Beyond Reform vs. Rupture

September 25, 2015

If nothing else, phase one of Syriza's tenure has revealed the limits of reformism in a period of stagnation and global economic integration.

It's also shown the need for a Plan B. Given the recent failed efforts to "change Europe" through creditor negotiations, key figures on the European left are increasingly discussing whether a break with the eurozone is necessary for advancing a progressive agenda, particularly in the continent's periphery.

What would be the implications of such a move? And what other changes would need to happen alongside it to ensure that exit isn't on the terms of either international finance or domestic elites?

Beyond that lies an even more complicated set of questions: does Greece, in particular, have the productive and state capacities necessary for such a plan? If not, at this point should the Left do anything more than distribute austerity more evenly across classes? Is such a modest compromise with the ruling class even possible given the restrictions the new memorandum places on the Greek government?

Today's debates often frame these concerns as part of the broader dilemma of reform versus rupture. Often, rupture and revolution are conflated, and quickly the accusations ensue between "bourgeois reformists" and "looney Leninists."

But there's an alternative to this discourse, and a range of compromises and confrontations within the socialist tradition.

Reframing the Dilemma

Major reform is often the result of a class compromise reached either from the outset based on certain risk assessments or alternatively after a stalemate, in which both sides make concessions to avoid the cost of escalated confrontation. Rupture, on the other hand, is confrontation escalated to whatever end, at whatever cost.

In weighing the costs of concession against those of confrontation, and in considering the material and organizational capacities that exist and those that could be developed, we can better assess the viability of certain strategic options.

There *was* a potential class compromise available to Syriza when it took power last January. But it was not the sort of compromise its leadership was aiming for. What Prime Minister Alexis Tsipras sought was the first type of compromise described above, a "positive class compromise." A historical example of this is the democratic corporatism that emerged in the small states of wartime Western Europe.

The backdrop for Syriza's compromise was the Greek political crisis, signs of which had emerged even before the recession but which were exacerbated by the successive memoranda, starting in

2010. After the party became a serious contender in 2012 on the heels of mass mobilizations and the center-left's collapse, its leadership felt they could offer the crisis resolution that domestic and foreign elites sought. And hence they could secure a lighter austerity deal within Europe, with perhaps even some debt reduction, on the basis of the stability they would bring as essentially a social-democratic power.

Once Greek elites had exhausted most other options in stymying a leftist threat, they tolerated Syriza given that the party had itself lowered the stakes. In fact, numerous elites welcomed the government after its election, claiming that business confidence would improve after a deal was reached. Voters, also aware of the challenges their well-intentioned prime minister faced, expressed approval even if he only accomplished some of his goals.

But though Syriza may have convinced its electorate and some domestic capitalists of this plan, European elites were not willing to play ball simply because Greece asked them to.

After the Great Panic of 2010, certain safeguards were set up to protect the European payment and banking systems in the event of a default. By 2015 the major losers would have largely been German and French taxpayers; the political costs of such an outcome were not the preoccupation of key eurozone managers like German Finance Minister Wolfgang Schäuble, Eurogroup President Jeroen Dijsselbloem, and European Central Bank President Mario Draghi. And hence, though elites might have been scared by the mere threat of a Greek exit at the start of the crisis, within several years, that threat was mostly contained.

The only remaining fear, then, was around the potential domino effect of a Grexit. This would have been a real possibility had Syriza made the necessary preparations to ensure that an exit wouldn't be disastrous. Only then would Spanish, Irish, Portuguese, and Italian electorates have considered a break. This was the troika's gamble in the negotiations, and it should have been Syriza's, too.

But by the end of February, as Syriza refrained from imposing capital controls and instead accepted a deal on its creditors' terms, it was clear that exit preparations were not in the cards. Former Finance Minister Yanis Varoufakis says he had a small team working on contingency plans and was prepared to use them after the July 5 referendum, but that is quite different from taking decisive action in critical moments. And that moment came far earlier than July.

In other words, to get its negotiating partners to make concessions, the Greek government would have needed to sufficiently escalate the conflict so as to raise the costs of further confrontation. To begin with, it would have needed to impose capital controls in February as soon as the ECB began restricting access to direct liquidity lines. Doing so would have prevented what amounted to five months of liquidity asphyxiation.

These actions would have constituted the basis for a "negative class compromise." We will return to this missed opportunity in a moment. For now, let us further examine Syriza's continued attempt at a positive compromise.

Chasing False Hopes

Syriza now claims that even if the Europeans didn't budge in round one, it can still secure a compromise with its domestic capitalist class in round two. For the party today, the major subjects of reform are taxation and corruption: shipowners with extremely lenient tax privileges; media magnates, often the same people, with license fee waivers; and an informal sector that constitutes nearly half of the total economy and offers few labor protections.

Reforming these aspects of the Greek economy is the underlying message of statements about how the government, no longer mired in negotiations in Brussels, can now begin the real work of putting its own house in order and making elites pay their fair share. As captured by one of its slogans in the recent elections, “It is in everyone’s interest to have no interests.”

But sadly this is mostly empty rhetoric.

First, like European elites, it’s not in the interest of Greek elites to make concessions simply because their government demands them to. Historically these oligarchs have reproduced their power through corruption. It is not simply that corruption has enabled them to influence state managers. Handouts, exemptions, and weak taxation were *requirements* for Greek capitalists to maintain bare minimum levels of profitability and competitiveness into the 1990s.

Eurozone integration in the 2000s raised foreign investment levels — largely by German and French businesses, who did not disrupt but rather inserted themselves into the existing web of clientelistic practices between Greek capital and the state. The bank bailouts starting in 2010 were intended to protect that investment, but this attempt mostly failed.

What comprises the Greek economy today are remnants of a corrupt and inefficient private sector dominated by a small number of very powerful elites who, like their foreign counterparts, are relying on the continued assault on workers to raise profitability at some unspecified point in the future. Meanwhile, these elites can remain untaxed while vying for the state assets being auctioned off, now worth an additional €50 billion after the July memorandum.

Between this accumulation structure, however dysfunctional, and one threatening short-term profitability, we can expect capital to choose the former, especially if not pressured to do otherwise.

The oligarchs are powerful but few and far between. Greek capital is mostly made up of small enterprises, which contribute nearly 60 percent of value added in the total economy. Theoretically, the government could mobilize a portion of this group in an alliance with the working class, one strong enough to confront the more powerful sections of Greek capital. The “cross-class ‘popular’ alliance,” after all, is a key tenet of Eurocommunist strategy.

But this memorandum, with its quasi-automatic spending cuts and indefinite troika surveillance, hits the working class and small businesses the hardest. In fact, a key aim of the troika, in accordance with the dictates of international capital, has been to reduce the number of small businesses in the Greek economy: retail, construction, pharmacies. Even neighborhood bakeries have been targeted in the July deal.

Whichever of these businesses survive will serve as subcontractors either for large multinationals or the crony oligarchs. And as less efficient capitals, not only would they be more vulnerable in a situation that would potentially limit the financing of imports or exports, but given their status as subcontractors, they are not structurally inclined to confront larger interests.

This brings us to the second reason that Syriza will have enormous difficulty targeting corruption going forward. It is not simply that capital has no reason to strike a deal with the government, but that there is little room under the memorandum to mobilize pressure against it. And hence, the historical reasons for which the Greek state is clientelistic — largely the disenfranchisement of popular forces against a corrupt and oligarchic ruling class — will be perpetuated.

In other words, a class compromise could only be reached through escalated conflict, and there’s little sign that Syriza will be able to go down that path.

Locating Real Openings

But what about the counterfactual to Syriza's failed attempt, a negative class compromise premised on popular mobilization and confrontation? Here the government would have needed to test the creditors.

An imposition of capital controls in February may have been enough to at least get them to concede on some measures, which again was Syriza's intention. It also may have led to a chain of other events: in the first instance, a default within the eurozone, with the expectation that doing so may have resulted in an exit.

This escalation would have necessarily included either taking over the Bank of Greece or setting up a new central bank. And this is where the lines between reform and rupture become blurred.

Of course, the negative compromise did not happen when it could have, and with such high levels of capital flight and reduction in foreign exchange reserves over the past half year, we might consider whether that particular iteration is still possible. At the very least, we would need experts to work out the details of how it could happen now.

But we can at least get to the heart of the matter: does an exit from the monetary union have to involve a total rupture with the existing social order? If our immediate aim is to nationalize the banking system and control investment in key sectors, should we be discussing revolutionary strategy?

Some sections of the "Oxi" political camp, like Antarsya, maintain that we do. And hence the bulk of their work and vision lies outside the ballot box. These militants see their key task as remobilizing people on the ground, reinvigorating the labor movement, organizing the young and unemployed — in other words, preparing for conflict.

Other parts of the Left, like Popular Unity, have been more open to discussing reformist options. And we have reason to believe that, in a prepared exit, where the government has control over its central bank, it is *possible* to strike a compromise with Greek capital — but only by being prepared for a confrontation with them.

It is possible, for instance, to sever lucrative pharmaceutical contracts that burden the public health budget and perpetuate corruption in hospitals and universities, and to rely more heavily on generic medicine production domestically and in the BRICS countries.

It is possible to discipline domestic-based asset management with more powerful segments of the ruling class, such as by controlling investment decisions in oil refining and natural gas sectors on the basis of securing energy deals with Iran, Venezuela, Russia and elsewhere.

It is possible to redirect savings from these highly profitable sectors, as well as those from the strategically located Port of Piraeus, toward developing a complex including logistics and ship repair industries. It is also possible, using those savings, to forge an industrial policy harnessing the natural endowments of Greece toward solar energy.

It is possible, in other words, to reconstruct the country's productive base, and we can start by finding sources of leverage.

But all of this is premised on navigating the constraints of world economic integration and strengthening the Left, both through more traditional sections of the labor movement and newer forms of collective organization. And that ultimately is contingent on building and maintaining popular support, which includes being clear with people about the risks involved with pursuing such a path and the costs that could be avoided at various points of it.

For instance, we cannot say, as often is done, that Argentina quickly recovered after defaulting while neglecting to mention that this was on the basis of a commodity-export boom that has since busted. At the same time, we also need not reject, as is also done, any use of Keynesian policy tools in the short term simply because they belong to a reformist vision of change.

Both points miss the elephant residing in the basic intuitions of most people: a progressive vision for a small, weak, highly unequal economy needs some kind of developmental plan to survive in the medium term, and this includes finding some way of confronting its elites without telling people simply to storm the palace.

In short, the key disagreements within what remains of the radical left in Greece, which ended up and which will continue straining its efforts to offer a political alternative, are still being pitched far too abstractly. One side calls the other too voluntarist; the other meanwhile denounces all things as reformist. Neither of these critiques, however, addresses the fears people still have around a strategy based on escalated conflict: mass inflation, shortages, turmoil.

If we are to give workers hope in this climate of defeat and exhaustion, we need to reckon with these risks while finding real openings in a difficult context. And that starts with thinking and speaking not only programmatically but above all strategically.

Nantina Vgontzas is a sociology PhD student at New York University. She is a member of the UAW Graduate Student Organizing Committee and is involved in the Academic Workers for a Democratic Union reform movement.