

[Eurozone Austerity Policies Will Spark New Crisis in 2013](#)

Costas Lapavitsas, *TheRealNews*, December 11, 2012

PAUL JAY, SENIOR EDITOR, TRNN: Welcome to The Real News Network, and welcome to the first edition of *The Lapavitsas Report* with Costas Lapavitsas, who now joins us from London, where he's a professor in economics at the School of Oriental and African Studies at the University of London. He's a regular columnist for *The Guardian* newspaper. His most recent book is *Crisis in the Eurozone*. Thanks for joining us again, Costas.

COSTAS LAPAVITSAS, PROF. ECONOMICS, UNIV. OF LONDON: Hello, Paul. It's nice to be here with you.

JAY: So we're just a few weeks away from 2013. How does this year look, this coming year?

LAPAVITSAS: I'm afraid that it doesn't look very good at all for economies in general and for working people in particular. And I want to stress that. This is shaping up very badly.

The main source of concern is of course the eurozone and the continuing crisis in the eurozone. Now, financial markets have gone quiet or quieter in the last few months, couple of months, and people have been lulled into thinking that the eurozone crisis has been resolved. That is not actually true. The reason why financial markets have gone quieter is because in September Mr. Draghi of the European Central Bank intervened and basically said that he was going to buy bonds of countries in trouble freely. And that made speculation against peripheral eurozone country debt unprofitable. So financial markets went quiet, and people began to think that the eurozone crisis might be on its way out.

Actually, it's not. Things are getting worse and worse. And if you look at the real economy in Spain, in Portugal, in Italy, and of course in Greece, 2013 is shaping up to be a really problematic year. The phenomena that we saw in Greece in 2010-2011 are beginning to emerge in Portugal, in Spain, and elsewhere. Basically, large tracts of the eurozone are moving into recession, very serious recession. And that's beginning to affect the core, too. France doesn't look very healthy. Italy is very weak. So the eurozone as a whole is going to have a very bad year.

JAY: And what does this mean for the global economy?

LAPAVITSAS: That is going to be, of course, a source of negative implications for the world economy, because the eurozone is a very large part of the world economy, both as a source of demand, but also as a source of capital and so on. So the eurozone is in a bad way, and it will continue to be in a bad way. Austerity in the eurozone basically means the entire eurozone is going to have a bad year in 2013.

But that's not really the end of the story, 'cause, you know, you might think, oh, there might be demand elsewhere, the world economy might pick up elsewhere, as has happened in the past. Well, that's not how it's shaping up. Non-eurozone countries in Europe, including the United Kingdom, are also in very bad shape and very weak economies as a whole. The U.K., for instance, will have a very bad year in 2013, a continuation of a bad year in 2012. If you look at the States, United States, things are not going to be very good at all, what with the fiscal cliff and the continuation of an economy which is not really going anywhere. It's not really in serious recession at the moment, but it's not really going anywhere either.

Now, some people might have thought that China or the BRICS, you know, the newly emerging countries in Southeast Asia or in Latin America and so on, might be able to pick up the slack. Well, that's not the case. China is slowing down very fast. Its model of expansion and rapid growth appears to be hitting some serious difficulties. So it's slowing down. And China was never really a major source of demand for developed economies across the world anyway. And other developing countries are having difficulties themselves. Brazil has got very weak growth. Turkey's growth is not doing anything very much.

So all together, if you add it up, you will see that there is no part of the world economy that looks positive and promising for 2013. With the eurozone in the trouble in which it is and the rest of the world economy shaping up in the way in which it is, 2013 is going to be a difficult year.

JAY: You're very involved in the events in Greece and how the crisis is affecting Greece, and you're going back and forth. What's happening in Greek politics now?

LAPAVITSAS: Greece will be badly affected by 2013 being a bad year, which is one of the reasons why I wanted to mention that, because the Greek economy has had five years of very serious recession. Two thousand and thirteen is going to be a bad year for the world economy. The Greek government has just agreed a new bout of cuts, severe austerity to be imposed on the country next year. This looks very, very risky for Greece altogether. It looks as if the economy will be in very deep trouble in 2013 on top of the trouble it's had so far. I mean, just to give you a sense, unemployment in Greece has just reached 26 percent. These are the latest figures released yesterday, 26 percent.

JAY: This is overall unemployment.

LAPAVITSAS: This is adult unemployment. Adult unemployment—.

JAY: What's the number on youth unemployment?

LAPAVITSAS: Youth unemployment is well over 55 percent. So Greece is heading for 30 percent unemployment next year. If the world economy has indeed a very tough year next year, as I think it will, then the situation is beginning to look very serious for Greece indeed, given the austerity that the government has imposed on the country additionally, on top of all the rest of the problems the country's facing. So the economic situation is very bad. The social situation is getting worse and worse as tensions are rising and people are finding it very hard to make ends meet. The political situation is therefore developing very, very rapidly itself.

Now, interesting things have happened the last week or so in Greece. The left is beginning to emerge as a serious government proposition. The SYRIZA Party, which has been leading the opposition in the government, is the official opposition, has had a conference, its first conference. And it's in the process of becoming a proper party, because it wasn't really a party as such; it was a coalition, an alliance. It's now in the process of becoming a proper party. There's lively debate. People are joining it. And it is promising to deliver radical action.

Now, within that party, within the SYRIZA Party, there are opposing currents, it has to be said. There is a strong left-wing current which is well expressed. There are also more conservative, more social democratic currents within it, and they are probably dominant in the leadership. So it's going to be a lively battle within SYRIZA about economic policy, about social policy, and about the direction in which the country might be taken if and when SYRIZA takes over. And that is not too far off in the future, maybe. If 2013 turns out to be a bad year, then SYRIZA might be called upon to take over. So we will see serious political change in Greece, and therefore in much of the rest of Europe.

JAY: "Called upon" meaning if the current coalition government collapses—would there be an election? Or SYRIZA would actually be asked to form the next government?

LAPAVITSAS: No, no. In all probability there will be an election. But the current coalition government is very weak in any case. And if the economic situation unfolds badly next year—and I think it will—then the coalition government will probably not last. There will be elections. And if there are elections, then in all probability SYRIZA will be the top party with an outright majority, or at least the party that will be called upon to form the government.

JAY: Now, we've talked about this before, but SYRIZA, if they do form the government, is going to face a fairly big decision. If they want to bail on the bailout as written and try to renegotiate, they'll be in direct confrontation with European finance in politics.

LAPAVITSAS: But that's why I said that events in the last week are of quite some importance, because SYRIZA is beginning to become a proper party organization. The internal debate within SYRIZA has now become public. It's now clear that there are different currents and different views within SYRIZA. There's a strong left-wing current within SYRIZA which wants a very radical position on the debt.

JAY: And what is that radical position?

LAPAVITSAS: The radical position is basically to insist on abandoning the bailout strategies, lifting austerity, saying no to more austerity and the bailout strategies, refusing to pay the debt, and demanding a radical reduction of the debt. And if it comes to leaving the euro, if the price of that is to leave the euro, then so be it.

JAY: But you're saying that the dominant force within the party does not take that position.

LAPAVITSAS: The dominant force does not take this position. The position it takes is that, yes, we will say no to the bailout. We will take a radical position on the debt, although not as radical as the left of SYRIZA, maybe. But the dominant position is that we will do all that within the euro.

There is a debate within the organization. There are different views. It's actually quite comradely so far. It's not as if it's falling apart. But it's a lively debate. And it's the only place in Greek society where this vital issue for Greece is being debated openly. That's a service given to—an offer to Greek society. SYRIZA is offering it a major service, that it is discussing these things openly and in terms that most Greek people understand. And that's where the future lies.

Now, if SYRIZA takes over next year (and as I say, there's every chance they might be called upon to form the government) and delivers radically and delivers well, then things might begin to improve for Greece if it does what it says. If it doesn't, then things can unfold very badly. If it proves itself to be unprepared for government, or if it doesn't do what it said it would do, if it buckles, then the future does look very bleak, because then we might have strong right-wing turn. We might have even a fascist turn in Greece. And that won't be very good news for the country, and it won't be very good news for Europe either.

JAY: Alright. Thanks for joining us, Costas.

LAPAVITSAS: Thank you very much.

JAY: And thank you for joining us on The Real News Network.