Solidarity with Syriza: What Can the Left Demand?

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For Syriza to triumph, it is not enough for it to play tough with the European Union. not enough to bypass the structure of the European Central Bank to find individual national allies, not enough to refuse to cooperate with capitalist auditors. Greece has already lost 30% of its GDP since the peak before the crisis, with unemployment standing at 25%, a decline only comparable to that seen in the US during the Great Depression. Syriza is fighting for fiscal leeway to revive the public sector, slow the pace of job cuts, raise pensions and boost consumer demand in an effort to revive the Greek economy.

On its own, the best the beleaguered left government can extract will be a short-lived debt holiday. The Greek state—and the Greek working class—needs a permanent debt jubilee. And this is not their need alone. Syriza needs to free itself from the state's dependency on thoroughly redundant banking system imposed from on high as a prior restraint against democracy. But it cannot break these structures alone.

Austerity is a means of disinvesting, of asset stripping the public sector and dismantling social safety nets. It is a means of maintaining slack labor market to impose social discipline and keep the working class in each country divided against itself. But this is a policy choice, just as the prolonged (second) depression imposed on Greece by the EU is, itself, a gratuitous imposition—a demonstration effect and a warning to workers everywhere that previous victories are revocable.

This needs some unpacking. It is a basic accounting identity that aggregate expenditures in any economy equal aggregate income. What comes out of one pocket goes into another until, in the end, capitalists get what they spend and workers spend what they get.

This also means that all leakages from the -economy—net private savings plus leakages arising from trade deficits plus government spending balances— must cancel each other out. If, as in Greece, there is to be net private savings that accompany additional leakages in the form of trade deficits, the Greek government must spend in excess of tax revenue. There can be no net private savings in any economy with trade deficits without the accumulation of government debt. Government debt equals private savings.

And conversely, if the Greek state is to run surpluses needed to pay back its foreign creditors, the private sector has to dissave (invest in excess of savings) and run trade surpluses from which these additional investment funds can be drawn. This dissaving must be equal to the targeted government surplus.

Turning a trading deficit into a surplus, where there is a single currency and therefore no possibility of depreciating the Greek currency with respect to that of its trading partners leaves only one alternative: collapsing the domestic price structure. It is the only path available for Greek capitalists to undercut their foreign competitors. Capitalists are, of course, always eager to cut wage costs. So that, in the context of mass unemployment, presents few problems.

But gaining a competitive edge also requires cutting profit margins in a Greek capitalism already overinvested relative to profitability. And this needs to occur where supplemental markets are shrinking due to a collapse of the state sector. Greek capitalists can therefore have no realistic expectations that lower profit margins will be offset by increased domestic sales. Because capitalists will not invest in a deflationary spiral, no government—no matter how obsequious before the demands of finance—could ever satisfy the claims of foreign creditors through austerity. It can sell off the state's assets, including those that generate tax revenues. But as soon as it also reneges on its pension, health care, housing and social welfare obligations it contributes further to the very deflationary slide that makes domestic investment pointless. In short, private investment in excess of savings is simply not feasible. Even if Greek capitalism were able to reverse its trade deficits, the reversal cannot translate into conditions commensurate to the demands on the Greek state to accumulate surpluses.

That is why austerity is simply self-defeating. It cannot restore Greece to fiscal solvency. Greek capitalism, as it now stands, is a dog chasing its tail. What austerity will do, in contrast, is to consign Greece to permanent debt peonage, carrion that predatory bankers can feed off. Capitalist depressions, it is true, lay the predicate for recovery by slashing excess capital values and raising the rate of exploitation. They allow the economy to restructure in a leaner and more efficiently aggregate profitable fashion. But that's as far as they go. Capitalist recoveries cannot be completed through market forces alone. They cannot, in a word, be completed capitalistically. Markets require a decisive exogenous jumpstart in the form of public works projects, mass infusions of state spending or wars—which are a combination of the first two—before an upswing can be fully set into motion.

Because of this, capitalists can never agree on when to call a halt to the restructuring processes of depression. Market fundamentalism is their religion; and its ideology, the study of economics, a faith-based discipline. Calling an end to a depression is a decision that must be politically forced. American capitalism was utterly demoralized during the 1930s, facing an emboldened and radicalized labor movement. It needed a savior. Even then, the "economic royalists" fought the Roosevelt administration tooth and nail in an attempt to moderate and call off the state's, as of then, unprecedented economic intervention. The Roosevelt administration balked and American capitalism by 1937 plunged back into depression. The arrested recovery continued to falter until WWII finally turned the economy around. German capitalism needed the reassurance of Nazism to destroy working class resistance before it would willingly accede to state intervention.

Capitalist elites today are less concerned with economic revival that with bringing the crisis of profitability stemming back to the late 1960s to an end. And this by vanquishing the welfare state. This is a once-in-a-generation opportunity to roll back the historic gains of the European working classes. Before they approve of state intervention, the ruling elites must evidently convince themselves that the depression has exhausted its potential to restore social discipline in as memorably traumatic and disorienting a manner as it possibly can.

The "genius" of the Eurozone structure is that there is no means within its existing architecture to politically force the economic upheaval that is needed. The European Central Bank (ECB) does not, by design, have the authority to directly fund national deficits. Such deficits in excess of 2% of GDP are a violation of the terms of membership in the Eurozone. Yet only by massive pump priming can Greece revive its economy to the level that it might later raise sufficient tax revenues to service its foreign debt while continuing to fuel its recovery.

The ECB has only one tool. It can only engage in quantitative easing to purchase toxic assets (such as sovereign Greek debt) and remove them from the balance sheets of private bankers. It can inject the banks with Euros as an asset swap. But, as has been shown, there is no incentive for Greek capitalists to borrow from banks, awash in liquidity as they may now be, for productive investment.

There is simply no profit potential. All that quantitative easing can now do is fuel speculative bubbles—primarily financial— as capitalists look for other means of annexing income independent of the actual creation of goods and services.

Capitalism has long decommodified money. In the Eurozone, capitalism has also denationalized it. This fiat money, unlike gold, is not scarce. It is created by the ECB at will by computer-generated deposits into the accounts of private banks and their depositors. Unlike gold or silver, there are no natural limits to its creation. It could be spent into existence gratis by the central bank. For the natural rate of interest for freely reproducible fiat money is zero. But it is still lent into existence at a premium, as if its supplies were somehow limited and had to be rationed. The ECB acts, by legal constraint, as if it were still the guardian of a measurably specified commodity hoard. Euros therefore enter into existence capitalistically as a claim on surplus labor, long after money has shed its commodity shell. And long too after money as capital is called upon as a functional requirement and social necessity for public finance. This constraint too, is an essential design aspect of the structure of the Eurozone.

It is the inability of the Greek state, straightjacketed by a capitalist financial system using post-capitalist monetary tokens to repay its debts, which gives apparent weight to the claim that Greece is living beyond its means. This is a bankers' worldview. But no nation can truthfully be said to be living beyond its means as long as there is unused capacity and unemployed workers. The attainment of full capacity employment is the real upper limit to potential state spending. Beyond this lies the only objective constraint, the only test of whether an economy is living beyond its means—state induced inflation.

Here, then, is the raw material that the European labor movement and its parties have to work with: denationalized money that is not internationalized; decommodified money that is not socialized. Euros remain the product of a banking system that retains the traditional power of the purse to keep popular appetites and grass roots democracy in check, rather than acting as a counterweight to the destructive tendencies of the capitalist accumulation process. It is a banking system that has outgrown the class relations that gave birth to it, while constrained to function under conditions where its powers remain untapped.

This same central banking system working with the same tools that—if collectivized under public oversight, if wrested from capitalism and from its capitalistically imposed restraints— has the latent potential to ease the stranglehold capitalism traditionally has had over the state. Socialized central banking would permit Greek democracy, and democracy in the EU member states, to freely finance their collective recovery without the accumulation of debt, to eliminate the waste of financial speculation, to provide guaranteed jobs on demand, basic income supports and secure retirements. It would allow socialist governments to carve out new spheres of decommodified use-values and to finance worker coops and other experiments in alternative forms of egalitarian enterprise ownership. It can do so up to the full potential of the inflation barrier.

And, it would politically neutralize the ability of capitalism to resist by nullifying the twin threats of a capital strike and capital flight.

This is an immediate basis for actionable class solidarity. Syriza cannot socialize the ECB alone. But, absent socialist victories across Europe, Syriza will be quarantined. It is holding out heroically, but it cannot indefinitely. Because Greece cannot comply with the demands of the ECB, Europe's private banks will eventually grind down Greek resistance while exacting restitution for its predatory loans from the hides of Europe's working classes. The alternative to collective action is not just an isolated defeat—painful enough to contemplate—but the release, once again, of nationalist poisons throughout the continent.