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Global Restructuring and Resistance in an Age of Austerity

A Critical Political Economy
Approach to the Eurozone Crisis in
Greece and Portugal

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Abstract

This thesis analyses the political economic origins of, and responses to, the eurozone crisis in Greece and Portugal. Part 1 develops a Critical Political Economy (CPE) approach to studying the economic development of European capitalism(s). The development of this CPE approach takes place through a critical engagement with authors employing a Varieties of Capitalism Approach (VoC). This critique is considered important as the VoC approach offers an institutionalist theory of capitalist diversity. Instead, what is required when explaining trajectories of development, change and contestation across European varieties of capitalism is a capitalist theory of institutional diversity. In other words, whilst varieties *of* capitalism do evidently exist, the institutional diversity they exhibit (whether it be path-dependent or transformed) is always and already embedded as varieties *in* capitalism. This has to be taken seriously to adequately explain the systemic origins of, and responses to, the eurozone crisis in Greece and Portugal.

Part 2 focuses on the historical origins of the eurozone crisis (1985-2009). It highlights the constitutive role that European integration, both as a supranational institutional and a transnationalising capitalist project, has played in shaping Greece's and Portugal's uneven and combined political economic trajectories towards crisis. It also focuses on the agency of class forces within each national political economy, and how this hegemonic project was internalised and conditioned by specific national dynamics that sought to pursue developmental 'catch-up' with 'core' European states. Empirically, this is analysed along two lines. The first focuses on the inability of each political economy to generate export-led growth that may have offset the accumulation of large amounts of externally-held debt. Here,

the role of transnational capital and of new emerging competition in the 'global south' and Europe is highlighted. The second focuses on institutional transformations driven particularly by the prerogatives of European integration. This is specifically in relation to the privatisation and liberalisation of financial banking sectors, which led to the emergence of debt-led accumulation and economic growth.

Part 3 focuses on the political economic responses to the eurozone crisis in Greece and Portugal (2010-2016). The primary aim of this section is to analyse the political economy of 'expansionary austerity' that has been presented as a technocratic means by which to pursue an 'exit' from the crisis. Repoliticising the response demonstrates how a shift in the balance of class forces across both political economies has taken place as capitalist discipline and domination is deepened and expanded, reinforced by a turn towards 'authoritarian neoliberalism'. Further, analysis of the response to the crisis would suffer considerably if conducted on the basis that the attempt to deepen and expand capitalist domination faced little contest. The principles and policies of expansionary austerity, enacted through fiscal austerity and global capitalist restructuring, have faced resistance and alternative forms of political economic organisation from labour. The second predominant aim of Part 3 is to focus on how labour (broadly defined) has struggled against, and have proposed and practiced alternatives beyond, the conditionality deemed a necessity within the MoUs and the capitalist domination inherent to these. The thesis concludes by discussing the wider implications of the eurozone crisis for Europe's political economy as a whole, and Greece's and Portugal's future within it.

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1. Introduction

This thesis will analyse the political economic origins of, and responses to, the eurozone crisis in Greece and Portugal. It will do so through the application of a Critical Political Economy (CPE) approach, and will be informed by debates across International and Comparative Political Economy focused on the development and dynamics of European capitalism(s). The central task of the analysis to follow is to focus on the historical and contemporary specificities of the eurozone crisis across two national political economies. The systematic focus on two of the eurozone's 'peripheral' member states, disproportionately affected by the fallout from the crisis, will then provide a mechanism to critically excavate the systemic or general features of the eurozone crisis.

Revelations about statistical anomalies (to put things politely) surrounding Greek public debt and deficit figures in 2009 triggered a bout of financial speculation that escalated to such a degree, and in such a short space of time, the very future of the euro was brought into question. Coming barely a decade after the introduction of the single currency, the possible disintegrative effects of this speculation also put the wider European integration project in jeopardy as it spread across the eurozone's 'periphery'. In a bid to placate worries about the sustainability of debt burdens, and the possibilities of producing economic growth to support this, swingeing fiscal austerity became the order of the day. Through official 'bailout' programmes for 'peripheral' states experiencing financing issues, such as Greece and Portugal, or through the mantra of 'there is no alternative' in 'core' states, such as Germany or France – even in non-eurozone European Union (EU) member states such as the United Kingdom – an 'age of austerity' became entrenched. Considered the single most important

policy mechanism to restore economic confidence in the future of various European national political economies, the primary outcome of austerity (and institutional restructuring to support this) was to fuel recessionary tendencies that began in 2008 in the wake of the North Atlantic Financial Crisis (NAFC). Given all of this, two simple questions logically follow:

1. What are the political economic origins of the eurozone crisis in Greece and Portugal?
2. Why have the political economic responses to the crisis taken the form and content they have?

1.1. Conceptual reflections and scientific contributions

In order to answer the questions outlined above, this thesis will focus on analysing the specific cases of Greece and Portugal. The choice of these two cases is justified on a number of fronts. First, Greece and Portugal have been regularly grouped together within the comparative capitalism(s) literature as a southern European type or variety. They are deemed to exhibit a sufficient number of similar political economic features to justify this. At the stage of formulating a proposal for this thesis, and in the earlier stages of conducting research, this 'most-similar' design strategy was considered an opportunity to isolate variation in explaining the political and economic origins of, and responses to, the eurozone crisis in Greece and Portugal. This is what excluded consideration of a focus on Ireland, for instance, as it did not fit within such a methodological design. However, as the research has developed the relevance of this justification has essentially been made redundant as alternative methodological choices have been made about conceptualising and comparing the development of specific national political economies. The methodological shift underpinning this point will become clear over the course of Part 1 as I critique the '*comparative method*' and how it relates to analyses underpinned by 'methodological nationalism'. In its place, I

employ an alternative ‘incorporated comparison’ to inform analysis. This aims to compare the specific political economic development of Greece and Portugal through their relation to the wider developments of the European and Global Political Economy. Positively, in the future this provides an opportunity to integrate other European political economies into my nascent research programme.

There are two other justifications for a focus on Greece and Portugal. These have remained consistent throughout. Following the onset of the crisis, it was exactly these ‘peripheral’ eurozone member states which experienced the full force of financial speculation, and the subsequent burden of ‘adjustment’ to ensure the single currency did not become consigned to the dustbin of history. This is despite the Greek economy in 2010 contributing just over 2 per cent of the aggregated GDP of the eurozone, and being just shy of 5 per cent of GDP when the Portuguese economy is included. Finally, prior to the crisis, the economic development of Greece’s and Portugal’s political economies were predominantly considered to be historical success stories of European integration. Deepening supra- and trans-national political and economic integration were considered to have acted as an important mechanism by which to pursue developmental convergence with Europe’s ‘core’. The eurozone crisis has evidently undermined such an optimistic outlook. By analysing the specific origins of the eurozone crisis in Greece and Portugal we are also presented with the possibility to systematically understand and explain the wider systemic crisis of European integration and capitalism as it has cohered on Europe’s ‘periphery’. Further, it is also clear that Greece and Portugal have experienced a disproportionate burden of ‘adjustment’ to pursue an ‘exit’ from the eurozone crisis, especially through the implementation of multiple memorandums of understanding (MoUs). Analysing these specific cases brings into relief the

political economic dynamics underlying the responses to the eurozone crisis, and the possible (dis-)continuous development trajectories of European capitalism in the future.

To summarise, analysing how the capitalist development and supranational integration of Europe's political economy was both constitutive of, and at the very same time constituted by, the capitalist development of Greece's and Portugal's political economies, can provide an important window into understanding the origins of the eurozone crisis. At the same time, these origins then set an important context for analysing the historical (dis-)continuities of Europe's future development as a particular trajectory of 'adjustment' and restructuring is promoted, enshrined, and contested across each case.

As any student of International and/or Comparative Political Economy is aware, we cannot begin to make sense of the world around us without conceptual and theoretical frameworks that support us in this endeavour. Whether implicitly or explicitly all humans carry a wide array of such frameworks. These continually shape our understandings, explanations, and responses to any given situation, and always cohere through a mix of historical and contemporary dynamics within which we are always and already embedded (Gramsci 1971: 324; Jessop 2015b: 96). Whether across European public debate, national or supranational political institutions, or the type of comparative academic scholarship with which this thesis is affiliated, there has been an abundance of such implicit and explicit frameworks deployed to historically make sense of, and politically respond to, the origins of the eurozone crisis in Greece and Portugal.

First, an implicit (although highly significant) framework for making sense of the origins of the eurozone crisis has focused on blaming the apparently lazy, corrupt, greedy, or downright incompetent peoples and governments of Europe's 'periphery' (deleted as considered appropriate to particular national contexts). This is a public narrative that gained

significant traction across Europe following the revelation of calculating anomalies by the Hellenic Statistical Authority. Driven largely by tabloid press commentary, it has become a form of ready-to-hand 'common-sense' that shapes popular conceptions of the origins of the crisis, and the appropriate response to it. As Lavdas, Litsas, and Skiadas (2013: 175) state, 'Greece has been presented...as the new rogue element of our times...while Greeks were presented in some European tabloids as a nation of non-productive, lazy and unmistakably corrupt people'. This is something that Dooley (2014) has labelled the 'immaturity thesis', with its central themes applied across the disparagingly labelled 'PIIGS' (Portugal, Italy, Ireland, Greece and Spain).

A second significant contribution to explaining the origins of the eurozone crisis in Greece and Portugal has come from the (now infamous) 'troika' of political institutions (the International Monetary Fund (IMF), the European Commission, and the European Central Bank (ECB)), supported by leading eurozone national governments such as Germany, France, and the Netherlands. Following requests for financial assistance from the Greek and Portuguese governments in 2010 and 2011, respectively, the troika was tasked with devising and overseeing the implementation of 'bailout' packages (and is still doing so in Greece, now minus the IMF and including the European Stability Mechanism (ESM)). These bailout packages (the MoUs mentioned above) provide macroeconomic analysis explaining the origins of the crisis in Greece and Portugal, and the 'necessary' policy conditionality of the programmes to ensure a difficult, although ultimately assured, 'exit' from the crisis (European Commission 2010a: 9, 2011c: 5-6).

Even though a longlist of contributing factors are included, ultimately the troika's analysis argues that issues of fiscal imprudence and so-called 'rigidities' across labour and product markets have undermined national economic competitiveness. This loss of

competitiveness is especially concerned with sectors of the Greek and Portuguese economies that have been, or could have become, export-oriented. Whilst moving well beyond the type of xenophobia outlined above, even within the troika's analysis, there is still a residual trace of the 'immaturity thesis'. It is implied that there has historically been a political unwillingness to implement the economic adjustments necessary to ensure sustainable integration within the single currency. This is particularly in areas of fiscal and labour market policies. Whilst welcomed for avoiding xenophobia, it does not really move past the idea that Greek and Portuguese political officials clearly understood that they were avoiding the necessary implementation of a number of policy and restructuring efforts. The policy prescriptions of the MoUs are then considered a means to address these perceived historical failings in as short a period of time as possible.

Fortunately, as Andreas Nolke (2016: 142) points out, there are 'increasing signs of a maturing of the debate' concerning the origins of the eurozone crisis in Greece and Portugal. This has occurred – and will no doubt continue, in what is now a publishing 'growth industry' surrounding the eurozone crisis – as novel analysis is developed across academic literatures. This maturing has assisted the development of a more nuanced public debate about the productive and institutional order of the eurozone, the wider European political economy, and the role these orders have played in shaping trajectories towards, and possibly beyond, the eurozone crisis.

Maturing directly stems from taking the challenge of accounting for the systemic characteristics of the origins of the eurozone crisis more seriously. Academic debates have increasingly emphasised the role of capitalist diversity in shaping various systemic pressures. This is particularly the case for scholars employing a modified Varieties of Capitalism (VoC) approach. The likes of Peter A. Hall (2012, 2014; Hall and Soskice 2001) and Bob Hancke (2013;

Hancke, Rhodes and Thatcher 2007) have emphasised the historical development of institutional diversity across Europe's political economy, and the importance of institutional 'path-dependencies' or 'stickiness' for creating national economic competitiveness and performance asymmetries once integrated within a single monetary system. These authors *normatively* take aim at the supranational integration project for being incapable of supporting the varied institutional landscape of Europe's national political economies. They also point to the unlikelihood of it being able to in the future, without recognition that this diversity will continue. The VoC approach fails to adequately account for why this particular institutional order, and wider processes of European integration, have developed in such a manner, how it is constitutive of the development of Greece's and Portugal's political economies, and therefore the origins of the eurozone crisis itself. Instead, the *analytical* explanation for the origins of the crisis remains wedded to focusing on the 'variable' of national wage bargaining institutions and their (un-)suitability for a single monetary system, where labour costs became the main adjustment mechanism for ensuring economic competitiveness.

There are many important differences between the explanations outlined above. However, whether the conceptual approaches employed to support this analysis have been developed implicitly or explicitly, the one thing they all share is a focus on the 'national' characteristics of varied European political economies, and the role these characteristics have played in shaping the origins of the eurozone crisis. Furthermore, where they are applicable in the case of the troika, these frameworks have directly informed the policy prescriptions which have become dominant, focusing on 'adjusting' these very same 'national' characteristics to pursue 'exit' from the crisis.

So what? Why is a focus on ‘national characteristics’ being highlighted at this stage? In short, the analyses above conflate a national political territory with processes of economic development, competitiveness and performance. They then take this ‘national’ political economy as the unit of analysis for the subject under study. Conceptual frameworks informed by ‘methodological nationalism’ cannot account for how the economic development and performance of Greece’s and Portugal’s national political economies are both constituted by, and constitutive of, the various inter-, supra-, and trans-national dynamics of European integration and global capitalism. Ultimately, this negates the possibility to analyse the systemic features of the eurozone crisis, and how it is a particular manifestation of a more general crisis of European integration and capitalism. As Dooley (2014: 937-938) states simply – and also in relation to analyses of the eurozone crisis – the types of conceptual or theoretical frameworks employed above, whether implicitly or explicitly, are all ‘highly internalist’ and ‘cannot take account of the [trans-] inter-national dimensions of the crisis’.

The major departure of this thesis when analysing the origins of, and responses to, the eurozone crisis in Greece and Portugal is to move beyond the ‘methodological nationalism’ outlined above. This critique is also the first significant contribution of the thesis, laying a foundation upon which an alternative Critical Political Economy approach to studying the eurozone crisis is developed. The development of this alternative CPE approach is the second significant contribution. It moves away from analysing Greece’s and Portugal’s political economic development as European varieties *of* capitalism, and instead analyses them as always and already European varieties *in* capitalism. The conceptual and empirical importance of this distinction will be elaborated on in much greater detail in Part 1, and then through its application in Parts 2 and 3. Briefly, however, what this conceptual shift seeks to emphasise is that it is necessary to move away from the premise ‘that institutions are the

foundation of social life', and instead to demonstrate how 'such institutions are clearly also grounded in capitalist conditions of existence' (Bruff 2011: 482). In other words, 'we should start from the observation that capitalism is a historically specific system of [political economic] [re-]production and that institutions are part of this system, not in some ill-defined external relationship with it' (Bruff and Horn 2012: 163). This shift will also enable analysis to adequately incorporate the constitutive inter-, supra-, and trans-national dimensions of national political economic development and change that are considered central to explaining the origins of, and responses to, the eurozone crisis in Greece and Portugal.

The third significant contribution of this thesis will be a historical analysis of the origins of the eurozone crisis across Greece's and Portugal's varieties *in* capitalism. This will be conducted in Part 2 of the thesis, focusing on the significance of European integration and transnational capitalist projects in shaping the economic development of Greece and Portugal political economies, and the asymmetric forms of economic growth and competitiveness that cohered from this. The fourth significant contribution of this thesis, particularly for the analysis of Part 3, is to complement the 'domination-oriented' approach to analysing the development of European capitalism(s) – argued to be pervasive across Critical Political Economy inspired analyses of European capitalism(s) – with a 'disruption-oriented' approach. Privileging 'elite' actors in shaping political economic development and change has been critiqued for not addressing the political agency of others who seek to 'disrupt' or resist the imposition of capitalist exploitation, discipline, and domination. This thesis will be more attentive to the role of 'disrupting' political actors, demonstrating that they not only have the capacity to push back against attempts to dominate, but that these actions are also always and already constitutive of the trajectories of European capitalist development. Realising

these contributions begins in Part 1 of this thesis, so I now turn to outlining the structure to follow, and the main arguments presented.

1.2. Structure and main arguments of the thesis

This thesis is made up of three parts. Whilst each part does have its own set of distinct aims, this division serves the rudimentary purpose of delineating conceptual, historical, and contemporary analyses of European varieties *in* capitalism. Ultimately, the various aims of each part of the thesis will cohere into a consistent and systematic whole.

The purpose of Part 1 of this thesis is three-fold. The first purpose, fulfilled in Chapter 2, is to review and critique the dominant approach, and its associated literature, across the fields of Comparative/International Political Economy concerned with the role of capitalist diversity in explaining the origins of the eurozone crisis. Specifically, Chapter 2 will focus on authors employing the neo-institutionalist Varieties of Capitalism approach (VoC) mentioned above. Whilst offering a far more sophisticated account of the eurozone crisis than those adhering to the 'immaturity thesis', it will be argued that the 'methodological nationalism' it exhibits curtails the adequacy of its analysis. This is due to the VoC approach not being able to take account of the mutually constitutive effects of supra-, inter-, and trans-national dynamics of global capitalist development that have shaped trajectories towards the eurozone crisis, and have then informed responses to this. Addressing this central limitation is the second purpose of Part 1, with Chapter 3 developing an alternative historical materialist Critical Political Economy (CPE) approach. This is along with a brief discussion of the methods employed to conduct the research. The CPE approach developed below will move away from applying an institutionalist theory of capitalist diversity (*a la* the VoC approach) towards a capitalist theory of institutional diversity when analysing the origins of, and responses to, the

eurozone crisis in Greece and Portugal. At its core, what Part 1 will aim to do, when studying the origins of, and responses to, the eurozone crisis, is to develop a conceptual and methodological approach which demonstrates that it is not only important to study the development trajectories of national political economies as European varieties *of* capitalism, but as already and always embedded European varieties *in* capitalism. The full realisation of this conceptual distinction will be developed over the course of Part 1. Its superiority will then be reinforced as I apply the CPE approach to empirical cases in Parts 2 and 3, fulfilling the third purpose of Part 1.

Part 2 of this thesis serves two purposes. The first purpose is to explain how and why the eurozone crisis developed in Greece's and Portugal's varieties *in* capitalism, forcing both to seek the aforementioned financial assistance from the troika. Whilst the analysis presented in Part 2 is important in itself, it also provides an important historical foundation from which to analyse contemporary 'in crisis' responses in Part 3. This will fulfil the second purpose of Part 2 of this thesis. Chapter 4 analyses the political economy dynamics of capitalist restructuring and supranational integration that became a dominant feature of development during the post-dictatorship period. It will be argued that these reconfigurations to Greece's and Portugal's varieties *in* capitalism play an important role in explaining the origins of the eurozone crisis. In Chapter 5, I then turn to analyse trajectories of economic competitiveness and performance across these two varieties *in* capitalism, and how the dynamics of restructuring and integration shaped the origins of the eurozone crisis in the two case studies. This will particularly focus on the types of economic growth which cohered and became dominant during the 1990s and 2000s.

Over the course of Part 2 the following argument will be central: whilst attempting to pursue developmental 'catch-up' and convergence as a more 'modern' and 'European' variety

in capitalism, the trans- and supra-national neoliberal restructuring pursued by *would-be* hegemonic class forces in Greece and Portugal actually laid the foundation for asymmetrical economic growth trajectories which are central to explaining the origins of the eurozone crisis in these two national political economies. This process of ‘catch-up’ and convergence in Greece and Portugal also directly contributed to new forms of political economic hierarchy, asymmetry, and divergence, which lay at the heart of a crisis with disintegrative potential.

The central purpose of Part 3 is to analyse struggles surrounding responses to the eurozone crisis in Greece and Portugal. The political and economic conditionality detailed in the various MoUs, signed between Greek and Portuguese governments and the troika, have generated contentious political struggles. This part of the thesis will focus on attempts to implement and resist this conditionality, analysing the principles and practices of both leading and working class forces as they struggle over the future development trajectories of both European varieties *in* capitalism.

Chapter 6 will focus on the response of leading political and capitalist class forces. This fulfils the first purpose of Part 3. This response has been ideologically justified through the prism of ‘expansionary austerity’. This has two dominant pillars. The first is to pursue fiscal austerity, whilst the second focuses on restructuring of productive and institutional configurations of Greece’s and Portugal’s varieties *in* capitalism. The analysis of Part 3 will re-politicise the political economy of ‘expansionary austerity’. This is considered a political project that, due to a lack of political legitimacy, has been pursued through ever increasing coercive mechanisms of ‘authoritarian neoliberalism’. As the conditionality of global capitalist restructuring and austerity attempt to deepen capitalist domination, discipline, and exploitation, it will be argued there has been a shift in the balance of class forces across Greece and Portugal.

The second purpose of Part 3, fulfilled by analysis in Chapter 7, is to focus on how labour (which, as will become clear later, is broadly defined in this thesis) have struggled against the conditionality deemed a necessity within the various MoUs. Analysis into the crisis response would suffer considerably if conducted on the basis that attempts to deepen capitalist domination has faced little contest. This analysis will therefore make an important contribution. Whilst the changes brought forth by global restructuring and expansionary austerity have been resisted, disrupting the crisis response has not stopped here. A number of political economic alternatives have been proposed and practiced. Some of these alternatives have sprung out of necessity in the face of a severe socio-economic crisis. However, all of the alternatives undermine capitalist domination and the turn towards authoritarian neoliberalism in some capacity. They instead seek to implement more socially equitable and just alternatives as a way out of the eurozone crisis. The first task is to develop a conceptual framework suitable for analysing the origins of, and responses to, the eurozone crisis in Greece and Portugal. This is the aim of Part 1 that follows.

PART 1

**Studying European Varieties *of* Capitalism as
European Varieties *in* Capitalism**

2. The Varieties of Capitalism Approach and the Eurozone Crisis

2.1 Introduction

The purpose of Part 1 of this thesis is two-fold. The first purpose, fulfilled in this chapter, is to review and critique the dominant literature of Comparative/International Political Economy which focus on capitalist diversity in explaining the *systemic* origins of the eurozone crisis. Specifically, this chapter will focus on authors employing the neo-institutionalist Varieties of Capitalism approach (VoC). Whilst offering a far more sophisticated account of the origins of eurozone crisis than those who adhere to the 'immaturity thesis' (Dooley 2014), it shares the limitation of producing 'methodologically nationalist' accounts of political economic development. Addressing this central limitation in explaining of the origins of, and responses to, the eurozone crisis is the second purpose of Part 1. Chapter 3 develops an alternative historical materialist Critical Political Economy approach. The development of this alternative is justified conceptually over this and the next chapter, and then supported through the empirical analysis of Parts 2 and 3 of this thesis. At its core, what Part 1 aims to do when studying the origins of, and responses to, the eurozone crisis is to develop a conceptual and methodological approach which highlights the need to study the development trajectories of Greece and Portugal as already and always European Varieties *in* Capitalism, not only as Varieties *of* Capitalism. The full importance of this distinction will be realised over the course of Part 1 and beyond as it will become clearer that the dominant neo-institutionalist literature

cannot adequately account for its important implications of studying the variegated political economy of Europe.

The structure of this chapter is as follows. Section 2.2. will outline the basic analytical concepts and normative concerns of the of the Varieties of Capitalism approach and how these have developed in more recent scholarship. Section 2.3. will then focus on how the VoC approach has been applied to the eurozone crisis, questioning whether the analysis is a case of new wine in old bottles. Section 2.4. then turns to critique the approach for its methodological nationalism, arguing that this is the primary limit preventing the approach from offering a more satisfactory account of the origins of, and responses to, the eurozone crisis. Section 2.5. then offers some concluding remarks.

2.2. The Varieties of Capitalism approach

The purpose of this section is to outline the dominant features of the Varieties of Capitalism approach and how this was developed in response to the ‘hyper-globalisation’ thesis, which had become prominent during the 1990s. As will be demonstrated, the development of the original VoC approach had both important analytical and normative implications for understanding the development of European Varieties of Capitalism entering the new millennium. The following discussion acts as a platform from which to discuss the VoC approach in relation to the eurozone crisis, before moving onto critique this.

2.2.1. The ‘hyper-globalisation’ thesis and the end of capitalist diversity

Across many disciplines of the social sciences, the term globalisation came to signify the convergence of many aspects of the social world during the 1990s towards a single model. International Political Economy (IPE) was not immune to this trend as ‘hyper-globalists’

argued that historically diverse models of political economic organisation, particularly of national states, were converging on a single liberalised model (Ohmae 1994; Strange 1996; Clift 2014: 176-177, 182-183). It was argued that due to the greater mobility of capital, and the heightened sophistication of communication technologies, firms (particularly multi- or trans-national corporations) had an increased ability to 'exit' national political economies. This was in order to relocate to a more favourable environment for accumulation and profit making. In the face of this 'external' pressure national states then became severely constrained in the economic decisions they could make, increasingly limited to the role of fulfilling market actor preferences for liberalising the economy to ensure the pursuit of profit was as efficient as possible (Clift, 2014: 176-7). As Bruff (2005: 265) states, the '[hyper-globalist] literature argues that the globalisation of trade, finance and production transformed the conditions under which national prosperity is achieved'.

The *raison d'être* for formally developing the Varieties of Capitalism approach was to question the validity of the hyper-globalist thesis. Whilst the VoC approach did not question the idea that globalisation was an external force creating 'unilinear historical pressure' (Bruff 2005: 265), it did question the effect this pressure had on transforming national political economies. This is especially in relation to the thesis that all national political economies (or at least those of analytical focus in the North Atlantic region) were converging around a liberalised variety. Instead, initial formulations of the VoC approach posited the thesis that the external pressures of globalisation had actually encouraged multilinear national state responses (Bruff, 2005: 265). In essence then, the VoC approach emphasises 'the reproduction of difference and the entrenchment or embeddedness of these distinctive aspects of the national economic 'model'' (Bruff 2005: 267). The VoC approach acted as an important corrective to the then popular hyper-globalist position. This was driven not only by

an analytical concern about the empirical inaccuracy of apparent convergence, but also by a normative desire to demonstrate that a more 'humane' variety of capitalism could work. In particular, a European post-war social democratic variety of capitalism that could still produce 'the goods' when it came to providing a successful, and more equitable, model of socio-economic prosperity and growth than the liberalised variety of the Anglo-Saxon world. I now turn to fleshing out the VoC approach in greater conceptual detail.

2.2.2. The Varieties of Capitalism approach and the persistence of diversity

The basic aim of the Varieties of Capitalism approach is 'to understand institutional variation across nations' (Hall and Soskice, 2001: 1). This is justified by a focus on economic institutions, the most important of which are still considered to be 'the preserve of the nation-state' (Hall and Soskice 2001: 4). It seeks 'a basis for comparison more deeply rooted in the organization of the private sector', where 'the firm [is] at the center of analysis' (Hall and Soskice 2001: 4; Hall and Gingerich 2009: 5). In its bid to explain institutional variation across nations, and the possible effect this has on economic performance, the likes of Hall and Soskice (2001: 5) attempted to create a synthesis of the rational, historical, and sociological variants of neo-institutionalism. However, the historical legacy of the VoC approach primarily derives from historical institutionalism. As such, a focus on the role of institutional path-dependencies in shaping the development trajectories of national political economies still dominates analysis. This persistence will become evident when I discuss VoC approach analysis in relation to the eurozone crisis.

With the firm situated at the centre of the approach, Hall and Soskice attempted to set up a 'relational view', where national actors seek 'to develop core competencies or dynamic capabilities' (2001: 6). Due to this, firms need to build strong relationships 'to resolve

coordination problems' which may inhibit the potential for profit and economic growth. There are a number of core economic institutions through which coordination must take place to support this political economic development. These include industrial relations, vocational training and education, corporate governance, inter-firm relations, and relations with their own employees (Amable 2003: 115-170). Others sympathetic to these efforts also called for a greater focus on the role of the state (Schmidt 2002). The rational pursuit of coordinating these various institutional relationships by firms across 'advanced' national political economies (i.e. OECD nations, mainly) are claimed to have resulted in a dichotomy of type between 'liberal market economies' (LMEs) and 'coordinated market economies' (CMEs). In the former 'firms coordinate their activities primarily via hierarchies and competitive market arrangements' (Hall and Soskice 2001: 6-8). The U.S. acts as an ideal-type of a liberal-market economy in their analysis (Hall and Soskice 2001: 27-33). In the latter type 'firms depend more heavily on non-market relationships to coordinate endeavors' (Hall and Soskice 2001: 8). Germany acts as an ideal-type in the coordinated-market economy typology (Hall and Soskice 2001: 21-27). To reach the strong economic performance that is deemed characteristic of the U.S. and Germany in the late 1990s, the initial formulation of the VoC approach stipulates that institutional coordination will reach a point of equilibrium. In other words, institutional competencies or capabilities have functional equivalents that need to be realised in order to ease the path to economic growth. This initial formulation of the VoC approach highlighted that whilst some European varieties of capitalism may be on a path to Rome under the unilinear external pressure of globalisation (i.e. liberalisation), the diversity of path dependent institutional complementarities meant that multilinear responses to this pressure would persist, and many would continue along their current trajectory towards Constantinople (i.e. coordination).

The functional equivalents mentioned are conceptually labelled 'institutional complementarities' (Hall and Soskice 2001: 17). It is considered that the realisation of these complementarities will assist in the pursuit of sustainable economic success, both for individual firms and, through aggregation, the nation-state (Deeg and Jackson 2006: 22). According to Hall and Soskice (2001: 17) these 'institutional complementarities' reinforce the differences witnessed between LMEs and CMEs. They suggest that 'nations with a particular type of coordination in one sphere of the economy should tend to develop complementary practices in other spheres as well' (Hall and Soskice 2001: 18; Hancke, Rhodes and Thatcher 2007: 3). Firms will gravitate toward the mode of coordination for which there is institutional support to support rational coordination and the possibility of economic growth (Hall and Gingerich, 2004: 27). The relations that firms partake in, the micro-foundation, then condense into a set of national institutions, the macro-structure. These institutions are defined 'as a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons' (Hall and Soskice 2001: 9). I now turn to discuss others who have developed the Varieties of Capitalism approach.

Following this initial iteration, the VoC approach has been further developed to draw upon wider debates around capitalist diversity (Hancke, Rhodes and Thatcher 2007). Whilst seeking to retain 'the key notions of functional coherence, coordination, and [institutional] complementarity', these authors have attempted to bridge the divide in the literature between a complementary based VoC form of analysis (cf. Allen 2004; Amable 2003; Deeg and Jackson 2007; Hall and Gingerich 2009; Hall and Thelen 2009) and a looser, power/interest-based perspective (Hancke, Rhodes and Thatcher 2007: 11; cf. Becker 2009; Coates 2005; Crouch 2005; Streeck 2009, 2010, 2011; Streeck and Thelen 2005). Essentially, the aim is to bring 'power, politics, and conflict onto centre stage' (Hancke, Rhodes and

Thatcher 2007: 4), in order to render 'the VoC framework and arguments more dynamic and realistic' (Hancke, Rhodes and Thatcher 2007: 20). For instance, whilst accepting the firm as a central agent in pursuing institutional coordination, Hancke, Rhodes and Thatcher call for a greater focus on how labour is also involved in this process. They state that labour constrains business in two ways: directly, because business needs workers and their skills to produce..., and indirectly, via the constraints of collective organization' (2007: 19). They go on to state that when national settlements are reached between capital and labour, they 'reflect their relative positions of power' (Hancke, Rhodes and Thatcher 2007: 19). These positions of power do not play out between capital and labour as two distinct agents. Settlements may also reflect the dominance of particular types of labour or capital within a national political economy, such as the dominance that high-skilled workers tend to have over low-skilled workers (Hancke, Rhodes and Thatcher 2007: 20). This may even lead to clear 'coalitions' between capital and labour, conceptually typified in CMEs, as there is clear 'point where the strategies of labour and capital meet' (Hancke, Rhodes and Thatcher 2007: 20).

By drawing upon concepts which focus more on power/interest based relationships, the likes of Hancke, Rhodes, and Thatcher are right to claim an increased dynamism by adding this dimension to the VoC approach. Recognizing that 'cross-class coalitions as the basis of coordination...appear to be highly fragile arrangements which require permanent reaffirmation', demonstrates this (Hancke, Rhodes and Thatcher 2007: 21). For scholars employing this refined version of the VoC approach it means they should not simply be explaining political economic change and performance through the (non-)fulfilment of institutional complementarities, and their ability to create economic competitive advantages. However, as Hancke, Rhodes, and Thatcher indicate, the need to bring in dynamism does not reject the 'basic logic' of the VoC approach as initially formulated by Hall and Soskice. The

former still place great importance in explaining continuity, change and performance with reference to functional coherence, coordination, and complementarity, with the foundation of historical institutionalism still key. This is highlighted when Hancke, Rhodes, and Thatcher (2007: 6) argue that '[c]hange... is most likely to be path-dependent, and significant path-shifting or equilibrium-breaking behavior on the part of actors... is very unlikely to occur'. Having outlined the basic contours of the VoC approach, I now turn to discussing how this has been applied to explaining the origins of the eurozone crisis.

2.3. The VoC approach and the eurozone crisis

The formulation of the VoC approach is widely considered to be one of the most important contributions to International and Comparative Political Economy for understanding and explaining the development trajectories and economic performance of European varieties of capitalism. Amidst the academic 'growth industry' that is the literature on the eurozone crisis, it is no surprise that the application of this approach has been prominent. The purpose of this section is to outline the various applications of the VoC approach to the eurozone crisis. This will allow us to look back to the previous section to highlight where analytical and normative continuity is exhibited. Also, to discuss how the application of the VoC approach to the eurozone crisis exhibits a number of failings, which need addressing if we are to better account for the origins and responses to the eurozone crisis. This will provide a platform for the following chapter, developing an alternative Critical Political Economy approach to the study of European varieties *in* capitalism.

2.3.1. New wine in old bottles?

The application of the VoC approach to the eurozone crisis is once again driven by both analytical and normative concerns. Analytically, the dominant aim is to move towards a more systemic account of the crisis that can explain why ‘monetary union [confronts] a crisis severe enough to threaten its existence barely ten years after its inauguration’ (Hall 2012: 357). Normatively, the authors applying a VoC approach to the eurozone crisis are driven by a similar set of concerns as they were two decades ago. The response to the eurozone crisis – most vividly portrayed within the pages of the Memorandum’s of Understanding (MoUs) and the quarterly reviews that track progress – has almost exclusively called upon the likes of Greece and Portugal to liberalise, privatise, and deregulate their national political economies. In other words, the policy response deemed necessary to ‘exit’ the crisis – putting the eurozone’s periphery on a path towards short-term recovery and longer-term sustainable economic growth – is predominantly aimed at pushing the likes of Greece and Portugal down the road to becoming more coherent liberal-market economies. Once again, authors employing a VoC approach are keen to emphasise that the economic performance of northern member-states of the eurozone, predominantly coordinated-market economies, has fared reasonably well within the single currency. Therefore, the dominant policy response of the so-called troika may not be the panacea that it is hoped it would be, and other more ‘humane’, equally successful, trajectories of capitalist development are available. In essence then, the purpose of analysis which employs a VoC approach to explaining the origins of the eurozone crisis, is primarily to undermine the dominant policy response as it shifts Europe’s political economy further away from the promise of a ‘Social Europe’, and to question the design of monetary union both historically and as it is being reformed during the crisis itself.

2.3.2. The VoC approach applied to the eurozone crisis

It is possible to highlight the above points by reviewing in greater depth the analysis put forward by authors employing the VoC approach. In Peter Hall's (2012, 2014) account, a new dichotomy has been devised between export- and import-led growth models. He argues the crisis 'originated in the structural strains generated when different types of political economies were joined in a currency union' (Hall, 2012: 357). For export-led states, the euro supported external competitiveness by keeping the currency stable but low (Hall 2012: 358). For import-led states, on the other hand, the currency union offered both advantages and disadvantages. In terms of advantages, the euro produced an abundance of cheap credit with which to finance importing goods. The long-term disadvantage, almost completely offsetting the short-term gain, was that it prevented currency devaluation to 'offset the inflationary effects of demand-led growth on the competitiveness of their products' (Hall 2012: 359; cf. Johnston and Regan 2015 for a detailed account of the possible role of inflationary differentials). Once international financial markets questioned whether import-led states could finance their external debt obligations, which had developed due to trade balance deficits, there were few tools left available to import-led states to adjust to this loss of confidence.

Around this dichotomy, Hall draws a division between northern and southern varieties of capitalism. Hall (2012: 359) states, '[t]he northern European political economies entered EMU with institutional frameworks well suited to export-led growth strategies', with Germany once again acting as the primary example (Hall 2012: 358). This is due to the fact that 'industrial relations institutions promote[d] the co-ordinated wage bargaining that can be used to hold down labour costs' (Hall 2012: 358). These are also present in the varieties of the Netherlands, Austria, Denmark and Finland. On the other hand, southern European

economies entered EMU with institutional frameworks badly suited to effective competition within such a union. This was due to southern Europe inheriting a ‘fractious labour movement divided into competing confederations that... made sustained wage co-ordination difficult’ (Hall 2012: 359). This is in addition to the lack of institutional capacities for co-ordinated skill formation and incremental innovation normally required for successful export-led growth. Crucially, he goes on to state that these ‘observations go a long way towards explaining the trajectory of economic performance in the first decade of the new currency union’ (Hall 2012: 359).

The above analysis is supported by other authors employing a VoC approach (Hancke 2013; Johnston, Hancke and Pant 2013). For instance, Bob Hancke (2013; Johnston, Hancke and Pant 2013) also focuses on how wage formation institutions help explain the origins of the crisis. In the run-up to the inauguration of the single currency in 1999, wage moderation was enforced across most European countries, with some convergence being evident across the north-south divide, discussed by Hall above (Hall 2013: 66). Once independent national central banks had been replaced by the supranational European Central Bank (ECB), wage formation once again diverged into two blocs: ‘a highly integrated northern bloc where wage bargaining keeps wage costs under control in all sectors of the economy, and the southern European countries, where labour costs have risen relative to the north’ (Hancke 2013: 60). The ability to ensure wage moderation in northern European varieties of capitalism was due to a set of strong wage formation institutions. On the other hand, southern European varieties such as Portugal and Greece, lacking such institutions, have fared less well. As Hancke, Johnston, and Pant (2013: 37) state,

[t]he crisis of EMU since 2008 may therefore primarily be a result of differences in wage-setting systems between north-western Europe and southern Europe...The

potential export competitiveness of southern European political economies was therefore hindered, especially by public sector unions, as a lack of wage moderation pushed up unit labour costs and wages. This in turn led to inflation, further enhancing the calls for more wage increases, creating a vicious circle.

We can see the links between the above thesis put forward by Hancke, Johnston, and Pant, and Peter Hall's account, as higher wages would have in turn fed into a greater capacity for import-led growth based on domestic purchasing power and demand. This would have deepened the reliance on imports from northern European states. What is less obvious in this account is how the application of the VoC approach respects the call to *conceptually* diversify analysis to 'render it more realistic', that had historically been made by the likes of Hancke, Rhodes and Thatcher (2007). Whilst there is a focus on the role of labour and capital in being able to coordinate wage growth in the build-up to the eurozone crisis, this continues to rely on the original formulation of the VoC approach. This is demonstrated through a continued focus on the need to coordinate institutional complementarities, induced by external pressures (i.e. monetary union), to allow for a form of sustainable economic development and growth to cohere. In short, the analysis implicitly continues to rely upon explanations that focus on the reinforcement of historical path-dependencies through functional adaptation (Hancke 2013: 110-113).

It is apparent that the application of the Varieties of Capitalism approach to the eurozone crisis has assisted in our understanding of its origins. It also helps point to the problematic future that may prevail across Europe's political economy if the current reform trajectory continues unabated, preventing the pursuit of some kind of socio-economically equitable and politically legitimate 'exit'. The degree to which it has identified *systemic* or *general* features of the eurozone crisis is questionable. What is missing then? As Bruff and

Horn (2012: 163) state in direct reference to the VoC approach, 'capitalism itself is not discussed'. The variegated crises facing the global political economy since 2007 have seen a clear increase in references to capitalism as a general system by those employing the Varieties of Capitalism approach and the wider neo-institutionalist literature that focuses on capitalist diversity. This clearest from the call by Wolfgang Streeck (2011) to take capitalism more seriously. These have done little more than add minor refinements – exhibited path-dependencies, if you will – to the already-established frameworks from almost two decades ago. The application of the VoC approach to the eurozone crisis clearly demonstrates this.

In agreement with Bruff and Horn (2012: 163, emphasis added) a central claim of this thesis is that we need to 'reverse Streeck's emphasis on the need for institutionalist theories of capitalism [*a la* the VoC approach] and focus instead on *capitalist theories of institutions*'. Whilst this thesis will continue to focus on the role of capitalist diversity when analysing the origins and response to the eurozone crisis in Greece and Portugal, the aim is to analyse each variety of capitalism as always and already embedded varieties *in* capitalism (Bruff 2011; Jessop 2015a: 70). In other words, 'we should start from the observation that capitalism is a historically specific system of [socio-economic] [re-]production and that institutions are part of this system, not in some ill-defined external relationship with it' (Bruff and Horn 2012: 163). The next chapter will be the place to attempt to develop a conceptual framework capable of fulfilling this aim. There needs a benchmark to be set by which to (at least conceptually) assess whether this has been achieved. To set this benchmark I will analyse the primary reason why the VoC approach is unable to meet the challenge of overcoming the deficiency highlighted, focusing on its 'methodological nationalism' and its inability to incorporate a focus on inter- and trans-national dimensions of the origins of and response to the eurozone crisis (Brenner *et al* 2010: 188). This will then provide an opening from which to construct and assess an

alternative Critical Political Economy approach, which will aim to analyse European varieties *in* capitalism in crisis.

2.4. The VoC approach and methodological nationalism

In the previous two sections I discussed the basic analytical and normative commitments of the VoC approach, and how this has been applied to explaining the origins of the eurozone crisis. In this final section of the chapter I turn to discuss the methodological choices underpinning this approach, and why these present difficulties for the VoC approach when analysing the role of capitalist diversity in shaping the origins and ‘in-crisis’ dynamics of the eurozone crisis. The two main areas of focus in this section highlight that the VoC approach is ‘a highly internalist framework that cannot take account of the inter- [trans-]national dimensions of the crisis’ (Dooley 2014: 937). This is important, as it is exactly these dimensions which have played an important role in shaping institutional continuities (the types of institutional path-dependencies that VoC scholars focus on) and also transformations which are central to explaining the origins of and responses to the crisis. Through the methodological choices made by authors employing the VoC approach discussed above, it is simply not possible to take account of these, requiring that an alternative approach to studying the role of capitalist diversity be developed.

2.4.1. The VoC approach and methodological nationalism

To offer a simple definition, methodological nationalism is an ‘approach that conflates the society with the state and national territory, and takes it as the unit of analysis’ (Pradella 2014: 181). Charles Gore (1996: 80-81) sets out three simple criteria by which to assess whether an analytical approach to studying capitalist diversity can be judged as methodologically

nationalist. These criteria are: 1) they explain 'economic and social trends in countries, basically by reference to facts about the countries themselves'; 2) they focus on theorising economic or social 'performance', abstracted from wider dynamics for the purpose of cross-country comparison; 3) create a division between 'internal' and 'external' factors in effecting such performance, with the emphasis of success placed upon the former. These three criteria are fulfilled by the authors employing a VoC approach to study the eurozone crisis.

To substantiate the claim that analysis of the eurozone crisis presented by authors employing the VoC approach is methodologically nationalist, I will relate each of the three points set out by Charles Gore to the VoC approach analysis reviewed above. First, trends of (un)successful economic performance (with economic growth being the dominant referent), driven by asymmetrical economic competitiveness, are solely referred back to the role of national institutional configurations. As Jessop states (2011: 222), 'the mainstream VoC literature defines and measures economic performance mainly in national terms'. Specifically in relation to the analysis reviewed above, there is a focus on the role of bargaining institutions in being (un-)able to coordinate sufficient wage moderation in order to support national competitiveness.

Second, analysis focuses on the 'performance' of national institutional orders (varieties of capitalism), without reference to how they are embedded within both transnationalising capitalism and the supranational European integration project, ignoring the constitutive role these have had in the development of distinctive national political economies (Radice 2000: 732-733). To systematically include these inter-/trans-national dimensions as being a constitutive element of national political economic development, would make it much more difficult to evaluate the 'superiority' of one variety over others in relation to economic performance (Radice 2000: 733). In other words, national boundaries

‘demarcates zones of stability or instability, with ‘pure’ or self-consistent varieties of capitalism (liberal market or coordinated market economies) being considered more efficient and stable than ‘hybrid’ varieties’ (Jessop 2011: 222).

Third, having set up an analytical distinction between dynamics that are ‘internal’ and ‘external’ to the development of national political economies, the former ‘internal’ institutional configurations are emphasised in shaping (un)successful economic performance. Reference is made to ‘external’ factors, but there is no consideration of how these are actually constitutive of the varied trajectories of economic performance. As stated previously, authors employing a VoC approach are critical of the way the single currency project was institutionalised at a supranational level due to their being a heterogeneity of national political economies that were unlikely to flourish under the homogenising pressures of the euro. Given this external environment, the origins of the eurozone crisis can be explained by the way internal institutional configurations of European varieties of capitalism were (un)able to adapt to this external pressure and exploit functional complementarities that could support sustainable economic performance. In short, the VoC approach neglects the ‘constitutive outside’ of any particular national political economy (Jessop 2011: 222). It is therefore evident that the three criteria set out above by Charles Gore to assess whether the VoC approach can be considered methodologically nationalist.

Whilst it is not explicitly discussed by authors employing the VoC approach, it can be surmised that the analytical development of this approach allows authors to engage in public policy circles concerning the pursuit of national economic development and growth strategies (Radice, 2000: 733). Hancke, Johnston, and Pant’s (2013) ‘LSE discussion paper’ is a prime example of this. Taking aim at the one-sidedness of the ‘adjustment’ process taking place across Greece and Portugal, they propose a ‘reflation or demand expansion in the creditor

countries, particularly in Germany and among its well-performing neighbours (Hancke, Johnston and Pant 2013: 39). In order to fulfil the aim of engaging in economic policy debates about possible routes towards 'exiting' the crisis, the VoC approach has to undergo two analytical moves. First, 'it is assumed that national economies are abstract entities which are 'open' but not situated in relation to one another' (Gore 1996: 80-81). Second, 'the focus is on *differences* in performance between economies' (Gore 1996: 81). If these were missing, it would undermine the methodological and empirical potential to evaluate the institutional restructuring necessary to pursue alternative national economic development and growth trajectories (Macartney 2013: 79-80). In other words, there is neglect of how economic 'performance' is constituted, not only with reference to national factors, but also how national political economies are co-constitutive of one another through their vertical inter- and trans-national integration (Jessop 2011: 222, 2014c: 48; Radice 2000: 732-3). The VoC approach confines the horizons of explanation, evident in its recent application to the eurozone crisis, leading to problems of methodological nationalism in the final analysis. Whilst this provides a logical basis for promoting policy initiatives concerned with the national economic development and growth strategies, it completely removes the ability to investigate and evaluate the potential of other explanations which could be more effective.

2.4.2. Reinforcing methodological nationalism through *the* comparative method

A further methodological choice which is made and precludes the possibility of analysing the constitutive effects of inter- and trans-national dimensions of the eurozone crisis, is the employment of the comparative method. This method has a lineage dating back to Emile Durkheim (1895/1982: 147-150, 155-158) and has become established as the most scientifically acceptable means by which to produce valid causal inferences about the social

world. Whilst Ragin (1987: 1) is correct to state that implicitly all social science work is comparative in some sense, he also states that the '*comparative method* typically is used in a narrow sense to refer to a specific kind of comparison – the comparison of large macrosocial units' (Ragin 1987: 1).

The use of the comparative method primarily takes place through one of two research designs. These are the most-similar and most-different systems (Przeworski and Teune 1970), which take inspiration from Mill's logic of agreement and difference (1858: 222-227). The most-similar design is the dominant form of comparison in political economy, and is evident in the VoC analysis of the eurozone crisis. The most-similar design takes 'a range of countries that appear similar in as many ways as possible in order to control for 'concomitant variation'' (Peters 2013: 40). In this strategy, 'common systemic characteristics are conceived as "controlled for", whereas inter-systemic differences are viewed as explanatory variables' (Przeworski and Teune 1970: 33). In other words, 'any variable that does differentiate the systems is equally likely to be the source of the observed variation among them' (Peters 2013: 40; Lijphart 1975: 163). In this strategy, 'although the number of differences among similar countries is limited, it will almost invariably be sufficiently large to overdetermine the dependent phenomenon' (Przeworski and Teune 1970: 34).

It is difficult to maintain that any set of countries are similar enough to generate causal explanation through comparison. Comparative political economists are confronted with 'a multiplicity of conditions, compounding their influence on what is to be explained (the dependent variable)' (Smelser 1976: 152-3). This highlights the primary issue facing the most-similar design; that of 'many variables, small number of cases' (Lijphart 1971: 685). The problem is confronted by focusing 'comparative analysis on the "key" variables' (Lijphart 1971: 690; Collier 1993: 113). This takes place within the Varieties of Capitalism approach,

and more generally within International and Comparative Political Economy, through ‘theoretical parsimony’ (Lijphart 1971: 690). There is a focus on constitutive elements that can be persuasively argued to be central to the changing dynamics of national political economies. This strategy is apparent within the VoC approach through a focus on industrial relations, vocational training and education, corporate governance, inter-firm relations and relations with their own employees (Amable 2003: 115-170).

The comparative method, informed by a most-similar design strategy, is clearly in use when we refer back to the VoC approach analysis focusing on the eurozone crisis. There is interest in explaining the historically differentiated outcomes of economic performance, and its effect on the trajectory of the eurozone crisis, by comparing discrete national varieties of capitalism. These varieties are grouped into similar political economic types (between northern and southern European states). These typologies are developed and then justified on the basis that there is sufficient similarity within each, that an element of ‘control’ can be applied across cases. This ‘control’ of similar features of northern and southern political economies can then be compared in an attempt to ‘isolate’ the differences in political economic change and economic performance, which have generated the crisis. In the analysis put forward by Hall (2012, 2014), Hancke (2013), and Johnston, Hancke and Pant (2013), this ‘isolation’ of the all-important ‘causal’ ‘independent variable’ focuses on wage-bargaining institutions and the role they play in being (un)able to restrain wage growth across European varieties of capitalism that will improve the prospects of economic competitiveness and performance.

I will predominantly deal with overcoming the inadequacies of this method in relation to explaining the development trajectories of European varieties *in* capitalism in the next chapter. At this stage, it is possible to begin to highlight the deficiency of such a strategy by

drawing attention to 'Galton's problem'. In relation to this, Peters (2013: 46) states that 'an all too common trap for the comparative researcher in political science, is to assume that something we call a country is a homogenous unit' (Peters 2013: 46). The conceptual application of the VoC approach, with its attendant methodological nationalism, is supported by the 'scientific rigour' provided by the 'comparative method'. This somewhat insulates the VoC approach (and the authors who employ it) from a deeper questioning on how a variety *of* capitalism is always and already a variety *in* capitalism, and how this can be conceptually addressed. It is evident that a central task of the following chapter will be to address such issues.

Conducting social scientific analysis always involves making a number of conceptual and methodological choices. These choices will play an important role in analysing histories and the structured agencies which create these. Whilst there are seemingly no current means by which to assess whether these choices are right or wrong in purely objective terms, it is certainly possible to evaluate whether they are better or worse when we focus on a particular area of study. If it is considered that inter- and trans-national – alongside national – political economic dimensions are important to explaining the origins of, and response to, the eurozone crisis, and this can be proven empirically, then the choices made by authors employing a VoC approach are inadequate to the task at hand and must be addressed. The following chapter will confront such a task as it develops an alternative Critical Political Economy approach, which studies European varieties *of* capitalism as always and already European varieties *in* capitalism. This will shift analytical and methodological choices away from providing an institutionalist theory of capitalist diversity, *a la* the VoC approach, to a capitalist theory of institutional diversity. This will incorporate not only national or 'internal'

dimensions of political economic change and effect, but also inter- and trans-national dimensions, which are both constituted by, and constitutive of, national developments.

2.5. Conclusion

This chapter has reviewed the development of the Varieties of Capitalism approach, its application to the eurozone crisis, and the methodological choices which have underpinned these endeavours. An important part of the discussion has drawn attention to how the VoC approach has consistently drawn upon a set of core conclusions, and how these are primarily driven by analytical and normative concerns. Initially, the application of the VoC approach to the study of Europe's political economy was intended to demonstrate, that in an age of globalisation, economic development, growth, and prosperity did not have to be pursued through convergence on a liberal variety of capitalism. Studies demonstrated that there was still plenty of room for a coordinated, more humane, social democratic variety of capitalism to deliver 'the goods' when it came to ensuring economic prosperity and political legitimacy. Almost twenty years on nothing has really changed. The people of southern Europe are faced with the task of implementing austerity and liberalising laden MoUs. These are apparently the means by which to support an 'exit' trajectory out of the eurozone crisis, and to produce new forms of sustainable economic development and growth over the longer-term. Once again, scholars employing the VoC approach are attempting to demonstrate that viable alternatives persist as the coordinated varieties of northern Europe are argued to have fared reasonably well under the single currency.

The VoC approach has offered an important intervention into explaining the political economic development of European national political economies, and their (in)ability to produce socio-economic prosperity. Despite this, it has been argued throughout this chapter

that the VoC approach is ultimately an institutionalist theory of capitalist diversity that is unable to account for more systemic characteristics of the eurozone crisis, particularly those which pertain to inter- and trans-national dimensions. To address these, the next chapter will develop a Critical Political Economy approach to the study of European Varieties *in* Capitalism, which at its core is attempting to develop a capitalist theory of institutional diversity.

3. A Varieties *in* Capitalism Approach and the Eurozone Crisis

3.1. Introduction

In Chapter 2 I reviewed the historical development of the Varieties of Capitalism approach, and its application to explaining the origins of, and responses to, the eurozone crisis. This made an important contribution to the aims of Part 1 of this thesis. To recap, Part 1 serves two purposes. The first purpose was to critique the VoC approach, with the second being to develop and justify the use of a Critical Political Economy (CPE) approach to studying European varieties *in* capitalism, especially in relation to their development trajectories towards the eurozone crisis. In order to do this, the CPE approach developed here will shift analytical focus away from applying an institutionalist theory of capitalist diversity towards a capitalist theory of institutional diversity. In order to adequately fulfil this aim, the alternative CPE approach will need to take account of political economic dynamics at a national scale, as well as demonstrate how inter- and trans-national developments are both constituted by, and constitutive of, national political economies and their ongoing development. Whilst it will be argued that this is an analytically superior approach to studying the origins of, and responses to, the eurozone crisis, this will be supported by the empirical analysis which follows in Parts 2 and 3 of this thesis. The application of an alternative CPE approach to empirical cases fulfils the second purpose of Part 1 of this thesis, as Parts 2 and 3 turns attention to the development of Greece's and Portugal's varieties *in* capitalism and their economic trajectories towards crisis.

The CPE approach developed below is predominantly informed by a historical materialist conception of capitalist development, contestation, and change. More specifically, the discussion starts in section 3.2. with a focus on Karl Marx's work, setting a foundation for all proceeding discussion. This will draw attention to how capitalism is a historically specific socio-economic system of (re)production. Discussion of capitalism's historical specificity locates an analytical foundation, or a 'hard core'. This is the social division between the owners of the means of production and those who only have their labour-power to sell.

It is evident that the development of capitalism taking place around the above foundational division does not tread a single path across space and time. This recognises that capitalist diversity is ever present, much like the neo-institutionalist VoC approach. However, as argued in the previous chapter, analysis of this diversity needs to be embedded as variety *in* capitalism to fully appreciate the development trajectories cohering. For the purposes of this thesis, and detailed in section 3.3., the focus on capitalist diversity and its role in the origins of, and responses to, the eurozone crisis, will first draw upon Leon Trotsky's notion of Uneven and Combined Development (UCD). This will allow analysis to incorporate a theory of 'the international' as a constitutive element of capitalist development across national political economies and the various political economy hierarchies which cohere. In later chapters, the importance of this approach will be specifically realised when analysing the role of European integration, as the contradictions between a homogenising supranational project confronts the heterogeneity of its member states, hierarchically unfolding in a manner which is vital to explaining the origins of the eurozone crisis.

In section 3.4. I will turn to focus on the role of transnational restructuring in shaping the continued diversity of capitalist development, especially in relation to the global restructuring of industrial production. More specifically, I will highlight the configuration of

global value chains (GVCs) across the capitalist world system and how these are central to shaping the prospects for sustainable development and economic performance in relation to competitiveness and export-led growth. Here the role of transnational corporations (TNCs) is considered key, having held an unrivalled capacity to govern the structures of GVCs since the 1990s.

The above paragraphs draw attention to a number of the structural characteristics of capitalist development. We also require a clear discussion on the role of agency in shaping the development of national political economies as varieties *in* capitalism. This will be the focus of section 3.5. In order to focus on social reproduction, alongside the more traditional concerns of historical materialist perspectives on economic production, the centrality of class struggle in shaping the origins of, the responses to, the eurozone crisis will be discussed. This will emphasise the open-endedness and historically constituted character of classes and the struggles they take part in. Drawing upon Antonio Gramsci's concepts of hegemony and historical blocs, analysis will particularly focus on how class forces bid to become dominant within and across particular national political economies. However, any class forces bidding for hegemony never do so with an open goal in sight. Disruption of this process is always present by working class forces who not only offer resistance to capitalist restructuring, but at times also creatively imagine and practice alternatives beyond such horizons. It is vital that this disruptive agency is also central to analysis as it is directly constitutive of the trajectories of political economic development, not simply an interesting response to initiatives being led by more powerful class forces.

Section 3.6. rounds off the substantive discussion of this chapter by discussing the use of methods to the application of the empirical analysis to follow. This draws upon Philip McMichael's (1990) development of incorporated comparison, and Steiner Kvale's (1996)

focus on the use of semi-structured interviews. An attempt will be made to ensure that the use of these methods supports the conceptual and analytical aims of this thesis. Section 3.7. then offers some concluding remarks. Next I turn to discussing the foundational position of capital as a social relation.

3.2. What is capitalism?

As stated in the previous chapter, the degree to which the VoC approach has given an account of the origins of, and responses to, the eurozone crisis which focuses on systemic characteristics, is questionable. In agreement with Bruff and Horn (2012: 163) I stated that what is missing from this neo-institutionalist approach is a discussion of capitalism as a single system, not simply the variety it exhibits (despite the centrality of the term capitalism in the approach's title). This begs the question, what is capitalism? Whilst the likes of Wolfgang Streeck (2011), from within the neo-institutionalist tradition itself, has called for capitalism to be taken more seriously, '[t]he outcome is an intriguing but ultimately idiosyncratic specification of 15 different things' (Coates 2014: 24).

Streeck (2011: 142-3) offers these 15 things as an 'incomplete and preliminary' list of 'empirical characteristics of capitalism as an institutionalised socio-economic order'. Whilst these 15 things are a perfectly reasonable list of empirical characteristics, they are insufficient to the task of taking capitalism more seriously, as they do not locate a theoretical core, or 'foundation', from which to analyse how a wider capitalist socio-economic order develops. In other words, there is nothing in this list which can demonstrate the distinctiveness of capitalism as a socio-economic order when compared with other modes of production to more fully appreciate the dynamics of capitalist development, contestation, and change within and across varieties *in* capitalism. In agreement with Coates (2014), it is possible to

achieve this if we 'go left and go deeper' via the thought of Karl Marx (1818-1883). The aim of this substantive section is not to provide a systematic account to the question of what is capitalism, but simply to set a foundation from which all further conceptual discussion will be built upon.

3.2.1. Capital as a social relation

The simplest way to highlight the historical specificity of capitalism as a mode of production, is to compare it to feudalism which was the dominant mode prior to it. The distinction drawn between these two modes is the central foundation upon which the variegated development of capitalism as a socio-economic system develops. Setting this foundation is achieved by Marx through a focus on how labour-power is treated as a commodity itself, not just the objects which are produced through the use of labour-power (Marx 1990: 270-271, 284). However, as Marx (1990: 270) states, 'in order that the owner of money may find labour-power on the market as a commodity, various conditions must first be fulfilled'. Fundamentally, this includes the condition that 'no other relations of dependence than those which result from its own nature exist' (Marx 1990: 271). In other words, from Marx's historical materialist perspective for capital as a social relation to exist, workers must be able to offer their 'labour-power for sale to capitalists on the labour market in a *formally* free and equal commercial transaction' (Jessop 2011: 213, emphasis added). As Marx (1990: 271) himself states, '[h]e [sic, the worker] and the owner of money meet in the market, and enter into relations with each other on a footing of equality as owners of commodities, with the sole difference that one is a buyer, the other a seller; both are therefore equal in the eyes of the law'.

In the previous dominant mode of production, feudalism, the direct appropriation of output from labour-power expended took place. This was possible as peasants were legally tied to land within large estates, controlled by feudal Lords. In exchange for being able to work sections of land, the Lords directly appropriated a portion of output from the peasants. This is not the case under capitalism, where the separation of the means of production between those who own it (capitalists) and those who only have their labour-power to sell to reproduce their existence (labour) obscures the appropriation of surplus-value. As Bieler (2014: 115) states, '[n]obody is forced to work for a particular employer. Despite this, without owning one's own means of production, people are indirectly forced to look for paid employment'. In short, 'capitalism begins not with the offer to work, but with the imperative to earn a living' (Denning 2010: 80).

Once this separation takes place, and labour-power becomes a commodity, the market acts as a force through which surplus labour is appropriated, obscuring the political nature of such a process. This is what has led to the distinction between the political and economic, or states and markets. Without recognition of the foundational social relation of the capitalist mode of production, which extends the generalisation of the commodity form to labour-power, it would not be possible to distinguish the historical specificity of capitalism from that of 'profit-oriented calculations and market-mediated operations of merchant and loan capital that existed before' (Jessop 2011: 213). The importance of this distinction is highlighted as Streeck (2011: 149) does exactly this when he states '[c]apitalist rational-egoistic action is...oriented towards *maximisation of economic gain*. The normalised actor under capitalism is someone who does not relent in his [sic] effort to get richer regardless of what he [sic] has already achieved.' It may be the case – in fact it is – that capitalist action pursues the 'maximisation of economic gain', but in Streeck's formulation, there is no

theoretical discussion of where this pressure comes from, making such behaviour distinct to the capitalism as an institutionalised socio-economic order. We could observe such behaviour in abundance during the high mercantile period during when feudalism was the dominant mode of production on a world-scale (Wallerstein 1974).

3.2.2. The 'laws' of value

The above discussion creates a need to discuss the foundational 'law' which produces dominant universal tendencies within a historically specific capitalist mode of production. This is the 'law of value'. As Jessop (2011: 213, emphasis original) states, '[t]his describes the *tendency* of capitalist enterprises (for the VoC approach, individual firms) to allocate resources to different fields of production according to their expectations of profit'. The market, through the price mechanism, mediates this process, (in)validates decisions made about resource allocation. The value created ultimately resides within the realm of production, not in the ability to achieve the realisation of profit within the market through exchange-value. This creates a situation of contestation as the purchase of labour-power is one of the primary cost inputs in a capitalist firm, creating pressure to keep such costs low (Marx 1990: 679). The contradiction at the heart of this 'law' is that the realisation of surplus-value can only take place if both the associated social forms of human self-reproduction and market demand are maintained. This can only be achieved by maintaining labourers and their purchasing power (Marx 1990: 274). Without such maintenance, the 'law of value' breaks down, entering a period of crisis. Related to this dynamic is the need of capitalist firms to also reproduce their existence through the market. This tendential 'law' of reproduction for both capital and labour is in the first instance 'mediated through competition and class and class-

relevant struggles' (Jessop, 2011: 213). The role of class struggle will be discussed below, but I shall deal with competition here.

Competition with other capitalists, and the labour-power each employ, is not something which is pursued as 'good sport'. Instead, competition is an inherent characteristic of capitalist social relations of production based upon the (non-)ownership of the means of production. In other words, competition within capitalism is a structural condition. As Bieler (2014: 116) states, 'because labour and capital both reproduce themselves through the market, there is a constant emphasis on competitiveness and the related pressure for further technological innovation in a relentless struggle for ever higher profits'. Without securing the market share which guarantees profits for investing in new forms of production and consumption, individual capitalists will fail in reproducing the existence of a particular firm (Heinrich 2012: 16). Being successful in this endeavour once is not enough to maintain the advantage gained over competitors 'because as soon as one capitalist has moved ahead, others are forced to catch up in order to remain competitive themselves' (Bieler 2014: 116). In the end, the pressure of competition creates a cyclical dynamic of renewed pursuit of further innovation and competitiveness. As Marx (1990: 739) states, 'competition subordinates every individual capitalist to the immanent laws of capitalist production, as external and coercive laws'. Whilst this competitive dynamic is ever present within capitalist social relations, this is not to say that struggle between classes does not affect it (Lebowitz 2003). However, discussions of how such struggles are relevant to the dynamics of capitalism will be discussed below, in a section solely dedicated to conceptualising its role.

I have now discussed the foundational concepts which outline why capitalism as a mode of production is a historically specific form of socio-economic order. Implicit in this discussion is the idea that the development of the 'hard core' social relation between capital

and labour will develop in the same way in all places and at all times. This is simply not the case. Capitalism does not follow a linear path of development with a pre-given logic. Instead, it 'comprises a tangled, unevenly developing hierarchy of local, regional, national, transnational, and supranational markets corresponding to particular state territories connected through various space flows' (Jessop 2015c: 21). This diversity has been historically persistent and directly shapes the variegated trajectories of political economic development, contestation and change. What follows are a set of discussions which attempt to conceptualise the development of this variety *in* capitalism, focusing on both structural and agential dynamics across space and time in the following sections.

3.3. The uneven and combined development of capitalism

David Coates (2014: 25) states that the 'processes at work at the level of the global system are the very ones that Marx first specified', including the concept of 'uneven and combined development' (UCD). It is only with Leon Trotsky (1879-1940; cf. Rosenberg 2006, 2007, 2013) that this is fleshed out in greater detail, and then applied to an empirical case. This was initially the case in *Results and Prospects* (1906/2007) where Trotsky analysed 'the particular location of Russia within the world economy' (Bieler 2014: 117). Here, Trotsky argued that Russian development was 'being pushed forward by the friendly, and even more by the hostile, pressure of the neighbouring state organizations, which had grown up on a higher economic basis' (Trotsky 1906/2007: 27). A central concern of UCD is to demonstrate that the capitalist world system cannot be entirely compartmentalised into discrete entities of sociological effect i.e. national-states. Instead, Trotsky's analysis of Russia within the capitalist world system highlights how 'the international' is constitutive of the way national political economies develop in relation to others.

3.3.1. The core concepts of uneven and combined development

At a basic level, scholars employing the concepts of uneven and combined development aim to demonstrate and explain how 'developmentally differentiated societies constantly impact upon one another's geosocial development and reproduction, which in turn instigates various forms of combined development' (Anievas and Nisancioglu 2015: 46). In other words, due to the multiplicity of national political economies, and their uneven development compared to others, 'the international' is a constitutive realm of sociological effect. Whilst there may have always been uneven development through other modes of production, such as kinship or tributary based modes, this is heavily exacerbated under capitalism. It is argued that the ushering in of capitalist development has caused a qualitative break, with rapid industrialisation, and the capitalist social relations this is built upon deepening the co-constitutive development of varied national political economies. The uneven development of national political economies does not continue to reside in this realm of industrial production alone. Instead, the interactions that take place have direct and ever denser sociological affects as the mutual interdependence of societies become combined to an unprecedented scale (Rosenberg, 2013: 584-585). As Rosenberg (2013: 585) states, 'historical development and change are subject to interactive, as well as internal, logics of process'. Where there is an inequality of power and wealth among national political economies, this will 'give rise to a 'whip of external necessity', which compels weaker societies to adapt in order to survive' (Rosenberg 2013: 585). A whip of necessity can also present opportunities for weaker political economies, as there is a potential 'for imitation and transfer of ideas and resources'. This will reduce the requirement for these to 'independently reinvent the social, material and ideational resources which now feed into on-going development' (Rosenberg 2013: 585).

Explaining the development of capitalist diversity through uneven and combined development, and its role in shaping the development trajectories of national political economies, takes an important step away from the methodological nationalism of the VoC approach. So for example, whilst it is possible to say that a Greek or Portuguese national political economy empirically exists, we are not methodologically committing to understanding and explaining its development and change with reference to productive or institutional configurations which are derived solely from each national setting. This point is highlighted well by Anievas and Nisancioglu (2015: 48) when they state,

the internal relations of any given society are determined by their interactive relations with other developmentally differentiated societies, while the very interactivity of these relations produces amalgamated sociopolitical institutions, socio-economic systems, ideologies and material practices melding the native and foreign, the 'advanced' and 'backward'.

This again demonstrates that through the use of uneven and combined development it is possible to conceptualise the densely co-constituted development of various national political economies within an international system which conditions, opposed to determines, various paths of change through relationships with others. In contrast, the VoC approach implicitly conceptualises 'the international' as methodologically exterior to the development of national varieties of capitalism. To recall, the VoC approach focuses on how political economic dynamics such as globalisation or monetary union (happening out in some untheorised space, which do not constitute a national political economy), must be mediated as an external pressure by national institutional orders. They then evaluate whether these national institutional orders have been (un-)successful in fulfilling complementarities generated by external pressures, which can support economic competitiveness and performance (i.e.

economic growth). Instead, I am arguing that the combined development of national political economies, through 'the international', is constitutive of the economic development trajectories which unfold.

3.3.2. The uneven and combined development of capitalist hierarchy

The conceptual incorporation of 'the international' as a realm of political economic effect is not the sole purpose of employing uneven and combined development. At the same time as supporting the development of a CPE approach, which can overcome the methodological nationalism of the VoC approach, it can also assist in tracing the development of political economic hierarchies across the capitalist world system (Jessop 2012: 96). This sub-section will provide a brief, and somewhat abstract, discussion analysing the historical formation of capitalist hierarchy. A focus on analysing the development of capitalist hierarchy will then be more fully realised when discussing the role of globalisation, particularly through the transnationalisation of production and finance, as the latest temporal, and concrete, manifestation of this historical phenomenon.

Kiely (2012: 241) summarises the development of spatial capitalist hierarchies well when he states,

What is crucial here is that the uneven and combined expansion of international capitalism is not simply a process in which all national capitalisms move—albeit unevenly—in a similar direction. Rather, it is that this unevenness serves to entrench inequalities because early innovators have 'locked in' advantages over later developers and so they tend to accrue a disproportionate amount of the benefits, for [i]t is the residents of the countries where the innovation process starts who have the

best chances to win (Schumpeter's) 'spectacular prizes', that is, profits that are 'much greater than would have been necessary to call forth the particular effort'.

The above passage directly critiques Trotsky's idea that 'backwardness in a general situation of unevenness can actually be an advantage' (Bieler and Morton 2014: 3). As Trotsky states, '[t]he privilege of historic backwardness – and such a privilege exists – permits, or rather compels, the adoption of whatever is ready in advance of any specified dates, skipping a whole series of intermediate stages' (2008/1932: 4).

Whilst the compulsion, due to a whip of external necessity, to pursue 'advanced' techniques or processes of production, may generate competition within the capitalist mode of production the 'spectacular prizes' of capitalist development are not easily acquired. 'Historical capitalism...far from progressively 'homogenizing' economic conditions on a planetary scale, have, on the contrary, reproduced and deepened the contrast' (Amin 2010: 84). In other words, capitalism as it has historically developed creates asymmetries and hierarchies as part of the ongoing functioning of the system. We cannot see 'this unevenness... as a result of market imperfections, but is in fact a product of the way competitive markets work in the real world' (Kiely 2007: 18). Whilst this approach has faced criticisms of being overly structural (Anievas and Nisancioglu 2015: 51), the creation and continuation of such hierarchies does also take place due to agential outcomes. Anievas and Nisancioglu (2015: 50) highlight this when they state, 'whether the 'whip of external necessity' translates into a privilege or a disadvantage of backwardness... is dependent on the outcome of social conflicts both within the ruling class and between the ruling and subordinate classes'. More detailed discussion of agency will take place below in section 3.6.

The concepts of uneven and combined development thus usefully capture the diffusion of capitalism across space and time. They also reflect the way in which material,

institutional, and ideological diversity, inequalities, hierarchies and power relations are intrinsic to this process. However, as stated previously, this conceptual approach to studying the development of varieties *in* capitalism remains at a rather abstract theoretical level at this stage. The next section will begin to bring the above abstract discussion into contact with the concrete realities of global capitalism, which will then be of central focus in the following chapters of this thesis.

3.4. Globalisation and hierarchical capitalist diversity

The following discussion will situate the general features of uneven and combined capitalist development within its specific contemporary manifestation of global capitalism. This will demonstrate how the transnational restructuring of capitalism acts as the primary means by which the spatial hierarchies of uneven and combined development are configured, cementing developmental diversity and economic competitiveness differentials across national political economies. The importance of the multiple configurations globalising capitalism has ushered in will be demonstrated in relation to the development of Greece's and Portugal's varieties *in* capitalism in later chapters, highlighting the key role they have played in the origins of the eurozone crisis, and the responses to this.

3.4.1. The emergence of global capitalism

Simply, global capitalism in this thesis is defined as the transnationalisation of production and finance. Global capitalism is considered to be the latest *temporal* development of the capitalist mode of production. This presents the idea that it is possible break the development of capitalism down into different periods of time. This temporal development of capitalism

links directly back to section 3.3. as the emergence and unfolding of global capitalism across space both creates new, and entrenches old, forms of hierarchical capitalist development.

The period of globalisation was ushered in after the Bretton Woods system broke down, widely conceptualised as a period of 'embedded liberalism' (Ruggie 1982). This system followed World War 2 (WW2, hereafter) and was central to the reconfiguration of the global political economy. The Bretton Woods agreement 'constructed a politically regulated but broadly liberal international system of trade and payments' (Clift 2014: 162). During this period 'governments were formally encouraged to make use of capital controls to maintain external balance in the face of potentially destabilising short-term hot money flows' (Clift 2014: 162). The development of Bretton Woods took place on a 'new political economic settlement'. This allowed for the use of capital controls in relation to trade and financial activity. This was in order to 'pursue domestic policy goals, most notably full employment, without seriously violating international rules' (Eichengreen and Kenen 1994: 5). This allowed for a balance between fulfilling commitments to developing the welfare state, whilst not reneging on commitments to 'liberalise their trade and payments' (Eichengreen and Kenen 1994: 5). Whilst this system lasted, production was based primarily on circuits of capital which remained within national states with the goods then traded on an arms-length basis at the international level. This was in combination with the U.S. Treasury Department Secretary, Henry Morgenthau, largely achieving the aim to 'drive the usurious money-lenders from the temple of international finance' (quoted in Clift 2014: 162), via the capital controls mentioned above. This 'captured the reservations about the liberal creed and its attendant free flowing global finance', which had been a feature of the *laissez-faire* period pre-WW2 (Clift 2014: 162). This was not to last, and by the late 1960s the nascent development of global capitalism began to take hold.

The reasons for this shift are beyond the scope of this project. However, Hart-Landsberg (2013: 15) identifies a 'growing decline in profit margins [for U.S. firms] caused by the combination of increasingly successful Japanese and European export activity aimed at the U.S. market and rising domestic wages'. This led to U.S. corporations beginning to transnationally reorganise the manner in which production was qualitatively configured, especially through the establishment of 'export platforms'. These platforms would have parts and components sent to them where 'low-wage third world workers performed operations on them; and the intermediate products were shipped back to the United States for final assembly and sale' (Hart-Landsberg 2013: 15). Whilst it is evident that the production processes moved to these locations were in low-skilled areas, 'their activities were integral to home country operations and profitability' (Hart-Landsberg 2013: 15). Whilst this process was nascent in the late 1960s, the restructuring of production along transnational lines has now become the dominant process by which large firms pursue surplus value. As Hart-Landsberg (2013: 91) states, 'TNCs began dividing their production processes into ever finer segments, both vertical and horizontal, locating the separate stages in two or more countries'. Thus, in principle, 'the research centre, design unit, procurement office, fabrication plant, and finishing point...could each be situated in different provinces, countries and regions' (Scholte 2000: 51-52). The re-organisation of production along transnational lines creates a situation in which intra-firm trade within a TNC outstrips the volume of international trade between countries (Scholte 2000: 51-52). In turn, this creates a situation where through "global sourcing", a producer draws the necessary inputs from anywhere in the global production chain' (Scholte 2000: 52).

It is also important not to lose sight of the role of finance, and how this has become transnationalised alongside production. Entering the new millennium this process has

witnessed the fulfilment of ‘a fully-fledged global financial market’ (Bieler, 2006: 47). Whilst transnationalisation first occurred through the creation of off-shore markets – with the euro-dollar market in Europe acting as a primary example (Green 2016) – the creation of special zones of financial accumulation has eventually led to the undermining of differences between national financial markets and off-shore areas as re-regulation has taken place (Bieler, 2006: 48). As a result, this has led to the emergence of a global financial market which exhibits a number of core characteristics. These are considered to be:

- (a) the blurring of the line, in terms of ownership structures and market activities, between banking, securities and insurance industries, a process referred to as desegmentation;
- (b) the liberalisation of traditional cartel arrangements in national sectors through domestic market-oriented reform programmes, understood as marketisation;
- (c) the integration of financial markets across traditionally closed national jurisdictions, or transnationalisation (Underhill 1997: 3).

The importance of this dynamic is again highlighted by Hart-Landsberg who states that transnational finance has ‘also benefited from the expansion of cross-border activity’, due to the fact that such ‘activity not only generates concentrated profits in search of the highest return but also creates economic imbalances that need to be financed’ (Hart-Landsberg 2013: 25). The role of transnationalised finance in configuring the spatial hierarchies of varieties *in* capitalism is crucial and cannot be ignored (Jessop 2014c: 24-26).

The above structural shifts in the configuration of the capitalist world system have been driven to an important extent by an attendant ideological shift away from Keynesian principles of economic management towards neoliberal principles. The definition of

neoliberalism employed in this thesis is a simple one. It draws upon the seven principles put forward by Hay (2004: 507-508), with the most relevant to this thesis including:

- 1) A confidence in the market as an efficient mechanism for the allocation of scarce resources;
- 2) A belief in the desirability of a global regime of free trade and free capital mobility;
- 3) A belief in the desirability, all things being equal, of a limited and non-interventionist role for the state as a facilitator and custodian rather than a substitute for market mechanisms;
- 4) A commitment to the removal of those welfare benefits which might be seen to act as disincentives to market participation;
- 5) A defence of labour market flexibility and the promotion and nurturing of cost competitiveness.

As will be analysed in detail in later chapters, the relationship between transnational capitalist and neoliberal restructuring is an intimate one. Despite this, a focus on capitalist diversity in this thesis means that it is important to be attendant to the point put forward by Peck and Tickell (2002: 387) when they state, 'although neoliberalism privileges the unitary logic of the market while advocating supposedly universal cures and one-best-way policy strategies, it is in reality much more variegated than such self-representations suggest'. Usefully then, Macartney (2011: 21) suggests that we should think of neoliberal restructuring as a set of varied *processes*, not as some kind of possible neoliberal *end-state*.

3.4.2. A global value chain perspective on capitalist diversity

A global value chain (GVC) perspective is useful to empirically trace the uneven and combined development of European varieties *in* capitalism as it represents the contemporary reality of

the transnationalisation of production. Further, the manner in which global value chains are governed is a central mechanism by which varied political economic hierarchies cohere within the capitalist world system. Empirically analysing the transnational restructuring of capitalism, and the hierarchies that develop within this, from this perspective predominantly focuses on the production and trade of goods and services, and the various investment practices of TNCs. Joao Amador and Sonia Cabral (2014: 3) use the definition provided by the 'Global Value Chain Initiative' at Duke University to summarise the core focus of a GVC perspective. They state that 'a global value chain describes the full range of activities undertaken to bring a product or service from its conception to its end use and how these activities are distributed over geographic space and across international borders'. The fragmentation of production that takes place within GVCs, but also at the very same time across national political economies, reinforces the need to move away from the methodological nationalism of the VoC approach, as these fragmentations are central to analysing the constitution of varieties *in* capitalism, and trajectories of economic performance and competitiveness.

As mentioned above, in the era of embedded liberalism the production of goods and services primarily took place within a particular national state, to then be traded within a liberalised international system. Therefore, value added to any item of production was derived from a single national setting. In distinction, the transnational restructuring of capitalism now means that value is added at different stages of production and across various locations. For instance, '[t]oday, some 28 per cent of gross exports consist of value added that is first imported by countries only to be incorporated in products or services that are then exported again' (UNCTAD 2013: xxi). One of the most prominent examples used to empirically trace how value is added at different geographical locations during the process of production

is Apple's iPhone. It can also begin to shed light on how political economic hierarchies are created as the transnationalisation of production becomes dominant. As Hart-Landsberg (2013: 22) demonstrates,

China was credited with exporting 11.3 million iPhones to the United States in 2009. At a unit price of \$179, this trade produced a U.S. trade deficit with China of slightly more than \$2 billion. Subtracting the cost of components produced by U.S. corporations still leaves a U.S. trade deficit with China of approximately \$1.9 billion. However...only \$6.50 of each iPhone was generated by Chinese activity; the remaining value came from components produced by foreign corporations operating in other countries. Thus, in value terms, China's net trade gain was only \$73.45 million. In short, although national accounting implies that China is the big winner and the United States the big loser, in reality the profit generated by the production and sale of iPhones was largely captured by a select few transnational corporations.

Following this, it is apparent that we need to heed the warning that '[s]tandard trade indicators do not take at all into consideration that economies are increasingly interconnected at all stages of the production chain' (Stehrer et al 2013: 2). Instead, '[p]atterns of value added trade in GVCs determine the distribution of actual economic gains from trade between individual economies' (UNCTAD 2013: x). To truly understand how national political economies are integrated into the global economy, and to explain particular trajectories of uneven and combined development and the spatial hierarchies that emanate from this, a GVC perspective must be central to analysis.

The role of TNCs in organising GVCs has been indicated above, but it is important to elaborate on this in more detail. GVCs are typically coordinated and governed by TNCs, with cross-border trade of inputs and outputs taking place within their network of affiliates, contractual partners and arm's-length suppliers (UNCTAD 2013: xxii). Production activities

coordinated by TNCs then account for 'some 80 per cent of global trade' (UNCTAD 2013: xxii). How patterns of trade in value-added cohere is also significantly shaped 'by the investment decisions of TNCs' (UNCTAD 2013: xxii).

It is also important to note the importance of such activity on other types of firms. The development of GVCs 'also encompasses arm's length trade with independent buyers and suppliers... where small and medium-scale (SMEs) are involved in the production of inputs that ultimately reach foreign consumers embodied in final goods and services' (OECD/WTO/UNCTAD 2013: 8). The fact that TNCs dominate the organisation of GVCs means that the 'opportunities for local firms to increase productivity and upgrade to higher value added activities in GVCs depend on the nature of the GVCs in which they operate' (UNCTAD 2013: xxiv). With such emphasis placed on the opportunities presented by GVCs for developmental 'catch-up' and economic success by the likes of the U.N., OECD, and WTO (2013: 20), firms simply have no choice but to participate in the very GVCs which are dominated by TNCs. Whilst there is the opportunity to 'upgrade' within GVCs, it must be stated that historically, processes of 'catch-up' have been 'an exception based on specific historical circumstances (Bieler 2013: 175-7). This is supported by a United Nations Conference on Trade and Development (UNCTAD) study that found 'participating in international production chains' often leaves the host country 'locked into its current structure of comparative advantage... delaying the exploitation of potential comparative advantage in higher-tech stages of production' (cited in Hart-Landsberg 2013: 47).

The primary measure for tracing the coordinating strategies of TNCs is foreign direct investment (FDI). This is a particularly strong measure in relation to understanding the development of GVCs, as evidence demonstrates '[t]he expansion of operations of [TNCs] through foreign direct investment has been a major driver of growth of GVCs, as illustrated

by the close correlation between FDI stocks in countries and their GVC participation' (OECD/WTO/UNCTAD 2013: 9). The coordination and control FDI provides for TNCs is emphasised by the fact that 'FDI, by definition involves the establishment of lasting managerial control, it creates networks of ongoing relationships between parents firms and foreign affiliates and, increasingly, among foreign affiliates' (Bieler 2006: 50). However, it is important to be attentive to the trend that a greater number of activities are being coordinated not through lasting control or mergers and acquisitions via FDI, but through arms-length contracts, or other non-equity mode (NEM) arrangements. As Hart-Landsberg (2013: 18) states, '[f]irms operating under NEM arrangements employed approximately 20 million workers and generated over \$2 trillion in sales in 2010, with contract manufacturing and services outsourcing by far the most important'.

3.4.3. A brief example of European varieties *in* global capitalism in action

Before offering some concluding remarks about the above sections, it might be useful to provide a brief example of the CPE approach applied as it has been developed thus far. As I will outline in greater detail in Part 3 of this thesis a central response by the troika to the eurozone crisis in Greece and Portugal has been to enforce widespread labour cost cutting across both the public and private sectors. Too high unit labour costs have been deemed the central reason why Greece's and Portugal's varieties *in* capitalism have experienced poor export-led growth. As cuts to labour costs are implemented, the theory states that prices should be restored to a level that makes exportable goods and services competitive once more, providing a means by which to pursue new forms of economic growth that will support economic recovery, the paying down of high public and private debt, and ultimately 'exit' from the crisis. However, as Myant (2014) states, '[t]his is an extraordinarily naïve view of

how competition takes place among advanced economies'. It is much more about the nature and quality of products than their prices and this depends on [GVC] structures that have developed over quite long periods of time and that are themselves undergoing continual transformation.

The above passage assists in demonstrating the importance of analysing European varieties *in* capitalism, as the contemporary dynamics of global capitalism create unevenly developed, but combined, spatial hierarchies which either support or inhibit the possibility to pursue a form of export-led economic growth. Had the likes of Greece and Portugal been able to pursue this type of economic growth, in the same way that many northern European states have historically been able to, they *might* have avoided the accumulation of external debt that became a central trigger point for a crisis of confidence following the European-wide response to the North Atlantic Financial Crisis of 2008. Further to this, the above passage highlights that whilst the presence of historical 'backwardness' may present the possibility to rapidly 'catch-up' due to hierarchical capitalist structures 'undergoing continual transformation', this 'backwardness' is more likely to persist due to difficulties faced when attempting to 'upgrade' productive capacities and profiles within GVCs. Whilst this might be due to a number of historical institutional path dependencies that are the focus of the VoC approach, the alternative CPE approach also allows for considering the dominant role of political economic agents governing and restructuring GVCs on a transnational scale, i.e. TNCs.

It is safe to say that there has now been a detailed consideration of some of the main features surrounding the development of global capitalism and its role in the persistence of capitalist diversity. The concepts employed across the alternative CPE 'varieties *in* capitalism' approach have begun to address the need to develop a capitalist theory of institutional

diversity, moving beyond the limitations of the VoC approach and its application to the eurozone crisis discussed in the previous chapter. This is especially through the attention given to inter- and trans-national dynamics of capitalist development and change. However, much of the discussion has thus far focused on the structural features of capitalist development. The remainder of this chapter turns to discuss the central role class agency plays in reconfiguring the uneven and combined development of varieties *in* global capitalism (Jessop 2015a: 67). Again, this will set out a theoretically abstract conceptualisation of class, drawing upon the work of Stuart Hall and E.P. Thompson, before grounding this in struggles over hegemony across European varieties *in* capitalism. I now turn to this task.

3.5. Class struggle and the development of varieties *in* capitalism

To dismiss the role of agency, in shaping the development trajectories of European varieties *in* capitalism, would be to assume that any inherent logic in the structural features of global capitalism unfolds in some pre-determined fashion. The purpose of this section is to draw attention to the central role of agency, specifically the political economic struggle between classes in shaping the historical configurations of national varieties *in* capitalism. The following discussion is in itself important to the development of the alternative historical materialist CPE approach. The foundational definition of capitalism discussed above – drawing attention to the socio-economic division between those who own the means of production and those who only have their labour-power to sell – identifies a historically specific configuration in which both capital and labour need to realise their reproduction through the market. This ever-present foundational condition puts struggle between these two classes central to dynamics of capitalist change as the possible fulfilment of their reproduction, produces contested interests over how to realise this successfully and

sustainably (Robinson 2004: 37). It also addresses a serious lacuna in the VoC approach as it has been applied to the eurozone crisis. Predominantly focusing on the functional adaptation of national political economies to external pressures through the exploitation of institutional complementarities, the call by Hancke, Rhodes, and Thatcher (2007) to focus more on the role of power-dynamics in shaping the trajectories of European varieties of capitalism, has not been heeded. It will be here.

3.5.1. The open-endedness of class struggle

The historical specificity of workers being formally free, though structurally forced to sell their labour-power in order to reproduce their biological and social existence, creates an inherent asymmetry of social power between capital and labour. Given that differing interests are also at play about how to ensure continued social reproduction, and these are rarely in the favour of labour, why have the workers of the world not united around this shared interest to replace it with something else? The simplest way to answer this question is to state that the struggles which various class forces take part in are not purely derived from the objective structural position they find themselves within across the capitalist world system. As Stuart Hall (1977: 55, emphasis added) states, '[t]he idea that, somehow, by employing the term 'mode of production' we can produce *empirically* constituted 'whole classes' at the level of the economic is an untenable proposition'. Instead, this thesis follows E.P. Thompson's understanding of class as a 'historical category' (1978: 147). This highlights the need for conceptual contingency, which can take account of an empirical reality based on how classes *actually struggle*. In other words, 'class is defined by men [sic] as they live their own history, and, in the end, this is its only definition' (Thompson 1978: 146).

The above draws attention to an important methodological point. Simply, we must be wary of privileging theoretical purity, i.e. letting 'the theory take precedence over the evidence which it is intended to theorise' (Thompson 1978: 147). This explains the emphasis placed on how classes 'actually struggle' as 'class-struggle is the prior, as well as the more universal, concept' compared to the concept of 'class' alone (Thompson 1978: 149). Thompson (1978: 149) provides a clear justification for this approach when he states,

classes do not exist as separate entities, look around, find an enemy class, and then start to struggle. On the contrary, people find themselves in a society structured in determined ways, they experience exploitation (or the need to maintain power over those whom they exploit), they identify points of antagonistic interest, they commence to struggle around these issues and in the process of struggling they discover themselves as classes.

In other words, capitalist and labouring classes may be made *in* themselves from the historical specificity of capitalism's foundational division, but it is only through struggle that these classes become *for* themselves in a variety of ways.

The theoretical openness applied to the formation of classes is also applied to the various material, institutional, and ideological pressures which shape these struggles. As Hall states (1977: 56) 'the political, juridical and the ideological also have their own effects. They have their own, determinate, conditions of existence, not reducible to "the economic"' (Hall 1977: 56; Poulantzas 1973). This requires that if we are to realistically grasp the development of national political economies as varieties *in* capitalism analysis, we cannot simply assume that struggles over their configurations correspond to the 'economic base' (Hall 1977: 55). In other words, there is a need to not only account for how economic production is created and contested through class struggle, but also how the reproduction of national political

economies is constituted by political and ideological struggles. Whilst the economic may be the dominant conditioning factor in various instances, what this conceptualisation allows is for this to be judged on an empirical basis not simply assumed.

All of the above 'implies a non-homogeneous conception of classes – including, for example, the non-homogeneity of capital...whose internal composition and differences of position in the circuit ensures that it has no singular, unproblematic 'interest', even at the level of the economic' (Hall 1977: 56; Poulantzas 2000: 127). In other words, '[w]orkers are not homogenous in their experiences of production, in the social struggles they pursue, nor in the identities that they come to form (Fishwish 2014: 120). To support this historically contingent approach to class struggle, it is possible to point to a plethora of historical combinations of different forms of labour and how their position within certain varieties *in* capitalism have shaped contested interests (Taylor 2014: 130). These include, 'nationally oriented social forces, engendered by production processes organized at the national level producing for domestic consumption, and internationally oriented social forces, stemming from national production, which is geared towards export markets' (Bieler 2006: 32); 'transnational social forces of capital and labour, which are potentially in conflict with national capital and labour' (Bieler 2006: 32; Robinson 2004: 49-53); different types of workers within organisations according to whether they are established and in 'career' type positions and trajectories, and those less privileged, who may be on temporary or more flexible contracts; between finance and industrial capital (van der Pijl, 1984: 33); and also between private and public sector workers more generally. In essence then, this section is not about defining the term class. Instead, it is about developing a heuristic approach which can assist in tracing and explaining the dynamics of political economic and social struggle. Due to the focus of this thesis, this struggle is always linked to the ongoing development and transformation of

capitalist social relations, as they have shaped the origins and responses to the eurozone crisis (Fishwick 2014: 120).

3.5.2. Class struggle beyond sites of economic production

Much of what has been discussed in this substantive section concerns the struggles of capital and labour in the workplace, or in other words, around processes of economic production. Whilst this will continue to be an important area of focus throughout this thesis, I now turn to focus on a wider institutional setting, which is also central to constituting the Greece's and Portugal's varieties *in* capitalism. It is theoretically possible to argue that all institutions go into constituting a particular national political economy. Due to the impossible task of adequately incorporating all these various possibilities into a capitalist theory of institutional diversity, it is imperative to select and justify those which are considered the most important to understanding and explaining the development trajectories of national political economies. The selection outlined below is sensitive to Uwe Becker's (2009: 52) statement that '[t]his question has to be decided pragmatically because objective meta-criteria for selecting the most appropriate criteria do not exist'. Ultimately, '[t]he choice depends on what one wants to know'. Whilst approaches across International and Comparative Political Economy select a range of criteria which can differ dramatically (Amable, 2003; Hall and Soskice, 2001; Boyer and Hollingsworth, 1997; Schmidt, 2002), the one thing that all selections share is a focus on a 'macro-societal approach' (Becker, 2009: 53).

For the purposes of this work there are three criteria which will be examined in relation to the development of Greece's and Portugal's varieties *in* capitalism at different stages of this thesis. First, corporate governance, the structure of business relations between firms as well as between industrial and finance capital. Second, the role of the state. And

third, the structure of industrial relations, which includes both the relationship between capital (employers) and labour (primarily trade unions), as well as the role of the state in institutionalisation this interaction (Bieler 2006: 69; Coates 2000: 9-10). This selection relates closely to the historical specificity of the foundational capital-labour relation whilst respecting the diverse socio-economic institutionalisation, and arenas in which it plays out (Becker, 2009: 54).

A further conceptual justification for analysing wider institutional restructuring, whilst also beginning to draw attention to issues of social reproduction, is provided by Kees van der Pijl (1998: 36). He locates three 'terrains on which capitalist discipline is imposed, and where it can and usually will be resisted'. The first is original accumulation where the commodity form central to capitalist accumulation begins the process of becoming generalised. The second, I discussed at length above, is the capitalist economic production process, through which the exploitation of living labour power predominantly takes place. The third is 'the process of social *reproduction* in its entirety, the exploitation of the social and natural substratum, which likewise has to be made subject to the requirements of capital accumulation' (van der Pijl 1998: 36, original emphasis). The 'deep penetration of capital into the latter [third] sphere is the more recent phenomenon' (van der Pijl 1998: 37). Marx (1990: 1034-1038) conceptualised this as '*real* subordination', as even away from the workplace, labour is subject to the commodification of the natural and social substratum which are vital to their reproduction away from the workplace.

Focusing on the dynamics of social reproduction alongside discussions of class struggle highlights how 'the imposition of the discipline of capital inevitably serves the interests of those who are its owners or controllers' (van der Pijl 1998: 37). This, in turn, refers back to the historically specific foundational division between capital and labour as a social relation.

Whilst Bieler (2014: 122-123) states that 'class analysis is frequently criticized for overlooking the struggles over gender, ethnicity, nationalism, the environment, etc' (i.e. social reproduction), he is correct to point that it is 'possible to go beyond an exclusive focus on the struggle between employers and workers at the workplace'. Discussed in some more detail below, it is issues such as the struggle over the possible privatisation of water which can then be incorporated into the alternative Critical Political Economy to studying the development of European varieties *in* capitalism.

The shift towards analysing wider institutional restructuring, particularly in relation to areas vital to social reproduction, serves a further important purpose in this thesis. It provides a basis through which to explore important relationships within the labour movement itself, which is broadly defined in this thesis. Specifically, it serves to explore the relationship between the institutionalised, and historically dominant, representatives of labour, the trade union movement (traditionally concerned with struggles in areas of economic production alone), and 'new social movements'. The latter predominantly emerged in the 1960s, tending to organise struggles around the types of issues that were identified as having been inadequately studied through class analysis.

Conceptually, it is through the work of Nilsen (2009: 112-3) that it is possible to incorporate the role of social movements from below as they usually 'originate as situated responses to particular infringements or constraints upon the development and satisfaction of human needs and capacities'. Further, when contesting constraints placed on the possibility of social reproduction, social movements 'contain the contingent potentiality of expansive development towards more radical and encompassing forms of collective action' (Nilsen 2009: 112-3). This conceptualisation of the formation of social movements is important as the term 'situated responses' echoes the discussion above which focused on the

historically contingent formation of classes as they took part in open-ended struggles. This ensures that we do not automatically narrow the focus and definition of the labour movement and class struggle to privilege the role of trade unions. Further, the argument that social movements also primarily respond to the 'infringement or constraints' of 'the development and satisfaction of human needs', also relates closely to the focus on how capitalist commodification has more recently begun to enclose the sphere of social reproduction such as water and sanitation services.

This section of the chapter has called for class struggle to be central to analysis of the eurozone crisis in Greece and Portugal. Developing the CPE approach in this manner has ensured that I am able to examine struggles in a historically contingent manner. Through this approach it is possible to incorporate the activity of new social movements as strategies unfold against the deepening commodification of economic production and social reproduction. How these strategies unfold, whether they can be based on solidarity with other sections of a broadly defined labour movement (such as trade unions), and whether they are successful in pursuing particular goals, is all then a matter of empirical investigation and re-conceptualisation in the light of findings.

3.5.3. Dominating and disrupting capitalist restructuring

Having provided a heuristic definition of class, and focused on a number of historical configurations and areas of struggle that capital and labour have taken part in, I now turn to discuss the more specific concepts around which these struggles can be analysed within the CPE approach. This discussion will draw upon Antonio Gramsci's (1891-1937) concept of 'hegemony', focusing on how various class forces attempt to become socio-economically dominant (Drahoukopil, van Apeldoorn and Horn 2008: 7-11), and 'disruption', which will

assist to more adequately conceptualise the role of labour in resisting would-be dominant capitalist social relations (Huke, Clua-Losada and Bailey 2015).

To provide a straight-forward definition, hegemony is a process in which a set of particular (class) interests are articulated and justified in a manner which presents them as a general interest for the wider population (Gramsci 1971). Hegemony '*appears*' as an expression of broadly based consent, manifested in the acceptance of ideas and supported by material resources and institutions, which is initially established by social-class forces occupying a leading role within a state, but is then projected outwards' (Morton 2007: 113, emphasis added). Within (neo-)Gramscian theory, the key concept of 'historical bloc' is used to trace the unfolding of contested relationships in the pursuit of hegemony. The formation of historical blocs, and the relationships that constitute them, take place across state-civil society complexes, both domestically and inter-/trans-nationally, and between dominant and working social class forces (Saul 2012: 328). An important aspect in the pursuit of hegemony for classes forming a historical bloc is the manner in which, as ascendancy occurs, there is not only a projection of socio-economic dominance in line with preferred productive and institutional configurations, but also an incorporation of some working class forces to gain their acquiescence (Saul 2012: 328). Within a form of state, whether that be national or European, a historical bloc is more than just a simple political alliance between competing class forces, but is 'rather the integration of a variety of class interests which are propagated throughout society in a way that promotes not just a harmony of political and economic aims, but also a wider cultural and moral unity' (Saul 2012: 328).

The use of hegemony to analyse social class struggle has more recently been critiqued (Huke, Clua-Losada and Bailey 2015). It is argued that neo-Gramscian perspectives within International Relations and International Political Economy tend to analyse 'social struggle

through a focus on elite-level activities, in an attempt to understand the strategies of *domination* being adopted, enacted and/or pursued at any one point in time (Huke, Clua-Losada and Bailey 2015: 3, emphasis added). This is particularly in relation to authors who historically focused on the formation of a 'transnational capitalist class' (TCC) (van Apeldoorn 2002, 2014; Robinson 2004). This has led to a significant proportion of the domination-oriented critical political economy literature, focusing on the possible restructuring of institutional configurations almost exclusively in how they assist securing relations of domination. In the final analysis, 'acts which challenge or contest that domination tend only to be of interest when they show signs of being able to prompt fundamental change to, or reform of, those institutions' (Huke, Clua-Losada and Bailey 2015: 3). Purely focusing on struggles for domination tends to lead to an understanding of particular political economic agents having experienced defeat in some definite sense, i.e. the defeat of labour due to the unfavorable restructuring of industrial relations or wage-bargaining institutions. Whilst focusing analysis on the struggle for deepening and expanding capitalist domination and exploitation (i.e. the pursuit of domination) by itself would not be sufficient (particularly when analysing the varied class responses to the eurozone crisis in Greece's and Portugal's variety *in* capitalism in Part 3), this is not to say that this is not an important process. In other words, this thesis will not be throwing the baby out with the bathwater.

Instead, what is being called for when studying class agency is to complement the above domination-oriented with a disruption-oriented approach. This will assist in analysing how agency from above and below interact with each other and constitute the varied trajectories of political economic development that cohere. An orientation towards disruption means that we should not consider resistance as simply an agency which appears and disappears in large waves of activity and inactivity. Agencies from below, or the situated

responses discussed above, are understood to be ‘continuously in flux: at certain times taking ‘visible’ forms such as mass demonstrations, whilst at other times stemming more from ‘the subterranean, clandestine life’ (Huke, Clua-Losada and Bailey 2015: 7).

Political economic configurations are not considered to primarily be stable patterns of domination brought about by elite-level actors. Instead, the focus moves to ‘the inherent *instability*’ of the outcomes of class struggles, focusing on ‘the disruptive effect such practices always-already have upon *would-be* relations of domination’ (Huke, Clua-Losada and Bailey: 7, emphasis original; Bailey et al 2016; Bailey 2015). Through this complementary approach between domination and disruption, the asymmetrical power relations identified in the core foundation between capital and labour remain of central focus, with political economic outcomes constituted by struggles between historically constituted classes. This avoids privileging the outcomes from the agency of leading political and economic class forces, without negating an understanding of their asymmetrical capacity to shape change. This also avoids obscuring the important ways in which resistance is a continual process which does have a real effect on constituting the trajectory of change pursued.

3.5.4. Dominating and disrupting capitalist restructuring: a brief example

To wrap up this substantive section, focusing on the conceptualisation of class struggle I will try to draw together a number of the conceptual themes with an example which will feature heavily in Part 3 of this thesis. The importance of widening the gaze to class struggle both within and beyond the sites of economic production, is brought into relief when drawing attention to a central part of the conditionality of the memorandums of understanding (MoU) signed between the troika and Greek and Portuguese governments. The MoUs are the central policy mechanism responding to the emergence of the eurozone crisis in Greece and Portugal.

They are considered to include the bulk of the technical ‘fixes’ necessary to support an exit from the crisis.

One key pillar of this response is the privatisation of key public services, including the prospective sale of public water and sanitation companies. Analysing the institutional restructuring enforced during the eurozone crisis as a moment of class struggle will demonstrate the systemic deepening of capitalist domination, moving beyond a purely technical evaluation of the policy intervention. Struggles by capitalist classes to deepen forms of commodification, extending capitalist discipline into sites of social reproduction such as the provision of water and sanitation, highlights the *would-be* relations of domination that are being pursued. To look ahead, concepts focusing on the attempt to deepen capitalist domination are applied to relevant empirical material in section 6.5. of Chapter 6. This will focus on the role of transnational capital, which has now got a long history of supporting the privatisation of water across Europe, especially through the myriad of business associations that represent and lobby their interests throughout supranational European institutions.

Despite the attempt to deepen capitalist domination, a broad coalition of disruptive class forces demonstrate the *inherent instability* of the pursuit of hegemony as they engage in a range of mass-scale and more clandestine forms of resistive political activity. Further, the need to broaden the definition of labour beyond the confined focus on its traditional institutionalised expression (the trade union movement), is brought into relief by the fact that a whole range of civil society actors are a part of the movement against the privatisation of water, historically forming a class both *in* and *for* itself. The struggle against water and sanitation privatisation has included social movements, trade unions, municipalities, academics, and public consumer groups. Further, as they have struggled as a situated disruptive response to the prospect of greater exploitation, they have also explored

possibilities beyond capitalism through the prism of ‘the commons’, as an alternative cooperative configuration of political economic ownership and management. Again, to look forward, the application of concepts focusing on the disruption of would-be relations of deepening domination are applied to empirical material in section 7.5. of Chapter 7. Fundamentally, the application of this conceptual approach towards class struggle will demonstrate how political economic outcomes are not purely the product of leading political and economic class force agencies, but are constituted by the relationship between dominant and disruptive class struggle.

3.6. Methods for studying varieties *in* capitalism

This final section of Chapter 3 aims to briefly outline comparative and interview methods which will support the analytical aim of studying the origins of, and responses to, the eurozone crisis in Greece and Portugal as the development of European varieties *in* capitalism. These methods allow us to fulfil our conceptual aims of exploring the diverse development of the capital-labour relation across various scales, with the scope to take account of the structured agencies that shape these contested trajectories. The combination of the above conceptual discussions with the methods to be discussed below, is considered the overall methodology of this thesis.

3.6.1. Incorporating the comparison of European varieties *in* capitalism

In the previous chapter, it was discussed how authors employing the methodologically nationalist VoC approach had developed a consistent methodology through the use of the ‘comparative method’, particularly a ‘most-similar’ systems research design. I began to demonstrate the inadequacy of this approach by drawing attention to ‘Galton’s problem’. To

recap, Peters (2013: 46) states that Galton's problem is 'an all too common trap for the comparative researcher in political science', as they 'assume that something we call a country is a homogenous unit'. Having gone to great lengths above to demonstrate how the development of a national political economy is both constitutive of, and constituted by, inter- and trans-national capitalist dynamics, I now require an alternative comparative method which can take a final step beyond the methodological nationalism of the VoC approach. In order to do this, McMichael's (1990, 2000) method of 'incorporated comparison' will be employed.

At a fundamental level, an incorporated comparison is attempting to do something quite different to *the* comparative method that was discussed in the last chapter. This difference is generated by divergent aims of employing the method. On one side there are those who aim for 'scientific rigour'. The likes of Skocpol (1984) and Ragin (1987) are identified here, arguing that when the comparative method is guided by certain logic strategies, it 'can approach the scientific rigour of statistical or variable-based inquiry' (McMichael 1990: 385). On the other side, there are those who aim to develop scholarship which is interpretive and holistic (which is not to say that this is not rigorous, it is just so in a different way) (McMichael 1990: 385). Here, the likes of Wallerstein (1974) and Tilly (1984) are identified. They argue, that 'comparison, when it reveals the interconnectedness of social phenomena, can advance the cause of historically grounded social theory' (McMichael 1990: 385). There is an evident affinity in this work with the latter strategy, that of furthering 'the cause of historically grounded social theory' through an incorporated comparative strategy. To highlight the co-constitutive inter-relations of national political economies as varieties *in* capitalism avoids 'the fundamental error of ahistorical social science', which 'is to reify parts

of the totality in [methodologically nationalist] units and then to compare these reified structures' (Wallerstein 1974: 388).

To follow an interpretive strategy addresses 'Galton's problem', as analysis in later parts of this thesis attempt to trace the way in which the development of Greece's and Portugal's national political economies are both constituted by, and constitutive of, the inter- and trans-national dynamics of an uneven and combined global capitalist world system. This avoids the reification of these varieties *in* capitalism, as the method of incorporated comparison does not assume the presence of hermetically sealed national units that can be compared against one another, to discover the causal independent variable that created the political economic effect under study. Further, when examining the role of labour in resisting austerity and restructuring, our analysis does not follow a line of 'methodological individualism' 'that would examine particular social movements according to standard criteria of process, goals, and outcomes' (McMichael 2010: 5). Instead, when using the method of incorporated comparison McMichael (2000: 671; Morton 2011: 245) makes three claims:

First, comparison is not a formal, 'external' procedure in which cases are juxtaposed as separate vehicles of common or contrasting patterns of variation. Rather comparison is 'internal' to historical inquiry, where process-instances are comparable because they are historically connected and mutually conditioning. Second, incorporated comparison does not proceed with an *a priori* conception of the composition and context of the units compared, rather they form in relation to one another and in relation to the whole formed through their inter-relationship. In other words, the whole is not a given, it is self-forming...Third, comparison can be conducted across space and time, separately or together.

In other words, the whole (global capitalism in this thesis) and the diversity that persists within it (European varieties *in* capitalism), are not discovered as something situated

exogenously to one another, *a la* globalisation or the institutions of European monetary union within the VoC approach. Instead, their development trajectories, and social contestation around these, are instead understood and explained 'through analysis of the mutually conditioning parts' (McMichael 1990: 391). The incorporated comparison method avoids the limits of a formal framework, which is the dominant feature of the comparative method, with comparison instead becoming the substance of the analysis (McMichael 1990: 386, 2000: 672).

An incorporated comparison can proceed in two ways. The first is through a 'cross-space' comparison. This 'specifies a single conjuncture as combining particular spatially-located parts of a global configuration (such as an international food order, a debt regime, or the commodity complex of oil, or wheat, or micro-circuitry)' (McMichael 2000: 671). The second is a 'cross-time' comparison. This 'specifies an era as composed of temporally differentiated instances or versions of a world-historical process' (McMichael 2000: 671). It is possible to argue that both forms of analysis need to be employed for the purposes of this thesis. This is because, the specific focus on Greece's and Portugal's national political economies as varieties *in* capitalism places an emphasis on a *cross-space* comparison. At the same time these are combined but unevenly developed 'spatially-located parts' within a *cross-time* comparison of the 'temporally differentiated instances' of the development of global capitalism. For instance, to follow the methodological strategy of an incorporated comparison demonstrates how the proposed sale of public water and sanitation services is not simply a set of nationally tailored policies linked to bailout conditionality. This specific policy response to the eurozone crisis is most importantly a spatial and temporal component of a neoliberal regime of privatisation that is deepening the commodification of social reproduction as transnational capital, in particular, seeks new opportunities for investment

and profit-making in Greece and Portugal. Concomitantly, incorporating the comparison of resistance to privatisation demonstrates that whilst struggles in Greece and Portugal have their own particular 'meaning, form, and dynamics', each also fundamentally shares in resisting 'the exclusionary force of multi-faceted forms of neo-liberal development' which are being proposed (McMichael 2010: 5). In short, whilst we are comparing specific struggles over national trajectories of development, we are at all times embedding and internally relating these within the wider struggles contesting the possible privatisation of essential public services as part of the 'historically integrated process' of global capitalist restructuring (Morton 2011: 245).

3.6.2. The extended case-study method

An incorporated comparison is the primary *strategy* through which to develop an explanation of political economic change. The extended case-study method provides the formal *technique* through which empirical data will be collected to support the development of interpretive explanations. To ensure that there is a consistency between the use of an incorporated comparison strategy and the development of in-depth case study research, it is vital to ensure that 'we make each case work in its connection to other cases' (Burawoy 1998: 19).

For this work the *scope* of the 'case study is an empirical inquiry that investigates a contemporary phenomenon (the "case") in depth and within its real-world context' (Yin 2014: 16). The primary *feature* of the case-study method employed 'benefits from the prior development of theoretical propositions to guide data collection and analysis' (Yin 2014: 17). This prior theoretical development allows for the bounded focus on the institutional constellation of national political economies outlined above, as these institutions are considered to be the most fundamental to the dynamics of capitalism, and how national

political economies are configured. This theoretical strategy follows the varieties of capitalism approach in seeking, as Collier (1993: 113) and Lijphart (1971: 690) suggest, a reduction in the analytical space which is deemed relevant to the study. However, this move is made by the varieties of capitalism approach in order to make causal claims derived from its methodological nationalism about analytically sealed national political economies. What is required of this study is to recognise that a focus on the various global and European factors that constitute national political economies also provides a theoretical parsimony *extended* beyond territorial borders. This is deemed to be vital in providing consistency with the aim of pursuing a transnational methodology.

Making use of case studies in the above manner pursues an 'explanation building' analytical technique (Yin 2014: 146-150), or what otherwise might be classified as process-tracing (Beach, et al. 2013; Checkel 2005; Bennett & Elman 2007). At a basic level 'the goal is to analyse the case study data by building an explanation about the case' (Yin 2014: 146). To explain a phenomenon 'is to stipulate a presumed set of causal links about it, or "how" and "why" something happened (Yin 2014: 147). However, these links will always be complex in political economic phenomenon, almost always a product of 'multiple conjunctural causation' (Ragin 1987, 2004: 134; Clift 2014: 297), and 'difficult to measure in any precise manner' (Yin 2014: 147). Due to such complexity, the explanation of particular cases, and in this work their incorporated relationship, regularly 'occurs in narrative form' (Yin 2014: 147). However, 'because such narratives cannot be precise, the better case studies are the ones in which the explanations reflect some theoretically significant propositions, whose magnitudes might start to offset the lack of precision' (Yin 2014: 147). In order for this interpretive technique to be analytically rigorous, the eventual explanation is likely to be 'a result of a series of iterations' (Yin 2014: 149). This results in a 'second stage of research where either a deductive

or inductive path can be chosen, informed by the results of the first empirical analysis' (Beach, et al 2013: 19-20). If, on the one hand, the analysis goes through another round of deduction, 'alternative theories must be tested to see whether they provide a sufficient explanation' (Beach, et al 2013: 20). If, on the other hand, induction is the path taken, this will use 'empirical evidence to build a better explanation' (Beach, et al 2013: 20). This does raise the question of when to stop this process, assessing the explanation to be sufficient. Unfortunately, however, there is no definitive answer to such a question. Instead,

the decision that we have a minimally sufficient explanation is based on an assessment of whether all of the relevant facets of the outcome[s] have been accounted for adequately while ensuring that the evidence is best explained by the developed explanation instead of plausible alternative explanations (Beach, et al 2013: 20-21).

Whilst difficulties may persist in making judgements of sufficiency, the logic of explanation building outlined here does provide a means by which to adequately pursue a theoretically informed interpretive causal explanation when analysing political economic change.

What is now important for the purposes of this work is to outline what type of empirical sources will be used, and why these are important in developing the explanations to follow in subsequent chapters. The selection of areas which are of substantive focus follows the strategy of 'post holing' (Sennett 2002). This is a strategy which allows us 'to depict the sweep of historical forces and at the same time some of the richness of detail which comes from delving into a specific moment' (Sennett 2002: 42). Post holing assists in an attempt to understand the development of Greece and Portugal's national political economies within global capitalism by delving into specific moments which must be considered of more importance than other relevant areas for understanding and explaining the trajectory that

unfolds. In other words, post holing avoids getting swept up in grand generalisations that cannot identify moments important to each distinct case. This is whilst also not allowing our focus to go in the other direction by focusing too closely on the minutiae of individual cases which would lose sight to some of the general features important to both.

A central aspect of the analysis to follow in subsequent chapters is to analyse Greece and Portugal's integration into the political economic structures of global capitalism and European integration as the transnationalisation of production and finance has taken place. The data required for this will be primarily sourced from Eurostat, OECD Data, IMF Statistics, and the databases of respective finance ministries. Secondary sources from relevant academic literatures can also support this process. This analysis will focus on how production structures have been integrated into transnational circuits of capital. As detailed at length earlier, this is best achieved by focusing on the dominant form that these circuits have reconfigured into, i.e. global value chains dominated by transnational corporations. Analysing the governance and structure of these chains can assist in identifying how particular political economic interests shape their (re-)configuration, and the economic trajectories of national development that cohere. Specific sources of data beyond the ones mentioned above are available for this work. This includes the United Nations Conference on Trade and Development which produces annual reviews of world investment patterns and particular country reports (UNCTAD 2012, 2013a; OECD 1994a, 1994b); a joint initiative by the OECD, UNCTAD and WTO which specifically focuses on the development of global value chains (UNCTAD 2013b; OECD/WTO 2013a, 2013b; OECD/WTO/UNCTAD 2013; OECD 2013a, 2013b); and policy papers from the European Commission which provides much of the political justification for how and why European varieties *in* capitalism should seek integration into various value chains (European Commission 2013). National institutions, particularly finance

ministries, are also an important source of information on this front. A new set of institutions have been created, primarily to act as 'shop-windows' for potential foreign investors, e.g. Enterprise Greece and aicep Portugal Global. These tend to outline the credentials of a particular national political economy, why it is a suitable location for investment, and success integrating global value chains into already existing national production structures.

The second central aspect of the analysis to follow focuses on the institutional configurations of Greece's and Portugal's national political economies. As discussed above, this includes analysing (1) the structure of business relations between firms as well as between industrial and finance capital, sometimes also called the system of economic governance; (2) the role of the state; and (3) the structure of industrial relations and here especially the interaction between employers and trade unions, but also the state (Bieler, 2006: 69; Coates, 2000: 9-10). Analysis into the changing institutional configurations of national political economies will focus on two things. First, there is a need to analyse *what* formal changes occur to these institutions. Second, focusing on the *how* and *why* of these formal changes occur, there will be an analysis of the interaction between various class forces and how these social relations create a shifting asymmetrical balance of power across state/society complexes, and the effect this has on political economic agents capability to pursue their interests. As this second area of analysis is the predominant focus of analysis in Part 3 of the thesis, the arguments developed will draw heavily upon primary data generated by fieldwork trips to Greece and Portugal in the first half of 2015. During this period, I interviewed a range of individuals actively participating in social struggles over the response to the eurozone crisis. Greater detail of this activity, and how the data is used in the thesis is provided in the next sub-section, which is what the discussion will now turn to focus on.

3.6.3. Bringing social contestation into being through semi-structured interviews¹

The other dominant method that will be employed in this thesis is semi-structured interviews. The data generated will primarily be applied to the analysis of Part 3, although where relevant it will also support the historical analysis of Part 2. Semi-structured interviews provide integral data to analyse the specific dynamics of struggle related to austerity and restructuring within Greece and Portugal, whilst also supporting the use of the alternative comparative strategy as these specific relations of domination and disruption are incorporated as constitutive of and constituted by the development of the historically integrated whole of European integration and global capitalism. Further, in order to support the iterative approach to developing theoretically informed empirical explanation outlined above, the data gathered from interviews is complemented by the use of other primary and secondary documentary sources, which are discussed below. This ensures that the validity of data generated from interviews is cross-checked with responses from other interviewees as well as the consultation of further primary and secondary sources.

Commonly, there are two alternative perspectives outlining what conducting interviews are for. The first is called the 'miner metaphor' as 'knowledge is understood as buried metal and the interviewer is a miner who unearths the valuable metal...the knowledge is waiting in the subject's interior to be uncovered, uncontaminated by the miner' (Kvale 1996: 3). The second perspective, followed in this thesis, is called the 'traveller metaphor', which 'falls within the constructivist research model in which knowledge is not given but is created and negotiated' (Legard, et al. 2003: 139). The traveller 'asks questions that lead the

¹ This idea has been adapted from a presentation given by Ian Bruff in 2013 at the '[Gramsci and Political Economy Today](#)' workshop organised by the School of Politics and International Relations, University of Nottingham.

subjects to tell their own stories of their lived world, and converses with them in the original Latin meaning of *conversation* as 'wandering together with' (Kvale 1996: 4, original emphasis). In short the interview itself is not 'simply a stimulus to reveal the true state of the interviewee but an intervention into her life' (Burawoy 1998: 14). This creates a situation in which the 'researcher is thus an active player in the development of data and meaning' (Legard, et al. 2003: 139). It is this approach which is employed below.

Making use of such a constructivist approach it is clear that in-depth semi-structured interviews lack the epistemological means to objectively 'observe' and collect meaning from the interviewee. This is because knowledge of a social phenomenon is partially 'created within the unique situation of the interview' (Legard, et al. 2003: 139). This has led some to be concerned 'about the stability and validity of interview data' (Legard, et al. 2003: 139). Instead of viewing this construction of interview data as a problem, this is considered the very strength of the data produced, providing the main justification for its use instead of structured interviews or surveys. As Burawoy (1998: 14) states, 'intervention is not only an unavoidable part of social research but a virtue to be exploited'. Following such a strategy provides an opportunity for the researcher to actively bring divergent political economic views into the interview setting. This ensures interviewees are confronted with questions that bring the dynamics of political contestation, around class struggle in this work, into being. The interviews can then generate a richness of data that closely correlates to the contested relations unfolding in each location. Generating such data would be unlikely through the use of purely structured interviews, or by conducting survey analysis, as these do not provide the opportunity to adapt questioning or pick-up on new themes that emerge during the interview itself.

This approach to conducting semi-structured interviews provides a means by which to leverage the *situated responses* of various social actors, and understand the dynamics shaping contested relationships over trajectories of economic development that cohere over time and across space. In other words, the strength of this approach ensures that once data from contested 'situated responses' is collected, it allows for contradictory and divergent views to be aggregated. In turn, this provides an opportunity to evaluate and explain whether and why struggles over forms of austerity and restructuring are leading to a continuation of historical forms of development, or to discontinuous transformations as novel forms of development cohere.

The selection of research participants was conducted in line with the conceptual framework outlined above. Specifically, this meant that selection ensured interviews brought the dynamics of class contestation around capitalist restructuring into being. The most appropriate means by which to achieve this was to focus on the primary representatives of capital and labour. These included business associations (overarching national associations, and specific sectoral/regional associations), political parties (both in government and opposition), trade unions (national confederations, sectoral or regional federations, and single trade unions), and social movements (that tend to be issue specific). University academics and journalists were also interviewed. To supplement interview data, further primary data has been drawn from documents and web pages published by the types of institutions outlined.

To fulfil the aim of ensuring that data generated from the situated responses of the interviewees provides an opportunity to evaluate and explain the cohering of (dis-)continuous forms of economic development, the analysis of transcripts focused on mapping emerging themes related to the political principles and practices of class struggle. For instance, in

disrupting the implementation of austerity, a number of trade union and social movement activists cited the political principle of solidarity as conditioning their political ideas, practices, and mobilisations. Once responses based on solidarity are aggregated and brought into relation to their dominant opposition – the political actors, principles and practices of ‘expansionary austerity’ – it is possible to evaluate to what degree and why disruptive responses related to solidarity are having an effect, or not, on the trajectory of development in Greece, Portugal and the wider European political economy during, and possibly beyond, the eurozone crisis. The thematic analysis of transcripts was conducted manually, without the use of computer software such as NVivo.

Whilst 66 interviews were conducted, not all participants have been cited in the analysis to follow. This is for two reasons in particular. First, a number of academics interviewed have subsequently published relevant material that can act as a secondary source. These publications are generally a more systematic and formal representation of the arguments they put forward during interviews, so this material has been given precedence over the primary data I gathered. Second, some of the interviews conducted with class forces focuses on areas of austerity and restructuring that did not gain prominence in the final analysis compared to others. For instance, when focusing on the privatisation programmes of the MoUs, sectors related to the ‘commons’ such as water (Interviews 4, 20, 21, 22, 23, 24, 26, 42, 44, 54, 63) became prominent in this thesis, whilst other sectors such as ports (Interviews 18, 19) and airlines (Interview 61) did not. These two points largely explain the prominence of certain interviews and the data generated from these when compared to others. However, it must be stressed that even interviews and data not directly cited in the following analysis has still been vital to developing the arguments presented. The diverse set

of interviews conducted have assisted in ensuring a societal wide context against which to analyse the responses to the eurozone crisis in Greece and Portugal.

All interviews conducted were recorded on a Dictaphone and then later transcribed in full. I do not have any proficiency in the Greek or Portuguese languages beyond a very basic level. When conducting interviews this only presented a problem on two occasions. I was aware of this as a problem whilst organising the two interviews, overcome on each occasion by the participant's organisation providing a translator. On both occasions the translator was a member of staff with a close working knowledge of the topics being discussed. All other interviews were conducted in the English language. Participants were provided with the right to remain anonymous, even where direct quotes are used. The majority of participants waived anonymity verbally whilst being recorded. For consistency the participant's organisational title has been used to attribute (in-)direct quotes. Where anonymity was not verbally waived, I have used organisational titles that refer to the participant in a manner which cannot be directly attributable to any one individual, e.g. 'government minister', as opposed to identifying the specific ministerial role they held at the time of the interview.

This section has detailed the methods to be applied to empirical analysis in this thesis. Being consistent with the analytical and conceptual aims of the CPE varieties *in* capitalism approach developed in detail above, I can now move onto to apply this overall methodology to analysing the origins of, and responses to, the eurozone crisis in Greece and Portugal.

3.7. Conclusion

The fundamental aim of this chapter was to retain the key *analytical* focus on the role of capitalist diversity in shaping the origins of, and responses to, the eurozone crisis in Greece and Portugal central to the VoC approach. It has been argued throughout that do to this

adequately – i.e. in a manner that developed a suitable alternative Critical Political Economy perspective – it was necessary to shift the *conceptual* focus towards a capitalist theory of institutional diversity, away from the institutionalist theory of capitalist diversity discussed in Chapter 2. One integral part of fulfilling the fundamental aim was to adequately incorporate inter- and trans-national scales of sociological and political economic effect. Another was to focus on the role of contingent class struggle in contesting the development and change of national political economies. The primary conceptual aims of the chapter have been fulfilled. Starting from the foundation of the capital-labour relation, through to the inclusion of uneven and combined development and global value chains, and then the role of class struggle in pursuing domination and disruption, an alternative CPE approach to studying the development of Greece's and Portugal's political economies as always and already European Varieties *in* Capitalism approach is now complete. Supporting this endeavour was the discussion surrounding methods, with the use of alternative incorporated comparison and semi-structured interview methods outlined and justified.

Before turning to apply this alternative Critical Political Economy approach to the study of the eurozone crisis in Greece and Portugal an important point must be made about this imminent prospect. Primarily due to space constraints, at particular stages of the analysis conducted across Parts II and III the application of certain concepts developed here will take precedence over others. In other words, the Varieties *in* Capitalism approach developed above will not be equally deployed at all stages of the analysis to follow. Let me provide a couple of examples to demonstrate my point. In Part 2, there will be a significant focus on the (non-)integration of Greece's and Portugal's industrial production structures into their relevant value chains of global capitalism. The manner in which these industrial GVCs have been transnationally configured and governed by TNCs will be argued to have been an

important process through which to explain the origins of the eurozone crisis. However, due to the much shorter time frame Part 3 focuses on, and the time it takes to configure such global value chains, processes of (non-)integration are not a central focus of analysing the response to the crisis as other restructuring initiatives take precedence. In reverse, the restructuring of industrial relations is a central pillar of the response to the eurozone crisis in Greece and Portugal, featuring heavily in Part 3. However, once instituted in the post-dictatorship period, there is a historical continuity of this configuration which does not warrant systematic analysis in Part 2. It is not to say that the effect that industrial relations and labour have on trajectories of development will be ignored, but that other elements of the CPE approach are more central – such as restructuring to the role of the state and corporate governance – to the task of understanding and explaining the origins of the eurozone crisis in Greece and Portugal. On this important caveat, it is now time to turn to Part 2 of this thesis where I will begin to apply the alternative CPE approach to studying European varieties *in* capitalism.

PART 2

Capitalist Diversity and the Origins of the Eurozone

Crisis in Greece and Portugal (1985-2009)

4. Transnational Restructuring and Supranational Integration in the Post-Dictatorship Era

4.1. Introduction

In May 2010, the Greek government requested financial assistance from European partners and the International Monetary Fund (IMF) to the tune of €110 billion. This assistance failed to calm speculation surrounding the sustainability of the external debt that a number of ‘peripheral’ eurozone states had accumulated, and in April 2011 the Portuguese government also requested assistance from the same partners, receiving €78 billion. Over the previous two years, transnational financial markets had ramped up the pressure on governments of Europe’s periphery through the ever increasing cost to re-finance public debt. Portugal’s bailout came at a stage of the eurozone crisis when instability had become entrenched, and the collapse of the single currency seemed a real possibility.

Part 2 of this thesis has two purposes. The first purpose is to explain how and why the eurozone crisis developed in Greece’s and Portugal’s varieties *in* capitalism, forcing both to seek the aforementioned assistance. This is fulfilled over the following two chapters. Chapter 4 analyses the political economy dynamics of capitalist restructuring and supranational integration that became a dominant feature of development during the post-dictatorship period. It will be argued that these reconfigurations of Greece’s and Portugal’s varieties *in* capitalism play an important role in explaining the origins of the eurozone crisis. I then turn in Chapter 5 to examine economic competitiveness and performance across these two varieties *in* capitalism, and explain how the dynamics of restructuring and integration

analysed below shaped such trajectories towards the eurozone crisis. This will particularly focus on the types of economic growth which cohered and became dominant during the 1990s and 2000s. Whilst the following analysis is important in itself, beginning to apply the Critical Political Economy approach of Part 1, it also provides an important historical foundation from which to analyse contemporary 'in crisis' responses in Part 3, which is the second purpose of Part 2 of this thesis.

In pursuing the two purposes outlined above, Part 2 also supports the aims of Part 1. To recount, Part 1 was concerned with critiquing the analytical limitations of applying the VoC approach. This critique was particularly targeted at its methodological nationalism when applied to analysing the origins of, and responses to, the eurozone crisis. The limitations exhibited by the VoC approach were then addressed by developing an alternative, historical materialist, Critical Political Economy *Varieties in Capitalism* approach in Chapter 3. This alternative rests upon analysing the relationship between capital and labour as the historically specific foundation of capitalist development. Further, it went on to analyse the role diversity plays across various political economic scales in shaping trajectories of capitalist development, change and contestation. This was achieved through a focus on the uneven and combined development of the global capitalist system. Where analytical affinities remain between the critiqued *Varieties of Capitalism* approach and the alternative *Varieties in Capitalism* approach, it must be clearly restated that these are guided by a capitalist theory of institutional diversity, not an institutionalist theory of capitalist diversity.

Section 4.2. will analyse how a new hegemonic project cohered in Greece and Portugal in the post-dictatorship period, fundamentally shaping economic development trajectories throughout the 1980s and 1990s. This project rested on pursuing a deepening integration with both the structures of global capitalism and the supranational European integration

project. Forged under a competitive ‘whip of external necessity’ emanating from the more ‘advanced’ capitalist states of western and northern Europe, the project aimed to catch-up with these ‘core’ national political economies to become both more ‘modern’ and ‘European’. Sections 4.3. and 4.4. focus on how the hegemonic development project which cohered during the late 1980s and early 1990s, fed into the restructuring of each variety *in* capitalism. In 4.3. analysis will focus on the transnational (non-)integration of each national political economy into industrial global value chains, and the role of foreign direct investment in shaping these. Section 4.4. focuses on restructuring to institutional configurations of each variety *in* capitalism, particularly the transnationalisation of financial banking sectors.

Over the course of the next two chapters the following argument will be central: whilst attempting to pursue developmental ‘catch-up’ and convergence as a more ‘modern’ and ‘European’ variety *in* capitalism, the trans- and supra-national neoliberal restructuring pursued by *would-be* hegemonic class forces in Greece and Portugal actually laid the foundation for asymmetrical economic growth trajectories, which are central to explaining the origins of the eurozone crisis in these two national political economies. In other words, the capitalist diversity of Europe’s political economy that shaped the ascendant hegemonic project of ‘catch-up’ and convergence in Greece and Portugal directly contributed to the coherence of new forms of hierarchy, asymmetry, and divergence across Europe’s political economy. These forms of hierarchy, asymmetry, and divergence lay at the heart of a crisis with disintegrative potential. I now turn to pursuing this line of argument in more detail.

4.2. Hegemony and hierarchy in the post-dictatorship era

The focus of this substantive section is two-fold. First, I will briefly outline the hegemonic ascendancy of the supranational integration project and the transnationalising capitalist

project within a European context. Second, I analyse how these ascendant projects were internalised within Greece's and Portugal's varieties *in* capitalism, and framed through the desire to pursue more 'modern' and 'European' forms of capitalist development, overcoming historical forms of 'backwardness' and hierarchy that had persisted within Europe's political economy. This particular framing of the potential of transnational restructuring and supranational integration trajectories attempted to attain a generalised consensual basis for what ultimately supported a particular set of class interests. Whilst not achieving wholesale support for European integration and transnational restructuring, particularly as organised labour was keen to ensure gains made in the post-dictatorship era were not diluted, leading political class forces closely aligned with would-be transnational capital did achieve at least an acquiescence to the ideas of this project. This was then supported by the material resources and institutions of capital and the state.

4.2.1. Pursuing a 'modern' 'European' future in Greece and Portugal

From the perspective of leading class forces within Greece's and Portugal's varieties *in* capitalism in the post-dictatorship era, the substance of a hegemonic project pursuing a 'modern' and 'European' future can be closely aligned with a definition put forward by Featherstone and Kazamias (2001). They state, '[i]n the modern period, Europeanisation has usually meant adaptation to (west) European norms and practices... 'modernisation' was often defined as *west* Europeanisation' (Featherstone and Kazamias 2001: 4, emphasis original). There are some important differences in the manner that concepts such as 'Europeanisation' and 'modernisation' are deployed in Part 2 of this thesis. For instance, Featherstone and Kazamias (2001: 6) primarily focus on '[t]he increase and expansion of institutionalisation at the European Union (EU) level', or '[t]he adjustment evident in the

institutional setting...at the level of member states'. Instead, as discussed at length above, I shift the focus to the way in which political economic processes of 'Europeanisation' are linked to capitalist development, change and contestation.

It was not only within Greece's and Portugal's varieties *in* capitalism that restructuring of political economic activity was being pursued. The renewal of the European integration project in the 1980s is a clear example of dominant class forces, particularly those related to capitalist interests, attempting to pursue a position of hegemony at a transnational scale. It is important I discuss this very briefly as it provides a basic overview of the context in which Greek and Portuguese class forces were struggling.

The renewal of European integration at a supranational scale was a project which provided a political economic unity to the perceived superiority of transnational and neoliberal(ising) trajectories of capitalist development (van Apeldoorn 2002; Bieler 2006; Jessop 2014c: 55). Despite a growing coherence emerging around the European integration project explicitly aiming at the convergence of development trajectories amongst its constituent member states the dialectical contradictions of uneven capitalist development meant that deepening combination of European varieties *in* capitalism imparted 'differential imperatives and unequal advantages upon EU members' (Sandbeck and Schneider 2013: 14). For instance, class forces providing the dominant direction to the EU's development – primarily deriving from the northern 'core' nations of the EU – presented renewed European integration, particularly economic and monetary union (EMU), as a universally applicable model of development that could ensure sustainable socio-economic convergence across Europe (Jessop 2014b: 253). However, in line with the interests of leading capitalist class forces within the emerging historical bloc, there was less concern 'with smoothing over economic unevenness and more with enhancing profitability', by increasingly engaging in

transnational forms of capitalist accumulation through mechanisms such as ‘reducing transaction costs, eliminating tariffs, promoting capital mobility and placing pressure on rising labour costs’ (Sandbeck and Schneider 2013: 14). This primarily took the form of promoting a neo-mercantilist export-oriented *das Modell Deutschland* as ‘the euro would be a weaker currency than the DM [Deutsche mark] on its own and thereby enhance the competitiveness of French and German industrial capital, especially when reinforced by direct wage restraint, a reduced social wage and lowered domestic consumption’ (Jessop 2014b: 253, 2012: 103-105)

Within the generalised context outlined above, the transnationalising European integration project was explicitly regarded as an opportunity by leading class forces in ‘peripheral’ states such as Greece and Portugal. It provided the contents of a ‘modern’ development project – i.e. converging upon an ‘advanced’ form of capitalist development away from more ‘traditional’ forms (Rostow 1990: 4-11). This would allow them to both respond to the ‘whip of external necessity’ emanating from more ‘advanced’ western and northern European states as the project deepened. It was also considered possible to do so without having to reinvent the material, institutional, and ideational tools as they combined a particular national political economy to the ascending supranational European project. In other words, the institutional restructuring which came with European integration ascended to provide an ideological moral unity for the future economic development of Greece’s and Portugal’s varieties in capitalism, with the mantra ‘there is no alternative’ to a European future’ becoming hegemonic (Corkill 1999: 30; Seabra 2003: 355). The strength of this thinking, concerning the future development trajectories of Greece’s and Portugal’s varieties

in capitalism, is no better outlined than by Mario Soares¹ (2012) who in 1986 – the year Portugal acceded to the European Economic Community – stated,

Acceding to the EEC means making a fundamental choice for a progressive and modern future. But let no one believe that it is a choice made for the sake of convenience. It will make heavy demands on the Portuguese, while at the same time opening up completely new prospects for development to them.

These ‘completely new prospects for development’, mentioned by Soares, were considered to provide an opportunity to narrow ‘the gap which still separates us from the more developed European countries’, so as to create ‘for the Portuguese people genuinely European patterns of life and welfare’ (Soares 2012). Whilst the words of Mario Soares are related to Portugal, leading class forces in Greece shared such an outlook. Costas Simitis,² for instance, stated that the European integration project provided the ‘strongest lever for our exit from a reality of economic and social retardation’ (cited in Featherstone and Papadimitriou 2008: 190). Further to these quotes there is a large body of literature which supports the argument that this development project had become ascendant across these two political economies (Corkill 1999; Featherstone and Kazamias 2001a; Featherstone and Papadimitriou 2008; Giannitsis and Kastelli 2014; Gibson 2001a; Lavdas 1997; Magone 2001; Pagoulatos 2003; Seabra 2003; Ioakimidis 2001; Magone 2000).³

¹ Who was at the time of the preceding quote in 1986 the President of Portugal, and had previously been Prime Minister when leader of the Socialists in the late 1970s and early 1980s.

² Throughout the 1980s and 1990s Costas Simitis held five different ministerial posts under multiple PASOK governments. He was Prime Minister of Greece between the years 1996-2004.

³ This is the case even though it must be recognised that different temporal rhythms about this ascendancy are evident.

The leading Greek and Portuguese class forces in support of European integration and transnational restructuring felt that these initiatives could answer the competitive external 'whip of necessity' emanating from Europe. The ability to achieve this was specifically premised on two dominant principles. The first was the need to deepen and upgrade the export-oriented industrial productive capacity of Greece's and Portugal's political economies. Due to the uneven development of industrialisation across Europe, it was considered that in this area especially a 'privilege of backwardness' could be exploited. In order to overcome historical forms of 'backwardness', i.e. moving from low value-added industrial activity to high value-added, new forms of transnational restructuring and development would be required. The attraction of foreign direct investment from transnational corporations was targeted as the main mechanism by which to achieve this as TNCs were 'perceived to have access to investment capital, be more productive and pursue export-oriented strategies' (Corkill 1999: 77). The second area focused on streamlining the role of the state away from its pervasive position across economic activity, particularly through privatisation. In short, a wholesale neoliberal restructuring to both Greece's and Portugal's varieties *in* capitalism was called for. This proposed restructuring, to be analysed below, fits within van der Pijl's (1998: 36) second terrain on which capitalist discipline is imposed, where there is an expansion of 'the capitalist production process' through the deepening 'exploitation of living labour power'.

4.2.2. 'Yes, but...': labour's hesitant response to an ascendant project

The role of labour was important in facilitating this project. This was through both its shifting relationship with capital, and through the internal politics of the labour movement itself. Within Portugal, it was only amongst the Communist Party (PCP) backed General Confederation of Portuguese Trade Unions (CGTP), where this ascendant hegemonic project

was openly questioned, both in application to Portugal's variety *in* capitalism, and the wider European political economy. CGTP argued that European integration and global(ising) capitalism would initiate a reversal of labour's working and welfare gains made during the Carnation Revolution (1974-76). Despite being the primary trade union confederation with a large membership, CGTP struggled to mount effective opposition against the project of leading class forces.

The lack of effective opposition was primarily due to the inter-war authoritarian *Estado Novo* (1933-1974) leadership creating a corporatist regime of industrial relations. Historically, this was an attempt to ensure that a 'harmony of class interests was to take the place of class conflict' through the institutionalisation of 'collaboration between capital and labour' (Chilcote 2010: 33). This saw the introduction of '*sindicatos* (syndicates) for the labour force and *gremios* (guilds) for employers' (Corkill 1999: 13). Whilst presented as the formal manner in which the harmony of class interests could be facilitated, '[i]n reality, however, labour suffered and capital clearly benefited' (Chilcote 2010: 33). This power asymmetry within Portugal's political economy was compounded by labour being organised by occupation, not sector, resulting in it becoming a 'politically impotent outsider' (Williamson 1985: 118; Karamessini 2008: 513-4). Whilst this institutional configuration of industrial relations allowed for the rapid political enfranchisement of labour during the Carnation Revolution, and into the post-dictatorship period, it also ensured that class cooperation remained a central aim. This was particularly as a second labour confederation emerged, UGT (General Union of Workers), in 1978, which was, and continues to be, closely linked to the ideological preferences of the historically dominant political electoral force in Portuguese society, the Socialist Party (PS).

Whilst also not being flag-bearers for the European integration project, the institutionalised Greek labour movement did at least acquiesce to it as the Military Junta (1967-74) fell and the democratically elected New Democracy Conservative government re-initiated accession processes to the European Community (Josselin 2001). However, the idea that European integration provided the 'strongest lever' to exit 'economic and social retardation' gained wider ideological acceptance into the 1990s. This was especially as establishing the supranational single currency gained traction (Karamessini 2012: 160). This position was similar across both the main private-sector confederation, GSEE (General Confederation of Greek Workers), and the main public sector confederation, ADEDY (Civil Servants' Confederation).

Restructuring to industrial relations and the internal political machinations of the institutionalised labour movement were again central to this acquiescence. After the fall of the Military Junta in the mid-1970s, and throughout the 1980s, industrial relations took on a conflictual character across Greece's variety *in* capitalism. Karamessini (2012: 160) argues that heavy state intervention predominantly drove this conflict. A shift occurred in 1990, weakening state intervention as 'the system of automatic indexation of wages to inflation was abolished, while a new law on 'free collective bargaining' changed structure and replaced state-controlled compulsory arbitration...by independent third-party mediation and arbitration' (Karamessini 2012: 160). The new institutions introduced to support this included the Economic and Social Council (OKE), the National Committee on Dialogue for Employment and the National Committee on Dialogue for Social Protection. The objective of these 'was to promote social dialogue and a partnership approach at national level' (Koukiadaki and Kokkinou 2016: 208).

Whilst coming later than in Portugal due to the resilience of a socialist-oriented PASOK, the ascendancy of neoliberal political class forces in the 1990s was central to shifting the majority of trade unionists towards a social-partnership approach to industrial relations (Karamessini 2012: 160). Compounding this trend was the similar way in which Communist-affiliated union blocs lost influence over the Greek labour movement, even leftist factions, as had occurred in Portugal through the emergence of UGT. Essentially, and in a somewhat simplified summary, over the long term both the Portuguese and Greek institutionalised labour movements reflected what Ryner (2016: 127) labels a 'yes, but' position on the question of supporting, or at least acquiescing to, the ascendant European integration and global restructuring development project from the mid-1980s onwards.

This section has briefly analysed the ascendancy of a neoliberal European integration and transnational capitalist hegemonic project across Europe. I have focused on how this was internalised by leading political and economic class forces as a means by which to pursue a development trajectory towards a 'European' and 'modern' future in Greece's and Portugal's varieties *in* capitalism. Further, there was a focus on how the labour movements of each variety *in* capitalism played a central role in facilitating this ascendancy as this project gained in moral and ideological status. This discussion relates directly back to the conceptual discussion in section 3.5. of the previous chapter. I now turn to analysing the particular historical restructuring that took place. Throughout all proceeding sections, the alternative method of comparison will be central to analysis as I compare *particular* instances of capitalist development, incorporated within, and related to, the *general* dynamics of global capitalism and European integration.

4.3. The (non-)upgrading of industrial production structures

The purpose of the remaining substantive sections of this chapter is to analyse the various ways in which leading class forces across Greece and Portugal attempted to secure the 'modern' 'European' future that had become the consensual foundation of an ascendant neoliberal hegemonic project across Europe. The proceeding discussions will make an important contribution to developing a capitalist theory of productive and institutional diversity, and how this has shaped the origins of the crisis in these two political economies. The analysis will draw attention to a number of path dependencies that are a central feature of VoC approach analysis. However, the alternative CPE approach will be able to do much more than this, by also being capable of accounting for a number of transformations that took place to each variety *in* capitalism, and explain why the diversity exhibited across various scales of global capitalist development played an integral role in the trajectories towards crisis. In this substantive section I will focus on the attempt to upgrade industrial production structures that aimed to develop a greater capacity to pursue export-led economic growth. First, I turn to examining the various policy initiatives implemented to support this.

4.3.1. National and supranational industrial policy initiatives

In Portugal, the need to restructure industrial production structures, in an attempt to overcome historical forms of 'backward' development, witnessed an ideological shift from all centre-left and centre-right political classes to the position long-held by export-oriented industrial capital. This ideological convergence was primarily geared towards the apparent need to confront increasing competition within the global political economy (Chilcote 2010: 70-75; Pagoulatos 2003: 150-151; Blavoukos 2002 and 2003). This shift had primarily been precipitated in Portugal by the loss of colonies. These had historically provided the foundation

upon which export-oriented industrial production remained viable. For instance 'the cotton industry had a key role in the relationship between the metropole and the empire' (Corkill 1999: 12). Due to a lack of export competitiveness in other international markets the authoritarian *Estado Novo* (*New State*) aimed to secure African markets for nationally based export-oriented industrial capital in order 'to maintain a guaranteed and regular supply of raw materials, including cotton, minerals, sugar and oils' (Corkill 1999: 12 citing Nunes and Brito 1992: 314). In turn the ascending textile and clothing industry could export back to the same African markets the finished articles of clothing (Corkill 1999: 13). In other words, the system of economic stability and protection pursued during the *Estado Novo* period could only be sustained by developing a political economy which was constituted on the basis of transnational capitalist hierarchies with its African colonies. With the ascendancy of 'emerging markets' in the global south, especially Asia, taking place in the 1980s, the acuteness of the issues confronting 'modernising' forces became ever more sharp.

There were two initiatives which provided the main policy framework for pursuing the 'upgrading' and 'modernisation' of Portugal's industrial production structures. The first initiative was financed by the European Union. Through the European structural funds, the EU provided financial assistance for the Programa Especifico de Desenvolvimento da Industria Portuguesa (Plan for the Development of Portuguese Industry – PEDIP). This was to assist in overcoming historical forms of uneven development, and in turn allow the Portuguese variety *in* capitalism to exploit a 'privilege of backwardness' to pursue 'catch-up' by firms with 'European standards'. The primary objectives pursued to fulfil this aim were 'industrial restructuring, improving the competitiveness of national firms, incubating new, technologically-oriented firms, encouraging technological innovation, and promoting technical and vocational training' (Corkill 1999: 164). The investment level was 2.35 billion

ecus (European currency units), derived from the various EU funds (Regional Development, Social Fund, and European Investment Bank (EIB)). The Portuguese government topped these up by a further 25 per cent. One of the initial outcomes of this programme was to further entrench uneven development at a national level. According to evaluation studies of PEDIP I, 'most of the regions outside the Lisbon-Porto axis were not very successful in developing projects in time and so absorbing the share of funds allocated to them' (Magone 2001: 131). In distinction, coastal based transnational corporations 'were the most successful enterprises in submitting projects' (Magone 2001: 131). Despite evident limitations a second PEDIP programme was introduced which covered the period from 1994-1999.

The second initiative aimed at 'upgrading' industrial production structures was driven by a specific concern around 'national competitiveness'. Resulting from this an audit was published in 1993, which attempted to identify the most promising areas to be restructured. This saw the establishment of a Forum for Competitiveness 'to promote inter-firm co-operation and productivity growth' (Corkill 1999: 75). This Forum had an awareness that the introduction of the single currency would mean that competitiveness differentials could not be off-set by a devaluation of the national currency, which had historically been a strategy of improving price competitiveness (Corkill 1999: 88).

In Greece's variety *in* capitalism during the 1980s, restructuring to industrial production structures was not precipitated by the need to confront growing international competition to already important industrialised areas of manufacturing, but by the need to arrest the steady process of de-industrialisation that had taken hold (Louri and Minoglou 2002). De-industrialisation was perceived to be primarily due to a failure of the private sector to invest in industrial sectors of the economy (Tsakalotos 1991: 152). This lack of investment is apparent when George Pagoulatos (2003: 62) states, 'Greek investment in manufacturing

between 1960 and 1976 averaged about 3 per cent of GDP, one of the lowest proportions in the OECD area.' PASOK during its first term (1981-1985) utilised the inherited role of the state to enact a statist model of development, in which public finance would be used to pursue a project of industrialisation (Tsakalotos 1991: 136).⁴ One of the limits identified by this government was the manner in which state investment had been ad-hoc, with the financial sector having never been integrated into a coherent 'strategy for development' (Tsakalotos 1991: 137; Interview 15).

This period witnessed a 'sectoral targeting' policy become central to the restructuring of industrial production structures. Through the introduction of Law 1262/1982, there was the specific targeting of high value-added areas of manufacturing, especially those which could be exported (Lavdas 1997: 152; Tsakalotos 1991: 154). Public investment was concentrated in areas such as 'electronics, IT related branches, biotechnology and precision instruments' (Lavdas 1997: 152). This statist approach to overcoming historical forms of uneven industrial development, was pursued in the hope that rapid gains could be made. This approach to restructuring industrial sectors of the Greek political economy achieved limited success. This was partly due to the failings of the state in terms of planning and implementation. The more significant factor was that 'sectoral targeting' generally did not identify areas where Greek firms already enjoyed some kind of comparative advantage compared to possible competitors, which, albeit, were in low value-added areas such as food and beverages, textiles and clothing, and cement (OECD 1994: 11). Compounding the difficulties was the fact that the 'infant' high value-added industries that did develop were

⁴ The dominant principles of this strategy were not dissimilar to that pursued by Mitterrand's Socialist government in France in the early 1980s. Although, without the types of institutions to implement such plans that were well developed in the likes of France and Germany (Pagoulatos 2003: 57-62).

immediately exposed to heightened international competition. This was due to the deepening combination of Greece's variety *in* capitalism with the rest of Europe due to former's accession to the EEC in 1981 (which took place so early, arguably, due to a geopolitical logic surrounding the Cold War). Accession should have allowed for the greater ease of exporting these infant industries manufactured goods to the rest of Europe. Instead, it led to greater import penetration of the types of high value-added goods that were being targeted for manufacture in Greece, whilst in turn, undermining any further growth in these sectors (Tsakalotos 1991: 154).

An important aspect of the above 'modernising' strategy was the creation of the Organisation for Business Reconstruction (OAE), through which a wave of nationalisations took place to industrial firms. Through this policy the OAE was to serve two functions. First, nationalisations prevented a significant increase in unemployment within the manufacturing sectors (Lavdas 1997: 162). Second, and more importantly to the aims of pursuing a 'modern' 'European' future, was the idea that the nationalised industrial firms could be restructured in a manner that would move them into the types of high value-added activity that was being targeted through the state-led development project. By 1985 the OAE had nationalised a total of 41 industrial firms with a total debt of Dr350bn (Lavdas 1997: 162; Pagoulatos 2005: 359). That this strategy did not fulfil its aims, only reinforced the continuation of historical forms of uneven development across Europe's political economy. In essence, this process only led to the state becoming saddled with unviable firms that were sustained only to prevent a politically unacceptable increase in levels of unemployment. These firms, unattractive to investors, then remained on the public balance sheet for years to come. In both the Portuguese and Greek varieties *in* capitalism, the ability of firms and the state to attract foreign direct investment, was seen as central to achieving the goals set out (Pagoulatos 2003:

212). I now turn to analyse whether the aims of these restructuring policy initiatives came to fruition in this area.

4.3.2. Attracting foreign direct investment⁵

In Portugal, the mid-1980s did see a significant increase in inward FDI. As a report from the OECD (1994: 13) highlights, 'FDI into Portugal since 1986 has experienced a spectacular rise... [a]verage annual inflows were twelve times higher than in the previous decade'. Beginning from an initial level of \$201 million in 1986, the total reached \$2.4 billion by 1990 (UNCTAD). Of the total FDI that came into Portugal between 1986 and 1992, 73 per cent of it came from EU investors (OECD 1994: 14). Of this 73 per cent, the United Kingdom, Portugal's main traditional investor, 'almost doubled its share to 23 per cent' (OECD 1994: 18). Other significant investment sources were from France (16 per cent), Spain (13 per cent), the Netherlands (6.6 per cent) and Germany (6.5 per cent). These countries would remain the dominant sources of investment. This period did also see a significant decline of investment from the United States, decreasing from 20 per cent to 4.3 per cent (OECD 1994: 18). However, this figure does not take account of the fact that many U.S. based firms would have been transnational in their structure and used EU based affiliates – mainly in the Netherlands – through which to direct FDI, 'thereby by-passing legislation which at face value is less liberal towards non-EU investors' (OECD 1994: 18).

The growth of FDI during this period was the fastest amongst the EU. The uneven development of Europe's political economy was the main driver of this dynamic, as the low

⁵ References that do not have dates or page numbers are sourced from the statistical databases of the relevant organisation, available online. This is the case throughout all the remaining chapters.

cost of labour and the wide ranging implementation of pro-FDI incentives created a favourable destination for capital investment (Corkill 1999: 78). This saw the ratio of FDI to GDP increase from 0.5 per cent, in 1986 to 3 per cent in 1990, along with FDI's contribution to gross fixed capital formation increasing from 2.1 per cent to 11.2 per cent (OECD 1994: 16). A number of qualifications must be placed on this improved performance. First, the inward FDI registered during this period represented less than 1 per cent of total foreign investment in OECD countries (UNCTAD; Corkill 1999: 78).⁶ Second, FDI flows fluctuated according to the international environment, and were based upon short-term growth expectations. Inflows during the 1990s averaged \$1.6 billion, peaking at \$3 billion in 1998, with a low of \$675 million being registered in 1995 (UNCTAD), as the global economic environment worsened. The ratio of FDI to GDP averaged 1.7 per cent, never peaking above 2.5 per cent during the decade, and FDI's contribution to gross fixed capital formation averaged 6.6 per cent, varying greatly from a peak of 9.6 per cent, in 1991, to a low of 2.45 per cent in 1995 (UNCTAD).

As the environment improved, and future expectations improved along with it – primarily driven by Portugal's likely inclusion in the single currency at the first time of asking – so FDI followed suit once again. The period of 2000-2006 saw inward foreign direct investment average \$5.2 billion (UNCTAD). Despite this, there was some significant variation with both 2002 and 2004, witnessing inflows decrease below \$2 billion, whilst 2006 witnessed inflows of \$10.6 billion (UNCTAD). The ratio of FDI to GDP during this period averaged 2.7 per cent, peaking in 2000 at 5.5 per cent, though it also almost reached this mark in 2001, 2003,

⁶ Further, this figure helps to provide a clear demonstration of the insignificance of outward FDI from Portugal during this period, which '[d]espite a sharp rise in recent years... has remained small as compared to inward direct investment, amounting to 16 per cent of inward direct investment from 1986 to 1992' (OECD 1994: 23).

and 2006 (UNCTAD). It is in FDI's contribution to GFCF that we witness a significant increase from the 1990s. In 2000, 2001, 2003, and 2006, inward FDI as a percentage of GFCF reached, or almost reached, 20 per cent (UNCTAD).

The OECD indicates (1994: 12), that prior to the 1980s, 'Greece historically attracted a relatively high level of inward foreign direct investment'. Over the latter half of the 1970s, FDI flows into Greece averaged around 1.5 per cent of GDP (OECD 1994: 15). This ratio 'was consistently one of the three highest in the OECD area' (OECD 1994: 15). However, due to growing economic instability in Greece, precipitated by the 1979 oil crisis, inward foreign direct investment remained stagnant through the 1980s, averaging just \$581 million. The FDI to GDP ratio during this period peaked at 1.2 per cent in 1988. As was outlined in the case of Portugal above, Greece's share of inward FDI stood at 1 per cent of the total registered for OECD countries during this period (OECD 1994: 17). An important point to note is that 'most industrial FDI into Greece appears to consist of mergers and acquisitions' (OECD 1994: 12). In other words, foreign direct investment was not going towards industrial Greenfield projects, comprising 'a relatively small share' of the total (OECD 1994: 12). Instead, the establishment of new projects was 'much higher in the commercial and services sectors' (OECD 1994: 12). Much like Portugal, the majority of inward foreign direct investment came from the EU. From the period of the mid-1980s to the early 1990s, the EU's share of inward foreign direct investment into Greece increased from 57.7 per cent to 89.7 per cent (OECD 1994: 20). Within this, 'the United Kingdom and the Netherlands (including investments by the subsidiaries of large US-based companies) were the principal investors...followed by France and Germany' (OECD 1994: 17). Again, this dynamic would persist throughout the period under study.

Throughout the 1990s until prior to the global financial crisis in 2006, inward foreign direct investment would remain persistently low whatever the international economic

environment. Inflows averaged only \$1.2 billion, with a peak of \$5.4 billion in 2006 (UNCTAD). FDI as a percentage of GDP highlights the insignificance of these flows as it averages 0.78 per cent over the period, with 2006 registering a peak of 1.96 per cent (UNCTAD). Again, the year 2006 registers the peak of FDI's contribution to gross fixed capital formation at 8.49 per cent, with the second highest being almost half this at 4.82 per cent in the year 2000 (UNCTAD).

Across both the Greek and Portuguese varieties *in* capitalism, there was a significant increase in the inward flows of foreign direct investment. A lot of this was attributable to the privatisation programmes implemented throughout the 1990s that are discussed below. FDI played a minimal role in assisting the 'upgrading' of industrial production structures and the historical configurations of uneven development across Europe's political economy. I now turn to discuss the integration of Greece's and Portugal's industrial production structures into the value chains of global capitalism. This will further highlight the continuation of historical forms of uneven development, even as new forms of combined development cohered.

4.3.3. (Non-)integration into the industrial value chains of global capitalism

Historically, industrial production structures across Greece's and Portugal's varieties *in* capitalism were configured 'on a pattern of specialisation in which products and processes are low-technology intensive, poorly organised and use human resources with low levels of qualifications' (CSF III Observatory 2007: 27; Interviews 6, 10, 34, 43, 46; Kalogeresos 2014). Pursuing a 'modern' 'European' future of high value-added industrialised economic production was primarily aimed at 'upgrading' skill and technology levels through a deeper integration within the value chains of global capitalism. In this sub-section, in the case of Portugal's political economy, I will focus on the configuration and integration of two industrial sectors as important post-holing cases, both of which provide an important insight into the

possibilities and pitfalls of the historical unevenness of global capitalist development. To remind ourselves, selecting post-holing cases is a strategy which allows us 'to depict the sweep of historical forces and at the same time some of the richness of detail which comes from delving into a specific moment' (Sennett 2002: 42). Following a post-holing strategy assists in understanding the development of Greece's and Portugal's varieties *in* global capitalism by delving into specific area, which must be considered of more importance than others for understanding and explaining the trajectory of development, change and contestation that coheres. The first discussion will focus on the textile and clothing, and footwear sectors. These have historically been export-oriented industries which have played a central role in the economic activity of Portugal's political economy. The second case will focus on the introduction of a new sector; the production of cars. In the case of Greece's variety *in* capitalism, the analysis will focus on the general trend towards de-industrialisation from the early 1980s, which could not be arrested by the types of interventions discussed above.

In the first instance I will focus on the textiles and clothing (TC), and footwear sectors of Portugal's variety *in* capitalism. Due to the persistent restructuring of the international division of labour through the incorporation of the global south – especially south east Asia, north Africa, and eastern Europe – into the production structures of transnational corporations, the TC and footwear industries rapidly contracted throughout Europe in the 1970s. During the 1980s and early 1990s this sector of Portugal's economy actually expanded. This was facilitated by three things. First, the previous foundation of Portugal's political economy based upon a transnational configuration of colonial subjugation, meant that the TC and footwear industries were largely sheltered from new forms of global competition. Second, Portuguese firms were able to successfully re-orient the sale of their output to the

European market due to very low wages. Third, and linked to the ability to pursue the second point, there was stringent protection in place for these industries in the global north from the Multi-Fibre Agreement (MFA) and the transition arrangements for central and eastern European (CEE) countries, seeking greater integration with the European project.⁷

The significance of these sectors to Portuguese economic output at this point in history is highlighted by the fact that the TC industry still accounted for 'one third of manufacturing employment and some 20 per cent of the value of manufacturing output'. The footwear industry provided over 4 per cent of total industrial employment. Importantly, the TC industry was also highly export-oriented, 'contributing some 30 per cent of total exports (22 per cent destined for the EU)' (Corkill 1999: 158-159). The footwear industry was also significant in this regard, contributing 'almost 9 per cent of total manufacturing exports' (Corkill 1999: 161). At this time, Portugal was the fifth largest footwear producer in the EU, producing over 100 million pairs.⁸ Geographically, these industries were concentrated around the northern part of the country, primarily between Porto, Braga, Vila Nova de Famaliacão and Guimarães. As with the rest of the economy, these industries were dominated by small and medium enterprises (SMEs), where in the TC industry 'only a little over 10 per cent of cotton textile plants ha[d] more than 500 workers' (Corkill 1999: 159). In footwear, 'only 2.5 per cent employ[ed] more than 200 workers while 70 per cent of the companies employ[ed] less than 50 workers' (Corkill 1999: 161).

The second post-holing study focuses on the introduction of car production to Portugal's political economy. In July 1991, and with much political euphoria surrounding it, a

⁷ I will not elaborate further on the significance of this third point at this stage, as greater discussion will feature heavily in the next chapter.

⁸ This was behind Italy (450 million), Spain (185 million), France (154 million), and the UK (110 million).

joint venture between the Volkswagen and Ford groups was signed to establish a car assembly plant in the city of Palmela (near Lisbon). It was opened in 1995 as a 50/50 joint venture, manufacturing three MPV (multi-purpose vehicles) models: the Volkswagen Sharan, Seat Alhambra, and the Ford Galaxy. This was a 'flagship' investment project, one of the largest of its kind in Portugal. The realisation of this project was seen as a major boost to the pursuit of 'modernising' Portugal's export-oriented industrial production structures, as car manufacturing is generally a high value-added and high skilled industry which can contribute greatly to improving international trade balances and export-led economic growth.

At its height, the AutoEuropa plant was producing 800 cars a day (Corkill 1999: 162). In 1997 production increased for the third consecutive year 'to reach 131,400 units – a 10 per cent rise over the previous year' (Corkill 1999: 164). It also added 'over 2 per cent to annual GDP and between 10 and 15 per cent to merchandise exports' (Corkill 1999: 163). In 1996 these figures specifically stood at a contribution to GDP of 2.1 per cent, while 'AutoEuropa retained its position as the leading national exporter with over 12 per cent of total exports' (Corkill 1999: 164). In an attempt to widen the effect of this project to further assist in overcoming historical forms of uneven development and spatial hierarchy, the Portuguese government included in the investment contract the need for the contribution of domestically produced components in the final product to exceed 45 per cent. In the end, this figure reached around 50 per cent, as out of the more than four thousand parts and components required in each vehicle, 'two thousand originate[d] in Germany, Spain, France and the UK, while the rest [were] produced in Portugal' (Corkill 1999: 163). This helped create a nascent local components industry due to the linkages derived from this investment. During this period fifty-one firms supplied the AutoEuropa plant, 'and a number have been sited on the industrial park built for the purpose to facilitate 'just in time' production' (Corkill 1999: 164).

In this particular instance then the perception was that Portugal's variety *in* capitalism was successfully integrating into an important value chain of global capitalism, which could assist in taking the initial steps to overcome historical forms of uneven development. Particularly important was the fact that this industrial 'upgrading' had taken place through the attraction of foreign direct investment, as well as the Portuguese political classes being able to pursue a widening of the development effect by placing conditions on the investment that assisted a nascent components industry.

In the case of Greece's variety *in* capitalism, and in contrast with Portugal, we do not witness any kind of 'revival' of traditional forms of industrial manufacturing, nor any introduction of new forms of potentially high value-added industrial production. Instead, we witness a general trend towards de-industrialisation from the early 1980s. This is highlighted by the fact that '[t]he GDP share of industry peaked in 1974-76 and then started to decline' (Markantonatou 2012: 421). For example, 1976 saw industry register a high of 23.3 per cent of GDP. By 1994 this has dropped to 18.7 per cent (Louri and Minoglou 2002: 337-338). This trend continues until the present day, and by 2013 this figure had decreased further to 13.8 per cent of GDP (Linardos-Rulmond and Robolis 2016: 7). Specifically in relation to industrial manufacturing, these figures stood at 20.2 per cent of GDP in 1974, as a high point, but had decreased to 15 per cent by 1994 (Louri and Minoglou 2002: 337-338).

The dynamics surrounding industrial employment further reinforce support for this trend. Even at its peak, industrial employment in Greece was only 30 per cent, as opposed to roughly 47 per cent for other western European political economies in the post-WW2 era. Within this general overall decline of industrial employment, there is a shift from tradable exportable products to non-tradable ones. Linardos-Rulmond and Robolis (2016: 8) highlight this when they state, 'in terms of manufacturing, employment as a percentage of the

secondary sector fell from 62 per cent in 1990 to 55.5% in 2009. In contrast, over the same period, employment in the construction industry rose from 31 per cent in 1990 to 40 per cent in 2009.' Whilst restructuring to the financial sector will be discussed extensively below, it is useful to note at this point that the significant shift away from industrial employment was compensated for by a significant increase in employment in the service sector, especially banking. As Pagoulatos (2003: 191) states, 'between 1991 and 1999 the number of people employed in the bank and financial sector increased by 49 per cent (from 196,000 to 293,000)'.

From the above, it is possible to state that a number of historical path-dependencies persisted, entrenching the historical forms of uneven development that Greece's variety *in* capitalism had experienced in the post-WW2 period. De-industrialisation was precipitated by a set of industrial production structures, 'characterised by poor competitive structures and its increasing exposure to competition after entry to the European Community [in 1981] further weakened them' (Giannitsis and Kastelli 2014: 2-3). This increased competition witnessed a number of large manufacturing firms, which constituted the core of the Greek industrial system, go under (Giannitsis and Kastelli 2014: 2-3). This has led to a situation where 'businesses which are active in the manufacturing sector in Greece are characterised by their very small size in comparison with businesses in most European countries' (Linardos-Rulmond and Robolis 2016: 10; Economakis et al 2015: 432).

Approximately 95 per cent of export-oriented manufacturing firms in Greece 'employ fewer than nine workers and are classified as very small businesses according to the Eurostat definition' (Linardos-Rulmond and Robolis 2016: 10). The predominance of SMEs, especially micro-firms, is a structural feature of the Greek political economy. For instance, '[i]n 1990, Greek small and medium-sized enterprises (SMEs) employed an average of three workers'

(Liargovas 1998: 203, cited in Economakis et al 2015: 432). By 2010 this average had decreased to less than three (Economakis et al 2015: 432). Such firms face difficulties in overcoming historical forms of uneven development due to being unable to: overcome obstacles to accessing the necessary finance to upgrade technological capacity; participate in relevant forms of research and development; attract a highly skilled workforce, or upgrade the skills of their current workforce; integrate with relevant 'upstream' global value chains to source new forms of technology that could upgrade the profile of the product being manufactured; or to integrate with relevant GVCs 'downstream' that might be able to integrate the intermediate manufactured good into their own final product (Linardos-Rulmond and Robolis 2016: 10; Economakis et al 2015: 432).

Overcoming the historical configurations of uneven development across Greece's and Portugal's industrial production structures, was a key component of pursuing a 'modern' and 'European' future. Despite implementing a number of policy initiatives which aligned with the aims of an ascendant neoliberal hegemonic project, these failed to improve the attractiveness of each variety *in* capitalism as wider reconfigurations to global capitalism took hold. These 'wider reconfigurations' will be examined in greater detail in the next chapter where I will turn to analyse their role in shaping trajectories of economic competitiveness and growth, and the centrality of these in the origins of the eurozone crisis in Greece and Portugal. Importantly, this section has begun to systematically apply the concepts developed in sections 3.3. and 3.4. of the previous chapter, focused on the structural dynamics of the combined but uneven capitalist world system, specifically as the transnationalisation of production took hold globally. I now turn to examine restructuring to the role of the state in the Greek and Portuguese variety *in* capitalism, and identify an important process of institutional transformation that is argued to be central to understanding both Greece's and Portugal's

trajectory towards the eurozone crisis. Again, much like this substantive section, I will first detail the restructuring that took place, before, in the next chapter, analysing how this shaped economic trajectories and the origins of the eurozone crisis.

4.4. 'Rolling-back' the role of the state

This substantive section will analyse how the role of the state has been restructured over the last thirty years across Greece's and Portugal's varieties *in* capitalism, and how this has, in turn, had a dramatic effect on the restructuring of corporate governance. The dominant trend has been to pursue what Cavaco Silva, former Prime Minister of Portugal, termed '*menos estado, melhor estado*' (less state, better state). Specifically, the rolling-back of the state's role followed the neoliberal prescriptions of privatisation and liberalisation (Interviews 16, 39). In short then, the institutional configurations of Greece's and Portugal's political economies underwent a significant restructuring during the 1980s and 1990s, a process of capitalist transformation. Whilst in a national context this process of transformation was attempting to fulfil the promises of an ascendant political project to pursue a more 'modern' 'European' future, it predominantly served the interests of (would-be transnational) finance capital, and facilitated the emergence of economic competitiveness differentials and growth trajectories which are vital to understanding the origins of the eurozone crisis in the two political economies under study. So, to repeat, whilst I will focus on the restructuring implemented in this chapter, I will then analyse the role this played in economic growth and competitiveness trajectories in the next. Conceptually, this supports a central concern of employing the CPE approach, as it becomes possible to account for the central role of capitalist restructuring and diversity in the origins of the eurozone crisis in a way that the VoC approach cannot. This is whilst at the same time ensuring that an incorporated comparison

of restructuring to the role of the state is related to wider integrated dynamics of capitalist restructuring across the European and global political economy. In other words, the efficacy of pursuing a capitalist theory of institutional diversity, as opposed to an institutional theory of capitalist diversity, is beginning to become more fully realised due to the application of the concepts to empirical data.

4.4.1. The privatisation of state-owned enterprises

The mid-1980s marks the beginning of the period where rolling-back the state's role gains momentum across Greece's and Portugal's varieties *in* capitalism. It would be from this period throughout the 1990s that privatisation and liberalisation, especially of the financial banking sector, would be pursued vigorously as part of the project to pursue a more 'modern' 'European' future (Interview 16). As this was also the period in which the Single European Act (SEA 1986) was introduced and momentum towards the Maastricht Treaty (1994) was gaining, the European integration project would itself provide the institutional templates that would shape this restructuring.

In Portugal, to pursue the aim of implementing widespread privatisation, the article of the Constitution which explicitly stated the 'irreversibility' of nationalisations during the Revolutionary period, had to be overturned.⁹ Achieved in 1989, the result of the

⁹ The most significant nationalisations took place within Portugal's political economy after a counterrevolutionary coup on March 11, 1975. As Chilcote (2010: 64) states, this 'served as a catalyst and pretext for the nationalisation of the interests of economic groups.' This created a situation in which the state moved beyond the corporatist coordinative role it had played during the *Estado Novo*, to now having pervasive and direct ownership of the means of production. For instance, shortly after the attempted coup the banks were nationalised. Nationalisations continued until July of 1976, at which point 'there were 244 firms under state control' (Chilcote 2010: 64). This restructuring created

constitutional amendment saw sixty companies targeted for privatisation, where the 'total value of the 15 biggest represented one-third of the country's GDP' (Wright and Pagoulatos 2001: 258). In the end this led, between April 1989 and September 1993, to 27 major companies being wholly or partly privatised, raising \$2.7 billion (Nunes and Montanheiro 1997: 74; Wright and Pagoulatos 2001: 258). This affected all major areas of the economy, but especially those in the financial and export-oriented sectors, including banking, insurance, steel, chemicals, and breweries. In 17 cases there was the sale of 100 per cent of the state's stake, including four in the banking sector, four in the insurance sector, two in the industrial sector, and seven in the services sector (Nunes and Montanheiro 1997: 74). These sales represented the 'majority of the banking and insurance sectors' (Nunes and Montanheiro 1997: 74).¹⁰

As one of the major aims of privatisation was to pay down public debt or to improve the financial situation of remaining State Owned Enterprises (SOEs), it is no surprise when Wright and Pagoulatos (2001: 258) state that, 'four-fifths of the proceeds were used to amortise the public debt, with the remainder channelled into improving the balance sheets of the remaining public firms'. Specifically in relation to banking privatisations, a number of transnational(ising) banks entered the market, with particular interest from groups based in Spain (Corkill 1999: 142). The privatisation efforts also saw the return of economic concentration in the banking sector into five large groups. This occurred via a process of

a State Owned Enterprise (SOE) sector of the economy which was relatively the largest in western Europe. This led to it 'representing about one quarter of GDP, over 10 per cent of employment and half the investment' (Bermeo 1999: 138).

¹⁰ See Decressin and Maura (1998: 10) for a list of the banks which were privatised and those which remained under State control.

mergers and acquisitions. After this restructuring, only two banks remained under State control, *Caixa Geral de Depositos* (CGD) and *Banco Nacional Ultramarino* (BNU), which were merged under one of the five groups now present (Corkill 1999: 142). From these efforts Wright and Pagoulatos (2001: 259) are right to state that '[b]y the second half of the 1990s, the Portuguese government had not only profited financially, but had radically begun to shift the public-private boundary [i.e. the role of state] in many sectors, and especially in the key financial sector'. Between 1985 and 1995, the weight of SOEs in Portugal's GDP was halved from 20 to 10 per cent, and privatisations brought in revenues worth over \$6.7 billion (Wright and Pagoulatos 2001: 259).

The above privatisations were directly in line with the Cavaco government's ideological slogan of pursuing '*Menos Estado, Melhor Estado*' (*Less State, Better State*) (Wright and Pagoulatos 2001: 258). It is important to note that the privatisation programme outlined above 'should not leave the impression that the state has withdrawn from the economy or whittled its role down to a minimal one' (Corkill 1999: 61). For instance, in 1998, according to the Finance Ministry at the time, 1,132 companies were still SOEs exhibiting a majority shareholding in over 400 and a minority stake in the remainder (Corkill 1999: 61). This was due to a continuing concern for retaining control over 'strategic' areas of the economy around important infrastructure, or domestically-oriented areas of utility consumption. This is demonstrated by a continuation of large stakes in Portugal Telecom, EdP (electricity), GALP (oil distribution), CP (railways), ANA (airports), RDP (radio), RTP (television), and CTT (post) (Lagoa et al 2013: 252). Another reason for this was because the privatisation programme was not aimed at foreign investors, with explicit limits being set on their potential shareholding. This limit varied between 5 per cent in BPA (bank) and 40 per cent in Petrogal (oil). On average, this limit reached 25 per cent (Nunes and Montanheiro 1997: 70). This was

driven by wanting to protect the 'national interest', with the government being criticised for 'failing to nurture domestic investors who were clearly at a disadvantage when faced with powerful, experienced foreign competitors able to call on large capital resources' (Corkill 1999: 58). There also existed a number of 'white elephants' that were less attractive to potential investors (Corkill 1999: 61).

Leading political classes in Greece were relatively late in joining 'the rush to privatise that had been sweeping through Europe in the mid-1990s' (Brauninger 2013: 9). Following the wave of nationalisations in the 1980s by PASOK discussed above, the New Democracy government of the early 1990s was fervently in favour of privatising a wide range of state-owned enterprises. However, as stated by an interviewee, 'the policies of New Democracy received a lot of reaction and a lot of bad publicity and in many cases we were unable to apply our programme' (Interview 13). It would primarily be with the rise of the 'modernising' wing of PASOK in 1996, under the leadership of Costas Simitis, where systematic privatisation would take place (Interview 15). The consensual basis, or at least the acquiescence, of pursuing a 'modern' 'European' future, was central to this dynamic. This is demonstrated by the fact that '[a]part from the PASOK party, a significant part of the labour unions [apart from Communist Party affiliated ones] had also come to terms with at least the inevitability of privatisation, tempering their fierce opposition' (Pagoulatos 2005: 371). The desire to join the single currency also provided a strong coercive measure to ensure that this form of restructuring was utilised to bring public debt and deficits in line with the convergence criteria for such an aim to be fulfilled (Frangakis and Huffs Schmid 2009: 13; Pagoulatos 2005: 360).

Privatisation covered a range of activities, including shipyards, telecommunications, utilities, the Athens Stock Exchange, food and beverages, construction, and oil (Burnes et al 2004: 70-71; Pagoulatos 2005: 374-375, see Table 1). Whilst this push towards privatisation

took place from the early 1990s, it was only after 1998 that revenues from privatisation became significant. For instance, the state raised a total of €1.8 billion in 1998, €3.3 billion in 1999, €535 million in 2000, €1.6 billion in 2001, and €2.3 billion in 2002 (Pagoulatos 2005: 360). According to Pagoulatos (2005: 360), the revenues raised from privatisation 'placed Greece among the top positions in the EU-25 in terms of total privatisation proceeds, the sum of which for the entire 1990-2000 decade ranged in the 12 per cent area in terms of GDP'. OECD figures demonstrate the significance of these revenues in both the Greek and Portuguese cases. The 12 per cent of GDP was lower than Hungary (27.5 per cent), Portugal (26 per cent), Poland (15 per cent), and the Czech Republic (12.5 per cent). This was equal to Ireland (12 per cent), and higher than Finland and Italy (just under 10 per cent) (OECD 2001).

As with the restructuring to Portugal's variety *in* capitalism 'the banking sector proved a champion of the privatisation momentum' in Greece (Pagoulatos 2005: 367). Starting in the early 1990s under New Democracy with the sale of the Bank of Piraeus (66.7 per cent) and the Bank of Athens, the privatisation momentum picked up under Simitis's PASOK in the mid- to late-1990s with the sale of the Bank of Attica (49.5 per cent), General Bank (33 per cent), Bank of Crete (97 per cent), Bank of Macedonia-Thrace (37 per cent), Bank of Central Greece (51 per cent), Ioanian Bank (51 per cent), ETBA (30 per cent), and the Agricultural Bank (20 per cent over two offerings) (Argitis 2013: 218). Due to the extensive transnationalisation of finance across Europe in this period, 'banking was one the first sectors of the economy to become exposed to foreign competition' in Greece (Pagoulatos 2005: 367). Having undergone privatisation, a greater concentration of the sector took place through mergers and acquisitions, 'the main mechanism by which Greek banks responded to foreign competition' (Eichengreen and Gibson 2001: 584). Thus, as Eichengreen and Gibson (2001: 585) state,

‘Alpha Bank narrowly outbid its rival, Piraeus Bank, for Ionian Bank, previously part of the publicly-owned Commercial Bank of Greece...Piraeus Bank absorbed Xios-Bank and the Macedonia-Thrace Bank in 1998, as well as acquiring the Greek branches of Chase Manhattan and Credit Lyonnais. In 1999, EFG Eurobank completed Greece’s first hostile takeover, acquiring a controlling stake in Ergobank.’

Where privatisations and/or mergers and acquisitions did not take place, ‘the government of Simitis attempted to commercialise the big banks which were publically funded (e.g. the National Bank of Greece, the Commercial Bank of Greece and the Agricultural Bank of Greece)’ (Argitis 2013: 218). This primarily took the form of restructuring management procedures so that the banks would act with greater independence from governmental decisions (Argitis 2013: 218). Commercialisation of SOEs – where resistance to privatisation was much greater – took place elsewhere as well, with the Public Power Company (PPC) being a prominent example (Burnes et al 2004: 72). In summary of this process, Pagoulatos (2005: 368) is right to state that ‘bank privatisations...transformed a state-controlled highly oligopolistic sector into one of equally high concentration, but also cutting-edge, internationalised and competitive institutions’. Banking sector privatisation was the most far-reaching within Greece’s variety *in* capitalism, carrying ‘significant implications for the entire economy’ as it became more transnationalised (Pagoulatos 2005: 367). These ‘significant implications’ allude to the emergence of trajectories of debt-led growth, which will be analysed in greater detail in the next chapter.

4.4.2. Liberalising southern European varieties *in* capitalism

Occurring alongside extensive privatisation was the economic liberalisation of Greece's and Portugal's varieties *in* capitalism. As with privatisation, liberalisation was especially apparent in the financial banking sector. The liberalisation of Greece's and Portugal's financial sector fundamentally restructured a corporate governance system in which the state had been pervasive; where state control over the quantity of credit allocated to different sectors and its price were in place; and where specific credit institutions were designed to assist the financing needs of certain sectors of the economy deemed important to the country's development (Gibson et al 2001: 279; Interviews 14, 16, 57).

In Portugal, liberalisation occurred in three stages. The first stage was 'associated with the possibility of the creation of new banks' (Lagoa et al 2013: 38). This happened in 1983 following a constitutional amendment in the previous year. During this first phase there was also the establishment of a foreign exchange spot market in 1985; the authorisation of commercial banks to engage in medium-term operations (e.g. housing credit) in 1986. This meant that the distinct regulatory division between commercial and so-called investment banks became blurred (Decressin and Mauro 1998: 6); and the introduction of 'negotiable treasury bills and bonds in 1985-7, which allowed the government deficit to be financed outside the banking system at market interest rates' (Decressin and Mauro 1998: 6). The second phase was related to the privatisation process, discussed above. The third phase was primarily concerned with regulatory liberalisation where there was an 'elimination of interest rate controls [lending interest rates in 1988 and deposits interest rates in 1992], the abolishment of credit ceilings (in 1990) and other State controls on the number of branches and new products and services' (Lagoa et al 2013: 38).

In Greece, Honohan (1999: 13) states, that ‘structural changes in the Greek financial system since the mid-1980s have transformed what was a most distorted regime, with an elaborate structure of controlled interest rates, compulsory deposits and lending coefficients, into what is now a fairly transparent and market-driven system’.¹¹ For instance, the use of 78 per cent of bank deposits was restricted by portfolio and reserve requirements. By 1993 this figure had declined to 9 per cent. By 1987, similar to the case of Portugal, many of the restrictions around lending interest rates had been removed, ‘with the final restriction (a floor on the savings account rate) removed in March 1993’ (Honohan 1999: 14). Due to these removals, interest rates are now completely determined by the banks themselves. Further to this, the Papandreu PASOK government removed all the remaining restrictions upon foreign exchange transactions in May 1994 (Argitis 2013: 133; Tsakalotos 1998: 123). The one major qualification that needs to be mentioned in the Greek case is, that due to the continued presence of extensive state-ownership in the banking sector, the banks were said to still be ‘subject to some government pressures on their activities, limiting their autonomy’¹² (Honohan 1999: 14).

It is important to note that the implementation of European regulation contributed in a decisive way to processes of transnationalisation through liberalisation and deregulation outlined above (Gibson 2001: 281-283; Lagoa et al 2013: 39). This is most evident in 1992 when the Second Banking Coordination Directive¹³ was integrated into Greece’s and Portugal’s political economies. This directive ‘extended the single market to financial services’

¹¹ For a detailed list of liberalisation measures taken throughout the 1980s and 1990s see, ‘Appendix 3: Financial Liberalisation in Greece: Selected Measures’ (Pagoulatos 2003: 227-228).

¹² For instance, senior management was politically appointed.

¹³ Directive 89/646/EEC of 15 December.

(Lagoa et al 2013: 39). This introduced the so-called 'EU-passport' which ensures that 'if an EU bank gains a license in one EU country, then it has the right to operate in all EU countries and to undertake activities in those countries which are allowable under the rules of the licensing authority' (Gibson 2001: 282). In other words, it allowed a financial institution in any member state to 'establish new branches and provide financial services across borders throughout the EU' (Lagoa et al 2013: 39). This new regulatory push also introduced the principle of 'universal banking'. Prior to universal banking being introduced, the sector was 'segmented into different activities: commercial banks, savings banks, and investment banks' (Lagoa et al 2013: 39). After this point all banks were able to participate in the whole range of banking activities. The remnants of any lasting controls to capital movements were also abolished (Gibson et al 2001: 281). An assessment of this period states that the 'modernising' restructuring that took place produced a 'very competitive and innovative market highly suitable for absorbing the rapid increase in credit demand and for sustaining its dynamism' (European Commission 2004: 12; Banco de Portugal 2009: xxi; Pagoulatos 2003: 146).

Whilst the restructuring discussed in this section had a significant effect on the financial banking sector, it is important to mention that other financial sectors lagged behind in their development across each variety *in* capitalism. This is especially the case with the stock market. In Portugal, 'rapid expansion occurred in stock-exchange business between 1985 and 1987 as the number of companies quoted trebled' (Corkill 1999: 65). Despite this growth, the lack of development in this area is evidenced by the fact that 'by 1995, and even after a period of unparalleled, if disjointed growth, the two Portuguese exchanges had a capitalisation of only \$12 billion (compared with \$32 for Turkey) and most major companies were not quoted' (Wright and Pagoulatos 2001: 244). A major reason for this was the stock market crash of 1987, from which confidence failed to return until the mid-1990s. Further

reasons included the fact that 'the financial market still suffered from the absence of institutional investors, or well-capitalised, dynamic domestic groups' (Wright and Pagoulatos 2001: 244).

In Greece, 'equity capitalisation in GDP percentage terms grew from 6.75 per cent in 1980 to 15 per cent at the end of 1993' (Pagoulatos 2003: 146). If we include total capitalisation growth, including both equities and bonds the increase is more dramatic, increasing from 8.75 per cent in 1980 to 58 per cent in 1993 (OECD 1995: 55). There is also an increase in the number of companies listed on the Athens Stock Exchange (ASE), up from 116 in 1980 to 150 in 1993. However, '[e]ven then, banks and insurance companies accounted for the bulk of equity capitalisation as larger Greek industrial firms (traditionally family-run and bank-financed) avoided going public' (Pagoulatos 2003: 146).

The pursuit of an ascendant hegemonic project systematically restructured and transformed the role of the state and corporate governance across Greece's and Portugal's varieties *in* capitalism. This primarily occurred through the privatisation and liberalisation of the financial sector, facilitating the transnationalisation of finance analysed in section 3.4. of Chapter 3 in Europe's 'periphery'. In relation to the role of the state, there was a significant restructuring away from the pervasive role of 'commanding' or directing the economy that had historically been a feature of both national political economies. With regards to corporate governance, restructuring provided firms and government with a completely new, and highly competitive, transnational European financial market with which to finance operations. For the banks themselves this would provide new profitable opportunities, especially now they had the potential to operate on a universal basis. All of this transnational capitalist transformation plays an important role in explaining the origins of the crisis of the eurozone

crisis in Greece and Portugal. This will be explored in the next chapter. Before that, I turn to offer some concluding remarks for the chapter as a whole.

4.5. Conclusion

During the 1980s and 1990s, Greece's and Portugal's varieties *in* capitalism were institutionally transformed and transnationally restructured, precipitating a significant shift away from a number of the dominant features that each had exhibited during the post-WW2 period. However, it is important not to overstate the case as a number of historical legacies persisted, particularly in relation to their industrial production structures. The first substantive section of this chapter argued that this restructuring was pursued by leading political and capitalist class forces, articulated through a new ascending hegemonic project of capitalist development. This project, whilst built upon the fulfilment of particular political economic interests, gained a consensual basis by promoting the virtues of pursuing a 'modern' and 'European' future that could overcome historical forms of uneven development and capitalist hierarchy. Relating this transformation and restructuring to Greece's and Portugal's national political economies to the wider restructuring of Europe's political economy, through an incorporated comparison as varieties *in* capitalism, it is evident that it followed a neoliberal(ising) programme of shifting the balance of power towards capital, particularly finance capital, away from labour and the state as new transnational spaces of industrial and financial accumulation emerged.

The hegemonic development project of achieving a 'modern' 'European' future was specifically aimed at two areas. The first area analysed above was industrial production structures. Across both varieties *in* capitalism there was an explicit desire to restructure old, and introduce new, high value-added industries which could provide greater scope for export-

led growth, and overcome the industrial asymmetry which was a dominant feature of Europe's landscape. In the case of Portugal, there were important steps made in this direction as a large FDI project introduced car production and assembly to the economy. Whilst processes of 'upgrading' did not take place in the textile and clothing, and footwear industries, a revival of fortunes did take place due to a colonial legacy and stringent protection through the multi-fibre agreement. In Greece, the general trend reinforced historical forms of uneven development as the process of de-industrialisation could not be arrested through state-led initiatives.

The other dominant area of restructuring to Greece's and Portugal's varieties *in* capitalism was to the role of the state and corporate governance. It is here where formal institutional convergence on western and northern European political economy's took place as the supranational integration project provided a number of the core policy initiatives to implement. Specifically, there were systematic privatisation and liberalisation programmes implemented in both political economies, driven both domestically and through deepening European integration. This restructuring significantly lessened the state's role in directing economic activity, especially in a heavily privatised, and increasingly transnationalised, financial banking sector, which now had far fewer restrictions in place over the activities in which they could participate.

All of the above has set an analytical and historical foundation for the analysis to follow in Chapter 5. What will follow is an examination of the economic trajectories of competitiveness and growth that can be directly linked to the restructuring initiatives of this chapter, and which are central to explaining the origins of the eurozone crisis in Greece and Portugal. Of central importance will be the need to continue to explain the trajectories of European varieties *in* capitalism with reference to the various scales of political economic

development, change, and contestation that are both constituted by, and constitutive of, the origins of the eurozone crisis in Greece and Portugal. This will allow analysis to support the aim of explaining the origins of the eurozone crisis with reference to the role of capitalist diversity and hierarchy. So far the alternative CPE approach has been well equipped to the task. I now turn to more fully realising this potential by analysing in detail the economic trajectories of Greece's and Portugal's political economies in the build up to the eurozone crisis.

5. Economic Trajectories of European Varieties *in* Capitalism and the Origins of the Eurozone Crisis

5.1. Introduction

In the previous chapter I analysed the ascendancy of a hegemonic development project across Greece's and Portugal's varieties *in* capitalism. This project aimed at pursuing a 'modern' 'European' development trajectory through transnational restructuring to industrial production structures and the financial banking sector throughout the 1980s and 1990s. This analysis made an important contribution to the purpose of Part 2 of this thesis and the main argument being developed over the course of its two constituent chapters. To recap, the following argument is central to this part of the thesis: whilst attempting to pursue developmental 'catch-up' and convergence as 'modern' and 'European' varieties *in* capitalism, the trans- and supra-national neoliberal restructuring pursued by *would-be* hegemonic class forces in Greece and Portugal, actually laid the foundation for asymmetrical economic competitiveness and growth trajectories across Europe's political economy. These asymmetrical trajectories are central to explaining the origins of the eurozone crisis in these two national political economies, and will be analysed in detail below. In other words, the hierarchical capitalist diversity of Europe's political economy that shaped the ascendant hegemonic development project of 'catch-up' and convergence in Greece and Portugal, directly contributed to the coherence of new forms of hierarchy, asymmetry, and divergence across Europe's political economy. These forms of hierarchy, asymmetry, and divergence are

what lay at the heart of the eurozone crisis and its contemporary 'in crisis' disintegrative potential.

Having already focused on the implementation of transnational restructuring in the previous chapter, I now turn to analyse the asymmetrical forms of economic competitiveness and growth that ultimately led to the financial speculation that triggered Greek and Portuguese governments to seek financial assistance from European partners. More specifically, I will analyse how these forms of asymmetric economic competitiveness and growth manifested themselves through the unsustainable accumulation of external indebtedness (Jessop 2015b: 107). This external indebtedness acted as the 'trigger' for the onset of eurozone crisis following the North Atlantic Financial Crisis of 2008 as financial speculation became focused on the viability of paying down sovereign debt obligations. This chapter will analyse the historical roots of this external indebtedness, closely linking its accumulation to the analysis provided in the previous chapter. Overall, this will add to the more nuanced debate that Nolke (2016) sees emerging amongst academic scholarship, referred to earlier.

As with the previous chapter, I also fulfil the aims of Part 1 as I again apply the Critical Political Economy approach to studying European Varieties *in* Capitalism. To recount, Part 1 was concerned with critiquing the analytical limitations of applying the VoC approach to study the origins of, and responses to, the eurozone crisis. This critique was particularly targeted at its methodological nationalism. The alternative CPE approach rests upon analysing the relationship between capital and labour as the historically specific foundation of capitalist development. Further, it analyses the role that diversity plays across various political economic scales in shaping uneven and combined trajectories of global hierarchical capitalist development, change and contestation. Where analytical affinities remain between the

critiqued Varieties of Capitalism approach and the alternative Varieties in Capitalism approach, it must be repeated that these are not guided by an institutionalist theory of capitalist diversity, but instead a capitalist theory of institutional diversity. In order to provide a structure for this chapter that is as clear as possible, I will mirror the focus on transnational restructuring in the previous chapter with the unfolding dynamics of asymmetrical competitiveness and economic growth in this one. What will be important is to ensure that whilst shared features of these trajectories are highlighted, I am also sensitive to the specificities of each case.

In section 5.2. I will analyse why both Greece's and Portugal's varieties in capitalism could not generate sufficient levels of industrial competitiveness and export-led economic growth to sustainably finance the accumulation of external indebtedness, or even avoided its significant accumulation in the first place. The review of the VoC approach when applied to the eurozone crisis in Chapter 2 highlighted the role of institutional path-dependencies around wage bargaining institutions in shaping competitiveness differentials. In order to shift from an (neo-)institutionalist theory of capitalist diversity to a capitalist theory of institutional diversity, I will draw attention to the role of transnational industrial capital in governing the asymmetrical, diverse, and hierarchical configurations of global value chains. This will demonstrate the limited potential for Greece's and Portugal's national political economies *within* the structures of global capitalism to ensure sufficient competitiveness to pursue export-led economic growth. This analysis not only links back to discussions in the previous chapter where there was a focus on an ascending transnational(ising) capitalist project, but also to the concepts developed in Chapter 3.

Following this, section 5.3. will focus on the effect that restructuring to the role of the state, specifically through the transnationalisation of finance, played in the accumulation of

externally-held debt as import- and debt-led economic growth became dominant across both Greece's and Portugal's political economies. What will become apparent is that the creation of an open and competitive financial banking sector provided both new profitable points of accumulation for an ascendant transnational finance capital, and easy access to debt-instruments for non-tradable import-oriented and household sectors of the Greek and Portuguese economy. Compounding this dynamic was the historical legacy of statist models of development that had featured heavily in the immediate aftermath of the post-dictatorship period in Greece and Portugal. The state continued to play an important role in both sustaining and creating demand for the non-tradable sectors, as import-led growth gained momentum and offered a means by which to converge upon north and west European standards of living. It is in this area where we can identify the accumulation of external indebtedness, which provided the trigger for financial speculation following the North Atlantic Financial Crisis and the complete dissipation of economic growth (and its future prospects) in the eurozone's 'peripheral' member states.

5.2. Global value chain governance and export-led growth

In the previous chapter I analysed the attempt to 'upgrade' industrial production structures and integrate them into the value chains of global capitalism. As an important pillar of pursuing a 'modern' 'European' future, this deepening integration was deemed to be the primary mechanism by which to overcome historical forms of 'backward' development based on 'traditional' forms of industrial production, shifting towards higher value-added production through technological 'upgrading'. This shift was also the means to increase the possibilities of generating export-led growth which could improve international trade balances and provide a safety net against economic shocks, as the supranational project of

monetary union removed a number of competitiveness adjustment mechanisms (primarily the ability to devalue currencies).

There is no doubt a number of historical legacies, institutional path-dependencies if you will, played an important role in preventing this shift towards greater export-led growth. However, the focus here shifts to what is argued to be a more important dynamic. In this substantive section I will analyse the governance and restructuring of the value chains of global capitalism that have historically been central to Greece's and Portugal's varieties *in* capitalism. Specifically, I will analyse the role of transnational capital in reinforcing the hierarchical asymmetry of industrial specialisation and competitiveness across Europe's political economy, and in turn the possibility to pursue trajectories of export-led economic growth. First, I will analyse this in relation to the persistence of low value-added industrial sectors across both Greece's and Portugal's political economies. The second and third subsections will then analyse the role of transnational capital in governing and restructuring higher value-added global value chains in a manner which undermined the possibility to pursue export-led growth.

5.2.1. The persistence of low value-added industrial production

In Portugal, due to the continued importance of the textile and clothing (TC), and footwear industries in terms of employment and economic output, and their focus on low value-added and low skill activity, the 'upgrading' of these sectors would be vital to ensure the viability of pursuing greater export-led economic growth. In the TC industry the opposite occurred. What became prominent across this sector was the steady casualisation of employment 'with a part-time or temporary labour force often working from home' (Corkill 1999: 159). This casualisation predominantly fell upon female workers, who made up the majority of the

workforce: almost 90 per cent in the clothing subsector, 67 per cent in footwear, just under 50 per cent in textiles, and 23 per cent in leather goods (UNIDO 1997: 68). Child labour in these sectors was also common. The growing precariousness of employment in these sectors was exacerbated by the TC and footwear industries not being based upon indigenous brands and distribution networks, meaning that the Portuguese firms did not capture the vast majority of value being created across the chain of production. Instead, 'the majority of small TC [and footwear] firms survive[d] only because they [were] subcontractors' (Corkill 1999: 159). In other words, Portuguese based export-oriented firms were participating in hierarchically organised value chains. Transnational corporations have historically governed these value chains through 'captive' relationships of production, primarily placing insecure contracts with Portuguese based suppliers. This severely curtailed the possibility to pursue export-led growth in these sectors, let alone any kind of competitive 'upgrading'. This configuration led to trade in value-added (TIVA) where Portuguese based TC and footwear firms were importing the constituent elements of goods, assembling them as a final finished article, and then exporting this product with minimal contributions in the net margins of value-added (OECD 2013: 1-2; OECD/WTO 2013). Further, Portuguese based firms were vulnerable to 'any decision by the [lead] contractor to shift production to lower-cost regions' (Corkill 1999: 159). This highlights both the governance capacity and the captive configuration which transnational capital had accrued when shaping the global value chains of industrial production.

The trajectory outlined above was compounded by productivity improvements lagging behind other manufacturing sectors across Portugal's variety *in* capitalism, despite some strong investment. Until the late 1980s 'remuneration levels in the textile sector remained at approximately three-quarters of the average manufacturing wage (even lower in clothing)'

(Corkill 1999: 160). However, after this point it rose along with the general trend, reflecting labour's increased strength in the post-dictatorship period. With this industry's global competitiveness being built primarily upon the ability to maintain low labour costs, this increase in wages pushed 'up relative costs of production by around 20 to 25 per cent (Corkill 1999: 160). With increasing labour costs, increased competition from the global south (discussed below), and the European wide recession of the early 1990s, many small firms, reliant upon orders from transnational corporations, could not remain viable. As a result, 'between 1991 and 1993 more than 27.000 jobs (just under 8 per cent of the workforce), were lost' in the TC industry (Corkill 1999: 160).

In the previous chapter I analysed how Greece's variety *in* capitalism had witnessed a general trend towards de-industrialisation from the early 1980s. In turn, Greece's industrial production structures have experienced limited integration into the value chains of global capitalism, as the shift towards the transnationalisation of production cohered following the era of embedded liberalism (OECD 2013: 1). This is partially highlighted when we point to total exports of goods and services (as a percentage of GDP) being significantly lower than Portugal, and even more so when compared with the EU as a whole (EC 2014: 4).¹ For instance, in 1981 exports of goods and services as a percentage of GDP stood at 21.4 per cent for Greece, and 20.3 per cent for Portugal. After a sustained divergence, by 1990 these figures stood at 14.8 per cent for Greece, and 29.2 per cent for Portugal, with this difference persisting throughout the decade. The new millennium would see exports as a percentage of GDP pick up for Greece, reaching 21.2 per cent by 2006. In comparison, this figure for Portugal in 2006 stood at 29.9 per cent. The insignificance of this figure in the Greek case is highlighted

¹ All figures are taken from the OECD database.

by the EU average in 2006 standing at 37.5 per cent of GDP. Whilst the lack of exporting activity alone would prove extremely limiting for the possibility of pursuing export-led economic growth, the value-added profile of industrial sector production structures, and the lack of capacity to 'upgrade' these, only reinforced the asymmetrical and hierarchical configuration of Greece's variety *in* capitalism vis-à-vis its north and west European neighbours.

In 1990, the top exporting industries² in Greece were the TC and footwear sector (25.5 per cent of total exports), food products (17.9 per cent), chemicals and minerals (13.1 per cent), and metal products (7.5 per cent). By 2000, a shift had occurred so that chemicals and minerals (14.4 per cent) now contributed the most to exports, followed by the TC and footwear sector (13.8 per cent), food processing (11 per cent), construction materials and equipment (7.5 per cent), and machinery (5 per cent). We witness this shift in profile reinforced by 2006 with chemicals and minerals contribution to total exports increasing to 16.2 per cent, followed by food processing (11 per cent), construction materials and equipment (11 per cent). By 2006, the TC and footwear share of exports now stood at only 8.7 per cent. This brief outline of the profile of Greek exports since the early 1990s highlights the degree to which they are based on low value-added activity (Linardos-Rulmond and Robolis 2016: 11; Economakis et al 2015: 431-432).

I can go one step further in demonstrating the limited potential for industrial production structures to generate export-led growth, across Greece's variety *in* capitalism, by focusing on how the sectors outlined above have historically been integrated into the value

² All figures are taken from the Observatory of Economic Complexity (OEC), Massachusetts Institute of Technology.

chains of global capitalism and the dynamics of trade in value-added that flow from these configurations. First, I will examine the rise of the chemicals and minerals sector as it has reached first position as a percentage of total exports. Whilst the growing significance of chemical industries may seem to signal a shift into higher value-added activity of industrial production, this is misleading at an aggregated level. Whilst two oil refineries have been introduced – which have been the primary driver of this sector's rise – Greek based firms import crude oil, refine it, and then re-export it. Whilst then the gross volumes of oil exporting have been quite impressive, when considered through the lens of trade in value-added, there is little net-value generated from re-exporting the initially imported crude oil (Interview 10).

A more general issue across a number of industrial sectors is that even where participation in a particular value chain of global capitalism is significant, it is primarily based upon 'backward participation', i.e. importing goods and services from other countries to be assembled into a final product before being re-exported. This is the case in the chemicals and minerals, basic metals, and transport and telecommunications sectors (OECD 2013). This means that through transnational industrial production structures a large amount of 'foreign' value-added is being imported into Greece's variety *in* capitalism, before it is potentially exported (or simply consumed in the domestic market). This dramatically curtails the possibility to generate sufficient net revenues of value-added that could contribute to export-led growth (OECD 2013). As the OECD (2013: 2) states, 'foreign value-added is large in final demand for all types of manufactured goods sold in Greece; the foreign value-added share for electrical equipment and transport equipment products is nearly 100 per cent'. It is clear that although the profile of exported goods and services has significantly altered in Greece since the 1980s, there has been a persistence of their low value-added profile. This has

witnessed a historical continuity of asymmetrical and hierarchical economic development that severely limits any potential to generate export-led economic growth.

5.2.2. The hierarchies of industrial 'upgrading' in Portugal

This sub-section only deals with Portugal's variety *in* capitalism simply because there were no significant instances of industrial 'upgrading' that could support a shift towards higher value-added industrial production in the Greek case. However, there was for Portugal in the form of the AutoEuropa investment, which generated a lot of excitement amongst leading political classes. This excitement was primarily generated from the perception that Portugal's variety *in* capitalism was moving away from traditional forms of low value-added and low-skilled industrial manufacturing (Interviews 39, 46; Rodrigues and Reis 2012: 198; Mamede 2012: 34). This excitement was misplaced. By examining the transnational configuration and governance of this particular industrial production structure, it is possible to demonstrate how historical forms of capitalist asymmetry and hierarchy persisted even following the introduction of new forms of industrial 'upgrading'. This in turn further compounded the difficulties in pursuing export-led growth. Before this however, it must be noted that the AutoEuropa investment received more subsidies than any other in Europe to that point (EIU 1995: 20, cited in Corkill 1999: 163). This highlights the disproportionate capacity of 'foreign' transnational capital to shape the possible development trajectories of European varieties *in* capitalism in an era of global capitalism. Without these subsidies, it is questionable whether Portugal's variety *in* capitalism would have even been considered an attractive destination for investment by the Ford and VW groups. The ideological coherence between leading political classes and dominant export-oriented industrial capital meant that a significant emphasis was placed on facilitating the types of transnational capitalist restructuring that

foreign direct investment could bring with it, even despite the seemingly high costs involved for the state.

Moving to a focus on the governance and configuration of this particular transnational industrial production structure, the AutoEuropa project exhibited 'a strong bias towards final assembly and packaging activities' (Amin and Tomaney 1995: 205). Further, there was an 'absence of top and middle-order management activities' at the Portuguese site. It also had 'limited financial autonomy', with the functions of 'purchasing, product strategy, sales, marketing and investment controlled by divisional or head offices outside Portugal' (Amin and Tomaney 1995: 205). In short, the governance structures of this particular value chain were configured by transnational capital in a manner that sustained historical forms of European industrial asymmetry and hierarchy.

This continued asymmetrical trajectory was further compounded by the majority of parts and components being imported for final assembly were high-technology, high value-added components, which generate significant net margins when exported (OECD 2013: 2). This is despite the requirement that at least 45 per cent of the parts and components going into the final assembly (discussed in the previous chapter) be sourced from Portuguese based firms. Although the AutoEuropa project did assist in the development of an indigenous motor vehicle parts and components sector, Portuguese-based firms did not supply high value-added parts and components, which instead had to be imported before they were re-exported. This meant that little net margin was being generated by these transnational industrial production structures, limiting the possibility to support export-led growth. In short, the same configuration of global capitalist hierarchy developed in the establishment of a supposedly high value-added industrial sector, in this case producing cars, as had cohered in the case of the already present TC and footwear sectors.

5.2.3. The global division of labour and increased competition

The transnational restructuring of global(ising) value chains of industrial capitalist production created new forms of competition for Greece's and Portugal's varieties *in* capitalism. Transnational capital played a central role in reconfiguring the international division of labour, deepening the combination of distinct national varieties *in* capitalism as the development trajectories of the 'global north' and 'global south' were drawn together in novel ways (Interview 5, 43, 46). This dynamic particularly took hold following the entry of China's variety *in* capitalism into the WTO in 2001, the ending of the Multi-Fibre Arrangement in 2005, and the integration of central and eastern Europe (CEE) into the EU in 2004 (Serra 2014: 43; Mamede 2012: 35; Teixeira dos Santos 2014).

These new competitive dynamics particularly exposed Portugal's political economy to 'wider and more aggressive foreign competition' (Serra 2014: 43). For example, during the 1990s, 'when Malaysia's tiger economy produces shirts for 50 escudos at the expense of 'social dumping', the dominant logic [of] the Portuguese businessman [was] to try to make the same for 45 or even 30 escudos' (*Expresso*, 25 October 1997). This evidently went against the logic of 'upgrading' production structures. However, due to similarities in the export profiles outlined above, both Greece's and Portugal's political economies became exposed to heightened competition throughout the 1990s, and especially into the new millennium, as these profiles mapped directly onto those of China's and the CEEs varieties *in* capitalism (Athanasoglou et al 2010: 5; Reis 2013: 148; Lane 2013: 10; Mamede 2012; Royo 2012: 205-213; European Commission 2010: 79). Due to the shared predominance of low skill and low technology production between Greece, Portugal, and the 'emerging economies', the competitiveness of the latter was driven by low labour costs.

There was increased competition across relevant global value chains for export-oriented Greek and Portuguese firms from their Chinese equivalents. After acceding to the WTO in 2001, China's variety *in* capitalism was able to take advantage of its 'privilege of backwardness' within the capitalist world system by specialising 'in exploiting its low wages relative to the richer EU countries' to increase market and trade shares (Reis 2013: 154). This increased competition was further heightened in 2005 when the Multi-Fibre Arrangement came to an end. The eventual abolishment of this Arrangement had been agreed in 1993 at a GATT Uruguay Round meeting. This had established 'a progressive elimination of export quotas of textiles, clothing and footwear from less developed countries over a 10-year period (1995-2005)' (Leao and Palacio-Vera 2011: 12). The result of this was that the 'market share of China in the EU15 increased sharply at the expense of several southern European countries', including Greece, though particularly Italy and Portugal (Leao and Palacio-Vera 2011: 12). More specifically, this precipitated a sharp decline in the export share from TC and footwear sectors where Greece's and Portugal's political economy's had historically enjoyed success. Greece's share of these sectors in total exports fell from 25.5 per cent in 1990, to 8.7 per cent in 2006.

In the specific case of Portugal's variety *in* capitalism, this heightened competition precipitated a similar process of de-industrialisation (although, not as severe) heading into the new millennium as Greece had witnessed during the 1980s. In 2000 the unemployment rate stood at 5.1 per cent, and by 2009 this had reached 9.2 per cent. Much of the increase is attributable to the deepening integration of China's variety *in* capitalism into the value chains of global capitalism, which Portuguese export-oriented industrial sectors could not compete with. This is clear for Portugal's industrial production structures, as '[b]etween 2000 and 2007 Portugal lost jobs in manufacturing at an average annual rate of 2 per cent (Lagoa, et al 2014:

13). Approximately 60 per cent of the jobs lost were in the 'traditional' export-oriented industrial sectors (Lagoa et al 2014: 13). For instance, the level of employment in the textile and clothing industries declined from 11.6 per cent of total employees in 1982 to 5.4 per cent in 2006. Demonstrating this trend further, 'textile importance in industrial exports declined from 19 per cent in 1982 to 8 per cent in 2006, while clothing exports, after increasing from 11 per cent in 1982 to 13 per cent in 1992, were to decline to 4 per cent in 2006' (Aubyn 2014: 5) This was 'one of the fastest rates of deindustrialisation in the EU' (Lagoa et al 2014: 13; Mortagua and Mamede 2014).

It was not just in the areas of low value-added industrial activity that Portugal's variety *in* capitalism experienced increased global competition. Due to the entry of central and eastern European (CEE) countries into the EU in 2004, the attempt to 'upgrade' industrial production structures to shift into higher value-added export activity (such as car production) also came under increasing competitive pressure. This was primarily due to CEE varieties *in* capitalism exhibiting a combination of lower wages and a more skilled labour force (Leao and Palacio-Vera 2011: 12; Teixeira 2014: 38). As was the case in Portugal's variety *in* capitalism, this growth of activity in its CEE counterparts was governed by the interests of transnational capital. This is clearly demonstrated as transnational industrial capital 'anticipating the EU's eastern enlargement in 2004 de-located their productive capacity from Portugal to the new member states' (Mamede 2012: 38). This resulted in an increase of inward FDI to CEE varieties *in* capitalism 'into medium-to-high tech sectors, which formerly had headed towards southern Europe, including Portugal' (Leao and Palacio-Vera 2011: 12; Nolke 2009). The reconfiguration of investment trajectories is apparent as FDI into Portugal's political economy 'did not increase between 2000-2002 and 2007-2009, and, during the decade as a whole, it showed signs of stagnation at a level below \$5 billion' (Simoes and Cartaxo 2011: 2; UNCTAD

2013). The trend towards de-industrialisation is further highlighted as 'inward FDI flows for 2000-2009 suggest a declining importance of manufacturing' (Simoes and Cartaxo 2011: 3). During this period, manufacturing only received 3 per cent of the total inward FDI (Simoes and Cartaxo 2011: 3). Instead, the majority of inward FDI registered during this period went into the domestically-oriented non-tradable sectors of Portugal's variety *in* capitalism, the reasons of which are analysed in greater detail below.

Preparations for entry into the supranational monetary union of the single currency exacerbated the above trends. However, these only came into full effect upon the currency's introduction. Specifically, accession preparations had entailed the appreciation of the Escudo and Drachma during the 1990s, making goods to be exported more expensive (Rodrigues and Reis 2013: 195; Pagoulatos 2001: 196). This resulted in a significant loss of market share for Portuguese exports in the EU-15, their main destination (accounting for 71 per cent of the total in 2008). Between 2003 and 2009 this share declined by 33 per cent, most of which was lost to China and CEE countries. A similar dynamic occurred to Greek exports. They saw a decline of market share in the EU-15 decreasing from 60 per cent in 1996 to 51 per cent in 2006 (Athanasoglou et al 2010: 9).

The deepening integration of Greece's and Portugal's industrial production structures into the value chains of global capitalism has reinforced political economic configurations of asymmetry and hierarchy across Europe's political economy, as the political project of neoliberal restructuring gathered momentum. This has limited the possibility for each variety *in* capitalism to pursue the types of export-led growth that could have lessened, or even prevented, the accumulation of external indebtedness that cohered during the period under study. Primarily directed by the interests of transnational capital, industrial production continued to be organised around 'traditional' sectors with a low value-added profile. Where,

in Portugal's case, there was the 'upgrading' of industrial production structures through the introduction of supposedly higher value-added activity, the governance of car production value chains were configured in a similar hierarchical manner exhibited by more 'traditional' sectors. This configuration inhibited the possibility for developmental 'catch-up' and convergence, reinforcing the European asymmetry between Portugal's variety *in* capitalism and those of northern and western Europe. The governance capacity of transnational capital in shaping the trajectories of economic development, competitiveness and growth is highlighted by the fact that shortly after the AutoEuropa project was in place, a decision was taken by Daewoo to locate a new production site in Algeria rather than Portugal. This was 'following talks with the government about locating a new factory in Setubal (the same region as AutoEuropa) with a capacity to produce 100,000-150,000 vehicles' (Corkill 1999: 164).

Due to a wider restructuring of the global political economy during the period under study, Greece's and Portugal's varieties *in* capitalism also experienced heightened competitive pressures. Specifically, this was due to the deepening integration of China's production structures into the value chains of global capitalism. This was especially in areas such as the manufacturing of textiles and clothing, which had long been central to the export-oriented industrial sectors of Greece's and Portugal's political economies. Further, the prospect of Portugal being able to 'upgrade' into higher value-added areas of production was limited by the deepening integration of CEE varieties *in* capitalism into global capitalism, offering transnational capital new attractive points of organising industrial production to pursue profitable accumulation. Despite becoming dependent upon the inward FDI of transnational capital (Nolke 2009) to pursue their own development projects, CEE varieties *in* capitalism offered lower labour costs and a higher skilled workforce. These increasing

volumes of FDI were the type that Portugal had been attempting to explicitly attract since the mid-1980s and had geared restructuring efforts towards.

This analysis has supported the aims of Chapter 3 and the development of a capitalist theory of institutional diversity. Through analysing the strategies and interests of transnational capital I have been able to demonstrate the central role of productive and institutional diversity in shaping the development of Greece's and Portugal's varieties *in* capitalism. In this specific instance, this has been through a focus on the configuration and insertion of their respective industrial production structures into the transnational(ising) value chains of global capitalism. In opposition to the Varieties of Capitalism approach, focused on national institutional complementarities and their functional (non-)fulfilment, this alternative CPE approach supports a superior explanation of the types of asymmetric industrial competitiveness and economic growth that historically cohered from these political economic developments. The analysis also supports the use of an incorporated comparison. The hierarchical and asymmetrical development origins of the eurozone crisis can only be fully realised, as particular instances of national political economic development are internally related to the wider development of the capitalist world system, both across space and time. Having now examined why trajectories of export-led growth could not be fulfilled to potentially avoid the accumulation of external indebtedness, I now turn to analyse the political economic dynamics directly contributing to this dynamic.

5.3. Financialised accumulation and debt-led growth

The previous section analysed why there were limited possibility to generate sufficient levels of industrial export-led economic growth to avoid the accumulation of external indebtedness. Despite such limitations, both Greece's and Portugal's varieties *in* capitalism did generate high

levels of aggregated economic growth during the 1990s and 2000s.³ Specifically, from 1996 to 2007, Greece experienced an average real annual growth rate of 3.92 per cent (Pasiouras 2012: 15), and from 1986 to 2000 Portugal experienced an annual average real annual growth rate of 4.1 per cent (Lagoa et al 2014: 6; IMF 2002). What is important for the purposes of this substantive section, and the overall aim of explaining the origins of the eurozone crisis in Greece and Portugal, is not the level of economic growth, per se, but the type of debt- and import-led economic growth that came to be dominant in both Greece's and Portugal's varieties *in* capitalism.

In the previous chapter I examined how an ascendant neoliberal hegemonic project had systematically questioned the historical role of state. Through the pervasive ownership of state enterprises and a restrictive regulatory environment around the financial sector, the 'rolling-back' of the state's role was deemed a requirement of pursuing a 'modern' 'European' development trajectory by leading political and capital class forces in Greece's and Portugal's varieties *in* capitalism. Alongside the industrial 'upgrading' analysed above, institutional transformation leading to the transnationalisation of finance was considered a means by which to economically converge on west and north European varieties *in* capitalism and overcome historical asymmetries. With the supranational European integration project itself providing the institutional blueprints for 'rolling-back' the role of the state across Greece and Portugal restructuring served the interests of transnational financial capital as European integration created new instruments and spaces of accumulation. In the next sub-section I

³ The timing of this is different in both cases. For Portugal, rapid economic growth occurred from the early 1990s until 2000 when it stalled never to return for the period leading up to the eurozone crisis. For Greece, economic growth picked up towards the end of the 1990s and continued until the global financial crisis of 2007-2008.

will analyse the accumulation of debt through demand generated by non-tradable import-oriented, household consumption, and public sectors of the Greek and Portuguese economies. This is before turning to examine in more detail how this was facilitated by the institutional restructuring and transformation, analysed in detail in the previous chapter.

5.3.1. The private and public accumulation of debt

Across both Greece's and Portugal's varieties *in* capitalism, the main driver of economic growth following institutional restructuring to the role of the state and the transnationalisation of finance, was the accumulation of debt. This financialised form of capitalist accumulation rested upon demand generated by import-oriented non-tradable firms, private household consumption, and government fiscal and investment expenditure, with a wide range of interviewees emphasising its role in the origins of the eurozone crisis (Interviews 5, 6, 8, 9, 10, 16, 39, 41, 42, 43, 47, 48, 49, 60). The accumulation of this debt was sourced from newly privatised domestic banks (Mamede et al 2014).

In Portugal's variety *in* capitalism, households were historically 'given to saving – they have been among the biggest savers in Europe, hoarding between 17 and 18 per cent of income' (Wright and Pagoulatos 2001: 244). A shift occurred over the 1990s as savings decreased and household indebtedness increased. In 1995 household indebtedness as a percentage of disposable income stood at 55.5 per cent. By 2006, this same figure had almost tripled reaching 140.6 per cent (OECD). There was also the development of an asymmetric spread of household indebtedness, 'with a relatively small fraction of households having a large proportion of the overall debt' (Lagoa et al 2013: 265; Interviews 41, 45, 46). Despite this inequality, Cardoso (2005: 2) highlights that this ratio of indebtedness was well above the eurozone average of 80 per cent. This saw a doubling of private household and non-financial

sector indebtedness between 1995 and 2002 (European Commission 2004: 12; Banco de Portugal 2009: xxi), with 'outstanding loans to these sectors increasing from 50 per cent to 93 per cent of GDP' (Lagoa et al 2014: 10). From these outstanding loans 'almost three fifths of this growth was directed at households, three quarters of which were mortgage loans' (Lagoa et al 2014: 10). This increased lending resulted in a staggering rate of credit growth, which accelerated from close to 0 per cent in 1990, to above 25 per cent in 1998. Levels of private indebtedness were much higher than in other parts of the eurozone, which only experienced an equivalent up-turn in the new millennium. This is highlighted as 'the gross debt-to-income ratio of Portuguese households was 84 per cent in 2000 – clearly above the euro area average (75 per cent), and the values for Spain (69 per cent) or Italy (34 per cent)' (Lagoa et al 2014: 17). The significance of this debt and credit expansion is clear, as it resulted in 70 per cent of GDP growth being attributable to the private consumption of households. This compares with 36 per cent from gross fixed capital formation (GFCF), and 21 per cent from public consumption (Lagoa et al 2014: 7).

The wider availability of credit created by the transnationalisation of finance across Portugal's variety *in* capitalism not only increased indebtedness in households, it also precipitated the expansion of import-oriented non-tradable sectors of the economy which are 'less exposed to foreign competition' (Rodrigues and Reis 2012: 197). These sectors primarily included construction, retail and privatised utilities (Interview 39). Corkill (1999: 44-46) states that Portugal became gripped by 'construction fever' as the greater ease of accessing credit was directed to the sector during the 1990s. This was particularly as long-term interest rates were lowered. During this period the construction industry was growing at four times the rate of the economy as a whole (Corkill 1999: 43). This growth, in turn, sustained the increased levels of household consumption which mortgage lending played a

large part of. An IMF report discusses this, highlighting how a transnationalised and liberalised financial sector, combined with increased bank competition, led directly to a surge in capital flows into the non-tradable sector (IMF 2013: 8; Mamede 2012: 34-5).

In Greece's variety *in* capitalism, there was also a significant increase in overall indebtedness (Interviews 6, 8), by the equivalent of 55 per cent between 2002 and 2005 alone (Lynn 2010: 115). This was partly driven by an increase in the consumption of consumer credit which grew by an average annual rate of 41 per cent during the period of 1994-2000 (Pagoulatos 2003: 176; Interview). Argitis (2013: 231) highlights the degree of this increase when he states, 'that during the period 2000-2003, Greek banks issued more than 5 million [credit] cards in a country where the population was less than 11 million'. This contributed towards an overall increase in household indebtedness, as consumer demand was financed by an annual average credit growth rate amongst the highest in the eurozone (Pagoulatos and Quaglia 2013: 188-189). Whilst it is evident that the increase in consumer credit and household indebtedness played a significant role in the emerging dominance of debt-led across Greece's political economy, it was not quite as central when compared with Portugal. For instance, we witness a less significant increase in consumer credit which was only 4.5 per cent of GDP in Greece in 2000 'compared to 10 per cent in other eurozone members' (Pagoulatos 2003: 176). There is a similar disparity in mortgage lending as a percentage of GDP in 2000, which 'stood at about 8 per cent [in Greece] compared to an EU average of 40 per cent' (Pagoulatos 2003: 176).

It is upon Greece's entry to the eurozone where an acceleration in consumer credit consumption takes place. This differential timing compared with Portugal reflects the later institutional transformation and transnationalisation of the financial sector. For instance, 'average annual bank lending for housing purchase reached 28.3 per cent, absorbing 35.3 per

cent of the total economy's bank lending in 2007' (Pagoulatos and Triantopoulos 2009: 39). This figure was up from 15.1 per cent in 1998. Increased lending was also supported by a significant fall in lending interest rates from 14.5 per cent in 1995 to 6.3 per cent in 2000. Further, the overall 'value of loans provided by commercial banks increasing within a decade (1998-2008) by 355 per cent (Ioannidis 2012: 10; Pagoulatos and Triantopoulos 2009: 37). This led to an overall increase in household indebtedness to 74 per cent as a percentage of disposable income by 2006 (OECD; Ioannidis 2012: 10). Whilst this is below the eurozone average of 80-90 per cent (Pagoulatos and Quaglia 2013: 188-189), household consumption did become the largest contributor to GDP growth at 70 per cent (Bastian 2015: 7).

The wider availability of cheap credit through transnational financial markets also sustained government borrowing and spending, which only decreased as a percentage of GDP at a slow rate even in favourable economic conditions (Interviews 5, 6, 9, 10, 15, 16). Government debt for Greece stood at an average of 96.3 per cent of GDP between 1995 and 1999. After the introduction of the euro, and despite strong economic growth, this average increases to 110 per cent between 2000 and 2004 (OECD). The figures for the government deficit for Greece during the same two time periods are 7.2 per cent of GDP, and 6.4 per cent of GDP (OECD). Both of these sets of figures are persistently higher than the Portuguese equivalent.

This is not to state that the Greek State did not attempt to bring public debt and deficits under control during the period under study. The historical record demonstrates quite the contrary, with austerity driven 'Stabilisation Programmes' being implemented during Papandreou's second term during the 1980s (Interviews 15, 16). During the 1990s, in an attempt to meet the accession criteria for EMU, a number of convergence programmes were implemented which put a hard constraint on the need to reign in public debt and deficits

(Blavoukos and Pagoulatos 2008). Programmes included, the three year Medium Term Adjustment Programme (MTAP) of 1991-1993; the Convergence Programme (CP) of 1993-1998; the Revised Convergence Programme (RCP) of 1994-1999, and the Updated Revised Convergence Programme (URCP) (Arghyrou 2000: 158). This undermines the thesis that somehow the Greek State acted 'exceptionally' compared to other European political economies during this period and beyond. Instead, in line with the CPE approach, it is imperative we understand the dynamics of public debt accumulation within the wider dynamics of transnationalising financial capital.

In short, whilst it is important to recognise that Greek governments have a long history of experiencing problems with its public finances (primarily driven by an inability to collect taxes compared to its European peers), it is equally important to note that during the 2000s the continuation of this problem could not have occurred without 'huge volumes of investment funds being ploughed into eurozone government bonds' (Manolopoulos 2011: 165). This was itself a product of financial capital being able to explore new transnational flows and spaces of accumulation. Increases in the purchase of government debt in turn facilitated the expansion of the domestically-oriented non-tradable sector (see Baldwin and Giavazzi 2015: 36, Table 1). This expansion took place through the increase in public infrastructure projects, the 2004 Athens Olympic Games being the prime example of such a dynamic.

5.3.2. The role of transnational finance in facilitating debt-led growth

It was the transnational character of financial accumulation across Europe's political economy that was central to sustaining the debt-led growth that became dominant. As I analysed in the previous chapter, in the specific cases of Greece's and Portugal's varieties *in* capitalism

this transnationalisation was facilitated through the privatisation of state-owned banks and the implementation of supranational directives. The perception that restructuring was producing institutional convergence and trajectories of developmental 'catch-up' across the eurozone also significantly reduced the perception of exchange rate risk. This was to the point of it becoming negligible. Highlighting the degree to which the diminishment of exchange rate risk supported increased transnational financial activity, it is worthwhile to note that for Portuguese households and firms 'nominal interest rates dropped from 16 per cent in 1992 to 4 per cent in 2001' (Blanchard 2007: 3). The drop in real interest rates demonstrates this further as over the same period they dropped from 6 per cent to 0 per cent (Blanchard 2007: 3; Lagoa et al 2013: 291). Whilst the 'European passport' created one single transnational, and highly competitive, market for financial services – resulting in a decrease of profit-margins for domestically-based banks (Decressin and Mauro 1998: 5) – it also increased the capacity of banks to access the cheap liquidity of European-wide inter-bank lending markets.

To overcome the issues of increased competition and decreasing margins, widening the base of lending and increasing the volumes lent was seen as the mechanism by which new points of profitable accumulation could be generated (Decressin and Mauro 1998: 5). It was the heightened capacity to access cheap finance from across Europe's now transnationalised financial markets that sustained the demand for credit from households and import-oriented firms involved in the non-tradable sectors of the economy (European Commission 2004). Ozacan et al (2010, cited in Caldentey and Vergengo 2012: 16) demonstrate this when they state, 'bilateral bank holdings and transactions among the eurozone economies increased by roughly 40 per cent following the adoption of the euro'. Alongside a significant decrease in inflation across Greece's political economy, lending supported an increase in private

investment and strong real growth rates of 3.9 per cent per year over the period 2001-2008 (Kouretas and Vlamis 2010: 391-393).

A similar downward dynamic occurred to the cost of financing government debt (Kouretas and Vlamis 2010: 391-393). Long-term interest rates declined from about 20 per cent in 1994, at the time when Greece announced its intention to join the eurozone, to less than 3.5 per cent in early 2005 (OECD). For Portugal, there was a decrease from 11.5 per cent in 1995 to 3.4 per cent in 2005 (OECD). This meant that the risk of Greek or Portuguese government debt not being paid back was considered the same as German government debt (OECD). As Baldwin and Giavazzi (2015: 22) state, 'risk premiums evaporated as markets believed the Maastricht Treaty promises of 'no devaluation', 'no default', and 'low inflation for all forever'. It also meant that for the Greek government debt repayments in 2006 only consumed 4 per cent of revenues, a significant drop from the 12 per cent that had been consumed in 1994 (Lynn 2010: 115). This is even though government debt as a percentage of GDP was more than 10 percentage points higher in 2006 than 1994.

Specifically in Portugal's variety *in* capitalism, the dominance of debt-led growth was also supported by non-banking activity in the form of transnational financial investment flows. The strong growth of FDI into Portugal's variety *in* capitalism between 1986 and 1994, discussed above, was not predominantly directed towards export-oriented industrial sectors, which only registered 28 per cent of the total. Instead, inward FDI played an important role in facilitating the expansion of non-tradable sectors 'as a result of large investments in tourism and real estate' (OECD 1994: 18). The newly privatised and liberalised financial sector registered the highest amount at 30 per cent of the accumulated total for that period (Corkill 1999: 79).

Credit made available through the financial banking sector fed into increasingly profitable import-oriented non-tradable sectors, it enhanced the attractiveness of industries such as property and construction. These sectors received 22 per cent of inward FDI between 1986 and 1994 (Corkill 1999: 79). The attractiveness of non-tradable sectors for investment was driven by the 'market power' of import-oriented firms where 'mark-ups are more resilient' (Rodrigues and Reis 2012: 195). This meant that profitability was more easily maintained once achieved compared with transnationally competitive export-oriented sectors. This profitability differential was further exacerbated by export-oriented Portuguese-based firms primarily being international price-takers, with market forces placing a continuing downward pressure on prices and profit margins as I analysed above (Rodrigues and Reis 2012: 195). Further, where inward FDI flows did focus on export-oriented industrial sectors, these flows were primarily geared towards larger firms through processes of mergers and acquisitions, which were already competitive across their respective value chains of global capitalist accumulation (Corkill 1999: 79). In other words, there was a lack of investment from foreign sources which could assist import-oriented, primarily small and medium sized firms, to 'upgrade' their technological and skill basis, and which, in turn, could have enhanced the possibility of becoming competitive export-oriented producers. In short, the dynamics of inward FDI into Portugal's variety *in* capitalism was an important parallel mechanism to the role played by transnational financial capital in facilitating the dominance of debt-led growth, as investment was primarily directed towards import-oriented non-tradable sectors of the economy.

This section has analysed how internalising the prerogatives of the supranational European integration project in the name of pursuing a 'modern' 'European' trajectory of capitalist development facilitated the emergence of debt-led economic growth across

Greece's and Portugal's varieties *in* capitalism. The financial banking sector was argued to have played a key role in this development as new points of accumulation became viable across Europe's political economy. The expansion of financialised debt instruments was particularly evident across private household sectors and domestically-oriented non-tradable sectors in both Greece and Portugal, with the public sector also playing a large role in the former. Particularly important to this process was the transnationalisation of finance, itself facilitated through restructuring to the role of the state. This links back to the analysis conducted in the previous chapter focusing on restructuring efforts, and also to the conceptual discussions in Chapter 3 that emphasised the role of institutional transformation in shaping the origins of the eurozone crisis.

This analysis has offered an important corrective to the methodologically nationalist focus of authors analysing the origins of the eurozone crisis with the VoC approach. It has demonstrated that the European integration project is not simply an 'external' institutional configuration which path-dependent national institutional orders (un-)successfully mediate. Instead, the ascendant principles of a neoliberal hegemonic development project across Europe were actually constitutive and transformative of the institutional configurations of Greek and Portuguese varieties *in* capitalism - introducing new forms of combined development - and the uneven hierarchical development trajectories which cohered up to the eurozone crisis. The alternative CPE approach has again been able to take account of the role of capitalist diversity in shaping the economic trajectories of competitiveness and performance that are central to explaining the origins of the eurozone crisis in Greece and Portugal. I now turn to offer some concluding remarks.

5.4. Conclusion

In Chapter 4 I detailed how the renewal of the European integration project at a supranational scale provided a political economic unity to the perceived superiority of transnationalising and liberalising trajectories of capitalist development (van Apeldoorn 2002; Bieler 2006). Despite this growing coherence around the European integration project – explicitly aiming at the convergence of development trajectories amongst its constituent member states – the dialectical contradictions of uneven capitalist development meant that deepening combination of European varieties *in* capitalism imparted ‘differential imperatives and unequal advantages upon EU members’ (Sandbeck and Schneider 2013: 14). For instance, class forces providing the dominant direction to the EU’s development – primarily deriving from the northern ‘core’ nations of the EU – presented renewed European integration as a universally applicable model of development that could ensure sustainable socio-economic convergence across Europe (Jessop 2014: 253). Despite a discursive appeal to universal applicability, this renewal was argued to be in line with the interests of leading capitalist class forces within the emerging historical bloc. There was less concern ‘with smoothing over economic unevenness and more with enhancing profitability’ by increasingly engaging in transnational forms of capitalist accumulation through mechanisms such as ‘reducing transaction costs, eliminating tariffs, promoting capital mobility and placing pressure on rising labour costs’ (Sandbeck and Schneider 2013: 14).

Despite the evident contradictions of the European integration, and its attendant transnationalisation of production and finance, the project was explicitly regarded as an opportunity by leading class forces in ‘peripheral’ states such as Greece and Portugal. It provided the contents of a ‘modern’ development project, i.e. converging upon an ‘advanced’ form of capitalist development away from more ‘traditional’ forms. This would allow Greece

and Portugal to respond to the ‘whip of external necessity’ emanating from more ‘advanced’ western and northern European states as the project deepened. This was possible without having to reinvent the material, institutional, and ideational tools as each combined a particular national political economy to the ascending supranational European project. The ability to achieve convergence was specifically premised on two dominant principles. The first was to transnationally restructure and upgrade Greek and Portuguese industrial production structures to shift towards higher value-added export activity. The second area focused on streamlining the role of the state away from its pervasive position across economic activity, particularly through the transnationalisation of finance as liberalisation and privatisation of the banking sector cohered. In short, a wholesale neoliberal restructuring to both Greece’s and Portugal’s varieties *in* capitalism was called for.

In this chapter I have traced the formation of particular trajectories of economic competitiveness and growth across Greece’s and Portugal’s varieties *in* capitalism, demonstrated how this is linked to the restructuring analysed in the previous chapter, and explained why this is central to the origins of the eurozone crisis. As the North Atlantic Financial Crisis morphed into a crisis of sovereign debt across Europe’s political economy, ‘peripheral’ European political economies were subject to speculative financial attacks. The central aim of this analysis has been to explain why both Greece’s and Portugal’s varieties *in* capitalism accumulated this external-indebtedness, demonstrating why speculation has been driven over concerns about the possibility to produce sufficient, and sustained, levels of economic growth to pay it down in the future.

The analysis above traced the two central asymmetric economic trajectories, which explain the origins of the eurozone crisis in Greece’s and Portugal’s varieties *in* capitalism. Section 5.2. analysed the deepening integration of Greece’s and Portugal’s industrial

production structures into the transnational value chains of global capitalism, and how this reinforced political economic configurations of asymmetry and hierarchy across Europe's political economy. This hierarchical integration limited the possibility for each variety *in* capitalism to pursue the types of export-led growth that could have lessened, or perhaps even prevented, the significant accumulation of external indebtedness as trade balances improved. Primarily restructured and governed by the interests of transnational capital, the integration of Greek and Portuguese industrial production structures into the transnational value chains of global capitalism continued to be organised around 'traditional' sectors with a low value-added profile. In the case of Portugal's variety *in* capitalism, there was the one significant instance of 'upgrading' to industrial production structures through the introduction of (supposedly) higher value-added activity. However, governing structures of AutoEuropa's transnational value chains, focused on car production, were hierarchically configured in a similar manner as those of 'traditional' sectors. This captive configuration inhibited the possibility for developmental 'catch-up' and convergence, reinforcing European asymmetry between Portugal's variety *in* capitalism and those of northern and western Europe.

Due to a wider restructuring of the global political economy during the period under study Greece's and Portugal's varieties *in* capitalism also experienced heightened competitive pressures. Specifically, this was due to the deepening integration of China's production structures into the value chains of global capitalism. This was especially in areas such as the manufacturing of textiles and clothing, which had long been central to the export-oriented industrial sectors of Greece's and Portugal's political economies. Further, the prospect of Portugal being able to 'upgrade' into higher value-added areas of production was limited by the deepening integration of CEE varieties *in* capitalism into global capitalism, which offered

transnational capital new attractive points of organising industrial production to pursue profitable accumulation.

Section 5.3. moved on to analyse how internalising the prerogatives of the supranational European integration project in the name of pursuing a 'modern' 'European' trajectory of capitalist development facilitated the emergence of debt-led economic growth across Greece's and Portugal's varieties *in* capitalism. The financial banking sector was argued to have played a key role in this development as new points of accumulation became viable across Europe's political economy. The expansion of financialised debt instruments was particularly evident across private household sectors and domestically-oriented non-tradable sectors in both Greece and Portugal, with the public sector also playing a large role in the former. Particularly important to this process was the transnationalisation of finance, itself facilitated through restructuring to the role of the state.

The analysis, conducted over the two chapters of Part 2, supports the development of a capitalist theory of institutional diversity. Through analysing the strategies and interests of transnational capital I have been able to demonstrate the role of productive and institutional diversity in shaping the development of Greece's and Portugal's varieties *in* capitalism as deeper integration with global capitalism has occurred. In opposition to the Varieties of Capitalism approach, focused on national institutional complementarities and their functional (non-)fulfilment, this alternative CPE approach supports a superior explanation of the formation of asymmetric economic competitiveness and growth. The analysis also supports the use of an incorporated comparison. The hierarchical and asymmetrical development trajectories of Greece's and Portugal's varieties *in* global capitalism can only be fully realised as the *particular* instances of national political economic development are internally related to the wider *general* development of the capitalist world system, both across space and time.

Finally, this analysis has offered an important corrective to the methodologically nationalist focus of authors analysing the origins of the eurozone crisis with the aid of the VoC approach. It has demonstrated that the European integration project is not simply an 'external' institutional configuration, which path-dependent national institutional orders (un)successfully mediate. Instead, the ascendant principles of a neoliberal hegemonic development project across Europe were shown to be constitutive and transformative of the institutional configurations of Greek and Portuguese varieties *in* capitalism. This conditioned new forms of combined development, and the uneven hierarchical development trajectories which cohered leading up to the eurozone crisis.

The conclusion of Chapter 5 also brings to a close Part 2 of this thesis. It was stated above that Part 2 serves two purposes in the overall structure of this thesis. To recap, the first purpose was to explain the political economy origins of the eurozone crisis in Greece's and Portugal's varieties *in* capitalism. The second purpose was to provide a historical foundation for Part 3, contextualising analysis of contemporary 'in-crisis' dynamics. The second purpose can only be fully realised in the analysis to follow in Part 3 of the thesis, which is where I now turn.

PART 3

**Global Restructuring and Resistance in an Age of
Austerity: The Responses to the Eurozone Crisis in
Greece and Portugal (2010-2016)**

6. The Political Economy of Austerity and Restructuring during the Eurozone Crisis

6.1. Introduction

The overarching purpose of Part 3 of this thesis is to analyse struggles surrounding responses to the eurozone crisis in Greece and Portugal. The political and economic conditionality, detailed in the various memorandums of understanding (MoUs) signed between Greek and Portuguese governments and the so-called 'troika' (European Commission, European Central Bank (ECB), and International Monetary Fund (IMF)), provide the main policy initiatives around which contentious political struggles have occurred. This part of the thesis will focus on attempts to implement and resist the conditionality, analysing the principles and practices of both leading and working class forces as they struggle over the future development trajectories of both European varieties *in* capitalism.

Chapter 6 will focus on the response of leading political and capitalist class forces, fulfilling the first purpose of Part 3. Detailed below, this response has been ideologically justified through the prism of 'expansionary austerity'. This has two dominant pillars. The first is to pursue fiscal austerity, focused on diminishing the role of the state in various fields of political economic activity. The second pillar focuses on a renewal of restructuring to the productive and institutional configurations of Greece's and Portugal's varieties *in* capitalism, attempting once again to usher in a shift towards export-led economic growth. Implementing the conditionality which constitutes these two pillars has been presented as a universal good for the people of Greece and Portugal, a means by which to overcome historical failings and

to pursue a more sustainable path of political economic development in the future (IMF, 2 May 2010; IMF 5 May 2011; Interviews 7, 10, 12, 13, 17, 28, 34, 36, 43, 47, 48, 50, 51, 55, 56, 59, 60, 63, 64, 66).

A central aim of the analysis to follow is to repoliticise the political economy of ‘expansionary austerity’, a political project which, due to a lack of political legitimacy, has been pursued through ever increasing coercive mechanisms. Repoliticising the response to the crisis can be achieved, once again, by employing aspects of the Critical Political Economy (CPE) approach developed in Part 1 of this thesis. Through a focus on the foundational social relation of capitalism between capital and labour, it will be argued that a shift in the balance of class forces is taking place across Greece’s and Portugal’s varieties *in* capitalism as the conditionality of global capitalist restructuring and austerity attempts to deepen capitalist domination, discipline, and exploitation. This is being supported by practices of ‘authoritarian neoliberalism’, which attempt to insulate the implementation of expansionary austerity from political contestation.

The argument to be developed in this chapter will again bring an important corrective to VoC approach analysis. Repoliticising the response to the eurozone crisis as class struggle over the future trajectories of (post-)capitalist development will demonstrate how this is not a technical exercise attempting to pursue, through ‘correct’ policy interventions, particular institutional configurations to support sustainable trajectories of economic development and growth.

The degree to which authors employing a VoC approach are out of touch with the political realities of the responses to the eurozone crisis is demonstrated by Hancke, Johnston and Pants (2013) ‘LSE discussion paper’. Taking aim at the one-sidedness of the ‘adjustment’ expected of the eurozone’s ‘periphery’, they propose a ‘reflation or demand expansion in the

creditor countries, particularly Germany and among its well-performing neighbours' (Hancke, Johnston and Pants 2013: 39). However, the German government is (and has been during the crisis) unlikely to entertain policy initiatives which actively undermine the competitiveness of export-oriented capital and its variety *in* capitalism, especially as keeping wages suppressed has been one of the dominant means by which to achieve a level of economic 'success' that has scholars questioning whether the German state is now Europe's hegemon (Bulmer and Joseph 2016). This point is exacerbated by the fact that it has been the German government itself, particularly leading figures such as Finance Minister Wolfgang Schauble, who have been the most vociferous advocates of the need for the eurozone's 'periphery' to get its house in order, assuming that this will be sufficient for putting the European integration project back on a level footing for the future ([The Guardian](#), 4 Dec 2016). In short, despite explicitly attempting to get to grips with the systemic character of the eurozone crisis, the normative response of authors employing a VoC approach does not politically engage with this level of analysis. They propose policy prescriptions out of touch the political economic power dynamics underlying structural transformations to the eurozone.

When developing the CPE approach in Part 1, it was argued that analysis into the responses to the crisis would suffer considerably if analysis proceeded on the basis that the attempt to deepen and expand capitalist domination and discipline has faced little contestation. The principles and policies of expansionary austerity, enacted through fiscal retrenchment and global capitalist restructuring, have faced resistance and alternative forms of political economic organisation. These have shaped immediate outcomes to an important degree, and also possible development trajectories in the future. The second purpose of Part 3 is to focus on how working class forces have struggled against, and have proposed alternatives beyond, the conditionality deemed a necessity within the MoUs. This requires

analysing the systemic ideological principles and political practices which underpin this struggle. This aim will be fulfilled in Chapter 7, the final substantive chapter of this work before drawing conclusions for the whole thesis.

Across the following two chapters, Part 2 will act as an important reference point in demonstrating where historical (dis-)continuity is evident in the general development of Europe's political economy, and the specific integration of Greece's and Portugal's varieties *in* capitalism into this. This is an important methodological point related to the use of incorporated comparison. Up to this point, an incorporated comparison of Greece's and Portugal's varieties *in* capitalism has primarily been based on a 'cross-space' strategy. To recall, this strategy 'specifies a single conjuncture as combining particular spatially-located parts of a global configuration' (McMichael 2000: 671). In Part 2, the aim was to analyse the specific development of Greece's and Portugal's varieties *in* capitalism (the 'particular spatially-located parts') as these related to the regional (re-)configuration of a supranational European integration project, and the global configuration of transnational(ising) capitalism. This was primarily in order to provide an explanation of the origins of the eurozone crisis in these two varieties *in* capitalism.

Part 3 will continue to follow this 'cross-space' strategy as the thesis moves to analysing the responses to the eurozone crisis in Greece's and Portugal's varieties *in* capitalism, and how these relate to the developments of European integration and global capitalism. However, it is now also possible to deploy a 'cross-time' strategy, drawing Part's 2 and 3 closer together in the analysis to follow. To recall, a cross-time strategy focuses on the development of 'temporally differentiated instances or versions of a world-historical process' (McMichael 2000: 671). The analysis in Part 2 allowed for specifying the dominant general features of European integration and globalising capitalism as mutually-constitutive

world-historical processes through the 'cross-space' analysis mentioned above. In Part 3 it is possible to evaluate 'cross-time' to what degree these mutually-constitutive world-historical processes exhibit (dis-)continuity in their development as the responses to the eurozone crisis unfold in particular spatially-located parts of these processes. In short, is it possible to state that the responses to the eurozone crisis (austerity and restructuring) in Greece and Portugal are a manifestation of, and directly relate to, a wider temporal shift in the dominant features upon which the continued development of supranational integration and transnational capitalist projects unfold? This question will be of central concern over this and the next chapter providing a means by which to infer the future trajectory of capitalist development across European capitalism.

A further important methodological point is that much of the empirical detail employed throughout Part 3 draws upon primary fieldwork research conducted in both Greece and Portugal during the first half of 2015. To recall, semi-structured interviews attempted to 'bring the contradictions [of political economic contestation] into being', presenting interviewees with questions and points of debate which reflect the dynamics of struggle under study.

Before moving onto substantive analysis, I will outline the sections to be covered in the rest of this chapter. Section 6.2. will focus on the ideological justification and support for the conditionality included in the MoUs. Whilst expansionary austerity has been presented as a technical fix, I will briefly demonstrate how the overarching strategy is clearly aligned with particular capitalist interests, highlighting the deeply politicised nature of the policies proposed. Section 6.3. will then focus on restructuring to the role of the state through fiscal retrenchment, analysing what restructuring has been proposed and enacted in areas of public sector employment and welfare state provision. Sections 6.4. and 6.5. will move to focus on

the restructuring of productive and institutional configurations, specifically focusing on two post-holing cases. As a reminder, selecting post-holing cases is a strategy which allows us 'to depict the sweep of historical forces and at the same time some of the richness of detail which comes from delving into a specific moment' (Sennett 2002: 42). Following a post-holing strategy assists in understanding the development of Greece's and Portugal's varieties *in* capitalism by delving into specific area which must be considered of more importance than others for understanding and explaining the trajectory of development, change and contestation that coheres. Section 6.4. will focus on restructuring to labour markets and industrial relations, analysing the dismantling of mechanisms for representation, and an increasing insecurity in workers' rights. Section 6.5. will focus on the extensive privatisation programmes, demonstrating how they are focused on the expansion of capitalist social relations into areas of social reproduction. Finally, I will analyse how the wider European form of state has also undergone a further round of restructuring. This is particularly through a New European Economic Governance framework. Section 6.6. will detail how this new framework is creating further mechanisms by which national governments are pressured into implementing austerity and restructuring, and argue that we are witnessing a shift towards 'authoritarian neoliberalism'. To repeat, the central purpose of Part 3 of this thesis is to analyse the deeply political and contested nature of global restructuring in an age of austerity. In the midst of this contestation, and the widespread human suffering that has propelled much of it, this last part will demonstrate the open-endedness of class struggle, and the possibilities available to pursue a more socially just and equitable path out of the eurozone crisis. I now turn to substantive analysis, initially focusing on the justification and political support for expansionary austerity.

6.2. Depoliticising global capitalist restructuring

In Part 2 of this thesis I detailed how the historically dominant principles of restructuring to Greece's and Portugal's varieties *in* capitalism were predicated upon the ascendant hegemonic project of pursuing a 'modern' 'European' future. The overarching strategy informing the response to the eurozone crisis does not seek to replace this dominant ideological framework. Instead, the crisis has been presented as an opportunity to reset this project, to provide a renewed impetus to enact a number of stalled reforms which have prevented both political economies from overcoming their (now) self-perceived 'peripheral' status. The role of 'expansionary austerity' is to accelerate this project over a short period of time, overcoming the institutional inertia deemed to have been key in the origins of the eurozone crisis (Interviews 13, 50). What will become apparent over the course of Part 3 is that whilst the response of expansionary austerity does not seek to replace the dominant ideological framework which has historically guided Greece's and Portugal's development, its principles have failed to achieve a level of acquiescence that could support smooth implementation (Interviews 1, 2, 3, 4, 8, 11, 12, 15, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 37, 38, 40, 42, 44, 52, 53, 54, 58, 61, 65). This has meant that leading classes have pursued this agenda through an ever more coercive set of political interventions. In this substantive section I shall analyse the logic behind 'expansionary austerity'. Despite being presented as a universal good for the long-term prosperity of the Greek and Portuguese people, this is once again a political project which seeks to serve particular political economic interests over others.

6.2.1. The economic logic of expansionary fiscal austerity

The role of 'expansionary austerity' is a long-standing debate within economics that focuses 'on the effectiveness of fiscal policy' (Botta 2015: 2). The specific theory of 'expansionary *fiscal* austerity' emerged in the 1990s. Advocates of this theory argued that expansionary fiscal policies may not have the desired, Keynesian inspired, stimulus to aggregate demand. They may in fact create other unforeseen negative effects on public finances and economic activity more generally (Botta 2015: 2). In opposition, supporters of expansionary fiscal austerity argue that under certain conditions 'well-conceived fiscal restrictions might actually stimulate private consumption and investment expenditures, as well as improve export dynamics' (Botta 2015: 2). This would result in economic expansion as opposed to the contraction that would be predicted by Keynesians. To be effective, these 'well-conceived' restrictions must take the shape of 'deep, persistent and credible cuts in public expenditures' (Botta 2015: 3). This would be required through cuts to government expenditure, particularly through various kinds of welfare state transfers and public sector employees' wages.

The strategy of expansionary fiscal austerity, it is argued, would create a structural shift in economic activity through three main mechanisms. First, fiscal retrenchment may positively affect the confidence of private economic actors, both households and firms. Through the expectation of a lower tax burden in the future, due to the cuts in public expenditure, private actors will be incentivised to increase consumption and investment, providing a stimulus to economic activity. Second, fiscal retrenchment is supposed to re-establish the confidence of bond markets regarding the solvency of public finances, prompting a significant reduction in interest rates, in turn supporting investment and growth. Third, cuts to public sector employees' wages help to establish wage moderation across the wider labour market, supporting a 'kind of internal devaluation that may eventually improve

external competitiveness and foster net exports' (Botta 2015: 3). This final point is particularly relevant to members of the eurozone, considering the possibility of currency devaluation to achieve an increase in price-competitiveness is no longer available to them.

The adherence to the economic logic of expansionary fiscal austerity can be clearly discerned in the MoUs signed between the Greek and Portuguese governments and the troika. For instance, in the initial agreement between Greece and its creditors, an IMF document details the 'overall strategy' of the memorandums as such: 1) 'restoring confidence and fiscal sustainability' through frontloaded fiscal retrenchment, in order to 'bolster confidence, regain market access, and put the debt-to-GDP ratio on a declining path from 2013'; 2) 'restoring competitiveness' through a programme which includes 'nominal wage and benefit cuts and structural reforms to reduce costs and improve price competitiveness'; and 3) 'safeguarding financial sector stability' to ensure that short-term liquidity for bank lending does not completely dry up (IMF 2010a: 8). The combination of cuts to spending, and restructuring to Greece's and Portugal's productive and institutional configurations, are meant to assist a 'transition to a more investment and export-led growth model', whilst also envisaging 'a reduced role of the state in the economy' (IMF 2010a: 8). The programme developed for Portugal a year later does not deviate from this overall strategy in any substantive manner (IMF 2011b: 9).

It is clear from outlining the main aims of the MoUs that they adhere closely to the economic logic of expansionary austerity. Through the implementation of the conditionality included in the MoUs, it is believed that the economic development of Greece and Portugal will be put on a more sustainable and prosperous trajectory with regards to the way economic growth is created in the future. This is then presented as a universal good for the people of Greece and Portugal ([IMF](#), 2 May 2010; [IMF](#) 5 May 2011). However, the distributional gains

made from a further restructuring to capitalist social relations are a product of class struggle, due to the inherent hierarchy within the division between capital and labour that was conceptualised in detail in Chapter 3. It is necessary to analyse the manner in which the political project of expansionary austerity is primarily geared towards the interests of certain political and economic class forces, particularly export-oriented transnational capital.

6.2.2. The political project of expansionary austerity

The manner in which the MoUs are geared towards the interests of large transnational export-oriented (or aiming to be export-oriented) capital is particularly evident from the support for the programmes derived from business leaders and centre-right politicians (Interviews 7, 14, 17, 28, 36, 48, 51, 55, 59, 63, 64, 66). There was a clear sense that historically dominant political leaders considered the implementation of the MoUs as a historical opportunity to press forward with restructuring that they have deemed necessary for a substantial period of time. A high-ranking member of the previous PSD-led coalition government of Portugal makes this clear when they state that the 'privatisation programme was actually more of a political project by this government than an economic one...it's an historical opportunity' (Interview 63). And whilst representatives of various governing parties pointed to technical or delivery differences with the troika in specific policy areas (Interview 50), or felt they were removed from office before being able to implement their vision (Interview 13), all agreed with the guiding principles of the MoUs (Interviews 13, 43, 45, 50, 63).

It is business leaders who express the clearest support for the programmes, particularly those representing transnational export-oriented corporations or financial institutions looking for new investment opportunities (Interview 7, 17, 28, 36). For instance,

in the Greek case, a representative of the Panhellenic Exporters Association stated, 'I agree with all measures of [the memorandum]' (Interview 17). Further, a representative of SEV, representing the largest corporations in the country answered, 'yes they are' to the question 'do you think the prescriptions that are outlined in the memorandums are the correct ones?' (Interview 36). This question was related to the specific conditionality areas of focus in this chapter. There is a very similar picture in the case of Portugal, with representatives of both the Portuguese Chamber of Commerce and Industry (CCIP) and the Confederation of Portuguese Businesses (CIP) stating clear support for the guiding principles of the MoU (Interview 55, 66). Further, whilst many of the interviewees highlighted the historical strength of their organisation in being able to lobby their government at a national scale through membership to organisations such as BUSINESSEUROPE, they also highlighted the importance of taking part in lobbying activity at a supranational or transnational scale to push for particular policy directions (Interview 36, 55, 66). There was a split however, between representatives of larger firms, and those focused more closely on small and medium sized enterprises (SMEs) (Interviews 2, 56). The reliance on internal demand, and the role of internal devaluation in destroying this, is the primary reason why such business representatives presented an overall negative outlook on the design of the MoUs.

The logic of expansionary austerity has garnered widespread support amongst leading political and capitalist classes across both Greece's and Portugal's varieties *in* capitalism. The economic logic behind this has been presented as a universal good for the people of both countries through the promise of a return to economic growth based on a more sustainable trajectory of development. Following Jessop (2014a; Flohr and Harrison 2016: 312-313) it is possible to argue that this is a process of depoliticisation. However, as he points out it is important to 'disambiguate' this concept, as there are three distinct moments which

constitute this broad process. Each moment pointing to a deeper systemic level of (potential) restructuring to Greece's and Portugal's varieties *in* capitalism, shifting the balance of class forces in favour of capital.

The first is a process of '*depoliticisation*' (Jessop 2014a: 209). This refers to how shifting policy priorities are evident during the eurozone crisis. These have been given validity through the discourse that 'there is no alternative' (TINA) to the crisis-management policies put forward by the troika and leading European states. For instance, policy interventions focused on fiscal deficits, government-spending, and public-sector employment have taken precedence over almost all other concerns (Jessop 2014a: 216). This is especially compared to those with long-term horizons such as the adaptation to climate change.

The second is a process of '*depoliticalisation*' (Jessop 2014a: 209). This refers 'to the thematisation of some issues as appropriate topics for state action' (Jessop 2014a: 213). For example, the (mis-)management of the crisis has been predicated on a range of technocratic governance procedures that have removed the possibility for elected representatives to shape state action (Jessop 2014a: 220). A specific example of this is the establishment of an independent privatisation fund in Greece to manage the sale of state-owned enterprises, analysed in greater detail in section 6.5.

The third is a process of '*depoliticisation*' (Jessop 2014a: 208). This refers to a systematic shift 'between the state qua institutional ensemble and other institutional orders or 'civil society'' (Jessop 2014a: 209). Jessop points to the role of the New Economic Governance framework in entrenching this dynamic across the eurozone as the introduction of the 'fiscal compact' further removes fiscal management from national states and subjects it to legal sanctions and market pressures (Jessop 2014a: 220). Again, in relation to the privatisation programme, it is possible to argue that the (potential) sale of state-owned enterprises such

as public water and sanitation companies is a significant step in restructuring the institutional orders of Greece's and Portugal's varieties *in* capitalism, leading to a shift in the balance of power between capital and labour as the latter's social reproduction is subject to deepening commodification.

What this first section has demonstrated is that the austerity and restructuring of the MoUs is a political project aligned with particular class interests, which seek to extend capitalist domination and discipline across both Greece's and Portugal's varieties *in* capitalism through processes of depoliticisation. In the proceeding sections I will further enhance the veracity of this analysis by honing in on particular post-holing cases of austerity and restructuring. In the next section I turn to the implementation of fiscal retrenchment. This will focus on the attempt to further restructure and restrict the role of the state in future economic activity, undermining many of the gains made by labour in the post-dictatorship period.

6.3. 'Rolling-back' the role of the state (again)

The role of the welfare state in the functioning of Greece's and Portugal's political economies has come under severe scrutiny during the eurozone crisis. Where it was once considered an important component of converging on a 'European way of life' by political leaders such as Mario Soares, providing important public goods and ensuring the sufficient development of strategic areas of economic activity, it is now considered a burden upon economic performance, suffocating the more efficient allocation of capital by private firms and investors. The restructuring of the state's role in providing and administering a number of key welfare state functions is presented as one of many technical fixes in shifting future economic growth towards an export-led trajectory by leading political and capitalist classes. When these

measures are (re-)politicised, and situated within the longer historical development of each political economy, it is evident that the gains made by labour during the post-dictatorship period are being eroded, shifting the balance of power towards capital. In the following sections I will detail the extensive austerity that has been proposed and implemented, and how this is fundamentally restructuring the role of the welfare state.

6.3.1. The headline figures of ‘front-loaded’ fiscal austerity

In the Greek case, the fiscal adjustment required by the troika for financial support has been ‘unprecedented’ (European Commission 2015c: 3). Between 2010 and 2014, fiscal consolidation measures were required to reach the equivalent of 11 percent of GDP (IMF 2010a: 10). This was in addition to the 7 percent of GDP that was supposed to be achieved by the measures unilaterally announced earlier that year by the government (Hellenic Ministry of Finance 2010a, 2010b). These measures targeted a reduction to the government budget deficit of 11 percentage points, from 13.6 percent of GDP in 2009 to 2.6 percent in 2014 (Theodoropoulou and Watt 2012: 17). Government debt was expected to peak at 149 percent of GDP by 2013 and gradually decline after this point (IMF 2010a: 13). This adjustment was supposed to restore investor ‘confidence’, allowing the Greek authorities to return to financing debt in the financial markets that they had become frozen out of. Having failed to do so, the third Greek MoU requires further fiscal consolidation, with the aim of adjusting the government deficit from 0.25 percent in 2015, to a surplus of 0.5, 1.75, and 3.5 percent in 2016, 2017 and 2018, respectively (European Commission 2015c: 3).

For Portugal too, there were similarly ambitious targets set. With the power of hindsight, these targets did account for the difficulties faced by the Greek government in attempting to implement unprecedented and front-loaded austerity. In other words, there

was an attempt to make the proposed austerity measures politically viable. Prior to the MoU, the Socialist government had introduced a number of austerity packages ('PEC I-III') to restore transnational financial market confidence in the long-term sustainability of government debt. With PEC IV failing to pass through government in the face of increasingly intense financial pressure, a new general election was called and assistance was requested from the troika. The agreed targets of fiscal consolidation were set at reducing the deficit by 5.7, 3 and 1.9 per cent of GDP for 2011, 2012, and 2013, respectively. This represented a 'cumulative fiscal effort of around 10 per cent of GDP over the years of 2011-2013' (European Commission 2011c: 18). Reductions in government expenditure were to account for two-thirds of the target, with increased taxes accounting for the other third. Government debt was expected to 'peak at around 108.5 per cent of GDP in 2013 and gradually decline thereafter' (European Commission 2011c: 18). In substantive terms, the fiscal consolidation targets were pursued through a number of reforms. This included cuts to public sector employment and conditions, pensions, and welfare state spending.

6.3.2. Rolling back public administration and the welfare state

A primary goal of reforms to public sector employment in Greece was to bring the wage bill down. 'Between May 2010 and May 2011, nominal wages in the civil service decreased by 15 per cent and those in public utilities, agencies and undertakings by 25 per cent, while nominal pensions in the public and private sectors fell by 10 per cent' (Karamessini 2015: 110-111). The real declines in wages and pensions were 20.4 per cent, 30.4 per cent, and 15.4 per cent (Karamessini 2015: 111). The introduction of a single pay scale in public administration in November 2011 saw a further reduction in public sector employees' wages by 17 per cent on average. Further reforms aimed at reducing the number of public sector employees and

restructuring working time arrangements. This included, amongst other measures, an 'increase in the standard working time from 37.5 to 40 hours a week without a pay rise', and decreasing public sector employment by 10 per cent in 2010 alone (Karamessini 2015: 111).

Whilst not as severe, a similar dynamic can be seen in the case of Portugal. In 2011, there was a 5 per cent average cut in public wages, except for lower wages, which were not included (Santos and Fernandes 2016: 97). Further, in 2012, all wages in the government sector were frozen in nominal terms until 2014, with promotions severely restricted (Santos and Fernandes 2016: 97). In the same year, 'the so-called thirteenth and fourteenth month wage payments for workers with monthly wages of €1,100 or more were suspended' (Santos and Fernandes 2016: 97). The Portuguese Constitutional Court overturned these measures in 2013. Between the PSD-led coalition government's mantra of 'going beyond the troika', and the troika itself taking up the mantle of there being no alternative to austerity and restructuring by calling such rulings 'set-backs', new measures were implemented which reached similar substantive ends through alternative technical means. These new measures saw the introduction of 'a new progressive increase in public sector wage cuts', as well as adopting 'a general surcharge of 4 per cent of taxable income and a 2.5 per cent solidarity tax for the highest tax bracket' (Santos and Fernandes 2016: 97). A real decrease in the cost of public sector labour-power were also achieved through an increase in working time, with working hours in the public sector increasing from 35 to 40 hours per week. In terms of actual employment levels, 'the size of the public administration was reduced by more than 8 per cent between the end of 2011 and the end of 2013' (Santos and Fernandes 2016: 97).

The reduction of government spending has also been enacted through welfare state retrenchment (Interview 5). In the case of Greece, the initial MoU aimed to 'reduce expenditure on social transfers from 20.8 per cent of GDP in 2009 to 17.3 per cent in 2015. In

2010, social spending fell by 9.6 per cent due to pension reform and welfare state retrenchment' (Karamessini 2015: 112). An important reform came in the summer of 2010, when a 'radical pension reform was adopted' (Karamessini 2012: 112). This saw the introduction of a two-pillar pension system (basic means-tested and contributory pension), which replaced the former state-subsidised one-pillar pay-as-you-go system. 'This same pension reform merged all social security funds into three and brought the pension system of civil servants into line with the private sector pension by eliminating all its more favourable provisions' (Karamessini 2012: 171). Welfare state retrenchment is evident in other areas too. For instance, there has been a tightening of the eligibility criteria for unemployment benefits, a merger of schools and a reduction of their number by 14 per cent, and cuts in educational budgets (Karamessini 2015: 112). Healthcare has been a particular focus of the Greek MoUs, where 'Greece has been an outlier in the scale of cutbacks to the health sector across Europe' (Kentikelenis et al 2014: 748). Having set a cap of 6 per cent of GDP for healthcare spending, 'public spending for health is now less than any of the other pre-2004 European Union members' (Kentikelenis et al 2014: 748). The public hospitals budget alone was reduced by 26 per cent between 2009 and 2011. As well as cuts to spending, there has been an extra burden placed upon healthcare users through 'an increase in admission fees and co-payments for outpatient and diagnostic services in public hospitals' (Karamessini 2015: 112).

Similar dynamics are evident in Portugal. Initially there was not an inclusion of reform to the pension system. This primarily due to a systematic restructuring in 2007. By the Seventh Review, cuts to pensions had also become an aim of the MoU. However, as Theodoropoulou states (2014: 24) the reform 'was presented as part of the fiscal consolidation strategy, with no mention of any deterioration in the sustainability of the pension system itself'. Therefore, in the budget for 2013, 'the solidarity contribution for pensions between €1,350 and €1,800

stood at 3.5 per cent, while the levy on pensions of €5,000 a month or more [introduced in the 2010 budget], was raised from 10 to 25 per cent, and on pensions of more than €7,545 to 50 per cent' (Pedroso 2014: 25). Similar to cuts made to public sector workers, the thirteenth and fourteenth month pension payments were cut, reducing pensions in real terms by 14.3 per cent. Again, this measure was overturned by the constitutional court, only to be implemented via the introduction of the taxes discussed above. In real terms, the average pension of around €600 had lost 4.95 per cent of its value, whilst those over €1,350 lost more than 10 per cent (Pedroso 2014: 25). Other areas of the welfare state, such as unemployment benefits or the healthcare system, have either seen cuts, an increase in direct user costs, or a restriction in eligibility criteria (Pedroso 2014: 23-28).

The late development of welfare states, in the post-dictatorship era of Greece's and Portugal's varieties *in* capitalism, assisted labour to achieve a level of social security that had been taken for granted in the more 'advanced' political economies of north and west Europe during the post-WW2 period. Despite many historical failings, especially in the Greek case, these welfare systems have experienced a systematic restructuring of how they function, and the coverage of provision provided. This has once again rolled-back the role of the state significantly altering the institutionalisation of each variety *in* capitalism as a central tenet of crisis (mis-)management. In turn, this restructuring has increased the capacity to discipline labour through capitalist social relations, as the latter's socio-economic insecurity has grown significantly during the crisis (Giannitsis and Zografakis 2015; Interviews 5, 15, 22, 25, 27, 29, 44, 52, 54, 65). Linking back to section 3.5.2. of Chapter 3, this analysis relates to the second and third terrains upon which capitalist discipline is imposed. In relation to the second terrain, this restructuring has led to a deepening commodification of living-labour power at the site of production. As was stated in section 3.2.1 'nobody is forced to work for a particular

employer', but 'without owning one's own means of production, people are indirectly forced to look for paid employment' (Bieler 2014: 115). With the rolling-back of the welfare state, this pressure is increased.

In relation to the third terrain, the reduction and/or removal of welfare state provision and public sector employment has also witnessed a deepening exploitation of the social substratum, significantly undermining the possibility for ensuring social reproduction. Looking ahead, given the need to maintain an austerity bias in future due to the introduction of a New European Economic Governance framework (analysed below), fiscal policy is unlikely to be reversed across Europe any time soon due. This shift in the role of the state may even provide new investment opportunities in areas of public provision for capital. As a leading Portuguese business representative states, when commenting on the role of the Portuguese state in area of public service provision: 'you look at the education system, it's incredible. The state running all the education system. It's incredible. Even the health systems, some things have been done but still the state is very strong there' (Interview 55). In Greece, asset management services 'have a category of members which have been involved in the privatisation [process], even lately...these companies would have very clear views on privatisation' (Interview 7). I now turn to analysing how restructuring to labour markets and industrial relations is further undermining the position of labour.

6.4. Restructuring labour markets and industrial relations

European Monetary Union has been institutionalised at a supranational level, and internalised within specific member states, that makes the devaluation of labour-power the dominant mechanism by which a European varieties *in* capitalism can restore price competitiveness to the goods and services it attempts to export within the European and

global economy. Given that a central aim of the crisis (mis-)management is to ensure an increased share of future economic growth is export-led, it is no surprise that 'internal devaluation' is a central pillar of the conditionality outlined in the MoUs. Whilst presented as a vital component of pursuing the depoliticising project of expansionary austerity, it is far from being an economic technical fix for 'exiting' the eurozone crisis. Working class forces are witnessing a rolling back of the gains made during the post-dictatorship period in both political economies, with a deepening of capitalist exploitation being the dominant outcome, not universal economic recovery. This reversal is taking place through an institutional restructuring of Greece and Portugal varieties *in* capitalism. Specifically, this is focused on the liberalisation of labour markets and the dismantling of industrial relations.

6.4.1. Liberalising labour markets

The labour markets of both Greece and Portugal have provided some of the most protective 'Employment Protection Legislation' (EPL) amongst the OECD countries (Theodoropoulou 2014: 28). However, due to the late, weak, and fragmented development of their respective welfare states, higher protection levels in labour markets have provided an important pillar of socio-economic protection that could not be generated elsewhere (Emmenegger 2011, cited in Theodoropoulou 2014: 28). Given the wide ranging austerity measures that have been applied to the welfare state, labour market restructuring will only further lead to the subjection of labour power to the demands of capitalist discipline.

Restructuring to Greek labour markets has primarily taken place through three types of measures (Theodoropoulou 2014: 28). The first of these focused on introducing new legislation that both reduces the cost and removes non-monetary restrictions 'associated with the dismissal of workers on regular contracts' (Theodoropoulou 2014: 28). This has been

justified on the basis that Greece has a highly segmented labour market, prohibiting businesses from shedding labour-power in periods of economic downturn, but then also being reluctant to hire labour-power during periods of economic buoyancy due to the high level of protection offered. Legislation has aimed to ease the possibility of dismissals 'related to matters such as severance payments, length of notice of dismissal and of probationary periods for new recruits, or definition of the threshold for collective dismissals' (Theodoropoulou 2014: 28). The second set of measures have been geared towards facilitating the 'greater use of temporary and fixed-term contracts, temporary work agencies and part-time work' (IMF 2010a, 2010b; European Commission 2010b). Importantly, in the case of temporary and fixed-term contracts, there was a suspension of the minimum wage, setting a new floor when hiring young people (16-24). The third set of measures, included in Greece's first MoU, aimed at increasing flexibility in working time arrangements (IMF 2010a, 2010b). 'Greater flexibility in labour utilisation was thus promoted not only for regular contracts and working time arrangements but also for flexible and atypical forms of employment' (Theodoropoulou 2014: 28).

The restructuring implemented did not halt the huge rise in unemployment that took place under conditions of austerity, despite the significant rise in labour market flexibility. Due to this, the second MoU signed between the Greek government and the troika in 2012, deemed it necessary to pursue further measures to reduce the cost of dismissal. Further, the distinction of age determining the level of minimum wage offered to workers was formalised through legislation, with the amount being reduced by 22 per cent for the over-25s, and 32 per cent for those under 25 (European Commission 2012b: 48).

Portuguese labour markets have also undergone systematic restructuring. This has included 'flexible working time regimes and changes to collective bargaining' (Tavora and

Gonzalez 2016: 255). Again, much like the Greek case, changes to labour market legislation were aimed at 'reducing labour market segmentation, fostering job creation and easing labour market adjustment' (Theodoropoulou 2014: 28). The measures included in Portugal's MoU focused primarily on severance payments and individual dismissals. For instance, 'severance payments were redesigned so as to reduce their cost and to align them across different types of contract, in particular fixed-term and open-ended ones' (Theodoropoulou 2014: 28). Moreover, legislation introduced two new compensation funds (European Commission 2013d). These new funds 'served to shift the financing of severance payments to the newly recruited by imposing a sort of insurance payment' (Theodoropoulou 2014: 28). There was also a relaxing of the definition of 'fair dismissal' in 2012, eliminating a number of employer obligations. Most of the measures implemented were eventually overturned by the Constitutional Court in 2013 (European Commission 2013d), highlighting the remaining social democratic content of the Portuguese constitution that had been devised during the Revolutionary period.

6.4.2. Dismantling industrial relations

Restructuring the systems of industrial relations in Greece's and Portugal's varieties *in* capitalism was deemed necessary in order to provide the means by which the devaluation of labour-power could be achieved swiftly, and thereafter sustained over a long period of time. Significantly, in the case of Greece, consultation with social partners did not occur over the content of the changes to come. As Koukiadaki and Kokkinou (2016: 210) state, '[s]ince the Troika viewed the Greek industrial relations actors as part of the problem, these were marginalised when the policy measures were discussed with the Greek government'. This point was clearly reiterated in numerous interviews (Interviews 2, 8, 29). Following this, large

businesses primarily represented by SEV ‘captured the regulatory process to promote their interests’ (Koukiadaki and Kokkinou 2016: 210). This is evidenced by a quote from a former Minister of Labour who states,

Some employers’ organisations and predominantly their members had contact with the troika outside the institutional channels, as they saw the crisis as an opportunity to demolish every rule in the market. We came across this a number of times, especially with members of SEV (cited in Koukiadaki and Kokkinou 2016: 210).

Substantively, the restructuring implemented has undermined the ability of trade unions to represent workers’ interests. This is particularly through collective bargaining. This includes allowing company agreements with workers’ to derogate from sectoral agreements (Koukiadaki and Kokkinou 2016: 210), even if they contain worse terms (Boukalas and Muller 2015: 395). Initially, this derogation of collective agreements was only allowed if permitted by union representatives at a company level, or if there was no official union representation at a company level, the sectoral union would be allowed to grant permission. However, ‘these procedural safeguards were repealed by legislation in 2011 enabling all companies to conclude such agreements provided that three-fifths of the employees formed an ‘association of persons’’ (Koukiadaki and Kretsos 2012). These associations should not be regarded as a new form of union, they are not. They are completely unregulated, and ‘even their independence from the employer is neither stipulated nor safeguarded’ (Boukalas and Muller 2015: 395).

There has also been a shift to legislate that ‘only employers who belong to employers’ unions are tied by wage specifications in national collective agreements’ (Boukalas and Muller 2015: 395). To support this, law N.4093/2012 precludes sectoral and general collective agreements from affecting wage levels at all, meaning that the legislated minimum wage

becomes the wage floor for the majority of private-sector workers. The effect this has had on wage bargaining is significant with firm-level agreements negotiated with the so-called associations of persons having soared almost tenfold (Boukalas and Muller 2015: 395). This primarily occurred in sectors such as manufacturing, wholesale and retail, and hospitality and tourism. The vast majority of firm-level agreements have either witnessed the freezing of wage (18 per cent), or far more pervasively, a reduction (81 per cent). These reductions have, on the majority of occasions (65.4 per cent of the time) brought the wage level down to that of the minimum wage (Koukiadaki and Kokkinou 2016: 214). Overall, this restructuring has witnessed collective bargaining coverage reduced 'from around 80 per cent before the crisis to 40 per cent in 2015' (Koukiadaki and Kokkinou 2016: 216).

There is a similar restructuring and decentralisation of wage bargaining in the case of Portugal. Many of the measures included in Portugal's MoU were simply an incorporation of restructuring measures that had already been initiated by the PS government of the day, derived from a tripartite agreement with social partners (including UGT, but not CGTP). Further to this, many of the measures that were targeted, prior to the arrival of the troika, were a historical continuation of significant reforms to the labour code that started in 2003. To a degree, this highlights the way in which the crisis was perceived as a historical opportunity to push through reforms that had been prevented prior to this time. The 2003 changes involved 'eliminating the principle that collective agreements could only set more favourable conditions than the legal standards and restricting the obligatory 'after-effect' rule' (Tavora and Gonzalez 2016: 256). The reform agenda introduced in 2009, which would inform the conditionality of the Portuguese MoU, continued to focus on restructuring collective bargaining. It 'enabled the expiration of successive renewal clauses and clarified the legal after-effect periods' (Tavora and Gonzalez 2016: 256), and granted 'non-union

representative structures' bargaining powers in firms with more than 500 employees (Tavora and Gonzalez 2016: 256). Within the Portuguese MoU this figure was reduced from 500 to 150, although in line with the previous labour code retained the need for a trade union to give authorisation to this process. Moreover, the 2012 labour code revisions 'specifies that sectoral agreements can contain clauses delegating matters of functional and geographical mobility, the organisation of working time and compensation to lower levels of bargaining' (Tavora and Gonzalez 2016: 256).

Again, much like in the case of Greece, the effect that restructuring to industrial relations has had on the number and coverage of collective agreements has been dramatic. In the private sector, between 2008 and 2012, the number of collective agreements concluded declined from 296 to 85, with the number of workers covered by these also declining dramatically from 1.9 million (almost 20 per cent of the national population) to 243,000 (UGT 2014, 2015, cited in Tavora and Gonzalez 2016: 257). Whilst the number of agreements signed had increased by 2014 to 152, this upward trend did not see an equivalent number of workers covered by this increase. It is no surprise that decreases to wage levels have followed the decentralisation of bargaining institutions. Eurofound (2014) and UGT (2014, 2015) report a decline in the real wages that have been agreed through collective bargaining in 2011 and 2012. Further, Rocha and Stoleroff (2014) demonstrate that average increases in nominal wages declined from 3.1 per cent in 2008 to 1.4 per cent in 2012, whilst 86 per cent of workers experienced real wage decreases, and 76 per cent experienced nominal wage freezes (Addison et al. 2015).

Across this substantive section, and the previous one, I have demonstrated the degree to which the burden of expansionary austerity has fallen on the shoulders of labour. Whether through employment cuts to the public sector, the rolling back of the welfare state, the

liberalisation of labour markets, or the dismantling of industrial relations mechanisms, workers and their representatives have seen many of the gains made in the post-dictatorship period reduced or removed altogether. In turn, this has enabled a shift in the balance of power towards capital, deepening the exploitation of living labour power in the process of production, and to possible social *reproduction*.

In the explicitly stated pursuit of shifting towards an 'export-oriented model of economic growth', the extent to which deepening discipline and exploitation has 'contributed to increased company adaptability and competitiveness is questionable' (Tavora and Gonzalez 2016: 262). Whilst the strategy of devaluing labour power may have assisted many larger firms return to profitability, this strategy has primarily reinforced 'a cost-minimisation competitive strategy that does not lead to long-term sustainable growth' (Tavora and Gonzalez 2016: 262). As was stated in section 3.4.3. of Chapter 3, 'this is an extraordinarily naïve view of how competition takes place among advanced economies' (Myant 2014). Producing competitive products is much more about the nature and quality of them than their prices and 'this depends on [GVC] structures that have developed over quite long periods of time and that are themselves undergoing continual transformation' (Myant 2014). Instead, in the short term it eradicates the domestic demand that has historically sustained economic growth (Interview 2, 56). It also fails to address the long-term causes of poor export-oriented performance, the unfavourable integration of Greece's and Portugal's political economies into the asymmetrical hierarchies of global capitalism (Chapter 6; Rocha and Stoleroff 2014; Schulten and Muller 2013). As was discussed in section 3.2.2., the realisation of surplus-value can only take place if both the associated social forms of human self-reproduction and market demand are maintained. This can only be achieved by maintaining labourers and their purchasing power (Marx 1990: 274). It is therefore clear that in the pursuit to significantly

reduce labour costs in the name of price-competitiveness, the contradictory capitalist 'laws' of value will struggle to be realised. I now turn to analyse the privatisation programmes detailed in the MoUs.

6.5. Privatising state-owned enterprises

An important pillar of the depoliticising political project of expansionary austerity has been the privatisation of state-owned enterprises (SOEs). In this substantive section I will focus on the conditionality of the MoUs, with a particular focus on the post-holing case study of the proposed privatisation of public water and sanitation companies (Bieler and Jordan 2017). An important aspect of this section will be an incorporated comparison of privatisation proposals 'cross-time', internally relating this to the historically integrated global capitalist restructuring of the public water sector that became a central pillar of neoliberal restructuring from the early 1990s onwards. Following this methodological line allows analysis to demonstrate how privatisation is not a mechanism to 'exit' the eurozone crisis, but is instead part of a historical process commodifying the sphere of social reproduction as transnational capital seeks new opportunities for investment and profit-making. There is also a process of *depolitisation* taking place, evident in the attempt to shift the public-private boundary through the privatisation of essential public goods, deepening commodification of the natural substratum. In the sub-sections to follow I will analyse what proposals have been put forward and how they align with the interests and agency of transnational capital.

6.5.1. Privatising water and the real subordination of social reproduction

Initially in the first Greek MoU, the conditionality of the privatisation programme envisaged €3 billion worth of revenue being generated. By the fourth review of the first agreement, and

in the face of increasing pressure from transnational financial markets concerning economic recovery, the conditionality shifted gear and set out a new target of generating €50 billion of revenue. It was forecast that there should be an increase of revenues from the initial aim of €3 billion by the end of 2013 to a total of €22 billion, then going on to reach the €50 billion target by 2015 (European Commission, 2011b: 33). The sectors in the programme to be privatised include gambling, airports, energy, transport, ports, telecommunications and banking, furthering the efforts of the 'modernising' forces of the 1990s and 2000s (European Commission 2011b: 32). Importantly for our focus, the conditionality of privatising public water companies has been reasserted throughout the three MoUs signed between numerous Greek governments and the troika (IMF 2010a, 2010b; European Commission 2012b, 2015b, 2015c). Included in the first MoU privatisation programme was an expected share sale of 'at least 40 per cent' of the municipally controlled Thessaloniki water company (EYATH) by Q3 of 2011, and 27.3 per cent of the Athens Water Supply and Sewerage Company (EYDAP) by Q2 of 2012. A further round of share sales was expected to be completed by Q4 of 2012 in the case of EYATH and Q4 of 2013 for EYDAP (European Commission, 2011b: 32, 'Table 14: Privatisation Plan'). Eventually, a parliamentary vote in late 2012 authorised the full sale of both companies ([Multinationals Observatory](#), 28 March 2014).

It is the Portuguese government themselves who have increased the revenue targets for their MoU privatisation programme. Initially, the target was set at raising €5 billion worth of revenue (EC 2011d: 23). Keen to 'go beyond the troika' (Moury and Standing 2017), the PSD-led coalition government generated revenues in excess of €9 billion by the end of the programme in spring 2014 (European Commission 2015a). The degree to which this programme is aligned to the interests of transnational capital is highlighted by the fact that inward FDI, during the crisis period, directly matches the revenues generated (Silva 2015).

The privatisation programme included SOEs in sectors such as energy, banking, transportation, telecommunications, postal, and insurance. Despite the zeal with which the PSD-led coalition government has privatised a number of strategic SOEs, at the time of writing (October 2016) the Portuguese national water holding company (Agua de Portugal) was still state owned. This has meant that the target of privatising Agua de Portugal 'by end-2012' has not been met (EC 2011d: 23). Whilst the drive towards privatising water in Portugal is not as clear during the crisis, it gathered momentum towards the end of the official programme period. The eleventh and final review of Portugal's MoU conducted in spring 2014 stated,

instead of selling the [national holding] company [Aguas de Portugal (AdP)] as a whole it was agreed to first restructure the water and waste branches before selling the waste management holding (EGF) and consider opening up water activities to private capital and management (European Commission, 2014b: 29).

The justifications for the privatisation programmes are aligned with neoliberal arguments. 'Proponents of privatization assert that private companies will perform better: they will be more efficient, provide more finance, and mobilize higher-quality expertise than their government counterparts' (Bakker, 2010: 2). For instance, in the first Greek MoU the privatisation of state owned enterprises was justified on the grounds that it would ensure a reduction in 'subsidies, other transfers or state guarantees', whilst also leading to 'an increase in efficiency of the companies and by extension in the competitiveness of the economy as a whole' (European Commission 2011b: 33, see 'Box 4: Privatisation and Sustainability'). For instance, a representative of a leading Greek asset management association, representing firms with a clear interest in state owned enterprises to be privatised, stated 'if these assets had been privatised in time and obviously at the correct level...we would by now have some areas of the economy where there would be some recovery and you know some jobs created

on that' (Interview 7). In short, privatising public services would result in four benign consequences: (1) the production of services becomes more efficient and cheaper; (2) the quality of the services is improved; (3) the cost of services for the consumer is reduced; and (4) companies providing these services can still make a profit. This argument is combined with a general mistrust of the state, considered to be 'unable to deliver the infrastructure needs of its people, due to inefficiency and corruption' (Robbins, 2003: 1074). As a former MP of the Portuguese Social Democrats stated 'the state should concentrate on its core activities, the ones the private parties...cannot perform because they are not profitable or because they are not interested but they are essential for people' (Interview 50). There was a clear reiteration of these principles during interviews conducted with politicians and business representatives in both countries (Interview 7, 13, 36, 50, 55).

6.5.2. Transnational capital's role in the privatisation of public water

It would be incorrect to state that the conditionality of privatising public water and sanitation has been devised simply as one of many mechanisms by which Greece and Portugal can 'exit' the eurozone crisis. This form of global restructuring, leading to the increasing 'real subordination' of social reproduction, has a long history, with the crisis acting as a means by which the interests of transnational capital can be supported. Globally, it was a network around the World Bank which had strongly pushed for water privatisation, especially in the Global South during the 1990s and early 2000s (Goldman, 2007: 790). Within the European Union large transnational corporations have systematically lobbied for this form of global restructuring. The European Services Forum (ESF) has been closely involved in advising the Commission on further liberalisation and privatisation of the public sector. 'In 2012, the Commission accepted just one meeting with trade unions on the issue of services trade. In

contrast, it met more than 20 times with the ESF' (Corporate Europe Observatory, 2013: 5). Water management has developed into big business with powerful transnational corporations controlling most of the privatised operations. 'The private water sector is dominated globally by two French multinationals, Suez and Veolia, who hold over two-thirds of global private water operations' (Hall 2006: 179). They lobby hard and apply their structural power on governments to achieve privatisation policies (Ciervo, 2010: 17). In October 2005, Aquafed was established, a lobbying group representing mainly the interests of Suez, Veolia and their various subsidiaries, with a specific focus on EU policy-making (Hall and Hoedeman, 2006). Hoedeman (2012: 7) concludes, 'the EU's response to the crisis fits hand in glove with the corporate agenda of these lobby groups'.

It has been transnational capital at the forefront of the bidding process for purchasing public water companies in Greece and Portugal ([Multinationals Observatory](#), 28 March 2014; Interview 22). In the case of the public water company of Thessaloniki (EYATH), the initial tendering process started in early 2013 saw two consortia bidding. This included Suez Environment who were looking to purchase a further 51 per cent of shares in addition to its current 5 per cent of stock. This was 'in association with the Greek construction firm Ellaktor, controlled by George Bobolas' ([Multinationals Observatory](#), 28 March 2014). Interestingly, both EYDAP and EYATH have historically been profitable including the holding of significant cash surpluses, whilst also running efficient and high quality services for consumers (Interview 22). Multinationals Observatory reports that in 2012 EYDAP posted 'a net annual profit of €62 million out of a €353 million turnover'. This is alongside it holding €43 million in cash reserves, €881 in equity and having €1.2 billion owed to the company by a variety of sources, including the Greek government and various agencies and businesses. In the case of EYATH there is a similar picture. In 2013 the company posted a profit of €18 million from a turnover of €77

million, with €33 million in cash reserves and €135 million in equity ([Multinationals Observatory](#), 28 March 2014). Privatisation of Greek water, hence, is not about more efficient services, but about ensuring private profits.

As I stated above, in the Portuguese case it was 'agreed to first restructure the water and waste branches [of AdP] before selling waste management holding (EGF) and consider opening up water services to private capital and management' (European Commission 2014: 29). These proposals, like in the case of Greece, have drawn the attention of transnational capital.

The sale of Empresa Geral do Fomento (EGF), which supervises the operation of multi-municipal companies serving 60 per cent of the population (Teles 2015: 36) and is a sub-holding company of AdP, was completed in September 2014. It was awarded to the SUMA consortium, led by Mota-Engil. This is a Portuguese-based TNC, 'integrated among the top 100 largest construction companies worldwide and present in three continents and with over 25,000 employees in a total of 22 countries' (see: <http://en.mota-engil.pt/Institucional/Historia>). It now holds a 95 per cent stake in the company ([Reuters](#), 18 September 2014). Beyond the sale of EGF, the previous PSD-led coalition government claimed that it had no intention of further privatising public water services (Interview 63). Instead, it argued, the planned restructuring of AdP was solely concerned with tariff structures, making them more equitable between coastal and in-land locations (Teles, 2015: 36). As a PSD Deputy of the Portuguese parliament's Committee on Economics, Innovation and Public Works put it, 'so it is a question of social equality. Of the price of water. Not to privatisation of the system' (Interview 63). This ignores the fact that the main reason EGF was explicitly part of the privatisation programme was because 'all regional corporations belonging to EGF [were] financially viable' (Teles, 2015: 37). This is in contrast to many of the municipal level

companies in the water sector held by AdP. Clearly then, EGF was already attractive for potential investors, evidenced by the fact that the winning bid was 50 per cent higher than the average valuation of the company ([Reuters](#), 18 September 2014). In light of this experience, Teles (2015: 37) states that, 'the privatisation of the public holding company seems to be just a matter of time, depending on the reorganisation of municipal bulk water companies held by AdP' (Rodrigues and Reis, 2012: 201; Interviews 39, 42).

From the analysis conducted in this substantive section, it is clear that the conditionality specified in the MoUs is attempting to expand the domination and discipline of capitalist social relations, leading to the deepening 'real subordination' of labour's social reproduction through the prospective privatisation of public spheres such as water and sanitation services. To recall, this conceptual approach links back to discussion in Chapter 3 where I analysed the three spheres across which capitalist discipline is implemented. The third sphere is 'the process of social reproduction in its entirety, the exploitation of the social and natural substratum' (van der Pijl 1998: 36). I discussed how Marx (1971) conceptualised this as '*real* subordination' as even away from the workplace labour's social reproduction is subject to commodification as the natural substratum is subject to (potential) privatisation. Whilst presented as a means to improve efficiency and to reduce the unwarranted role of the state in economic activity, I have demonstrated through a 'cross-time' incorporated comparison how this restructuring is aligned with the interests of transnational capital as new points of investment are opened up across Greece's and Portugal's varieties *in* capitalism. I now turn to analyse how the introduction of new forms of economic governance at a supranational scale, which are then being internalised at a national scale, are leading to a shift towards 'authoritarian neoliberalism' across the European form of state.

6.6. Restructuring the European form of state

It was detailed in preceding sections how removing the state from economic activity has been a vital component of implementing the depoliticising project of expansionary fiscal austerity. The restructuring that has been deemed necessary to shift potential economic growth towards an export-led trajectory has, in turn, required greater involvement of the state to support this. In the face of mounting hostility, as a crisis of political legitimacy for the project of expansionary austerity grows (analysed in detail in Chapter 7), there has been a shift towards ‘authoritarian neoliberalism’ (Bruff 2012, 2014, 2016; Flohr and Harrison 2016: 313). Led by restructuring to the European form of state – the institutions of the EU and eurozone at a supranational scale – these new forms of economic governance have been internalised within both Greece’s and Portugal’s varieties *in* capitalism.

To clarify, authoritarianism here does not refer to an order imposed by non-democratic means and brute force as characterised by the Greek and Portuguese dictatorships. Rather, it is ‘the reconfiguring of state and institutional power in an attempt to insulate certain policies and institutional practices from social and political dissent’ (Bruff, 2014: 115). In other words, the main principle of ‘authoritarian neoliberalism’ is to enact a democratic form of institutional restructuring in which national governments remove themselves from the process of socio-economic governance. As this is carried out in the context of crisis (mis-)management, territorial sovereignty remains, but temporal sovereignty is lost (Flohr and Harrison 2016: 315). Within the wider project is depoliticisation, this is specifically a process of *depoliticalisation*. This is particularly evident as the formal governance of the privatisation programme within Greece’s variety *in* capitalism is shifted to a technocratic organisation, entirely independent from democratically elected national governments. Below I will outline the new forms of economic governance that relate to

dynamics of 'authoritarian neoliberalism', analysing how a New European Economic Governance framework has then been internalised within the Greek and Portuguese varieties *in* capitalism.

6.6.1. The New European Economic Governance framework

The conditionality of the MoUs, signed between the Greek and Portuguese governments and the troika, has been an explicit mechanism through which to enforce the crisis project of expansionary austerity in the eurozone's periphery. The implementation of the New European Economic Governance framework has been a further means by which to enforce this upon the whole eurozone, even for those member states who have not required a bailout package. The most important elements of this new framework are the so-called Six-Pack, Two-Pack, and the Fiscal Compact. Much like the previous economic governance framework organised around the Stability and Growth Pact (SGP), these new measures have an austerity bias, and further push the global and neoliberal restructuring of national forms of state (Jessop 2014a: 220). The legislation related to the Six-Pack came into force in November 2011. The main principles of the legislation ensure that eurozone countries that do not comply with the revised EU Stability and Growth Pact, or find themselves in a so-called macroeconomic excessive imbalance position, 'can be sanctioned by a yearly fine equalling 0.2 per cent or 0.1 per cent of GDP respectively' (Erne 2012: 228). Whether eurozone member states comply with these new arrangements will be assessed through new surveillance procedures. There are four stages to surveillance procedures, with each stage becoming ever more intrusive. The first stage includes assessing a country against a 'scoreboard' of fiscal and macroeconomic indicators. The second includes in-depth reviews of countries not considered to be in 'balance'. The third sees the development of corrective action plans, something akin

to the MoUs discussed in this chapter. The fourth includes actual visits by representatives of relevant European institutions, primarily from the Commission (Erne 2012: 231).

These economic governance mechanisms have been further enhanced by the 'Fiscal Compact', also referred to as the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. This came into force on 1 January 2013. There are two prominent articles. The first of these is the so-called 'balanced budget rule'. It focuses on limiting fiscal deficits, requiring 'the national budgets of participating member states to be in balance or in surplus' (European Council, 2013). This enhances the fiscal pressure and austerity bias evident in the initial implementation of the SGP. The primary goal of the Fiscal Compact is deemed to have been met 'if their annual *structural deficit* does not exceed 0.5% of nominal GDP' (emphasis added). The *structural* deficit is different to the *fiscal* deficit, in that the structural position is assessed against what output 'would-be' if economic performance was at its optimum, as opposed to the fiscal deficit, which is simply measured against current output.

Needless to say, the economic measurements for assessing what output 'should be' are highly contestable, but it represents a clear shift towards the practice of authoritarian neoliberalism outlined above by severely curtailing the ability to politically contest the direction of fiscal policy. As Hugo Radice (2014: 325) states, 'the mechanism of depoliticisation – in the current case of the EU Fiscal Pact, the imposition of a fixed and legally-binding limit to the structural deficit – serves to legitimise what is a fundamentally political choice'. If the balanced budget rule is breached then an 'automatic correction mechanism' should be initiated to bring the 'deviations' in line over a fixed period. It is to be implemented through legislative means, preferably through constitutional amendments (EuroMemo Group

2013: 19). This is all based on recourse to the European Court of Justice if such structural constraints are not observed with its rulings being legally binding (Degryse 2012: 58).

The deepening exploitation of living labour power, analysed above in the first two substantive sections of this chapter, is also being further entrenched across the eurozone through the New European Economic Governance framework. As Bieler and Morton (forthcoming: 27) point out, '[o]ne of the 11 indicators used by the Commission as part of its scoreboard when assessing the economic performance of member states is related to changes in nominal unit labour costs'. They go on to state that 'increases that go beyond the thresholds set out in the scoreboard trigger the regulation's prevention and correction mechanisms' (Erne 2015: 347-8, cited in Bieler and Morton forthcoming: 27). This is further shifting the balance of power away from labour towards capital as 'the Commission is now empowered to intervene directly in national wage-setting systems through its role as overseer of the European Political Economy' (Bieler and Morton forthcoming: 27-8). Erne concludes that these measures are further 'eroding the bargaining autonomy of the social partners' across the eurozone (2015: 354). This will of course be on top of the dismantling of industrial relations and social dialogue, analysed above, in Greece and Portugal through the conditionality of the MoUs.

6.6.2. National manifestations of the New European Economic Governance

It was analysed above the ways in which a one-size-fits-all approach has been applied to the New European Economic Governance framework. It is also important to analyse how specific instances of this have been implemented through restructuring to national varieties *in* capitalism and related economic governance institutions. These new mechanisms have internalised the European-wide framework in specific ways, which support the goals of their

respective MoUs. In this subsection I will focus on new specific mechanisms in relation to the privatisation programmes discussed above as the clearest manifestation of this internalisation.

The further insulation of MoU conditionality away from social and political dissent can be clearly observed through the reconfiguring of state and institutional power in the implementation of the privatisation programme in Greece. The first review of the initial Greek MoU outlined expectations that it would be the government itself, primarily the Ministry of Finance, which would be responsible for devising and delivering the detailed privatisation programme (European Commission, 2010a: 53-54). However, the fourth review states that there is a need to set up a *depoliticised* 'fund to accelerate privatisation' (European Commission, 2011b: 30-31). This is justified on the grounds that '[e]xperience shows that large privatisation plans are more effective when a single entity is in the lead of the whole process and takes full ownership of the assets to be privatised (European Commission, 2011b: 30). On 1 July 2011, such an entity was created through the implementation of law 'L.3986/2011.' Called the *Hellenic Republic Asset Development Fund* (HDADF, or otherwise known colloquially as TAIPED), its 'mission' is 'to restrict governmental intervention in the privatisation process', with the Fund's Board having 'absolute authority on privatisation decisions', with 'most of the assets contained in the medium-term plan [the privatisation programme detailed above] hav[ing] been transferred to the Fund' including EYDAP and EYATH. Further, '[a]ny asset transferred to the Fund is to be sold, developed, or liquidated. The return of any asset back to the State *is not allowed*' (see, <http://www.hradf.com/en/thefund>, emphasis added).

In Portugal's variety *in* capitalism too there has been an internalisation of the principles of the New European Economic Governance framework. Justified on the grounds

of unsustainable debt levels, 'debt brakes' have been introduced at a municipal level in Portugal, enforced through the conditionality of the MoU. The introduction of this legislation has put further pressure on restructuring or privatising municipal level services in order to meet the quantitative targets set out in the MoU. In order to ensure compliance with this budget conditionality, 'all three levels of government are subject to annual debt limits.' At a municipal level, legislation introduced limits the 'public debt of each municipality and autonomous region to a maximum of 150 per cent of their average net current revenues during the preceding three years'. If a municipality exceeds these limits, it has to reduce the difference by at least 10 per cent. Importantly, these laws 'include a no-bailout clause for regional and local jurisdictions' (Burret and Schnellenbach, 2013: 45). This means that the Portuguese central government is not allowed to assume the liabilities of municipalities, placing a significant burden on local governments to restructure. And, at the same time, significantly disempowering democratically elected local councillors.

Defined as 'the reconfiguring of state and institutional power in an attempt to insulate certain policies and institutional practices from social and political dissent', it is clearly evident that the supranational European form of state has shifted towards authoritarian neoliberalism through the development of a New European Economic Governance framework. For specific purposes, directly related to the central aims of the MoUs this new governance framework has also been internalised within the Greek and Portuguese national forms of state, further depoliticising the entrenchment of the dominant policy direction of fiscal austerity and privatisation. The shift towards new economic governance mechanisms will only further subsume living labour-power, and the social and natural substratum that supports its reproduction, under the domination, discipline and domination of capitalist social relations.

6.7. Conclusion

The depoliticising political project of expansionary austerity has been an attempt to further bring the future development of Greece's and Portugal's varieties *in* capitalism under the discipline of capitalist social relations. The MoUs have been presented as a technical economic fix. They are, according to their advocates, a means by which to 'exit' the crisis and put each political economy on a sustainable path of economic development and growth, accelerating movement towards realising the long-term political project of a 'modern' 'European' future. Once politicised, using the concepts developed in Chapter 3, it is possible to argue that the restructuring being proposed and implemented is primarily furthering the interests of capital, particularly political and economic transnational fractions, placing the burden of expansionary austerity upon labour as the gains made during the post-dictatorship period are rolled-back and severely curtailed.

The burden that has been placed upon labour during the eurozone crisis has, in the first instance, seen a deepening exploitation of its living labour power. Following our Critical Political Economy approach, this is the second stage at which capitalist discipline has historically been imposed. This has occurred through a liberalisation of labour markets and the dismantling of industrial relations. At the very same moment welfare state mechanisms, which could offset this heightened insecurity at the site of production, are themselves being rolled back, exacerbating a shift towards greater exploitation. This analysis undermines the notion that restructuring to Greece's and Portugal's varieties *in* capitalism is simply a policy mix which can create a shift towards greater export-led economic growth.

Restructuring to Greece's and Portugal's political economies has not solely focused on the site of production during the eurozone crisis. Sectors integral to social reproduction have also become sites through which capitalist domination is being imposed. This is

happening as the social and natural substratum is further subsumed under capitalist discipline. As I mentioned, Marx conceptualised this as 'real subordination', as even away from the workplace, labour is subject to the commodification of its daily reproduction. This is clearly evident in the privatisation programmes. Alongside sectors that have long been subject to privatisation efforts in Greece and Portugal, analysed in detail in Part 2, we now witness the inclusion of public services such as water and sanitation. Our method of incorporated comparison has been particularly useful here. Through a 'cross-time' strategy it was possible to internally relate our 'cross-space' comparison of the Greek and Portuguese privatisation programmes to the wider global neoliberal restructuring of public water and sanitation services that became prevalent during the 1990s. This also demonstrated how this is aligned to the long-held interests of transnational capital.

The shift towards a deepening exploitation of living labour power, both at sites of production and social reproduction, has been reinforced by a New European Economic Governance framework. At a supranational scale, EU member states, particularly those belonging to the eurozone, are facing tighter fiscal rules and how these are monitored and enforced. This has entrenched the austerity-bias already present in the previous SGP rules. Importantly, this framework has been internalised within Greece's and Portugal's political economies in important ways to assist in the implementation of the MoUs. Whether through the introduction of 'debt brakes' or independent organisations to manage the process of privatisation the role of the Greek and Portuguese state is experiencing a renewed round of restructuring. Importantly, these processes of depoliticisation are being enacted through a specific shift towards 'authoritarian neoliberalism', a process which attempts to insulate austerity and neoliberal restructuring from social and political conflict. In other words, during

the crisis we are witnessing a leading class response which ensures the enclosure of political economic restructuring away from democratic decision making and oversight.

The interests of capital, particularly transnational capital, have been furthered through the response to the eurozone crisis in Greece and Portugal. Despite this, it is important to keep in mind that the Critical Political Economy approach developed in Chapter 3 emphasised the open-endedness of class struggle. The attempt to deepen the exploitation of labour and its social reproduction through austerity and global restructuring is never complete or final in any definite sense. Immediate outcomes, and long-term trajectories, of the response to the eurozone crisis are shaped by the struggle that take. This requires that the thesis also focuses attention on the agency of labouring classes in how they disrupt, resist and offer alternative forms of political economic organisation. In the next chapter this is exactly what will be analysed.

7. The Political Economy of Resistance and Solidarity during the Eurozone Crisis

7.1. Introduction

In Chapter 6 I examined the various forms of restructuring and austerity that have attempted to be, or have actually been, implemented during the eurozone crisis in Greece and Portugal. The analysis made an important contribution towards the aims of Part 3 of this thesis. To recap, Part 3 serves two purposes. The first purpose is to analyse the response to the eurozone crisis by leading European political and capitalist class forces, focusing on the depoliticising project of expansionary austerity and global restructuring. This was fulfilled in Chapter 6. The second purpose of Part 3 is to focus on how working class forces have struggled against the conditionality deemed a necessity within the various memorandums of understanding. As stated in the previous chapter, this is important as analysis into the responses to the crisis would suffer considerably if analysis proceeded on the basis that the attempt to deepen capitalist domination has faced little contest. Further, whilst there has been a direct challenge put forward to many elements of global restructuring and expansionary austerity through the form of resisting change, disrupting this response has not stopped here. There has also been a number of important political economic alternatives proposed, actively repoliticising austerity and restructuring. Some of these alternatives have sprung out of sheer necessity in the face of a severe socio-economic crisis, but all, in some capacity, attempt to undermine capitalist domination and the turn towards authoritarian neoliberalism analysed in the previous chapter.

The need to focus on the political agency of working class forces is informed by the Critical Political Economy approach developed in Chapter 3 of this thesis. To recount, I critiqued pure ‘domination-oriented’ perspectives, which tend to analyse ‘social struggle through a focus on elite-level activities...in an attempt to understand the strategies of domination being adopted, enacted and/or pursued at any one point in time’ (Huke et al 2015: 3). Instead, the CPE approach developed in this thesis calls for a ‘domination-oriented’ approach to be complemented with a ‘disruption-oriented’ one. To do so, highlights that political economic outcomes and trajectories are not simply the product of ‘stable patterns of domination’ brought about by leading class forces. Instead, the approach focuses on ‘the inherent *instability*’ of the outcomes of struggle between various class forces, highlighting ‘the disruptive effect such practices always-already have upon *would-be* relations of domination’ (Huke et al 2015: 7, emphases original). Through this approach asymmetrical power relations remain of central focus, with political economic outcomes constituted by struggles between classes. This avoids privileging the agency of dominant actors, without negating an appreciation of their asymmetrical capacity to shape change. This approach also avoids obscuring the important ways in which resistance is a continual process, which does have a real effect on the trajectory of change pursued.

Not only will the analysis conducted in this chapter provide an important link back to the concepts of Chapter 3, but also to the analysis of Part 2 of this thesis. Across Chapters 4 and 5, the ascendancy of a hegemonic project was analysed within Greece’s and Portugal’s varieties *in* capitalism. This ascendant project was shaped by leading political and economic class forces through a discursive framework of pursuing a convergent ‘modern’ and ‘European’ future for the people of Greece and Portugal. However, analysis in Part 2 made it clear that the material and institutional dynamics underpinning supranational European

integration and global capitalism were primarily dominated by neoliberal initiatives, in line with the interests of transnational class forces. Greek and Portuguese labour was by no means equivocal in its support for this ascending hegemonic project, primarily following a line of 'yes, but' as long as the gains made in the post-dictatorship period were not systematically undermined. This meant that up until the onset of the North Atlantic Financial Crisis, Greek and Portuguese labour had not disrupted this ascendant project to any significant degree.

Analysed below, agencies of disruption become central to dynamics during the eurozone crisis. It is bold to state, but van Apeldoorn (2014) does have grounds to argue that what we are witnessing is a fundamental crisis of the hegemonic project which has informed political economic developments across the EU since the mid-1980s. However, he predominantly applies 'domination-oriented' approach to develop his argument, with little systematic analysis of how disrupting class forces are central to the breakdown of the political economic legitimacy of neoliberalism, and its attendant austerity and global restructuring. The significance of the analysis to follow in the remainder of Chapter 7, and that already conducted in Chapter 6, is therefore three-fold. First, it offers an incorporated 'cross-time' comparison between Parts 2 and 3, demonstrating a discontinuity between the two periods under study. It is clear, following van Apeldoorn (2014: 199-202), that there is limited potential for leading class forces to be able to attain even a modicum of consensus upon which to push the project of expansionary austerity through, and therefore in turn, restore a hegemonic basis for neoliberal restructuring. This is what explains the turn towards ever more coercive interventions within national political economies analysed in Chapter 6. Second, Chapter 7 develops analysis in line with a 'disruption-oriented' approach, placing the role of labour (which, to recall, is broadly defined) central in contesting the renewal of neoliberal restructuring during the crisis, and therefore the future principles upon which European

political economic development will be guided by. This provides a superior approach from which to argue that a breakdown of hegemony is unfolding – with all its possible disintegrative potential – as I focus on the very political economic agents which must at least acquiesce to the renewal of neoliberal restructuring to ensure any possibility of it being restored to a position of (undisrupted) dominance. Finally, this approach also offers the potential to analyse possible alternatives that could offer a more socially equitable and just path out of crisis, and how these are being shaped by labour itself.

Again, much of the empirical detail employed throughout this chapter draws upon primary fieldwork research conducted in both countries during the first half of 2015. To recall, semi-structured interviews attempted to bring political economic contestation into being, presenting interviewees with questions and points of debate which reflect the dynamics of struggle under study.

The sections of this chapter will largely mirror those of the previous one. This will provide a clear connection between the two chapters, directly drawing attention to how the depoliticising project of expansionary austerity and global restructuring are being disrupted with resistance and alternatives. This structure will allow for analysis of the political agency of working class forces, and why this is repoliticising and contesting the principles and practices of capitalist domination and authoritarian neoliberalism. Section 7.2. will initially focus on detailing the socio-economic context of resistance and solidarity. Section 7.3. will focus on how the crisis project of expansionary austerity and global restructuring was initially met with a generalised ‘scream’ against the dominant responses to the crisis as the ‘Squares Movement’ gained momentum across Europe. It would be in these forums where a number of the dominant participants and principles of disruption would emerge, informing political struggles beyond these spaces and scales that will be the focus of subsequent sections. I will

also focus on the emergence of social healthcare clinics in Greece as a direct product of austerity applied to the welfare state. The analysis will demonstrate not only how they have served a necessary social function in providing healthcare to a growing number of people, but also how the organisational structure of the clinics rearticulated the squares movement through vital socio-political activity. Section 7.4. will move to focus on how the attempt to deepen the exploitation of living labour power through the liberalisation of labour markets and the dismantling of industrial relations has also been disrupted by growing resistance. This is in the form of more traditional protests and strikes led by the trade union movement, alongside witnessing the growing importance of new social movements focused on the rise in precarious employment. Section 7.5. will analyse how the attempt to deepen the commodification of social reproduction through the privatisation programmes is also being disrupted. This analysis will again focus on the privatisation of public water services, mirroring its equivalent section in Chapter 6. It will also highlight how social economy initiatives around cooperatives have come to the fore as a viable alternative. Section 7.6. will draw some conclusions, before moving onto a general conclusion for the thesis itself.

7.2. The socio-economic cost of expansionary austerity

In the previous chapter I detailed the economic logic of expansionary austerity. Before proceeding any further, I will briefly remind us of its fundamental proposition. Supporters of expansionary fiscal austerity argue that under certain conditions ‘well-conceived fiscal restrictions might actually stimulate private consumption and investment expenditures, as well as improve export dynamics’ (Botta 2015: 2). This would supposedly result in economic expansion, as opposed to the contraction that would be predicted by Keynesians. The dominant class forces, who devised the memorandums of understanding, ignored the

principle of ‘under certain conditions’ and ‘well-conceived’, creating instead a generalised ‘one-size-fits-all’ depoliticised project that was argued to be primarily deepening capitalist domination. Before proceeding to the substantive analysis of resistance and solidarity, this section of the chapter will provide an outline of the socio-economic cost that is a product of this political project. This will set an important context for analysing the dynamics of resistance and solidarity to follow.

7.2.1. The economic context

Following the North Atlantic Financial Crisis of 2008, Greece fell into recession. Between 2008 and 2015, Greece’s gross domestic product cumulatively fell by 29.6 per cent (OECD Data). An article in the *Financial Times* puts this into astonishing context when it states that ‘the Greek economy had the largest contraction of any advanced economy since 1950’ ([FT](#), 19 June 2015). Further, this is the largest fall ‘not caused by war, radical political change, or, for some Middle East countries, a sustained drop in the oil price’, with ‘the only contractions worse than that in Greece so far this century [having] been in Zimbabwe, after hyperinflation, and in Syria, during a civil war’ ([FT](#), 19 June 2015). Set alongside this, Portugal’s cumulative loss of 5.3 per cent does not seem like the significant figure it still is (OECD Data).

Whilst it was recognised in the MoUs that economic recession was an inevitability of implementing austerity, the higher-than-expected downturn has had a knock-on effect in pursuing a reduction of government deficits and debt. In other words, as restructuring and austerity have had a greater negative effect on economic performance than expected, this has in turn, made it more difficult to reach the fiscal targets of the memorandum, with the call for more austerity being considered the appropriate answer. The term ‘vicious circle’ hardly does the circumstances justice. For instance, despite endless rounds of austerity, only

in 2014 had the Greek government been able to bring the budget deficit below -4 per cent of GDP, and by 2015 the Portuguese government had got the closest to doing so when it reached -4.4 per cent of GDP (OECD Data). In terms of government debt, the Greek and Portuguese levels stood at 127.1 and 104.1 per cent of GDP in 2010 respectively. By 2015, these figures now stand at 181.2 and 149.6 per cent of GDP, respectively.

7.2.2. The social context

The above economic context created the following pro-cyclical 'vicious circle': implement austerity → downturn in economic performance → miss fiscal targets → implement more austerity → further downturn in economic performance → miss targets by even wider margin, and so on (Jessop 2015c: 33). This, in turn, has had a significant social and human cost as a growing number of people struggle to meet daily basic needs. In 2008, the average eurozone (19 countries) unemployment rate was 7.4 per cent of the total labour force, with the Greek and Portuguese figures standing at very similar levels of 7.8 and 7.6 per cent, respectively. By the end of 2011 this margin had widened so that the average for the eurozone stood at 10.1 per cent, whilst Greece and Portugal stood at 17.9 and 12.7 per cent, respectively. By 2013 this was even worse, reaching a peak of 27.5 per cent in Greece, and 16.2 per cent in Portugal. By 2015, these figures had only dropped slightly, with Greece reaching 24.9 per cent, and Portugal 12.44 per cent (OECD Data).

Worryingly, a majority and growing proportion of those who are unemployed fall into the 'long-term' category, i.e. those who have been unemployed for 12 month or more. In 2015, the percentage of those who were long-term unemployed in Greece and Portugal stood at 73.1 and 57.4 per cent. Further, the young populations of each country have had a torrid time. The average eurozone youth unemployment level, those who are aged between 15-24

years old, in 2008 stood at 15.5 per cent. Whilst the figure for Greece was high in that year, at 21.9 per cent, Portugal's figure did not diverge significantly, standing at 16.7 per cent. By 2013, these figures were 24.2 (eurozone), 58.3 (Greece), and 38.1 (Portugal) per cent (OECD Data), respectively, with little hope of them improving significantly even over the long term. It is no wonder that such a huge proportion of each country's young have decided to emigrate, especially those who are highly educated, putting in motion a very significant 'brain drain' which in itself could have serious implications for any future prospects for economic recovery ([OneEurope](#), 11 September 2014).

Briefly detailing some of the socio-economic cost of expansionary austerity provides a context for analysing the dynamics surrounding resistance and solidarity. With 35.7 and 26.6 per cent of the Greek and Portuguese populations, respectively, 'at risk of poverty or social exclusion' in 2015 (Eurostat), it is no surprise that the (attempted) implementation of restructuring and austerity has been so heavily contested. I now turn to analysing the dynamics of resistance and solidarity during the eurozone crisis in Greece and Portugal.

7.3. Disrupting the rolling-back of the welfare state

In *Change the World Without Taking Power* John Holloway opens the book by stating, '[w]hen we write or when we read, it is easy to forget that the beginning is not the word, but the scream' (2005: 1). He goes on to highlight that this scream is not generally an articulate and coherent account clearly addressing 'what is to be done?', but is instead 'a scream of sadness, a scream of horror, a scream of anger, a scream of refusal: NO' (Holloway 2005: 1). In other words, his use of the term 'scream' highlights that there is initially a reaction against, a perception of the unjust nature of systemic dynamics, without instant knowledge of how to adequately address this. It can be argued that this is a useful manner in which to frame the

initial response to the socio-economic crisis, that a significant proportion of both Greece's and Portugal's populations have had to face.

The occupation of space, by the so-called 'squares movement', provided a mechanism by which to collectively 'scream', to reject the crisis project of expansionary austerity. This is generally where a popular understanding of the role of the squares movement ends, focusing on what was being rejected and considering the occupation of space to be the dominant form of resistance offered to the imposition of austerity and restructuring. This perspective neglects to appreciate the manner in which the occupation of space also provided a means by which to formulate ideas about possible political economic alternatives, and then a platform of alliances from which these prospective alternatives could be pursued. This substantive section of the chapter has two aims. First, I will analyse the formation of the 'squares movement', and the types of political principles that would go on to inform responses beyond the occupation of space. Second, I will focus on one of the most important responses in the context of Greece's severe socio-economic crisis, that of social healthcare clinics. Through this post-holing case I will be able to highlight: 1) the degree to which the clinics provided an essential public service that has disrupted the rolling-back of welfare-state provision; and 2) how at the same time they successfully transposed the debates of the 'squares movement' into their everyday organisational practice. This will assist in demonstrating that whilst the physical occupation may have ended, the ideas and debates continued on through rearticulated and differentiated forms of disruption (Pantazidou 2013: 762).

7.3.1. The 'scream' from the squares

The 'squares movements' in Greece and Portugal were directly influenced by an equivalent movement in Spain, the *15-M*, which was launched on 15 May 2011, one week before local elections, and also considered the direct influence of *Occupy* in the U.S. The *Greek indignados* were 'awoken' by *15-M* after a Greek news story reported a banner being held up (which did not actually exist) in Puerta del Sol, Madrid, stating 'shhhh...keep it quiet, we might wake up the Greeks'. The next day, 25 May 2011, and organised through the channels of social media, more than 20,000 people had gathered in Syntagma Square that is situated directly opposite the parliamentary building. Important public spaces were also occupied in other places, including at the White Tower in Thessaloniki, Greece's second largest city. Whilst there would continue to be a 'hard-core' of square occupiers over an extended period of time, 'an unprecedented gathering of more than 300,000 people' occurred in Athens on the Sunday following initial occupation (Sotirakopoulos and Sotiropoulos 2013: 448). This movement also took root in Portugal, although on a much smaller scale (Principe 2013).

All manifestations of the squares movement shared the strategy of occupying symbolic public space alongside the 'programmatic exclusion of political symbols' (Sotirakopoulos and Sotiropoulos 2013: 448). They also had a distinctly national character in how they articulated this. In the Spanish and Portuguese case, the occupation was primarily made up of progressive forces, with a 'popular assembly' being the focal point in the former, and discussion in the latter being informed by the peaceful and socialist-oriented Carnation Revolution (Martí i Puig 2011: 215-16; Principe 2013; Interview 40, 52). In the Greek case, this specifically manifested itself in questioning ties with the historically dominant parties of PASOK and New Democracy (Interview 1, 3, 4, 18, 19, 20, 21, 22, 23, 25, 27, 37). This rejection of old political ties did not take on a purely progressive character, as was the case in Spain

and Portugal. As a symbol, the national flag played a key role in the Greek movement, although this was expressed ideologically along divided lines (Simiti 2014: 8). Progressive forces linked their struggle to the experience of Nazi occupation during WWII, along with the struggle against military dictatorship in the post-war period. Strong nationalist sentiments were also present, drawing on the struggles of independence from the Ottomans of 1821, and which in its most disturbing form, witnessed growing support for the Greek Nazi Party, the so-called Golden Dawn. This highlights the unprecedented heterogeneity of the protestors' identities across all three countries (Simiti 2013: 3; Laskos and Tsakalotos 2013: 124-125).

The above begins to highlight the various political distinctions that were present within the squares movements, not only between national manifestations, but also within them. All of these are significant for the variegated forms of struggle that cohered.¹ The most important for the purposes of this chapter is the differentiated articulation of the call for democracy. The movements of the Iberian Peninsula organised around the slogan of 'real democracy now'. In the Greek case, the call was made for 'direct democracy'. As Sotirakopoulos and Sotiropoulos (2013: 446) state, '[t]his syntactical change is anything but trivial, for it reflects a radicalisation in terms of political prescription'.

Whilst the demand for 'real democracy now' clearly perceives that there is a democratic deficit, being linked to both historical and 'in-crisis' failings, it 'is vague enough not to pose a direct challenge to the contemporary form of liberal-parliamentary democracy'. In contrast, the call for 'direct democracy' invokes a more concrete alternative, one that is

¹ For more detailed analysis focusing on the implications of these various distinctions, see Sotirakopoulos and Sotiropoulos 2013, Pantazidou 2013, Simiti 2014, Principe 2013.

‘antagonistic to the current representative democracy and that calls for a far more radical reconfiguration of political power and relations’ (Sotirakopoulos and Sotiropoulos 2013: 446). This radicalisation stems from the principles of direct democracy, calling for a reconfiguration of vertical systems of democratic participation that rely upon electoral representation (Interview 27). This is to be replaced by political practices that create horizontal structures of deliberation and decision making, devolving and dispersing democratic power to and across civil society. Below, I will focus on the post-holing case study of the social healthcare clinics in Greece. Whilst born out of ‘necessity’, due to the severe socio-economic crisis produced by restructuring and austerity to the welfare state, a focus on this particular re-articulation of the *indignados* will assist in analysing two things: 1) how the clinics contest the deepening exploitation of living-labour power through the rolling-back of the welfare state, and 2) practice the radical reconfiguration of political power and relations in line with the principles of direct democracy.

7.3.2. The necessity of social healthcare clinics in Greece

The socio-economic cost of expansionary austerity in Greece has witnessed over 3 million people – over 30 per cent of the population – go without national health insurance in the country ([The Guardian](#), 23 January 2015). This is due to access to healthcare for individual citizens, and their families, being linked (prior to an intervention by the Syriza government in 2016) to paying social security contributions through official employment. The persistence of high and long-term unemployment has excluded many from the healthcare system, as after a year without making contributions, access is rescinded. Compounding this trend has been the deterioration of state healthcare provision as restructuring and austerity has been implemented (Simou and Koutsogeorgou 2014).

The 'necessity' to act in the face of this escalating crisis has been the main motivation behind the creation of social healthcare clinics (Interviews 25, 27, 37). The scope of the crisis has seen approximately 40 centres open across the country, creating a well-integrated national network ([The Guardian](#) 23 January 2015). The creation of the clinics is not considered a charitable act, but one based on principles of solidarity and democratic participation. This is an important distinction, emphasised by all interviewees, as the former implies a paternalistic understanding of the problem; a transitory crisis phase until economic performance and welfare state provision improves once again. In opposition, emphasising solidarity as the dominant principle of action repoliticises austerity and restructuring, and how it is having a generalised impact on the socio-economic functioning of Greece and its people. It emphasises that there are alternative ways by which to important public commons in order to successfully fulfil the basic needs of a human population, and how this alternative is enacted and managed. As a member of the Drama social healthcare clinic (Interview 27) states:

Now solidarity is not only a word or a term it's our belief that in order to have a better way of organising the society we have to help each other. In terms of solidarity it means that not because I'm stronger or I'm wealthier or I have a job, I help the weaker, the poorer and the so on but we offer help and we expect that this act of help will come back to us again. So solidarity is above all for us a way of thinking and a way of organising society and we wanted to break the current way of thinking of everyone, of individual (inaudible), so that's about solidarity.

Without resistance and alternatives, many considered the permanent rolling back of welfare provision to be a possibility, which would have a national, not only an individual, effect in the future (25, 27, 37). There was also a wider European focus,

because we believe that this fight is only part of a bigger political fight [that] must take place all over Europe [as] we have seen that also the same policies but not so

barbarous you know and not so cruel are formed also in your country, in Germany as well, in France as well (Interview 25).

Whilst there are variegated models of how the clinics function, all rely on voluntary work and donations of money, medicine, equipment, and facilities. Highlighting the degree of transnational solidarity that has flourished during the crisis in this area, significant support has predominantly originated in countries of northern and western Europe, where a discontent about the authoritarian neoliberal (mis-)management of the memorandums has increased. As a member of the Thessaloniki social healthcare clinic (the second largest in the country) states, 'cooperation with [the] European network...is rather important...it's the biggest source of our economic autonomy' (Interview 25). This support was emphasised by a member of the largest social healthcare clinic in the country (Interview 37). The clinics also vary in size, with some focused solely on providing pharmacy services, with others covering a full range of primary care, which includes not only general practice, but also more specialised areas such as psychiatry, dentistry and importantly, considering the effects the crisis could particularly have on children in the coming decades, paediatrics (Interview 25, 27, 37). Where the need of citizens who attend the clinics is beyond the scope of provision available, organisers have disrupted the rolling-back of healthcare services by building sustainable networks with state and private hospitals, who have continued to provide treatment on a pro-bono basis (Interview 25, 37).

With many of the organisers of the clinics being an active part of the Greek *indignados* movement, there is the use of alternative models of political organisation, management, and decision making within them. This is a clear example of the squares movement being re-articulated in new spaces of resistance and alternatives. This re-articulation is directly in line with the principles of direct democracy that were an important focal point of debates

amongst progressive forces during the occupation of squares. Going beyond rhetoric, an organising member of Solidarity4All – an umbrella organisation, assisting social movements to coordinate their functions – states that the models of organisation and management employed by the healthcare clinics provides a ‘practical critique’ of liberal democratic principles, which are considered to have created political classes detached from their constituents, and unable to respond to the socio-economic crisis which grips the country (Interview 1). In contrast, the clinics do not have any formal hierarchy of democratic management, with each volunteer having an equal voice in the decision making process. As a member of a social solidarity healthcare clinic states, organisers of the clinic ‘are sensitive about not showing a hierarchy or I am more than you’ (Interview 37). These decisions are made during meetings where possible areas of focus, or particular strategies of dealing with arising issues, are discussed and the merits weighted (Interview 25, 27, 37). It is important to note that this does not mean that where expertise is required in a particular area, to scientifically or professionally evaluate the correct path of action, it is not given the weight of authority required. It is merely the case that accountability of this expertise is organised into alternative models of decision-making. In other words, the clinics represent a mix of political practice and well-established healthcare expertise that produce novel and effective alternatives.

Most importantly, above all other considerations, these clinics are successfully working to serve the fundamental purpose of why they were created. The degree to which this is the case is highlighted by the number of patients that have been dealt with. For instance, in the Greater Athens area, the 16 clinics have been treating more than 30,000 patients a month ([The Guardian](#), 23 January 2015; Interview 37); in Drama, a town with a population of approximately 30,000 people, there have been more than 1,200 patients who

have required the clinic (Interview 27); and, in Thessaloniki, with a population of approximately 1 million people, more than 15,000 people have used the clinic in total (Interview 25).

The clinics have been successful in their task of re-establishing widespread provision of healthcare within Greece during the crisis. Despite their success, the reality that these are ultimately volunteer-run and precariously supplied organisations must not be lost. It is no surprise that many of the volunteers would consider success to take the shape of their own disappearance, as the state becomes capable of providing the much-needed healthcare services that the European model of welfare promises (Interviews 25, 27, 37). In the meantime, the clinics in Greece have worked to ensure that a national health crisis has been avoided.

At a conceptual level, the analysis above provides a clear justification for the use of class as a contingent 'historical category' (Thompson 1978: 147). It is evident that the struggle to develop social-healthcare clinics has not been driven by a set of objective class interests that determine the manner in which labour proceeds to struggle. Instead, healthcare clinic activists initially came together to 'scream' against the injustices of austerity and restructuring. In the process of experiencing deepening exploitation and domination as healthcare reforms were enacted, they have then gone on to identify points of antagonistic interest and commence struggles around these issues as a re-articulation of the Squares Movement, and as a practical critique of the failures of the policy response led by the troika. In the process of struggling against austerity and restructuring, activists have begun to disrupt the dominant systemic principles of socio-economic order. Whilst it is clear that an asymmetric capacity to shape future developments around the welfare state persists to a

significant degree, the clinics have significantly disrupted the deepening exploitation of living labour power, and the potentially deleterious effects on social reproduction during the crisis.

With ties to the Syriza-led coalition government, it is hoped that the experience of the social healthcare clinics, and other social movements concerned with areas of social reproduction, will assist the state in developing new models of welfare state provision through a diffusion of learning (Interview 1, 25, 27, 37).² This hope has been reciprocated by cabinet members of government (Interview 15, 35). As a prominent Minister of the coalition government states, 'this is a new mentality of changing society and of more participatory democracy which we need absolutely in order to survive' (Interview 35). This is in addition prominent healthcare professionals within the national network of social clinics advising the government on possible future trajectories. I now turn our focus to analysing the dynamics of resistance and solidarity in relation to the restructuring of labour markets and industrial relations.

7.4. Disrupting the restructuring of labour markets and industrial relations

Analysed in Chapter 6, workers have experienced cuts to public sector employment, the liberalising of labour markets, and the dismantling of industrial relations. However, workers in Greece and Portugal have attempted to disrupt the deepening exploitation of their labour-power, deemed a necessary pillar of pursuing expansionary austerity. In this specific area of

² The use of the present tense reflect the fact that fieldwork interviews were conducted shortly after the Syriza-led coalition government had come to power, with hopes high about being able to overturn the dominant principles of the MoUs. It may be the case that a past tense would be more appropriate at the time of final edits (March 2017). This could be applied to much of the discussion to follow about the role of Syriza as a governmental political force.

restructuring, the measures put forward by leading class forces have been presented as a means by which to support job creation. The argument goes that due to strict and overly protective legislation, there has been the development of a highly-segmented labour market. This has, in turn, created a sharp division between 'insiders' and 'outsiders', with the former enjoying secure, well-paid employment, whilst the latter are subjected to growing precariousness and insecurity in their working lives. By pursuing the restructuring of labour markets and industrial relations, it is argued that capital will be willing to take more risks hiring workers as economic growth returns when the effects of expansionary austerity kick in. Whilst recognising that a segmented labour-market exists, labour has situated these policy measures within a longer historical horizon, arguing that we are witnessing an attempt to roll-back gains made during the post-dictatorship period, with an overall 'levelling-down' of labour-market and working conditions being the dominant outcome. In other words, the 'insiders' of the labour market are more likely to be subject to growing precariousness and exploitation in their working lives, similar to the 'outsiders', instead of a shift towards greater security for all.

In this section of the chapter, I will focus specifically on the role of trade unions and new social movements in disrupting restructuring in this policy area. The analysis will first focus on the role of trade unions who have attempted to resist the rolling-back of gains made during the post-dictatorship period, particularly through the revival of strike action. Second, I will focus on the role of social movements and new forms of unionism during the crisis. Here we witness a greater focus on organising workers in more 'precarious', 'a-typical', forms of (under-)employment, attempting to pursue a 'levelling-up' of status and security. Finally, I will draw these two sections together by analysing the tense relationships of solidarity that have shaped (in)action between trade unions and new social movements, arguing that this has

placed important limits on workers' leadership being able to organise cooperative, and mutually beneficial, struggles against restructuring.

7.4.1. The trade union movement struggles to be effective³

The memorandums of understanding, signed between various Greek and Portuguese governments and the troika in 2010, 2011, 2012, and 2015, have been met with persistent resistance from both the Greek and Portuguese trade union movements. This has most publically been in the form of reviving traditional forms of struggle such as mass mobilisation through large-scale, or general, strikes. The General Confederation of Greek Workers (GSEE) called for a general strike on 5 May 2010, also supported by the public sector confederation (ADEDY), with an increase in general strike activity throughout 2011, being called every five or six weeks. On Wednesday the 19 October 2011, 'more than 1 million people filled the streets of Athens, Thessaloniki and other large towns in a show of strength unprecedented since 1974' (Laskos and Tsakalotos 2013: 120-121). By the end of 2012 the total number of general strikes had reached almost 30. This included approximately another 500 single union based strikes in 2011, and more than 700 in 2012. Laskos and Tsakalotos (2013: 120) state, that at least on the face of things 'this adds up to an impressive response from the side of [Greek] labour'.

³ It must be noted that official data on strike activity in Greece and Portugal during the eurozone crisis is difficult to attain. As the ETUI (2013: 97) states '[t]he Greek...and Portuguese authorities are apparently embarrassed by recent strike statistics; one can suspect that the public outcry against the austerity measures provides a compelling disincentive for systematically collecting or publicising this data'. Therefore, in this section I maintain a focus on largescale mobilisations that have been widely reported on, and rely on credible secondary data for my analysis.

Despite a numerically impressive response, Vogiatzoglou is right to state that '[t]hese impressive mobilisations achieved little of substance'. This is clear as '[e]very legislative package to implement austerity was adopted by the [Hellenic] Parliament and, if that was not enough, several opinion polls showed that the union leaderships were mis-trusted by the rank-and-file' (Vogiatzoglou 2015: 220). This mistrust has stemmed from the development of clientelistic relationships between political parties and the leadership of the trade union movement during the post-dictatorship period (Afonso et al 2015). The GSEE had long been under the control of PASOK factions within trade unions organisations (PASKE), although the power of the New Democracy factions (DAKE) was far from negligible. Both had close relationships with their party leadership, and on the whole failed to even keep up appearances with respect to the autonomous role of the labour movement (Laskos and Tsakalotos 2013: 120). As a leading Greek journalist states, 'I would say the number one problem with the Greek Unions...here they essentially became extensions of political parties and that meant they lost their objectivity, they lost their independence' (Interview 5). During interviews, this account was widely accepted by union leadership to have been a historically dominant feature of the relationship between the trade union movement and mainstream political parties (Interviews 5, 6, 8, 11, 15, 16, 18, 21, 22, 32). More importantly, the damaging effects this has had on effectively mobilising resistance to restructuring and austerity during the eurozone crisis was also admitted by some trade union leadership (Interview 32). In the face of this self-perceived failure, there has been a growing shift by trade union leadership to become independent from political parties, especially PASOK. This has evidently been too little too late and Vogiatzoglou (2015: 220) may be right when he bluntly concludes that 'the Greek unions will exit the crisis even more socially discredited and isolated than before 2008'.

Between 1975 and 2009, there had only been five general strikes called in Portugal. Twice in 1982, and three others in 1988, 2002, and 2007. The 1988 general strike was the only one supported by both Confederations, with CGTP calling the other four alone (Dias and Fernandes 2016: 22). With the introduction of PEC-III (see, Chapter 6), both UGT and CGTP called a general strike for November 2010. Whilst only the second strike to be jointly called for by the two confederations, it was the first by UGT against a Socialist government. With a memorandum agreement reached in 2011 between the Socialist government and the troika, the 2010 general strike would mark the first in a series of five to take place from November 2010 to June 2013 (Dias and Fernandes 2016: 25). Due to a split between the militant approach taken by CGTP, with outright rejection of the memorandum and the social partnership approach by UGT, with its more conciliatory tone, joint action has been difficult to maintain (Costa 2012: 406). The rare demonstration of unity within the Portuguese trade union movement during 2010 and 2011 came to a halt in January 2012, as UGT signed the social pact the *Compromise for Growth, Competitiveness, and Employment*. Where the first two general strikes were jointly called, the following two in 2012 were led by the CGTP. The fifth, in 2013, was again jointly called as a reaction to the 2013 draft government budget.

The trade union movement in Portugal has experienced similar difficulties in translating mass mobilisation into effective pressure. This is primarily due to the legislative dominance of the PSD-led coalition government during the crisis which, as discussed in the previous chapter, has governed by the mantra of going 'beyond the troika' (Moury and Standing 2017). A more successful avenue on the part of the trade union movement, in both Greece and Portugal, has been to pursue legal recourse against the project of expansionary austerity at national and international levels. In the case of Greece, this has seen the ILO Committee of Freedom of Association adjudicate that, the troika's request to suspend and/or

derogate from collective agreements, and to decentralise collective bargaining, violated ILO Conventions 87 and 98 (ETUI 2013: 92). Alongside Syriza coming to power, this is supporting the gradual re-institutionalisation of industrial relations in line with ILO Conventions. Further, the European Committee of Social Rights (ECSR), the main supervisory body of the (Revised) Social Charter of the Council of Europe, found in favour of complaints brought forward by the Greek trade union movement, concluding that 'a range of fundamental social rights of the Revised European Social Charter had been violated' (ETUI 2013: 92). The most effective measures have been pursued at a national level in Portugal where the Constitutional Court has reversed many of the measures, particularly on pay and pensions, deeming them to be unconstitutional.

7.4.2. Renewing unionism and the challenge from new social movements

The growing discontent amongst rank-and-file members of Greek and Portuguese trade unions has placed additional pressures on the leadership of the movement beyond the need to resist the implementation of restructuring and austerity. These additional pressures stem from members as they feel 'that union bureaucratic structures have been incorporated within state structures for too long, and therefore are too slow and ineffective to react when required by circumstances' (Clua-Losada and Horn 2015: 218). This has led to workers 'more forcefully arguing for a different role for unions, one which is less concerned with bureaucratic state-union relationships and instead is more willing to resist when required' (Clua-Losada and Horn 2015: 218). This debate has been on-going for some time, with the dynamics of the eurozone crisis have exacerbated and accelerated this trend. Whilst this is leading to changes within institutionally dominant trade unions, as discussed above, there has also been an attempt to renew unionism, particularly through organisations who identify with the

principles of so-called 'social movement unionism'. As an example of this is analysed in the Greek case below in relation to struggles against the privatisation of water, this section will concentrate on the Portuguese context (for more on the general Greek context, see Kretsos 2011). This will primarily be through analysing the role of new social movements organising around the issue of precariousness. This is a particularly useful post-holing case which brings a number of the issues outlined above to the fore.

During the new millennium, a growing concern about the rise of precarious (under-)employment for workers, and their attendant under-representation within the trade union movement, has been matched with the emergence of new social movements which attempt to bring attention to, and organise around, this issue (Accornero and Pinto 2015). Whilst there are general features across Europe of this rise, there are also national specificities. In the Portuguese case, the rise of precariousness has primarily been facilitated through the generalised use of 'green receipts'. These green receipts are meant to be used for self-employment, by workers who provide services for limited or irregular periods, but which have a specified contractual period. Unsurprisingly, this system has been abused, so that there is the widespread use of 'false green receipts' (Interview 52). Workers, who are engaging in what would generally be considered permanent 'typical' work, are being forced into contractual relations which are insecure. This undermines the ability of workers to access rights such as social security, employment protection, and other benefits, whilst allowing capital to cheapen the cost of labour by placing the latter in precarious forms of employment (Interview 40, 52).

In 2007, two separate organisations formed which aimed to shed light on, and actively undermine, the development of precarious employment in Portugal by taking on functions of representation of precarious workers. They were the FERVE (Fartos d'Estes Recibos Verdes)

and Precarios Inflexiveis (Precarious Inflexible, or PI). During the eurozone crisis these organisations participated in the Squares Movement, and in 2012 the two groups merged, now simply functioning under the name Precarious Inflexible. Whilst starting as an informal network of members, the organisation is now an official association, allowing the group to offer formal membership and gain greater representation capabilities (Interview 52). Whilst the main aim has been to raise awareness and organise both among and beyond workers in situations of precarity, there is also an explicit awareness that the attendant political practice must be conducted in a manner which is more capable and, as identified above, willing to 'resist when required' (Interview 40, 52). This seems evident as the form of struggles have been diverse and frequent. These forms have included organising a yearly May Day parade; mass protests, including a nation-wide protest on 12 March 2011 which saw almost 400,000 come out on the streets in Lisbon and Porto alone (Braga 2016: 155); protests within work places, such as invading call centres; drafting a 'citizens legislative initiative', which aimed to eliminate the pervasive abuse of 'green receipts'; the innovative use of social media platforms for organisational purposes, linked to the success of mobilising large numbers for protests and organising strikes for their members (Interview 40, 52). Further, these activities have allowed the organisation to build relationships of solidarity with nursing and teaching unions, joining the picket lines of strikes. Recognising that the national specificity of 'green receipts' should not hinder the group's ability to build networks of transnational solidarity, Precarious Inflexible has also placed an emphasis on this avenue by participating in coordinated protests, attending meetings, and trying to 'build some common ideas with other organisations' to address the need to develop 'a new grand narrative [against global restructuring and austerity] that can be built on the local scale' (Interview 52).

In particular sectors of work, relationships of solidarity have been built between PI and the trade union movement. However, at the confederation level, beyond gaining some rhetorical support during protests as ‘circumstantial buddies’, this has not been possible (Interview 40). Instead, there has been the continuation of an arms-length relationship between unions and social movements, with suspicion continuing to shape their interaction (Interviews 40, 52, 58, 65). As an organiser of PI states, ‘they tended to view it as trying to build precarious workers against the rest of the workers’ (Interview 52). This is confirmed by CGTP leadership who stated, ‘for us the question of precarity cannot be fought if you adapt and accept that you have a group of precarious workers that eventually will organise as precarious workers and will remain precarious for their entire lives’ (Interview 65).

The lack of rapprochement outlined above is not only a feature of the relationship between Precarious Inflexible and CGTP, but is a more generalised response from the institutionalised labour movement leadership towards new forms of worker organisation and practice. CGTP leadership consider new social movements to be approaching struggle as a ‘100 metre race’, when it should instead be approached as a ‘marathon’ (Interview 65). In other words, there is a fear amongst union leadership that social movements focusing on a single issue will spring up in a flurry of activity but quickly wither away if immediate and rapid gains are not made. In short, they will be here today and gone tomorrow, and whilst they are ‘here’, a drain on valuable resources. This is corroborated by a research and self-identified PCP militant who states, ‘they [PCP and CGTP] have a very negative perspective about all the mobilisations [by social movements]...[as] there is not to change things. It’s [the] trade unions role to change things’ (Interview 40). However, a former President of CGTP claimed that the confederation ‘should have cared more as a trade union...with building bridges towards other social movements’ (Interview 44). According to them, achieving this could ‘revitalise the social

and political within the trade union movement' (Interview 44). In other words, building relationships of solidarity between new social movements and the institutional trade union movement was seen as a possible means by which to re-embed the latter's practice back into the everyday concerns of wider society, undermining the perception that the trade union movement was only concerned with narrow corporatist interests. However, if these circumstances persist Vogiatzoglou's quote above, that Greek unions will exit the crisis 'even more socially discredited and isolated than before 2008' (2015: 220), may also be applicable in the Portuguese case.

The deepening exploitation of living labour power, through restructuring to labour markets and industrial relations, has been met with systematic resistance throughout the eurozone crisis. At no point during the post-dictatorship period has the labour movement struggled more vigorously to defend the gains made over the last thirty years. Despite these efforts, it is questionable how much of this struggle has had a definite disruptive effect on political outcomes. This is arguably due to two reasons. First, the ferocity with which leading class forces have attempted to undermine labour's position has been unprecedented. Second, this ferocity has found labour's 'tools' of struggle to be wanting during this period. This second point arguably has deep historical roots, linked back to analysis in Part 2 as part of an incorporated 'cross-time' comparison. It was analysed how the trade union movement, as the institutionalised expression of labour, had predominantly presented a 'yes, but' position to the ascendant neoliberal hegemonic project. Acquiescing as long as there was the maintenance, or continuity, of gains made in the post-dictatorship period at a national level – and as long as a semblance of 'Social Europe' was maintained at a supranational scale (Bieler 2006) – has potentially left the trade union movement unprepared for such a degree of discontinuity as the crisis struck.

In short, having not participated in significant offensive struggles for a number of decades, the Greek and Portuguese trade union movements have been ill-equipped to deal with both the scale of the crisis, and the very different political economic context in which it has unfolded. Further, attempts at renewing the organising principles and activities of labour by new social movements have presented internal struggles within the labour movement about the correct path of action, with trade union leadership retaining suspicion about the purpose and prospect of these new initiatives. The section that follows, focusing on the struggle against the privatisation of public water, may positively assist in thinking through a number of issues raised for the labour movement.

7.5. Disrupting the privatisation of public water

In section 6.5. of the previous chapter, I focused on the proposed privatisation of public water and sanitation services in Greece and Portugal. It was argued that we are witnessing the real-subordination of labour's social reproduction through the expansion of capitalist commodification as a means, primarily pushed for by transnational capital, to open up new areas for investment and profit-making. The argument was supported by the use of an incorporated 'cross-time' comparison. This focused on the internal relation of possible privatisation during the eurozone crisis, with the wider global restructuring of public water that had gained momentum in the 1990s.

In this section, I will analyse how this potential restructuring has been disrupted. In both countries this has been one of the most important areas of struggle when contesting the austerity laden policy response of the eurozone crisis. This issue has taken priority alongside other vital areas of social reproduction, including healthcare, education and pension reform.

As such, resisting the privatisation of water has taken on a significant symbolic importance amongst wider struggles against austerity and restructuring. There has been a clear perception that suffering defeat in this area could create wider ramifications for activists struggling against austerity and restructuring in other sectors. Even in Portugal, where there has been a less explicit push for privatisation until later in the bailout programme, the water and sanitation sector has been a key battleground in the struggle against austerity. Portuguese activists have continued to place the issue central to struggles as the sector has undergone a significant commercial restructuring, increasing the attractiveness for private investment in the future (Interview 54).

Further, I will focus on how resistance to the privatisation of public water in Greece and Portugal has not simply pursued a 'no' to privatisation. Instead, working class forces have also explored social-economy alternatives, primarily around the principle of water and sanitation as a 'commons'. Such alternatives highlight how disruptive agency during the eurozone crisis goes beyond mere objection to the technical policy of privatisation, going on to question the very presence of capitalist social relations in this area of social reproduction. Due to their prominence within the movement against privatisation, the following analysis focuses on the struggles within large urban centres, such as Athens and Thessaloniki in Greece, and Lisbon in Portugal.

7.5.1. The agents resisting the privatisation of public water

Alongside disrupting the restructuring of labour markets and industrial relations, trade union activists in Greece have also been at the forefront of struggles against water privatisation. Prominent Greek trade unions involved in struggles include the Water Workers' Unions of Athens and Thessaloniki (OME-EYDAP/OME-EYATH), and the Athens/Thessaloniki

Federations of Unions (EKA/EKTH, also known as Labour Centres). Widespread and active participation across whole unions has not been present. This is because, as mentioned above, within most Greek public sector unions there are internal political divisions due to institutionalised party affiliations (Ioannou 2000; Interviews 8, 29). This has meant that as the government of the day has changed, so have the positions of support and opposition for various policies, including privatisation. With the continuation of clientelism in the face of a severe socio-economic crisis, this has perpetuated a history of suspicious relations with wider society (Afonso et al 2015). It is claimed that there is a perception amongst civil society that prominent unionists are simply positioning themselves for appointments within the company, or even potentially a political career (Interview 5).

The ongoing suspicion of unions amongst wider civil society has meant that many activists of the Athens and Thessaloniki water company unions have developed novel political practices in an attempt to address the disconnection between their unions and the wider population. This has required that their union practice becomes 'effectively reborn'. A central aspect of this has been the autonomy of their union activities from all mainstream political parties (Interviews 21, 22). This is claimed to be central to a process of emancipating union activists 'from the hierarchies, dependencies and pervasive forms of domination associated with a state operating through clientelism' (Wainwright 2014: 27). Equally important, union activists have shifted towards so-called 'social movement unionism' (Krestos, 2011). This is a form of unionism that attempts to integrate workers, trade unions and the wider labour movement into broader coalitions for social and economic justice. For members of OME-EYDAP, this has been through the creation of SEKES ('participatory unity movement'). OME-EYATH has been central to the creation of a city-based umbrella social movement organisation SOS to te NERO ('Save Our Water'). This approach has been the central factor in

building reciprocal relationships of solidarity across civil society (Interviews 8, 21, 22, 32). As a member of OME-EYATH claims 'our struggle is society's struggle and you know you cannot do it yourself...You need allies, you need a society' (Interview 22) These new practices have allowed union activists to demonstrate that they are attuned to the importance of struggling for public water as an issue of social reproduction, not simply as workers 'who are afraid of losing our jobs' (Interview 22).

The other prominent activists involved in disrupting the privatisation of public water have been social movements emerging from the squares movement, discussed above. This emergence of civil society in Greece has assisted in partially breaking the historical dominance of political parties. Prominent activists include the union activists discussed above, as well as the likes of Save Greek Water (Athens) and Initiative 136 (Thessaloniki; discussed in more detail below). The success of developing a united front against the privatisation of public water in Thessaloniki meant that in April 2013, 'SOS te to NERO' was consolidated to act as an overarching social movement organisation that coordinates the activities of all its constituent elements. These constituent elements included social economy activists (Interviews 20, 23), academics (Interview 24), Mayors, union members (across different sectors) (Interviews 21, 22), environmentalist organisations (including the Green Party, Interview 26), and those who would simply identify themselves as 'ordinary citizens'.

It is trade unions that are at the forefront of resisting water privatisation in Portugal too. There has not been an equivalent shift in the practices or alliances formed in these struggles due to the greater political coherence in how the trade union movement is institutionalised compared with Greece. With a unified political position – in line with the Communist Party (PCP) affiliated CGTP leadership (Costa 2012) – and a lack of networks of clientelism to maintain, Portuguese trade union activists have not been presented with an

internally generated dispute concerning the privatisation of water. In turn, there has been no perception that novel forms of mobilisation and alliance need to be pursued, such as ‘social movement unionism’, in order to successfully struggle against privatisation. Whilst there has been the creation of an umbrella body, Agua de Todos (‘Water for All’) – which draws together a wider network of groups, including other public sector unions (particularly teachers), unions of municipalities and farmers associations (see, <http://www.aguadetodos.com/>) – there is still a continued focus on the National Trade Union of Local Government and Regional Administration Workers (STAL) as the institutional expression of the labour movement leading the struggle (Interviews 54). In comparison, the creation of SOS te to NERO in Thessaloniki has led to a much greater horizontal devolution of organisational formation and practices, not privileging the role of OME-EYDAP or OME-EYATH.

As I analysed above, in relation to the struggles against restructuring to labour markets and industrial relations, a lack of internal dispute within the Portuguese trade union movement has not also led to a deeper questioning of the historical relationship between trade unions and social movements. This has had a negative impact on the possibility to renew organising practices. Whilst STAL activists have clearly demonstrated a generalised concern over the ability of labour to socially reproduce itself – beyond simply sectoral concerns over pay and conditions – this has not been aligned with political practices that allow for a widening of the organisational basis of the national water movement. This is not simply isolated to the issue of public water or to STAL as a single federation, but is a more generalised response from the union movement in Portugal. This is primarily due to a greater trust being maintained during the crisis between Portuguese trade unions and political parties, particularly between STAL/CGTP and the Communist Party, in contrast to the relationship between trade union factions and PASOK and New Democracy in Greece, where trade union

reliance on party patronage has become widely discredited during the crisis. However, such ‘union-centric’ struggles in Portugal is an important factor in explaining why their impact has been ‘feeble in terms of popular mobilisation and public debate, concentrating on municipalities that have Communist Party mayors’ (Teles 2015: 36).

7.5.2. Political struggles disrupting the privatisation of water

For working class forces struggling against the privatisation of water in Greece and Portugal, there has been a sustained emphasis placed on resisting this restructuring as part of a wider European movement. This led to both the Greek and Portuguese movements participating in the first European Citizens’ Initiative ‘Water and Sanitation are a Human Right’.⁴ This initiative was coordinated by the Federation of European Public Service Unions (EPSU), together with the European Water Movement (EWM) (Bieler, 2015a). As a member of Save Greek Water succinctly outlines,

We have to understand who are the people who push for this? The big multinationals of water at European level, like Suez and the...water lobby in the private sector. And how do they do it, through the Commission, fine. So let’s try to do something about that (Interview 4).

⁴ If successful, it initiates ‘an invitation to the European Commission to propose legislation on matters where the EU has competence to legislate’ (<http://ec.europa.eu/citizens-initiative/public/basic-facts>, accessed 24/06/2016). To be successful an ECI ‘has to be backed by at least one million EU citizens, coming from at least 7 out of the 28 members states. A minimum number of signatories is required in each of those 7 member states’ (<http://ec.europa.eu/citizens-initiative/public/basic-facts>; accessed 24/06/2016). Both requirements were met with the total valid signatures reaching 1,680,172 (http://www.right2water.eu/sites/water/files/table%20number%20valid%20signatures_21.pdf; accessed 24/06/2016).

In other words, there was recognition that in the face of prospective global restructuring through privatisation, struggles resisting this also had to be transnationalised. This is in an attempt to disrupt restructuring efforts through the 'political opportunities' provided by the legislative mechanisms of the EU (Interviews 4, 22, 26, 54; della Porta and Parks 2016). The minimum quota for the ECI was fulfilled in 13 countries, including Greece but not Portugal, highlighting the more successful, broader mobilisation in the former as discussed above.

Despite ongoing debates about the possible alternative forms of ownership and management that could be pursued in relation to water and sanitation services (analysed below), Greek activists involved with the umbrella organisation SOS te to NERO have been keen to emphasise that 'the target is common...even if we shoot from different directions. Let's surround the target' (Wainwright 2014: 25). In other words, the diverse democratising initiatives that are a common thread of interest amongst SOS te to NERO members should not distract from the dominant aim of ensuring that water privatisation is stopped. 'Surrounding the target' took the form of countering the European Commission's disappointing response to the European Citizens' Initiative. In March 2013 activists of SOS te to NERO decided to hold a city-wide referendum in Thessaloniki about the proposed privatisation of EYATH (Interview 22). The referendum was held on 18 May 2014, supported by the European Water Movement and EPSU, with both organisations sending 30 monitors between them from European countries including Italy and Germany (Interview 23). Campaigning on the issue was conducted at local level through the well-established links with neighbourhood councils (Interview 23). The result of the referendum was resounding. 218,002 citizens voted in the referendum across 181 polling stations, with 98 per cent voting against the privatisation of water. To compare, 428,000 votes were cast in the regional municipality elections on the same day, demonstrating the high turnout. This is a clear sign

that the novel practices of 'social movement unionism' had ensured a broad and effective movement against the prospect of privatisation.

Resisting the privatisation of water in Greece and Portugal has also been pursued through legal initiatives. In the Attica region of Greece this was led by Save Greek Water and SEKES (Interview 4), whilst in Thessaloniki this was pursued by the workers union of EYATH (Interview 22). Both filed law suits to Greece's constitutional court, the Council of State, demanding that the ownership transfer of both companies from the state to TAIPED (the privatisation fund) be reversed. Whilst the EYATH related suit was dismissed on technical grounds,⁵ the case related to EYDAP was successful. In May 2014, the court ruled that the transfer of ownership to TAIPED and the proposed privatisation beyond this, violated articles 5 and 21 of the Greek constitution. These articles outline that the state is responsible for the protection of the citizens' fundamental right to health. The ruling itself stated,

The effective transformation of the state company to a private one which operates on a for-profit basis renders uncertain the continuation on its part of accessible services for the common good of a high quality as they will no longer be comprehensively secured by state oversight (*Neos Kosmos* 3 June 2014).

The ruling would not have been quite so unanimous had there not been successful campaigns raising awareness of the negative experience of privatisation at both a national and European level (Interviews 4, 22). In the end, the New Democracy Greek government decided to put a stop to the privatisation of water services in both Thessaloniki and Athens ([Macropolis](#), 2 July 2014). However, highlighting the manner in which practices of authoritarian neoliberalism have insulated institutions from popular dissent and contestation, TAIPED continues to hold

⁵ OME-EYATH filed the law suit as a trade union organisation, not as a set of Greek citizens.

ownership of both EYATH and EYDAP to the present day, despite the ruling that both must move back under state control (Interview 4, 22, 24).

The Portuguese water movement initiated their own legislative process after the formation of Agua de Todos in 2011. The aim was to enshrine the 2010 United Nations (UN) resolution of 'water and sanitation are a human right' in national legislation. The official procedure was initiated by citizens' signing a petition and themselves proposing legislation (Interview 54). This witnessed the collection of 50,000 signatures, and was supported through parliament by PCP. However, the vote held on the legislation in 2014 was easily defeated in parliament (Interview 54). This was not solely due to opposition from the Social Democratic led centre-right coalition government of the day, as a coalition of leftist parties could have commanded a majority in the rounds of voting. Instead, the issue that the legislation confronted was that whilst there was widespread support amongst left parties – the Socialists (PS), Left Bloc, and Communists (PCP) – for enshrining legislation which reflected water as a human right, the same could not be said for another part of the legislation which aimed to legally prevent any kind of privatisation in the future. This is primarily for two reasons. First, having been central to water privatisation initiatives in the past, including 'Aquapor' (Teles 2015: 37), PS became divided over this issue ideologically, with only leftist members of the party being in support of ensuring that water services remained public in the future. The continuation of PS's dominant ideological position concerning the possibility of privatising public water, established and consistent since the mid-1990s, demonstrates that they did not face any major political or electoral pressure from citizens to change it. Second, it also reflects a contextual difference, where water has not been under the same direct pressure to be privatised in Portugal as compared to Greece. Hence, while in Greece the Constitutional Court had been appealed to in relation to defend the public nature of the water companies in

Athens and Thessaloniki that are to be privatised in the here and now, in Portugal the constitutional initiative had been of a more general nature, an attempt to pre-empt and prevent privatisation in the future.

Despite widespread public opposition to the possible privatisation of water, the Portuguese water movement was unable to translate their mobilisation into more effective political pressure through the legislative process. The inability to overcome electoral divisions is further highlighted by the fact that *Agua de Todos* has only gained prominent support amongst Communist controlled municipalities, primarily through relationships with STAL activists. The 'National Association of Municipalities they don't join us because they say well if a municipality wants to give the water to a private water company that is a matter of that municipality' (Interview 54). In short, the broad based alliance of trade unions and social movements in Greece has been more effective in achieving their aims compared with the water movement in Portugal.

7.5.3. Struggling for a common(s) alternative

As stated above, the prospective privatisation of public water and sanitation services has been disrupted by working class forces in a way that explicitly questions the principles of global capitalist restructuring being pursued during the eurozone crisis. To an important degree, targeting the systemic characteristics of how such a service is 'produced' and distributed has been directly influenced by the Italian water movement, which has argued that water and sanitation services should be considered a 'commons' (Bieler 2015b). The commons are here understood as a shared resource amongst the human population, with each member of the species requiring equal access to ensure basic survival and security, and beyond this the possibility of further social development. This conceptualisation of water and sanitation has

important political implications, as those who advocate for the 'commonification' of water state that relevant services should be jointly owned, and governed collectively through new forms of participatory/direct democracy (Bakker, 2008: 241-43). The foundational human need for water, and its unique quality in this regard, has been presented as a counter argument against the justifications for privatisation put forward by transnational capital, providing an important source of moral power for water activists.

This counter discourse organised around water and sanitation as a common has been evoked equally in the Greek and Portuguese water movements as the central principle of disruption against water privatisation (Interviews 21, 54). However, when looking at prospective alternatives, the idea of the commons offering an alternative configuration of political economic organisation in the 'production', management, and distribution of water is much more prominent in the Greek movement (Interviews 20, 21, 22, 23). The preference for municipal or state-led management of public water services in Portugal, by contrast, also reflects the greater participation and success of the PCP in electoral politics, the party's affiliation with a largely unified trade union movement, and the desire to retain their prominent institutional presence within the state apparatus. In short, the links between political party and trade union were clearer in Portugal than in the Greek case and not tainted by notions of clientelism and patronage. This has created a strong degree of historical continuity of political action in Portugal about how political economic gains can be made for labour, dating back to the Carnation Revolution.

The clearest example of the principles of the commons informing alternatives to the privatisation of public water and sanitation services has been the development of Initiative 136 (K136) in Thessaloniki, Greece. K136 originated from the squares movement. As well as being part of the wider water movement in the city (SOS te to NERO), K136 is also part of an

umbrella organisation known as PROSKALO, a non-profit civil society organisation. PROSKALO was founded in 2011 with the aim 'to promote a social solidarity economy through direct democracy'. This was particularly in areas which are considered a commons, such as water, food, energy, waste management, and education (PROSKALO's website: <http://www.proskalo.net/p/proskalo-cooperation-initiative-for.html>); Fattori 2013; Interviews 20, 25, 27, 37). Cooperatives provide the preferred formal organisational model to pursue the 'commonification' of social goods. The establishment of the Bios Coop, a food and convenience store, in 2012 is the prime example of the organisation's activities (see, Bios Coop for details: <http://www.bioscoop.gr/>).

The main idea of K136 is that if every household connected to the city's water service bought a non-transferable share in the state-owned water company of Thessaloniki, the public could own the water company through a system of neighbourhood cooperatives coming together through a single overall cooperative (Interview 23).⁶ As an activist of PROSKALO and K136 states, 'it's about rejection of the two models, the Soviet [state command] model and the capitalist [liberal individual] model and trying to get a third way towards another social economy and society' (Interview 20). In other words, it would, in effect, be a 'public-public answer to the troika's public-private partnership' (K136 activist, cited in Wainwright 2014: 25). Whilst Initiative 136 is the focus of analysis here, the cooperative movement attempting to reorganise how sectors of the commons function has a 'network of people not only from Thessaloniki it [is] from all over the country' (Interview 20).

⁶ The '136' part of the group's name derives from dividing the sale valuation of the company by the state, which is €60 million, by the number of water meters in the city. If every household connected to one of these water meters contributed €136 then the citizens of the city would be able to purchase the company.

Despite Initiative 136 gaining international recognition as a potential model of systemic transformation to be emulated elsewhere, there is a hesitancy within the Greek water movement about the idea. This is even within the Thessaloniki-based SOS te to NERO, the intellectual and political hub of the water cooperative movement. It is argued that through state taxation and company bills, citizens have already paid for the company and the sector's infrastructural development. The question is posed, 'why should they have to do so again?' (Interview 24). Further, there has been a general problem of affordability across the city amongst citizens due to the implementation of austerity and tax increases detailed in the previous chapter. Despite this evident limitation, cooperatives have been formed in eight out of sixteen neighbourhoods in Thessaloniki, and a generally positive response from the municipality for the initiative has been put forward.

The privatisation of public water has been disrupted in a manner that goes beyond simply questioning the link between this specific policy and the possibility of Greece and Portugal 'exiting' the eurozone crisis through a perceived shift towards public debt sustainability and renewed market 'confidence'. Through a deeper questioning of the role of water as a 'commons', resistance has contested the wider 'historically integrated process' of neo-liberal capitalist restructuring, bringing to the fore possible democratic and economic alternatives that could potentially produce more socially and economically equitable practices and outcomes.

Two points are relevant to the analysis above. First, the analysis in this substantive section once again supports a focus on the formation of classes as a historically contingent process, not as objectively given by structurally determined positions within economic production. It is during disruptive struggles that a diverse profile of activists have mobilised against water privatisation, with an equally diverse set of subjective points of antagonism that

have initiated their mobilisation. However, as struggles have unfolded, these forces have not only critiqued the policy of privatisation when presented as a technical fix, but that have also begun a process of inter-subjectively questioning the necessity of water and sanitation services being configured in line with the capitalist social relations of private ownership and hierarchical management. Given that this struggle is at a formative stage of organising, it is possible to state that such activists are practicing an emerging class politics 'in-itself'. However, due to the nascent nature of this project it is too soon to claim a systematic form and practice of class consciousness that is 'for-itself'.

The second point, which relates to the first, the analysis of this section – perhaps more than any other in this thesis when also related back to its equivalent section in Chapter 6 focusing on privatisation – supports the need to offer a clear definition of capitalism, as developed in Chapter 3. This definition located a foundational social division between capital and labour, with their relationship conditioned by the 'laws' of value. The explicit questioning by water activists of the prospective deepening commodification of both their living labour-power, and also the social and natural substratum upon which they rely for their social reproduction, demonstrates the need to be attentive to such foundational concepts of analysis, and how these through contingent social struggles become the core political contested and contestable points of antagonism. The possibility of focusing on such fundamental struggles in shaping the future trajectories of development across European capitalism, simply cannot be realised by scholars employing a Varieties of Capitalism approach. They continue to ignore the need to provide a historically specific definition of capitalism. Instead, focusing purely on institutional diversity, VoC scholars continue their search for potential institutional complementarities which shape economic competitiveness

differentials. Much more is at stake during this conjuncture, and there is a need to reflect this in the development of future scholarship.

7.6. Conclusion

At the end of the previous chapter I emphasised the open-endedness of political struggle over the future trajectories of Greece's and Portugal's economic development during the eurozone crisis. In this chapter I analysed such open-ended struggle, highlighting how the depoliticised political project of expansionary austerity, the attempt to deepen capitalist domination and exploitation, has been systematically met with resistance and solidarity by working class forces that have attempted to disrupt this response. This demonstrates the value of complementing a 'domination-oriented' with a 'disruption-oriented' approach, as the latter highlights the inherent instability of any attempt to pursue particular trajectories of development and restructuring that could ensure a dominant position for particular class forces within and across national political economies. This is especially the case when the pursuit of further dominant social relations means the rolling-back of gains made over an extended period of time, as is the case for labour during the eurozone crisis. Providing symmetry with the previous chapter, I analysed how disrupting the dominant class response to the crisis has focused on undermining the push towards deepening exploitation of living labour power and the social and natural substratum. Importantly, through processes of disruption there have emerged alternatives that provide insights into how to possibly pursue more just, socially equitable, and democratic trajectories of political economic development in the future.

The focus on resistance and solidarity began by analysing the role of the squares movement. In the face of crisis (mis-)management techniques that have employed and deepened forms of authoritarian neoliberalism, progressive forces of the squares movement initially contested these through the occupation of space. This occupation of space shed light on the growing democratic deficit that has been created during the eurozone crisis. However, it has also provided the means by which to formulate possible alternatives, informed primarily by ideas of direct democracy, and then the alliances by which these alternatives could be pursued. This allowed for a 'practical critique' of authoritarian neoliberalism and expansionary austerity to flourish. Using a post-holing case from Greece, this practical critique took the necessary form of addressing the socio-economic crisis that has gripped Greece. Specifically, I focused on the formation of a national network of social healthcare clinics. It was argued that through this struggle, the clinics have resisted the conditionality of rolling-back what was already the problematic functioning of the welfare state and the deepening exploitation of living labour power. However, in organising and managing the clinics in line with principles of direct democracy, they have also developed possibilities that can empower working class forces in shaping the future development trajectory of Greece.

Disrupting the attempt to deepen the exploitation of living labour power also focused on the role of trade unions and new social movements in resisting restructuring to labour markets and industrial relations. Discredited by years of clientelistic relations with political parties in Greece, and an institutionally defensive stance in Portugal, the trade union movements in both countries have failed to translate their increased activity (particularly that of large-scale strikes) into effective action against the conditionality of the memorandums. The Greek trade union movement has particularly failed to renew its position in society. This was due to taking the decisive step away from established ties with political parties, especially

PASOK, too late in the day. New social movements have attempted to renew unionism through novel organisational forms, and a greater attentiveness to the needs of workers who have become institutionally underrepresented. Having examined the development of such a movement in Portugal, it is evident that the divisions which still separate trade unions and social movements that both organise workers has placed serious limits on the levels of solidarity that can be achieved.

The final substantive section focused on dynamics of resistance and solidarity in disrupting the potential deepening commodification of the social and natural substratum. In both countries there has been a sustained effort to prevent the privatisation of public water. Leadership by the trade union movement in Portugal has meant that the problems faced in relation to resisting restructuring to labour markets and industrial relations, are largely applicable to the struggle against the privatisation of water. Whilst presenting a sincere concern for issues around wider social reproduction, the trade union movement leading the struggle in Portugal has not been able to shake off perceptions that it is just looking after its own institutional and corporatist interests, when resisting privatisation. This has meant that a wider popular mobilisation has failed to materialise. In distinction, this has been possible in Greece. Due to an early recognition of the issues that trade unions face in attempting to generate trust amongst wider civil society there has been a shift amongst some trade union activists involved in the water movement towards so-called 'social movement unionism'. When confronted with new social movements that have presented novel ideas around organising struggle, there has been a sustained effort to find mutual ground upon which relationships of solidarity have flourished. This has even led to important alternatives being proposed. These alternatives put social-economy initiatives, especially around cooperatives,

at the forefront of possible future trajectories of development. I now turn to some concluding remarks for this thesis.

8. Thesis Conclusion

This thesis has examined the origins of, and responses to, the eurozone crisis in Greece and Portugal. Conceptually, the dominant thread of argument throughout this work has demonstrated the following: to adequately account for the systemic origins of, and responses to, the eurozone crisis in Greece and Portugal it is imperative to analyse their specific development trajectories – and the political economic change and contestation which constitute these – as European varieties *in* capitalism, which are always and already embedded into the global capitalist world system. To realise the implications of this argument meant initially critiquing and ultimately rejecting, political economic analysis beset by the limitations of ‘methodological nationalism’, i.e. the ‘highly internalist’ accounts of the eurozone crisis which have dominated both public and academic debates. Discussion of this limitation was particularly focused on the Varieties of Capitalism approach due to its dominance across the academic fields of International and Comparative Political Economy, which this work is also aligned with. In Part 1, this rejection provided a point of departure for the development of an alternative historical materialist Critical Political Economy approach, which could then be applied to empirical analysis throughout the remainder of the thesis.

In Part 2, focusing on the origins of the eurozone crisis, the application of the Critical Political Economy approach allowed the following argument to be presented: the origins of the eurozone crisis in Greece and Portugal, and the development trajectories towards this, have been fundamentally constituted by the inter-, supra-, and trans-national dynamics of European integration and capitalism. The supranational institutional, and transnational capitalist, project of European integration became increasingly internalised through the

national development projects pursuing a 'modern' 'European' future. These processes of institutional convergence and capitalist restructuring – pushed for by leading political and capitalist classes – laid an integral foundation for the specific asymmetric trajectories of economic performance and competitiveness as they cohered in Greece and Portugal. In short, the material, institutional and ideational neoliberal restructuring of Greece's and Portugal's varieties *in* capitalism in the post-dictatorship period are a *specific* manifestation of a wider *general* crisis of European capitalism as the eurozone crisis struck in 2010. At a systemic level, the renewal of the European project since the mid-1980s has been incapable of serving leading political economic interests, whilst at the same time ensuring the sustainable integration of 'peripheral' European varieties *in* capitalism seeking a convergent development path towards a 'modern' 'European' future. The analysis of this contradiction offered in this thesis is both an important contribution to the aim of providing a more adequate account of the origins of the eurozone crisis, and also provided a strong foundation from which to analyse 'in-crisis' dynamics.

The analysis presented in Part 3, focusing on the responses to the crisis, further support the argument that a focus on the *specific* cases of Greece and Portugal assist to excavate the characteristics of a more *general* crisis of European capitalism. The dominant policy initiatives, particularly those outlined across the multiple memorandums of understanding, have had to be enforced through increasingly coercive mechanisms as their direction, effectiveness and legitimacy have been questioned ever more vehemently. Even when governments have come to power who have been central to the historical development of the European project (such as the Portuguese Socialists in late 2015 during the post-programme period), or consider furthering it as a central part of their electoral mandate (such as the Syriza-led coalition government of Greece in January 2015) their dissent to the crisis

response has been dismissed as 'populist' at best, or putting the future of the euro in jeopardy at worst. This sort of rhetoric from the troika, and/or 'core' European governments (particularly the German and Dutch) has failed to grasp that this is not being driven solely by government intransience. In actuality, the social base of dissenting governments' stems from a generalised 'scream' of Greek and Portuguese labour who have resisted and disrupted austerity and restructuring (whilst also presenting more socially just and equitable alternatives in some instances). This resistance has attempted to halt the shift in the balance of power towards capital, as the (potential) deepening of domination, discipline and exploitation of living labour-power and the natural substratum is pushed for.

From the overview of this thesis it is clear that four significant scientific contributions have been made. First, a critique of the Varieties of Capitalism approach has clearly demonstrated the inadequacies of methodological nationalism when studying the comparative/international political economy of European capitalism(s) (Chapter 2). The development of an alternative Critical Political Economy approach reinforced the veracity of the first contribution, whilst also offering a second when demonstrating the superior potential of what could be labelled a 'transnational methodology' (Chapter 3). The third significant contribution of this thesis was the application of the alternative Critical Political Economy to the historical development of the eurozone crisis in Greece's and Portugal's political economies (Part 2). The fourth was an analysis of the responses to the eurozone crisis in Greece and Portugal through a focus on austerity and restructuring, and solidarity and resistance Chapter (Part 3). Empirical material was drawn upon at all times across Parts 2 and 3 to support the arguments developed. However, the extensive use of primary empirical data in Part 3, generated through successful fieldwork trips, has ensured a unique insight into the 'situated responses' of political economic actors central to shaping the responses to the

eurozone crisis in Greece and Portugal. Having presented general conclusions of the analysis developed throughout this thesis, and related this to the scientific contributions this has generated, I will now outline the more specific arguments of each chapter. This will assist in clarifying the points raised here.

8.1. Main arguments of the thesis revisited

Chapter 2 reviewed the development of the Varieties of Capitalism approach, its application to the eurozone crisis and the methodological choices that have underpinned these endeavours. Initially, the application of the VoC approach to the study of Europe's political economy was intended to demonstrate that in an age of globalisation economic development, growth, and prosperity, did not have to be pursued through convergence on a liberal variety of capitalism. Analysis demonstrated that there was still plenty of room for a coordinated, more humane, social democratic variety of capitalism to deliver 'the goods' in ensuring economic prosperity and political legitimacy. Almost twenty years on, when applied to analysing the origins of the eurozone crisis, nothing has really changed. The people of southern Europe are faced with the task of implementing austerity and neoliberal(ising) laden MoUs. These are apparently the means by which to support an 'exit' trajectory out of the eurozone crisis, and to produce new forms of sustainable economic development and growth over the longer-term. In opposition, scholars employing the VoC approach are once again attempting to demonstrate that viable alternatives persist as the coordinated varieties of northern Europe are argued to have fared reasonably well under the single currency. The VoC approach therefore, offered an important intervention into explaining the political economic development of European national political economies, and their (in)ability to produce socio-economic prosperity.

The fundamental aim of Chapter 3 was to retain the key *analytical* focus on the role of capitalist diversity in shaping the origins of, and responses to, the eurozone crisis in Greece and Portugal. However, in order to develop an alternative Critical Political Economy perspective adequately, it was necessary to shift the *conceptual* focus towards a capitalist theory of institutional diversity, away from the VoC approach which is an institutionalist theory of capitalist diversity. One integral part of fulfilling this aim was to adequately overcome the ‘methodological nationalism’ of the VoC approach in order to incorporate inter- and trans-national scales of sociological and political economic effect. Another was to politicise the development of national political economies and how their capitalist social relations changed due to the historical agency of capital and labour. Starting from the foundation of the capital-labour relation, through to the inclusion of uneven and combined development and global value chains, and the role of class in pursuing domination and disruption, an alternative CPE approach to studying the development of Greece’s and Portugal’s political economies as always and already European Varieties *in* Capitalism approach was completed. Supporting this endeavour was the discussion surrounding methods, with the use of alternative incorporated comparison and semi-structured interview methods outlined and justified.

Chapter 4 turned to examining the origins of the eurozone crisis in Greece and Portugal. It demonstrated how during the 1980s and 1990s, Greece’s and Portugal’s varieties *in* capitalism were systematically restructured away from a number of the dominant features that each had exhibited during the post-WW2 period. It is important not to overstate the case as a number of historical legacies, particularly across industrial production structures, remained. Section 4.2. argued that this restructuring was pursued by leading political and capitalist class forces, who articulated a new ascending hegemonic project of capitalist

development. This project, whilst built upon the fulfilment of particular political economic interests, gained a consensual basis through promoting the virtues of pursuing a 'modern' and 'European' future that could overcome historical forms of uneven development and capitalist hierarchy. Situated within the wider restructuring of Europe's political economy, as varieties *in* capitalism, this restructuring of Greece's and Portugal's political economy followed a neoliberal programme of shifting the balance of power towards capital, particularly finance capital, away from labour and the state as new transnational spaces of accumulation were created.

Pursuing the hegemonic development project of achieving a 'modern' 'European' future was specifically aimed at two areas, examined across sections 4.3. and 4.4. The first area analysed was industrial production structures. Across both varieties *in* capitalism there was an explicit desire to transnationally restructure old and introduce new, high value-added industries which could provide greater scope for export-led growth and overcome the industrial asymmetry which was a dominant feature of Europe's landscape. The other dominant area of transnational restructuring of Greece's and Portugal's varieties *in* capitalism focused on the role of the state and corporate governance. It is here where formal institutional convergence on western and northern European political economy's took place as the supranational integration project provided a number of the core policy initiatives to implement. Specifically, I examined the systematic privatisation and liberalisation programmes implemented in both political economies, driven both domestically and through deepening European integration.

Chapter 5 traced the formation of particular asymmetric trajectories of economic competitiveness and growth across Greece's and Portugal's varieties *in* capitalism, demonstrated how this was linked to the transnational restructuring analysed in Chapter 4,

and analysed why this was central to explaining the origins of the eurozone crisis. The fundamental aim of the analysis was to explain why both Greece's and Portugal's varieties *in* capitalism accumulated sufficient levels of externally-held debt that once the global financial crisis struck, Europe's 'peripheral' economies were disproportionately subject to speculative financial attacks about the future prospects of paying down this debt through sustainable economic performance.

Section 5.2. analysed the deepening integration of Greece's and Portugal's industrial production structures into the value chains of global capitalism, and how this reinforced political economic configurations of asymmetry and hierarchy across Europe's political economy as the political project of neoliberal restructuring gathered momentum. This limited the possibility for each variety *in* capitalism to pursue the types of export-led growth that could have lessened, or even prevented, the accumulation of external indebtedness. Primarily directed by the interests of transnational capital, industrial production continued to be organised around 'traditional' sectors with a low value-added profile. This configuration inhibited the possibility for developmental 'catch-up' and convergence, reinforcing the European asymmetry between Portugal's variety *in* capitalism and those of northern and western Europe. Due to a wider transnational restructuring of the global political economy during the period under study, Greece's and Portugal's varieties *in* capitalism also experienced heightened competitive pressures. Specifically, this was due to the deepening integration of China's production structures into the value chains of global capitalism. Further, the prospect of Portugal being able to 'upgrade' into higher value-added areas of production was limited by the deepening integration of CEE varieties *in* capitalism into global capitalism, which offered transnational capital new attractive points of organising industrial production to pursue profitable accumulation.

Section 5.3. moved on to analyse how internalising the prerogatives of the supranational European integration project, in the name of pursuing a ‘modern’ ‘European’ trajectory of capitalist development, facilitated the emergence of dominant debt-led growth across Greece’s and Portugal’s varieties *in* capitalism. Of particular importance to this process was the restructuring of the role of the state through privatisation and liberalisation. The transnationalisation of financial capital that took place due to this institutional transformation was argued to have played a key role in this development, as new points of accumulation became viable across Europe’s political economy. The expansion of financialised debt instruments was particularly evident across private household sectors and domestically-oriented non-tradable sectors in both Greece and Portugal, with the public sector also playing a large role in the former.

Having applied the alternative Critical Political Economy approach developed in Chapter 3, the analysis of Part 2 clearly demonstrated the inadequacy of employing the Varieties of Capitalism approach and its attendant methodological nationalism to the study of the origins of the eurozone crisis; the potential of a transnational methodology; whilst also making an important contribution to the thesis in its own right. Part 2 also laid an important historical foundation for the analysis of the responses to the eurozone crisis in Part 3. However, it would be incorrect to think that Parts 2 and 3 represented distinct stand-alone discussions. Through deploying a ‘cross-time’ strategy of incorporated comparison, alongside the ongoing ‘cross-space’ strategy, it was possible to draw the analysis of Parts 2 and 3 closely together. To recall, a cross-time strategy focused on the development of temporally differentiated instances or versions of a world-historical process. The analysis of Part 2 allowed for specifying the dominant general features of European integration and globalising capitalism as mutually-constitutive world-historical processes through the ‘cross-space’

analysis of Greece's and Portugal's varieties *in* capitalism. In Part 3 it was possible to evaluate 'cross-time' to what degree these mutually-constitutive world-historical processes exhibited (dis-)continuity in their development as the responses to the eurozone crisis unfolded in spatially-located parts of these processes. In short, there was an ongoing concern to answer the question: is it possible to state that the responses to the eurozone crisis (austerity and restructuring) in Greece and Portugal are a manifestation of, and directly relate to, a wider temporal shift in the dominant features upon which the continued development of supranational integration and transnational capitalist projects unfold? Simply, arguments of continuity were presented. However, these also pointed to important areas of discontinuity primarily concerned with implementing renewed neoliberal restructuring.

Chapter 6 argued that the depoliticising project of expansionary austerity was, and very much continues to be, an attempt to further bring the future development of Greece's and Portugal's varieties *in* capitalism under the discipline of neoliberal capitalist social relations. Once re-politicised, I argued in sections 6.3. and 6.4. that the restructuring proposed and implemented through the MoUs was primarily furthering the interests of capital (particularly transnational capital) placing the burden of expansionary austerity upon working classes as gains made during the post-dictatorship period were severely curtailed. The burden that has been placed upon working classes during the eurozone crisis was argued, in the first instance, to have deepened exploitation of its living labour power. This has occurred through a liberalisation of labour markets and the dismantling of industrial relations. It was demonstrated that at the very same moment the welfare state mechanisms which could offset heightened insecurity at the site of production were themselves being rolled back, exacerbating a shift towards greater exploitation. This analysis undermines the notion

that restructuring of Greece's and Portugal's varieties *in* capitalism are simply a policy mix which can create a shift towards greater export-led economic growth.

It was clearly demonstrated that restructuring of Greece's and Portugal's political economies has not solely focused on the site of production during the eurozone crisis. As I examined in section 6.5., the process of social reproduction, the exploitation of the social and natural substratum had also become a site through which the discipline and domination of capitalist social relations are being imposed. Marx conceptualised this as 'real subordination', as even away from the workplace labour is subject to the commodification of its daily reproduction. This discontinuous shift towards the commodification of social reproduction was clearly evident in the privatisation programmes, where alongside sectors which have long been the subject to privatisation efforts in Greece and Portugal, we witnessed the inclusion of public services such as water and sanitation. The employment of an alternative comparative method was particularly useful here as I could incorporate the comparison of the privatisation programmes outlined in the MoUs across time, analysing how restructuring of the water sectors in Greece and Portugal is part of a wider global restructuring of public water that is aligned to the interests of transnational capital.

Examined in section 6.6. The shift towards a deepening exploitation of living labour power, both at sites of production and social reproduction, has been reinforced by a new European framework of economic governance. Whether through the introduction of 'debt brakes' or independent organisations to manage the process of privatisation, the Greek and Portuguese states, and their roles, have experienced a renewed round of restructuring. This was argued to be the first stages in a shift towards 'authoritarian neoliberalism', a process which has attempted to insulate austerity and restructuring from social and political conflict. In short, it was demonstrated how during the crisis we are witnessing a response from leading

classes, which ensures the enclosure of political economic restructuring away from democratic decision making and oversight.

Predominantly, the interests of capital, particularly transnational capital, have been furthered through the response to the eurozone crisis in Greece and Portugal. Through the Critical Political Economy approach developed the open-endedness of class struggle was emphasised. The attempt to deepen the exploitation of labour and its social reproduction through austerity and restructuring is never complete or final in any definite sense, with immediate outcomes and long-term trajectories being shaped by the struggle that takes place over the eurozone crisis (in this particular historical conjuncture). This required that I also focused attention on the agency of working classes in how they disrupt, resist and offer alternative forms of political economic organisation. In Chapter 7, this is exactly what I analysed. The value of complementing a 'domination-oriented' with a 'disruption-oriented' approach was demonstrated, as the latter highlighted the inherent instability of any attempt to pursue particular trajectories of development and restructuring that could ensure a dominant position for particular class forces within and across national political economies. This is especially the case when the pursuit of further dominant social relations means the rolling-back of gains made over an extended period of time, as is the case for labour during the eurozone crisis.

Providing symmetry with Chapter 6, it was analysed in Chapter 7 how disrupting the dominant class response to the crisis has focused on undermining the push towards deepening exploitation of living labour power and the social and natural substratum. Importantly, through processes of disruption, there have emerged alternatives that provide possible insights in how to pursue more just, socially equitable and democratic trajectories of political economic development in the future. The focus on resistance and solidarity began in

section 7.3. by analysing the role of the squares movement. In the face of crisis (mis-)management techniques that have employed and deepened forms of authoritarian neoliberalism, progressive forces of this movement initially contested these through the occupation of space. This occupation of space shed light on the growing democratic deficit that has been created during the eurozone crisis. It also provided the means by which to formulate possible alternatives, and then the alliances through which these alternatives could be pursued. This allowed a 'practical critique' of authoritarian neoliberalism and expansionary austerity to flourish. Using a post-holing case from Greece, this practical critique took the necessary form of addressing the socio-economic crisis that has gripped the country. Specifically, I focused on the formation of a national network of social healthcare clinics. It was argued that through this struggle, the clinics have resisted the conditionality of rolling-back what was already the problematic functioning of the welfare state, and in turn, the deepening exploitation of living labour power. However, in organising and managing the clinics in line with principles of direct democracy, they have also developed possibilities that can empower working class forces in shaping the future development trajectory of Greece.

Disrupting the attempt to deepen the exploitation of living labour power also focused on the role of trade unions and new social movements in resisting restructuring of labour markets and industrial relations. This was the focus of section 7.4. Discredited by years of clientelistic relations with political parties in Greece and an institutionally defensive stance in Portugal, the trade union movements in both countries have failed to translate their increased activity, particularly that of large-scale strikes, into effective action against the conditionality of the memorandums. The Greek trade union movement has particularly failed to renew its position in society by taking the decisive step away from institutionalised ties with political parties, especially with PASOK, too late in the day. New social movements have

attempted to renew unionism through novel organisational forms, and a greater attentiveness to the needs of workers who have become institutionally underrepresented. Having examined the development of such a movement in Portugal, it is evident that the divisions continuing to separate trade unions and social movements, has placed serious limits on the levels of solidarity that can be achieved.

Section 7.5. focused on dynamics of resistance and solidarity in disrupting the potential deepening commodification of the social and natural substratum. In both countries there has been a sustained effort to prevent the privatisation of public water and sanitation services. Being led by the trade union movement in Portugal has meant that the problems faced in relation to resisting restructuring of labour markets and industrial relations are largely applicable to the struggle against the privatisation of water. Whilst presenting a sincere concern for issues around wider social reproduction, the trade union movement leading the struggle in Portugal has not been able to shake off perceptions that it is just looking after its own institutional and corporatist interests when resisting privatisation. This has meant that a wider popular mobilisation has failed to materialise. In distinction, this has been possible in Greece. Due to an early recognition of the issues that trade unions face in attempting to generate trust amongst wider civil society, it was demonstrated how there has been a shift amongst trade union activists involved in the water movement towards so-called 'social movement unionism'. When confronted with new social movements that have presented novel ideas around organising struggle, there has been a sustained effort to find mutual ground upon which relationships of solidarity have flourished upon. This has even led to important alternatives being proposed, which put social-economy initiatives, especially around cooperatives, at the forefront of possible future trajectories of development.

Chapter 7 highlighted a number of historical and contemporary failings of progressive social forces that have attempted to resist the imposition of further capitalist restructuring and the reversal of democratic contestation in Greece and Portugal. It is not to say that the defeats experienced are final or ultimate in their nature. The eurozone crisis has been of political economic proportions few could have predicted in the wake of the North Atlantic Financial Crisis, and has presented opportunities for learning that do seem to be gaining traction. This provides hope that the effectiveness of struggles can increase going forward. And where novel practices of political participation and economic organisation are being promoted, and beginning to be successfully practised, it is too easy to dismiss them as being impracticable on a more generalised scale across each variety *in* capitalism. They offer possibilities that might be a part of a useful mix of responses when pursuing more just, equitable, and democratic trajectories of political economic development in the future. It is looking to the future I now turn, attempting to situate this work within a wider set of debates with which it can contribute going forward.

8.2. Going beyond the thesis

As a final discussion, it is worthwhile examining the nascent agenda this thesis sets for future research. At a summarised level my thesis has been concerned with the following: analysing the systemic transformations of Greece's and Portugal's political economies; how these are related to the wider of restructuring of European and global capitalism; how these transformations have shaped asymmetric trajectories of economic development and performance; and the politics of labour in response to these transformations, both in resisting restructuring or in offering and practicing political economic alternatives. My future research agenda will continue to be underpinned by such a focus. The analysis of Part 3 provides the

best launch pad from which to go beyond the thesis in order to develop a systematic research programme that incorporates the themes outlined above. Essentially, the research of that Part was concerned with examining new forms of European economic governance in the eurozone, and the politics contesting them.

New forms of European economic governance have taken on a multifaceted character. Most immediately, they have crystallised through the bailout programmes that Greece and Portugal have been a part of. However, these are temporary forms of governance that are giving way to a new set of formal rules and procedures that shape the fiscal and financial management of member states (with the exception of Greece, which is still subject to a bailout programme). These new rules, the procedures meant to enforce them, and the effect they are having on national institutional restructuring were partially detailed in Chapter 6 when examining the push towards the privatisation of public water and sanitation services. Linking to the themes outlined above, it is clear that these new forms of economic governance can potentially lead to (and, as previously analysed, are to a certain degree already leading to) further systemic transformations of the institutional configurations of Greece and Portugal. Mapping these changes, especially in relation to vital public services, will be an important component in understanding the trajectories of economic development that cohere; how these address the historical, or create new, contingent forms of asymmetry both within and across national political economies; and how these national transformations are also constitutive of a wider restructuring of the eurozone's political economy.

As has been demonstrated at great length in this thesis, any attempts to institutionally restructure political economies never goes undisrupted. Further, the politics surrounding any attempt to restructure political economies always plays an important role in shaping the trajectory of (dis-)continuity that coheres. The political response to new forms of European

economic governance will be central to trajectories of (dis-)continuity in the development of various national political economies, and of the transnational political economy of Europe, in both the short and long-term. Therefore, a central aspect of any future research programme will include a focus on the politics of labour in responding to restructuring initiatives, particularly the new European economic governance framework. There are a number of possibilities on this front. First, it is possible to examine initiatives at a national level, potentially focusing on vital public services such as water and healthcare as has been the case in this thesis. Second, it would be possible to focus on supranational initiatives as new European Directives, legislation and policy initiatives are developed. Again, water and sanitation is an important example here, although only briefly touched upon in the course of the thesis.

Not to lose sight of examining alternatives to the dominant forms of authoritarian neoliberalism being propagated during the crisis, further research could be conducted into the topic of 'the commons' where labour and social movements attempt to play a more central role in organising and managing resources needed by all humans based upon social solidarity economy principles (Carrozza and Fantini 2016; Fattori 2013). There has already been an analysis of the case of water and sanitation put forward in this thesis, with the scope for further research to focus on other vital public services (healthcare, education, transportation) and beyond (food). These solidarity initiatives could play an important role in pursuing more ecologically sustainable, socially and economically equitable, and democratically-led development projects in the future. Such research would move beyond the traditional disciplinary focus of Comparative and International Political Economy. Incorporating aspects of Development Studies into the study of Europe's political economy would assist in shifting analytical attention to the role of labour as a development agent in its

own right, not simply as a passive recipient of development derived from the role of the state and capital. This focus on 'labour-centred development' (Selwyn 2014, 2015, 2016a/b) has the potential to shed light on the types of socio-economic and political economic activity that is not simply resisting global capitalist restructuring and expansionary austerity during the eurozone crisis, but actually offers viable alternatives which can address the basic needs of social (re)production. This is especially the case considering the deleterious social effects the eurozone crisis has had on large parts of Europe's population (Giannitsis and Zografakis 2015; UNICEF 2014; Diamond, Liddle and Sage 2015).

The discussion above provides a core research programme which directly builds upon the central themes of focus covered throughout this thesis. However, there are other related, although more disparate, areas of research that can be conducted to build upon the thesis. This is primarily to refine areas of research which exhibit analytical limitations. In Part 2, analysis focusing on the political economic origins of the eurozone crisis in Greece and Portugal applied what could be labelled a 'peripheral perspective'. This was in order to offer a corrective to analysis that has largely ignored 'peripheral' agency in pursuing integration and convergence with the European project. It has been argued that dominant literature employing Critical Political Economy perspectives ultimately view these southern varieties *in* capitalism as 'victims' of northern (especially German) European dominance (Dooley 2016; cf. Lapavitsas et al 2012; Flassbeck and Lapavitsas 2015). The analysis of Part 2 did successfully overcome this limitation. However, the historical analysis provided has possibly bent the stick too far in the other direction. It is possible to state that it did not specify precisely enough the wider political economic context within which ascendant hegemonic projects developed across 'peripheral' European varieties *in* capitalism, and how their political economic interaction with other variegated types shaped asymmetric economic trajectories towards

the crisis. Whilst there was an attempt to articulate this ‘peripheral perspective’ in relation to the institutionalisation of *Modell Deutschland* across the eurozone (Jessop 2014b), there is certainly scope to develop this line of inquiry further in future work. This could possibly be achieved through an ‘ecological’ ‘variegated capitalism’ approach to the study of European varieties *in* capitalism (Jessop 2015c: 20). This approach ‘posits that current zones of relative stability depend in part on the presence of instability elsewhere, in the past, now, or the future’ (Jessop 2015c: 20). These are largely a product of the uneven capacity to ‘exploit, displace and/or defer problems, conflicts, and crisis-tendencies’ (Jessop 2015c: 20). Importantly for the focus of this thesis, this approach incorporates “vertical” relations between core and periphery and other significant asymmetric capacities to shape the world market’ (Jessop 2015c: 20). Applying this approach to develop analysis further would offer the opportunity to more precisely specify historical relationships that have shaped the origins of the eurozone crisis. Further, it could assist in analysing how these are being reconfigured during the crisis, and what this might mean for the development of European capitalism in the future.

Another important aspect of Part 2 was to analyse how the governance of global value chains has played an important role in inhibiting the possibility for Greece’s and Portugal’s varieties *in* capitalism to pursue a greater share of export-led growth in the post-dictatorship period. This was situated alongside a number of institutional deficiencies which have long been a feature of both national political economies. In a bid to further one of the central aims of the Critical Political Economy approach developed in this thesis, it would be worthwhile to further explore the possibilities of bringing Global Value Chain (GVC) or Global Production Network (GPN) perspectives together with comparing capitalism(s) debates. This would continue to focus on the role of capitalist diversity in shaping particular asymmetrical and

hierarchical development trajectories (Bruff and Ebenau 2016; Neilson, Pritchard and Wai-Chung Yeung 2014; Nolke 2009). This would heed the call of Ebenau, Bruff and May (2015) to explore 'new directions' in light of a number of socio- and political-economic crises that which have fundamentally challenged a number of the frameworks employed across International and Comparative Political Economy since 2008 (Bruff and Horn 2012). Nolke (2011; Nolke et al 2015), for instance, clearly demonstrates the scope available to understand how the interaction of transnational economic orders and national institutional configurations are constitutive of national political economies, and how this shapes development trajectories of continuity, change, and contestation across various scales.

Not only does drawing together GVC/GPN and capitalist diversity perspectives offer academic debates greater potential to understand and explain the development of European varieties *in* capitalism, it also offers the possibility to contribute to the response to the eurozone crisis in Greece and Portugal in a more socially and economically equitable manner. Much of the response to the eurozone crisis, as discussed in detail in Part 3, has been driven by the perceived need to shift Greece and Portugal towards producing a greater share of export-led growth in order to render debt burdens more sustainable over the long-term. Based purely on restoring price competitiveness by removing labour market 'rigidities', policy initiatives have done little more than engage in a 'race to the bottom'. This will simply not work as the current asymmetries of industrial competitiveness across Europe's political economy have more to do with quality than price, and it is hardly an attractive proposition to attempt to compete on price with manufacturers in the 'global south' (Myant 2014). It is instead much more important to focus on the possibilities and means by which to 'upgrade' and 'capture' the value added to goods and services at particular junctures of any given value chain of global capitalism (Teixeira, Silva and Mamede 2014). This is a much more difficult

task than enforcing wage cuts and dismantling industrial relations institutions. However, this should be an important point of intervention for progressive social forces across Europe who are keen to overcome asymmetries. These asymmetries are likely to persist if viable economic alternatives are not forthcoming, being backed up by the type of political interventions which are necessary in this contested arena. Whilst di Mauro, Plamper, and Stehrer (2013) might be right to talk up the economic performance of European Union based firms in the activities of global value chains at an aggregated level, much more work needs to be conducted to highlight how and why various asymmetries have formed, persist, and can be overcome in this region.

Finally, the role of the trade union movements in Greece and Portugal have come under severe scrutiny during the crisis. In Greece, relationships of clientelism with the historically dominant parties of PASOK and, to a lesser extent New Democracy, left the trade union movement floundering for an adequate response when an age of austerity was ushered in (Afonso et al 2015). Seen to be puppets of the dominant parties, the trade union movement has only slowly grasped the need for a fundamental reimagining of its role in Greek society if it is to fulfil its primary purpose. In Portugal, the institutional gains made by the labour movement during the Revolutionary period have been under attack. However, the Communist party affiliated CGTP have largely resorted to rear-guard actions, which focus on defending the electoral base of the Communist Party and economic sectors where membership levels have historically been high. In the face of unprecedented turmoil for both the Greek and Portuguese trade union movements this is not at all surprising. Despite this, new social movements have slowly gained traction in building a social base of representation and action (Accornero and Pinto 2015; Arampatzi 2016; Bailey 2015; Bailey et al 2016; della Porta and Parks 2016). This has challenged the political practice of the trade union

movements across Greece and Portugal in some important ways (Krestos 2011a/b; Cluados and Horn 2014).

Despite sharing much common political and ethical ground about the role and function of working classes (broadly defined) in pursuing more socially equitable, just, and democratic forms of political economic development, suspicion still shapes the interactions between trade union, and new social, movements. I examined an important example (the disruption of water privatisation) where these two organisational forms have successfully overcome differences to develop a nation-wide basis for action, and have been capable of successfully translating this to a European scale when appropriate. There is scope for research which attempts to explain how and why this occurs, and the types of socio-economic outcomes it leads to (Bieler 2011; Braga 2016; Scholl and Freyberg-Inan 2016). Further, such research can also inform the political practice of labour movement actors who envisage value from possibly pursuing such a mobilisation and organisational direction in the future (Bieler 2015a/b).

Having systematically demonstrated how a disproportionate level of burden has been placed on the shoulders of labour during the eurozone crisis, the various themes discussed all point to ways in which the future development trajectories of European capitalism(s) can be redirected towards the struggle for realising the promise of a 'social Europe'. Such a worthy ideal has suffered many set-backs over the course of the eurozone crisis. Despite these set-backs this thesis has at all times been at pains to emphasise the open-ended nature of history and the social struggles which create it. It seems appropriate to end on such a point.

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