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'We All Knew This': Digging Ourselves Out of the Hole

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Abstract

Despite the seemingly self-evident characteristics of the eurozone crisis, neither the policy reactions to it, nor the existing proposals for economic reform, nor the long-term solutions proposed, or already tested in practice, nor the reactions to those policy options attest to an agreement as to how to exit the crisis, but most importantly as to what the crisis is all about to begin with. This article suggests that the deep causes of this crisis should be traced in the neoliberal rationality that has been consensually permeating all spheres of European economic, social and political life. Addressing the characteristics of this European neoliberal predicament, the paper concludes that the crisis should be treated as a vantage point of reflection on what and where the European Union is and, most importantly, on what and where it should be.

Keywords: Eurozone crisis; European neoliberal predicament; political rationality; pharmakon; Paul Ricoeur

We all knew this. We all knew that it would take more time than any of us want to dig ourselves out of this hole created by this economic crisis.

– US President Barack Obama (2010, September 6)

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“To dig ourselves out of this hole created by this economic crisis”, as the US President suggests, we first need to find our way out. We need to plan and persistently follow a strategy that would allow us a safe exit, but also help prevent a return to the hole, let alone an *amor fati*, eternal return. We also need to imagine what-is-not-yet and carefully demarcate the steps that would lead us there. Yet, neither the exit itself, nor the exit strategy, nor even the desired end of what-is-to-be could become meaningful, if what is remains elusive. In other words, to formulate an exit to the crisis, we have to be clear as to what this crisis is in the first place. To put it more bluntly, it is only if we agree as to what is that we could sustainably imagine what is-not-yet and how we can get there (see Ricoeur, 1986).

This paper will start by suggesting that despite the seemingly self-evident characteristics of the eurozone crisis, neither the policy reactions to it, nor the existing proposals for economic reform, nor the long-term solutions proposed or already tested in practice, nor the reactions to those policy options attest to an agreement as to how to exit the crisis, but also, and most importantly, as to what the crisis is all about to begin with. The remedies proposed or tested so far seem to respond to different pathologies altogether. Insisting on the necessity to introduce the spark of our political imagination into a certain *penser plus* (Ricoeur, 1978, p. 303) on the subject matter, the paper stresses the urgency of a questioning that would allow us to realize, first, that what have been already described as the deep causes of this crisis, have been nothing but its mere symptoms, and, second, that the policy options opted have been functioning less as the remedies than as the accelerators of this crisis. The importance of such a reverse order of questioning is evident: It implies that instead of “digging ourselves out of this hole”, we are actually digging ourselves deeper into it. Arguing that what we really “knew” concerns less the nature of this crisis, than how all spheres of economic, social and political life have been consensually operating for years in Europe, the paper suggests that the deep causes of this crisis should be traced in the neoliberal rationality that has been permeating those spheres. Addressing the characteristics of this European neoliberal predicament, the paper concludes that instead of being seen as a hole, the crisis should be treated as a vantage point of reflection on what and where the European Union is and, most importantly, on what and where it should be.

Contesting the Truism

It seems almost a truism to reflect on the nature of the EU crisis. We all refer to it as the European sovereign-debt crisis or the Eurozone crisis. We know when it started. We know how it developed. We know and we live its consequences. We have already seen a number of policy reactions being tested in practice since the global financial crisis erupted in September 2008, such as the various bailout programs (Cyprus, Greece, Hungary, Ireland, Latvia, Portugal, Romania, Spain); the creation of the European Financial Stability Facility (EFSF), agreed upon by the EU member states on 9 May 2010 and authorised to borrow up to €440 billion, and the European Financial Stabilisation Mechanism (EFSM), created on 5 January 2011 and relied upon funds guaranteed by the European Commission using the EU budget as collateral; the 2011 Brussels agreement, signed by the eurozone leaders and characterised by the President of the European Commission, José Manuel Barroso (2011, October 27) as a set of "exceptional measures for exceptional times", providing for a number of emergency measures, including a 50% write-off of the Greek sovereign debt held by banks; the second bailout package, agreed on 20/21 February 2012 between the Eurogroup, the IMF and the Institute of International Finance; the measures introduced by the European Central Bank (ECB) to reduce volatility in the financial markets and improve liquidity; the conduct of Long Term Refinancing Operations (LTRO); the reorganization of the European banking system; the Outright Monetary Transactions (OMTs); the establishment of the European Stability Mechanism (ESM) replacing EFSF and EFSM, which entered into force for 16 signatories on 27 September 2012, and now operates as a permanent bailout fund and financial firewall mechanism; and the introduction of the European Fiscal Compact as a stricter version of the previous Stability and Growth Pact.

A number of proposals for economic reform and recovery have been debated so far or carried out already. The June 2012 euro area summit agreement permitted the direct recapitalisation of banks by the ESM to avoid adding to sovereign debt, also providing for banking regulation by the ECB. Keynesian economists like Krugman (2012; 2009; 2012, June 27) have posed severe criticisms over the austerity measures implemented to counter the crisis. Voices of concern and disapproval have been also raised against the unjust treatment of the working population for the mismanagement fallacies of economists, investors, and bankers ("European cities hit by anti-austerity protests," 2010, September 29). Against this criticism, and although the IMF (2012, October, pp. 125-126) itself admitted that certain austerity policies of wealthy states to shrink their deficits through tax hikes and spending cuts have proved to be far more damaging than experts had assumed, the eurozone option has almost exclusively been the path of austerity. Some European initiatives, such as the Euro Plus Pact or the Fiscal Compact, focused more on growth, by supporting innovation and promoting small and medium-sized businesses. Internal devaluation has been also pursued by several policy makers to restore competitiveness and to balance national budgets, whereas neo-Keynesians have proposed instead the implementation of fiscal devaluation, a policy measure based on an idea first coined in 1931 by Keynes (1931) himself (Sinn, 2010, pp. 27, 47, 52, 153, 165). Others have suggested that the crisis may have to do less with public debt levels, than with trade deficits, addressing current account imbalances and, evidently, a totally different cause of the crisis itself (Pearlstein, 2010, May 21). A number of competing proposals have been also made to purchase the debt of distressed European countries, such as Spain or Italy (Thomas, 2012, July 31).

Furthermore, a number of long-term solutions have been proposed or already put into practice. One of them stresses the significance of implementing a fiscal union, a proposal recently supported by the German Chancellor, Angela Merkel, and the President of the Deutsche Bundesbank, Jens Weidmann, echoing ideas first coined by Jean-Claude Trichet, former president of the ECB (see Allard et al., 2013, September; Majocchi, 2011; Fuest & Peichl, 2012, March). Interestingly enough, although the argument for fiscal federalism and the US model have been used against the monetarist persistence to introduce the euro without a prior fiscal union, the current eurozone's push toward the prospect of such a fiscal union is now seen with increased scepticism, not only as a development that could eventually undermine the EU, but also as Germany's attempt to dominate Europe ("European fiscal union," 2011, December 2; Milne, 2013, February 19; Henning & Kessler, 2012, January). Another proposed long-term solution advocates that a sole persistence on the fiscal lens is "a recipe for disappointment", suggesting alternative options for escaping the "new impossible trinity" that involves no-corresponsibility over public debt, strict no-monetary financing rule and national banking systems (Pisani-Ferry, 2012, January). Another solution stresses the significance of European Bank recovery and resolution authority, such as the legislative proposal for a harmonized bank recovery and resolution mechanism recently adopted by the European Commission (2012, June 6), further prompting economists like Stiglitz and Krugman to suggest that Europe is not suffering from a sovereign debt crisis but rather from a banking crisis (Bowers, 2013, October 6). Other proposals insist that Eurobonds would be the best way of solving a debt crisis (European Commission, 2011, November 23), or suggest transforming the EFSF into a European Monetary Fund (Schulmeister, 2012, June), or even stress the need for a drastic write-off financed by wealth tax (Herndon et al., 2013, April 15; Rhodes & Stelter, 2011, September), or a 30-year debt-reduction plan, similar to the one Germany used after World War II (Spehl, 2011, October 30; Paus et al., 2011, January 14; Göbel, 2011, January 17; Wagenknecht, 2011, August 9).

The reactions to what has already been put in practice are also significant. Most of them (Antonopoulou, 2012, March 22; Whittaker, 2011, November 14; Reich, 2011, October 5; Janssen, 2012, March 28; Roubini, 2012, March 7) insist that the European bailouts simply shift the burden from banks and others primarily responsible, onto taxpayers. Some (Vehelst, 2011, June; "The ticking euro bomb," 2011, October 6) insist that the Maastricht Treaty itself (Articles 125 and 123 TFEU) rules out intra-EU bailouts, or that many European countries (e.g. Greece and Italy) have substantially exceeded the convergence criteria specified in the protocols of the EU Treaties (see European Commission, 2011). Some reactions focus on the negative role of certain actors that are thought to fuel the crisis, such as the media ("There is no conspiracy to kill the euro," 2010, February 6; Hewitt, 2010, February 16; "A media plot against Madrid?," 2010, February 15; Cendrowicz, 2010, February 26; Tremlett, 2010, February 14; "Spain and the Anglo-Saxon press," 2010, February 9; Paye, 2010, July), credit rating agencies (Lowenstein, 2008, April 27; Kirchgaessner, 2010, April 24; "Rating agencies admit mistakes," 2009, January 28; Wachman, 2010, April 28; Warner, 2010, April 28; Tait, 2010, April 29; "European indecision," 2010, March 9; Willis, 2009, April

24; Mackenzie, 2012, April 16), financial speculators and hedge funds (O'Grady, 2010, March 2; Clark, 2010, February 26; Wearden, 2010, May 19). Post-Keynesian theorists (Feldstein, 2012; Ricci, 1997, June; Evans-Pritchard, 2011, July 17; Hankel et al., 2010, March 25) blame the very monetarist design of the euro-currency system, suggesting that it allowed abandoning national monetary and economic sovereignty, without first providing for a central fiscal authority, calling even for the disbandment of the Eurozone or individual national exits from it (see Godley, 1992, October 8; "Germany's interest rates have become a special case," 2011, June 10; Joffe, 2011, September 12; "It is Germany that should leave the eurozone," 2011, May 19; Auerback, 2011, May 25; Forelle, 2012, May 21; Roubini, 2010, June 28). Others object to this proposal, calling for greater integration instead (Erlanger, 2012, May 20; "The future of the European Union," 2012, May 24; Douthat, 2012, June 16; Soros, 2011, October 13; Cowie, 2012, May 16) or burden-sharing between the currency union's creditor and debtor countries (de Grauwe, 2013, September 2013). Others (Mottas, 2011, June 11; Kitidi et al., 2011), more radical ones, protest that the debt should be characterised as odious debt. Others (Magnus, 2013, September) blame political miscalculation, weakness and inertia, whereas others (Simkovic, 2009, January 4; Simkovic, 2011, January 11; Simkovic, 2010; Cox & Archer, 2012, November 18) the "creative accounting" practices of manipulating statistics by countries like Greece and Italy, but also the United Kingdom, Spain, the United States, or even Germany (Newmark, 2008, October 21; "Time to remove the mask from debt," 2010, February 16; "Brown accused of 'Enron accounting'," 2002, November 28; Mallet, 2011, May 16; Goodman, 2011, March 31; "Botox and beancounting," 2011, April 28; Vits, 2011, September 23; Siems, 2011, June 21).

Simply put, my point so far is one: We are absolutely lost. We thought we knew what this crisis is all about, but still all the above indicate only one thing: There is no agreement on what this crisis is, to begin with. Different remedies are proposed not simply on the ground of their effectiveness, but on the ground of responding to different pathologies altogether.[i] Indeed, there is some agreement that the crisis resulted from a combination of complex factors, such as the globalisation of finance, the global financial crisis and recession, the international trade imbalances, real-estate bubbles, the easy credit conditions resulting in high-risk practices of lending and borrowing, the fiscal policy choices related to government revenues and expenses, or national policies of bailing out banks or corporations, violation to EU rules, the role of rating agencies and financial officials profiting from the growing debts of countries like Greece, the discrepancies between national economic policies within the EU, monetary policy inflexibility, the slow and indecisive actions from European officials, and the structural problem of the eurozone system (see "Eurozone crisis explained," 2012, June 19; "Five main reasons for European debt crisis," 2013, April 8; "The causes: a very short history of the crisis," 2011, November 12; Lewis, 2011; Story et al., 2010, February 13; Knight, 2010, December 22; Akerlof & Shiller, 2009; Les économistes atterrés, 2011, October 27; Krugman, 2012, January 30; Economist Intelligence Unit, 2011, March; Krugman, 2009, March 1; Emsden, 2012, June 13; Johnson, 2012, June 21; Greenlaw et al., 2013, February 22; "Europe's banks," 2012, June 7; Friedman, 2012, June 12; Alderman & Craig, 2011, November 10; Wools, 2012, May 17; Thomas, 2012, June 17; Castle, 2012, June 4; Ewing, 2012, May 31; Ewing & Kanter, 2012, June 5; Jolly & Castle, 2012, June 12).

Yet, are we really sure that all these are the deep causes rather than the symptoms of a much graver European pathology? Are we sure that these factors answer more to why this crisis started, rather than simply to how it developed the way it did? Even if we assume that all those constitute the real causes of the crisis, isn't it that they explain more why this crisis broke up at a given instance, rather than why it broke up at all? Aren't these factors that we now describe as the causes of the crisis, the very factors that allowed growth and development to boom in the past? What was really novel, unique, or exceptional in all this? Wasn't it European (and global) business as usual?

Indeed, it is easy, and superficial I would add from both an economic and a political perspective, to blame the member states of the European South for inconsistencies or poor performances altogether. We have even come up with the aptest word to describe them, "PIGS", whereas newer versions also add a second I (PIIGS), including Ireland, and/or a second G (PIGGS or PIIGGS), for Great Britain. Yet, isn't it the case that most of what those "PIGS" have been practicing, had been also practiced by other EU states? Take, for example, the so-called "creative accounting" practices. Have such practices been foreign to European states, or abroad (e.g. the United States)? Numerous studies so far attest to the contrary (Koen & van den Noord, 2005; de Castro et al., 2011; Beetsma et al., 2011; IMF, 2011, September; von Hagen & Wolff, 2004; Milesi-Ferretti, 2003; Sopelsa, 2010, February 16; Balzli, 2010, February 8). The so-far European record of "one-offs", "creative accounting" and "reclassifications" concerns not merely dubious business behaviour (Jones, 2011; Baralexis, 2004), but also similar behaviour of European states, including of course Greece and the rest of the so-called PIGS, but also countries like Ireland, Belgium, the Netherlands, Austria, Denmark, Finland, France, Germany, Sweden, and the United Kingdom (Koen & van den Noord, 2005).

Furthermore, was it not Germany that received €15.5 billion from the securitization (Lambe, 2005, October 1; Brown & Chambers, 2005, September; Santos et al., 2006; "Securitization", 2005, July 1) of pension-related payments from Deutsche Telekom, Deutsche Post, and Deutsche Postbank in 2005-2006, "but it guaranteed the payments so investors bore only the risk of the German government's credit – and the transactions were ultimately recorded in Europe's fiscal statistics as government borrowing, not asset sales" (Irwin, 2012, March 28)? Furthermore, were countries like Germany truly ignorant of the inconsistency of such accounting practices and of the inability of countries like Greece to limit their deficit spending and debt levels meeting the Maastricht criteria? Or were they simply confident that by politically ignoring and allowing such practices, their own national economic and political interest would be best served?

It seems that what is truly at stake here concerns less state inconsistencies to eurozone regulations than, *a contrario*, state consistencies to already established corporate practices in a market economy. In any case, the way we would answer questions such as the above may tell us more not only on issues of responsibility and accountability, but also on how this crisis should be dealt with in the future. Even more, it may tell us something more on the deeper pathologies of the European project altogether.

The *Pharmakon* of the European Neoliberal Predicament

The kind of questioning proposed above neither reverberates the already banal, yet still unverified, claim for the demise and eventual collapse of the state, nor implies that the neoliberal practices followed are essentially anti-statist, nor merely suggests that economic neoliberalism has permeated all spheres of social and political life (Harvey, 2005, chs. 3 and 7). Quite paradoxically, this questioning calls for a reversed mode of thinking, centred around the argument that it is simply not enough to conceive neoliberalism solely in economic terms. Instead, I hold that the problem may be addressed differently once we conceive neoliberalism as an overarching political rationality (Foucault, 1988) that delineates the organization of all three: state, society and individual (see Brown, 2005).

Understood as such, this neoliberal political predicament in Europe, pertains already to the following distinctive characteristics: Political life in its entirety is subdued to the rationality of economic neoliberalism. Every action, from state policies to individual behaviour, is no longer "action" in an Arendtean sense (Arendt, 1998, p. 7), understood as a condition of human plurality, a condition for political life. It aims at profit and is idealized as rational entrepreneurial action, the outcome of self-interested calculations of individualistic monads based on utility and profit, succumbing to the laws of supply and demand. Due to its current neoliberal sway, the European Union has already turned into an assemblage of institutional mechanisms that promulgate discourses and practices that, in turn, reward the enactment of this shared belief and discipline and punish any deviation from the rule.

A set of laws, regulations, state sanctions and social norms have been already enacted to direct and protect this enterprise. Nevertheless, it is neither the legislating EU institutions nor the hegemonic whims of its most powerful member state(s) (i.e. Germany) that control the market. Instead, it is the market that dictates all policies, measures, regulations, and sanctions. By that I mean the following: First, EU member states respond to the needs of the market and are evaluated on the ground of their success in this domain. This success is further measured, indexed, graphed, and reported back to the member states themselves and the EU monitoring institutions, generating policy changes and state sanctions. Second, EU member states have to follow this market rationality. They do not just have to think and talk economics rather than politics. They have to think and act as market actors. Third, the success of the economic policies of an EU member state and their economic performances become their own legitimating basis and the guiding principle behind any state action in all spheres of social and political life.

Once this neoliberal predicament reaches the level of the European citizen through the means of sanctioning regulations and the culture they help disseminate, individuals come to behave as rational, self-interested, calculating entrepreneurial actors that identify economic and moral behaviour. Quite interestingly, given the realm of freedoms that the system generates, this gives rise to a new sense of individual responsibility (similar to the one developed at the state level), which becomes understood in a way indifferent to systemic or cultural necessities, specificities or constraints. Once both EU member states and the EU citizen are imbued by this neoliberal rationality, social policies are formed and evaluated on similar terms, and partly assumed, at least for now, by corporations rather than the social welfare state.

To conclude, in this neoliberal rationality, the EU member state does not merely facilitate the operation of a market economy, but organizes and realizes itself and its own operations in market terms. Quite interestingly, and against what is normally expected, this process does not necessarily weaken the role of the state. Instead, it allows the prevalence of those states that already have the economic power not only to survive the crisis and profit from it, but also to project this power as moralized state power, that should be exercised both at home and abroad.

Elsewhere, I have suggested (Akrivoulis, in print) that this development is but a manifestation of the seemingly contradictory contemporary convergence of neoliberalism and neoconservatism, as well as a distinctive element of neoconservatism, that departs from and, eventually, abandons the older commitments of classic conservatism (Norton 2004) “to a modest libertarianism, isolationism, frugality and fiscal tightness, moderation, and affinity with aristocratic values of refinement, rectitude, civility, education, and discipline.” What I find to be equally interesting and relevant to the present analysis is the fact that, at least so far, many of the neoliberal policies and strategies followed by the European Union to deal with the crisis, could themselves be held accountable for the crisis. This is remarkable, indeed, but should be hardly seen as striking. Even the Ancients recognised that the medicine itself (*pharmakon*) is at the same time both a poison and a medicine, both the cause of sickness and its remedy (Plato, 1965; Derrida, 1983). Marx is often claimed to have suggested that the many crises of capitalism bring it closer to its own unavoidable "collapse". To my reading, at least, of Marx, those crises constitute less the progressive stages of the systemic self-demise of capitalism, than the distinctive phases of its own empowerment. The collapse of capitalism still remains to be put to its historical test. But what is of interest here relates more to what the crisis truly is and what needs to be done to exit it successfully.

Returning to national currencies and the idea of exiting the Eurozone or even the Union itself has been already politically securitised (Williams, 2003, p. 512; Buzan et al., 1998), it has been, that is, represented as a high national security issue. As such, it is normally and easily excluded as an option. As no alternatives are left, the remedy opted is more often than not the same neoliberal *pharmakon* that has brought us here. If this is the case, is it not possible that instead of digging ourselves out of the hole, we are actually digging ourselves deeper into it?

Conclusion

The present paper first suggested that the various policy measures proposed or already implemented to deal with the eurozone crisis attest not merely to a controversy on how to exit this crisis, but to a far more fundamental discord as to what this crisis is all about. The paper called for a reversed mode of questioning of what we take for granted. Such questioning would allow us to realize that what have been so far described as the deep causes of the crisis are nothing but its symptoms, and that the already implemented policies have been functioning less as the remedies than as the accelerators of this crisis. I then argued that what we really know about this crisis – and have been knowingly consented to

– concerns less its nature than the very conditions that generated it: the fact that all spheres of economic, social and political life in Europe have been consensually operating for years imbued by a neoliberal rationality.

Political discourse is already framed, and has been framed for years, by the strict confines of possibility allowed by neoliberal options. For years now, European leaders have been meeting in Brussels discussing less on politics, than on economics, and especially an economics of this neoliberal sort. For years now, succumbing to the entrepreneurial rationality of neoliberalism, the EU member states follow practices reflecting those followed by competitive corporations rather than peoples that aim at the Aristotelian 'good life' "with and for others in just institutions" (Ricoeur, 1992, p. 172). For years now, the European Union has been attempting to teach liberal democracy to newly integrated states with no liberal democratic memory or tradition, by way through exposing them first to the opportunities and perils of the neoliberal mare nostrum. These neoliberal practices have been so strongly attached to the European project, that one is eventually seen as pro-European or anti-European depending on one's own position toward such practices. This is why I insist that now, perhaps more than ever, it is high time we asked ourselves what this crisis is, what the European Union is, and what and where it should have been. This is the task of all political beings, policy makers, laypeople and academics, in particular.

The eurozone crisis, just like any other crisis, is indeed always already an opportunity. But first and foremost it is a moment for crucial decisions and judgement. According to Koselleck's (Koselleck & Richter, 2006) seminal reminder of the self-evident, for the Ancients, the very word crisis (*krisis*) has its roots in the verb *krino*, which means to "choose", to "judge", to "decide", as a means of "measuring oneself", to "quarrel", or to "fight".[ii] *Krisis* is most necessary for the community, representing what is both just and salutary. My point is simple and clear: The Eurozone crisis is not a simply or merely a hole. Quite paradoxically, it is always already a vantage point of reflection on what and where Europe is, as well as what and where it should be. This decision truly adheres to our tasks as European citizens.

Endnotes

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[i] This notable discord on what the crisis is, what the proper remedies are, and how the European economy will look in the future, is more than evident in the contrasting views of four leading European economists, Paul de Grauwe, George Magnus, Thomas Mayer, and Holger Schmieding, invited recently by the Centre for European Reform to include their arguments in a collective volume. As Simon Tilford (2013, September, p. 10) suggests in the volume’s introduction, “the future of the European project will to a large extent depend on which of the four authors has best predicted the future.”

[ii] The term was central to Ancient Greek politics, defining the ordering of the civic community. As Koselleck (Koselleck & Richter 2006, p. 359) suggests, “from this specific legal meaning, the term begins to acquire political significance.”

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