Author biography

Sanil M. Neelakandan teaches in the Faculty of Law at SRM University, Sonepat, India.

Jack Rasmus
Looting Greece: A New Financial Imperialism Emerges, Atlanta, GA: Clarity Press, 2016; 315 pp

Reviewed by Henry van Maasakker, *University of Nijmegen, The Netherlands*

In this book, Jack Rasmus has written an analytically clear, historical account of the European and Greek debt crises. It emphasizes the centre and periphery relations between the North and South of Europe in the European Monetary Union (EMU) institutional framework, which reminds us of the interwar gold standard regime. It is an interesting contribution.

The book is divided into 10 chapters, the first five of which deal with the evolution of the debt crisis prior to the coming to power of the Syriza government in January 2015. Chapters 6 through 9 offer a detailed account of the failed strategy of Syriza in its negotiations with the creditors, the Troika (European Commission [EC]/International Monetary Fund [IMF]/European Central Bank [ECB]). The last chapter provides a broader overview and comparative analysis of how and why the Troika prevailed. Finally, in an extended conclusion, Rasmus argues that we can observe a form of financial imperialism, led by a new multinational finance capital elite. In doing so, he uses arguments made by Rosa Luxemburg (1913/2003) and David Harvey (2003) in his *New Imperialism*, as a new and growing form of imperialism.

For Europe, the creation of the EMU and ECB in 1999, and the Lisbon Strategy, developed and dominated by the European centre, above all Germany, mark the origin of the current debt crisis. The ECB, dominated by the German Bundesbank, embarked on a devaluation of the EMU that led to external devaluation, which boosted trade for the European centre countries led by Germany.

Since 2003, simultaneously, internal devaluation occurred through labour market flexibility. That is, reducing labour security, wages, and benefit costs. Germany was the first to engage in these neoliberal policies with internal labour market changes known as Hartz reforms (2003) undertaken by a Social-Democratic government; these kept German wages stagnant for nearly a decade and created a base for the production of cheap exports. With the German Bundesbank essentially dictating policy to the ECB, and cheap money and cheap goods flowing into the European periphery, the structures of the European economies were transformed. And so long as the money flowed back to the European central economies, primarily Germany, it was a virtuous circle for European multinational finance capital. However, with the onset of the 2008 economic crisis, this centre-periphery dynamic changed.

In addition to multinational bank-provided money capital, German private foreign direct investment (FDI) by German multinational companies into Greece also rose from 1.4 billion euros in 2005 to more than 10 billion euros by 2008. As the money and capital to Greece was recycled back to Germany and the northern core economies in the form

of exports, Germany got rising big business profits, increasing economic growth, and its money capital returned to its big banks. In addition, as financial intermediaries in the recycling of money capital, both multinational core and Greek banks got interest payments from the Greek loans and Greek bonds, Greeks got German and core export goods for a few years, but loaded up on credit and debt levels in the process for what appears will remain an interminable period of debt repayments well into the future.

When the European banking and financial systems froze up in the aftermath of 2008, the cycle and flow of credit, money and exports stopped between the Northern European core and its Southern periphery. And when the peripheral (Spanish, Portuguese, Greek, and other) economies started to slow down, German exports and investment began to shift overseas. This further slowed the flow of international credit. As Greece had been running an internal trade deficit with Germany, the initial impact of the credit crunch in Greece was that private banks became loaded with debt, monies that had been borrowed to facilitate imports from Germany. Rasmus shows very clearly that this trade deficit was caused neither by higher wages to the Greek working class nor by escalation in Greek consumer spending. Rather the debt levels were driven up by European Union and ECB policy, in the interest of European multinational finance capital in the core of Europe.

Rasmus then takes the reader, in exacting detail, through the distinct though compounding circumstances that led to each of the three austerity memoranda.

The first memorandum provided that a total of 110 billion euros was 'lent' to the Greek government, 91% of which went to bailing out the European multinational banks that had been left with bad loans following the 2008 crash. The initial austerity measures demanded by the Troika were premised on unrealistic economic projections of growth but caused very real cuts in wages, pensions, and social security. And the result was a shifting of the massive Greek debt load, mainly from the international private banks onto the Greek government.

Then the second memorandum, argues Rasmus, was introduced primarily to refinance, pay off, and reduce Greek debt held by private international investors, many of whom had already taken advantage of the bond markets to ramp up interest rates paid on Greek debt. Rasmus does a great job in explaining the ways in which both the rules adopted by the ECB and the neoliberal ideology of 'the German Hypothesis', which drove their adoption, played a crucial role in the cycle of debt and austerity that led to a humanitarian catastrophe in Greece.

Chapters 5 through 9 offer an account of the rise of Syriza, telling of their approach to the problem of debt and austerity and the process of negotiations once the party came to power in January 2015. Rasmus' account of the institutional taming of the Syriza government offers strong support for his argument that in the run up to the third Greek debt restructuring deal of 2015, Syriza and Tsipras would discover there was no option to return to social-democratic policies without austerity. The choice was either to leave the euro and the neoliberal regime, or remain as a kind of 'Lumpenbourgeoisie' for this regime, implementing a degree of perpetual indebtedness, austerity, and long-run negative economic growth.

The last chapter provides an explicit assessment of the relative strategies of Syriza and the Troika and the structural/institutional straitjacket within which Syriza was attempting to negotiate. Rasmus explains the likelihood of a fourth memorandum, given the logic of indebtedness and austerity and the current strategic course of the Greek

government. In order to have succeeded in negotiations with the Troika, Syriza should have taken far deeper structural reforms of its financial sector, to free itself from the domination of multinational finance capital.

In an extended conclusion, called 'A New Financial Imperialism Emerges', Rasmus argues that the views found in Lenin, Bukharin, and Hilferding – that finance capital is subordinate to industrial capital – need to be revised. This is perhaps the weakest part of his book, and would probably have benefitted from more empirical research into the different relations between industrial and finance capital in France, Germany and other European core countries. This, for instance, has been done in the work of John Scott (1997) in his 'Corporate Business and Capitalist Classes' and more recently in his 'Financial Elites and Transnational Business' (Scott 2012).

In sum, Jack Rasmus shows in this new book about the debt crises in Greece how the neoliberal financial institutional structure established in the Eurozone since 1999, together with the Lisbon strategy, were deliberately aimed at creating export-led economic growth in the stagnant economies[1] of the Northern core of the Eurozone, led by Germany. This was at the expense of the peripheral economies in the South, such as Greece. After the banking crash of 2008 and the subsequent economic crisis, Greece got deeper and deeper into debt as a result of the so-called 'bail outs' from the Troika (ECB/EC/IMF). These debts now represent a new source of economic growth, or 'financial imperialism' for the 'new finance capital elite', such as the international shadow bankers, institutional investors and speculators.

Note

1. In the 1990s the German model was known for its trade deficit and in 2008 her export products were the same as in 1968. According to Posen (2008: 124) these included bulk chemicals and dyes, large electrical goods and applications, machine tools, automobiles and auto parts. Germany did not develop her industry into the new high value-added industries and new hightech sectors. According to Mattfeldt, (2005: 3–5) this model is characterised by 'technological stagnation', there are negative feedback mechanisms between reducing labour costs and public investment to increase the export surplus by price competition and the postponement of the necessary technological innovation.

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Henry van Maasakker is a member of the Euromemorandum group, economic advisor to Stuart Holland, and currently writing his PhD dissertation at the University of Nijmegen, the Netherlands.