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Modernization and Centre-Left Dilemmas in Greece: the Revenge of the Underdogs

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ABSTRACT

This paper argues that the recent decline in the hegemony of the centre-left in Greece is related to the ideas of modernization that have dominated that tradition over the past few years. The tendency to conceptualize development in terms of a clash between the “new” and the “old”, to ignore the extent to which neoliberalism involves a strategy for the restoration of power for dominant groups, and to see marginalized groups merely as a problem to be overcome, rather than part of any solution, has impaired the centre-left’s ability to understand its own decline and to think constructively about alternatives.

Keywords: social democracy; neoliberalism

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1. Introduction

After dominating Greek politics for over 20 years (1981-2004), PASOK seems to have entered a period of decline which has reached alarming levels after the 2007 election. It has fared poorly, or worse, in the 1998, 2002 and 2006 local elections, the 1999 and 2004 elections for the European parliament, and, most significantly, in the 2004 and 2007 parliamentary elections. With the benefit of hindsight the narrow victory in the 2000 general election seems no more than a blip to the overall trend. This problematic performance is linked to a multiplicity of causes including PASOK's record in government, the all-too-close identification of party and state, the (often shady) role of party officials within both central and local state institutions, and the difficulty in meeting the challenges of globalization and European integration. However we shall argue here that a crucial factor has been the set of ideas that the centre-left has had at its disposal with respect not only to understanding the problems of Greek society, but also with respect to the role of the centre-left as part of the answer to such problems. These ideas, that can be grouped around the strategy of modernization were, we shall argue, particularly inappropriate for a centre-left party in Greece. The tendency to conceptualize development in terms of a clash

between the “new” and the “old”, to ignore the extent to which neoliberalism involves a strategy for the restoration of class power, and to see marginalized groups merely as a problem to be overcome rather than part of any solution has entailed ignoring the sources of strength of the centre-left and impaired constructive thinking about alternatives to the general rightward shift in politics. Moreover it has hampered the centre-left’s ability to come to terms with its own declining hegemony.

In recent years there has been a significant reconsideration of the role of economic ideas, and in particular their relationship to both interests and institutions. As Mark Blyth (2002) has recently argued ideas are particularly important in moments of uncertainty when established institutions do not seem to be working very well¹. Such moments, often associated with large or small crises of capitalism (in the inter-war period, in the 1970s, and perhaps now) need to be interpreted by the various economic and political actors. It is here that ideas come into play. For instance the ideas that have been crucial to neoliberalism (monetarism, public choice and so on) became dominant exactly because they were able to give an interpretation to the decline, after the late 1960s, of the “golden age” of capitalism. These ideas suggested that the main problem in most economies is inflation rather than unemployment, that the state has the tendency to strangle private initiative, and that the welfare state weakens the incentives that workers face in the labour market. Such interpretations are not merely of academic interest, for they have the ability to

¹ Uncertainty here is used in its Knightian sense; that is a situation, often unique, where it is difficult to work out the probabilities of various outcomes (See Blyth, 2002, pp. 42-44).

become a materialist force that allows people to understand reality (even concerning the basic causal relationships that operate within the economy – between, say, government deficits and inflation).

By doing this they help people clarify where their interests lie. Thus in the late 1970s monetarist ideas were instrumental in convincing many capitalists that their interests no longer rested with consensual arrangements with labour and the corporatist institutions that had underpinned such arrangements in the post-war period. A little later, under the influence of similar ideas, important sections of the working class shifted to the right – the Reagan Democrats constituting the paradigmatic case. Of course such a shift reflected materialist interests, in that many skilled workers were facing higher taxes with lesser benefits². But this was not seen by them as a result of the attempt by the dominant classes to restore their economic and political power. On the whole they saw their deteriorating economic circumstances through the lenses of neoliberal ideas – large state, subsidies to benefit scroungers, and so on. So, as Blyth concludes, ideas also are crucial to the formation of social coalitions and the institutions and policies that such coalitions promote.

In Greece since the 1990s an influential set of ideas in favour of neoliberal reforms came to be understood in terms of the discourse of modernization. Modernizers were more prominent within PASOK, and especially under the leadership of Costas Simitis, but they made their mark in other parties as well. And this discourse is still central to the politics of PASOK under George

² See Blackburn (1999).

Papandreou³. While modernization in the Greek context is couched in terms of reforming an inefficient public and private sector, allowing Greece to compete globally and participate fully in the on-going process of European integration, in terms of specific measures there is very little that is not part of the standard package of neoliberal reforms – flexible labour markets, deregulation, privatization, tax cuts and so on (see Harvey, 2007). In the modernizing approach such measures tend to be associated with the ‘new’ as against an old order of statism, clientelistic politics and inward-looking development. The new in this context is presented as the only game in town, with the result that the social forces representing the old order are seen only through the perspective of the extent to which they are able to block the necessary reforms. The idea that these forces, usually seen as the losers of the market and the least competitive sections of Greek society, could be part of the solution, and not just the problem, is quite foreign to modernizing thinking. We shall argue below that this is deeply problematic given that the losers have traditionally formed an important part of PASOK’s social base.

At one level PASOK’s problems could be understood in terms of economic outcomes. The economic benefits of neoliberalism at the EU level have not been impressive, most clearly with respect to the failure to get anywhere near the goals of the Lisbon strategy. While Greece has fared better in terms of

³ In this respect Papandreou’s conflict after his succession to the leadership of the party in 2004 with certain modernizing ministers of the Simitis government should not be read as an abandonment of the modernization project. Papandreou, as we shall see, has a few post-modern touches to add to the modernizing vision, but is committed to its core elements. It is true that in the election for leader of the party after the disastrous electoral showing in 2007, most of the modernizing block did support Papandreou’s challenger Evangelos Venizelos. But the Papandreou-Venizelos struggle was not carried out at the level of ideology and little turned on the issue of modernization as a political strategy.

growth in the recent period, the results in terms of employment have not been impressive, and there are clear signs that this growth is not meeting the aspirations of PASOK's traditional social base. Thus whilst during the PASOK government from 1994-1999 (which included Simitis' first term of office) the wage share rose, the second Simitis government (1999-2004) presided over a significant fall in the wage share. This implies that during that period real wage increases did not match productivity increases (see Appendix A).

Beyond immediate economic outcomes, the reform agenda in terms of a more flexible workforce, or proposals for reforming Greece's problematic pension system, has a dynamic element pointing to an uncertain future with fewer benefits, casual employment and so on. That is to say neoliberal policies are increasingly seen by some sections of the population, and especially younger cohorts, not in terms of short-term stabilization policies whose success in reducing inflation, or the public debt, would eventually be succeeded by a renewed period of economic prosperity for the many, but as a permanent settlement in which the longer-term prospects for workers and other weak groups are far from encouraging.

Thus both recent economic developments and anxiety about future prospects may lie behind PASOK's loss of hegemony since the late 1990s. But the problem is more acute exactly because the set of ideas available to PASOK are not those which facilitate an understanding of its predicament. A number of themes will be developed in what follows to substantiate this claim. Firstly, it

will be argued that modernization ideas fundamentally misunderstand the neoliberal project. Neoliberalism does seek to restore the grounds for a renewed period of successful capital accumulation, but on the basis of the restoration of class power. It is the latter which has met with most success, as witnessed by the astonishing rise in inequalities in the more liberal economies. This fact sets very searching questions to all parties of the centre-left with respect to their relationship with their social base. Secondly, seeing modernization in terms of a conflict between the new and the old distorts many of the underlying processes. Such a dichotomy, we shall argue, is unable both to understand the past and to think strategically about the future. Thirdly, any approach that suggests that key elements of your social base are part of the problem, and not part of a solution, is an inauspicious starting point for building a hegemonic strategy.

2. Capitalism, markets and equality

One of the most influential accounts in Greece of the process of modernization in terms of a conflict between the new and the old can be found in Diamandouros' reading of Greek history as a clash between two cultures⁴. We begin with this book because many of the central ideas in it are widely shared by modernizers and in order to show why such a dichotomy is particularly unhelpful for a left-of-centre party.

⁴ Diamandouros' work was originally published in English as a working paper, but was later republished as a book in Greek (Diamandouros, 2000). All references hereafter are to the Greek version, with my translation.

The book is firmly in the tradition of American political science and the modernization approach that was once influential in both political and economic science. The idea is that most societies will eventually converge onto the political, economic and social institutions of the developed west. The attractiveness of these institutions is rarely discussed, nor is much thought given to the shifting trajectory of the western ideal – is approaching Johnson’s ‘great society’ similar to approaching the neoconservative vision of Bush the Younger? Given this relative indifference to ends, modernization analysis is more concerned with examining the obstacles in various societies to arriving at the western ideal. It is acknowledged that there are costs involved in this process of catch-up which are ‘unavoidable (and, according to many, necessary)’ (p. 113). In the Greek case, Diamandouros contends that those forces that have most to lose have attached themselves to a culture that has had a particular take on economics, international affairs and so on. This long-standing culture, whose origins lie in the nineteenth century, has tended to be inward-looking, suspicious of foreigners, statist, anti-market, and pro-redistribution. Moreover this “underdog” culture has been able to offer powerful resistance to the “reform” culture that has sought to modernize Greece. The clash of cultures has delayed the modernization of both society and the economy and led to reforms that have been half-hearted and incomplete. However, the reform culture, which is outward-looking and pro-market, started gaining ground, with the help of the process of European integration in the 1990s and, more generally, globalisation.

So how has this analysis fared with the benefit of the last few years? And how does it relate to the decline of the hegemony not only of the modernizing PASOK of Simitis but also the post-Simitis PASOK of George Papandreou? Let us start by asking who, at the ideational level, is part of the underdog culture. For a start all those who are suspicious of the market system since central to the underdog culture is the “... deep lack of faith of this culture towards capitalism and the workings of the market” (p. 80). Now this on the face of it would seem to include large swathes of the Left over the last one hundred and fifty years or so. And even though more recently the Left has doubts about the viability of its vision of a market-free future society, there is still considerable support for constraining the market on both the grounds of equity and efficiency. Nor has there been a stop to the search for alternatives to models dominated by the market⁵. Unfortunately the latter too is enough to confine one to the underdog culture. Diamandouros goes on to claim that the underdog culture entails ‘... a view of modernization very common in late development societies, which represents the ambiguous relationship of this culture to the liberal, western model of socio-economic change and materializes itself historically with *the tendency to search for and experiment with “alternative” roads for development*’ (p. 54, my emphasis). That the very search for alternatives has a negative assessment suggests that something is deeply flawed with this particular dualism and especially for a party of the centre-left where thinking of alternatives may be supposed to be a core activity.

⁵ See for instance Elster and Moene (1989).

More problematic still is the stance taken towards equality. Diamandouros is quite clear on this issue. Growth and trickle-down are compatible with a vibrant reform culture but redistribution, whose goal is to bring "... the privileged layers closer to the level of the non privileged" (p. 79), is not. Now, given the extent to which views on equality have changed back and forth over the years, it is not clear, without further argument, why a reform culture has to be attached to either an egalitarian or meritocratic vision of society. A party seeking to appeal to the non-privileged would be unwise to dismiss egalitarianism lightly⁶. The problem with dichotomies between new and old is that they quickly appear to be overly tied to interpretations of a specific time and place. More worrying still, from the perspective of a party of the centre-left, is the problematic nature of such a dichotomy with respect to understanding the future. The balance between state and market, between competitiveness and solidarity, and so on, is subject to the operation of the pendulum. Any analysis which ties itself to what is new, in any one period, tends to get unstuck when the contradictions of the status quo start to appear and the pendulum starts to change direction once more.

⁶ I have discussed elsewhere (Tsakalotos, 2005) the problematic nature of the tendency of modernizers to support meritocracy. At the theoretical it seems to ignore the ability of the middle and upper classes to protect their offspring from downward social mobility, thereby limiting the number of places available to those with aspirations to travel in the opposite direction. At the empirical level it is the case that equality of opportunity is most in evidence in societies that are also characterized by equality of outcome.

3. Social Groups and Neoliberal Reforms

In the account of Diamandouros, and in the modernization literature in general, dominated, exploited and marginalized groups are the objects of study but almost never the subjects of change. This is in stark contrast to the origins of social democratic hegemony in the interwar period where, in part though the rise of Keynesianism and the discrediting of classical economic prescriptions, interest organizations were seen not as the obstacles but the instruments for solving the economic crisis.⁷ It is accepted that these groups face severe problems in the process of development, including a loss of power and status and leading to a defensive strategy, which in the Greek case, Diamandouros (p. 80) argues, entails supporting a populist agenda "... which was considered able to guarantee their long-run survival, ensuring their powerful representation in various structures, such as political parties, unions, cooperatives, the state, the wider public sector and the prefecture councils". Now that such groups should seek institutional power cannot by itself be problematic. Rather the problem arises when the entrenchment of such groups leads to stagnation, poor overall economic performance and divergence from developments elsewhere.

There are a number of problems with seeing the relationship between social groups and social change in this way. While open about the losers, most writers in the modernization tradition are rather circumspect about the winners of the strategy of liberalization, privatization and deregulation that have been pursued

⁷ See Blyth (2002, p. 112). Brenner (2007, pp. 38-39) argues that similar considerations applied to the US, where the embedded liberalism of the post-war era was predicated on the social mobilisation of unions in the 1930s.

over the last twenty years or so. For while the overall economic benefits have been mixed, in terms of growth, productivity and employment, the restoration of class power has been an unmitigated success⁸. Whether we look at the rate of profit and the share of profit in national income, the share of income or wealth that goes to the top 5% (or even 1% or 0.1%), or the return of a rentier class, liberal economies have seen not only a reversal of the egalitarian trajectory of the first couple of decades after World War II but the reformation of a very powerful ruling class (appendix B provides evidence for the Greek case). And this prominence is not reflected only in the economic indicators of inequality but in the institutional changes which have crystallized the restored power (the right of managers to manage within firms, lighter regimes of environmental and social regulation etc).

Given this, what should the potential losers do in countries when the whole package of neo-liberal reforms has not as yet worked through the system? Modernizers often think that the best solution is that the winners should be in position to offer the losers compensation to accept the necessary reforms⁹. Since the modernizing reforms will lead to economic efficiency and dynamism, the winners can compensate the losers and still be better off. Unfortunately, as many have argued before, this strategy is not credible. To give up power in institutions for compensation leads you open to future renegeing from the compensators – once the new institutions are in place and the winners go back on their promise to compensate, the, by assumption less powerful, losers are

⁸ See Pollin (2001); Dumenil and Levy (2004); Harvey (2005) and Glyn (2006).

⁹ See Fernandez and Rodrik (1991).

hardly in a position to enforce the previous agreement. So it is not obvious that potential losers have any incentive to give up their power bases in the state, unions and local authorities¹⁰. They have an interest either in reforms that are neutral in their consequences for the balance of power between social groups, or in trading of institutions in which they are strong with other type of institutions which preserve their power. The idea of compensation is unlikely to form a basis for a non-conflict path to change.

The fundamental problem lies with all those attempts that seek to neutralize the ethical and political issues around the issue of institutional change. In an earlier era economists and political theorists were more careful. For instance in the accounts of the 1970s on how to rework the post-war settlement, two solutions, going in radically different directions, were discussed. One entailed a market strategy to reduce the effects of politics on economic decision-making. The other was a renewed attempt at democratization and inclusion, that is, a reworking of the old Keynesian compromise. For many analysts at the time either strategy implied a political economy project with clear winners and losers: “Renunciation of political weaponry is an unattractive option, above all for groups that look to political weapons to alter the economic and political *status quo* in their favour. (In the words of an old Labour Party slogan: ‘The

¹⁰ A fuller account of this argument can be found in Tsakalotos (2004). There I also argue against another strand of the modernizers’ argument which suggests that marginalized groups in society (the “outsiders”) have a lesser stake in the status quo than the “insiders” (for instance in the Greek case those represented by strong unions in the public sector) who are able to acquire part of the rents in an imperfectly competitive economy. I argue there, once again on considerations of political power, that in the long-run the outsiders are unlikely to be major benefactors from an assault on insider power, as the precarious position of these groups in the more liberal economies demonstrates. Lest it be forgotten, the key moments that signposted a shift of power from labour (both insiders and outsiders) in both the Reagan and Thatcher experiments entailed an assault on insider power (see Harvey, 2007, p. 25).

rich man has his money, the poor man has his politics’)” (Hirsch 1978: 269). Moreover “[e]fforts to depoliticize the market tend to be spurious. They usually entail a one-sided buttressing of profits and managerial prerogatives” (Maier and Lindberg 1985: 597-8). It is such buttressing that we have referred earlier to as the successful restoration of class power.

In this respect the modernizers’ hostility to corporatist solutions is highly revealing and perfectly in tune with neoliberal thinking; for “While individuals are supposedly free to choose, they are not supposed to construct strong collective institutions (such as trade unions) as opposed to weak voluntary associations (like charitable organizations)” (Harvey, 2007, p. 69). While Diamandouros is critical of the underdog culture’s suspicion of civil society and intermediate institutions (p. 52), it is not clear what institutions the reform culture should be promoting. Certainly not corporatist ones which tend to be seen as undemocratic and part of the old order (p. 59)¹¹. Thus Simitis (1989, pp. 71-88), who began staking out his modernizing ground in the late 1980s, was highly suspicious of organized interests, explicitly criticizing the supposed beneficial consequences claimed in both pluralist and corporatist accounts. Indeed for Simitis a central obstacle to modernization in Greece was precisely the Greek public’s penchant for not supporting reforms opposed by powerful vested interests (p. 83). It is not that such groups are rejected out of court, but that their usefulness is measured by the extent to which they support the needed

¹¹ The exception to this is when the social partners can agree on implementing the agenda of the reform culture (Diamandouros, 2000, p. 121 and fn 51).

reforms of modernization – an agenda which, we should add, they have had no role in determining.

George Papandreou gave such arguments a post-modern twist. His themes of participatory democracy, the role of civil society and NGOs can be seen as an attempt to give some content to Diamandouros' appeal to intermediate structures. But given Papandreou's support for nearly the whole package of neoliberal reforms, both in government and opposition, and his appeal to the more dynamic sectors of society – the winners from the market process¹² – it is not clear that the popular classes can expect any greater role from such a strategy. As a number of analysts have recently argued (Pantazopoulos, 2006; Belantis, 2007) Papandreou's approach entails a disengagement with the traditional meaning of the term people. There is a hostility to the meaning of the "people" in both the sense used in the discourse of representative democracy and in the discourse of the Left (workers and popular classes). Rather the emphasis is on civil society and the needs of citizens, mediated by supposedly horizontal NGOs, which can cooperate with an "open" party and an "open" political society to promote a new agenda of change. As Belantis argues the contradiction here is neither that between capital and labour, nor that between social reforms of the Keynesian era and neoliberal reforms, but between a centralized state and one open to the demands of citizens.

¹² Consent to neoliberalism from middle classes can also be forged on the grounds of individualistic values and increased consumption patterns, the latter often financed by deregulated financial markets (Harvey, 2007, p.61). Such considerations are also relevant in Greece as the increased indebtedness of households over the last few years attests. But whether support from the middle classes can be acquired for Southern European (where the financial systems may never be able to reach the level of US and the UK) centre-left parties must remain in doubt. See Appendix C for a more comprehensive analysis of these issues.

How does such a conception fare with responding to the thinning out of democratic processes and the prominence of shady practices and corruption, both of which have constituted characteristic features of many capitalist societies in recent times? Both aspects have bedevilled PASOK, and Papandreou's appeal to the "new" politics seems in part an attempt to dissociate the party from some of the practices that marred the last years of the Simitis government. Let us start with the issue of corruption. Once more the modernizers' distinction between old and new is unlikely to take us very far, since some of the problems seem to be very much part of late modernity itself rather than remnants of a less developed capitalism. For it is by now fairly clear that the neoliberal era has spawned new while preserving old forms of corruption. In part this reflects the extent to which the boundaries between the state and corporate power have been blurred, with the increased power of corporations with respect to party financing and with respect to the writing, implementation and supervision of legislation¹³. In an earlier era the power of money in politics was met, and resolved partially at least, with the increased mobilisation of popular forces seeking a new political settlement based in an explicit shift in the balance of power between capital and labour. The post-war settlement sought to reject not only the recession and poverty of the inter-war period, but the power of money¹⁴.

¹³ See Monbiot (2001); Harvey (2007, pp. 76-78).

¹⁴ See Chiber (2005).

A second consideration reflects the effects of financial liberalisation in which a seemingly ever increasing amount of resources is devoted to short-term financial and speculative gains rather than more productive activities – the interest of managers, accounting firms and shareholders in propping up the share price of a firm was a decisive factor driving such scandals as ENRON in the late 1990s. A final consideration of significance is the way deregulation has had to be combined with re-regulation of economic activity through a host of semi-independent authorities¹⁵.

The above considerations also have a bearing on the nature and quality of democracy. While the relationship between capitalism and democracy has long been debated, it is clear in retrospect that over the twentieth century the rise of democracy was seen as a restraint on the market – enabling a larger range of values than can be expressed in the market (Jacques, 2004). Neoliberalism has sought to reverse much of the compromise leading to a decline in interest in the political process and a distrust of politicians. As Marquand (2004) pithily puts it if nobody listens what is the point of debate? For Marquand, this is the context in which to see the “return to the politics of connection, favouritism and patronage’ - as other values have been sidelined the distinction between legal, ‘dodgy but not quite illegal’, and illegal transactions between self-interested individuals has become increasingly fuzzy.

¹⁵ As Quiggin (2000) argues it is a paradox of our times that rent-seeking behaviour seems more prominent in the post-liberalization era. After all, rent-seeking, which developed as a concept from the public choice critique of big government, should have been more prominent in the more regulated and embedded past.

The compatibility of Papandreou's conception of politics with very powerful private sector economic interests seems easier to see, than the potential of civil society to provide institutions amenable to the interests of the people in either of the two previous meanings mentioned above. His approach has been rightly termed anti-politics and in this there are similarities with the politics of New Labour in which "Blairism tends to see debate, discussion, voting, compromising, learning and failure – the very stuff of politics and democracy – as messy processes that delay decisions and create uncertainty, doubt and confusion" (Lawson & Leighton, 2004).

In the modernist vision change comes from elites representing the potential winners of change. Whatever the descriptive merits of such a stance, it is not one that is likely to provide sure foundations for a left party. For hundreds of years the Left was inspired by individuals, and groups, who have striven against the commodification of labour and exclusion from the centres of power. True, many of these groups had at best a vague idea about how to implement new societies based on equality and an expanded conception of human dignity. But the idea that ordinary people can, and should, take matters into their own hands against specific classes and groups, who owe their own wealth and social position to the fact that others are commodities or are excluded from important areas of decision-making, is not something that is, as is often implied by modernizers, a fact of 'traditional society' and of no relevance to the here and now. It is in this sense that "The real success of the socialist tradition lies not in the organization of centrally planned economies but in the achievement of

forms of collective action, such as trade unions, cooperatives, community groups and political movements” (Gamble and Kelly, 1996, p. 82). As we go on to argue, such collective mobilisations are abandoned by centre-left parties at their peril.

4. Misunderstanding the family-nation-religion nexus

The abandonment of mobilisation of its social base by the centre-left explains why it is so ill-placed to respond to the right wing dynamic of modern capitalism. The experience of the US is most salient in this respect. Frank (2004) has recently argued that in the US the failure of the Democrats, and liberalism in general, can be attributed, at least in part, to a tendency not to take popular mobilization seriously. Tied as they are to certain powerful private interest groups, and reliant on such groups for campaign funding¹⁶, Democrats have tended to avoid ‘divisive’ issues such as taxation and redistribution, let alone taking on the power of corporations and financial interests. On the contrary, they have tended to keep a large distance from unions and other social movements. The idea seems to be to appeal to ‘middle America’, and hope that the increasing radicalisation, and extremism, of the Republicans will eventually lead to a victory for them.

With economics, and issues derogatively labelled as ‘class warfare’, conveniently taken out of the political contest, Republicans have been free to

¹⁶ On the role of corporate finance in Democratic politics see Harvey (2007, pp. 48-49) and Brenner (2007, p. 51).

campaign on a set of cultural values (the family, the rights of the unborn, and so on), which have appealed to the traditional social base of the Democratic party. Frank's argument is that in the US it is the Right not the Left that is now organized to campaign at the grass roots in communities, churches, schools and so on. In the words of Harvey (2007, p. 51) "The political structure that emerged was quite simple. The Republican Party could mobilize massive financial resources and mobilize its popular base to vote against its material interests on cultural/religious grounds while the Democratic Party could not afford to attend to the material needs (for example for a national health-care system) of its traditional popular base for fear of offending capitalist class interests"¹⁷.

The first lesson to be drawn from the American experience is that not taking seriously collective organization, and popular mobilization, does not mean that the right will call a truce. The tendency in Greece for the modernizers to see nearly all collective action as the mere representation of sectional interests has left PASOK similarly exposed at the political level. But the second lesson is that mobilisation on a cultural agenda, based on nationalism, religion or family values, cannot be understood in terms of remnants from the old order. Once again a schema that juxtaposes the old with the new tends to mislead. After all the cultural agenda is now of central importance to American politics which is supposed to be, in the modernization approach, our final resting place. Similarly in the Greek case, any approach that understands nationalistic

¹⁷ For an account of the contradictory pulls of cultural and material considerations on voting patterns for Left parties see Van der Waal et. al (2007).

outbreaks, a harsher attitude to immigrants, the upgraded role of the Orthodox Church, and the general conservative attitudes of the population evidenced in numerous surveys as merely the remnants of the underdog culture is likely to be very misleading.

It is not part of the modernization account, but the sad fact is that neoliberal reforms seem eminently compatible with a very conservative, often authoritarian, agenda. From the Republicans' shift to neo-conservatism, to Sarkozy's appeal to the racist agenda of Le Pen, to New Labour's record on 'law and order' legislation, the viability of a neoliberal agenda that is liberal in both its economic and social moments must remain in doubt. In part this reflects the rise in inequality which brings to the fore issues of social control. But it also reflects the contradiction between "... a seductive but alienating possessive individualism on the one hand and the desire for a meaningful collective life on the other" (Harvey, 2007, p. 69). In the American case, Harvey argues, the aim is for the cultural agenda to counteract the dissolving effect of the chaos of individual interests associated with neoliberal economic interventions. Neoconservatives seek to further the restoration of class power began by neoliberalism "But they seek legitimacy for that power, as well as social control through construction of a climate of consent around a coherent set of moral values" (Harvey, 2007, p. 83). In this light the hypothesis that a conservative social and cultural agenda has been the dominant way that neoliberal forces have sought to incorporate those sections of society with most to lose from economic reform needs careful attention. It cannot be easily

dismissed as mere conspiracy theory, the usual gambit within modernizing circles.

But one does not in any case need to rely on conspiratorial approaches. As many have argued, culturally conservative reactions to the process of development have often appeared when powerful, internal or external, forces have been able to block more progressive developmental options. This has often been an argument used to explain Islamic fundamentalism in countries such as Turkey, Iran and Egypt, as well as in the cases of Hamas and Hezbollah. Islamic parties have succeeded precisely because they have responded to the needs of the losers of modernizing reform¹⁸. Often this response has been quite material – finding jobs for the unemployed, providing income support for widows and so on. The parties have acted as a welfare state in embryo. But these parties have also attended to the intellectual and cultural needs of those losing out – giving voice to both their anguish and their aspirations.

How do such considerations relate to the dilemmas of the centre-left in Greece? The argument is that the modernization critique of populism was, if not deeply flawed, seriously incomplete. It delineated a series of attitudes and practices that seemed to be blocking Greece's development. But then, as in Feuerbach's account of criticisms of religion, it assumed that all one had to do was to

¹⁸ For an early instance of this argument see Gilsean (1990).

criticize the irrationality and inefficiency of those attitudes and practices¹⁹. What was lost in this process was not only the anguish and aspirations that populism reflected, but the fact that the latter, albeit in a distorted form, encompassed many of the traditional values of the Left. It cannot be said that modernizers have a very developed ear for the moral discourse of popular engagements with religion, the family and the nation. As Sayer (2005, p. 97) has recently argued one needs to understand the moral dimension of social life as a source of conformity but also resistance to the existing order. The ‘desire for a meaningful collective life’ or the need to ‘counteract the dissolving effect of the chaos of individual interests’ would, on the face of it, seem to be privileged ground for the Left. To dismiss these babies with the bathwater of populism does not seem to offer the grounds for a renewed hegemonic strategy for the centre-left.

Thus, to take just one example, the critique of populism became simultaneously a critique of equality and solidarity in the name of meritocracy and competitiveness. However this process was undertaken without any engagement on the level of values – little time was spent on arguing that equality and solidarity should be downgraded as priorities. Correspondingly little thought was given to seeing how the aspirations of marginalized groups could be channelled into more promising avenues. Modernizers in Greece were

¹⁹ The gains in terms of incomes, pensions and so on of the first PASOK government were real enough but this populist episode proved unsustainable in the subsequent period (see Tsakalotos, 1998). At the level of rhetoric and symbolism (recognition of the resistance, more independent foreign policy, etc) PASOK was able to hold the populist alliance together for longer than the material conditions warranted.

quick to point out that populist politics articulated demands on the state but promoted few concrete policy proposals. This is doubly misleading as a basis for an alternative politics. On the one hand, much of the social base of populism can be characterised as insecure and lacking in autonomy. This lack of autonomy should be understood not in the liberal sense of protection from external interventions, but in the fuller sense of stability. As O’Neil (1998) has argued, for autonomy to have real meaning people need to have stability with respect to their families, jobs and communities - in an unstable environment it is very difficult for people to have a ‘narrative continuity’, to give meaning to their lives. In this context it is difficult for marginalized groups to engage at the level of policy formation and a blunt opposition to reforms that increase further the degree of instability seems a quite rational response. On the other hand, the modernizers of PASOK gave little time to suggesting alternative policies and institutions based on the values of equality, community and solidarity which would have given such groups some feeling of control over the issues that affect their lives (their schools, their work, public spaces and so on).

5. Conclusions

Looking at the past and thinking of the future in terms of modernization theory, and in particular the distinction between old and new, has led to a multiplicity of problems for the Centre-Left in Greece. The increase in inequality is a constitutive feature of the neoliberal project entailing not just problems for

those uncompetitive groups but the creation of whole new sections of the population whose prospects are characterised by poor wages, casual employment and uncertainty. In the 2007 parliamentary election PASOK, associated as it was in the public mind with support for labour market flexibility, had problems in addressing this audience. Having conflated neoliberal reforms with the new, PASOK has assumed what in effect has to be proved - that there is a viable counterfactual in which pro-market reforms are consistent with a better state of the world for its social base. Thinking sensibly about this issue is difficult if one accepts the basic modernization premise that modernization presents an ethically and politically neutral project, rather than a specifically class response with clear winners and losers.

In this context it comes as little surprise that PASOK, in opposition, has organized little opposition to the reforms of ND in the labour market, to the privatisation of nationalised industries, or anywhere else for that matter²⁰. There was little recognition of the pressing need for collective action and social mobilization for defending the social achievements of the past, and blocking the right-wing dynamics of politics. A further problem that we have discussed is the fact that, far from representing remnants from the past, the rise of nationalism and conservative, or even authoritarian sentiments, are fully a part of late modernity. Such elements, we have argued, represent the dominant form

²⁰ In the field of education its appeal to young voters was seriously compromised by its stance in the major social mobilization in the election year over the government's attempt to repeal the article in the constitution that forbids private tertiary universities and commits the state to funding university level education. While a majority of PASOK students supported the massive, and eventually successful, mobilization against the repeal, PASOK was damaged by its support for the "reform".

of incorporation of the losers of neoliberalism but, at the same time, also reflect the anxieties and aspirations of marginalised groups in their search for stability and security. Here the modernization critique of populism – that had incorporated such elements in a previous era – was, to put it no stronger, incomplete. For, in rejecting populism, modernizers within PASOK were unable to provide any new thinking on how such anxieties and aspirations could be addressed. Such thinking is severely impaired by a conception that sees collective organization and mobilization as part of the problem rather than the solution.

Both in the economic and cultural domains PASOK thinking has been subject to what has been termed ‘cognitive locking’ into a particular problem description that makes for only one possible solution²¹. To take just one example, thinking about how to create new bonds of social solidarity, which can also promote economic efficiency, disappears even as a question in this process. Instead of new thinking on such questions, we have a search for importing techniques, policies and institutions from the more advanced capitalist societies. History, and the particular characteristics of a society, play little role in such a conceptualization, representing merely the “old”. PASOK seems to have replaced a third-worldist populism, in which everything from abroad was suspect, with a third-worldist modernization, in which nothing rooted in society is worth building on. Without recognition of their aspirations, and facing an increasingly unequal, uncertain and precarious environment, it

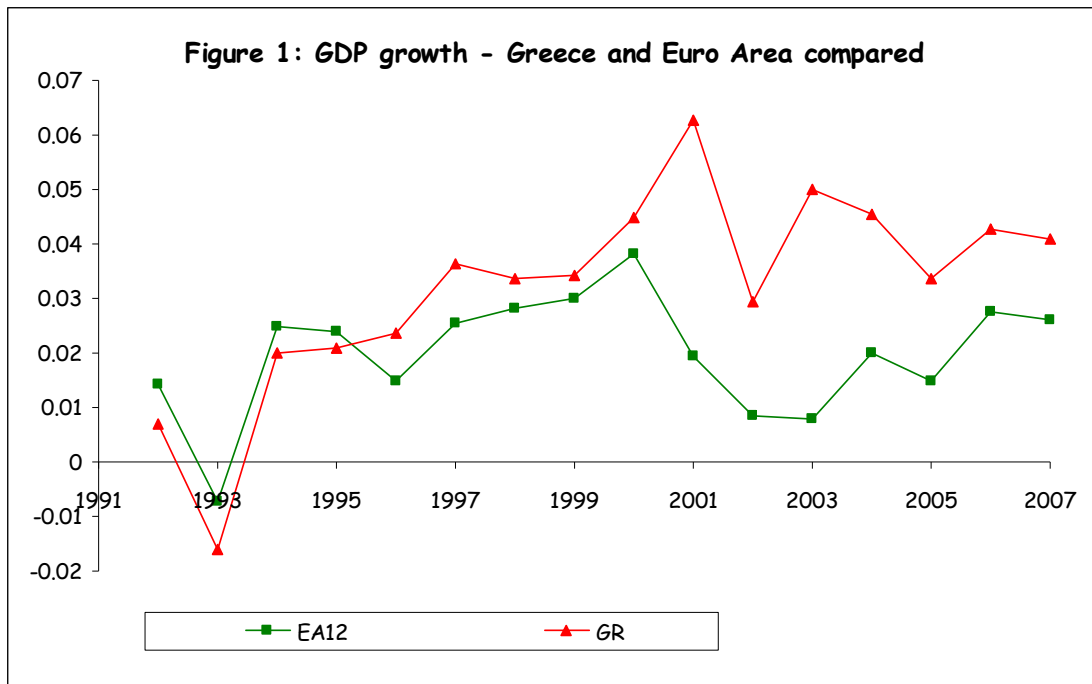
²¹ See Blyth (2002, p. 170).

hardly comes as a surprise that significant sections of PASOK's social base have abandoned the party. Such a revenge could have been foreseen but for the prevalence of modernization ideas.

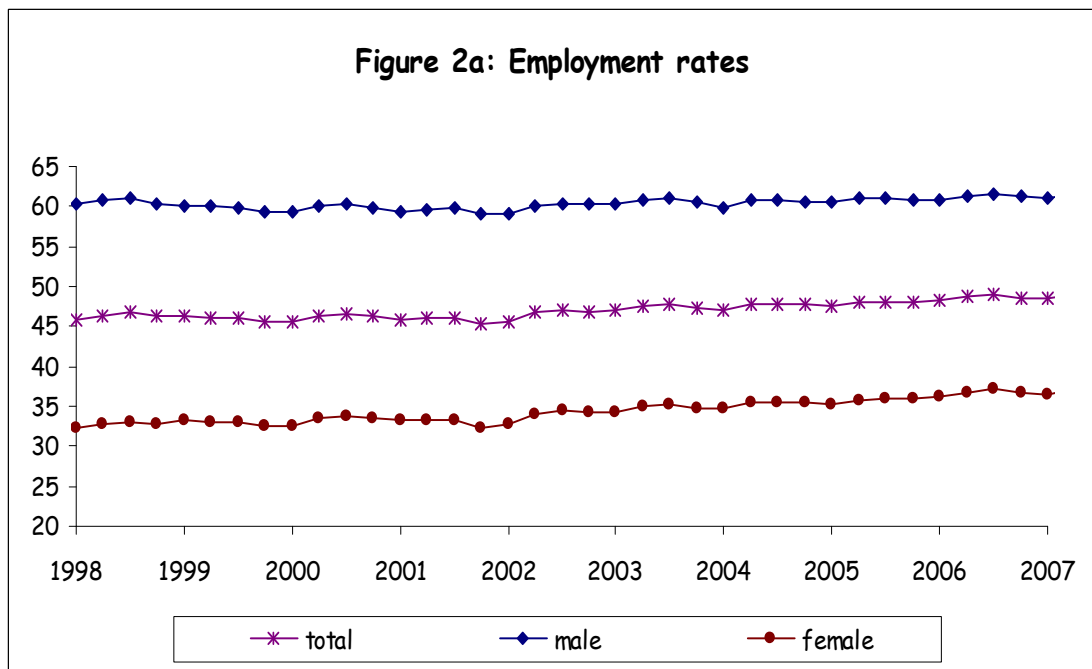
Appendix A: Growth, Employment & Wage-Profit Shares in the Greek economy

As Figure 1 shows, growth in Greece has been consistently and significantly above that of the Euro Area since the mid-1990s. However, the impact of this on employment rates (the percentage of the population aged 15-64 in work) has remained modest and they remain well below the Lisbon Agenda goal for an overall employment rate of 70% and a female employment rate of 60% by 2010 (Figure 2a). In part, as is clear from figures 2b and 2c, low employment rates reflect low participation rates (defined as the percentage of the population either in work or seeking work).

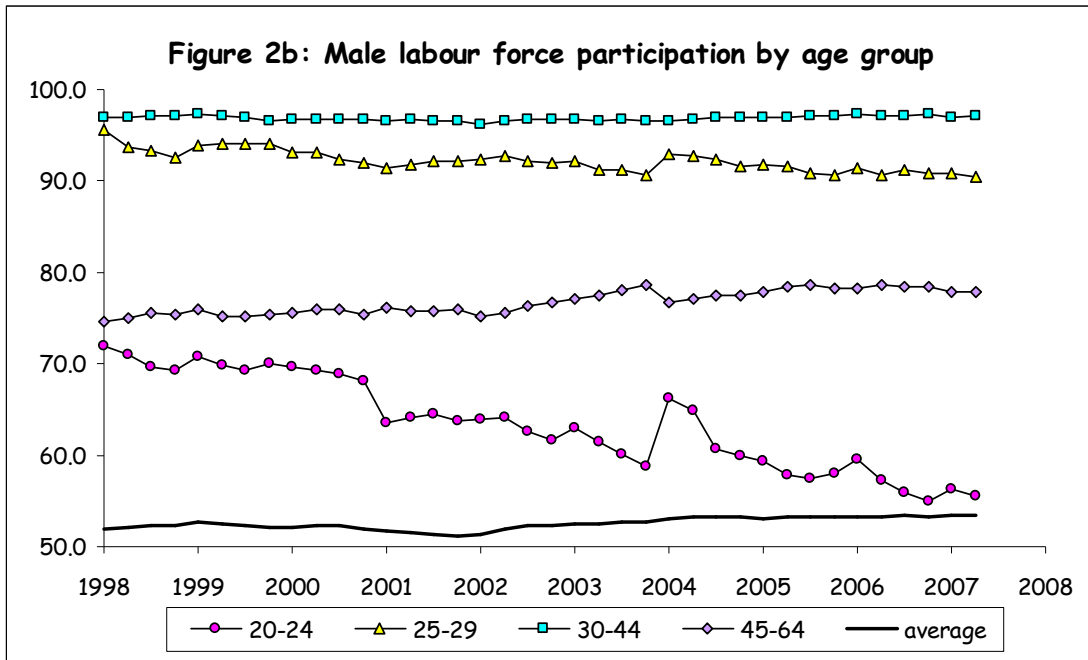
Figure 3 illustrates wage and profit shares from 1973 until 2007. It is clear from this figure that after a sharp rise in wage shares from 1974 onwards, they remained at levels of over 70% of GDP until the late 1980s. During the New Democracy government of the early 1990s, the wage share fell sharply. The critical factor, however, for the purposes of our argument is that during the Papandreou/Simitis government (1994-2000), macroeconomic stabilisation was successfully undertaken with a rising wage share; during the second Simitis government (2000-2004), it fell. It has subsequently remained at this low level during the New Democracy governments.



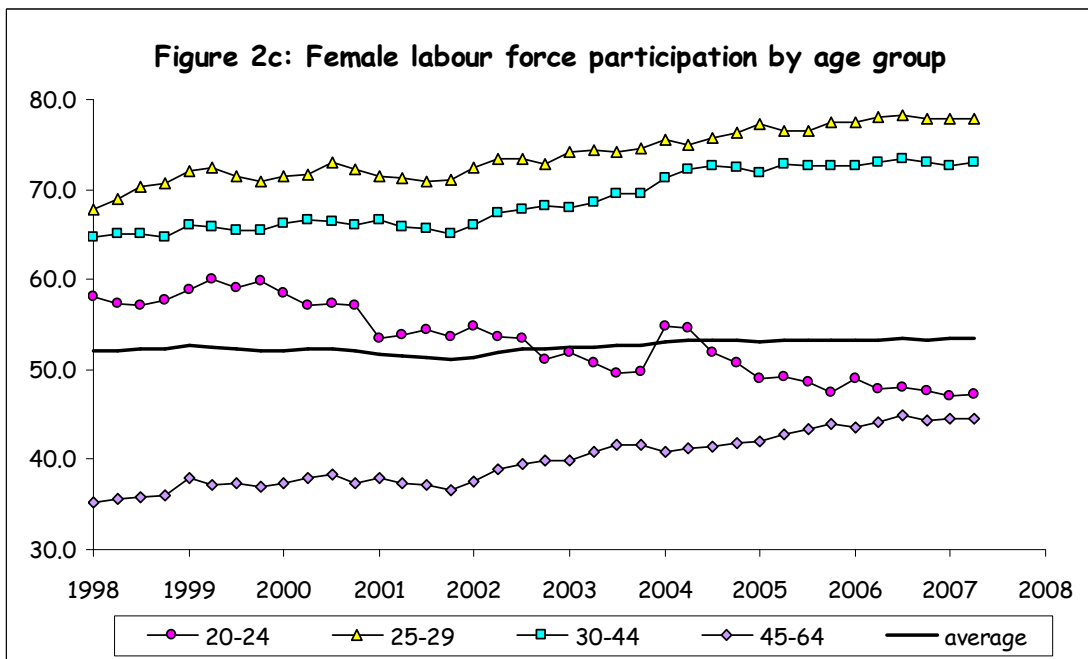
Source: AMECO database.



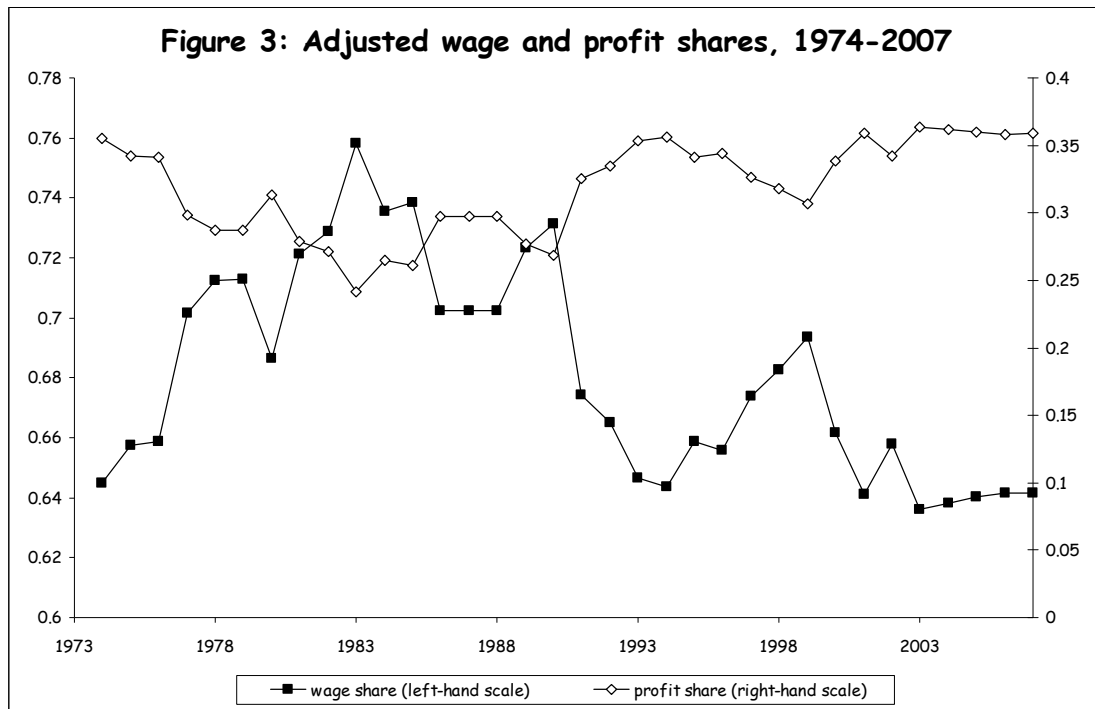
Source: National Statistical Service of Greece.



Source: National Statistical Service of Greece.



Source: National Statistical Service of Greece.

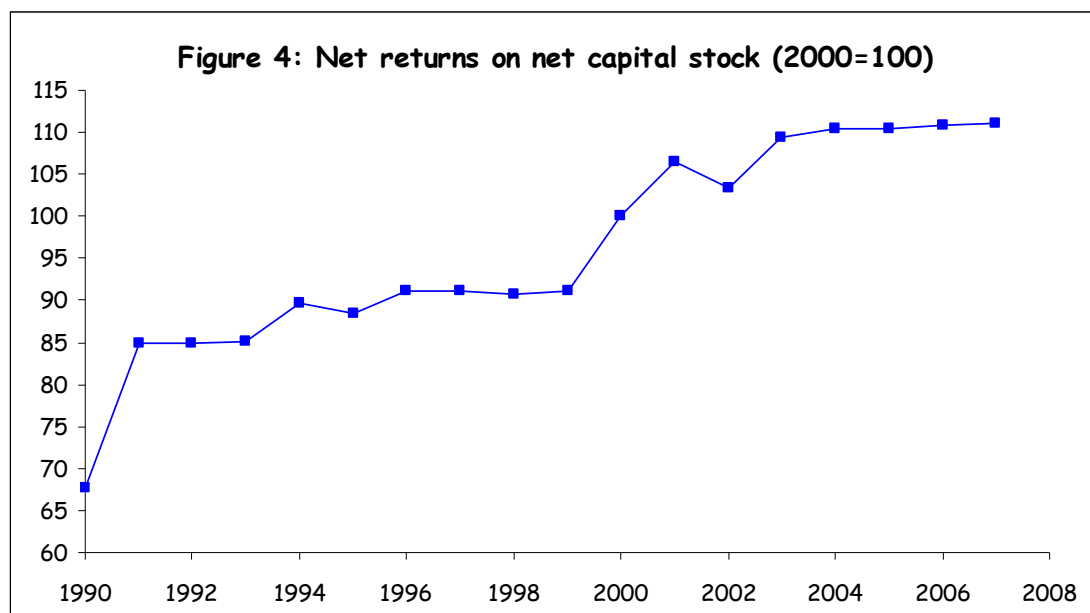


Source: Own calculations from AMECO database and National Statistical Service of Greece. The 2007 figures are based on estimates from Eurostat.

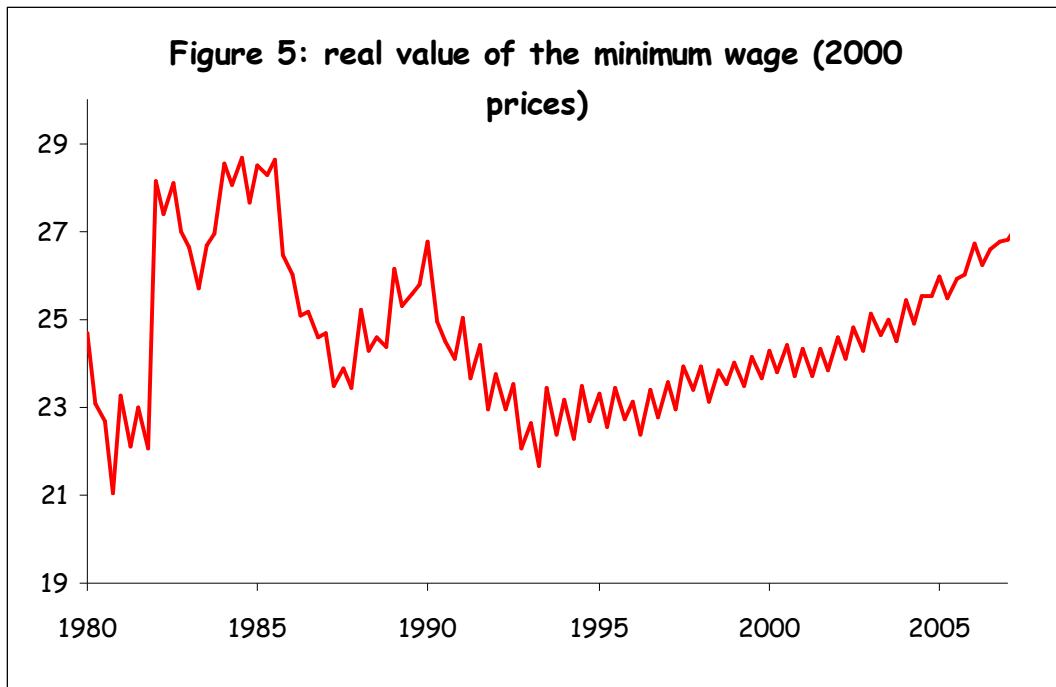
Note: Wage shares are calculated using the compensation of employees (adjusted for the self-employed by imputing a wage using average wages across the economy for the self-employed) as a percentage of gross value added. Profit shares are gross operating profits (minus the imputed wages of the self-employed) as a percentage of gross value added.

Appendix B

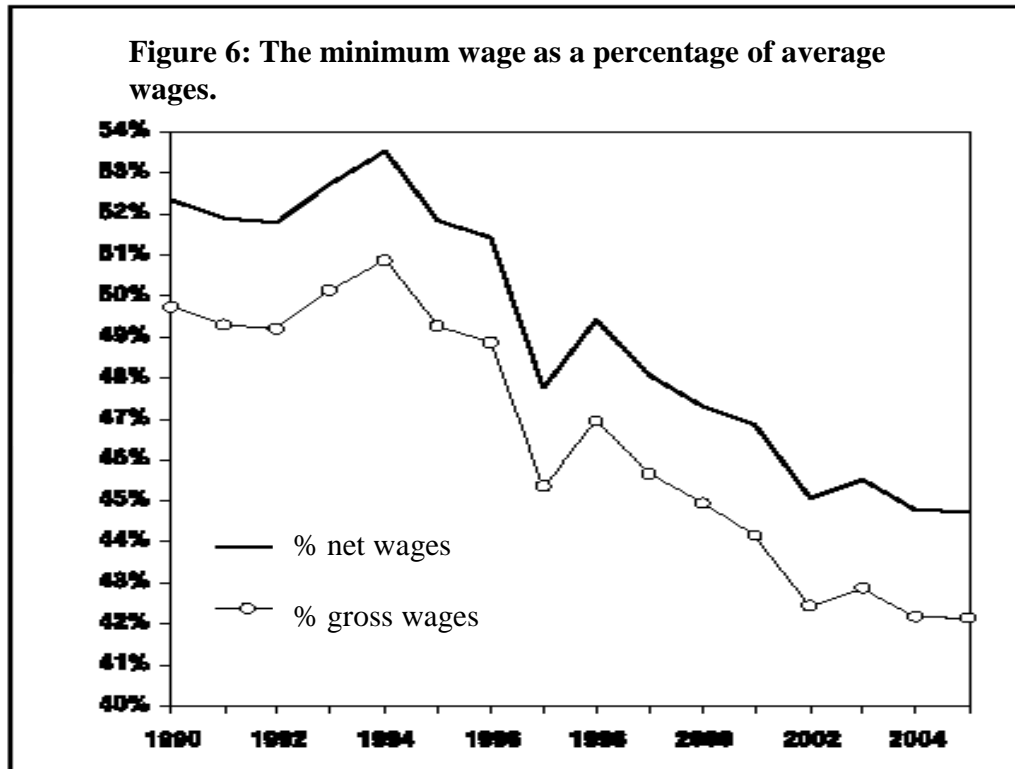
In Greece, evidence that profits have risen at the expense of wages comes not only from evidence of a rising profit share, but also from an increase since 1990 in the rate of return on capital. As is clear from Figure 4, the rise is particularly strong during the second Simitis government. At the same time, while the real value of the minimum wage has been rising since the mid-1990s, it still lies below that of the early 1980s (Figure 5) and relative to average wages in the economy it fell from around 51% of gross average wages in the early 1990s to under 42% in 2005. This provides again evidence of the gains of growth being unequally shared.



Source: AMECO database.



Source: National Statistical Service of Greece.



Source: INE/GSEE-ADEDY Report on the Greek Economy, 2006.

Evidence on poverty and inequality in Greece provides little comfort. Using data from household surveys since 1995 (the European Household Panel Survey followed by the Statistics on Income and Living Conditions), the risk of being poor in Greece has ranged from 20-22% with no discernible trend (the risk for the EU-15 lay between 15% and 17%). The same stagnant picture is evident from an examination of measures of inequality. The ratio of the income of the richest 20% of the population to that of the poorest 20% moved between 5.7 and 6.6 (compared with levels of between 4.5 and 6.1 for the EU). A similar picture of inequality in Greece being high by European standards with no evidence of a downward trend is also given by other measures of inequality such as the Gini coefficient (see Bank of Greece, Annual Report of the Governor (in Greek), Box IV.2, 2006).

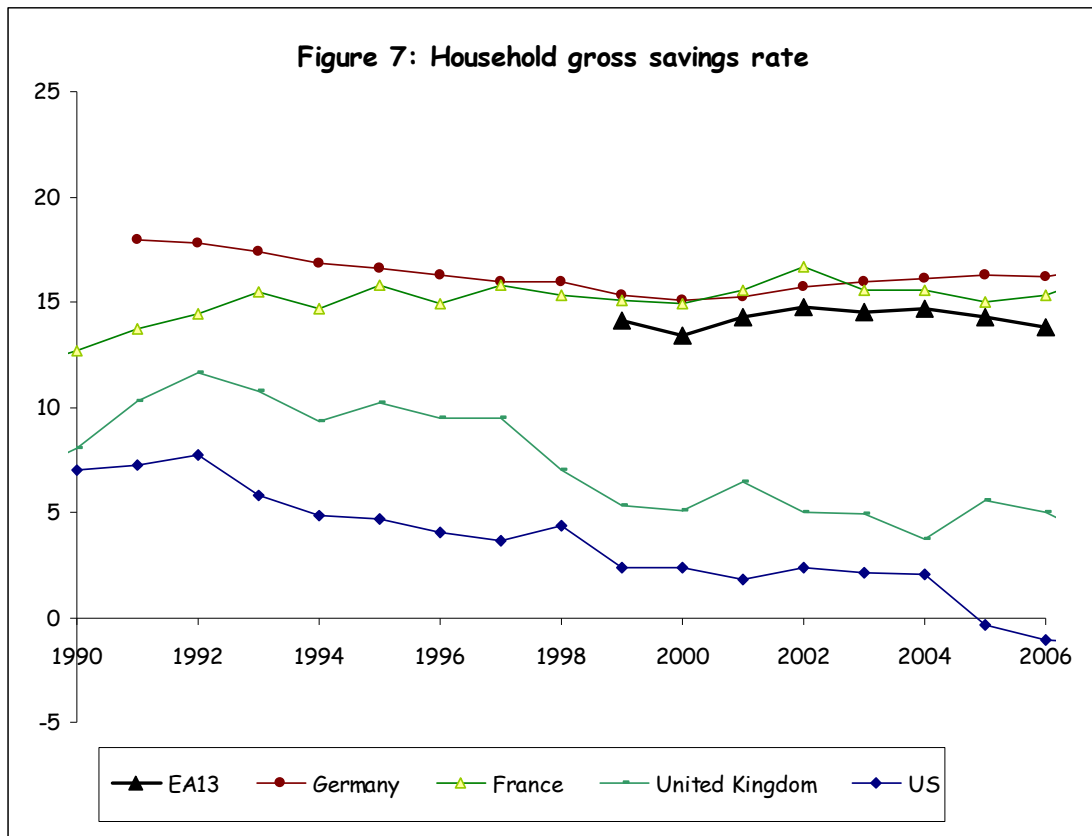
Appendix C

The role of deregulation of financial markets should not be underestimated in providing support for neoliberal reforms. Increasing financial market sophistication has allowed at least some households to borrow thus providing significant support for their consumption aspirations even if the income gains required to support these aspirations in the long run have not been forthcoming. As a consequence many countries have witnessed a decline in household savings rates and a rise in debt. This is clearly evident from Figures 7-9.

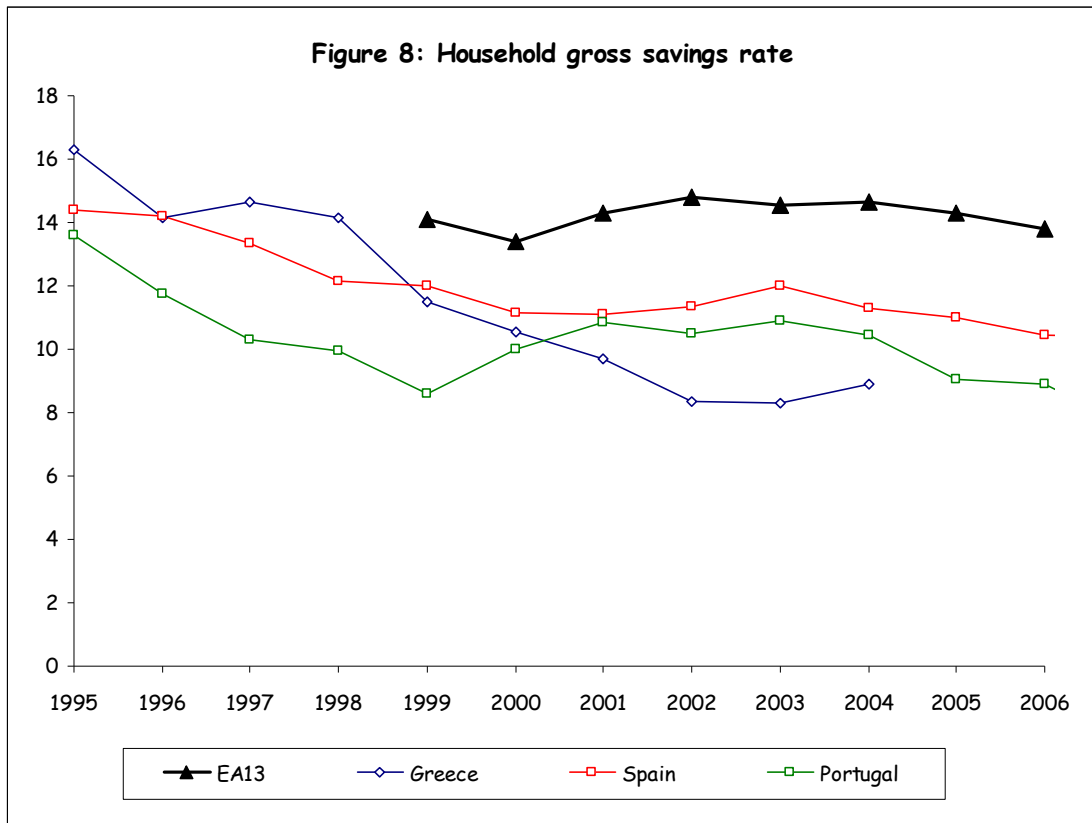
On closer inspection, it is the Anglo-Saxon economies of the US and the UK which appear to have experienced the sharpest falls in household savings rates and the sharpest rises in the household debt burden. This contrasts, for example, with the cases of Germany, France and, for the period for which figures are available, the euro area as a whole. One factor which might go some way to explaining this difference is the fact that the US and the UK have the role of international financial centres. This implies that they easily attract funds through international markets located in London or New York which can be on-lent domestically, facilitating such large build-ups in debt levels. In turn, this has facilitated neoliberal projects such as that of Blair by enabling the consumption aspirations of the newly-emerging middle class to be realised. By contrast, Germany and France which have traditionally had more institutionally-based and domestically-oriented financial systems have not been able to support the consumption desires of a new middle class to the same extent, thus making the implementation of a neoliberal agenda more difficult.

The crisis of social democracy in those two countries is perhaps no coincidence.

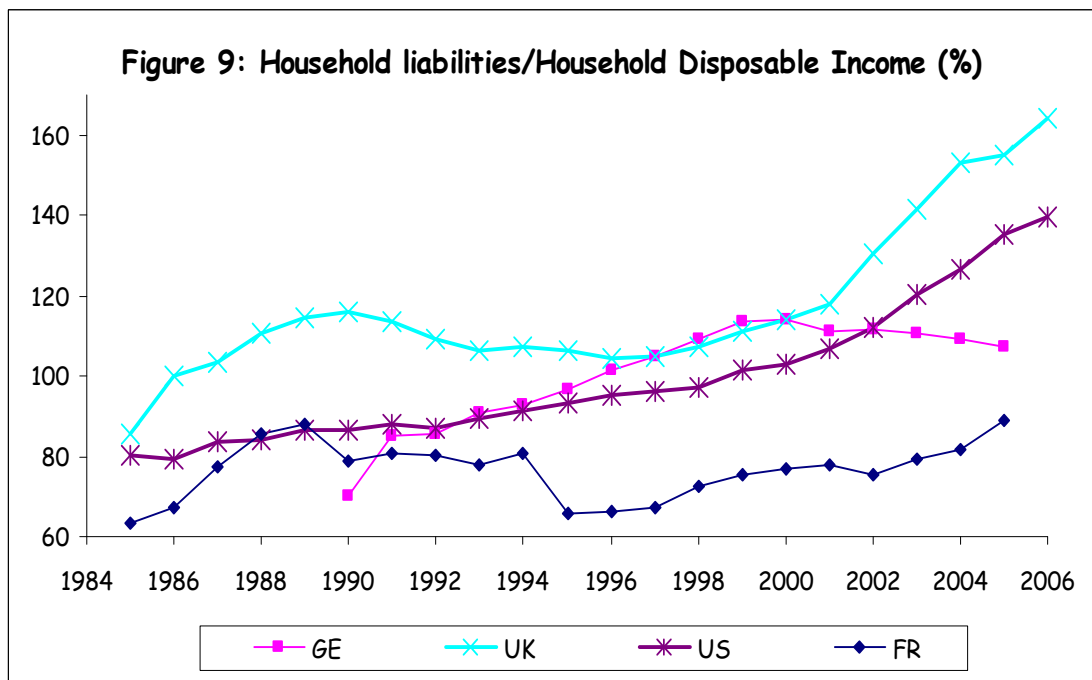
What does this tell us about the case of Greece? It cannot be denied that financial deregulation in Greece has increased the opportunities for borrowing (either for house purchase or to consume) much easier. Indeed, as Figure 8 shows, household savings ratios have been falling in Greece, albeit from much higher levels. Bank credit to households has been growing at rates in excess of 30% per annum. This has led to a build-up of household debt which reached 44% of GDP at end-October 2007 (still below the euro area average). Results of two household surveys conducted by the Bank of Greece (in 2002 and 2005) suggest that only about 50% of households in Greece have some kind of debt obligation (including loans from friends or other family members). Moreover, Symigiannis and Tzamourani (2007) show that the probability of having debt is strongly positively related to income. This suggests that, while financial liberalisation in Greece has helped to support the emergence of a new middle class, a significant proportion of PASOK's social base has remained unaffected – they do not have access to loans. It has not been possible, therefore, to satisfy their aspirations by the accumulation of debt as witnessed in the Anglo-Saxon economies.



Source: AMECO database.



Source: AMECO database.



Source: OECD Economic Outlook.

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