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From embedded to uncompromising neoliberalism: Competitiveness policies and European Union interscalar relations in the case of Greece

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Abstract

This article traces the transfer of competitiveness and cohesion policies from the European Union (EU) institutions to the national and subnational authorities in Greece, both before and after the sovereign debt crisis. We argue that prior to the crisis, the flexibilities of the EU governance system allowed the Greek central government to use the competitiveness and cohesion agenda, as well as the associated funds, to build a domestic socio-political consensus focused on the idea of 'convergence' with Europe. The crisis-induced bailout programme deepened neoliberal policies and reorganised vertical and horizontal power relations: policy-making powers have been upscaled towards the supranational level, while the national authorities have been socially disembedded.

Keywords

Competitiveness, consensus building, interscalar relations, social cohesion, rescaling

Introduction

The concept of 'state rescaling' is intended to provide a better understanding of the medium-term effects of the 1970s' capitalist crisis on statehood. Since the second half of the 1990s, critical political and economic geographers have increasingly used the concept (Brenner, 2009: 125) to investigate the relation between the promotion of neoliberal policies and the emergence of new forms of governance. The latter were linked to the withdrawal of the national state and the disruption of the post-war political geography (Eastern and Western blocs, discrete nations, subnational regions and local and urban communities; Smith, 2003: 227). Powers that had belonged to the national state were being transferred to supra-state organisations such as the European Union (EU) and the North American Free Trade Agreement (NAFTA). They were also transferred to regions and cities, where new institutions and practices of governance appeared, such as transnational networks of regions and cities, unitary administration in metropolitan areas, forms of cooperation between state and non-state actors, etc. (Le Galès, 2002: 105–108).

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Using the notion of 'rescaling', scholars attempted to provide an understanding of these dynamics as a change of relations between the scales of political power. Building on a Marxist regulationist base, the most influential of these scholars primarily linked the transformations of state power, as either *explanans* or *explanandum* (Brenner, 2009), with capital accumulation (Brenner, 2004; Jessop, 2008; Peck, 2002; Smith, 2003). The main object of study was the transition from the Keynesian welfare state, which was based on the correspondence of economy-state-social welfare at the national scale, to the post-Keynesian, workfare or competition state, which is instead based on multi-scalar networks and partnerships (Brenner et al., 2003: 4).

Rescaling appears to be an element of the state strategy for crisis management (Brenner, 2009: 128; Gualini, 2006: 892). New forms of governance were associated with the promotion of supply-side policies (deregulation of the labour market, privatisations, retrenchment of the welfare state, etc.) and spatial policies that aimed at positioning major cities and city-regions in global and European circuits of capital accumulation (Brenner, 2009: 128). This understanding of state rescaling paved the way for a general re-estimation of the spatial dimensions of state power (Brenner et al., 2003: 4). Regulationists argued that state scales and spatialities are never fully consolidated (Brenner et al., 2003; Smith, 2003), thus adopting a dynamic, anti-essentialist conception of state power and state territoriality (Gualini, 2006: 884). It has been argued that rescaling does not constitute merely a redistribution of pre-given social functions to some fixed 'horizontal slices of space', but also a process of formation and transformation of both social functions and scales (Peck, 2002: 339–340). Such a dynamic conception of state territoriality was related to two propositions. Firstly, that the roots and causes of state rescaling are located in the field of *social power*, primarily in class relations, but also in relations based on the other main social divisions, such as race, gender and cultural identities (Brenner, 2009; Brenner et al., 2003; Peck, 2002; Smith, 2003; Swyngedouw, 1997). Secondly, that different countries and regions had different experiences with regulatory *experimentations*, depending upon national and local political structures and traditions. In this context, state rescaling was conceived as a path-dependent process and the resulting state forms (Keynesian, post-Keynesian) as *tendential* rather than substantialist (Brenner, 2009: 128).

In this article, we aim to contribute to the 'rescaling' debate by testing the explanatory force of the above-mentioned general principles for the understanding of the current crisis. In particular, we examine the implementation of bailout programmes in Greece from 2010 to 2014. These Greek bailout programmes (as in Portugal and Ireland) present several of the characteristics of the process of transformation of statehood as it is depicted in the rescaling literature. They promote fiscal adjustment and 'structural reforms' in a wide range of policy fields (taxation, labour market, pension system, public administration, privatisations) in order to overcome the country's sovereign debt crisis of 2010. At the same time, they affect the position of the Greek political authorities in the EU governance system and in domestic power relations. They entail a redistribution of powers in favour of the supranational scale and at the expense of the national and subnational scales. This redistribution constitutes a trial-and-error style institutional remaking of the scales of political power, which results in ad hoc power configurations, especially at the supranational level. The process expresses class conflict on the distribution of the crisis' costs and opportunities, and it is affected by national political structures and traditions in Greece (mainly centralism and clientelism). The governance system of the bailout programme is supposed to have a temporary character. However, one could plausibly anticipate that it will have medium-term effects as it institutionalises the debtor–creditor relation between Greece and other EU member states, which alters the pre-existing 'partnership' relation.

As foreseen in the rescaling debate, the bailout-induced transformation of political scales is relational. Changes in one scale cannot be understood without taking into account changes in the others, since the scales interpenetrate through power tensions and cooperation. We argue that, at least in relation to the current crisis and in the case of a country that entered a bailout programme, this interrelated transformation of scales is led by the supranational level. On this basis, we can raise a critical point about the rescaling literature. While scholars insist that the rescaling processes of the previous three decades entail the transfer of powers to both the supranational and subnational levels (which has been termed 'glocalisation' by Swyngedouw, 1997), they tend to only focus on the latter. Most of the studies on rescaling concern devolution and its consequences for regional and urban governance. For example, Brenner's (2004) influential periodisation of state scalar organisation in Western Europe (spatial Keynesianism, endogenous growth policies, urban locational policies) refers primarily to changes in relations between the national and subnational scales. In two special issues on rescaling from *European Planning Studies* and the *Cambridge Journal of Regions, Economy and Society*, which were published in the second half of the 2000s (Gualini, 2006; Lobao et al., 2009), most of the papers concerned devolution. The same goes for recent studies on rescaling (Harrison and Growe, 2014; Heley, 2013; MacKinnon, 2015). In the case of the USA, this focus probably does not have significant theoretical effects. However, in the case of the EU, where national states are highly integrated in the supra-state organisation, this orientation leads to a theoretical and interpretative deficiency. In general, scholars working on state rescaling have not formulated arguments regarding the nature of political power at the supranational level, leaving this task to the field of EU studies.

A notable exception is Van Apeldoorn (as well as Jessop, examined in the section to follow) who linked EU governance to the idea of the 'embeddedness' of neoliberalism (Van Apeldoorn, 2002, 2009). Polanyi (1957) analysed liberalisation as a process of 'disembedding' of economy from the social system, which entailed increased state intervention to address the destructive consequences of labour and land commodification. Drawing upon Polanyi, Brenner et al. (2010: 330) argue that neoliberilisation does not simply consist of state withdrawal but also involves a substantial amount of regulatory reorganisation. What is interesting in Van Apeldoorn's approach is that it places the question of the embeddedness of neoliberalism in the framework of the relations between national and supranational political authorities. In this context, he argues that EU governance expresses 'embedded neoliberalism' as a hegemonic project (Van Apeldoorn, 2009: 21–22). EU governance articulates the goals of 'competitiveness' and 'social cohesion', advancing neoliberalism through a strategy of incorporating, at least discursively, social-democratic policy concerns. The main contradiction of this hegemonic project is that while 'competitiveness' is promoted at the EU level, 'social cohesion' is left to the responsibility of the member states; thus, if neoliberalism is being embedded at the national level, the supranational marketisation continues to hollow out that embeddedness (Van Apeldoorn, 2009: 22).

The paper is divided into four parts. The first briefly presents the articulation of competiveness with cohesion in EU policies, as well as the polycentric and collaborative character of the EU governance system, based mainly on Van Apeldoorn's (2002, 2009) and Jessop's (2005, 2008) accounts. The second examines the wider context of the reception of the EU competitiveness agenda in Greece over the last three decades. We argue that prior to the current crisis, the flexibilities of the EU governance system allowed the Greek central government to use the competitiveness and cohesion agenda, as well as the associated funds, to build a domestic socio-political consensus around the idea of 'convergence' with Europe. The third part shows how neoliberal policies deepened during the crisis. The bailout programmes promoted an uncompromising version of neoliberal policies that eroded the 'convergence' idea and, by the same token, the capacity of the Greek political authorities with regard to domestic consensus building. The last part of the article considers the effects of the bailout programmes on the Greek political authorities' position in vertical and horizontal power relations. We argue that the promotion of uncompromising neoliberalism resulted in the upscaling of crucial policy-making powers from the national to the supranational level.

Competitiveness policies and governance in the European Union: General characteristics

Critical scholars of neoliberalism Van Apeldoorn (2009: 24) and Jessop (2008: 213–214) have stressed that the EU version of neoliberalism differed from its US and UK counterparts, since it articulated free trade and competitiveness policies with 'modernised' social-democratic discourse and practices. In the 1980s, the promotion of the Single Market was coupled with the embracing of the term 'economic and social cohesion' in the official political discourse of the European Economic Community (EEC) (see also Leonardi, 2005: 35). In the years that followed, the EEC/EU cohesion policy gradually acquired its basic characteristics (targeting of lagging regions, inclusion of social partners, national and regional officials, integrated planning, principle of additionality, etc.). This 'redistributive' concern of European regional policy sought to complement the internal market with a 'social dimension' through the implementation of a supranational regulatory political framework that would maintain the European traditions of the mixed economy and high levels of social protection (Van Apeldoorn, 2002: 78–80, 2009: 23). The cohesion policies would also reinforce the European Commission's (EC's) position within the European power structure and so underpin the 'federal' character of the EEC (Le Galès, 2002: 100; Van Apeldoorn, 2002: 79).

In the Lisbon Agenda, the competitiveness/cohesion binary was defined as a strategic goal of the EU, with the aim of becoming 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' (EC, 2000: 2, cited in Van Apeldoorn, 2009: 28). The Lisbon Agenda prioritised the strengthening of Europe's competitiveness in the global economy through investment in the knowledge economy, maintaining at the same time the social-democratic concern for social cohesion (Van Apeldoorn, 2009: 28). 'Cohesion', however, shifted from the idea of correcting market failure towards a secondary functional role of achieving and maintaining competitiveness (see Novy et al., 2012: 1876). The goal of 'social cohesion' was translated into the adaptation of workers to the competition of the globalised knowledge economy, through the enhancement of 'employability' and the acquisition of new skills as part of a 'life-long learning' process (Jessop, 2008: 215–216; Van Apeldoorn, 2009: 29).

The articulation of a neoliberal principle (competitiveness) with a social-democratic one (social cohesion) allowed the creation of some consensus around the Lisbon Agenda.[1] It condensed at the discursive/symbolic level the general direction of the policies linked to European integration prior to the crisis. It reflected the existing power relations between social classes and between states, circumscribing the priorities, the stakes and the common references of socio-political bargaining. It contributed to the 'embeddedness' of neoliberalism (Van Apeldoorn, 2009), providing some space for compromise between the unified, liberated European economy and less market-oriented social forces and less competitive states and regions.

Furthermore, the 'competitiveness and cohesion' binary legitimised the political form of the EEC/EU as a 'multi-level' political structure. Developed and less developed states and regions might expect profits from their participation in the EU due to policies guaranteed by the EC. Emanating from the 'federal' core of the EU, the 'competitiveness and cohesion' binary penetrated to different degrees and versions the relations between political and social forces at all levels (supranational, national, subnational).

The governance system that emerged from European integration is still far from constituting a sovereign European superstate. It is a peculiar political structure where no player possesses monopolistic powers and authority is instead diffused vertically and horizontally. In terms of the vertical dimension, the EU governance system includes the supranational authorities, the member states and the regional and city authorities, while the horizontal dimension involves a wide range of non-state actors (businesses, non-governmental organisations (NGOs), trade unions and so on). Through various formal and informal processes (meetings, committees, networks, etc.), state and non-state actors may interact and exert influence on policy making without following the traditional hierarchies of the national state. Supranational actors, especially the EC, play a significant role in the policy-making processes, largely through subtle influence and consensus crafting rather than through sanction (Marks et al., 1996: 366). Jessop (2008: 204) argued that the EU functions as a nodal point in an extensive and tangled web of governance that involves a multiplicity of scales and actors. Within this framework, a major governance innovation of the pre-crisis EU was the 'open method coordination', a 'soft' law mechanism foreseeing Commission-led voluntary sharing practices and peer review among member states on the basis of commonly formulated objectives and indicators (Jessop, 2005: 229; Van Apeldoorn, 2009: 30).

Without getting into a discussion on the conceptualisation of the EU governance system (for the early theorisation of 'multi-level governance', see Marks et al., 1996; for an overview of the main approaches of EU governance, see Jessop, 2008: 2002–2009), in this article we will content ourselves with stressing its *collaborative* and *polycentric* character. The EU's official language refers to the 'partnership' relations between state and non-state actors. Scholars have described the EU's governance in terms of 'mutual dependence', 'complementarity', 'reflexive self-organisation', 'cooperative exchange' and the like, as opposed to a traditional state's hierarchy and imperative coordination (Jessop, 2008; Marks et al., 1996). At the same time, critics have highlighted the intrinsic limitations of EU governance. For instance, Swyngedouw et al. (2005) argued that the 'collaborative' governance schemes (mainly the institution of 'public–private partnerships') of the 1990s–2000s have not uniformly benefited the different segments of civil society, but instead mainly involved the fusion of economic, political and technical elites. Van Apeldoorn (2009: 30) noted that in the policy areas that are deemed critical for 'competitiveness', such as financial market integration, the EU makes use of 'old-fashioned', hard supranational law-making instead of 'soft' laws.

Recent evolutions in EU governance deepen the contradiction of 'embedded neoliberalism' highlighted by Van Apeldoorn. Since 2010, the EU institutions and the member states introduced new instruments of economic governance (Six-pack, Fiscal Compact, Two-Pack). These instruments strengthen budgetary discipline by institutionalising stricter limitations to budget deficits than the Maastricht Treaty and by establishing the monitoring of national budgets by the Commission and the Eurogroup (De la Porte and Heins, 2015; Souliotis, 2013). Economic governance reforms comprise also banking regulations (Banking Union) and the creation of an EU lender of last resort (European Stability Mechanism). Regarding social policies, the main new instruments are Europe 2020 and the Social Investment Package, which extend the workfarist idea found in the Lisbon Strategy that social inclusion can be promoted through the enhancement of employment skills and the increasing of labour market participation (De la Porte and Heins, 2015). Overall, the reforms of EU governance increase tensions between the supranational and the national level and between competitiveness and social policies. The new instruments of economic governance foster fiscal restraint, combined with stronger means of surveillance and enforcement of member states by the EU institutions, which comprise the imposition of sanctions to deviating countries (De la Porte and Heins, 2015). At the same time, the EU's new social policy initiatives continue to be based on the soft law mechanism of Open Method Coordination, leaving this policy domain mainly to national states that, however, operate under the pressures of EU-led fiscal consolidation (De la Porte and Heins, 2015).

The features of EU governance shaped differently the reception of EU competitiveness and cohesion policies at the national level before and after the outbreak of the crisis. Prior to the crisis, the polycentric and collaborative character of EU policy making allowed variety in terms of the interpretation of EU policies in different national and subnational contexts, depending on national political traditions and structures (Jessop, 2005; Jouve, 2005: 285–290). During the crisis, the reform of EU economic governance and the bailout programmes reduced drastically the margins of national authorities for domestic compromises.

The reception of the competitiveness and cohesion agenda in Greece

The real use of the terms 'competitiveness and cohesion' depends on specific socio-political conditions, rather than on their nominal content. In Greece, as in the other 'cohesion countries' (Ireland, Portugal and Spain), the reception of EU economic and social agendas was closely associated with the Structural

Funds programmes. Greece has benefited from the latter since the 1980s (Integrated Mediterranean Programmes in the late 1980s, Community Support Frameworks (CSFs) from 1989 to 2013). Although the Structural Funds occupied only a secondary place in EU policies, in Greece they acquired a fundamental political and economic importance. The EU programmes and the relevant policy texts (the National Strategic Reference – NSRF and the Sectoral and Regional Operational Programmes – SOP/ROP) gradually replaced other types of national and regional development planning (Getimis and Grigoriadou, 2004). EU funding represented 60% of Greek public investment in the early 2000s (Psycharis, 2004) and it has been one of the main drivers of the growth of the Greek economy (Economou, 2004; Leonardi, 2005: 55, 59). The need for more efficient absorption of EU funding led to successive reforms to Greek local administration, which included the implementation of 'administrative' regions in 1986, the abolition of communities and the reduction of the number of municipalities in 1997, and a new wave of merging the municipalities and the establishment of an elected Head and Council of regions in 2010 (Chorianopoulos, 2011).

The SOPs and the ROPs in Greece reproduced the EU priorities, as they constituted reference policy documents for the programming of EU Structural Funds and the Cohesion Fund at the national and regional levels. However, in practice there is no complete congruence of the EU agenda and the implementation of the Greek Operational Programmes. The capacity of the Greek central and regional authorities, as well as the emerging alliances between political elites and social strata, shaped some of the characteristics of the Operational Programmes.

The four Greek CSFs placed emphasis on infrastructure (whose percentage in the budget fluctuated between 20% and 30%), with transport absorbing the largest amounts (Avdikos, 2013). Other major priorities, such as employment/human resources and the competitiveness of businesses, follow (they used to amount to 10–15% each). The prioritisation of infrastructure and especially transport was fostered by the EU itself, mainly through the Cohesion Fund, as it was associated with the needs of the common market, the broader EU competitiveness agenda and the goal of economic convergence of lagging regions (Ministry of Finance (MoF), 2007). From a domestic point of view, the Greek central government used the infrastructure-led CSFs and other EU-induced policies (deregulations, privatisations, EU-funded large-scale projects) to promote a new developmental model based on the construction sector, banking, telecommunications and tourism (Stathakis, 2010).

The share of large- and small-scale projects in the CSFs highlights how the political authorities used the EU funds to build alliances with different social groups. After 1994, the weight of large-scale projects in the CSF increased (Economou, 2004). The Sectoral Programmes diachronically tended to include large-scale projects, while the Regional Programmes concentrated on projects of a smaller scale (Psycharis, 2004). These differences reflected the growing tendency of the central state to focus on projects with a more significant developmental imprint as well as the drained capacities of the regional authorities, which tended to undertake small-scale projects. Large-scale projects have also been used as a means for the establishment of an alliance between the governing elites and the major companies from the banking and construction sectors. Small-scale projects diffused the economic impact of the EU funding by forging an alliance between the central and local governing elites and the middle and lower classes. Local political traditions shaped the reception of the other major priorities of the Lisbon Agenda, such as human resources development. For example, the programmes for the enhancement of labour skills failed in relation to the formal goals (Psycharis, 2004) and instead functioned as clientelistic mechanisms for income creation.

At the central level, the Lisbon Agenda was received and partly reframed through a selective pro-EU filter. Since the mid-1990s, the governing socialist party established accession to the Eurozone as a major national goal, which was expected to catalyse a broader 'modernisation' process (reforms in public and local administration, large-scale public investments) and reinforce the country's position in the Balkans and Europe (Kountouri, 2011: 71–72; Lyrintzis, 2007). This agenda signalled the transition to relatively consensual politics, which attenuated the traditional political cleavage between Right and

Left (Lyrintzis, 2007). It was supported by a coalition between the socialist party, centre-left and left-wing intellectuals, a segment of the business world (particularly the banks) that saw the Eurozone as the environment par excellence for growth, and a large section of the media. After the accession of Greece to the Eurozone in 2000, the socialist government, which had been re-elected the same year, fostered an agenda focusing on the 'economic and social convergence' of Greece with the EU (Kountouri, 2011: 173–174). It thus discursively emphasised a secondary element of the Lisbon Agenda. The 'convergence' goal involved reform in terms of public administration, health, education and social security, redistribution of the then growing national income, and the realisation of a number of EU-funded large-scale public works. In the name of 'Europeanisation' and 'modernisation', the government promoted fiscal retrenchment, privatisations and deregulations in a rather mild, third-way manner that provided significant margins for compromise with the middle classes. Significantly unpopular reforms (for instance in social security) were withdrawn and several protective regulations for diverse occupational groups were maintained. The political elites continued to tolerate tax avoidance and tax evasion by sections of the upper and middle classes (mainly professionals and the self-employed), complementing the state's economic resources with EU funds and public lending.

At the regional level, the CSFs and the corresponding ROPs fuelled the implementation of a number of large-scale transport infrastructure projects. This was particularly the case in the Region of Attica, where the new infrastructure included an international airport, a ring road and metro and tram lines (infrastructure absorbed 72% of the total budget in Attica's ROP in 2000–2006; Economou, 2004). A waste water treatment plant has also been constructed and an extended urban rehabilitation project has been realised in the historical centre of Athens (unification of archaeological sites). These investments signalled a move from the growth management logic of the 1980s towards a pro-growth agenda based on competitive city strategies (Souliotis, 2013). The new strategy was codified in terms of the 'world city' literature in a number of influential research projects funded by the government (mainly Economou et al., 2001), which integrated a part of academia into the dominant political–economic alliance, and later into Attica's ROPs (General Secretariat of Periphery of Attica (GSPA), 2006). The general idea was that through investment in infrastructure, the city could enhance its competitiveness and attain a leading position in the Eastern Mediterranean and especially in the post-Communist Balkans. The new strategy culminated in preparation for the 2004 Olympic Games, which boosted the completion of the large-scale infrastructure projects and added a number of sport venues (Souliotis et al., 2014; Stathakis and Hadjimichalis, 2004).

The deepening of neoliberal policies

The outbreak of the sovereign debt crisis in 2010 undermined the development model of the previous fifteen years. In 2009–2010, Greece had a wide deficit (–15.2% and –11.2% of gross domestic product, respectively) and the loss of access to international financial capital markets deprived the government of economic resources, even for the financing of basic state functions. Banks were destabilised as a large part of the public debt they were holding was written-off in 2012 and the non-performing loans of households increased. The fiscal retrenchment and the shrinkage of public investments (EU-funded projects stagnated as well, since they required national participation of 25%) subverted the strategy of infrastructure-led urban development and had a significant impact on the construction sector. The middle and lower classes were struck by unprecedented recession, private debts, wage reductions, pension cuts and increasing unemployment rates (which reached a national level of 27% in 2014).

The political approach to the crisis consisted of a *deepening of neoliberal policies* and ruptured the previous socio-political arrangements. The bailout agreement between the Greek government and the International Monetary Fund (IMF), the EC and the European Central Bank (ECB) in April 2010 and its later revisions (July 2011, February 2012, November 2012) assumed that the Greek crisis should be attributed to the *eroded external competitiveness* of the country's economy (EC, 2010). The factors that sustained the socio-political compromises with the middle classes during the previous period were considered to be impediments to the restoration of national competitiveness: real wage increases that outpaced productivity gains, protective regulations for different occupations, rigid product and labour markets and an unsustainable domestic demand boom. The programme imposed austere fiscal adjustment measures (cuts and layoffs in the public sector, increases in taxes), the recapitalisation of the banking sector, 'structural reforms' in the labour market and the insurance system and the privatisation of public assets and companies (ports, airports, motorways, energy networks, real estate properties).

The new policy dissociated competitiveness from public investment in large-scale infrastructure projects and linked it instead to the attraction of foreign investors and the mobilisation of the domestic entrepreneurial potential in innovative and export-oriented sectors. In this regard, in 2010 the central government enacted a law on the 'Acceleration and Transparency regarding the Realization of Strategic Investments', which exempted large-scale private investment in selected sectors (industry, energy, tourism, transport and communications) from established urban planning and environmental regulations. In Attica, the privatisation planning included the ex-airport of Hellinikon, the Piraeus port and the coastal sport infrastructure. In the following years, the City of Athens created new small-scale entrepreneurial infrastructures (hubs, clusters) aiming at contributing to the re-orientation of the city's economy towards exports and innovations (Gipali et al., 2012).

This strategy extended pre-existing neoliberal logic (for instance, 'exceptionality' measures had been enacted in preparation for the 2004 Olympic Games; Delladetsima, 2003). However, a major difference was that during the crisis, the central government lost its leading role in economic restructuring. The reorganisation of the economy would instead be led by the market, that is, by the aggregation of individual investments that would seek profitable opportunities prepared by the central and local state.

The deepening of the competitiveness policies undermined the cohesion agenda and its domestic reinterpretation. The goal of 'convergence', which transcribed the cohesion principle in the Greek context, was withdrawn from the public agenda, discredited by the internal devaluation strategy, which downsized the Greek economy as the necessary price for regaining national competitiveness.

The budgetary discipline imposed by the bailout programmes led to severe cuts in the already weak social policies (pensions, health, education). What is more, the bailout programmes foresaw extended reforms in social and labour market policies, promoting cost reduction and protection of the most vulnerable in the pension system and the unemployment benefits, flexibility in the labour market and decentralisation in collective bargaining (for an overview, see Theodoropoulou, 2015). The interference of EU-ECB-IMF in social policies has been very high, as the programmes' specifications were very detailed and international lenders disposed strong means of surveillance and enforcement (mainly through ex-ante evaluations and the control of financial support, Theodoropoulou, 2015). That made Greece (and Portugal) an exception in the EU, as social policies remained in general a responsibility of national states even after recent reforms in EU governance. The result was a further subordination of social policies to fiscal consolidation and improvement of competiveness. It has been argued that overall social services are characterised by budget cuts, short-term actions, provisions in kind and prioritisation of the most vulnerable groups coupled by a relative turn to NGOs, charitable organisations and civil society organisations (Arapoglou et al., 2015).

These pressures were in part downscaled to cities. The local reform of 2010 transferred to cities responsibilities in education and health, imposing at the same time the obligation to maintain balanced budgets. The reduction of the central government's subsidy since the outburst of the crisis increased fiscal constraints. Within this context, cities effectuated severe budget cuts (often at the expense of social services), reduced personnel and merged municipal bodies. Following the general trends depicted above, they turned to external resources, especially to EU funds, increased collaborations with NGOs and other civil society initiatives and focused on 'targeted' services and provision in kind (Arapoglou et al., 2015). For example, the City of Athens reduced in the years 2011–2013 its overall budget by 25.8% and that of its main social organisations, the Nursery and the City of Athens Cultural Organisation, by 34.9% and 32.4%, respectively (Portaliou, 2013). The City's targeted social policies are served by a number of specific agencies (City of Athens Homeless Shelter, Social Food Store, Social Pharmacy, Athenian Cloth Market), which are partly funded by private sponsors. The City's main anti-crisis social policies are a secondary part of *Project Athens*, an EU-funded development programme for the period 2012–2015, the main goal of which is the 'improvement of competitiveness and entrepreneurship' of the city (Athens Development and Destination Management Agency (ADDMA), 2012).

Bailout programme and interscalar dynamics

The bailout programmes also entailed the transformation of interscalar power relations inasmuch as they established *a specific-purpose governance system*. Within the limits of the programme, the supranational level was represented by a political configuration composed of the IMF, the EC, the ECB and intergovernmental EU bodies (mainly the Eurogroup). The decision making regarding the main Greek public policies (fiscal policies, labour market, pension system, and so on) was assigned to apparently 'technical' negotiations between the representatives of the IMF, the EC, the ECB and the Greek central government. The lenders, that is, the IMF and the EU member states, approved the outcome of the negotiations through their executive agencies (Executive Board and Eurogroup, respectively). The Greek central government's administration implemented the agreed policies, making use of the 'technical assistance' that came from other EU member states and the IMF via the coordination of the Task Force for Greece, a body of EC officials. In particular, privatisations were assigned to the Hellenic Republic Asset Development Fund, a state-owned Société Anonyme controlled by the Greek national government, the Eurozone member states and the EC. The establishment of this specific-purpose governance system for the management of the Greek crisis had broader implications. It has been an *experimentation* that provided the EU with time, legitimacy and experience to plan and institutionalise permanent mechanisms of fiscal consolidation and crisis management that, as mentioned above, upscaled further economic governance to the supranational level.

If the deepening of the neoliberal policies undermined the leading role of the central government in the Greek economy, the governance system that has been established by the bailout programmes eroded the central government's political force. The policy making in the bailout programmes involved negotiations between lenders and debtors, among whom there existed an unequal power relation. The 'technical' character of the negotiations excluded the contestation of the main *political* choices of the programmes (a neoliberal emphasis on competitiveness and the market-led restructuring of the economy). The implementation of the programmes' policies had a coercive character, the main sanction in the case of non-compliance being the interruption of financing for the Greek state and banks. The bailout programmes differed significantly from the EU policy making of previous decades, which was based on negotiations between 'partners' and on soft law mechanisms. The position of the Greek national government in the bailout's governance system shrunk its autonomy vis-à-vis the supranational level. Decision making concerning Greek public policies was hence transferred to a remote and unreceptive supranational level.

The national government now relied on lenders' support to maintain social, political and economic order in the country, being unable to use EU-funded policies to build domestic consensus. In Greece, the bailout agreement has been supported by actors that could benefit from labour market reforms and those that considered the country remaining in the Eurozone to be a primary strategic goal (Souliotis, 2013). These included the large employers in industry, the banks and a large part of the media (for the latter's attitude during the crisis, see Kountouri, 2011). Small- and medium-sized commercial and artisan businesses maintained an ambiguous attitude towards the programme, oscillating between pursuing lower wages and fearing the collapse of domestic demand. Civil servants, employees of the private sector, pensioners and the unemployed opposed the reduction in their income and the deterioration of their position in the labour market. Various occupational groups (pharmacists, doctors, truck and taxi owners, etc.) struggled against the removal of protective regulations.

As a result of the exclusion of their demands from the policy-making process (now controlled by an ad hoc supranational power configuration where the national government held only a subordinated position), those parts of the social strata that opposed the bailout agreement attempted to reinvent the *local* scale of social power. They experimented with means of decision making and the distribution of services, goods and economic opportunities in place-bound movements (the anti-austerity movements from May to October 2011, following the example of Madrid's *indignados*; see Kaika and Karaliotas, 2014; Kavoulakos, 2013; Leontidou, 2012; Simiti, 2014) and various 'solidarity' initiatives.[2] A common characteristic of these movements and initiatives was, drawing on the logic of pre-crisis urban movements, the horizontal and anti-hierarchical mode of organisation, wherein decision making lies with open assemblies and coordination with networking (Arampatzi and Nicholls, 2012). If the anti-austerity movements and the solidarity initiatives constituted the *immediate* response to the bailout-induced upscaling of public policies to the supranational level, a slower but more significant change developed at the level of *national* politics as well. From 2009 to 2015, voting in national elections deeply transformed the domestic political system. The conservative Nea Dimokratia party and the socialist PASOK party, which had ruled Greece after the fall of the dictatorship in 1974, lost more than 60% of their voters, especially salaried employees, the unemployed and the young (Mavris, 2015). The formerly small party of the radical left, SYRIZA (whose members originated from older Greek pro-European Communist parties, the orthodox Greek Communist party and other smaller leftist groups), came to power in 2015 with a mandate to abolish the bailout programme and 'renegotiate' a new collaboration with international lenders. Last but not least, the electoral power of the neo-Nazi Golden Dawn party reached 6.3% in 2015 compared to 0.3% in 2009.

Conclusion

The transfer of the competitiveness and cohesion agenda from the supranational level to the national and subnational level since the 1980s entailed not only a change of public policies in member states, but also the transformation of relations between the levels of political power, the nature of these levels and the relation between national political elites and domestic socio-political forces.

The promotion of the EC cohesion agenda aimed at consolidating its 'federal' power through a mild redistributive policy that turned regions into the interlocutors of supranational authorities and rendered the unification of the European market more attractive to less developed countries. In the southern countries, and especially in Greece, Structural Funds provided national and subnational authorities with extra financial means, which, during the 1990s and 2000s, were used to reshape domestic socio-political alliances. Since the 1980s, the Structural Funds exemplified in a tangible way how a less developed country could benefit from participation in the supranational European organisation. A win–win perception was put forward by politicians and broadly accepted by society.

The association of competitiveness and cohesion created the conditions for a consensus on neoliberal policies in Europe. In pre-crisis Greece, competitiveness-related goals were supported as a means of economic restructuring by the dominant political–economic coalition of large businesses, intellectuals and the media. The cohesion-related goals were reinterpreted through the lens of national insufficiency as a matter of convergence with the rest of the EU and so gained support from both the upper and middle classes. This perception of 'cohesion' downgraded both workfarist and welfarist concerns, and it turned public attention towards general developmental aims.

The bailout programmes confirmed in the case of Greece (as well as in Spain, Portugal and Ireland) what Brenner et al. (2010) described at the beginning of the crisis as the scenario of 'zombie neoliberalization': the EU attempted to deal with the crisis not through reregulation but by deepening the neoliberal policy agenda of privatisation, flexible labour markets and budgetary discipline. Social cohesion (and its spatial equivalent, regional convergence) has been marginalised in public policies. Social policies became much more 'targeted'; they aimed at providing austerity policies with a minimal social legitimacy and preventing the (realistic or imagined) much-feared social unrest that could be caused by extreme poverty and exclusion (Arapoglou, 2014). In the vacuum left by shrunken social policies, the rhetoric and the organisations of 'solidarity' flourished.[3]

The bailout agenda reflected a changing balance of power in both the vertical (between the scales of political power) and horizontal (between social classes) levels in favour of the supranational level and the political and economic elites. The bailout policy agenda supported the project of a competitive, export-oriented common currency area, which was meant to deal with crises without involving the putative 'moral danger' found in federal solutions: interstate lending was chosen over debt mutualisation and internal devaluation over the transfer of resources. These choices transferred the cost of the Eurozone's deficiencies to the national and subnational levels, and within the latter to the weaker social strata. Crisis-induced policies thus followed the neoliberal strategy of downscaling the costs of crises (Peck, 2002, 2014). This, however, did not occur only through devolution of social policies, but also and primarily through upscaling towards the supranational level of powers in fiscal policies, 'structural reforms' and privatisations. The aggressive character of the bailout agenda excluded the perspective of compromise with the less market-oriented social strata and reduced bargaining on policy making to 'technicalities'. If the competitiveness and cohesion binary highlighted an 'embedded neoliberalism', the bailout programmes represented an *uncompromising neoliberalism* that is uninterested in consensus building in debtor countries.[4] On the contrary, a Keynesian 'federal' mechanism to counter the crisis could claim a Europe-wide consensus, which would include both surplus and debtor countries.

The bailout-induced strengthening of the supranational level towards national authorities is different to the previous rescaling dynamics that Swyngedouw (1997) termed as 'glocalisation' some two decades ago. The transfer of a central state's powers to the supranational level is much more decisive and extended than the transfer to subnational levels. The upscaling of policy-making functions does not alter the 'nodal' character of supranational institutions, which still remain far from constituting a European superstate, but it does re-introduce a strong hierarchical element to vertical power relations. This jeopardises the legitimacy of EU multi-level governance as national society does not participate equally in a broader reorganisation of political power. In principle, the bailout's political arrangement is exceptional and transitory. However, the bailout programmes established a debtor–lender relation between EU member states that will last until at least the medium term. Against the impermeability of the supranational field of policy making to social demands, elements of the domestic middle and lower classes developed local and place-bound initiatives and movements that highlighted both symbolically and practically civil society's ability to become self-organised in a time of crisis. Gradually, however, the middle and lower classes turned again to the central government, the only level of political power that, at the same time, remains accountable to them and takes part in supranational policy-making processes. The domestic political struggle has been adjusted to reflect the bailout's multi-level dynamics, and the parties competed for votes as potential 'negotiators' with the EU and the IMF and not as agents of sovereign policy making. For the first time, the 2015 national elections brought to power a radical left party, thereby introducing new tensions into the interscalar power relations in the still ongoing process of the political and economic reorganisation of the EU.

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Notes

1. Van Apeldoorn presents an account of the political positions of the representatives of employers and employees at the EU level regarding the Lisbon Agenda in Van Apeldoorn (2009: 31–38).
2. These initiatives comprise a wide range of activities: soup kitchens, food collections and distributions, bazaars, social time banks, social medical centres, language classes, markets without intermediaries, collaborative enterprises, local assemblies and neighbourhood associations. In the whole country, they count a few hundred. A left-wing portal, where organisations are voluntarily listed, counts around 300 'solidarity' structures (Solidarity for All, 15 April 2014). However, it is reasonable to assume that this number represents the maximum reached during the last few years. According to a database developed by Afouxenidis (2015), the active organisations today do not exceed 150.
3. It is outside the scope of this paper to provide an assessment of the content of this, so important in the context of crisis, term. We will content ourselves with noting the *plurality* of its socio-political meanings and uses. The term solidarity has been used by such different actors as the bottom-up initiatives and movements (to designate mutual support between equal individuals), the SYRIZA party (in the naming of an umbrella organisation aiming at coordinating solidarity initiatives), the government (in the naming of a new special tax) and even the neo-Nazi Golden Dawn party (to describe food collection and distribution to Greeks, excluding immigrants).
4. This argument draws upon Afouxenidis (2015).

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