

Whose Tragedy?

The Greek economic crisis and its implications for European integration

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Focus

Four inter-connected themes:

- Context of the political economy of the Greek bailouts
- Actor constellations in the management of the crisis
- The dominant European discourse(s) that emerged during the (Greek) crisis
- Implications of the Greek crisis for the EU

Greece: the perfect storm

It doesn't add up

- Largest budget deficit in the Eurozone
- Largest debt in the Eurozone
- Largest current account deficit in the Eurozone
- Loss of competitiveness since Eurozone entry
- Destruction of productive base (manufacturing, agriculture)

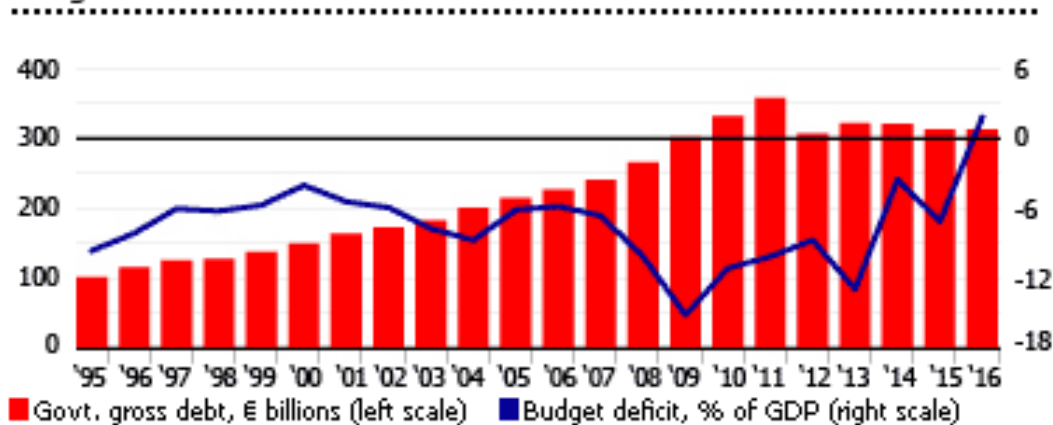
Loss of political credibility

- In 2006 the Greek government challenged the statistics of Eurozone entry
- Since 2008 'hide and seek' with the EU

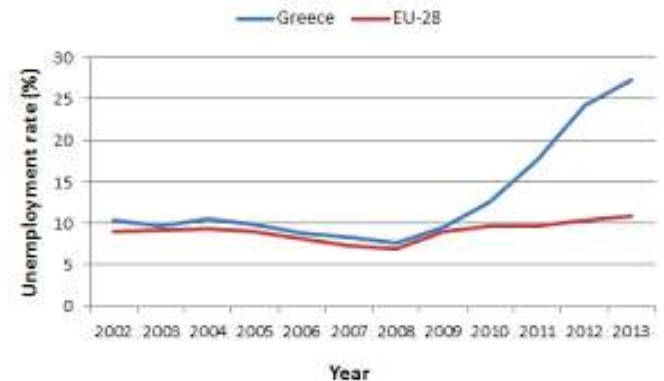
A bird's-eye view of Greece's 'rescue'

- First bailout (May 2010): worth 110bl Euros
- Second bailout (Feb 2012): worth 130bl Euros
- PSI (Mar 2012): 'haircut' of Greece's debt to the private sector worth 110bl Euros
- Third Bailout (July 2015): 86bl Euros
- Conditionalities attached to the loans (Memorandum of Understanding)
- Intrusive supervision under the 'Troika' (EC/ECB/IMF)

Budget Deficit & Debt



Source: Eurostat



Actor constellations

- **Weakened European Commission**
 - Not enough warning on the Greek crisis. Failure to act as the “guardian of the treaties”
 - Suspicion towards the Commission brings the IMF in
- **Crisis management largely intergovernmental**
 - European Council unusually concerned with policy detail (early stages)
 - Empowerment of Eurogroup (but no treaty anchor)
 - Design of ESM / no role for the EP
 - German dominance disturbs the EU’s ways of ‘doing things’.
 - Weakens legitimising power of the austerity programmes
 - Populism in Germany and anti-German sentiments in the periphery
- **Troika design dysfunctional**
 - ECB’s role highly politicised. Role within the Troika awkward
 - IMF’s agenda not in line with that of the Europeans
 - Commission’s balancing act (monitoring vs consensus builder)

European Discourse(s) of the Greek Crisis

- **'Moral hazard'** thesis
 - Greece to be made an example so that others would not 'sin'
- **Greek exceptionalism**
 - Greek crisis not reflective of wider Eurozone malaise
 - Bashing of Greek political elites
- **A 'debt crisis'** caused by government profligacy
 - Masking deeper causes of diverging competitiveness
 - Masking a regulatory failure and a banking crisis
 - Masking lack of political oversight
- From EU 'partners' to **'creditor'** and **'debtor'** nations
 - How compatible with a "political union" and a European demos?
- Selective instrumentalisation of discourse on **rules** and **democracy**
 - To reinforce intergovernmentalism and defend national agendas

Where next?

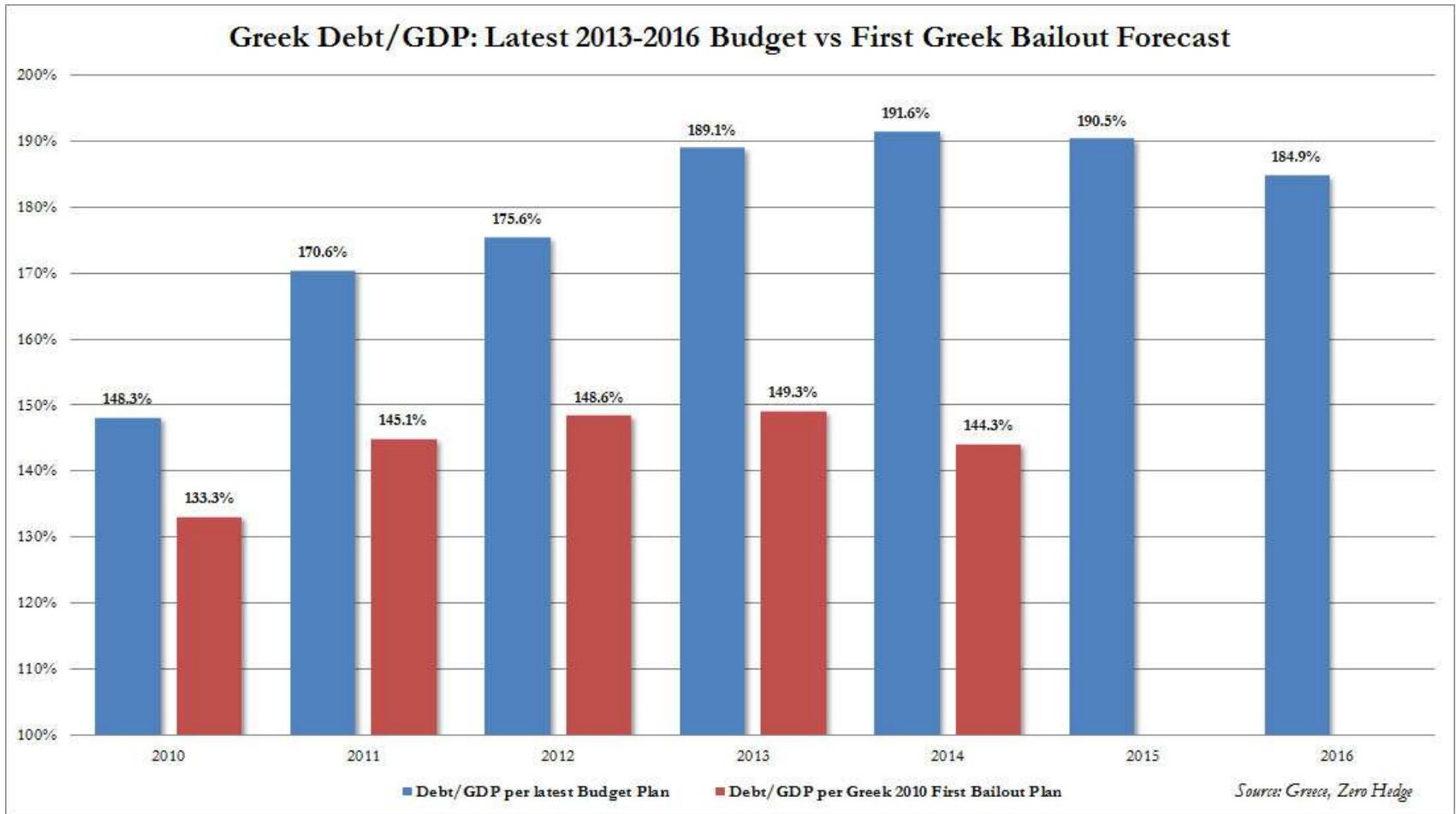
- **Intended consequences**

- Ordoliberalism victorious
 - Can the EU consist of 27 little Germanys?
- The EU's peripheral economies to face a long and difficult rebalancing act
 - With what materials?
- Explicit end to the EU's 'convergence narrative'
 - 'How' and 'how much to redistribute?'

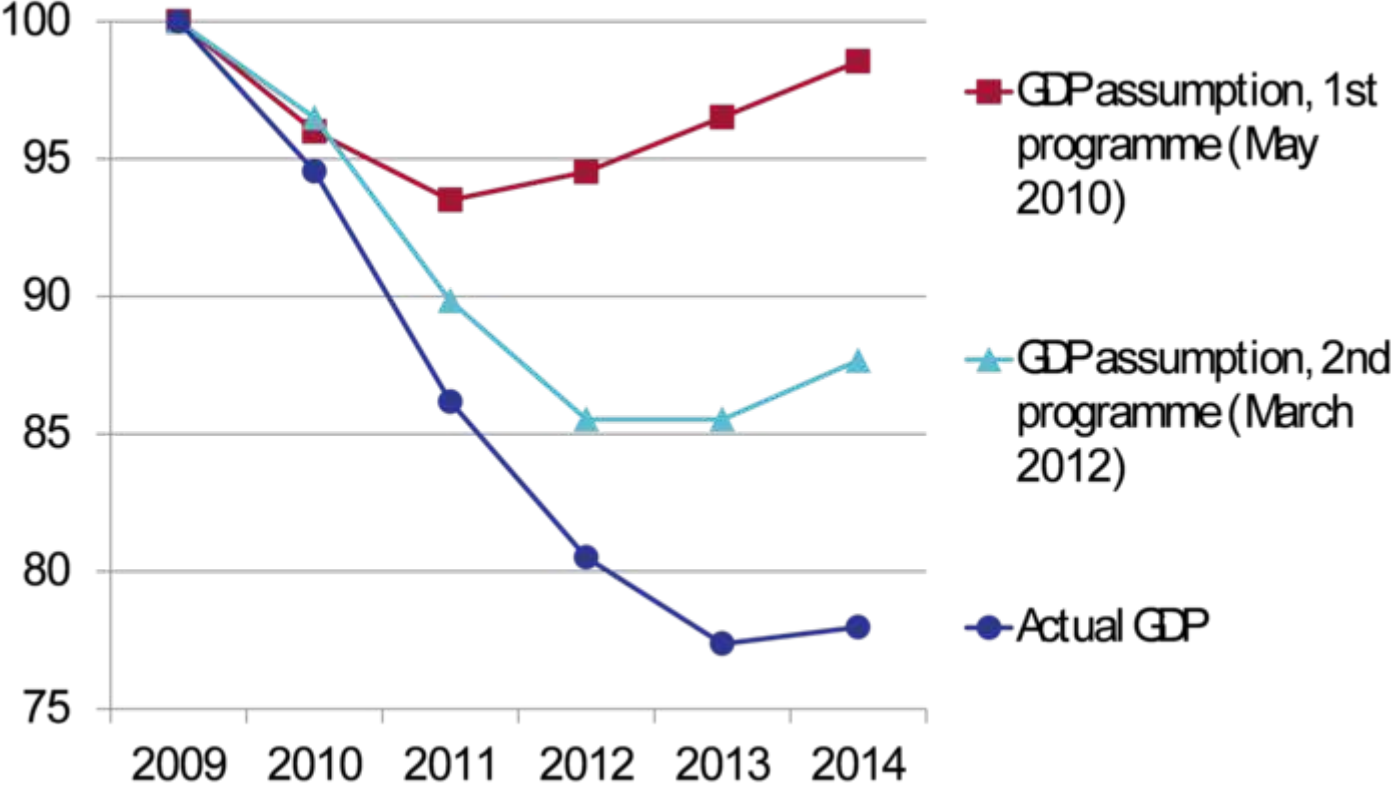
- **Unintended, consequences**

- Rise of populism across the EU
 - But why in the EZ core?
- The increasing politicisation of the European project
 - Shifting of the debate to a more ideological, horizontal, axis
- Reconfiguration of the 'promise' of EU membership
 - But what implications for future treaty reform ?

Bailout Assumptions I



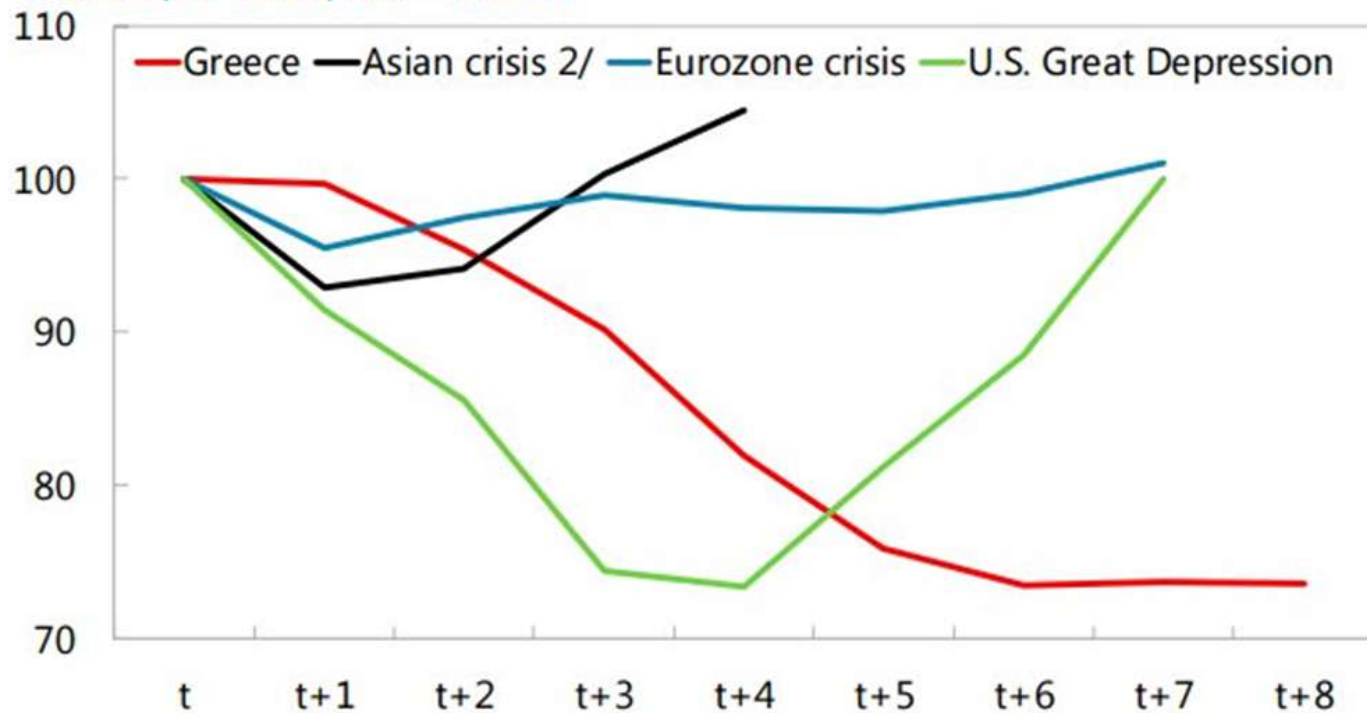
Bailout Assumptions II



Comparative Depressions

Real Output

(Index, pre-crisis peak = 100 1/)



Sources: Eurostat; Haver Analytics; and IMF staff calculations.