Syriza crash lands against the euro

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A man goes to the tailor to pick up a custom-made suit. He puts it on, and notices that the sleeves are too long. When he complains, the tailor says: 'just bend your arms a little'. 'But the collar is too low!' 'Just raise your back a little' says the tailor. 'But the trousers are too long!' 'Just stand on your toes' says the tailor. The man goes out into the street and can barely walk in his new suit. Everyone says: 'poor guy'. 'Yes, but great suit!'.

This joke represents the structure of entanglement of working class Greeks with the euro over the past five years. Unemployment presently stands at 27 percent. Millions have been plunged into poverty and homelessness. The country has seen the biggest increase in inequality and xenophobia in Europe since the 1930s. But hey, at least we've got the euro!

The referendum announced by the Greek government on Sunday is its last-ditch attempt to get some leverage against the latest round of blackmail by the troika of the European Commission, the ECB and the IMF. Whatever the outcome of the referendum, however, the chances that SYRIZA will be able to orchestrate an economic recovery with Greece in the Eurozone are still virtually nought. Let me explain.

During last week's negotiations, the Greek government and its creditors failed to reach agreement on a new bail-out. Part of the reason was IMF's insistence that the revenue-raising measures proposed by the government, amounting to some €8bn, involved too many taxes on the rich. They were therefore likely to choke off the chances of economic recovery. The IMF effectively said: if you don’t cut taxes on the rich—while cutting back on everything else—there isn’t going to be more private investment. For greater investment requires greater net profit, and greater net profit only accrues when taxes on the rich are low. Such is the inexorable logic of capital accumulation in the neoliberal era.

The irony of all this is that, even if SYRIZA reaches an agreement to cut a ‘mere’ 8bn from an already depressed economy, it will, eventually, have to follow IMF advice. For how else will it get the Greek economy out of the depression while committed to the euro? How, in other words, is Greece to reduce its massive reserve army of the unemployed without cutting taxes for the rich, thus raising profits and eventually investment in the private sector?

The standard Keynesian response to this question is: by raising public spending and employment. But this avenue is not open to straitjacketed Greece. If the country had its own currency, then it could print its way out of the recession. But this cannot be done while it is dependent on the ECB for liquidity and interest rate policy. On the one hand, the ECB’s liquidity programmes, disseminated as they are through the national central banks—and ruled by a colonial ideology worthy of Montague Norman—offer a pittance compared to the country’s spending needs. On the other hand, Greece cannot engage in deficit spending due to prior Eurozone commitments, including the Growth and Stability Pact. For these reasons, Greece cannot fund a recovery by resorting to deficit spending or the printing press. It follows that even in SYRIZA’s best case scenario—where Greece stays in the euro and the government gets the deal it wants—it cannot both reduce unemployment and tax the rich. For Greece there is no such thing as a labour-friendly recovery: the Eurozone is a one-way street to labour emasculation. The implication is that there is no way for SYRIZA to implement its programme, or even rudiments thereof.

These important but neglected facts have ramifications for Greece’s immediate future. If the Greek people vote ‘no’ on Sunday, then the Greek government might be able to extract some minor concessions from its creditors and reach a new bailout agreement within the week—that is, assuming that the ECB does not force a Grexit. It will then have to enforce further austerity in order to revive the economy. This is likely to destroy SYRIZA electorally, by bringing about its pasokification and eventual demise. This is the message of the previous paragraph: no Grexit, no labour-friendly recovery. If, on the other hand, the Greek people vote ‘yes’, then the plot thickens further. Say the government does not declare an election. Then it will have to enforce the same kind of austerity that has decimated the country over the past five years. The Greek Left will be all but eradicated for a generation. Say the government does declare an election. It will then have to give in to the creditors’ threats until such time as the election takes place—or worse, enforce austerity on the event of its reelection! The opposition from the Right will naturally blame austerity on SYRIZA’s ‘capitulation’, on its negotiating ‘ineptitude’, and similar gimmicks. Whatever happens, Tsipras’ room for manoeuvre is completely circumscribed by the euro; and you can’t really conduct an orchestra with a straitjacket.