

Neoliberal angst and the Greek economy

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Let's talk about neoliberals. I don't mean Liberals still wet behind the ears like Justin Trudeau. Nor are they old NDPers made new Liberals like Bob Rae. And I'm sure not talking about the Senators formerly known as Liberals who are now just (small-l) liberal Senators.

Neoliberals are the ruling class. They like their markets open, their trade free, their sectors private and their budgets balanced. They preach deregulation, low taxation and government castration — just about anything that will 'liberate' money to do its thing. The deregulators of the financial industry — Ronald Reagan, George Bush, Bill Clinton and George Dubbya are neoliberal politicians.

And we know where their policies led — to the crash of '08 and The Great Recession we're still trying to claw our way out of.

Neoliberals have bootstraps they like to pull themselves up by. But not everyone can afford bootstraps. Not in this economy. If you're stuck with a paycheque that's shorter than the month, you'll know what I mean.

Jean Chretien, Paul Martin and Stephen Harper are neoliberal politicians. Trade agreements that give companies the power to sue countries. Tax cuts for corporations in return for jobs that never come. Budgets balanced on the backs of workers who now need the unemployment benefits they paid into all their working life.



Some neoliberals are journalists — in fact pretty much all journalists working in mainstream media are neoliberals. Take John Robson, for example, although we'll have to assume, for argument's sake, that Sunmedia is mainstream.

Mr. Robson wrote an article in Sunmedia's papers entitled "Greek voters reject austerity, ignore reality," in which he rails against the newly elected Syriza Party for plotting to renege on paying off Greece's debt to its northern neighbours in the eurozone. It's an article that should be taken with a box of salt. It's low in fact and high on moralizing.

First his statement that "the welfare state is ... unaffordable on any model" overlooks, as most neoliberals do, the healthy economies of the Nordic countries.

Second, for his diagnosis of Greece's fiscal problems; "The bailout didn't cause unemployment; bankrupting the system did." Mr. Robson applies the old Puritanical catechism:

- Deficits (even when interest rates are low) are evil;
- Southern Europe wants a free ride at northern Europe's expense (that's evil);
- Leftie governments can't, or won't, balance budgets (they're evil).

To the first moral: Greek governments had a lot of help getting to deficit from the country's one per cent (including some pooh-bahs in the former government) who park their profits offshore and owe the Greek government some \$75-billion a year. Compare that to our own Pooh-Bahs who owe taxpayers a paltry \$8 billion a year.

Add, to that lost tax revenue, the financial meltdown of 2008. Greek banks (those bastions of neoliberalism) were more exposed to the Americans' toxic derivatives than Canadian banks.

Besides, Greece is running a surplus of sorts, if you don't count the deficit in employment, health care and societal cohesion. Trouble is, Greece is obliged, by the terms of its bailout, to send its entire surplus north.

To the second moral: it's a lot more complicated than in Mr. Robson's simple world.

I would hardly call the last several years in Greece a free ride: unemployment at 30% (among youth it's over 65 per cent); health care going begging; taxes increasing nearly daily (taxes on heating oil have risen by 450 per cent). The Greek economy (as a percent of its pre-Recession GDP) is now where the US economy was in the thick of the Great Depression.

All to play by the economy-crushing rules imposed by the IMF and European lenders. You see, austerity in times of precarity doesn't work. In fact, cutting spending (especially by laying people off) and raising taxes only serves to cripple economies already weakened by the Recession. People without jobs are also without money they might have spent on goods and services.

When the Greek government raised the taxes on heating oil, it actually lost money because people couldn't afford both food and oil. Last winter, Athenians were burning their furniture.

In spite of the draconian measures imposed on Greece (and Spain and Portugal and Italy), their debt-to-GDP ratios have grown over the past few years. In other words, austerity is making things worse for everyone, including the lenders.

The Greek experience is one of the reasons why the OECD and the International Monetary Fund are abandoning their Puritanical opinions about debt and beginning to advise nations to stimulate economies with spending on infrastructure—at least while interest rates are low.

More recently, Reza Moghadam, the former head of the IMF's European division has endorsed Syriza's anti-austerity plan. That's pretty amazing considering Mr Moghadam was one of the architects of the Greek bailout. But he goes even further. He says half of Greece's debt should be written off (mostly because, as its Debt to GDP ratio rises, it's clear the Greeks will never be able to pay it all off anyway, leaving the country mired in perpetual debt).

The Bloomberg View, a business publication, also calls for debt forgiveness. And Mark Carney, the well-respected former governor of the Bank of Canada and current Governor of the Bank of England, has also said the eurozone needs to ease up on its austere budget cuts to avoid the unsustainable debt trap that Greece is now in.

Indeed, the new Syriza government in Greece is not looking for a free ride. It is looking for an easing of the onerous terms imposed by their lenders. Simply put, they want to reduce cuts, raise revenues and put more of their surplus back into their country instead of shipping it all north.

This, as the Nobel-winning economist Paul Krugman put it recently in the New York Times, "is a dastardly ploy by those left-wing radicals. You see, it's completely reasonable."

Now for the third moral—that leftie governments and balanced budgets are mutually exclusive. Let's not look to Norway and its neighbours. Let's look at Canada. Over the years, according to the Department of Finance, NDP governments have balanced 45 per cent of their budgets; Conservatives 42 per cent and Liberals 27 per cent.

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