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BOOK REVIEW

Stavros Mavroudeas (ed.), *Greek Capitalism in Crisis: Marxist Analyses*, London, Taylor and Francis, 2014, 236 pp., ISBN: 978-0-415-74492-8

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Steep crisis and prolonged recession. It may happen to any country, deteriorate and go on for years. Still, a defining aspect of the Greek crisis is the bleak way ahead, paved by the persevere use of anti-working class and austerity policies. Why? Evidently, the imposition of such measures is conditioned on the ability of the ruling class to enforce them, an ability largely facilitated by the dominant explanations of the crisis and the failure to address them in a manner that would bring about radical social changes.

This collection of essays provides a handy toolkit to anyone who wants to question empirically and theoretically the validity of both mainstream and heterodox explanations of the Greek crisis. What distinguishes it from others is the provision of unique empirical evidence and theoretical accounts on the Greek crisis, produced within the framework of the classical Marxian approach, which identifies the sphere of production as the locus of scientific endeavour. Loaded with almost eighty figures and tables, and various empirical applications, this book provides extensive empirical documentation and analytical insight.

The pivotal argument and at the same time a well-documented finding of this book is that the current crisis is systemic and generated by the falling rate of profit, mediated by imperialist exploitation and Greece's membership in the European

Union (EU). A seminal contribution of this book is that the estimation of the falling rate of profit is derived through three different approaches, while the underlying factors and counter-factors are also estimated accordingly. More importantly, all these methods produce similar results, adding meaningful credibility to one of the main classical Marxian prognosis. Notably, a persistent negative rate of profit is established despite the unequivocal ever-growing divergence between labour productivity and real wages.

An equally important contribution that permeates this book is the extensive critique of prevailing accounts of the crisis, which are shown to constitute falsified justifications for austerity and restructuring policies aiming to counter the long-lasting fall in profitability at the expense of the working classes. This collection provides an extensive research material on the effects of implemented neo-liberal policies on the rate of exploitation, poverty, deprivation, conditions of employment, unemployment and how to measure them using various approximations. A distinct contribution is the extensive critical presentation of various radical and heterodox explanations, which either rephrase the EU – International Monetary Fund (IMF) official approach, or in the best case, despite contributing to our understanding of aspects of contemporary developments, neglect the inherent tendencies of the capitalist mode of production and the predominant role the sphere of production has.

All the above set a benchmark for any future research on developments in capitalist economies concerning the main areas that determine its course, the status of capital profitability, the corresponding conditions of the working classes and the relevant public discourse.

Accordingly, the book unfolds in three complementary parts. The first part refutes the various prevailing explanations as inconsistent, inefficient and ideologically partisan. The second part illustrates the classical Marxian approach to the underlying causes of the crisis by examining the trajectory of the rate of profit in the Greek economy and its determinants. The third part accounts for the particular dire consequences for the working class and the popular strata in Greece, highlighting the increasing levels of poverty, inequality, unemployment and unpaid labour.

In the first essay ("Mainstream accounts of the Greek crisis: more heat than light?") Stavros Mavroudeas and Dimitris Paitaridis, review critically the prevailing literature -academic and official- on the Greek economic crisis and the role its deficits (Trade Deficit and Fiscal Deficit) played to it. The authors discuss the various arguments and their evolution, tracking their foundations to competing schools of thought, inter-capitalist competition and foremost class interests. It is shown that whatever the origin, there is almost a unanimous (implicit or explicit) endorsement of the Twin Deficits Hypothesis (TDH) and the significant negative impact that increases in labour cost had on Greek economy competitiveness. Concerning the TDH, apart from its theoretical and empirical discrepancies, the authors argue that it fails to grasp the fundamental processes related to the sphere of production, which define the international and systemic nature of the crisis. In a nutshell, the TDH identifies the crisis as a “deficit-generated” debt crisis, the inner causes of which are reduced to variants of European Monetary Union (EMU) architecture characteristics in conjuncture with Greek particularities, rising real wages among the top of them. Even so, the authors falsify the counter-factual propaganda that the Unit Labor Cost is to blame for the loss of competitiveness. Besides the controversial relation between labour cost and competitiveness and the empirical literature which shows that the Nominal Unit Labor Cost in Greece rose at a lower rate than the EU-17 and EU-27 average, they illustrate that, in any case, productivity rose even faster than nominal wages. They document that the Real Unit Labor Cost has in fact been consistently dropping in Greece, at least from 1960. Thus, whatever loss of competitiveness may have occurred should be attributed to other factors other than rising wages. Concerning the Fiscal Deficit, the authors argue that mainstream explanations avoid examining the relation between big capitalist conglomerates and the state, pointing the finger to wages and government profligacy in general.

This question is addressed in the second essay of the book (“The Fiscal Crisis in Greece: Whose Fault?”) by Thanasis Maniatis. Maniatis shows that from 1995-2012, Greek Government spending to Gross Domestic Product (GDP) was only marginally above the EU-15 average, while the larger part of this difference was due to higher-than-average interest payments and defense expenditures. The government was essentially running a balanced primary budget or even a surplus and it is the large ratio of interest rates that accounts for almost all the public deficits. On the other hand, social welfare expenditures were notably below average. On the revenue side, there was a large negative difference, caused by significantly lower taxes to GDP on wealth and individual or household income, thus putting the burden on wage earners who cannot evade taxes. The notorious ‘bread or butter’ dilemma is also portrayed by showing the significant reverse relation between military expenditure and the net social wage. More revealing is the application of the net social wage measurement methodology (Shaikh and Tonak 1987, 1994, 2000) for Greece and its results. It is estimated that the net social wage was significantly negative for the whole period from 1958, during all political periods, although to a different extent. Even after the gradual maturation of the “welfare state”, the working class had been in fact subsidizing the state budget on an average of 5.1% of GDP for the recent period 1995-2011 and can by no means be held accountable for any fiscal imbalances. These findings underline the class nature of the modern capitalist state, substantiating the thesis that the re-distributive 'welfare state' is but a propagandistic myth.

In the third essay ("Explaining the rising wage–productivity gap in the Greek economy") Thanasis Maniatis and Costas Passas demonstrate the increasing productivity-wage divergence in Greece and its determinants. After summarizing the literature. they measure the productivity wage divergence using both the conventional methodology and the Marxian distinction between productive and unproductive labour (Shaikh and Tonak 1994; Maniatis and Passas 2013). They find that, whatever the method chosen, wage growth in Greece has substantially lagged behind productivity growth since 1985, marking the beginning of the neo-liberal period. If the Marxian distinction between productive and unproductive labour is applied, the divergence becomes even more pronounced, suggesting an even higher increase in the rate of exploitation. In turn, the authors construct a benchmark model to estimate the determinants of that divergence, finding that decreasing union density is the most influential factor of increasing exploitation for the period in question. This result points explicitly to the 'class struggle factor' as the most important explanatory variable for the on-going distribution of income in favour of capital. The second estimated factor is increased international competition, which arguably shifted gears as the EU and the EMU were established. Inflation is the third factor, while the increase in the capital-labour ratio, albeit significant, played a relatively minor part. This is another intriguing finding in itself.

In the fourth essay ("The Greek EU–IMF Memoranda: a problematic strategy for Greek capitalism") Demophanes Papadatos dissects the economic strategy of the EU-IMF Economic Adjustment Programmes for Greece (EAPs), stresses their assumptions and accounts for their failures. It is argued that the doctrinal assumptions concerning the benefits of export-led and Foreign Direct Investment-led growth are even more problematic in the context of privatizations and liberated capital flows. But, lacking a currency devaluation mechanism for Greece within the Euro Area, tougher austerity was commanded, making the Greek prescription characteristic. By definition, despite what the European Central Bank (ECB), the IMF, the EU, Greek officials and their apologists claimed, the extensive, front-loaded and pro-cyclical austerity measures coupled with large restructuring measures, in the midst of an international and EU crisis, knocked down all kinds of projections and EAPs forecasts. The author argues that the gist of the problem lies in the conundrum between the imperative to counter the crisis, along with the mandatory deep transformation and fiscal consolidation process that Greek capitalism necessitates. Whilst it is Greek capital who was subsidized by the Greek state, it is also Greek capital, in collaboration with international capital, which places by design, all burdens upon the working class and the middle strata. Subsequently, the abrupt deterioration of living standards creates accommodative conditions for a revolutionary process in Greece.

In the last essay of the first part ("Financialisation and the Greek case") Stavros Mavroudeas examines the validity of the financialisation concept in general, and its relevance for Greece in particular. He criticises the basic features of the doctrine, i.e. that financialisation constitutes a new stage of capitalism in which 'finance capital' dominates and acquires relative autonomy from the production sphere, while it may even exploit the working class within the process of social exchange. In turn, he assesses critically the three contesting financialisation explanations related to the Greek crisis, primarily on the basis of their treatment of the rate of profit and the sphere of production. According to the first one (Lapavitsas et. al. 2010) the crisis was not caused by a falling rate of profit but constitutes merely a debt-driven crisis rooted in financialised capitalism and the EMU structure, which allowed bubble-creating cheap financial leverage in the South of Europe, despite relative loss of competitiveness. The second finance-based explanation (Milios and Sotiropoulos 2010) suggests that the financial bubble in the South can be linked to growth rate, profit rate and interest rate differentials. According to that thesis, the rate of profit was actually rising in Greece; hence the financial crisis is a contagion instance due to the global 2007-2008 crisis. A third Minskian flavoured approach (Argitis 2012) focuses on the ECB monetary policy mismatch for the euro-periphery, which caused financial instability on top of an unstable Greek capitalism model. Still, this approach lacks any specific account for the developments on the sphere of production. Lastly, Mavroudeas demonstrates empirically that traditional channels of financialization were relatively limited in the Greek economy, which as he shows, is a not a highly financialised economy.

Having discussed the fallacies or inefficiencies of other approaches, part Two completes the task by applying the Marxian framework to identify the cause of the crisis. In the first essay ("The law of the falling rate of profit in the post-war Greek economy") Thanasis Maniatis and Costas Passas illustrate the significance of the profit rate in explaining the crisis, present its trajectory in Greece for the whole post-war period and its determinants. First, they summarize the Radical and Marxist literature on the current crisis, arguing that many explanations miss the systemic nature of the crisis by restricting their critique either on the sphere of circulation or on super-structural developments. They apply the classical Marxian methodology to determine the course of the relevant Marxian variables making use of the distinction between productive and unproductive labour (Shaikh and Tonak 1994). Their findings distinguish the various phases of capital accumulation in Greece and point to a negative trend of profitability for the whole period. Despite the rapid increase in the rate of exploitation, the profit rate recovered only partially during the neoliberal period due to the continuous increase in the organic composition of capital. More importantly, this result is also reproduced econometrically, identifying its determinants using the most recent methodology (Basu and Manolakos 2012) and extending it by taking into account any counteracting factors, both for the net as well as the general Marxian rate of profit. The existence of a falling trend in the rate of profit constitutes a manifestation of the Marxian law of the falling rate of profit, validating the systemic nature of the crisis thesis, caused by the intrinsic workings of capitalism per se. This in turn, explains the ravaging attack on workers' and other strata disposable income and defines the policy options both of the ruling and the dominated classes.

Similar results are provided by George Economakis, George Androulakis and Maria Markaki in the next essay ("Profitability and crisis in the Greek economy 1960–2012: an investigation") while presenting a different variable formulation method to estimate the profit rate. The authors contradict the public origin of the Greek debt crisis, arguing that it was the relative low competitiveness of the private sector which necessitated large volumes of external lending in order to sustain it. They show that the relatively high increase of the non-tradables and services sector is a characteristic feature of Greece's high growth period which, despite fueling growth, could be sustained only under conditions of low interest rates, leading necessarily to a deterioration of the Current Account Balance. Evidently, the domestic tradables sector did not stand up to international competition and improve its position, even more so after Greece joined the EMU, in spite of a largely accommodative – increasing domestic demand and high growth – period. The authors approximate the key Marxian variables, using the net capital stock return as a proxy (Duménil and Lévy 2002, 2004) on the assumption that all labour that is employed by capital is productive (Economakis et al. 2010). The results also evidence a distinct falling trend in profitability for the whole period, while pointing to upward phases resembling Maniatis and Passas (2013) findings. The profit rate was boosted primarily by an increasing profit share of income, while the continuous increase in capital stock was an aggravating factor. Additionally, capacity underutilisation has been impairing profitability while, given the structure of the economy, international trade played an insignificant role. Another finding is the impact the crisis and austerity had. From 2007 there has been a dip in the profit rate as a result the recession, which was accompanied by a relative increase in the capital-labour ratio and a considerable reduction in capacity underutilisation. Under recessionary conditions, the implemented austerity promoted underconsumptionist dynamics, which deteriorated profitability.

The last essay of this part ("The Greek crisis: a dual crisis of overaccumulation and imperialist exploitation") by Stavros Mavroudeas and Dimitris Paitaridis tracks the post-war evolution of capitalism in Greece and pair the internal and external sets of factors that led to the crisis. In doing that, they underline its inner causes associated with the relations of production. Greek capitalism is characterised as middle-range with relatively limited and inherently unstable imperialist abilities that were not successfully upgraded after joining the EU. The authors trace the trajectory of the profit rate by making two distinct modifications in the formulation of the key Marxian variables. Specifically, what stands out is the extensive examination of developments in the Agricultural sector and its subsequent inclusion in the estimation of profitability. Once more, derived through a different methodological application, a long and lasting fall in the rate of profit is observed, leading to capital over-accumulation and an economy-wide lack of profitable opportunities. In fact, the anemic recovery after the 1973 crisis took place due to the notable decrease in real wages. Simultaneously, Greek economy hardships were amplified in the context of imperialist exploitation, due to structural unequal exchange value transfers to the core EU countries and the concession of critical policy tools to the EU. Eventually, imperialist exploitation faltered capital accumulation, worsened the Current Account Balance, hindering thereby the sustainability of the public deficit that it had created.

The third part of the book portrays the dire effects that the current crisis, along with austerity, had on the living standards of the working class and the middle-strata. The first essay ("Economic crisis, poverty and deprivation in Greece: the impact of neoliberal remedies") by Christos Papatheodorou debates the ideological justifications for austerity measures showing that they are empirically unsound, comparing Greece with the other EU-15 member states. Greece had from 1995 to 2010 the higher poverty rate, despite longer working hours. In fact, poverty rates remained stable throughout the period, indicating that higher growth rates and reduction in unemployment do not necessarily lead to poverty reduction. Those high rates are mainly associated with in-work poverty and the meager and inefficient Greek social protection system, which even before the crisis was relatively underfunded, offering rudimentary and uncoordinated provisions. On that ground, austerity measures, only in their first year of implementation, caused a larger deterioration of poverty, material deprivation and inequality than the crisis itself. Rapidly, the poor almost doubled, became even poorer and this trend is expected to get worse as austerity intensifies and kicks in. Papatheodorou also concludes that the adverse effect on poverty and living standards will not be derived mainly by unemployment and GDP shrinkage, but more importantly by social expenditure cuts and labour market deregulation. This will in turn feed the recession.

The second essay of this part ("A comparative study of aspects of employment and unemployment in Greece before and after the crisis") by Alexis Ioannides studies the developments in the labour market, an area where Memoranda policies brought about vast restructuring and notable deterioration of working-class living conditions. On top of the dramatic increase in unemployment, the author documents that real unemployment is quite higher than the official statistics report. Additionally, workers are being forced to work considerably longer unpaid hours than before, while at the same time they work in aggregate (due to extensive unemployment, temporary and part-time employment) much less than they are willing to. This well-documented situation dismisses the neo-liberal postulate concerning the workings of the labour market, unveils their class-interested origins and credits the explanatory potential of the Marxist method. In short, the Memoranda policies are meant to enforce conditions for higher exploitation of the working class and succeed as long as no mass movement stands up to its task.

The final essay of the book by Stelios Gialis ("Recession and atypical employment") research employment trends in Greece's two largest urban regions, focusing on its atypical aspect. The author rejects the official narrative that Greek regions were not sufficiently fit to the global economy, illustrating that they were rather too well incorporated along with spatial-specific configurations. Besides rising unemployment, the author shows that atypical and flexible employment constitutes a large chunk of the labour reserve army facilitating capitalist exploitation. The observed combined effects of typical and atypical employment developments led to a tremendous devalorisation of labour power and swelled the ranks of a flexible industrial reserve army, in order for the capital to confront the falling rate of profit. These findings vindicate the Marxian concept of the reserve labour army and its relation to capitalist reproduction. The severity of those aspects is region-specific, related to the productive diversification, capacity and infrastructure of the examined regions. Ultimately, Greek labour market, being highly flexible even before 2008, nowadays develops such a flexible condition that resemble the early capitalist period, two centuries ago.

The book's publication came amidst an ongoing recession, intensified by the implementation of the Memoranda policies. After six years of unprecedented real wage cuts and vast cuts in social expenditure accompanied by a tax raid on the working class, one cannot underestimate the validity of the authors' contributions and forecasts. While anticipating reloaded follow-up publications, applying and testing the various proposed methods could be a telling assistant for any credible attempt to question the prevailing establishment.

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