

The Greek capitalism in crisis: institutional characteristics and sustainability of accumulation

Iris NIKOLOPOULOU¹

Ph.D. Candidate in economic and institutional analysis

Abstract: *The Greek crisis offers a series of theoretical and empirical questions regarding the relationship between the emergence of the sovereign debt crisis, the accumulation regime and certain institutional characteristics specific to Greece. Given a large focus of the existing literature on the financial dimension of the Greek crisis, we adopt a different approach of the phenomenon pointing out its institutional aspects. This paper, which is part of our thesis research, emphasizes the role of the State in the early years of the economic reconstruction right after the Second World War and the civil war in Greece by highlighting the particular role of the dominant political blocs. In terms of methodology, we apply the Regulation Theory coupled with the Marxian Theory in order to study the specificities, which constitute a particular economic model and construct a system of problematic accumulation, which, ultimately, weakens its growth dynamic.*

Key Words: Greece, economic crisis, accumulation regime, institutions

JEL codes: B520, P160

¹Supervisor: Eric Magnin (Maître de Conférences (HDR) in the Paris-Diderot University), Laboratory: LADYSS
University: Paris 7 – Denis Diderot University, e-mail: irisnikolopoulou@gmail.com.

1. Introduction

At the heart of the economic crisis of 2008, the countries of Southern Europe are found, where the crisis still endures. Greece is one of the countries of Southern Europe experiencing a real economic and social disaster. The year of 2010 is a turning point for the Greek economy and society; the country goes bankrupt and a climate of uncertainty prevails in society. Papandreou's government is asking for financial support from the European Union and the IMF. In the spring of 2010, the Greek Parliament approves the first package of measures and the monitoring by three European institutions (the Troika): the IMF, the European Commission, and the ECB. Since then, the country has signed three memoranda, as well as a dozen agreements with complementary measures. Theoretically, the memoranda aim to ensure the repayment of debt and the correction of the generating causes that led to the state of bankruptcy. Since then, the Greek economy has been under a tight supervisory regime and has faced one of the biggest austerities in its history.

Despite these strict austerity measures that have been implemented, the country cannot get out of the crisis. Recent studies show that the increase of unemployment, poverty and inequalities, the deterioration of working conditions, the violation of labor rights, the increase of insecurity and precariousness at work, the deterioration of the education and health system, the weakening of public services and social security, the proletarianization of the middle classes and the marginalization of workers are the most serious problems Greece has been facing since 2010 (Vlachou, Theocharakis, Mylonakis, 2011; Tsoukalas, 2013). Nearly 10 years later and despite all the severe austerity measures, Greece is still unable to escape the crisis. But how Greece did get to that point?

Until now the majority of economists have been focusing mainly on the financial dimension of the Greek crisis by targeting aspects of the phenomenon like the debt repayment, its management or some other technical aspects. However, the crisis that the Greek economy and society have been going through for almost ten years is a purely structural crisis. This structural crisis has not only a financial dimension but also a social, institutional, political and ideological one.

The current paper follows the structure of our thesis and its purpose is to present the structure of our research work, our proposed methodological approach, and the first insights of our research. Starting with a brief presentation of the research questions and the methodology, we move forward to a brief literature review in order to situate our interpretation of the phenomenon in the existing literature, and we conclude with a discussion about the role of the State in the Modern Greek economic model.

2. Research questions

The Greek crisis offers a series of theoretical and empirical questions regarding the relation between the emergence of the sovereign debt crisis, the accumulation regime and certain institutional characteristics specific to Greece. These questions lead us to study the institutional specificities, which constitute a particular economic model and construct a system of problematic accumulation, which, ultimately, weakens its growth dynamic. Greece is our case study to answer a key question: what is the impact of the institutional specificities of the Greek economic model on the sustainability of the accumulation regime?

In this respect, we consider the current economic crisis in Greece as a result of the European and world economic situation, but at the same time as the result of internal economic, social, political and institutional problems. As such, the role of national elites in connection with the external forces of globalization and Europeanization is fundamental. It is therefore essential to identify the institutionalized compromises that led to the construction of the Greek accumulation regime and its possible deficiency.

Our research is structured on that basis, and its objective is to study the interconnections and interdependencies between the regime of accumulation in Greece and its chronic institutional dysfunctions. Thus, the approach of the thesis is at once theoretical, historical-institutional and empirical.

3. Literature review

Different interpretations and approaches have been given to explain the economic crisis in Greece creating a fierce academic debate among economists. In our literature review we try to classify the

different interpretations and approaches that have been given for the Greek crisis into large, aggregate groups. The complexity of the Greek reality and its historical path makes this task a quite challenging one as the boundaries between such groups can be vague and subjective. One possible classification is proposed by Stavros Mavroudeas (2018) who identifies three major groups: mainstream interpretations, heterodox interpretations and Marxists ones.

According to Stavros Mavroudeas, mainstream interpretations refer mainly to neoclassical and neo-Keynesian interpretations, as well as, to the New Consensus Economics (Arestis, Sawyer, 2002). Mainstream interpretations ignore the historical aspect of economic laws as well as the fact that the very substance of economic relations is social – in other words, composed of socially instituted forms (Nadel, 2002, p. 42) and so they don't have their own theory of crisis as they argue that “capitalism is a perfect system that under normal circumstances and agents behavior is not going to face crises” (Mavroudeas, 2018, pp. 16-17). Irresponsible acts, violations of the conditions of perfect competition are some of the reasons that, according to Neoclassicals, can cause an economic crisis².

In heterodox approaches, we find mostly post-Keynesian interpretations. In Greece a well-known approach for the Greek crisis is the Minskian analysis of George Argitis (2012). More precisely, George Argitis is raises a critic on the New Consensus Economics by arguing that the theoretical framework of the New Consensus Economics fails to perceive the current economic crisis in its entirety. In doing so, he suggests Minsky's “financial instability hypothesis” (2013, p. 485), as a counter-proposal arguing that the current economic crisis is caused by the endogenous problematic structure and functioning of the financial system (2013, p. 501).

Last but not least, Marxist interpretations³ follow the analysis and methodological schema of Marx and Marxian theory. Marxist approaches propose a structural analysis of the Greek crisis by locating its roots in the sphere of production. At the heart of this analysis we find the tendency of the rate of profit of the Greek economy to fall (Maniatis, Passas, 2014) that is being combined with

² For an extensive presentation of the arguments of the mainstream economists for the Greek crisis see Mavroudeas, 2016.

³ For a deep Marxist analysis of the Greek crisis see Maniatis and Passas, 2014; Mavroudeas, 2014; Mavroudeas, 2013; Sotiropoulos, Milios and Lapatsioras, 2019.

two additional arguments such as the financialized capitalism who is profiting without producing (Lapavitsas, 2008 & Lapavitas, 2009) and the subordinate position of Greek capitalism in the context of European unification (Economakis, Markaki, 2016).

As the economy goes side by side with policy, different interpretations of the economic crisis not only affect how we understand the crisis in Greece but also lead to different policy proposals and solutions. Hence, the further enquiry of the root causes of the Greek crisis becomes of great importance to policy makers as it advises on policies addressing the real issues of the Greek economy that could lead to a sustainable regime of accumulation instead of short-term solutions that only perpetuate the long-standing problems of the Greek accumulation regime.

4. Our interpretation

In view of the interpretations made by the three groups of economic thought presented above, we propose a different analysis for the economic crisis of 2010 in Greece, by highlighting the institutions that govern a particular regime of accumulation. With this goal, we mobilize a radical interpretation by applying the Marxian theory coupled with the particular notions of the Regulation Theory such as the regime of accumulation and the mode of regulation applied to institutional and economic analysis.

By regime of accumulation, we mainly mean the modalities of the reproduction of the capital in a given economy and time period. The definition proposed by the Regulation Theory is the following: “The set of regularities that ensure the general and relatively coherent progress of capital accumulation, that is, which allow the resolution or postponement of the distortions and disequilibria to which the process continually gives rise. These regular patterns relate to:

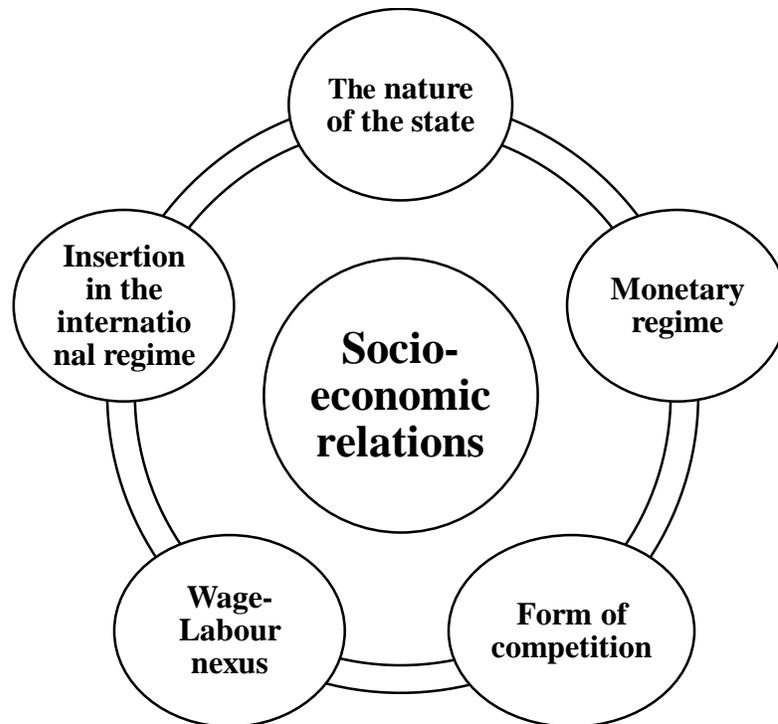
1. The evolution of the organization of production and of the workers’ relationship to the means of production.
2. The time horizon for the valorization of capital, which offers a basis for the development of principles of management.
3. A distribution of value that allows the reproduction and development of the different social classes or groups.

4. A composition of social demand that corresponds to the tendencies in the development of productive capacity.

5. A manner of articulation with non-capitalist economic forms, when they hold an essential place in the economic formation under study” (Boyer, Saillard, 2005; Boyer, 2004).

Respectively *mode of regulation* is the set of procedures of both individual and collective behaviors that form and determine the institutional framework in a given period and a given society. This set of procedures maintains the reproduction of the fundamental social relations and aims to regulate and ensure the viability of the capital accumulation. In this perspective, the Regulation Theory provides us with a theoretical model of five institutional forms that dominate in the capitalist mode of production, as presented in Figure 1 below.

Figure 1. Institutional Forms in the Regulation Theory



Source: Author’s own figure

Notes: These 5 institutional forms are the codification of fundamental socio-economic relations and define a specific accumulation regime.

We consider that the simultaneous holistic and institutional character of the Regulation Theory offers us some methodological tools essential to understanding the Greek crisis. The fact that this theory emphasizes the importance of socioeconomic relations as one of the most decisive factors

that rule a regime of accumulation or growth model enables us to see this crisis as a structural one. Accordingly, the attention given to the role of history, guides us to the past to trace back the roots of the phenomenon. Both components are adopted by Marxist theory attaching to it a more institutional style, but without altering its core.

Thus, the initial purpose of our research work is to study the specific mode of regulation of the social and economic relations of Greece, and to delve into the particular institutional framework of the country and the relations that define Greece's accumulation regime. Therefore, we conduct an economic and historical summary starting from 1950, right after the Second World War and the civil war in Greece (1946-1949), when the economic reconstruction of Greece began. As a second step, we identify and analyze the performance of the dominant institutional form (or forms) to record its relationship and its impact on the accumulation regime and to evaluate its viability. This procedure will enable us to bring out the complementarity and hierarchy of underlying institutional forms resulting from the particular institutional structure of Greece and to see not only how but also why endogenous mechanisms and institutional weaknesses which are characterizing the Modern Greek economic model, have acted both as symptoms and causes for the country's contemporary economic crisis.

5. The role of the State

The State, as we have presented above, is one of the 5 institutional forms proposed by the Regulation Theory. In this respect, Regulation Theory explores the nature of the relations between the State, the capital and the procedure of accumulation to analyze the effects of different forms of state on economic dynamics across time and space (Keramidou, 1996). Additionally, Regulation Theory sees the State as the set of institutionalized compromises that aim to maintain the political equilibrium⁴ (Amable, Guillaud, Palombarini, 2012). So, once established, they produce rules and

⁴ "In the political economy approach developed by S. Palombarini, 2001; B. Amable, 2003; B. Amable and S. Palombarini, 2005, 2009, the viability of a socio-economic model depends on its ability to regulate social conflict, whose roots lie in the socio-economic differentiation of the interests of individual and collective agents, and the heterogeneity of social expectations that stems from this differentiation. The regulation of the conflict does not correspond to its solution or its overtaking. In general, the variety of socio-economic interests corresponding to highly differentiated social systems and the scarcity of resources that public policies can mobilize will hinder the satisfaction of all social expectations. The regulation of the social conflict does not presuppose a response to the totality of the demands that come from the economic agents. Public policies necessarily make a selection among social expectations. A situation in which social conflict is regulated can be defined as a political equilibrium, that is, the challenge of social groups whose demands have been ignored by political leaders limited to a minority position in the political representation or even repressed with the help of legitimate violence. Therefore, the dominant social groups whose

standards regarding the evolution and the management of the general conditions of expanded reproduction of capital, labour relations, social security, public expenditure and revenue.

Regarding the Greek case, our analysis so far covers the period of 1950 to 1974. It is important to note that 1950 is considered the year when the economic reconstruction of Greece began, marked by the end of the civil war the year before, in 1949. On the other end, 1974 is the year of the fall of a military dictatorship that lasted 7.5 years. Undoubtedly, this period time is one of the most crucial ones for Greece as decisions made during this period determined the future course of the country and laid the foundations upon which the Modern Greek growth model was developed. We argue that it is in this time period that we could trace back to the real causes of the 2010 crisis.

Our study so far has identified the State as the dominant institutional form for the first postwar period. This institutional hierarchy seems to endure until today. But how did the State become the dominant institutional form in Greece? The answer to that question is highly complex, as there is a very broad mix of factors that vary across time which altogether led to this predominance of the State. One leading intertemporal factor that we can identify is the role of political groups in Greece and their relevant balance of power, as well as how institutional conflicts are conducted.

By the end of the civil war and the defeat of the leftist movement, the primary goal of the Conservative front was to rebuild and remodel the State in a way that would allow them to legitimize their power. The State in Greece always functions as the main tool of the dominant group, but also as the mean by which the dominant group can reproduce its material, political and ideological conditions of existence. But when does a dominant group of power really manage to impose its power in a society? When it is not only politically but also ideologically prevalent.

There are two main political characteristics during this period: the frequent rotation of governments and the massive and intense reactions and mobilizations of the Greek people who demand an improvement of the standards of living and the democratization of the State and other institutions.

demands are taken into account in the formation of public policies, constitute a dominant social block (BSD)” (Amable, Guillaud, Palombarini, 2012, p. 27).

The dominant class has not yet gained the social consensus needed to institutionalize its sovereignty. It, therefore, seems that from a social and ideological point of view the dominant groups in Greece are weak and often face the rivalry of the dominated social classes. Far from thinking of the general improvement of the country's economic and social situation, which has a longer-term time horizon, the dominant political bloc is moving towards other means such as the clientelism and bribery. According to J. Meynaud: "It is common for the individual to cast his vote based on benefits received or promised and not based on ideological convictions. It is possible that the commentator from a developed country denounces the operation as cheating and sees the index of land amorality in those who engage or benefit. But this is the point of view of a man for whom the continuation of existence does not pose any basic material difficulties. In reality, the populations considered sometimes live in such misery that patronage can be analyzed as a necessity of existence. Since voting is one of the few goods that society grants them, it is normal for these underprivileged groups to try to make the most of it. In short, patronage is a kind of compensation for the isolation, the deficiency and the inadequacy of the labour market, the material powerlessness and poverty of all Greeks who have not yet been touched by the forms of the modern economy" (1965, pp. 42-43).

Therefore, on the one hand, these means are used by the dominant class to solve immediate socio-economic problems, however not permanently, in exchange for electoral support. But, on the other hand, when such a situation becomes permanent, it also acquires another character, that of the entire control of a society by its political elite to impose and institutionalize its power. It is then that the particular relations which characterize contemporary Greece are constructed; relations of "give, receive, return" between the deputy and the citizen.

6. Conclusion

As a result of both internal and external political and economic choices, Greece survives under conditions of economic and social bankruptcy since the outbreak of the crisis in 2009. Despite the measures adopted by the governments, the country doesn't seem to find the exit from this impasse. Providing to our analysis an institutional character, we use the five institutional forms of the Regulation Theory as a methodological tool to investigate this phenomenon.

In this paper, we emphasize particularly in the role of the State. A first result of our research identified the State as the dominant of the five institutional forms proposed by the Regulation Theory for the first post-war period. The efforts of the dominant political blocs to impose their sovereignty, after the wars, turned the State to the hierarchical institutional form for that period. Through this process, these blocs manage to control the state mechanism in order to maintain and expand their political and economic conditions of existence.

The synoptically sketched-out institutional analysis in this paper will be the backbone of our thesis and on that basis, we continue our research work. In doing so, we try to trace back and analyze the way that the institutional forms in Greece were structured and how they evolved during the years of the contemporary economic crisis. Finally, our thesis work is intended to end by discussing some prospective solutions and alternative economic policy proposals to guide the country in a way out of its vicious cycle.

7. References

Amable, Bruno, Guillaud, Elvire, Palombarini, Stefano (2012), *L'économie politique du Néolibéralisme : Le cas de la France et de l'Italie*, Paris : Editions Rue d'Ulm/Presses de l'Ecole normale supérieure.

Arestis, Philip, Sawyer, Malcom (2002), "New Consensus, New Keynesianism, and the Economics of the Third Way", Levy Economics Institute of Bard College, working paper no 364, available at <http://www.levyinstitute.org/publications/new-consensus-new-keynesianism-and-the-economics-of-the-third-way>, accessed 13/10/2019.

Argitis, George (2013), "The illusions of the "new consensus" in macroeconomics: a Minskian analysis", in *Journal of Post Keynesian Economics*, Vol. 35, n° 3, pp. 483-505, available at <https://doi.org/10.2753/PKE0160-3477350309>, accessed 11/12/2019.

Argitis George (2012), *Bankruptcy and Economic Crisis: Failure and Breakdown of the Greek Model of Capitalism* [Χρεωκοπία και οικονομική κρίση: αποτυχία και κατάρρευση του ελληνικού οικονομικού μοντέλου], Athens: Alexandraia.

Boyer, Robert, & Saillard, Yves (2005), *Régulation Theory: the state of the art*, London: Routledge.

Boyer, Robert (2004), *Théorie de la Régulation : Les fondamentaux*, Paris : La Découverte.

Economakis, Georgios, Markaki, Mania (2016), "The question of the nature of the current crisis in the Greek economy: an inquiry" [Το ερώτημα του χαρακτήρα της παρούσας κρίσης της ελληνικής οικονομίας: Μια διερεύνηση], available at <http://tetradia-marxismou.gr>, accessed 6/1/2019.

Keramidou, Ioanna (1996), *The form of regulation of the employment relationship and the accumulation of capital in post-war Greece*, PhD dissertation, [Η μορφή ρύθμισης της σχέσης

μισθωτής εργασίας και η συσσώρευση του κεφαλαίου στην Ελλάδα μεταπολεμικά], Athens: Panteion University.

Lapavitsas, Costas (2009), “Financialised Capitalism: Crisis and Financial Expropriation”, in *Historical Materialism*, Vol. 17, Leiden: Brill, pp. 114-148.

Lapavitsas, Costas. (2008), “Financialised capitalism: direct exploitation and periodic bubbles”, available at <https://www.researchgate.net>, accessed 12/1/2019.

Maniatis, Thanassis and Costas Passas 2014, “The Law of the Falling Rate of Profit in the post-war Greek Economy” in *Greek capitalism in crisis: Marxist Analyses* edited by Stavros Mavroudeas, London: Routledge, pp. 51-66.

Mavroudeas, Stavros (2018), “The Greek crisis: Causes and Alternative Strategies”, in Sotiris Panagiotis (ed.) (2018), *Crisis, Movement, Strategy: The Greek experience*, Leiden: Brill, pp. 13-39.

Mavroudeas, Stavros (2013), “Development and Crisis: The Turbulent Course of Greek Capitalism”, in *International Critical Thought* 3(3): 297-314.

Mavroudeas, Stavros (ed.) (2014), *Greek capitalism in crisis: Marxist analysis*, New York: Routledge.

Mavroudeas, Stavros (2013), “Greek tragedy: competitive interpretations of the Greek crisis”, [in Greek], available at <https://stavrosmavroudeas.wordpress.com>, (accessed: 21/11/2019).

Meynaud, Jean (1965), *Les forces politiques en Grèce*, Collection : Études de science politique.

Milios, John (1988), *Greek social transformation* [Ελληνικός κοινωνικός μετασχηματισμός], Athens: Éxadas.

Nadel, Henri (2002), La Régulation et Marx, in *Robert Boyer et al. Théorie de la régulation, l'état des savoirs*, Paris : La Découverte, pp. 40-48.

Vlachou, Andriana, Theocharakis, Nikos, Mylonakis, Dimitris (2011), *The economic crisis and Greece* [Οικονομική κρίση και Ελλάδα], Athens: Gutenberg.

Sotiropoulos, Dimitris, Milios, John, Lapatsioras, Sotiris (2019), *The financial system in modern capitalism* [Το χρηματοπιστωτικό σύστημα στο σύγχρονο καπιταλισμό], Athens: Angelus Novus.

Tsoucalas, C. (2013), « La Grèce en Crise : À propos d'une dévaluation intérieure », in *Pôle Sud*, Vol. 38, n° 1, 2013, pp. 15-31, available sur <https://www.cairn.info/revue-pole-sud-20>, accessed 14/04/2018.