

# Opinion Article

No 14  
January 2014

## The Economic Adjustment Programmes and the resilience of neo-liberal ideas: The experience of Greece and the future of progressive politics

**Eleni Xiarchogiannopoulou**, Post-doctoral Research Fellow,  
Université Libre de Bruxelles

**Paschalis Aganidis**, PhD candidate, University of Athens

The evolution of the ongoing economic crisis from a financial distress to a sovereign debt one, has exemplified the resilience of the neo-liberal ideas in EU and has largely determined the neoliberal ideational perspectives of the European political economy of adjustment. Although the initial expectation was that the crisis would open a window of opportunity for a counter-paradigm to emerge, the reality has been much different. While the neoliberal policy paradigm was fiercely questioned shortly after the collapse of the Lehman Brothers in 2008, it was soundly reconfirmed almost a year later with the Eurozone crisis in 2009. Harsh austerity has become the new economic orthodoxy across the EU since then. Instead of the triumphant comeback of social democracy, the crisis manifested even more prominently its ideational and political inability to propose a coherent counter-paradigm to the neoliberal policy pragmatism.

The policy ideas that underpin the Economic Adjustment Programmes that the debt-ridden countries of the South of Europe have adopted make this evident: permanent austerity, market-oriented reforms and welfare state retrenchment. The implication of these ideas is the transfer of the full cost of the crisis to the individuals with devastating consequences. These include among others, immense levels of unemployment, horrifying social disintegration, incoherence and extremism.

Nowhere else are the implications of the Economic Adjustment Programmes manifested more prominently than in Greece. Since the beginning of the crisis in 2009 the country has undergone violent adjustments that have resulted in the fastest fiscal consolidation in the developed world. These measures have been introduced under the TINA (There Is No Alternative) logic, and in violation of the domestic democratic rules, party competition, legitimate political practices and individual choices. The retreat of democracy and competition over policy alternatives has resulted to most of the Greeks perceiving the notion of 'reform' as a threat to social cohesion rather than an

**The Economic Adjustment Programmes and the resilience of neo-liberal ideas:  
The experience of Greece and the future of progressive politics**

Eleni Xiarchogiannopoulou, Post-doctoral Research Fellow,  
Université Libre de Bruxelles  
Paschalis Aganidis, PhD candidate, University of Athens

opportunity for social change.

As a consequence of the abrupt adjustment, poverty, inequalities and social disintegration have increased in Greece. Unemployment has now reached 27.3% while anyone who loses their job is most likely to remain unemployed in the long-term. People are stuck in the peculiar condition of a rationality trap under limited freedom and are forced to endorse pseudo-alternatives. For instance, the labor market deregulation and the welfare state dismantling have pushed individuals to a permanent state of precariousness and of 'flexanomy' where people deliberately concede their labour rights in order to avoid being laid off.

Despite these negative experiences in Greece and other South European countries a progressive counter-paradigm has not emerged yet. A systematic discourse on progressive politics has unfolded only in the last couple of years reproducing the traditional social democratic values of promoting decent work, employment, social equality, social protection for all and social dialogue. Although the normative arguments are indispensable to the emergence of a progressive paradigm they are not enough. The social democratic discourse needs also to articulate the necessary policies. These could for instance include, new social pacts that would facilitate both the distribution of fiscal surpluses and allow for the representation of the precarious workers; reform complementarities for smooth and fair risk sharing; the replacement of the socially disruptive reform strategy of 'conquer and divide' that is included to the economic adjustment programmes, with a reform technology that would distribute evenly the costs of reforms, create social allies and facilitate coalition building.

Finally, a progressive policy paradigm also needs to win the battle at the EU level. In 2009 the Party of European Socialists called for a new growth model, the regulation of financial markets and a new social pact for Europe within the context of a new global order. Yet there is still a long way to go before an agreement about these ideas is reached at the EU level. Additionally, there are institutional constraints. To start with, the current constitutional order and governance mechanisms of the EU pose major challenges for social-democratic politics due to their bias towards neo-liberalism. Indeed, EMU and the Single Market project limit significantly the potential for progressive politics and policymaking. Especially, the new fiscal compact eradicates any potential for Keynesian policies. Additionally, the ECJ-made law has been biased towards economic policy priorities and against the social policy ones. Finally, the supremacy of the ECB in financial governance and its unaccountability also delimit the prospective for progressive politics at the EU level.

The resilience of the neoliberal paradigm poses a great challenge for progressive politics. The emergence of a counter paradigm will depend on its ability to provide answers to domestic problems, and at the same time by-pass ideational and institutional resistance at the EU level.

**Hellenic Foundation for European & Foreign Policy (ELIAMEP)- CRISIS OBSERVATORY**

Vas. Sofias, 10676 Athens, Greece | Tel. +30 210 7257 110 | Fax +30 210 7257 114 | E-mail [info@crisisobs.gr](mailto:info@crisisobs.gr)

**Learn more about our work** - Visit our website at [www.crisisobs.eu](http://www.crisisobs.eu)

*ELIAMEP offers a forum for debate on international and European issues. Its non-partisan character supports the right to free and well-documented discourse. ELIAMEP publications aim to contribute to scholarly knowledge and to provide policy relevant analyses. As such, they solely represent the views of the author(s) and not necessarily those of the Foundation.*