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Trade Unions in Greece and the Crisis

A Key Actor under Pressure

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- In recent years Greece has had to put up with an economic adjustment programme of unprecedented severity, which has hit workers particularly hard.
- Despite the high cost imposed on the social sector and the population, the prospects of economic recovery have not improved. The negative effects are clearly discernible in the labour market and in the deterioration of the social situation.
- The current situation represents a severe test of Greece's social cohesion and the challenges and adversities confronting the Greek trade unions are growing.
- The reforms have undermined the trade unions and are threatening the cohesion of collective representation. Furthermore, workers and the trade unions are caught up, in a fragmented labour market characterised by precarious and flexibilised employment conditions, in an unequal struggle against employers whose rights have been inordinately strengthened.

Content

1. Introduction

Within the framework of the economic adjustment policy that is a component of the IMF/EU/ECB loan mechanism, Greece has undertaken to implement a fiscal and structural adjustment programme of unprecedented scale within an unprecedented time frame and in a very challenging international context. This programme is to be implemented on terms of strict conditionality as a prerequisite for the disbursement of successive loan instalments. To date, however, the effects of the programme's implementation have been extremely harmful to the economy, employment and the social situation. The measures involve layoffs, freezes and cuts in wages, pensions and overall public spending, as well as heavy taxation, privatisation and structural adjustment that emphasises radical labour market restructuring and the dismantling of labour institutions.

The social and economic impact of the adjustment measures has disproportionately affected workers, pensioners and honest tax-paying citizens. The negative impact for workers is manifold. They have been hit by (i) job and income losses that erode their economic ability to withstand the dire repercussions of the crisis, (ii) the loss of crucial social and trade union rights that debilitates their institutional power to cope with adversity and (iii) multiple spillover effects of the crisis combined with the adjustment measures: tax and other payment increases are further depleting disposable income and drastic cuts in social expenditure are curtailing access to vital social services, while the cost of living remains high.

In this context, social cohesion is under severe strain and the Greek trade unions are facing a major challenge. The programme's implementation so far has turned back the clock at least two decades as regards industrial relations, repudiating institutions of democratic representation and social partnership.

2. A Policy of Economic Adjustment: Background and Rationale

Greece was the first Eurozone country to seek a loan to address its mounting sovereign debt and high current account deficit. To secure a 110 billion euro loan from the IMF, the EU and the ECB,[1] Greece concluded a three-year Memorandum of Economic and Financial Policies (MEFP) in May 2010, undertaking to implement certain economic and fiscal policies and to enact structural reforms within a strict deadline. A conditionality clause committed the Greek government to successive rounds of strict austerity and extensive structural adjustment as a prerequisite for the disbursement of the loan instalments.

Under tremendous pressure from the financial markets, a harsh exit strategy was imposed on Greece. The timeframe and volume of the required fiscal adjustment remain unprecedented: 15.5 per cent of GDP between 2010 and 2013.[2] Deadlines and unrealistic quantitative targets were set without consideration for the specific features of the Greek economy and socio-political context. Greece's »reform capacity« and the shortcomings of the political system (Featherstone 2011) were overlooked. Systemic flaws of the economy including its weak productive capacity, the vast informal economy, tax evasion and inadequate technological transformation and lack of innovation in industry were critically ignored.

Like the Third World debt crisis in the 1980s or the Asian tigers crisis in the 1990s, the plan imposed on Greece mirrors the classic IMF shock therapy, now implemented jointly with the EU in the Eurozone. Accordingly, the adjustment programme being implemented in Greece is aimed at achieving fiscal consolidation mainly through austerity with radical cuts in government expenditure and longer-term structural measures such as tax reform with a view to curbing the budget deficit and boosting state revenue.

The standard IMF recipe (Easterly 2002; Stiglitz 2002) for adjustment programmes emphasises export-led growth sustained by currency depreciation. But this is not an option in the Eurozone. Hence a relentless policy of internal devaluation/deflation has been forced on Greece to boost competitiveness and exports, regardless of the historical failures of this approach, the recession it generates and its socio-political unfeasibility (Roubini 2011). The spearhead of this deflationary policy is the depreciation of labour by suppressing labour costs and deregulation/flexibilisation of the labour market, involving direct wage cuts and restructuring of labour market institutions.

1. Collectively known as the »troika«.

2. Fiscal policy is frontloaded with fiscal adjustment measures amounting to 7.5 per cent of GDP in 2010, 4 per cent of GDP in 2011 and 2 per cent of GDP in 2012 and 2013 (IMF 2010).

Successive »rescue« packages have been presented as extreme remedies to save Greece from insolvency. Their provisions were summarily incorporated into Greek legislation and implemented without effective social dialogue, regardless of the far-reaching social and political implications. Issues of social cohesion and social protection have been ignored by creditors, auditors and Greek legislators alike.

3. Adjustment by Recession: A Vicious Circle

According to the adjustment programme's evaluation, Greece will have »to swim against the tide during adjustment« (European Commission 2010). While Greece has managed to trim its public deficit by 5 per cent of GDP, the first 21 months of programme implementation have seen the emergence of problems that go far beyond swimming against the tide.

The programme has trapped Greece in a vicious circle in which austerity generates recession, followed by more austerity, new taxes and deeper recession, strangling economic growth, stifling job creation and putting a strain on social cohesion. The contractionary and recessionary nature of the policy being implemented in Greece demonstrates that the medicine may be doing »more harm than good« (Bordo and Schwartz 2000: 158) by »turning slowdowns into recessions and recessions into depressions« (Stiglitz 2000: 12). After five years of recession, the policy mix imposed on Greece may well have set an undesirable »record for one of the deepest economic slumps of modern times« (Reuters 2012).

As the economic situation in Greece took a turn for the worse, difficulties in implementing the adjustment programme mounted, revenues fell considerably short of the targets and some expenditure categories overshot the proposed budgetary ceiling (European Commission COM 2011). In December 2011, the IMF's Fifth Review (IMF 2011) confirmed the sharp downturn of the economy, enumerating the failures to achieve critical targets. The highest recorded decline in GDP in 2011 by 7.0 per cent (EL.STAT 2012a) (making a total of 16 per cent since the crisis began) is far worse than the government's forecast of a 5.5 per cent dip in 2011. It is the highest in the post-war period (INE/GSEE 2011). Growth is expected to remain below the pre-crisis average for an extended period of time. In this light, the downward revision of the 2012 growth forecast by –2.75 to –3 per cent (IMF 2011: 11) may be optimistic.

As the recession deepened during 2011 the fiscal position deteriorated markedly. Lack of liquidity and funding stalled investment and severely affected domestic demand, which plunged to –16.4 per cent between 2009 and 2011 (ibid). Private sector balance sheets came under pressure, while bankruptcies among small and medium-sized enterprises – which are the backbone of the economy – have exploded: 68,000 SMEs were driven out of business from 2010 to 2011, while imminent closure is expected for 53,000 others (ESEE 2011), with a dire impact on employment. The industrial production index in December 2011 compared to December 2010 recorded a decline to –11.3 per cent (EL.STAT 2012b). The fall in the retail trade volume index of 8.9 per cent in November 2011 compared to November 2010 (EL.STAT 2012c) reflects the severe slump in consumption. The IMF review notes that pressure on the banking system has multiplied, with deposit losses increasing and banks' private loan books further deteriorating (IMF 2011: 6).

Clearly, as the implementation of the adjustment programme shows, the policy mix imposed on Greece has not only failed to address the problems it was meant to resolve but may well be pushing the country over the edge. Among other things, it has failed to put the country's finances on a sustainable footing. According to the IMF's own report, public debt is estimated to peak at 187 per cent in 2013 and then fall to 152 per cent of GDP by 2020 – and further to 120 per cent of GDP if the PSI succeeds,[3] raising concerns about the sustainability of the debt (IMF 2011: 6). Greece's recovery prospects have been stifled and at huge social and human cost. The negative impact is being felt most intensely in employment and in the social situation.

4. Disempowering Workers – Dismantling Labour Relations

In this context, workers are being severely affected by lost jobs and income, which erodes their ability to cope with the crisis. They are being further disempowered by the loss of crucial social and trade union rights, resulting from the progressive deconstruction of labour institu-

3. Private sector involvement targeting a substantial debt haircut.

tions. The decline in workers' living standards is coupled with a severe curtailment of their institutional capabilities.

The adjustment measures are being imposed on an already fragmented labour market, characterised by low job growth, precariousness, wage inequalities, extensive undeclared work, deficient inspection mechanisms, high unemployment rates among young people and women and precarious immigrant labour. Combined with a sizeable informal economy, these factors have magnified the negative impact of the adjustment measures on employment and exacerbated existing disparities.

4.1 Unemployment

The Greek labour force, which totals approximately 5 million, works the second highest number of hours per year, on average, among the OECD countries, after South Korea. However, Greece is being pushed back to the levels of the 1960s and faces an employment crash. For the first time in the post-war period the economically inactive outnumber the economically active.

As Greece struggles with recession, the unemployment rate has rocketed to unprecedented levels, surging in November 2011 to 20.9 per cent compared to 18.2 per cent in October 2011 and 13.9 per cent in November 2010. The number of employed persons totalled 3,901,269, the unemployed numbered 1,029,587 and the number of inactive persons 4,423,657. Meanwhile, real unemployment is estimated to be 22–23 per cent (EL.STAT 2012d).

The rate of unemployment doubled in the three-year period between 2009 and 2011, registering a 95 per cent increase between March 2008 and March 2011 (ibid). Of particular concern is youth unemployment, which stands at 48 per cent. Women's unemployment rate stands at an historic high of 24.5 per cent compared to 18.3 per cent for men, indicating that austerity has also widened gender inequalities. The Greek Ombudsman reports a steady increase in the number of complaints concerning unfair dismissals due to pregnancy or maternity leave and sexual harassment since May 2008. Women – especially pregnant women and mothers – have been strongly affected by legislation promoting flexibility in the labour market, especially provisions enabling employers to unilaterally convert full-time contracts into rotation contracts (ILO 2012).

The latest bout of austerity ushered in by the Parliament on 12 February 2012 stipulates the cutting of 150,000 public sector jobs. Under continuing recession, as businesses in industry and commerce close and labour legislation weakens there is little hope for a reversal of the unemployment rate in the foreseeable future.

4.2 Economic and Social Disempowerment

The policy of internal devaluation, wrongly considered by Greece's creditors as a prerequisite of boosting competitiveness and exports, mainly affects workers, pensioners and their families. Successive and deep wage and pension cuts combined with a relentless tax »tsunami« are depleting disposable household income, eroding purchasing power and marginalising large segments of society.

4.2.1 Who Is Paying for the Crisis? Economic Impact on Workers

The volume and the acceleration rate of economic disempowerment suffered by workers, pensioners and their families are without precedent in the post-war period.

According to new data from the Greek Labour Ministry (Parliament of Greece 2012), over the past two years the total volume of wages and salaries has decreased by a staggering 9.2 billion euros. This translates into an average loss of at least 1,500 euros in the annual earnings of workers in early 2012 compared to 2010. Total wages and salaries have declined by 25 per cent since 2009: from 36.1 billion euros for 2.74 million employees in 2009 to 26.8 billion euros in early 2012. These fresh cuts come on top of previous austerity measures: between May 2010 and May 2011, wages in the public sector and the broader public sector were already reduced by 15 per cent and 30 per cent, respectively. Nevertheless, wages and salaries in 2012 are expected to plunge a further 7.6 per cent compared to 2011.

Indeed, the last round of austerity adopted by the Greek Parliament on 12 February 2012,[4] under great pressure from the »Troika« to secure the PSI plan, will have a dire effect on ordinary households. The harshest austerity measures yet are being heaped on top of existing measures. The national minimum wage, which was the last protective threshold for low-paid workers, is to be cut by 22 per cent and by 32 per cent for young workers, bringing the level of pay to a gross monthly sum of 585 euros and 490 euros, respectively. Unemployment benefits, too, will be reduced from 461.5 euros to 358 euros. At the same time, suppression of the protective after-effect framework (*metenergeia*) of sectoral collective agreements will pull wages down by 40 per cent as individual contracts after expiry will automatically revert to the base wage/salary floor. The implication for new entrants to the labour market is their a priori treatment as low-skilled or unskilled.

The downward wage spiral will be accelerated as benefits relating to conditions of work, qualifications and seniority, as well as any automatic wage increases are to be suspended/frozen. The dramatic reduction will adversely affect social security and pension resources, which are already under strain, at a cost of 4.2 billion euros in contributions to Greece's main Social Security Fund (IKA), while in the recession the total annual loss in social security contributions has been about 6.7 billion euros (Parliament of Greece 2012). In addition, the over 1 million unemployed and the rising trend of unemployment will exacerbate difficulties in the social security system.

Fresh cuts[5] will further slash all pensions, which have already been reduced by at least 10–12 per cent in both the public and the private sector. Social benefits and welfare spending will diminish by a further 50 per cent. Other provisions include substantial tax rises on top of those already heaped upon Greek households, including the imposition of new ones. Direct taxes that are not related to taxpayers' ability to pay, combined with multiple indirect taxes and levies, will decimate already depleted household income. Taxes often have a retroactive effect, while non-compliance is punished by the withdrawal of vital public goods, such as electricity: the Public Power Corporation (DEI) is being used as a tax enforcement body to collect a controversial property tax.

4. Law 4046/2012 (FEK A'28/14-2-2012).

5. Law 4046/2012 (FEK A'28/14-2-2012).

At the same time, mounting indirect taxes are fuelling inflation, which increased by 3.4 percentage points in 2010 and further compresses the purchasing power of wages and pensions (INE/GSEE 2011). Citizens must cope with the high and rising cost of living. The consumer price index in January 2012, compared to January 2011, increased by 2.3 per cent, with an annual rate of change of 5.2 per cent (EL.STAT 2012e). Not only are the prices of basic public goods and services, such as energy, rising, but the cost of basic consumer goods is already high, as shown by a recent study by the Ministry of Development, Competitiveness and Shipping, which compares basic consumer goods prices with the same items in Germany, the United Kingdom, France, Italy, Spain and Bulgaria. VAT rates of 23 per cent and 13 per cent for some goods in Greece are also among the highest in the EU.

4.2.2 Poverty and Social Exclusion

In this context, existing inequalities are widening, raising serious concerns about poverty and even destitution. Nearly 28 per cent (3,031,000) of Greek citizens live in poverty and social exclusion according to data released by Eurostat for 2010 (Eurostat 2012). Specifically, 28.7 per cent of children up to 17 years old, 27.7 per cent of the 18–64 age group and 26.7 per cent of people aged over 65 are living near the poverty threshold. The rates refer to 2010 but since the recession has only deepened since then, it seems likely that the number of poor Greeks rose in 2011.

Recent research in Greece shows how the increases in taxation, combined with public sector wage cuts and income restrictions in the private sector are adversely affecting poverty rates and inequality levels, pushing the 2010 income levels of 5 per cent of the population below the 2009 poverty line, on top of the 20 per cent of Greeks who were already poor (Matsaganis and Leventi 2011). Indebted households face bankruptcy, while their inability to repay loans may mean that many of them lose their homes.

As the grip of the economic crisis tightens, poverty is expanding among Greece's middle class. Along with poverty, homelessness and crime rates are also accelerating rapidly. While reliable estimates and scholarly research is still limited as regards the »new poor«, evidence from NGOs, relief organisations, municipalities, schools and

the Church is disturbing (Korge and Batzoglou 2012). Municipal authorities in Athens acknowledge that in recent months urban social infrastructure has been overstretched to provide relief for citizens in need (Fotiadis 2012). For the first time since the Second World War, rapidly increasing malnutrition among schoolchildren has compelled the Ministry of Education to announce a pilot free meal coupon project in 18 schools in the Attica districts hardest hit by the economic crisis and unemployment. As the education budget has been reduced by 60 per cent, the project relies on collaboration with the Church, the municipalities and private companies.

Just when it is most needed, social protection is being depleted as a result of the severe cuts in welfare spending across the board. Access to vital social services and public goods is suffering equally. The quality of social services is being eroded. In particular, the wide-ranging adjustment package lacks effective social protection counterweights, including measures to help vulnerable groups cope with the combined impact of austerity and crisis. Nonetheless, at the explicit request of the Troika, even the Workers' Housing Organisation (OEK) and the Workers' Social Fund (OEE – Ergatiki Estia) are to be abolished and their employees dismissed.[6] Among other unnecessarily harmful cuts this provision has aroused indignation because both organisations provide an indispensable social service for low-paid workers and *do not burden the state budget*, being financed by employer and employee contributions.

The rapid decline in the average standard of living in 2010–2011 and the ensuing threat of social exclusion are not currently compensated by prospects of improvement and recovery. From a social point of view, Greece has entered a long period during which middle class living standards will increasingly be downgraded and a large part of the population threatened by social exclusion (INE/GSEE 2011).

4.3 Institutional Disempowerment: The Thrust against Labour Institutions

Wide-ranging labour market »reforms« at the express request of Greece's creditors are amplifying the problems and creating a particularly adverse environment for the trade unions. Successive rounds of legislation to »reform« the labour market have introduced permanent, disproportionate, unquantifiable and socially unfair measures that will perhaps irreversibly dismantle the industrial relations system. This system has for decades served the social partners in setting minimum work standards for all by means of collective agreements and free collective bargaining. The implication is that workers' access to robust, effective labour market institutions is being severely crippled when it is most needed.

Since May 2010, unrelenting pressure from the Troika has resulted in hundreds of legal provisions in a series of laws that annihilate major labour institutions. The main thrust of these laws is aimed at restricting and even abolishing collective agreements – in particular, sectoral agreements – and obstructing free collective bargaining. Statutory limitations imposed on collective agreements interfere with the determination of wages and employment conditions through free collective bargaining. The National General Collective Labour Agreement (NGCLA) which lays down a national minimum safety net for wages and working conditions was infringed by legislation introducing sub-minima for groups at risk: the young and the long-term unemployed. More recently, Law 4046/2012 has dealt a deadly blow to the institutions of the NGCLA by abolishing the minimum wage institution and suppressing the sectoral protective after-effect framework agreements (see also Section 4.2.1).

Other legislative provisions have reversed the collective agreement hierarchy by allowing derogations from their terms, reduced remuneration for overtime and interference with working time arrangements. Dismissals have been made easier and cheaper for employers by the simultaneous application of rises in the threshold for collective dismissals, severance pay reductions and shorter notice periods.

Law 4024/2011, among other legislative measures, abolishes the fundamental protective principle of favourability, as well as the prevalence of firm-level contracts over sectoral collective agreements when they are less favourable. This legislation also eliminates the principle of extending the scope of collective agreements and suppresses collective agreements per se by imposing a uniform pay scale in public utilities. Another highly questionable measure imposes a »labour reserve« regime to

6. Law 4046/2011 (FFEK A'28/14-2-2012) on the abolition of the Workers' Social Fund (OEE) and the Workers' Housing Organisation (OEK) under the sub-section »Adjustment of non-wage labour costs«.

induce collective redundancies for thousands of workers in the public and broader public sector.

Other provisions (Law 4024/2011) overtly interfere in the structure and operation of trade unions and contravene the right of workers to collective representation by persons they freely and democratically elect. This essentially anti-union legislation extends the right to negotiate and conclude enterprise-level agreements to nebulous non-elected »associations of persons« and directly undermines the principle of collective representation: employers with 10–40 workers can now legally set up an »association of persons« and sign a binding labour agreement. They can unilaterally or by consent convert full-time work contracts into part-time ones and introduce reduced term rotation work, the worst form of flexible employment.

Workers have also been deprived of effective recourse to arbitration and mediation. The jurisdiction of the competent organisation, OMED, has been restricted to ruling only on wage disputes. Moreover, workers are not entitled to independent recourse to the mediation and arbitration service (OMED): as of February 2012, the employer's consent is required.

The weakening of labour institutions by legislation is creating extensive precariousness and insecurity in the labour market. Within the framework of severe recession and unemployment, job seekers are more vulnerable and susceptible to accepting sub-standard jobs and/or extremely flexible working arrangements. Data presented by the Greek Labour Inspectorate (SEPE 2011) have exposed the negative trend towards precarious jobs, which took hold in the labour market in 2011, leading to an overall fall in wages of 38 per cent. In particular, a staggering 4,000 per cent increase – 40 times higher than in 2010 – has been registered in work by rotation introduced unilaterally by the employer.

The social dialogue institution has been gravely damaged and its consensus-building potential disregarded at a time it is most crucially needed. Regardless of their severity, scope and impact, all the measures have been summarily incorporated in Greek legislation without any effective prior consultation with the social partners. Limited references to social dialogue and consultation in successive memoranda are mere pretexts and insincere: stipulations by the Troika are foregone conclusions and commitments by the Greek government are binding. True to form, the minimum wage was cut against the written agreement by the social partners[7] to respect the National Collective Agreement and retain the after-effect framework of collective agreements. Consequently, rather than measures founded on real data or experience, Greece is being subjected to the mechanistic transposition of a model that fails persistently to achieve its targets and provokes widespread opposition on the part of citizens.

This grim inventory of state intervention in industrial relations is not exhaustive. It illustrates, however, the harmful and permanent effects of the adjustment measures in Greece which, in the name of competitiveness, have demonstrably submerged the country in deep recession, destroyed the institutional framework of labour relations and corroded the social fabric.

A full account of the measures and their impact has been presented in successive texts submitted by the GSEE to the competent bodies of the ILO as the measures violate a series of core ILO conventions ratified by Greece, principally Convention No. 87 on Freedom of Association, No. 98 on the Right to Organise and Collective Bargaining and No. 154 on Collective Bargaining.

5. Swimming against the Tide: Challenges for the Trade Unions

This grim overview, while not exhaustive, amply illustrates the harmful effects of the crisis on both workers and trade unions. Unarguably, unprecedented changes are being introduced in the Greek labour market institutions in a manner which seems disconnected from Greek realities, thereby weakening, among other things, the impact and real effects of reforms that are really needed (ILO 2011). The implications for the trade unions are serious as these changes weaken their institutional role and standing at all levels by depleting their bargaining power and curtailing fundamental institutional tools and safeguards. They undermine the functioning of trade union organisations and threaten the cohesion of collective representation. Furthermore, workers and trade unions in a fragmented labour market characterised by great precarity and flexibility now face an uneven playing field, since employers' options are being excessively reinforced. In

7. Letter from the three employers' organisations and the GSEE to Prime Minister Loukas Papademos, 3 February 2012, Athens.

this light, serious challenges have emerged for the trade unions. They have to cope with extensive institutional disempowerment while working to protect workers' rights effectively against the combined economic and social impact of crisis and austerity.

Since the onset of the crisis, Greek trade unions, facing increasing difficulties, have been at the forefront of the struggle to protect workers' rights and incomes, as well as labour institutions. As long-term social regression and bankruptcy scenarios loom, under enormous pressure from the Troika, a number of general strikes have been called to oppose austerity and the dismantling of labour institutions. The GSEE has worked to maintain social dialogue and the institution of social partnership by continuing dialogue with employers' organisations and signing, against the odds, a two-year General National Collective Agreement in 2010. Greek trade unions are actively participating in the anti-crisis debate and actions at the European and international levels and have received impressive support and solidarity.

The trade unions in Greece are fully aware of the critical circumstances in the country but retain their concern for social justice in handling the crisis. They argue that even such a crisis cannot justify the enormous harm and devastation brought upon institutions and working people who are not to blame for the crisis and the country's persisting political flaws. Workers who have made tremendous sacrifices are entitled to see that the burden is shared equitably and that their sacrifices lead to solutions, not just another downturn in the spiral.

Clearly, instead of the senseless austerity that is crippling the country and the people, economically viable and socially acceptable plans are needed. This implies a drastically different policy mix grounded on investment, growth and employment and on socially fair allocation of the burden. The priority should be to rebuild the Greek economy rather than to save financial speculators from the adverse consequences of their high-risk deals. Finding a meaningful space for social dialogue remains a matter of urgency in seeking socially acceptable solutions.

6. Concluding Remarks

Greece has had to implement fiscal and structural adjustment on an unprecedented scale within an unprecedented timeframe and in a very challenging international context. As has been shown, the adverse effects of this undertaking on the economy have been enormous, especially with regard to employment and the social situation. Social cohesion is coming under tremendous strain. Far from addressing the problems, the relentless adjustment imposed in the name of competitiveness and fiscal consolidation is pushing Greece towards economic and social collapse at an exponential rate.

Regular reviews by the IMF and the European Commission bear detailed testimony to the wholesale failure of the programme on every critical target and benchmark. The blame is being put vaguely on factors such as »institutional resistance« and »reform fatigue« on Greece's part, with no thought of critically reviewing the rationale and construction of the programme. More importantly, the adoption of an alternative exit plan is precluded in principle, raising questions concerning the dogmatic insistence on a policy mix that has demonstrably failed on all accounts and at enormous economic and human cost.

As regards the on-going deterioration of labour's position, it seems that Greece is being used as a laboratory in an experiment on the consequences of uprooting labour institutions. Greek workers are increasingly being penalised to set an example to workers in other EU countries, thereby setting in motion a downward spiral across Europe with a view to reversing the European social model and its sustaining institutions. The current project of economic governance and stability seems to entail the EU's generalised application of the disastrous recipe now being tested in Greece: governance by austerity and recession, with wages and the social acquis as the main adjustment instruments, ignoring the factors that generated the crisis in the first place.

The aim of the rescue operation, however, is not to save Greece, but rather the banks from the consequences of their irresponsible lending and speculation. The roots of the Greek debt crisis certainly lie in domestic flaws. But it has become uncontrollable owing to the destructive drive of finance capital to maximise profits by betting on sovereign debts and the inability of the European Union to articulate a coherent response.

Ultimately, we are witnessing a confrontation with an inherently flawed system, that of the new financial capitalism. In this perhaps most critical turning-point of its post-war history, Europe must address the ills of financial speculation effectively. The future and stability of the Eurozone cannot be left to unregulated financial markets.

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