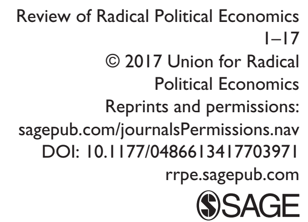
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Disciplining Greece: Crisis Management and Its Discontents

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Abstract

The strategy intended to resolve the Greek financial crisis is not a resolution strategy at all—it is more accurately conceptualized as a crisis management strategy, which is insufficient to reduce the public debt and instead fuels a deflationary spiral. Consequently, power is wielded by unelected, international political and financial institutions and actors, the crisis management regime, who have engendered a wave of discipline, surveillance, and control alongside a neoliberal restructuring of the Greek economy.

JEL Classification: G01, E62, P16

Keywords

neoliberalism, democracy, ideology, financial crisis, Greece, austerity

1. Introduction

Greece's worst financial crisis in modern history erupted in late-2009 when Greek politicians revealed that the public deficit had been falsified. By spring 2010, the financial crisis was in full swing as the major credit rating agencies downgraded Greek credit well into junk territory, and capital abruptly fled the country. Greek politicians, alongside the newly formed Troika, comprised of the European Central Bank (ECB), European Commission (EC), and the International Monetary Fund (IMF), attempted to calm the markets by implementing repeated rounds of structural adjustment and austerity measures,[1] which spurred outrage among Greek citizens. On May 5, 2010, a general strike called by Greek trade unions, leftist political parties, and anarchist organizations resulted in violent clashes with riot police and ultimately the deaths of three bank employees as a Marfin bank branch was firebombed with Molotov cocktails (Lynn 2011).

[1]This paper defines structural adjustment as measures designed to create a free market; Greece has agreed to liberalizing previously closed professions and industries, deregulating business environments, and privatizing state assets. Those measures which have an immediate effect on the ability of states to provide for the well-being of citizens are conceptualized as austerity, which is a subset of structural adjustment policies. Greece's commitment to reductions in social expenditure, public sector wage cuts and layoffs, and tax increases are all included as austerity policies (Directorate-General Economic and Financial Affairs 2011).

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Five years later, all eyes became once again fixated on Greece. The January 2015 Greek election brought to power an anti-austerity political party, SYRIZA, which momentarily diverged from the acceptance of austerity that characterized previous Greek administrations leading to an immense amount of capital fleeing Greece at an alarming pace. Starved of capital and facing a banking catastrophe, SYRIZA eventually capitulated to the crisis management strategy and signed Greece's third bailout deal containing a host of regressive structural adjustment and austerity measures, combined with disciplinary and surveillance mechanisms, in exchange for liquidity.

The persistence of financial crisis in Greece calls forth an analysis of the constructed nature of financial crisis and how it serves as a means to discipline Greece into the neoliberal fold, while simultaneously igniting counter-movements and resistance. Whose wisdom decided that structural adjustment and austerity would be the chosen path to economic recovery? Furthermore, how do these diverse institutional actors constitute a regime of crisis management, and what techniques are used to discipline and surveille indebted states like Greece? And finally, what are the implications of crisis management for democratic processes, which have functioned as the recourse for Greek people attempting to resist austerity?

The Greek financial crisis is generally understood to be a crisis of public debt that the Greek government accumulated over decades through low economic competitiveness reinforced by excessive spending and pandering to an entitled Greek constituency, especially since the adoption of the euro. The most significant obstacles that impede recovery are attributed to an uncompetitive labor market, inefficient and corrupt public sector, rent-seeking politicians, and a clientelistic relationship between politicians and constituents (Bitzenis and Vlachos 2013; Manolopoulos 2011; Markantonatou 2013; Mitsolopoulos and Pelagidis 2011). This mainstream narrative confines the focus of the crisis to a primarily internal and national analysis of Greek economic and democratic processes in relation to an irrational and opportunistic citizenry. What is concealed is the complex matrix of forces comprising supranational political institutions, international financial institutions, global financial markets, credit rating agencies, national governments, political parties, and heterogeneous publics that clash in their quest to secure self-interested goals and constitute the web of institutions and actors who have all played a part in the making and unfolding of Greece's financial crisis.

This article presents a counter-narrative to and critique of the dominant, mainstream narrative that reduces the complexity of the construction and management of Greece's financial crisis to a national analysis. On the contrary, this article reconstructs the unfolding of the Greek financial crisis through a critical sociological lens to delineate the global power structures and dynamics that are the foundation for how financial crises are constructed and managed in the twenty-first century. I employ the term "crisis management" to denote the ongoing process by which a diverse set of institutions and actors administer policies with the stated intention of resolving the perceived structural weaknesses that foment crisis, however, with the opposite outcome that structural weaknesses are actually maintained and even further aggravated. Crisis management, specifically with regard to managing Greece's financial crisis, is therefore a political strategy implemented by a set of institutions and actors that I call the crisis management regime, which is comprised by political and financial institutions and actors both within and outside of the European Union (EU). The crisis management regime consisting of the Troika (EC, ECB, and IMF) buttressed by the powers of the global markets, private investors and banks, credit rating agencies, and the Eurogroup of finance ministers have capitalized on Greece's financial crisis and framed it in a particular way so that the crisis functions as a means to enforce a fundamental neoliberal reconstruction of the Greek economy. As a consequence, the crisis has not been resolved but actually extended and deepened while the interests of private investors have been protected.

The emerging literature on crisis management in Greece is fragmented and limited in its scope. Morales, Gendron, and Guénin-Paracini (2014) focus on the involvement of the media and

the Greek state in managing crisis in the wake of the debt falsification scandal in 2009, yet their focus on discourse is complemented with concrete mechanisms used to discipline Greece. Hodson (2015) and Lütz and Kranke (2014) both examine the relationship between the EU and the IMF; however, their broad accounts of the interaction between these institutions are supplemented with a more specific focus on their relationship to the Greek government, political parties, and citizens. Chang and Leblond (2015); De Santis (2012); Gibson, Hall, and Tavlas (2014); and Sinclair (1994) have all examined the impact of credit rating agencies, sovereign bond spreads, and credit risk as a mode of governance in the Eurozone crisis but lack an analysis for how this mode of governance interacts with democratic processes. In effect, their theories of governance lack a societal dimension.

This paper provides an analysis of crisis management by combining these discrete threads into a broad account of the actors and tools involved in managing the Greek financial crisis. In this way, this article contextualizes the diverse set of actors within the concrete sociohistorical circumstances of the Greek financial crisis. In addition, this paper builds upon Major's work on crisis management and his notion of the "transnationalization of monetary authority" that indicates "the increasing cohesion of state officials—central bankers and finance ministers—in transnational and intergovernmental institutions and the increased centrality of these institutions in the regulation of the international financial system" (Major 2014: 4). This centralization of power in unelected, international institutions tempers the sovereignty of individual countries and suppresses the functioning of democratic processes, as is seen in the case of Greece.

What is explored in this article is the interaction of the crisis management regime, whose components are international in nature, with the domestic elements of Greek society, specifically the government, political parties, and citizens. However, it is acknowledged at the outset that the unfolding of the European financial crisis, of which Greece is only a part, does not occur simply as a bilateral relation between the crisis management regime and Greece. Complicating this picture is the 19 Euro-member countries and 28 EU-member countries who all have varying influence in affecting the direction that crisis management takes. For instance, each subsequent bailout package requires the consent of each of the national parliaments in the 19 Euro-member countries because these governments contribute taxpayer funds to the bailout mechanisms, which obliges democratic legitimation. Furthermore, each member state has distinct national interests and is comprised of various political parties which seek to maintain or achieve power and therefore may take a stand in support or against new bailout packages depending on the sentiments of popular constituents. These internal dynamics and conflicts affect the contours of crisis management strategies.

It would be impossible to theorize the dynamics of crisis management at the level of the various Euro-member countries. Indeed, this may not be necessary because the decisions of the Euro-members follow a political logic that allows for macrolevel analysis. In this way, we need not track the individual parliamentary actions of the various Euro-members, but follow the logic of the Troika and the Eurogroup of finance ministers, led by president Jeroen Dijsselbloem and German Finance Minister Wolfgang Schäuble (and German Chancellor Angela Merkel), whose decisions set the tone for other finance ministers and individual parliaments. With Germany being the largest Eurozone economy and providing the majority of the funds for bailout mechanisms, Germany has a disproportionate amount of power in decision making and has consistently promoted structural adjustment and austerity measures while rejecting plans for debt-relief. This is not to suggest there is unity within the Eurogroup and the Troika; recently, Greece, with its biggest supporters in France, Italy, and the IMF, has called for debt-relief in opposition to Germany's defiant opposition, along with other countries like Finland and Latvia.

Rather than focus on the messy process of deliberation between member countries, I examine outcomes, which reveal the power dynamics at work within the institutions of crisis management. These outcomes show a consistent pattern of enforcing neoliberal policies and disciplinary

mechanisms in Greece in return for liquidity, as was manifested in the ratification by all required parliaments for the third bailout in August of 2015. Even the IMF, who has been an ardent advocate of debt relief, appears to be softening its tone and will likely contribute funds to the third bailout, so long as a more modest policy of debt renegotiation is on the table. The major difference is that debt relief would provide all-out forgiveness of a portion of the debt, while debt renegotiation lowers interest rates and extends maturities, which may ease the debt-burden in the short-term, but also prolongs the terms under which Greece is subject to the crisis management strategy in the long-term (Buergin 2015). In other words, even debt renegotiation is part of the crisis management strategy.

Featherstone (2011), Kotios and Roukanas (2013), and Markantonatou (2013) provide in-depth accounts of the institutional mechanisms of crisis management in Greece. The years of acute crisis since each of these publications, especially Featherstone, however, call for a more updated analysis that comprises all of the twists and turns that occurred since SYRIZA's electoral victory in 2015. SYRIZA's transition from an anti-austerity, opposition political party, to ruling government administration battling the Troika, and now to implementing the country's third bailout program alongside the Troika provides fertile ground for understanding the disciplinary features of crisis management.

One persistent theme of the existing crisis management literature is dysfunctionality and weakness in governance at both the EU and domestic level in response to the unfolding Greek crisis. According to Featherstone (2011: 202), European institutions, such as the ECB, were indecisive, and their responses were characterized by "slowness, division, and ineptness," which increased the cost of intervention. The delayed response of European institutions was combined with "endemic weaknesses" within the Greek state that limited the reform capacity of the government and ultimately prevented the implementation of structural reforms (Featherstone 2011: 195). Markantonatou (2013: 1) emphasizes how the current Greek financial crisis highlights "the structural weaknesses, heterogeneities, and inefficiencies of the Eurozone" as well as the rent-seeking and clientelist nature of the Greek state, which prevented the successful implementation of austerity. Similarly, Kotios and Roukanas (2013: 91) state how the Greek financial crisis "revealed the structural and functional weaknesses of the EMU governance" and the structural weaknesses of the Greek government.

The critique of the crisis management institutions and the Greek state as being dysfunctional as well as reacting too late and too indecisively links with an additional critique that suggests that crisis management has failed. Markantonatou (2013: 20) characterizes the crisis management treatment as being unsuccessful because it was intended to "take the country out of crisis by 2010, a deadline which was then postponed to 2011, and then to 2013, 2016, etc." Likewise, Kotios and Roukanas (2013: 95) suggest crisis management has failed, and that "Greek crisis management, both on the part of the Greek government and of the EU, is an example to be avoided."

Yet, by what standard has crisis management failed? These authors evaluate crisis management in terms of how well the Greek economy has recovered, a noble effort indeed, however, one that misunderstands the fundamental essence of crisis management—crises are never meant to be resolved but managed. Recovery of the Greek state is intentionally avoided because recovery would require two necessary preconditions—(1) that Greece's legacy of clientelism and rent-seeking be reformed, and (2) that Greece's public debt be paid in full, such that Greece would no longer be subject to suffocating debt-servicing payments. However, Greek political parties are nurtured in an environment of clientelism and rent-seeking and therefore cannot simply reform these weaknesses because they are entrenched within the culture and institutions of Greek society, and the political parties themselves reproduce these weaknesses of governance (Sklias and Maris 2013). European institutions have even less interest in allowing Greece to recover. Profit is extracted from Greece by lending the country huge sums of capital through the bailout mechanisms, which do not provide aid to Greece, but interest-bearing loans. As was recently confirmed

by the IMF, Greece cannot pay back this debt in full without significant debt relief; however, debt relief would end Greece's tutelage as a debt-colony and therefore be against the interests of banks and the private sector who seek permanent debt-slaves (Rankin 2015). Recovery is therefore to be avoided, but management of Greece's debts such that it will make continuous payments to its creditors for the indefinite future is the primary imperative for crisis management. In this way, crisis management has not failed but is designed to continuously postpone the recovery of the Greek economy to satisfy private interests. Debt renegotiation, likely to be part of the third bailout, only reinforces this trend by extending Greece's subjugation as a debt-colony.

The next section conceptualizes Greece's financial crisis as a social construction whose dominant form conditions a particular solution strategy compelled by neoliberal ideology. A narrative reconstruction of the unfolding of the Greek financial crisis follows in order to discern the central actors that constitute the crisis management regime. An exploration of the mechanisms of crisis management is then delineated, specifically with a focus on the technocratic techniques that discipline Greece into the neoliberal fold. This paper concludes with a discussion of the possibilities of Greek democracy in the era of crisis management.

2. Greece's Public Debt Crisis Critically Reappraised

The content of the crisis management strategy is a consequence of the form that crisis assumes; however, crisis does not objectively manifest in society as a readily observable phenomenon. Instead, financial crisis must be perceived; it must be made legible out of a complex, contradictory, and abstract social reality. In effect, financial crisis is constructed. The construction is not coordinated by shadowy figures intent on wreaking international financial havoc. Rather, crisis manifests when there is a consensus that the present state of affairs has diverged from what has been previously expected. In this way, crisis entails a judgment of the present, which initiates a search for "what went wrong?" (Roitman 2014: 9).

Greece's financial crisis assumed an objective status as a social fact through a series of events propelled forward by various institutions and actors including the media, national governments and political parties, European political institutions and international financial institutions, credit rating agencies, private investors, banks, and citizens. Their recognition of crisis constructed competing narratives that sought to explain "what went wrong?" and diverging strategies for how to address crisis. The narratives of crisis were by no means necessarily coherent and unified. Instead, key indicators were often fetishized and used as markers that represented the crisis such as public debt, gross domestic product (GDP) rates, credit ratings, bond yields, or alternatively, unemployment, poverty, and domestic demand statistics. Many contrasting and conflicting narratives were constructed around these indicators reflecting the various ideologies that attempted to explain the meaning of these indicators. Solution strategies were already presupposed according to the particular ideology constructing the narrative of crisis. Ultimately, one ideology, because of its institutional position, responsibility for making decisions, and massive capital reserves, was able to have its truth recognized as the official narrative of crisis.

In the case of Greece, the neoliberal ideology embedded in the supranational political institutions, international financial institutions, and among private investors, banks, and credit rating agencies made certain elements visible and other elements invisible. As this narrative became the dominant and mainstream narrative of the Greek financial crisis, the public debt was singled out as the central problem inciting financial crisis. Structural adjustment and austerity, already tested and approved by the IMF in the 1980s to address the Latin American debt crisis, emerged as the prelegitimated tools to manage what was being conceived of as a public debt crisis in Greece.

The depiction of the Greek financial crisis merely as the result of accumulating an unsustainable public debt is misleading. According to this narrative, the Troika has imposed structural adjustment and austerity measures as a strategy intended to reduce the size of the exorbitant

public debt. Yet this strategy, which has been combined with bailout packages intended to keep Greece from defaulting on its debt obligations, has functioned to augment Greece's debt-load. In other words, after five years of treatment, Greek public debt is heavier than when the crisis first erupted in 2009. With a debt-to-GDP ratio increasing from 126.2 percent in 2009 to 177.1 percent in 2014, and estimated 197 percent in 2015, structural adjustment and austerity measures are piling more debt on the Greek state and its citizens (IMF 2015).

What accounts for this paradoxical state of affairs whereby the malignant public debt has actually grown rather than been reduced over the course of treatment? Simply stated, the strategy implemented by those responsible for resolving the Greek financial crisis is not a resolution strategy at all—instead, it is more accurately conceptualized as a crisis management strategy. Following Koselleck's (1959: 5) insight that the whole world has drifted into "a state of permanent crisis," strategies professed to resolve financial crisis conceal the extent to which a once-and-for-all resolution to crisis is impossible at the scale of the global capitalist system. In this way, states are responsible for intervening and managing the fallout from the various crises endemic to the advanced capitalist system, although such management is never complete and crises continue to erupt even as management strategies are employed (Habermas 1973). Greece's financial crisis is but one manifestation of this permanent state of crisis inherent to the operation of capitalism.

The crisis management strategy is insufficient to decrease the public debt. According to Vlachos (2013: 139), the management strategy fuels:

> a deflationary spiral: undercapitalized banks facing liquidity problems are financed through government debt expansion, which in turn is contained through tax increases, and fiscal austerity that contract output, disposable income and domestic demand, which in turn reduce tax receipts and leads to government deficits that require for further debt expansion and fiscal austerity measures and hence, the vicious downward spiral continues.

If the crisis management strategy has failed to decrease Greece's overall debt, it is because a reduction of the government debt is not the primary target of the crisis management strategy. Instead, the recognition of crisis served as an impetus for a fundamental restructuring of Greece in the image of neoliberal ideology that favors labor discipline, free markets, and a minimal role for the public sector. Under the guise of reducing Greece's public debt, structural adjustment and austerity actually increase the debt-burden, however, with the effect of compelling Greece to adopt a neoliberal overhaul of its economy, which simultaneously gives rise to resistance to the crisis management strategy by people who bear the brunt of the process of restructuring.

There is no doubt that Greece accumulated an exorbitant public debt during the 2000s that was made worse by an uncompetitive economy, bloated public sector, and unsatisfactory tax system, which has continued to haunt Greece years into crisis. What is being challenged here is the specific ideological narrative that gives Greece complete agency in accumulating the public debt and blames Greece for its inability to decrease the debt since the onset of crisis. Greece is conceptualized as having corrupt politicians who squandered and embezzled structural funds and an entitled Greek constituency that lived beyond its means. The Greeks, it is thought, willingly accepted the debt and spent it on luxury items without investing it in the economy to enable growth or reforming their clientelist economic structure (Manolopoulos 2011; Mitsolopoulos and Pelagidis 2011). According to this narrative, austerity is imposed and justified as "those who partied deserve the pain of hangovers" (Norris 2011).

Yet the moralizing tale of Greek profligacy is incomplete. Greece's legacy of deindustrialization since the 1980s was reinforced after the introduction of the euro, such that Greece, and other Southern peripheral countries such as Spain, Italy, and Portugal, became import-oriented economies sustained by public sector borrowing (Lynn 2011; Pirounakis 1997). In effect, Greece

accumulated an exorbitant public debt so that Germany and other core Euro-countries could have strong, export-oriented economies and trade surpluses. Following the introduction of the euro in 2001, core countries registered, on average, a surplus on their current accounts balance equivalent to 0.9 percent of GDP. In 2007, the surplus had increased to an average of 3.6 percent of GDP (Perez-Caldentey and Vernengo 2012). Conversely, when Greece adopted the euro in 2001, the trade deficit was at 3 percent of GDP (Manolopoulos 2011). It subsequently worsened as Greece's imports grew. The trade deficit significantly deteriorated throughout the 2000s to its peak level at 14 percent of GDP in 2009 (Lynn 2011).

The public debt was singled out as the foundation for the financial crisis, yet Greece was loaded with even more debt through bailout mechanisms. However, these loans have not primarily been distributed to the Greek people as commonly thought. Instead, of the €252 billion lent to the Greek government by the Troika, only 10 percent of that money has reached the Greek people (Jones 2015). According to the Truth Committee on Public Debt (2015: 4): "The mechanisms disclose how the majority of borrowed funds were transferred directly to financial institutions." The vast majority of the bailout money has been used to service the interest-payments of Greek debt in a Ponzi-scheme fashion where new loans are used to pay down the old loans.

In effect, Greece's financial crisis was never meant to be solved but managed. A managed crisis is one that allows Greece to continue to accept loans to service the interest of previous loans while forcing Greece to comply with neoliberal structural reforms. With a third Greek bailout worth €86 billion ($93 billion) in the pipeline, the crisis management strategy will persist indefinitely. In this way, the banks can continue to profit, while Greek society bears the brunt of the costs through an acute humanitarian crisis. The true bailout is not of the Greek people but of the banks, especially German and French, that lent Greece money. The next section provides a narrative reconstruction of the acute crisis scenario to discern the central actors involved in crisis management.

3. The Debut of the Neoliberal Crisis Management Regime in Greece

Greece's financial crisis was widely recognized internationally only after a flurry of media reports in late-2009 indicated signs of fiscal mismanagement and outright budgetary falsification (Morales, Gendron, and Guénin-Paracini 2014). The actual size of Greece's public debt was not the previously expected 6 percent of GDP, but was actually revised to 15.6 percent of GDP (Kotios and Roukanas 2013). The financial crisis erupted as the major credit rating agencies began downgrading Greek credit, and capital flight drove up Greek bond prices to unprecedented proportions.

Standard and Poor's credit rating agency was the first to downgrade Greek credit on December 7, 2009, when it placed Greece's A-minus credit rating on "Credit Watch" with negative implications. A series of credit downgrades from the other major credit rating agencies, most notably Fitch and Moody's, ensued. Investors and the international financial markets were anxious and "starting to lose faith in the Greek debt market" (Lynn 2011: 128). The Athens stock market plunged as the spread between Greek and German bonds exceeded 300 units by the end of the year, and it became riskier to carry Greek debt (Kotios and Roukanas 2013). Greece was hemorrhaging capital, and the media drove the fear that capital flight was pushing Greece to the precipice of a credit default. On December 14, 2009, then-Prime Minister George Papandreou, a center-leftist from the PASOK political party, announced the first of many structural adjustment and austerity packages intended to cut the ballooning budget deficit and calm the markets to reinvigorate confidence that Greece would be committed to paying back its debt obligations and avoiding a default (Lynn 2011). However, the damage had already been done, and the markets had condemned Greece to a crisis that was spiraling out of control.

Later in December 2009, both Standard and Poor's and Moody's rating agencies further downgraded Greek sovereign credit. According to Lynn (2011: 133): "a pattern was starting to emerge. One of the big ratings agencies would downgrade Greek debts, the markets would panic, there would be a selloff in the bond markets, and finally the government would step in with another revamped austerity package." On January 14, 2010, the Greek government announced a new round of austerity measures through its Stability and Growth Program (Ministry of Finance 2010). Angry about the latest package of austerity, a new actor entered the scene—the Greek people. On February 24, Greeks staged a general strike against austerity (Lynn 2011). Soon after, on March 3, Papandreou unveiled the most far-reaching austerity package to date, which was immediately met with massive strikes and demonstrations (Smith 2010). Without a concrete European plan to rescue Greece, the credit rating agencies continued to pummel Greek credit. On April 9, 2010, Fitch downgraded Greek credit to "BBB-minus" with a negative outlook. Greece's credit was relegated to junk status on April 27 when Standard and Poor's cut Greek credit to "BB-plus" (Lynn 2011; Manolopoulos 2011). Fears of a Greek default loomed large as Greek bond prices exceeded 1,000 units in April 2010 (Kotios and Roukanas 2013). The immense risk in holding Greek debt effectively barred Greece from the international bond markets.

No longer confident in its ability to effectively manage the financial turmoil alone, the Greek Ministry of Finance submitted a letter to the EC, ECB, and the IMF on April 23, 2010 to officially request financial assistance. Days later on May 2, relief arrived when the newly dubbed "Troika," constituting the core of the crisis management regime, agreed to Greece's first bailout loan of €110 billion ($147 billion) (Kotios and Roukanas 2013). Consistent with the loan agreements that traditionally characterize IMF assistance, the bailout came with strings-attached and was dependent upon Greece implementing a program of structural adjustment and austerity. As Kotios and Roukanas (2013: 96) state, "This program took the form of a Memorandum, which would be evaluated and adjusted periodically. This was a binding program, with clear obligations, time-bound actions, consultations, and monitoring processes." The announcement of more austerity provoked violent demonstration on the streets of Greece (Lynn 2011).

The unprecedented wave of austerity measures ravaged the Greek economy in 2011. GDP declined by 7.1 percent, and the debt-to-GDP ratio reached 170.3 percent (IMF 2015). Consequently, both Fitch and Moody's downgraded Greek credit well into junk territory (Chang and Leblond 2015). As fears resurfaced that Greece may default, and thereby catalyze a contagion scenario across Europe, the Troika agreed upon a second bailout for Greece on October 26, 2011 that would make available €130 billion ($173 billion) in return for more austerity and a voluntary restructuring of private holders of Greek sovereign debt by 50 percent (Kotios and Roukanas 2013). Over the next three years, Greece would continue implementing structural adjustment and draconian austerity measures in exchange for disbursements from the bailout mechanisms that have kept Greece from defaulting. Protests have persisted, both violent and nonviolent, as the living standards of Greeks have consistently deteriorated through this harsh treatment.

In August 2014, it appeared as if the recession abated as the Greek government received its first positive signs from credit ratings agencies when Fitch upgraded Greek credit to "B" and Moody's raised Greek credit two notches to "Caa1" (Tagaris 2014). In addition, Greece saw a positive response from international investors when it returned to the bond markets in April 2014 after being excluded for four years (Alderman and Thomas 2014). Greece was being rewarded for following the disciplinary strategy that a consensus of actors in the Troika and private investment sphere endorsed.

On October 15, 2014, however, the positive signs evaporated and the acute crisis scenario reappeared when the Greek stock market plunged over 9 percent in response to talks surfacing over a possible early-exit from the bailout mechanisms, which would effectively end the crisis management treatment (Weisenthal 2014). Following years of harsh treatment, ordinary Greeks sought change from the bailout agreements that compelled Greece to adopt austerity. On

December 9, 2014, the Athens Stock Exchange plunged by nearly 13 percent, its biggest one-day fall since 1987, and ten-year Greek bonds rose to 7.86 percent as then-Prime Minister Antonis Samaras, the leader of the center-right New Democracy party, called for snap presidential elections as political instability grew (Smith and Fletcher 2014). On January 25, 2015, the leftist party SYRIZA, headed by the charismatic Alexis Tsipras, won a majority of seats in Parliament under a staunch political platform that claimed to reject not only structural adjustment, austerity, and the associated bailout mechanisms but also the legitimacy of the Troika itself. Entering into a coalition government with the right-wing nationalist party, Independent Greeks, the new Greek administration sought to fulfill its promises to the Greek people by halting privatization deals and rehiring recently sacked public sector employees (Ellyatt and Agkyridou 2015).

International investors quickly responded to the anti-austerity atmosphere through repeated speculative attacks, which constitute a powerful weapon in the arsenal of crisis management. Within the first week of SYRIZA's victory, the Athens Stock Exchange plummeted 12.7 percent, and yields on Greece's ten-year government bonds soared to 11 percent, which had effectively locked Greece out of the bond markets again (Ellyatt and Agkyridou 2015). In addition, an estimated €14 billion in deposits had been removed from Greece's economy in January 2015 alone, which put the economy back into recession (Stergiou 2015). The following months were characterized by negotiations between the Troika, Euro-finance ministers, and the Greek government that failed to produce any concrete agreements. Time was against the Greek government as its bailout funds were dwindling and would expire by the end of June, while simultaneous capital flight threatened the solvency of the banking sector. On June 10, Standard and Poor's cut Greek credit to "CCC" from "CCC+" to signal that a default was likely without new liquidity injections (Beckerman 2015).

On June 26, 2015, Prime Minister Tsipras announced a national referendum on a new package of austerity measures proposed by the Troika. The people were called on to decide what terms they would be willing to endure. The referendum question asked whether the Greek government should accept or reject a new conditionality agreement that would raise taxes and further cut pensions in exchange for liquidity (Alfred 2015).

The crisis management regime interpreted the referendum as a direct attack on its strategy and responded with its financial leverage and further speculative attacks. On June 28, the ECB froze the level of emergency aid available to Greek banks while ATM withdrawals skyrocketed among ordinary Greeks, combining into a volatile concoction that pushed the Greek banking sector on the precipice of collapse as bank reserves were running low but not being sufficiently replenished (Black and Gordon 2015). In response, Tsipras announced capital controls that closed Greek banks and limited the amount of money Greek citizens could withdrawal from ATMs. On June 29, S&P further downgraded Greek credit to "CCC−" with a negative outlook (Ro 2015). Far from rewarding Greece's commitment to the crisis management strategy, as was the emergent pattern in the summer 2014, the Troika, international investors, and credit rating agencies reverted to their traditional stance of using their financial leverage to coerce Greece into accepting their neoliberal terms. Capital flight, insufficient liquidity provided by the ECB, and the inability to borrow from the international markets, starved the Greek government of funds and compelled the government to make amends with the crisis management regime.

The result of the referendum on July 5, a resounding victory for the "oxi" (no) vote by a margin of 61.3 percent to 38.7 percent, sent a clear message to Tsipras—the people had enough of austerity and were willing to stand behind him against the policies of the crisis management regime. Democracy asserted its voice, and Tsipras had a mandate to reject austerity (but importantly not a mandate to leave the Eurozone). Yet after the referendum, the Troika and Eurogroup maintained their rigid stance that Greece must accept austerity or the spigots of capital will be turned off, which would catalyze a banking collapse that would force Greece out of the Eurozone and compel a return to its national currency, the drachma. In the end, Tsipras conceded to the

demands of the crisis management regime and accepted a bailout package worth €86 billion in return for a revamped structural adjustment and austerity package complete with disciplinary and surveillance mechanisms that are explored in the next section of this paper. The next section also explains why a crisis management regime emerged during the current financial crisis, the specific power dynamics within the regime, and the contents of its strategy.

4. The Contours of Crisis Management

Greece in the early-1980s underwent a brief renaissance in social-democratic policy. Under the leadership of then-Prime Minister Andreas Papandreou[2] and the PASOK party, Greece joined the European Community in 1981 and used the many grants, low-interest loans, and agricultural subsidies to create a clientelistic relationship between politicians and party supporters, typically among the middle and lower classes. Papandreou embarked on a radical populist platform that initiated the creation of an inefficient and over-staffed public sector and an over-burdened welfare state that reinforced low economic competitiveness. To finance this social policy, Papandreou relied heavily on borrowing from foreign sources. The budget deficit for the PASOK administration increased from 2.6 percent in 1980 to 9.1 percent in 1981 and 11.7 percent in 1985 (Psalidopoulos 2010).

The growing deficit and inflation in Greece in the 1980s prompted the PASOK administration to adjust its populist social policies and adopt a series of stabilization programs that constitute Greece's first experiences with structural adjustment and austerity. Greece implemented structural adjustment programs and austerity in 1983, 1985 to 1987, and throughout the 1990s (Pagoulatos 2003; Psalidopoulos 2010). In addition to cutting public expenditure, freezing salaries and wages, restrictions on striking and labor union power, and measures intended to liberalize, privatize, and deregulate the Greek economy, the programs also included currency devaluations (Pagoulatos 2003).

Most recent accounts of the Greek financial crisis ignore the country's long history with structural adjustment and austerity and instead implicitly assume that it began in the wake of the financial crisis in 2009 (Featherstone 2011; Kotios and Roukanas 2013; Lynn 2011; Manolopoulos 2011; Markantonatou 2013; Sklias and Maris 2013). Yet, Greece's current experience with structural adjustment and austerity is nothing new. The absence in theorizing Greece's history with the neoliberal treatment is a glaring lacuna in the current literature on the Greek financial crisis. Why did Greece adopt structural adjustment and austerity measures in the 1980s and 1990s?

Alongside the growing public deficit and inflation, discussion emerged among European countries concerning the creation of the European Monetary Union (EMU) based in a common currency. Papandreou and the PASOK party implemented structural adjustment and austerity measures as instruments to cut borrowing and facilitate convergence with EMU budgetary criteria, which stipulated strict limitations concerning debt levels (EC 1997). Convergence, however, was only superficially achieved, as it was later realized that the reduction in debt levels was deceptively attained through "cross-currency swaps" and falsification—not because of structural changes to the Greek economy (Morales, Gendron, and Guénin-Paracini 2014: 7). In fact, Greece never truly brought down its borrowing and instead fudged its budget deficit statistics to create the illusion of convergence with budgetary criteria. Greece, however, joined the EMU in 2001, and the country's falsification scandal would remain concealed until 2009.

Greece's first experience with structural adjustment in the 1980s and 1990s failed to realize lasting economic restructuring and therefore convergence with the economies of other Euro-members. According to Bitzenis and Vlachos (2013: 238), the structural adjustment and austerity programs implemented throughout the 1980s and 1990s "did not yield permanent gains, although

[2]Andreas Papandreou was the father of George Papandreou.

they managed to avert to some degree a further deterioration of the economic situation." In the absence of true convergence, EMU mechanisms and procedures ultimately led to divergence among Euro-countries once the monetary union was in full swing. The structured power imbalance between core and peripheral Eurozone countries functioned as a massive funneling scheme whereby peripheral countries, especially Greece, borrowed heavily from core countries' banks to finance the importation of commodities produced by those core countries, which had the effect of building up Greek public debt and thereby laying the foundation for Greece's financial crisis (Lapavitsas et al. 2012).

There was no crisis management regime in place when Greece first implemented structural adjustment and austerity measures in the 1980s and 1990s. The rudimentary crisis management regime was busy extracting capital from Latin American countries and other developing countries at this time. Like other European economies such as Ireland, Greece adopted structural adjustment and austerity measures voluntarily through a sequence of governing parties of both the left and the right (Alogoskoufis 1992). The European Community certainly endorsed these measures; however, they lacked effective enforcement mechanisms that the crisis management regime would later assume. Without an enduring restructuration of the Greek economy, a state of emergency would be required to achieve a concrete neoliberal overhaul of Greece. The financial crisis that erupted in 2009 would serve this function of constituting a "constant state of economic emergency" so that a wave of neoliberal restructuring could be implemented and enforced by the crisis management regime (Sakellaropoulos and Sotiris 2014: 265).

Initially, Europe was unprepared to manage the unfolding crisis that spread from Greece to other Eurozone countries in early 2010. According to Featherstone (2011: 201): "The Maastricht Treaty had not provided for exceptional crisis management." Things changed, however, as the model for crisis management already tested in Latin America was imported into Europe in the midst of crisis. The spine of the Latin American crisis management regime was the battle-hardened IMF who would bring the same "one-size-fits-all" structural adjustment packages and austerity measures into the center of the crisis management strategy in Greece and the larger European region.

Although the IMF was the initial architect of structural adjustment and austerity in Latin America, the IMF has assumed a subordinate role in the Troika compared with the EC and ECB, which are the political and economic arms of the EU. The Troika constitutes the core of the crisis management regime; however, the private sphere consisting of credit rating agencies, banks, and international investors supplements the Troika's power and assumes the external support structure within the regime. Credit rating agencies constitute a mode of "governance without government" and operate as the shepherds of the market by signaling to creditors the risk level of investing in Greece (Sinclair 1994: 134). When credit rating agencies pronounced Greece to be on the precipice of default, investors ceased to invest in Greek bonds, and as a consequence, incited a credit-shortage in Greece that compelled the country to adopt the conditionality agreements to keep liquidity flowing. The compatibility between the Troika and the private investors and institutions is not because of collusion or coordination between the two spheres. Rather, the acceptance of the crisis management strategy is the result of a common neoliberal ideology shared among many of the technocrats and investors within these two spheres that tend to agree on the meaning behind specific indicators.

During the most recent phase of the Greek financial crisis (since SYRIZA's electoral victory in January 2015), the Eurogroup, comprised of Euro-finance ministers, has assumed a central role in debt negotiations among Euro-members. With the president of the ECB in attendance at the meetings, as well as invitations sent to the managing director of the European Stability Mechanism (ESM) which manages Greece's bailouts, and the IMF, the Eurogroup functions as the financial voice of the Euro-member states whose opinion is highly regarded by the Troika. Although it has no formal decision-making power, the Eurogroup acts as a mode of informal

governance by influencing policy through agreements. Legally, it is a nonexistent entity; however, its decisions have the capacity to dramatically determine the contours of life for all Greeks. According to the former Greek finance minister Yanis Varoufakis: "[the Eurogroup] is not answerable to anyone, given it doesn't exist in law; no minutes are kept; and it's confidential. So no citizen ever knows what is said within. … These are decisions of almost life and death, and no member has to answer to anybody" (Lambert 2015). Yet the finance ministers are answerable, indirectly, to their national electorate. Insofar as individual nations are fed up with a Greek government that continues to receive funds and fails to implement reforms, finance ministers, especially Schäuble, are inclined to take a rigid stance concerning new agreements and stipulate harsh disciplinary and austerity terms that the Greek government can either submit to or Grexit. Because Tsipras wanted to avoid a Grexit at all costs, the only option was to accept the crisis management strategy.

The crisis management regime endorses a strategy that privileges the interests of the private creditors who loaned Greece capital while forcing ordinary Greeks to shoulder the burden of the management strategy through "internal devaluation." According to Chryssogonos and Pavlidis (2013: 296): "The EU/IMF mechanism is intended, therefore, to the asymmetric repayment of creditors of the (de facto) bankrupt Greek government" while taxpayers "bear the entire burden of fiscal adjustment." In effect, the Greek government is situated in the middle of a tug-of-war between, on the one hand, the Troika and the private sphere, and on the other hand, the Greek people.

The crisis management regime does not directly restrict the sovereignty of Greece. The Greek government voluntarily signed the conditionality agreements proposed by the Troika. Legally, then, "there is no transfer of powers to the bodies of international organizations" within the legal scaffolding of the Memoranda agreements that established the bailout mechanisms (Chryssogonos and Pavlidis 2013: 286). The Greek state complies with the crisis management strategy because "a refusal to comply will result in failure to collect the next installment of the loan and thus in the cessation of payments by the Greek government" (Chryssogonos and Pavlidis 2013: 287). Attempts to finance governmental operations independently of foreign borrowing, mainly through tax revenues, is doomed to fail because of the history of weak Greek governance and the legacy of an unsatisfactory tax system. Instead, Greece increasingly relies on external funding from private creditors to finance its public obligations and, as a consequence, is subject to the terms imposed by the crisis management regime. Greek sovereignty is therefore protected; however, the government is constantly under pressure from the Troika to fulfill its terms, lest it be starved of funds because of its failure to comply. Financial blackmail, which is the way that the crisis management institutions cajole Greece into accepting its neoliberal treatment, reduces the effectiveness of democratic processes to protect ordinary Greek citizens.

Technocratic experts working within the crisis management regime fashion a management strategy by reducing the complexity of an abstract financial crisis into a simplified problem amenable to technical strategizing and rational planning. Davis, Kingsbury, and Merry (2012) discuss how technocrats increasingly rely on indicators when creating global governance schemes. In the case of the Greek financial crisis, institutional actors responsible for managing the crisis gain knowledge of the crisis through quantitative, national economic indicators, such as the ratio of government debt-to-GDP or the government deficit as a percentage of GDP (Bitzenis and Vlachos 2013). However, the knowledge gained through evaluating economic indicators is not objectively meaningful but must be interpreted by those technocrats themselves. Because technocrats are considered to be experts, the solution strategy they devise is claimed to be neutral and depoliticized. However, concealed beneath the purportedly nonpolitical, technocratic interpretation of indicators is a deeply political project guided by neoliberal ideology. Public sector deficits are managed, and not reduced, through neoliberal tools of structural adjustment and austerity, which seek to diminish the social protection role of the state through continuous cuts to government

social expenditure while augmenting the power of markets through liberalization, deregulation, and privatization.

The conditions for Greece's third bailout package are embedded in neoliberal ideology and push the technocratic techniques to its most extreme realization. The contours of the new memorandum were negotiated by the Eurogroup of finance ministers, who on July 12, 2015, signed an agreement that adumbrated the structural reforms that were required for liquidity. The agreement constitutes the culmination of five years of crisis management, and therefore contains the harshest, most severe, and most thorough disciplinary and surveillance mechanisms to ensure that Greece complies with structural adjustment and austerity measures. For years, the Greek people have resisted concrete restructuration of the economy. The "oxi" (no) vote on the July referendum manifested the will of the people against further austerity. Yet resistance through the means of parliamentary democratic procedures, which SYRIZA initially embodied in its rise to power and to which the referendum expressed, will be futile in the future because the conditions to which the Greek government agreed will cede total control to the Troika in implementing reforms and economic restructuration. The crisis management regime is not only demanding a pound of flesh, in the form of draconian austerity, but also that the Greek government hand over the keys to the country.

The Greek government, having ratified the new agreement in the national parliament, has committed to the following treatment:[3]

Austerity:

1. Raising taxes and broadening the tax base.
2. Cutting pensions, eliminating early retirement benefits, and raising the retirement age to sixty-seven years.
3. Amending or compensating for "roll-back" legislation adopted during 2015, which have not been agreed to by the Troika. In other words, eliminating any anti-austerity law passed by SYRIZA to address the humanitarian crisis.

Structural adjustment:

1. Adopting "product market reforms" as well as liberalizing previously closed professions.
2. Privatizing state assets to raise €50 billion, beginning with the Independent Power Transmission Operator (ADMIE).
3. Weakening the unions by undertaking a rigorous review of collective bargaining practices and modernizing the legislative framework for collective dismissals.

Disciplinary and surveillance mechanisms:

1. Insulating the Greek national statistical reports from political pressure by safeguarding the full legal independence of the Hellenic Statistical Authority (ELSTAT).
2. Fully implementing the Fiscal Compact, which will mandate primary surplus targets and introduce "quasi-automatic spending cuts" whenever the targets are missed.
3. Transferring Greece's valuable state assets to an independent fund where privatization will be managed by an external, independent institution.
4. Consulting with the Troika on all draft legislation before submitting it to the Parliament.
5. And the most dubious—"*de-politicizing the Greek administration*" (emphasis added).

[3]Taken from the draft Eurogroup proposal released by *Ekathimerini* (2015).

Many of the austerity and structural adjustment measures in this program have been included in past conditionality agreements, yet they have not been fully implemented by the Greek government. What needs to be understood in this new bailout program is the extent to which the Troika no longer trusts the Greek government to implement structural reforms. Implementation will now be overseen externally by technocratic experts, which reduces the likelihood that the Greek government can drag its feet and avoid implementation of the measures. Greece's legacy of agreeing to structural adjustment and austerity but not implementing the treatment has ended because the Greek government will no longer have control over its economy. The outcome is that democratic processes in Greece have been neutralized in their power to challenge the crisis management regime.

The conflict between the demands of the crisis management regime and the Greek people harkens back to a Polanyian "double-movement." As crisis becomes a productive opportunity to neoliberalize Greece to an unprecedented extent, the people respond with protests, demonstrations, and the election of an anti-austerity political party that has called for the ejection of the colonizing crisis management regime from the country. The recent rise in popularity of the Greek left is the expression of an arrested democracy that seeks to unleash the popular will and achieve fulfillment. In effect, the electoral victory of SYRIZA followed by the decisive victory of the "oxi" (no) vote on the referendum constituted the people's rejection of the crisis management strategy and the associated structural adjustment and austerity measures. Yet, the scales are not equal. As the Greek government relies on private creditors to finance its public obligations, the imperatives of the markets are increasingly privileged because they hold what Greece needs most—capital. Democracy is thus running up against the barrier of transnational capital protected by the crisis management regime.

5. The Greek Experiment

In 1973, the United States created the conditions for and supported a military coup that usurped power from the democratically elected Salvador Allende and replaced his socialist government with a right-wing, military junta led by Allende's army chief Augusto Pinochet. A cadre of neoliberal acolytes from the United States, known as the Chicago Boys, were welcomed into the government by Pinochet and oversaw the world's first protracted experiment with neoliberal policies on a national scale. Negotiating with the IMF, Chile restructured its economy and abandoned the legacy of import-substitution industrialization in favor of an export-oriented economy. The immediate growth was short-lived, and by 1982, Chile and other Latin American economies who followed in Chile's footsteps were experiencing a public debt crisis. The IMF, for the first time in history, concocted structural adjustment and austerity measures combined with liquidity injections to manage the unfolding crisis, which led to massive social inequality, persistent protests, and what came to be known as "the Lost Decade" in Latin America (Harvey 2005).

What is unfolding in Europe today, with Greece at the forefront, is a new experiment in neoliberal policies that in some way resembles and in other ways diverges from the Latin American experience. No longer occurring merely in the periphery of the Global South, neoliberal policies are being forced in the periphery of the European core. Yet the crisis management regime is not encouraging Greece to develop a model of growth based on strong exports, as was the case in Latin American countries during the 1970s. Instead, Greece is a debt-colony whose main national export is capital. New loans contracted through the bailout programs combined with increased state revenue from tax hikes, social expenditure cuts, and privatization are not primarily redistributed domestically to stimulate internal growth but extracted to indefinitely service Greece's growing public debt that continues to augment as the neoliberal treatment stunts economic growth.

Greece's debt-peripheralization has crossed into uncharted territory. With banks and investors holding billions of dollars in Greek debt around the world, uncertainty permeates every European decision and leftist movements threaten to unravel the entire neoliberal experiment. The response

to uncertainty is a certain order in decision making embodied by the crisis management regime and its neoliberal strategy. Its brand of politics is characterized as imperialistic and is marketed globally as the only legitimate form of decision making. The Greek government has acceded to this form of politics and will undergo a process of "de-politicization," which is a coded language for the moderation of Greek leftist politics and the replacement by a specific form of neoliberal politics administered by foreign technocrats. Now that Greece has ceded control to the Troika, Greek sovereignty is a chimera, existing in name only, and democratic processes have been arrested once again and castrated of their power. As Molotov cocktails rained down in front of the Parliament building in late July 2015, indicating popular opposition to the new measures, the leftist SYRIZA administration, cooperating with the right-leaning parties it has sworn to oppose, has voted through the most extensive economic restructuration to date. The Greek government will continue to legislate on domestic matters, but its range of decision making will be confined and defined by the conditions of the new memorandum and the imperatives of private capital.

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