

## **The “bankruptcy” of the Greek Cities.**

### **Neoliberalisation and the urban landscapes in the age of the crisis.**

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#### **Introduction to the Sisyphean Myth**

The Sisyphean myth is fittingly of Greek matter and essence. We will try to narrate the way that this mythological construction can be perfectly applied to our case study of Greek urban politics and agendas all the way from the early 90's to the present time.

Issues such as corrupt local political and social behaviour, state inefficiency, low productivity but high wages and misuse of EU structural funds are among the causes that have been used repeatedly as explanations of the recent Greek debt crisis. Although there is good reasoning in these explanations, they tend to be either one-sided or very economic in their assumptions (Hadjimichalis, 2011). Before focusing on the Greek case and in order to overcome shallow approaches we need to mention two parameters that are of major importance.

The first one is to underline the deep and systemic character of this crisis of over-accumulation and under-consumption. As Harvey assumes, it originated in the steps that were taken to resolve the crisis of stagflation and the political threat to capitalist class power in the 1970s in the core regions of capitalism - North America and Western Europe. These steps including among others the successful political assault upon organized labor and its political institutions, dismantling of capital controls over international movement, empowering money capital and bubbles in the asset market (Harvey, 2005; Harvey, 2010) formed neo-liberalism and dogmatic market fundamentalism that dominates until today in Eurozone and IMF policies. The second parameter is the relation between the particular way in which the international

crisis affected Greece and the socio-spatial structure of the European Union (Hadjimichalis, 2011). Considering the above as key factors, Greek deficiencies and particularities need to be taken under consideration in order to evaluate economic / urban policies and their incidence.

The debate around contemporary Greek cities has close links with the general process of economic integration with the European Community in the early 1990s and with the shift towards free market economies. The new urban trajectories were those of city competition, place marketing and urban boosterism. The support of an “entrepreneurial” vision and a way to compete in the European urban arena were monopolizing the discussion around urban problems (Swyngedouw et.al, 2002). More and more capital circulated – and still does - in the production of spectacular events with all sorts of consequences for consumerism as well as for urban life. But productions of this sort are invariably debt financed and, as the history of the Olympics clearly demonstrates, finding the money to pay off the debts afterward is often a problem. As we will explain furthermore it is no accident that Greece, which staged the Olympics in 2004, is now in a leading crisis role because of its sovereign debt (Harvey, 2011).

### **International Crisis and the Greek Epicentre**

But let’s start from the beginning. The primary epicentre of the national economic crisis was allocated in the United States. The crisis then quickly spread through the mortgage finance companies to the major financial institutions that still held an amount of what became “toxic” securitized mortgage debt. It then spread to other institutions that either held the debt, invested in the debt or insured the debt and other financial transactions. The parallel crash of Northern Rock in Britain indicated that there were problems in property markets elsewhere. The financial institutions located in New York and London then became the epicentre of the crisis. It largely fell to the U.S. and British governments, along with the U.S. Federal Reserve and the Bank of England, to stabilize the situation.

The crash of Lehman Brothers in September 2008 sent the contagion global. No matter where they were located, the holders of the toxic debt were in difficulty. But after the crash of Lehman Brothers, the whole global credit system froze, which formed the immediate primary blockage to the continuity of flows of capital. Perfectly good enterprises suddenly found themselves in difficulty because they could not roll over their debt. Many firms rescued themselves by laying off workers by the droves and intensifying wage repression. Debt-fueled consumerism and effective demand were halted, consumer confidence fell off a cliff, and unemployment surged although at radically different rates both within and between countries: compare, for example, Minnesota and Ohio in the United States or Spain (19 percent) and the Netherlands (4 percent) in Europe as of February 2010 (Saltmarsh, 2010).

The major export economies then took a hit as world trade contracted by one-third in early 2009 (Norris, 2009), sparking huge difficulties for businesses and emphatic surges in unemployment in East Asia as well as in Germany, Brazil, and elsewhere. What then followed depended crucially upon the imperatives, ability, and willingness of different governments to use their powers within the state-finance nexus to confront the crisis. Across the European Union Germany took the lead in turning the Eurozone to a monetary policy of deficit reduction through draconian reductions in public expenditures. The so-called PIGS (Portugal, Ireland, Greece, and Spain) found themselves in dire financial straights, in part through their own mismanagement but, even more significantly, because their economies were particularly vulnerable to the credit collapse and the sudden decline in property markets and tourism. Lacking the industrial base of countries like Germany, they could not respond adequately to the fiscal crisis that threatened them (Harvey, 2011).

Such issues are not new but they are structural in the way that the free market forces tried to reshape the Greek economy into a profit making machine. From the mid nineties, it had been made clear that the ultimate goal for the Greek capital forces would be to align the whole country to the new formation of the Eurozone. Obeying in the external and internal high pressure market commands led the primary sector of

production to be reshaped in order to fulfill not the need of the interior demand, but completely disconnect itself from the Greek market as a whole. In addition to that, since Greece never was an avid pole of secondary means of production, that left a one way street for the over growing of the tertiary sector. In reality if one traces down the extent of new antisocial rules that have been implemented in the past 11 years (after the admission of Greece in the EU), one would be surprised from the work achieved so far. The past two and a half years have only added speed to this process.

The introduction of the euro, along with other functions, was and is still being used as a mechanism through which global capitalist pressures are shifted to local labour markets in order to secure capital's profitability. European labour markets, however, owing to the weak geographical mobility of labour, remain a national / regional affair and are still regulated by national laws (Ioakimoglou, 2010).

When the unequally developed South East regions found themselves with the same hard currency in 2000, very few paid attention to their pre-existing highly unequal regional production systems and specializations, to their structurally different regional labour markets and to their unequal accessibility to markets (economically, institutionally and spatially) vis-à-vis the 'core' of the eurozone. And even fewer paid attention to differentiating the socio-spatial effects of putting an unevenly developed SE into a macroeconomic and fiscal framework designed purposely for north-central European economies.

The major problem in the very formation of the eurozone is the so-called 'national convergence criteria' (price stability, low interest rates, stable exchange rates and limits on the size of budget deficits and national debt) and the neglect of spatial or regional convergence. In the debate on the euro in the early 2000s and now on the debt crisis, very little attention was paid to geographical differences under the four important conditions for a successful monetary union. As Hadjimichalis (2011) underlines following Thirwall (2000), Magnifico (1973) and Martin (2000), (i) regional economic and social structures should have a degree of economic similarity – in the absence of such similarities, neoliberal restrictive monetary policies will

produce geographically uneven employment/unemployment; (ii) regional economic and social structures should have high rates of geographical mobility for capital and labour – if such mobility is weak, cyclical crisis may lead to persistent regional inequalities; (iii) regions should have similar propensities to inflation; and (iv) an automatic fiscal mechanism is required through a centrally organized tax/benefit system, that will compensate for different national and regional shock.

Nowadays the EU is being proved unable to handle the crisis owing to the above reasons and due to various dogmatic and inflexible neoliberal pacts that form its ideological and institutional mode of operation. The Lisbon Pact in particular prohibits any intervention to help national economies facing a crisis, such as that in Greece. When EU governments realized that the crisis was not restricted to Greece alone but could spread to the entire eurozone, a “solution” was found via a joint IMF/EU. The proposed package of cuts that would protect global investors placed a high burden on the working and middle classes. It included extensive privatization; percent increase in sales taxes; a 20–30 percent cut in salaries in the public sector; freezing and in some cases reducing pension payments; a 34 percent cut in public spending on education, health and public works; and, most importantly, major anti-labour institutional changes. These measures will complete a vicious economic circle of rising unemployment and inflation, shrinking tax revenues and profiteering market valuation of economic policies. They will sink the country from its current deep recession into an enduring depression with no obvious way out (Douzinas, 2010; Golemis, 2010; Krugman, 2010). In this context, the bail-outs for Greece in March 2010 can hardly be taken as a major solidarity step within the EU, or globally if the IMF is included.

The forced imposition by the EU/IMF - in collaboration with the Greek governments- of extreme neoliberal reforms in Greece was possible only because of the economic crisis. In Greece even until our days there are still strongholds of social control whoever small they might be. Demonstrations are still a major part of the civil life, unions and syndicates, however corrupt they might be, are still in existence. Since the majority of these orchestrations were established just after the military

junta, it has been proved really difficult for the provisional governments to take them away in a singular fashion.

Indeed, crises might be considered to be a primary engine of capitalist restructuring that internal and external elites and regional hegemonic blocs across Europe use, jockeying for better positions.

A very important factor in the success of the above politics was to maintain the constant practice of what we call “the carrot and the stick”. On the one hand to strengthen and reassure the Greek public that being part of the Union was not only necessary for their survival but also profitable for their life, using major projects directly connected to the media interpretation of civil life (like the Olympic Games, the new highways and other parts of infrastructure that was created just after joining the EU). On the other hand, when this policy was not deemed sustainable, the way of the “sword” had to be proven as the one with no alternates.

All these political dependencies drove us to what the free market forces want to call a crucial crossroad between the continuation of the policies that brought us here in the first place and what they let describe as the apocalyptic path that shouldn't even be discussed (the exodus from the EU).

### **Neoliberal Policies and the Greek city**

However, the question of how the recent austerity measures affect the urban development process needs to be answered. Despite the fact that the situation is ongoing and we may rush to conclusions, we support the view that there are major transformations towards ultra-neoliberal policies in every aspect regarding the urban landscape. There is a worsening of existing factors as well as the emergence of new phenomena that construct a “crisis setting” especially in the metropolitan areas.

Of course this phenomena was also a result of the particularities of the Greek urban development “heritage” of spontaneous urbanization, lack of planning and illegality

(Gospodini, 2002). The Structural deficiencies of strategic planning and significant transformations in development and function of the building sector are key factors in order to understand this genealogy (Mantouvalou, 2011).

The first Strategy Plan - for the city of Athens – that is still into force was written in 1985. In this plan's priorities *containment of Athens' expansion, re-orientation of the investments in order to be set outside Athens Metropolitan Area and population control* are included. In other words Athen's growth considered to be oversized. Thus, sweeping transformations during 1996-2006 were lead by Major Public Works -in the context of the Olympic Games and the inclusion of Greece in the EU- not placed among an integrated planning framework. Such choices, like repositioning of the city airport or defining the location of the Olympic developments, lead to urban sprawl, function diffusion and abandonment of whole areas. At the same time Inner City policy lead basic functions to be taken away. Relocating the Ministries outside the center was an emblematic example that dragged more movements. These factors made up favourable terms for crisis and its spatial imprints.

Supplementary, constructive sector changed during the 1990s. Construction is “traditionally” important sector for the Greek economy and the reproduction of social relations. Being grounded in small property and companies and having worked as a substitute of the welfare state for housing matters, its transformation brought the social relations at stake. Today the crisis in constructive sector is interwoven with employment and urban space crisis.

Despite these urban traditions we argue that the current crisis led to two changes:

Firstly it led to a radical reconciliation with the past of informal, illegal, spontaneous urbanization, which was now considered not a problem but a necessary characteristic of the future . The continuing expansion of illegal settlements in the fringes of Greek Cities was compared with the contemporary urban development of cities such as Boston or Atlanta (Aesopos, 2009). Notions like “overexposed city”, “edge city”, “generic city” were introduced to the vocabulary of architects and planners in order

to describe the new urban phenomenon. This was also combined with a promotion of the free market solutions in the design guidance and control system in Greece (Beriatos & Gospodini, 2009), both as a need for the economic elites but also as a side effect of the critique in the public funded projects. In short it was the promotion of New Urban Policies which would: (i) Revise the hierarchy of plans (regional, regulatory, city plan, architectural plan) in favor of more effective interventions (master-plans) which can be easily developed. (ii) Rethink and establish connections of network infrastructure and urban design in the cities. (iii) Promote the role of private initiative in the development process and the collaboration of public and private institutions (PPP-PFI). (iv) Form the new institutions that will implement these plans.

Secondly this theoretical debate was integrated in an “aggressive” neoliberal transformation of the planning system. In only two years the whole planning system was turned upside down, as we argue, in favor of private institutional forms and market speculation in particular:

- Changes in the Urban Governance system with the “Kallikrates” legislation (2010), which shifted many of the obligations of the State (planning, nurseries, schools etc.) to the Municipalities, but with no additional funding. The implementation of a 500millions austerity “package” to the local communities and peripheries. But most important the transition of a strategy of even peripheral development to a strategy of “competition” and economic antagonism.

- Changes in the Urban Development Policies with the establishment of the institution of “Fast-Track Projects”. Projects that are basically private funded and can bypass state regulation (even environmental laws) in favor for economic sustainability. Also the formation of the Hellenic Republic Asset Development Fund (HRADF) in 2011 with the main goal the privatization of the Greek State’s assets initiated a “sell-out” strategy of public spaces (like the former “Elliniko” airport, coastlines) but also major utilities services (energy, water, telecommunications, waste disposal).

- Changes in the Building Code (2012) in favor of “higher densities” and high rise buildings. In many areas especially in metropolitan districts the densities are

increased by 20-30% and also the legislation gives great power to the Minister enabling him to approve certain development projects, that are “in favor of economic development” but also cannot be approved by the existing system.

### **The “bankruptcy” of the Greek cities and communal resistance**

These transformations in the planning system and strategies in combination with the austerity measures and the wider economic crisis have severe social impacts that are further noticeable in the central neighborhoods in the city of Athens, where one can clearly see the most tragic consequences of the Memoranda and the austerity policy: new poverty, high unemployment rates, rapid growth of homelessness as well as racial violence.

The city is the framework, where crisis appears in the most brutal and intense way: The rapidly increasing unemployment and poverty rates compose Athens’ new landscape, while the currently promoted urban policies intensify economic inequality, social exclusion and socio-spatial segregation. Quoting David Harvey ‘Violence is required to build the new urban world on the wreckage of the old and it is the poor, the underprivileged and those marginalized from political power that suffer first and foremost from the urban process of “creative destruction”’(Harvey, 2008). Social violence definitely marks the urban environment of a capital in bankruptcy, while on the same time forming new tendencies and political correlates within the social uprising and the emerging need for an overthrow.

However, as the urban process is based on the twin themes of accumulation and class struggle (Harvey, 1990), the city sharpens discriminations and contradictions, while on the other hand constitutes the arena where people's common needs, hopes and solutions can be perceived and organised. During the last four years, crucial political struggles and social movements developed in the city of Athens, starting with the revolt in December 2008, known as 'the first revolt of the crisis'. Less than two years after, the measures imposed by the IMF, EU and European Central Bank with the full

accord of the Greek government, have led to several general strikes, numerous regional strikes and other acts of resistance, which often paralyzed the country showing signs of rebellion against austerity. In the broader context according to the movement's timeline, the Arab spring, the indignados, the new social movements, the occupy movement underlined the possibility for a mass, global and local resistance against the current global economic catastrophe. Responding to the call for action within the <occupy movement>, the 'Syntagma Square movement' created new perspectives, especially when the labor movement got involved into the movement's progress. For more than two months the central square of Athens became a meeting point, where thousands of people gathered daily to discuss the next steps of the fight.

A year after the burst of the <occupy Syntagma Square> movement, one can observe what is left as a 'legacy': general assemblies and direct democratic procedures constitute a vital heritage for neighbourhood and grass-root movements were developed.

What is worth to bear in mind is that after December 2008 many urban movements arose, as people were more inspired to see and act beyond the closed horizons of the mainstream politics (Stavridis, 2009). Public places are being transformed, while many collective actions are invented. The collective reclaiming of urban space was connected with the demand for social justice reflecting in some cases an attempt to achieve a different social organisation, against the dominant ideology and the capital's laws. The new key-word is solidarity! As people in Greece keep on suffering from the brutal policies, the need for direct solutions and answers becomes more and more essential. The basic rights to housing, decent work, education and health are the emerging aspects of the "Right to the city", while reclaiming urban space, public places and public buildings no longer in use remains an important precondition for solidarity social networks combined with anti-capitalist struggle.

Thus, the concept that enters the debate and affects both the spatial as well as the socio-political level is the 'demanding of urban life' transforming the city into a 'common place of demand'. The emerging action within the framework of urban

movements redefines urban space, while being a call for a radical restructuring of social, political, and economic relations, both in the city and beyond (Purcell, 2002) . Abandoning all former certainties regarding urban life, the rising 'right to the city' is like a cry and a demand (Lefebvre, 1996) that contests the dominance of state and capital in producing and reproducing, controlling and perceiving urban space.

According to the Lefebvrian thought, the 'right to the city' is interrelated with the right to participation and appropriation, while those aspects refer both to the radical transformation of urban space and social relations. The newborn social movements link the reclaiming of the city with the reclaiming of the socio-political scene. By occupying the central, crowded public square of Athens people not only demand their participation in decision-making processes regarding urban space but they also prioritise direct democracy and social justice fighting against the unbearable austerity measures and the corrupted undemocratic administration policies.

Urban space and its public places become contested places where dominance is a bet to win. Furthermore, urban space becomes a battlefield, where official public discourse, formal narratives together with police brutality and parastatal organisations construct 'moral panic' (Cohen, 1973) presenting urban movements as a threat for social order. On the other side, grass-root initiatives as well as platforms of the radical Left give voice to political subjectivities, who were in a large extend absent or silent during past periods of time and who elaborate on solutions to the on-going survival problems that the majority of the society faces. With the slogan “no one faces crisis alone” collective initiatives were set to motion focusing on: organising collective kitchen, ensuring that no house will be left without electricity due to the government's hikes, organising cultural events or offering free lessons to students in need.

Although the grass-roots movements and labor struggles are trying to reestablish the “right to the city” as Lefebvre reminds us “Capitalism has found itself able to attenuate (if not resolve) its internal contradictions for a century, and consequently in the hundred years since the writing of *Capital*, it has succeeded in achieving

‘growth’. We cannot calculate at what cost, but we do know the means: by occupying space, by producing a space.” (Lefebvre, 1976)

Who is going to prevail is something that the future will tell. However it is certain if we recall again our Sisyphean introduction that “the stone” is meant to come rolling down. Everyone is expecting it and certainly the neoliberal forces that implement those policies also depend on it.

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