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The problem of establishing a perfect civil Constitution
depends on the problem of law-governed external relations among nations
and cannot be solved unless the latter is
Immanuel Kant

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Austerity, a Sword of Damocles Hanging over European Democracy[1]

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The austerity imposed by Germany and the troika is a remedy which exacerbates the financial crisis by increasing deficits and debt, destroys the economic and social fabric, and destabilizes the political system. This downward spiral leads to the impoverishment of the middle classes and heightens poverty amongst the most vulnerable members of society. All of this is happening in an atmosphere of deep depression, punctuated by violent revolts. The situation in Greece illustrates the economic and social evil that threatens the Eurozone and the European Union. It shows that, due to the intense interdependence resulting from European integration and contrary to the view of certain experts and politicians from the North, even a country like Greece, which represents only 2% of the Eurozone's GDP, cannot be quarantined or even less expelled from the monetary union. However, if deprived of an act of European solidarity and subjected to harsh austerity measures, this small European country can set off a chain of crises spreading from one country to another, threatening to break the euro apart and jeopardizing their democracies.

Prior to his appointment as Head of the ECB, Mario Draghi warned against the important systemic effects the sovereign debts of three countries – Greece, Ireland and Portugal, which represent 6% of the Eurozone's GDP – could have. For those who did not want to ignore the facts, it was obvious that the contagion would not spare the major economies of the Eurozone either, starting with Spain and Italy. Moreover, this negative domino or *spillover* effect does not only have an impact on the financial and economic fields, but also leads to an increase in unemployment which in Greece and Spain affects a quarter of the population and about half of young people. With such budgetary austerity and dismissal of employees and workers in the public and private sectors, the state is not going to spend less, but in fact *more* on the unemployed and health care. The dilemma facing the government requires a difficult choice: either it cuts back on pensions, wages, education and culture, at the risk of provoking violent reactions, destroying its social networks and paving the way for extremist movements; or it increases its deficit and public debt by taking out loans at about 6% interest, as in Spain and Italy. At this rate, we wonder when or rather if the state will ever be able to repay its debts. Especially since it is in a recession and is recording negative growth.

The example of Greece is premonitory in that it proves that the financial and the sovereign-debt crisis spreads quickly and affects all levels of society, while causing deep political instability. The last elections are proof of this: the elections were preceded by serious political disturbances that have caused the loss of one year of reforms for the state and the Greek economy, and have only increased the disastrous effects of the crisis.

We should remember that Papandreou's PASOK, the majority party at the beginning of the financial tsunami, was deprived all of a sudden of its broad popular support. After the last elections of 17 June 2012, it was around 13%. Its loss of voters is certainly due to the austerity that has led to the emergence of a populist left-wing party, Syriza. This movement advocates a contradictory policy requiring the maintenance of Greece in the euro area while refusing any austerity policy. By managing to win 26.8% of the votes, it was surpassed only slightly by the New Democracy party (29.66%). As the first party, New Democracy received the "bonus" of 50 deputies, as allowed by the electoral law. This supplement aims to strengthen the position of the first party and to ensure greater stability within a Parliament that has never before known such a wide spectrum of political parties. ND has attracted part of the PASOK electorate who cast an "expedient" vote, while the other part rallied to Tsipras, the charismatic leader of Syriza. These movements and transfers of allegiance reflect the extreme instability of the Greek political system, which under the shock of the crisis saw the emergence, alongside ND, Syriza and a moderate left, of a *neo-Nazi* movement, Golden Dawn. In mid-October, the polls predicted a slight drop in support for ND (25%) and for Syriza (24%) who remain neck and neck, while the rising extreme right-wing neo-Nazis were ranked at 10.5%.

Is Greece heading towards left-wing populism and virulent neo-nazism, which have one thing in common, the refusal of austerity? This is a clear warning to the Eurozone Member States on the effects of all-out austerity measures without any compensation. In fact, it is clear that in the event that Syriza wins first place at the next election, and the extra 50 deputies, Greece might sink into political and social chaos[2]. With the threat of a neo-nazi party looming, Greek democracy would be destabilized under the domination of left-wing populism and a neo-nazi movement. Greece is indeed teetering on the edge. The consequences for other European countries, for the European Union and above all for the Balkans would be unpredictable, but for sure unsettling. By studying the Greek case, we can already evaluate the political risks that Spain and Italy, the fourth and the third largest economies of the Eurozone, are incurring.

If the members of the Eurozone have not been able to help Greece, which represents 2% of the economy of the area, it is reasonable to wonder whether they will be able to make a large-scale, joint and effective effort with regard to Spain and Italy, whose current difficulties threaten survival at the very heart of the Eurozone. We can still vividly remember the statements of economists regarding the limited impact of the Greek crisis, and their denials of possible domino effects that threatened to involve other countries with fragile economies. Meanwhile, they have been proven otherwise: the contagion has spread to Portugal and Ireland, and more recently to Cyprus and Slovenia, without sparing Spain and Italy. What should we think today of the two major economies of the Eurozone? What fate is in store for these two democracies that are experiencing strong movements of protest? Arguably, it is to be expected that Greece's possible exit from the euro would be a severe, if not fateful, blow for the future of the European Union.

A series of recessions and depressions, as we can see unfolding in Greece, would have a contagious effect on other European countries. The weakest among them run the risk of collapsing under the pressure of the crisis, that from a simply financial one has become economic and social, with destabilizing consequences for the political system; whereas the strongest, with Germany in the lead, would be tempted to isolate themselves. As of today, France, the second largest economy of the zone, is facing difficulties because of rising unemployment and declining competitiveness. Should the countries that represent the largest market share of German exports – France being Germany's largest trading partner – enter into a recession, that would cause a decline in

German exports in the Eurozone (40%) and in the common market (60%). They may in turn drag Germany into the recessionary cycle. Of course, Germany, as the first exporter of machines, tools, luxury cars and Airbus planes, together with France, is still enjoying an increase in its exports to China and to other emerging markets, that represent a valuable backup, but that is far from being decisive. For how long? Because China's growth is weakening: from 10.4% in 2010, it fell to 9.2% last year and 7.8% in the first half of this year. Obviously, the vicious circle of declining growth in the EU countries and especially in those of the Eurozone, also threatens the United States and other parts of the world[3]. This is the perverse effect of the globalization of finance and the economy.

There is evidence that the serious crisis that Europe is experiencing and the recession that has hit various Member States are causing social unrest and political instability, raising the spectre of populism. These are all factors that are causing the decline in the support of Europeans and are likely to paralyze the momentum towards integration. Especially since under these conditions, the Europe of Brussels and the euro are targets of criticism, not only by governments and social actors, but also by citizens. Also, the domino effect, or *spillover*, as envisaged by Jean Monnet and which has animated the dynamics of the Union, is close to paralysis. Now, under the weight of the crisis, it has even undergone a reversal, or *spilldown*, threatening, under the pressure of rebellious nationalistic movements, to lead to disintegration, or at least to curb the unification movement. What represents the very heart of the dynamics of integration and its driving force, the federative core, in other words the Eurozone and the Franco-German couple, was supposed, through its advances in a key sector, to lead other sectors and other States in its wake. The conclusion is undeniable: Jean Monnet's strategy of a *sector-after-sector* integration that was supposed to lead automatically, following the logic of the *spillover* effect, to the formation of the political union, did not provide the desired result.

The adoption of the monetary union, the euro and the ECB, this promising set was the logical consequence of the single market, of the four freedoms; it was meant to accelerate integration by controlling deficits and capping public debt, as well as by relying on an economic union. However, budgetary discipline was violated first by France and Germany, the two largest economies in the Eurozone, which are the driving forces of integration. As far as the economic union is concerned, it has remained at the planning stage in the absence of any coordination of economic policies. In addition, for the first time in history, a currency, the symbol of sovereign power at national or supranational level, was created and put into circulation without being supervised by a European political power.

This approach corresponds to the strategy of Jean Monnet, to the extent that it would result in greater integration of economic policies and related sectors and ultimately lead to the creation of a European federation. Non-compliance with the rules of the economic and monetary union, together with the outbreak of the financial crisis, have cast doubts on the integration process, which, despite its fluctuations, seemed to continue to progress. Faced with the risk of widespread paralysis, senior European officials headed by Chancellor Merkel and President Hollande, became aware of the urgent need for vigorous growth and greater integration into structures that prefigure a political federal union.

The response to the financial crisis was slow, hesitant and insufficient. The solution to the Greek crisis, which required strong measures, support from the Eurozone countries, if not from all the members of the Union, came up

against the refusal of the German Government. European solidarity has given way to austerity measures and to action taken too slowly and sparingly aimed at avoiding bankruptcy of the Greek state. Instead of getting help to revive its economy, Greece has been plunged into a growing recession (-7%), accompanied by rising unemployment, reduced activity and a wave of bankruptcies. Austerity has slowed down reforms and led to an increase in illegal employment, corruption, tax evasion and fiscal fraud. In two years, Greece has bottomed out, its people have reached a breaking point. Having nothing to lose, the Greeks seem ready for any adventure, as shown by the surge of extremist movements, the repeated strikes and the frequent and violent mass demonstrations. The pursuit of austerity paved the way for Syriza. Its leader is aware of this. The maintenance of this chaotic situation, the despair of the Greek people are the best guarantee of his political success.

The coalition government which has joined forces around New Democracy, PASOK, or what remains of it, and a moderate left, are asking the troika and the members of the Eurozone for an extension of two years in order to stagger the draconian measures and to avoid an explosion that nobody will be able to control. If Greece, in the midst of a popular revolution, either leaves or is expelled from the Eurozone, as at the beginning of the crisis, it will be like a bomb, the impact of which is predictable. The first consequence, namely the *contagion*, will affect the countries weakened most by the crisis and by the shock of austerity, shaken by uprisings, starting with Portugal, Spain and Italy. The fire of rebellion is brewing, reminiscent of Mussolini's march on Rome. This profound social crisis may cause the establishment of authoritarian regimes, as none of these European countries have escaped dictatorship during their recent history. A second likely consequence: the crisis aggravated by the inhumane austerity measures in a troubled society may reveal its "darkest" aspects. All of this against a backdrop of organizations engaged in drug trafficking and money laundering, amongst other things, generating social upheaval and the destruction of the functioning of the State.

The Greek crisis illustrates the dramatic process of overall degeneration, the destruction of the fabric of communication and social solidarity and the erosion of the democratic system. It proves that contagion is not limited to financial and economic effects, but that it spreads to all sectors of life. Popular movements are gaining momentum and strength in both Portugal and Spain, as well as in Italy. A vicious circle has been triggered: austerity and public debt, recession, increased unemployment, popular revolts and the emergence of extremist and nationalist movements. They cause a loss of State authority and the undermining of the political system, and they threaten the very democratic values within the European Union that it was called upon to guarantee.

Added to this downward spiral is the pernicious effect of media hyping. We all remember the media war between Germany and Greece. Attacks and harsh criticism in defiance of mutual respect flung by the German media and often relayed by certain political and economic actors, embittering relations between the two countries and helping to create an hostile opinion against Greeks in Germany. This media attack sparked savage retaliation by Greek media and politicians, accompanied by violence, including the recent example provided by the Chancellor's visit to Athens under high-level protection. In turn, the less violent reaction of public opinion is booming out in many other countries criticising German hegemony, austerity and its devastating consequences. In short, this atmosphere does not inspire a spirit and acts of solidarity within individual countries, and even less across the Eurozone and the European Union.

The Greek tragedy forces us to become aware of the seriousness of the situation. In this sombre context, we can understand why the Greek Prime Minister referred to the Weimar experience that led to Hitler's rise to power and to the Second World War. This reminder, conveyed through numerous appeals by German personalities, including former Chancellor Helmut Schmidt, aims to soften the financial orthodoxy applied by the German Government and to affirm its commitment to build a united Europe. The requests of President Hollande seem to have persuaded the German Government that budgetary and fiscal discipline needs a growth component, too. The time has come to boost the economy and promote greater integration within the Zone and the single market. One wonders when such a major economy as the Union, caught up in a changing world in search of a new division of powers, will decide to equip itself with the political means to match its economic weight and its global responsibility. Isn't the Nobel Peace Prize a strong enough sign of encouragement?

With this aim in mind, it is essential to avoid the bankruptcy of Greece and its exit from the euro, which would be a fatal blow to the European Union. Especially since Greece occupies a key strategic position in the Mediterranean and in the Balkans. Indeed, Greece is a factor promoting stability and also development in the Balkans. Its collapse would have serious repercussions for EU candidate countries, which are young and fragile democracies and societies. If Greece is in dire straits it could fall prey to Russia's ambitions, or to China's. This privileged situation enjoyed by Greece should be considered by the European Union, which is still restricted by its economic dimension. The current limits of the Union's powers are one more argument in favour of the urgent creation of a European Federation.

Translated by Elena Flor

[1] Translation of paper by Dusan Sidanski, "L'austérité, une épée de Damoclès sur la démocratie européenne", 16th October 2012
[2] In the event that Syriza forms a coalition with ND, it could evolve along the lines of «*transformismo*», a well-known political tradition in Italy
[3] Many G20 members have urged the EU to adopt a dynamic policy for growth