

Report #6 from Athens

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Text

IDEAS

OP-ED

by Gary Zabel (Advocate)

Newspapers and television news in the United States and Europe have done an excellent job explaining the crisis in Greece. The Greek people were borrowing money so they could live above their means, and now the debt has come due. The story has the virtue of simplicity and the edifying effect of a lesson in morality. Just as a family must pay its bills or face dire consequences, so must a nation. We get to feel sorry for the Greeks, but not too sorry. After all, it's their own fault.

The truth, of course, is entirely different. The late 1990s and early 2000s were a boom period for Greece, especially for the Big Families who have dominated the Greek economy for as long as anyone can remember. They were making money hand over fist through state-funded projects to build and repair infrastructure. Banks, Greek and foreign, loaned the money to the Greek government at substantial rates of interest, and the state gave contracts to firms owned by the Big Families. Times were good. The banks were racking up interest payments and the Big Families were getting richer. Greece joined the European Union and exchanged their drachmas for euros. They had to impose the austerity measures demanded by the Maastricht Treaty, but that did not cut into profits. Then came the crash of 2008 and the deep recession that followed. Workers lost jobs, tax revenues fell, and the loans to the Greek state fell into arrears.

Who suffered as a result of the financial crisis and the recession? Not the Big Families. They had already made their money, paid from state coffers when times were good. Not the banks. As in the US, there were massive transfers of funds throughout Europe from taxpayers to financial institutions. And then there were the outstanding loans.

Let me steal a point from a lecture I attended a few months ago by Noam Chomsky. If you or I make a bad investment, we must absorb the loss. But when banks make bad investments, as they did by funding the infrastructure projects in Greece, it is not they who suffer. The interest on their loans and optimistically the principal must be paid. But Greece did not have enough money to make the payments. No problem. The IMF and the taxpayers of the EU would loan them the money necessary to continue paying the banks. Everyone continued to prosper even during the recession, except of course the working and middle classes of Greece and the rest of Europe.

Now the bill has come due - once again. The banks need their money. But the European Central Bank, IMF, and EU governments are demanding collateral on the new loans. Who is going to provide it? Not the families who got richer by dipping their bread in the gravy of the Greek national budget. The ordinary people of Greece are going to give surety for the loans. They are going to pay higher taxes, retire later, and lose union protections. And 50 billion euros of their public property is going to be sold off.

The Western press feels sorry for them. But the Greeks have to learn to live within their means.

Longtime Open Media Boston contributor Gary Zabel is a professor of philosophy at UMass Boston - and most recently, the director of the division of political economy of the new online international graduate college The Global Center for Advanced Studies. He is visiting Greece for the college's founding conference, Democracy Rising, and will be sending a series of reports about his trip in his role as Our Man in Athens.

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