) link these
to insights generated by the experience of the crisis and by its impact on
state and society, and (c) attempt to arrive at tentative conclusions about
the likely way forward.

With respect to my original argument, the following central points
appear to have the greatest relevance to the questions which this volume
endeavours to address:

first, that the interaction between what I have termed the reformist
and underdog cultural traditions, and the discrete and sharply
divergent ways in which each conceptualizes Greek historical devel-
opment over the past two centuries, has profoundly shaped rela-
tions between state and society in Greece since independence and
has left its indelible mark on the country, its institutions, and its
people;
second, that the social and political coalitions adhering to the under-
dog culture have, over time, commanded the allegiance of a clear
majority of the Greek population;
third, and with the notable exceptions of the Trikoupis, Venizelos,
and, after 1974, Constantine Karamanlis periods, the underdog cul-
ture has consequently enjoyed a visible ascendancy in the fortunes
of the country for most of its history. More specifically, this ascen-
dancy is most visible in the structures and arrangements linked
to the state apparatus, which, over time, has been colonized to a much greater degree by adherents of the underdog rather than the reformist culture. The results of such a development are clearly visible at the cultural level, and in the administrative culture that the ascendancy of the underdog forces has spawned within the state; fourth, notwithstanding its minoritarian position, and at first glance quite paradoxically, the reformist coalition has been able to exercise an influence on the country’s fortunes that is disproportionate to its size. Its capacity to do so has, in the final analysis, to be understood as a function of the social, intellectual, cultural, and political capital (skills, knowledge, resources, etc.) it has historically been able to command as a result of its greater exposure to, and strong links with, the wider world lying beyond the narrow confines of the Greek state. More specifically, its capacity dexterously to utilize such links in order to build critical bridges to, and maintain alliances with, friendly forces in the more developed societies in Europe, which historically have been intimately linked to reformist, liberal, constitutional and, over time, democratic political arrangements tracing their intellectual roots to the Enlightenment and to the democratic revolutions that it eventually spawned, enabled the Greek reformist coalition to play the critical role of serving as a vehicle for the introduction into Greece of liberal constitutional, legal, and political ideas, as well as arrangements and institutions which have profoundly influenced the country’s political orientation and trajectory down to the present; fifth, that the high moments of the reformist culture’s fortunes, that is, as already indicated, the years presided over by Trikoupis, Venizelos, and, after 1974, Constantine Karamanlis, were linked to periods of pronounced reform and modernization in Greece which profoundly shaped the country’s path to modernity and reinforced its liberal, constitutional, and democratic components, thereby providing for greater convergence with the European experience; sixth, that the resulting cultural dualism which these struggles have spawned has become a permanent feature of the Greek social, political, economic, and cultural landscape and has, in the final analysis, trapped the country in a protracted state of structural indeterminacy from which it seems unable to exit, as neither side appears able to translate its periodic but transient ascendency into permanent dominance; seventh, and most topically, that the likelihood of an exit out of this conundrum, capable of ensuring that Greece is not cut off from the
benefits of reform and modernity that it has managed to accumulate over 150 years so painfully and at such a frustratingly slow pace, ultimately hinges on the country’s capacity to identify a strategy for moving forward, which successfully combines the systematic promotion of structural reform with the measures necessary to minimize and palliate the adverse and often painful consequences of the change in social and political relations which restructuring and reform will inevitably imply for the less competitive segments of society; adherents, for the most, of the underdog culture.

In the historical conjuncture marked by the current crisis, identifying such a strategy and creating the requisite conditions for pursuing it in a systematic, realistic, and, in the final analysis, effective manner requires the political will and the accompanying intellectual and moral resources and courage to engage in a painful reckoning with what I shall call the ‘submerged reality’ of post-authoritarian Greece, that is, with the hidden and ultimately darker aspects of the overall social, economic, political, and cultural reality which Greek society, at both the elite and the mass levels, has constructed over the past 30 years and which have, for the most part, been carefully, meticulously, and systematically kept out of public sight, remaining below the surface of collective consciousness. Put otherwise, identifying such a strategy requires recognizing, acknowledging, coming to terms with, and dealing with an ‘unofficial’ but ubiquitous post-authoritarian reality, whose building blocks were experiences, selectively pieced together over time, from the diffuse but all-encompassing climate of collective euphoria and moral rejoicing and gratification produced by two salient developments. First was the establishment and eventual consolidation of the first genuinely democratic regime in modern Greek history, which made it possible, on the one hand, to leave behind the traumas associated with political instability and breakdown that had been such a distinctive and pervasive characteristic of the past and, on the other, to bring about national reconciliation by effectively integrating into the new democratic regime the large numbers of citizens whom the post-civil war order had effectively marginalized and disenfranchised – thus taking a giant step forward in the direction of healing the wounds of that traumatic event. The second salient development decisively defining the post-authoritarian reality was the gradual but profoundly empowering realization, by elites and masses alike, that membership in the European Community/European Union and participation in the broader European integration project had brought forth multiple, tangible and concrete, novel benefits and
opportunities never before enjoyed by the country, chief among which were a pronounced improvement in standards of living and access to, and a voice in, European and international institutional settings that had long lain beyond the country’s reach.

Simply put, my argument here is that this climate of euphoria and rejoicing which served as a defining building block for the construction of what I shall call the ‘formal’ post-authoritarian reality effectively served as a shield that kept out of public sight and thus made less immediately perceptible a submerged, furtive, second reality defined by a number of unacknowledged or insufficiently recognized and appreciated developments which, over time, had a profoundly adverse impact on the fortunes of the country and on the quality of its democracy.

Salient examples of such developments defining this second, ‘submerged’ reality were:

first, the gradual distancing of the Greek political class at both national and, to a lesser extent, sub-national levels from the population at large. In turn, this novel phenomenon was brought about, and was exacerbated over time, by the sense of omnipotence, invulnerability, and, ultimately, arrogance that the almost unlimited capacity to dispense patronage generated within the Greek political class as an indirect and unintended by-product of political stability and economic plenty linked to the solid anchoring provided by membership in the Eurozone and, more broadly, the structures of the European Community/European Union and the unfolding process of European integration. Though not easily discernible at first, this distancing gradually mutated into a profound societal estrangement which stealthily but inexorably eroded the newfound legitimacy that the transition to democracy and the cultural and political capital associated with this momentous change had so visibly bestowed upon the Greek political class – in the process reversing the weak, instrumental legitimacy that had marked the relationship between elites and masses for most of the modern history of Greece. The high price to be paid for this estrangement would, belatedly but poignantly, become apparent and come explosively to the fore in the course of the economic crisis and in the context of the violent mobilization of ever-widening segments of the population which it brought about.

second, the inexorable and ultimately exponential growth of the state during the post-authoritarian period, with the period after 1982, following accession to the EU and PASOK’s coming to power, and
2001, after Greece's entry into the Eurozone, constituting major milestones in the rapid increase in staff employed by the public sector. In this context, a brief side remark is in order: in and of itself, a large public sector is not a priori and by definition a negative development. What matters, rather, are the uses to which such a sector is put and the strategy, if any, that it is called upon to serve and pursue. To give but one example, the construction of the welfare state in post-World War II Europe necessitated the vast expansion of the state in most of western and northern Europe to serve the goals of social democracy. In the Greek case, the need to construct a welfare state after the fall of the authoritarian regime constituted, prima facie, a sound and compelling reason for augmenting the state apparatus. The manner, however, in which this was done adhered more to the long-standing logic of using the state as a source of absorbing surplus labour and of reducing unemployment than to promoting specific policy goals linked to a particular reform agenda. In short, it is not the size of the public sector as such, but, rather, the quality and use of that size which makes a difference;

third, the spectacular rise in average incomes in Greece after accession to the Eurozone (according to Marc Mazower, the noted Columbia University historian of Europe and of Greece, average incomes grew from half of German income in 2000 ($11,396 vs. $22,946) to two-thirds in 2009 ($26,433 vs. 39,852)) generated an explosive growth in private indebtedness, which, overwhelmingly, was used to support vastly increased spending;

fourth, the huge increase in private and public indebtedness which, as just noted, these developments brought about constituted an integral part of the submerged reality of the post-authoritarian years that remained, for the most, unacknowledged and hidden from public view, overshadowed as it was by the climate of euphoria generated by cheap credit linked to the euro and the vast wave of consumer spending that such cheap credit made possible;

fifth, major losses in productivity, which, though noted and acknowledged by specialists, were, once again, kept at the margins of public consciousness and never fully entered public discourse;

sixth, the virtual absence of structural reform in both the economy and, especially, the state, and the channelling instead of huge sums provided under a multitude of EU structures and projects in the direction of conspicuous consumption centred on private spending;

seventh, the high degree of corruption, closely linked, among other things, to huge budget overruns associated with public tendering
for (a) major public works programmes and, above all, (b) defence spending (aircraft, tanks, submarines). Such corruption constituted, once again, a crucial dimension of the submerged and unacknowledged reality of the period, obscured as it was by the widespread sense of euphoria and collective gratification that the tangible and very visible products of such spending (2004 Olympic Games, highways, seaports, airports, and major bridges) generated in most of Greek society, and especially the capital. I add that this corruption was intimately linked to the mental frame of omnipotence, invulnerability, and arrogance which had come to characterize much of the country’s political class, and simply note that these overruns went unchecked and unaccounted for by the competent state agencies and political authorities;

eighth, the nurturing in society at large of a moral climate of aggressive acquisitiveness and of reckless disregard for risk in the pursuit of profit, which was driven by an enrichissez-vous or ‘fast buck’ mentality endorsed and promoted by the state and the banking sector that lent it their authority. Over time, this climate and mentality reached deeply into, and became entrenched in, all levels of a population whose historical memories and cultural constructs were more closely linked to indigence, deprivation, and austerity, and for whom, consequently, affluence was a historically novel condition which it was inadequately equipped to manage with the requisite degree of care, foresight, prudence, and planning;
ninth, the distinct preference for privileging the democratic–majoritarian element in the formula of governance over that of the rule of law – a development which helped tip the balance in the direction of what, in the original essay on cultural dualism, I called a climate and a mentality of ‘levelling egalitarianism’ that, in an increasingly potent manner, came to mark the operation of the new democratic regime. This relative neglect and, indeed, erosion of the rule of law resulted in the significant weakening of structures capable of serving as institutional counterweights to executive power and, more broadly, the state, and commensurately undermined the consolidation in the Greek constitutional system of an effective system of checks and balances capable of effectively enhancing the quality of democracy in the country;
tenth, the gradual emergence and rapid consolidation in the country’s political discourse of a climate of risk aversion which permeated the entire political spectrum and translated into a rampant and systematic unwillingness to undertake substantive reform. The culture of
fear of what came to be widely referred to as ‘the political cost’, which, over time, was elevated to the level of political dogma and thus came to dominate Greek political life, substantively contributed to the entrenchment of inertia, to privileging tactical, short-term logics in the formulation and implementation of public policy, and, ultimately, to opportunistic behaviour by the country’s political class, geared to the avoidance of hard decisions rather than to serving the country’s long-term needs for structural reform at all levels of state activity, including the economy;

eleventh, the initially highly laudable and socially and politically valued goal of rehabilitating the adherents to the losing side in the civil war, of reintegrating them into the body politic on an equal basis with their erstwhile adversaries, and of according them equal access to the benefits and resources of the state combined with the radical discourse introduced into the political system by PASOK to produce a clear, if not decisive, tilting of the political discourse, the political culture, and, as a result, of public policies in favour of what came to be called the ‘progressive forces’ which, in the new scheme of things, were entrusted with moving the country’s fortunes forward. Over time, such a tilt tended to privilege discourses which, at the declaratory level, strenuously opposed the market mechanism and, more broadly, capitalist arrangements, and, at the level of collective action, served as mechanisms of legitimation for systematic mobilization against state initiatives, projects, and programmes designed to promote structural reform and to render Greek industry and, more generally, economy more competitive. Shielded behind rapidly rising incomes brought about initially by plentiful EU funding and, after Greece’s entry into the Eurozone, by abundant cheap credit, and legitimated by the intellectual climate of euphoria permeating the post-authoritarian years, such actions, while effectively serving the short-term goal of protecting the interests of the less competitive strata of Greek society, in practice ended up obscuring from public view, and diverting policy makers’ attention from, the pressing need for structural reform, for the creation of an economic climate conducive to investment, and to production-driven, as opposed to consumption-driven, growth;

twelfth, the levelling egalitarianism which, over time, emerged as a salient feature of the country’s political culture gradually mutated into a powerful ideological instrument greatly enhancing the logic of resistance to state authority in the name of democracy. To be sure, the late Nicolas Svoronos had very perceptively pointed out that
resistance holds a venerable and exalted position in the pantheon of values informing the Greek public imaginary, which is intimately linked to collective historical memories reaching deeply into Greek history. During the post-authoritarian period, it received renewed legitimacy through the astute, instrumental use of the discourse of democracy and of the rights which a democratic regime bestows upon its citizens. Combined with the enhanced legitimacy which the democratic regime accorded to the country’s centre-left and left forces, resistance to state authority acquired a striking legitimacy in the eyes of large segments of the public, which, in turn, translated into high levels of tolerance for, acquiescence to, and even benign neglect of, violent mass action, including acts of terrorism, that repeatedly in recent memory resulted in massive disruption of life, especially in the capital, widespread destruction of property, and, on occasion and tragically, actual loss of often innocent life.

Taken as a whole, this hidden, furtive, and ultimately dark underside of the dominant, euphoric, and triumphant formal post-authoritarian reality served, in the final analysis, gradually to erode the capacity of the Greek state to pursue reform and exacerbated, instead, its more dysfunctional and problematic aspects— in the process severely undermining its capacity to benefit from the opportunities amply offered over a period of 30 years by membership in the evolving European project. When the crisis came in 2009, the structural weakness generated by the failure to reform came explosively to the fore and served as a potent and painful reminder of the country’s continuing entrapment in a state of structured indeterminacy that has been its most salient feature over time.

In other words, and more directly addressing the concerns raised by this volume’s editors, the noxious legacy of cultural dualism continues to bedevil the country and to serve as a confining condition which needs to be overcome if Greece is to free itself from the constraints preventing it from taking a decisive step forward in the seemingly endless process characterizing its protracted and tortured transition to modernity. Seen from this perspective, the profound crisis in which Greece has been mired for the past four years can also be conceptualized as a forceful reminder of the high political cost inherent in the perpetuation of structured indeterminacy. At the same time, it also poignantly brought to the fore and laid bare the weakened position of the country’s reformist coalition, which, unable to benefit from support from an EU distracted and absorbed by the broader, systemic problems generated by the crisis at both the global and European levels, has increasingly retreated into
defensive positions, in the process ceding the initiative to the rival forces of the underdog culture, whose ascendancy at present appears clear.

Looking to the future

As these lines are written, Greece’s prospects for finding an effective way out of the multiple impasses, both political and moral, in which the dual crisis (of the economy and, above all, the state) has entrapped it over the past four years range from daunting (therefore allowing for a ray of hope, however faint this may be at present) to bleak. On the positive side, one can mention, first and foremost, the visible advances that have been achieved on the economic front, including the likelihood of a first primary budget surplus in many years. Such advances, which have built selectively on measures taken by preceding governments, are linked to hard and painful measures adopted by the country’s coalition government and strenuously pushed forth by its unwavering Minister of Finance, Yannis Stournaras, with the clear support of Prime Minister Samaras. Taken as a whole, they constitute a reassuring, albeit thin and fragile, foundation on which to build further. Equally encouraging signs include the gradual completion of the highly contested process of university reform, which, with the process of nominating the new governing councils in institutions of tertiary education mercifully nearing an end, is finally reaching the point where substantive reform, including the equally contested staff evaluation, can substantively move forward. On the social front, the statistics recording a notable decline in the numbers of illegal immigrants, itself the result of an exodus driven by both state policies of forced repatriation and inhospitable employment conditions, appear to have perceptibly lowered pressures on the country's social fabric, especially in the major urban centres, and to have contributed to a diminution in social tensions between the indigenous and immigrant populations. Finally, in the area of the rule of law, the recent decision by the Ministry of Citizen Protection (formerly Public Order) to clear a building on the campus of the Athens University for Business and Economics (the former ASOEE) of unauthorized occupants, who, for the most part, were not students but trespassers of various sorts, sent a reassuring signal that an attempt is being made to redress the long-skewed balance between rule of law and democracy.

Such hopeful signals notwithstanding, any substantive movement forward will have to tackle the challenges associated with structural reform in the economy and, above all, the state, which has so far mostly eluded the governments of the post-authoritarian period. In this front,
reform of the country’s inefficient, archaic, and largely ossified public administration, and, above all, radical restructuring of its labyrinthine, impenetrable, and ultimately profoundly unjust tax system, constitute the most pressing priority. Based on existing agreements with Greece’s creditors, reform in these areas is to be followed by a number of further major changes designed to loosen the asphyxiating hold over the country’s economic life currently exercised by what is arguably the most regulated economy and one of the most regulated and rigid labour markets in the European Union.

In other words, structural reform lies ahead, not behind, for Greece. And the efforts to attain substantive results on this front will need to overcome the stiff and determined resistance that will be strenuously mounted by those adherents of the underdog coalition who, at present, constitute the primary beneficiaries of existing labour market arrangements, that is, the widespread social strata currently in control of the trade unions and of state structures, including the public administration.

While the final outcome of this tortuous and tormented process remains indeterminate, ultimately a successful negotiation of the crisis itself will hinge on an intractable issue of more conjunctural vintage, which, however, has deep roots in the past: how to address effectively the political, economic, and social manifestations of a moral universe of profound injustice and outrage that have forcefully come to the fore in the course of the crisis and have seized vast segments of Greek society, as the world constructed around the euphoric formal reality of the post-authoritarian years was abruptly and painfully shattered by the economic crisis – in the process bringing to the fore with a vengeance and with haunting force the problems associated with the submerged reality of that same period. Space does not allow sufficient elaboration of this point. Suffice it to note that the tendency to perceive the Greek state as basically unjust has deep roots in Greek society and culture that reach back into the nineteenth century and are intimately linked to the tax system and to an administrative culture whereby the state regards its interlocutors more as subjects than as citizens. For the moment, the most obvious expression of this profoundly embedded sentiment has been the widespread, if not universal, call for accountability and punishment for those members of the country’s political class who are deemed to be implicated in corruption scandals and in non-transparent activities which have resulted in their undue and often provocative enrichment. While such a mood is mostly, if not overwhelmingly, punitive, it is equally clear that outrage rarely, if ever, constitutes a sound
foundation for justice, at least as this term is historically understood in the context of the constitutional legal orders that, over the past century and a half, have gradually become the norm in modern, liberal democracies.

In this context, the cultural dualism construct can prove useful, since it provides two distinct exit strategies and routes forward. I will begin with the underdog culture, whose adherents seem to coalesce around policy options driven by outright opposition to the logic underpinning the programme for restructuring the Greek economy and the state along the lines agreed with the country’s creditors. In line with such opposition, the underdog coalition has advocated policy positions ranging from breaking with the country’s creditors and the pursuit of a go-it-alone strategy patterned after the experience of Argentina to acknowledging the need for reform but seeking to contain its impact on privileged arrangements constituting the bastions of its social base. In striking continuity with past practice, both options accord a central role to the state and conceptualize reform in terms of measures which can be accommodated within the logic of the traditional state paradigm, sufficiently streamlined and reconfigured, as has successfully been done many times in the past, without, however, fundamentally shedding its major characteristics. Neither variant would appear to enable the underdog coalition forces to articulate clear, robust, and compelling visions of a viable exit from the crisis and of moving forward. The result has been a retreat behind tactical moves and proposals addressed primarily, if not exclusively, to domestic audiences and seeking to capitalize on the ubiquitous sentiments of injustice and outrage that the crisis has spawned. Driven as they are by short-term considerations and logics, these scenarios leave tantalizingly unclear the long-term direction leading out of the crisis and to a new beginning. Thus, however paradoxically, while the fortunes of the underdog culture are riding high, profiting from the climate of outrage and injustice that currently dominates Greek society, its capacity to serve as a realistic and constructive alternative for exit from the crisis remains severely circumscribed.

The exit route conforming to the reformist culture’s basic precepts appears, by contrast, to hold out greater promise for dealing effectively both with the broader crisis of the economy and the state and with the climate of outrage and injustice that these have brought forward. A critical component of such an exit route requires a strategy (a) openly, candidly, and decisively combining structural reform with economic growth at the domestic level and (b) systematically and tangibly seeking to ensure and firm up Greece’s membership in the inner
core of the European Union, that is, the Eurozone. To succeed, such structural reform must consciously and overtly jettison practices of the past, such as those which helped construct the submerged reality of the post-authoritarian, and especially the post-1981, period. In other words, success on this front requires a clear shift in policy focus from the short term to the long term, and the replacement of zero-sum by positive-sum logics in the generation and implementation of public policy. In addition, it requires a clear and unwavering commitment to seek systematically to profit from both the symbolic but also the material capital which membership in the European project provides. At the level of policy, such a strategy for reform needs, as a matter of priority, to focus on the complete overhaul of the tax system and on structural reform in the public administration, the health system, the justice system, and education. In short, it implies leaving behind the traditional state model and aligning the reformed state more closely with the principles informing modern, liberal, democratic orders.

The second prerequisite for success in exiting from the crisis is growth. Leaving aside policy initiatives at the micro-level that can contribute to bringing this goal about, at the macro-level, four broad sectors would appear to hold out realistic prospects for both promoting growth and, at the same time, generating meaningful synergies with other policy initiatives designed to promote and consolidate reform. In today’s Greece, these would seem to be agriculture, tourism, shipping and energy – sectors, that is, providing ample opportunities for shifting away from archaic and inefficient conceptualizations of their role in the Greek economy and for endowing them with a production dynamic that can positively contribute to the generation of growth. To give but four brief examples:

In agriculture, significant long-term gains could be envisaged from a shift towards (a) crops and production that are driven not by the logic of using EU subsidies for easy profit but by what the Greek climate, soil, and social organization can sustain, with an eye to generating comparative advantages in both domestic and international markets, and (b) the systematic promotion of technological improvements that would enhance the quality of Greek agricultural products and render them more competitive in the international markets. Olive oil, wine, and nursery-generated products (e.g., fruits and vegetables) capable of benefiting handsomely from ample sunlight throughout most of the year in many areas of the country, especially in the south, spring easily to mind.
In tourism, the policy shift would be to move away from the traditional paradigm centring on sun, the sea (primarily the islands), and romance, which (a) is based on the conditions of the fairly simple, if not primitive, infrastructure of the 1960s, (b) privileges low-budget tourist programmes, and (c) is, at most, temporally confined to no more than four or five months in a year. The alternative, based on a 12-month model focused on both the islands and the mainland, could incorporate activities appealing to important, modern tourist constituencies, such as skiers, trekkers, nature lovers, mountain climbers, diverse ecotourists, and so on, for whom the underutilized physical attractions of the mainland, but also of the islands beyond the coast, would be attractive and could sustain a much higher level of tourist clientele, capable of generating significantly higher income for entrepreneurs willing to undertake such initiatives and for the local populations that would become involved in them. The emergence of luxury tourist enclaves, such as Costa Navarino and Amanzoe, in the southwest and northeast Peloponnesus respectively, constitutes an illustrative example of the opportunities associated with such policy shifts in tourism.

In shipping, the challenge for a reform-driven strategy would be twofold: with respect to the domestic scene, adopting the requisite measures, such as the effective elimination of restrictive labour arrangements driven by the protective logic of cabotage, would help Greece significantly to increase its share of the cruise tourism market. Properly linked with measures promoting reform in tourism, alluded to above, such reform in the domestic shipping industry could generate important synergies capable of benefiting both economy and society. With respect, finally, to the international scene, a reform agenda that would render Greek society and economy more hospitable to investment would stand a good chance of being able to provide incentives to Greek ship-owners to bring more of their fleets under the Greek flag.

In energy, finally, the presence of ample sunlight throughout most of the year in Greece makes it possible to envisage the generation of plentiful and environmentally-friendly electrical power through the systematic and extensive use of (a) solar panel arrays and (b) wind turbines, both of which can be installed in appropriate locations on the mainland and in selected islands. Used prudently and judiciously, both of these options can generate clear synergies with the tourist model described above.

Taken together, such initiatives, effectively and creatively combining a judicious mixture of structural reform and growth, would, if properly implemented, stand a fair chance of bringing forward novel economic
and political arrangements and institutions capable of addressing the policy challenges generated by the biggest crisis Greece has faced since the 1950s and by the concomitant delegitimation of its traditional state paradigm. In so doing, such measures would achieve two aims: first, they would make a decisive contribution to the quality of Greek democracy and to the emergence of a fairer and more just state endowed with the legitimacy and capacity to tackle efficiently the moral universe of resentment, outrage, and injustice linked to the failure of the traditional state paradigm and to the governance practices associated with it; and, second, they would help further anchor Greece within its European Union settings, reaping the enhanced benefits, both symbolic and material, deriving from membership in such a major international organization at a time when, driven by the shocks of the crisis and of the paralytic disruptions it produced within its ranks – in the process glaringly revealing the structural weaknesses of its current architecture – it is itself actively exploring ways of further strengthening its own institutional architecture and of pursuing measures capable of reinforcing its integrative logic, with an eye to more effectively withstanding similar adversities in the future. Membership and participation in such a reinforced and more deeply integrated union of states would afford Greece vastly better protection against future crises and a stable institutional and policy environment within which to pursue the reformist coalition’s project.

Success in this endeavour would also bring Greece nearer to breaking the agonizing stranglehold in which the state of structured indeterminacy, underpinned and perpetuated by the logic of cultural dualism, has held it for almost two centuries. It would also enable the country to take a giant step forward in its long and tormented path away from pre-modern arrangements and structures and to construct its own variant of modernity, endowed with a more fair and more just state, replete with a distinct capacity for reform, more closely conforming to the requisites of liberal, constitutional orders, led by a political class overtly committed to the observance of the rule of law, enjoying a high degree of positive articulation with its society, and, finally, guaranteeing its citizens the benefits of a higher-quality democracy. Conversely, failure to identify a successful exit strategy would risk consigning the country to continuing entrapment in the logic of cultural dualism, to the stagnation associated with structured indeterminacy, and, above all, to painful marginalization and isolation with respect to its European milieu. Such an eventuality, which I analysed in some detail in my original essay on cultural dualism and briefly outlined in the introductory
part of this contribution, would clearly be suboptimal. Time will tell whether the crisis will serve as a catalyst that will bring forth the end of the old order or the birth of a new one. For the sake of the country and of its citizens, all we can hope for is that the wait will not be too long.

Strasbourg, 1 February 2013.
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