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Expropriation/land grabbing and the role and function of finance: Insights from the Greek case

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Abstract

In classical Marxist terms the expropriation of economic and social activity by "dysfunctional forms of finance in which the appropriation of surplus takes undue, even some sort of systemic, precedence over its creation" (Fine 2010a) is key in understanding financialisation in its current manifestation. The implosion of the finance-ridden debt crisis in the Eurozone periphery has intensified a process of wholesale expropriation/grabbing of public assets, citizens' income, pensions, social and environmental rights and standards. Starting from the 'bailout" countries the expropriation/grabbing exercise spreads out to all member states under the auspices of the EU. Insights from the Greek case are indispensable in rethinking the European project and advancing a progressive left outlook. The grabbing process examined here as regards Greece rests on three pillars: a) austerity with fiscal adjustment and internal devaluation, b) far reaching structural reforms mainly targeting the labour market and c) a colossal plan of privatisation. The volume and the speed of this process in the Greek case exposes the implications of the combined impact of neoliberal policy, of finance–driven indebtedness under a regime of financialisation. It also highlights the role and shortcomings of the dominant neoclassical approach to economics advanced by the mainstream orthodoxy.

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1. Introduction: A “decent shape” for finance capital

“Perhaps our main shortcoming was in our thinking about the financial sector. We had assumed that we could ignore much of the details of the financial sector, that we could ignore the plumbing, if you want to call it this way.”(Blanchard 2012)

When financial transactions across the globe add up to 360 times the value of transactions in goods and services, the global economy is walking on eggshells'
(Ugerteche 2000)

The financial and economic crisis that swept across industrialized countries in 2008 and the subsequent recession, along with their devastating economic and social consequences, starkly exposed the escalating instability of the world financial system. The instability is attested by the IMF itself: the “very fragile” global financial system, according to the IMF, requires deeper reforms to move “the financial system in the right direction” (IMF 2012).

One would not expect the IMF to posses the clarity of a Marxist understanding of reality to see the broader implications of financialisation as a systemic transformation of the capitalist mode of production. From a left perspective, however, what is meant by a “decent shape” for global economy by 2022 is abundantly clear. The neoclassical theoretical and the neoliberal ideological underpinnings of financialisation should leave no doubt about any “decent shape” proposed by the IMF for the global economy. The aim is to consolidate the neoliberal transformation that ruling forces intend to impose and implement making the world safer for finance capital and its expansion to the detriment of the working masses.

At the same time, the debt issue—fostered with crippling policies of austerity– will be instrumental in furthering the massive “experiment in laissez-faire capitalism” (Freeman 2010, 165) that began in the US in the 1980s. In Europe this experiment has been steadily advanced by the European Commission over the last two decades to promote liberalisation, flexibilisation and deregulation. The debt crisis in the Eurozone periphery provides the occasion to expand this exercise by establishing across member states a regime of permanent austerity and structural reforms mainly in the labour market. Despite the dismal failure of this agenda in Greece, and elsewhere, the new European economic governance structures institutionalise austerity in the EU, including attacks on social rights and standards.

In fact, the implosion of the finance-ridden debt crisis in the Eurozone periphery has intensified a process of wholesale expropriation/grabbing of public assets, citizens' income, pensions, social and environmental rights and standards. Starting from the 'bailout" countries the expropriation/land grabbing exercise spreads out to all member states.

The volume and the speed of this process in the Greek case exposes the implications of the combined impact of neoliberal policy, of finance–driven indebtedness under a regime of financialisation. The economic and social consequences suffered by Greece exemplify the predatory grabbing nature of financial capitalism and the profound social transformation brought about by financialisation. Insights from the Greek case are indispensable in rethinking the European project and advancing a progressive left outlook.

2. Financialisation, expropriation and indebtedness

Any meaningful discourse on financialisation in the light of the 2007–08 meltdown and the ensuing debt crisis that has gripped Europe should be conducted in an analytical framework that takes into account the historical dynamics and contradictions of capitalist finance in the second half of the 20th century.

In classical Marxist terms the increasing appropriation of economic and social activity by "dysfunctional forms of finance in which the appropriation of surplus takes undue, even some sort of systemic, precedence over its creation" (Fine 2010a) is key in understanding financialisation in its current manifestation.

In the financialisation discourse theories tend to trail behind rapidly evolving societal and economic changes. A commonly agreed definition and conceptualization of the term, however, is yet lacking (Lapavitsas 2011, 611; Epstein 2005, 3). Financialisation, a concept rooted in Marxist political economy [1] has been widely discussed in the crisis context to refer to the "increasing dominance of the finance industry in the sum total of economic activity" including the role of financial institutions ad elites in the operation of the domestic and international economies. (Epstein 2005,3; Fine 2010b; 2011, Lapavitsas 2011).[2]

1 The use of the term "financialisation" gained frequency around the early 1990s. The earliest systematic examination was carried out by Magdoff and Sweezy beginning with in the late 1960s articles in the *Monthly Review* and continuing through the 1970s and 1980s.

2 The recent expansion of the relevant literature has been accompanied by a proliferation of definitions and critique from different schools of thought—mainly from Marxist, post-Keynesian and other heterodox approaches. An exhaustive exposition of the relevant literature is beyond the scope of this essay. For a comprehensive discussion see, among others, Krippner (2005, 2012) and Lapavitsas (2009, 2011)

In the theoretical analysis of financialisation grounded on the methodological approach of classical Marxism and the classical Marxist debates on imperialism and finance capital financialisation is defined as a systemic transformation of advanced capitalist economies and links the main features of this systemic transformation to the present economic behaviour of productive capital, banks and workers, with important implications for capitalist profit making (Lapavitsas 2009a, 2010, 2011).

Influencing pervasively economic policy and outcomes, financialisation transforms the operation of the economy at both the macro and the micro level (Palley 2007). Starting with the massive restructuring of capital in the wake of the 1970s crisis, financialisation was underpinned by the 'free market' ideology and advanced as policy by state power to consolidate its influence globally. The defining characteristics of this consolidation process of financialisation in the global economy are: i) capitalist accumulation, ii) the state iii) ideology and iv) the reproduction of the working class as finance plays a key role in increasing personal debt under low wage regimes (Saad-Filho 2011). The evolution and the complex interaction of these characteristics are at the root of the contradictions that have been generated crises that reproduce themselves in a perpetual cycle deepened the indebtedness of countries and people and intensified the exploitation of workers furthering the grabbing of wages, assets and rights.

3. Trapped in finance-driven debt: The case of Greece

The crisis in Greece is fundamentally related to the fallout of the 2007–2009 crisis, the flawed EU monetary and financial architecture, the institutional bias/malfunction of the eurozone and to the increasing financialisation of European economies (Lapavitsas et al. 2010). The spiraling sovereign debt of Greece and the economic and social consequences of the successive loan packages exemplify the predatory nature of financial capitalism and the profound social transformation brought about by financialisation.

3.1. Background

Greece has implemented key aspects of the neo-liberal project since the mid-nineties as part of the country's bid to join the EU. Between 2001 and 2007, Greece registered high growth rates with an average GDP growth of 3.6% between 1994 and 2008 (IMF 2011). This growth, however, was achieved against a background of persisting macroeconomic imbalances and structural deficiencies that were compounded by chronic flaws in the country's political system including clientelism, rent-seeking and corruption. [3]

At a time when ample access to unlimited credit in financial markets was the rule, Greece borrowed substantially from international capital markets to fund its twin budget and current account deficits just as other countries of the Eurozone periphery did. Excessive reliance on financial global markets, however, left the Greek economy vulnerable and defenseless against the global recession that followed the 2008 financial crisis. Under tremendous speculative pressure from financial markets Greece in May 2010 was forced to seek a bailout loan package.[4] The IMF style conditionality [5] of the SEAP, committed the Greek government to implement to a structural and economic adjustment programme (SEAP) with successive rounds of strict austerity and wide ranging structural reforms for the release of each loan installment.

What was presented as rescuing a state in need, in fact is a 'bailout' for banks and investors in sovereign bonds who despite widely reported state profligacy and deficient fiscal discipline bought large chunks of Greece's sovereign debt, drawn by the offered higher returns (King et al. 2012). Compliant Greek politicians fully cooperated with the creditor troika to accept substantial interest rates, impossible deadlines and a priori benchmarking with no consideration to the economic and socio-political specificities of the country.

3.2. The outcome: Adjusting by recession and internal devaluation

Replicating the staple IMF formula in a Eurozone economy, the conditionality imposed on Greece emphasizes fiscal discipline with austerity and export–led growth via currency depreciation–not possible in a eurozone country. Thus an 'internal devaluation'/deflation was forced upon Greece regardless of the failure of this policy,

3 Among others, Greece's net national saving rate was falling short of domestic investment (Antzoulatos 2011) with a steep decline by about 32 percentage points between 1974–2009 that fuelled the current account deficit building up a chronically high sovereign debt (EEAG 2011).

4 To get a joint EU/IMF/ECB €110 billion loan Greece in May 2010 concluded with its creditors a three year Memorandum of Economic and Financial Policies (MEFP).

5 The standard IMF practice of giving financial assistance contingent on the implementation of specific policies required from borrower countries. The intrusive IMF conditionality has been strongly criticized on a host of grounds. (Dreher 2006, 2009; IFIAC 2000).

the recession it causes and its socio-political unfeasibility. The internal devaluation serves as the key instrument of appropriation setting in motion a downward spiral in wages and rights for the deeper exploitation of Greek workers. Finance capital and institutions of credit backed by the state are the "umbilical cord" that ties together accumulation by dispossession and expanded reproduction' (Harvey 2003, 152). The IMF/EU driven internal devaluations embody this link.

While the IMF itself warned of a "deep and drawn-out recession" [6] the outcome in Greece surpassed every forecast pushing the country and its people to an abyss. The SEAP has manifestly trapped Greece in a vicious circle where austerity generates recession, to be addressed by new austerity, new taxes and worse recession that inflicts damage on the economy at vast human and social cost. Greece is mired in deep recession, expected to touch –7.0 percent by the end of 2012. The cumulative contraction since 2008 is 20 percent and expected to reach 25 percent until 2014 (Stournaras 2012). This wartime recession that qualifies as one of the deepest economic slumps in modern times. [7]

4. The evolution of the Greek debt

Within the thirteen years after Said Pasha's death, Egypt's total public debt had grown from £m. 3.293 to £m. 94.110, 5 and collapse was imminent.
(The Accumulation of Capital, Rosa Luxemburg 1913, 403)

The defining feature of financialization in the US, and elsewhere, has been the increase in the volume of debt (Palley 2007). Financialisation as a trap is perhaps best illustrated by the spiraling evolution of the Greek sovereign debt.

Swamped in austerity driven recession, the Greek economy continues to decline. The further the economy shrinks, the more difficult it becomes for Greece to pay the substantial interest on its debt. Austerity in the era of financialisation has derailed the

6 The latest IMF letter of intent for Greece admits that: "Internal devaluations are almost inevitably associated with deep and drawn-out recessions, because fixed exchange rate regimes put the brunt of the adjustment burden on growth, income, and employment" (IMF 2012, p. 48, box 3 on "Internal Experience with Internal Devaluation)

7 Reuters. Analysis: Greece heads for record books as economy slumps, Wed Feb 15, 2012, accessed at http://www.reuters.com/article/2012/02/15/us-economy-greece-comparisons-id

debt beyond any sustainability. Our opening quote from Rosa Luxemburg's piercing analysis of the Egyptian debt in the late 19th century sounds eerily familiar to Greek ears.

At the onset of the sovereign debt crisis, when Greece sought assistance under tremendous pressure by financial markets, its sovereign debt stood at 129 percent of GDP. The IMF best case scenario set the debt at a tolerable 120 percent of GDP by 2020 (IMF 2011). However, even after a PSI haircut last February[8], the 2013 government budget draft sees a debt load of 169,5 percent of GDP by the end of 2012 and 179 percent in 2013 (Ministry of Finance 2012, 29). Given current conditions, this is unsustainable. An additional €78 bn. funding is needed between 2015 and 2020. [9]

Almost none of the loan money really benefits Greece and its people. Loan repayment is prioritized over pensions, salaries any social need via an escrow account where all public revenues should be chanelled. Funds have been set aside to refinance Greek banks. Loan installments flow back into troikan chests mainly servicing the country's debt and borrowing costs. [10]

Greece is far from a bottomless pit for its creditors: it sends money back with interest–with creditors receiving back neat sums. Germany, among others, is set to receive a bigger share given that by 2026, Greece´s maturing bond reimbursement to the ECB would reach €12.7 bn. Germany has sizeable gains from the very low interest rate it paid to finance its debt : over the past three and half years, Germany saved €68 bn in interest cost compared to its average rate from 1999 to 2008 (Kaiser 2012).

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8 Private sector involvement involving a substantial face value restructuring of the Greek debt – effected in July 2012.Greece's private creditors agreed to forgo more than half of the debt they held, in the largest default in history.

9 The current loan package will ideally end by the end of 2014 with Greece returning to the capital markets in 2015: a utopian timeline.

10 Jens Boysen-Hogrefe, Kiel Institute for the World Economy in Spiegel online (Kaiser 2012)

5. Morbid symptoms: The three pillars of disempowerment and exploitation

The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear (Gramsci, Selections from Prison Notebooks 1971, 294).

After the fiscal multiplier blunder the IMF now suggests that fiscal consolidation should be executed in a “friendly manner”. [11] Reality in Greece however, contests rhetoric.

Greece was forced to effect a) a record austerity with fiscal adjustment of 15.5% of GDP for 2010–2013, b) far reaching structural reforms mainly targeting the labour market and c) a colossal plan of fast track privatisations. The combined effect of the three pillars of the loan conditionality has firstly led to an unprecedented expropriation/grabbing of salaries, disposable income, property and pensions, of health, education, social protection systems as well as public assets and public goods including natural resources. Secondly, aggressive labour market restructuring demolishes the institutional labour relations framework eliminating systematically every vestige of worker protection to intensify exploitation and appropriation of rights.

A major element of the internal devaluation imposed on Greece is the thrust to depreciate labour by suppressing labour costs and deregulating/flexibilising the labour market. Consequently workers and their families suffer severe economic disempowerment as a result of the successive wage cuts, unprecedented tax hikes and the devalorisation of their labour and their property. They are also subjected to irreversible institutional disempowerment as they are deprived of vital social, labour and environmental rights in a landscape of deepening inequalities. The data from the first two years of the IMF/EU regime illustrate amply the extent and the implications of the massive expropriation exercise that is carried out in Greece.

11 IMF 2012, Annex: Board Discussion.

5.1. Austerity: Expropriating wages, jobs, income – marginalizing workers

The most drastic reduction in a primary budget deficit that Europe has seen for over 30 years was achieved in Greece thanks to the impoverishment of Greeks through a painful process of expropriation. The budget deficit narrowed sharply [12] in the first nine months of 2012 beating targets set by the Troika. Greece's fiscal consolidation is much greater than the other four distressed economies (Ireland, Portugal, Spain and Cyprus) and will amount to 30 percent of the GDP by the end of 2014 (Weymes 2012). Yet Greece is again forced to frontload €9.2bn (from €7.8bn) of additional austerity measures for 2013 to compensate for losses from higher–than–expected recession. [13]

Since 2009 all Greek families with income coming from salaries or pensions have lost up to 45 per cent of their family income. Unit labour costs in Greece fell by 9.1 percent in the first quarter of 2012.[14] The minimum wage, the protection for low–paid workers, has been slashed by 22 percent and 32 percent for younger workers to sub-subsistence levels: a gross monthly sum of €585 and €490 respectively. The unemployment benefit, one of the lowest in the EU, was cut from €461, 5 to €358. The total volume of wages and salaries the last two years went down by €9.2 billion.[15]

Unemployment reached a record 25.1 percent in Q2 of 2012 with 54.2 percent among young people. 1,261,604 persons are without a job. One out of four Greeks and one out two young Greeks is unemployed. Austerity widens inequality and affects firstly the more vulnerable segments in society. The gender gap in employment has also been enlarged: unemployment is higher among women (29%) than among (22.3%) (EL.STAT 2012b).

The already depleted worker income is further slashed by direct taxes not related to the ability to pay, numerous indirect taxes and levies with often retroactive

12 From January to September 2012 the budget deficit narrowed sharply to €12.6 billion from €20.1 billion during the corresponding periodin 2011.

13 The sum total for two years was raised from €11bn to nearly to €14 bn.

14 ULCs fell by 1.7 percent in 2010, by 3 percent in 2011 while the average eurozone ULC rose by 0.8 percent last year and 1.5 percent in the first quarter of this year.

15 Parliament of Greece, Standing Committee on Social Affairs: Briefing by the Labour and Social Security Minister George Koutroumanis, February 1, 2012 , acc. At http://www.hellenicparliament.gr/Vouli-ton-Ellinon/ToKtirio/Fotografiko-Archeio/#fb22a027-3c1e-4bad-b19f-7999077ecc25

effect. Compliance is enforced by the deprivation of vital public goods such as electricity i.e. using the Public Power Corporation (DEI) to collect a hugely unfair property tax. Mounting indirect taxes fuel inflation and further squeeze family income. The government's chromic inability to address rampant tax evasion leads to an uneven distribution of austerity burden: failing consistently to attain Troika targets, governments compensate with wage and pension cuts that excessively affect workers and pensioners who pay ca. 72 percent of taxes collected, or €8 bn. per year, when the rest pay €3 bn.

Economic analysis can be seriously understood only when the real impact on people's lives is understood. The finance-driven debt crisis evolves into a social crisis and rapidly develops into a humanitarian one**.** Nearly 30 percent of the population has shifted below the poverty line. Nearly 30 percent (3,031,000) of Greek citizens exist in poverty and social exclusion. [16] More than 23 percent of Greek children are at poverty risk (EL.STAT 2012). For the first time in the post war period malnutrition among schoolchildren is noted. [17] Social urban infrastructure is stretched at its limits (Fotiadis 2012) as a quarter of a million people rely on relief work for a daily meal and basic needs. Indebted households face bankruptcy and loss of property rights. Homelessness and crime rates accelerate. A wave of desperation and suicides grips a country that previously had one of the lowest rates in the world. A sharp increase in HIV transmission amongst intravenous drug users completes the picture.

5.2. Structural Reform: Expropriating rights

While austerity kills growth and damages the economy, long-term structural reforms irreversibly expropriate a vast array of worker rights.

The mother of all reforms in the neoliberal agenda concerns labour market restructuring that heavily relies on flexibilisation and deregulation: an agenda steadily advanced by the European Commission over the last two decades. The crisis provided the pretext to complete this massive laissez-faire experiment that pivots on the fallacy that internal devaluation can address Europe's competitiveness gap and induce export-led growth.

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16 EUROSTAT. Select data. People at risk of poverty or social exclusion by age and gender. Last update: 17-02-2012. Accessed at http://appsso.eurostat.ec.europa.eu/nui/show.do

17 The Church, municipalities and private companies help in as the education budget has been reduced by 60%.

In Greece over the past two years, successive legislation has destroyed the industrial relations framework depriving workers of vital rights and minimum protective standards. Under the troika regime, labour relations in Greece have seen a quantitative and qualitative regression of at least two decades that undermines collective representation and erodes hard won rights.

The thrust is to promote the individualization of labour relations. Free collective bargaining is severely impeded, collective agreements abolished and core ILO conventions are violated. Working time is increasingly flexibilised. Layoffs are made cheaper and easier for employers. Anti-union laws overtly interfere in the operation of trade unions and violate the principle of collective democratic representation. Employers with 10–40 workers can legally replace trade unions with “associations of individuals”, negotiate and sign binding contracts with them. They can also unilaterally convert full–time work contracts to part -time and to work by rotation. Recent demands by the troika direct the government to determine the minimum wage by legislation at sub-subsistence levels creating a precedent across Europe. The minimum wage will be further stripped of the single remaining benefit: slyly depriving workers of the 10% family allowance on top of other cuts in the austerity side of the package. Working time and leave regulation will be wholly flexibilised with a minimum rest period of 11 hrs. regardless of sectors, safety and so on.

Any pretense to the European Social Model, that crown jewel of the post-war European consensus has been removed in Greece. Mario Draghi’s (Blackstone et al. 2012) dream—the demise of the social model is already accomplished in Greece. The case of Greece is used to terrorize workers in other EU countries and a downward spiral is set in motion to expropriate rights across Europe.

5.3. Privatisation: Expropriating public goods and assets

Privatisation has been a central pillar of neoliberalism for more than thirty years. The dispossession and valorisation of public property is indispensable for increasing lucrative investment space for excess capital. The acquisition of privatised assets offers international capital abundant opportunity to realise profits very quickly and broadens the financial sphere. The rationale behind privatisations has also been a steady tool for pro-market neoliberal propaganda to discredit an allegedly profligate and inefficient private sector that spends taxpayers’ money.

The EU since the Single European Act[18], adopted in 1985 and ratified in 1986, that clearly aimed to reduce the role of the state in the regulation and management of the economy, has advanced the privatisation of public utility enterprises and fields of public service including transportation, telecommunications, electricity, water and gas (Soederberg et al. 2005, 33).

Conforming to standard IMF policy to impose large scale sell-offs, Greece has undertaken a massive privatisation programme that spans rail and road transport, airports and ports, public utilities and resources, gaming and public real estate holdings. [19] The privatisation aims at "attracting important international capital" and raise €50 bn. by 2015.[20] The government will keep only minority stake shareholdings and in most cases it will loose all its holdings (Ministry of Finance 2010).

The process of privatisation engenders multiple direct and spillover effects for society and wage-earners. Greece's large scale privatisation scheme signifies the removal of public provision for vital public goods and services resulting in a shift towards privatefinance to replace the state in addressing numerous socialneeds. Thus additional sums will be extracted out of already depleted wages. Furthermore a new basis emerges to increase household debt as new needs will require credit from the bank system while new potential is generated for the expansion of the banks into new sectors of the market, such as health care, student loans, day care and so on (Milios 2009, 5). In that sense, workers' consumption becomes increasingly privatized and mediated by the financial system (Lapavitsas 2009a, 18). The loss of jobs after mass privatisations is another dire consequence that inflicts damage on the wage earners.

6. Democracy, the grabbing of the public space and the rise of neo-Nazi extremism.

The disintegration of the social fabric and the eroding of institutions resulting from the policy implemented in Greece have created the suitable conditions for a grabbing of the democratic public space. Democracy in Greece is overruled by a de-

18 The stated aim was to create a single economic space with a free flow of capital and trade across borders, with minimal constraints from national government interventions and regulations.

19 The measures include outright sales to strategic investors, initial public offerings, new and extended public-private partnerships and the creation of private holding companies intended for eventual listing on the Athens Stock Exchange (Ministry of Finance 2010).

20 Finance minister Stournaras interview (Business Insider 2012)

facto Brussels/IMF administration by Troika inspectors that summarily dictate legislation via e-mails to compliant ministers. Tales of political corruption occupy the space for public discourse and debase political debate aided by pro-Troika media. Politicians are discredited, the parliament disempowered, and society is in a state of shocked confusion. The emergence of a hardcore neo-Nazi party completes a setting that increasingly resembles internally a Weimar republic setting and externally a fragile Second Spanish Republic of 1936, acting as a possible example and forerunner for the rest of the world. Chauvinism, racism, xenophobia and violence in the guise of the neo-Nazi ‘Golden Dawn” party rush in to occupy the public space left by crumbling institutions. This may well be the most important among the lessons to be learned by Greece.

In its national territorial dimension the process underway in Greece underpinned by the EU/IMF austerity agenda are clearly leading to the subordination of the country to a neocolonial regime. In the context of the wider periphery where the same processes of expropriation are also evolving —with Greece as the front runner laboratory—it is safe to conclude that a large scale colonization is under way in the south and the southeast of Europe. If a new periphery suited to neoliberal financialisation is emerging then the area is being designed as a free trade zone of extreme exploitation and no rights: in decent shape for finance capital. This hypothesis is one that merits the attention of the progressive left debate.

7. Concluding remarks

> *[…] mainstream-economics, then, cannot explain crises, so we might just as well pretend that they do not exist (Fine and Milonakis 2011, 17)*

As Marx observed the third volume of Capital:

> “as long as the social character of labour appears as the monetary existence of the commodity and hence as a thing outside actual production, monetary crises, independent of real crises or as an intensification of them, are unavoidable” (Marx 1993, 649)

Systemic crises may not automatically bring about the destruction of the system but they vividly expose its fundamental contradictions increasing the capacity for change. In the meantime any meaningful discussion of the limits and the threats posed to workers by the role of financialisation as a tool for expropriation would be incomplete without considering the theoretical underpinnings preferred by the economics orthodoxy to promote the neoliberal project. Three notes should be taken.

Firstly, the crisis dramatically exposed the " intellectual bankruptcy of Chicago-style mainstream-economics" (Fine and Milonakis 2011:17) represented in particular by the Rational Expectations Hypothesis (REH) in macroeconomics, espoused by Lucas Jr., Sargent and Prescott, the Efficient Markets Hypothesis (EMH), in financial theory, championed by Eugene Fama (Kurz 2010:19) and the Real Business Cycle Theory (RBCT). Yet, as we observe, the license of mainstream economists to provide policy advice inspired by this theoretical framework to address crises has not been at all affected. The pompous names could not ultimately disguise the toxicity of Wall Street financial innovations amounting to 'intellectual fraud' (Varoufakis 2011, 13–17).

Secondly, the theoretical foundations and the concepts that frame the SEAS imposed upon Greece are grounded on the ten basic tenets[21] of the 'Washington Consensus' globally disseminated by the IMF and the other Bretton Woods institutions as a one-size-fits-all neoliberal recipe. The content and the underlying tenets of the IMF machinery remain unchanged since their inception in 1957.[22] Leaving a trail of destruction since the 1970s (Reinert 2012), during the current world recession 31 out of the 41 recent IMF agreements imposed pro-cyclical fiscal or monetary policies that fuelled recession and exacerbated the downturn (Weisbrot et al. 2009). The case of Greece further attests to this chronicle of devastation.

Thirdly, in this light, research within the social sciences has treated finance as a field apart from other disciplines treating financialisation as an autonomous phenomenon where finance acts upon society as an exogenous and self-evident process. This conceptualisation predictably derives from the neoclassical approach that considers economics—and finance—mainly as mathematical quantitative research areas. Social and historical specificity is excised from economics and replaced by the formalisation and mathematisation of the discipline (Milonakis and Fine 2009). In particular, valuation, which is at the core of finance, is consistently treated as an objective, unproblematic occurrence ignoring the social and political charge of valuation. The fundamental question regarding the value of value is ignored.

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21 Fiscal discipline, reordering public expenditure, tax reform, financial liberalization, appropriate exchange rate policy, trade liberalization, abolishment of barriers to foreign direct investment, privatization, deregulation, and property rights (Williamson 2004).

22 As developed in 1957 by Jacques Polak, IMF Research Director (Pieper and Taylor 1998).

Rethinking the renewed EU is a prerequisite for enabling and promoting a development that is economically, socially and ecologically sustainable and fair. This is a project which should inevitably include a new economic thinking and approach. The future lasts a longtime...

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