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The Greeks Fight Back: Oxi to Austerity

by Andrew Levine

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The July 5 referendum in Greece provides the clearest and most inspiring evidence to date, but the message it conveyed has been clear for a long time: that people hate the banksters who impose austerity upon them, and that they hate austerity even more.

What could be more understandable? Most people are working more (or no less) for less (or no more) — not for the age old reason, that there is not enough to go around, but because of the machinations of banksters, and the politicians and bureaucrats who serve their interests and the interests of their class brothers and sisters.

It is thanks to them, not scarcity, that many of the gains of the past century are now being rolled back.

Because scarcity is not the problem, it doesn't have to be this way. Productive capacities have never been more developed than they now are. Were they rationally deployed, people could have nearly everything economic development can provide, including leisure; and meaningless and burdensome toil could become an historical memory.

Yet, in many respects, working people are becoming worse off, or no better off, than their counterparts were decades ago. Only the very rich, the bankers and others of their ilk, are doing well. Their fortunes have improved spectacularly.

This could never have happened if actually existing democracy was more like democracy is supposed to be; if the *demos*, the people, ruled. But, for many reasons, some of them institutional, so-called democracies fall so far short of the ideal that, in the normal course of events, the popular will barely registers at all.

Nevertheless, when the people speak loudly and clearly, when they say “enough,” the political class has no choice but to respond.

This is what is happening in Greece now. Pushed to the wall, the Greeks decided that they could not go on as before.

Why has this not happened until now, and why is it not happening everywhere? Why has acquiescence become the norm?

Part of the answer surely is that the institutions that shape public opinion – the academy and the media, especially – are, and long have been, dominated by ideologues committed to theoretical positions that justify austerity politics.

Deeply entrenched theories and practices are notoriously difficult to dislodge, no matter how problematic they are. They sometimes hang on long past their time.

But, with austerity politics, and neoliberal economic policies generally, the phenomenon is so extreme that one has to suppose that more is involved than ordinary human recalcitrance. The situation that three fifths of the Greek electorate rose up against is in a class by itself.

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There are countless examples in the sciences and related fields of theories and practices that seem reasonable, even obvious. But then, over the course of time, incontrovertible counter-evidence that cannot be easily explained away, or explained away at all, accumulates.

Then theory and common sense, a kind of theory, are revised or, in extreme cases, altered fundamentally. The offending evidence is accounted for, and the theoretical consensus changes.

The old orthodoxy had it that progress in the sciences and in practices based on science – medicine, for example – is continuous; that, even allowing for occasional breakthroughs, continuity is never disrupted for reasons arising out of scientific practice itself.

When the forward course of a science is disrupted, it is, on this view, because exogenous factors — political or religious interference, for example – knocked a science off its course; not because scientists themselves did.

Then, in 1962, Thomas Kuhn's *The Structure of Scientific Revolutions* appeared, and understandings of progress in science have never been the same.

Kuhn took the political metaphor in his title seriously. In social and political revolutions, regimes change; in scientific revolutions, what he called "paradigms" change in much the same way.

Social and political revolutions break radically with the "old regimes" they replace; as the saying goes, they build a new world on the ashes of the old. Scientific revolutions do too.

And, as both kinds of revolutionary change unfold, counter-revolution is a constant danger. Old regimes are never really finished until their erstwhile defenders die off or otherwise forsake the cause.

In science and medicine and related fields, psychological attachments are usually the main factors sustaining counter-revolutionary impulses; people who are heavily invested in a theory or practice naturally resist being proved wrong and having their basic convictions cast aside.

Eventually, though, the matter is settled. Long ago, people stopped insisting that the sun revolves around the earth, not vice versa; and they stopped trying to tinker with the old, Ptolemaic view to make it cohere with the evidence at hand.

Full-fledged scientific revolutions, like genuine social and political revolutions, are rare, but less far-reaching paradigm changes happen more frequently; and the line between significant paradigm changes and what Kuhn called "normal science," which progresses in more or less the way that the old orthodoxy supposed all science does, can sometimes be difficult to draw.

The difference is especially prone to blurring when practices, not theories, are involved. Medical examples are especially instructive.

Within living memory, patients with heart conditions were told to avoid strenuous exercise. This made sense: why put bad hearts under unnecessary stress?

In time, though, as evidence mounted, physicians realized that, within limits, controlled but strenuous exercise was good for weak and damaged hearts; they realized that they had been wrong. And so, the practice, and the theory behind it, changed.

No doubt, there were heart specialists and others who resisted at first, but, in the end, because the evidence was compelling, most of them changed their minds.

There was therefore no need to wait for a new generation, uncommitted to the old discredited ways. The break with the past was far-reaching and, in that sense, "revolutionary." But, to prevail, it didn't require changes in thinking as profound as the Copernican Revolution Kuhn described.

The neoliberal nostrums now doing so much harm not only to Greece and other debt-ridden countries in southern Europe, but to the vast majority of people the world over are also not quite the dead-ends that Ptolemaic astronomy turned out to be.

However, the neoliberal way of dealing with downturns in capitalist economies surely ought, by now, to have gone the way of views about exercise and heart conditions that prevailed a half century ago. The underlying theory might not need replacement in its entirety, but it has been plain for a very long time that the practice based upon it does not work, and ought to be changed.

Nevertheless, neoliberal policy makers insist that austerity is the remedy for countries suffering under the burden of excessive debt. This too is commonsensical: if taxes and other revenue sources cannot cover expenses and if, for whatever reason, taxes cannot be raised, the thing to do is cut down on expenses.

But, in a world ruled by bankers, hedge fund managers and speculators of all sorts, not all expenses are created equal. Everywhere, servicing the debts owed predator creditors comes first. And, in countries like the United States, where “defense” is sacrosanct, the military and the national security state also get priority.

This puts the burden on those agencies of the state that actually do useful things for people, and on the people who depend upon them. They are the ones whose entitlements, including pensions, get cut, whose jobs are privatized away, whose educational opportunities are diminished, and whose neighborhoods suffer most.

State agencies involved in regulating natural resources, health and safety, and social services get cut too, as do public works and other forms of social spending that states can, and markets cannot, provide.

In a word, the distribution of benefits and burdens is outrageously unjust.

So, of course, is the distribution of healthy and unhealthy hearts. However, by now, no competent health care professional would think of exacerbating the injustice by advising persons with weak hearts to lead sedentary lives. We know better now than we did a half-century ago.

Why is imposing austerity at times when economic conditions are weak any different?

To be fair to those doing the harm, the difference is, in part, theoretical – or at least susceptible to theoretical elaboration. There is a strong moralistic component too.

“Tough love” has been the hallmark of the dismal science ever since cutting-edge political economists and moral philosophers, smitten by new-fangled notions of self-regulating markets, took aim, a century and a half ago, at defenders of the “moral economy,” of the idea that there is both a public and a private duty to help persons in economic distress.

Whatever theory there was behind their policy prescriptions, merciless moralism was the driving force. “Thou shalt repay thy creditors” might as well have been their Eleventh Commandment.

For over a hundred years, economic doctrines consistent with this understanding took shape. Their core assumptions behind them had already grown old by the end of the nineteenth century, but theories consistent with those assumptions stubbornly held on, even helping to create and sustain the Great Depression of the 1930s.

The orthodox view was: when public debt mounts in economic slumps, find money for creditors by cutting back on expenditures that benefit the ninety-nine percent. Even if, as in the housing crisis in the United States, the debts exist thanks mainly to predatory lending, it makes no difference. Debts must be repaid!

Greece and other weak EU countries were victims of predatory lending too – mainly by bankers in Germany and France.

Like their still unindicted counterparts at America's too-big-to-fail banks, the banksters responsible got bailed out — in this case, by the IMF (the International Monetary Fund) and the European Central Bank.

Those institutions, along with the European Commission, are now leading the charge against the Greek people. Predictably, they blame the Greeks for their profligacy, while, as in the United States, the real criminals go free, their hypocrisy unacknowledged, their self-righteousness intact.

Another scenario was possible: the Greek people could have been bailed out too; better yet, they could have been bailed out instead. But “the institutions” wouldn't hear of it.

It was the same with America in Vietnam. It would have done American capitalism no serious harm to let Vietnam go the way its people wanted, even if that meant that the Russian and Chinese spheres of influence expanded a little.

But policy makers then, like the ones in Washington, Brussels and Frankfurt now, feared the “domino effect.” “Lose” Vietnam, and the rest of Southeast Asia would fall. Let the Greeks off the hook, and the Spaniards will be next, and others after them. Better to remember the Eleventh Commandment: debts must be repaid.

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By the time the old orthodoxy was leading the world to ruin in the 1930s, alternative understandings had already taken shape. John Maynard Keynes, for example, argued that bleeding slumping economies in order to assure that creditors get the money they are owed, is, even from a strictly economic point of view, a very bad idea; that the thing to do, in circumstances where purportedly self-regulating markets only drive economies deeper into ruin, is stimulate demand through government spending.

For a few years, New Dealers in the United States put Keynesian ideas into practice. Then the Roosevelt administration got cold feet; and the recovery, such as it was, ended. Prosperity returned only with the massive military spending that World War II brought on.

After the war ended, American governments continued along a “military Keynesian” path. Keynes would have had the state pump money into socially useful projects, not wasteful arms expenditures, but no matter — the American and world economies prospered for decades, and government spending was a large part of the reason why.

The world paid a steep price for this prosperity; massive military spending, in a nuclear age especially, is world-endangering. And America became a malevolent global empire – with its military-industrial complex calling the shots.

But, on the home front, the public sector, flush with revenue, undertook socially useful projects too. The cycles of boom and bust inherent in capitalist development continued, though with diminished severity. But the benefits of growth were shared throughout all sectors of the population – not equally by any means, but less unjustly than before or since.

Keynesianism therefore became the new orthodoxy. It was not for nothing that, in the mid-sixties, even Milton Friedman, the godfather of neoliberal ideology, was reported to have said, with only a little ironic intent, that “we are all Keynesians now.” Richard Nixon uttered similar words. In 1971, he declared: “I am now a Keynesian in economics.”

Then the world took a great leap backward; the old discredited orthodoxy reemerged.

The standard explanation, these days, for this strange turn of events is that post-World War II economic policies weren’t working anymore; that something needed to be done to keep inflation in bounds and to spur economic growth.

True enough: with “stagflation” rife, it was time to innovate. But it was hardly time to regress. Yet regress, is what we did. In the United States, the process began slowly — in the waning years of the Carter administration. Then Thatcher’s Britain took the lead and, before long, the Reagan counter-revolution was underway.

Every American President from that point on has advanced the neoliberal cause, helping to spread the disease throughout the world. The devastation is everywhere. The Greeks are bearing the brunt now, but they are hardly alone.

Another medical analogy illustrates the sheer irrationality of it all. When antibiotics were introduced, around the same time as military Keynesianism, they were received as wonder drugs, which indeed they were. But, thanks to excessive use, the first generations of the drug no longer work well. The solution was to develop better antibiotics; not to revert back instead to sulfa drugs or leeches.

Yet, at the dawn of the neoliberal age, economists and policy makers recommended reverting back to similarly primitive theories and practices. Why?

It is tempting to say because they weren’t smart enough to get into Medical School, but this is hardly the explanation.

It is no worse, though, than the explanation widely given today for why the Germans, with the French in tow, are hell bent on driving Greece to ruin. This, some say, is because they favor tight-money policies thanks to lingering memories of inflation in Weimar Germany; in other words, because the great great grandparents of German politicians and bankers had to pay for butter with cash transported in wheelbarrows. Seriously?

The Germans are ones to talk. In 1953, the United States, Britain and France forgave much of the debt that Germany – then just West Germany — had incurred not as a victim of predatory lenders, but as the instigator of two world wars. This made possible the “economic miracle” that turned Germany into the powerhouse it is today.

Evidently, those Germans who back their government and the bankers they serve take after America’s native-born descendants of European immigrants who nowadays oppose liberalizing America’s immigration laws. Like our homegrown nativists, they have no shame.

There is plainly also a geopolitical component behind Germany’s intransigence. After suffering an historic defeat in World War II, German elites effectively renounced many of the Third Reich’s ambitions.

They were content to let the United States lead the struggle against Soviet Communism and to control international finance and commerce. They hardly minded ceding “soft power” too; it was fine with them that English became the world language, the lingua franca of commerce, diplomacy, science, and culture.

But they never relinquished what had long been Germany’s fundamental aim: to dominate Europe economically.

In the past, France was the main rival they had to keep down. But, in the two centuries that have passed since the British defeated Napoleon, the French have become accustomed to subordinating their interests to the interests of more powerful allies. At first, it was Great Britain. Now it is the United States; and, since World War II, on the principle that “if you can’t beat them, join them,” Germany as well.

Since the demise of Gaullism, the French no longer even try to maintain an appearance of independence. The “socialist” government in Paris today is as abject and servile as they come.

And so, the EU, functioning at least in part as a Franco-German condominium, has become a kinder, gentler, and much diminished, version of the Germany that the allies defeated seventy years ago, a Fourth Reich, as it were – at peace, more or less, with its larger neighbors, but intent on dominating the rest.

In this age of global financial capitalism, Germany and France and their northern European collaborators are able to throw their weight around without having to send in Storm Troopers or conscripts.

As Woody Guthrie pointed out long ago, bankers don't need six-shooters to rob the poor; fountain pens — or, these days, computer terminals — work as well.

Three cheers therefore for the Greeks who have stood up to the Goliath that the EU has become. If they remain steadfast, there is a chance they will prevail. But even if they are ultimately fighting a lost cause, they will at least have gone down to defeat in dignity.

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Geopolitical ambitions and fears of dominoes falling cannot entirely explain the resilience of neoliberal austerity politics in the world today.

Neither does the influence of economists and politicians who promote neoliberal ideology. This, in any case, is more an effect than a cause.

No doubt, many of those ideologues sincerely believe that some combination of economic theory and high-minded moralism justify stealing from the poor to give to the rich. But even fanatical neoliberals must realize that there is no defensible economic reason not to forgive the Greek debt, or at least to diminish it significantly, in just the way that, six decades ago, the allies forgave debts that West Germany could not repay.

In ordinary commerce, debt forgiveness is not unusual. It happens more rarely when sovereign entities are involved, but, even in those cases, it can be advantageous, in the long run, for creditors to suffer losses now for the sake of greater future gains.

Why, then, would “the institutions” insist on austerity at a time when only government spending can get Greece's economy, and others like it, moving again? Why are they so intent on driving Greece into the ground?

Old-fashioned capitalist greed is surely a factor, along with the geopolitical machinations of creditor states, but, as with so much else, in the end, it is class politics that is dictating the course of events.

What the banksters and the others want is not just to squeeze as much as they can out of Greek workers and the Greek middle class — and, in the larger scheme, out of their counterparts everywhere else. Their paramount goal is to reinforce the system of class domination from which they benefit so egregiously — by crushing any and all obstacles in their way.

This is what austerity politics is about, and it is why, in the end, advising austerity is not quite like advising patients with heart conditions to lead sedentary lives. Both are irrational, both are based on superseded theories, but, of the two, only austerity politics figures in the on-going class struggles of our time.

The Greeks are fighting back. Before long, if all goes well, others will join them in the struggle against austerity and the neoliberal ideology that makes the cruel, unnecessary and transparently preposterous policies that term denotes seem reasonable, and even unavoidable.

Even for those of us an ocean away, this fight, not the electoral circus that will soon be upon us, is the main political question we now face.

The world needs two, three, many Greek referenda, and to the extent that we Americans, or rather ninety-nine percent of us, join the fray on the side of austerity's victims, the better off everyone will be.