Abstract

The 2007-2008 financial crisis that originated in the USA, struck in turn several interconnected economies across the world, revealing the underlying problems of the global capitalist real economy. The subsequent economic crisis strongly affected European states, notably the Eurozone member-states, revealing the structural weaknesses of the common policy framework and the single currency. The uneven geographical development pattern, an inherent characteristic of capitalist development, has prevented the achievement of convergence objectives in the European integration framework. Instead, the establishment of the Eurozone contributed to the perpetuation of a multi-speed Europe. Thus, the current economic crisis has exacerbated the preexisting disparities and conflicts between the European North and South and contributed to the development of different crisis symptoms. Both the depth and duration of the crisis differ among the countries, with some of the Southern still in the depths of depression, having developed a framework of neoliberal austerity measures under the supervision of the European institutions and the International Monetary Fund.

Keywords

economic crisis, North-South divide, European integration, uneven geographical development, socio-spatial inequalities
Introduction

Ten years after the 2007 housing bubble collapse and the subsequent economic crisis, many national economies still remain in a state of deep recession. The financial crisis brought to the fore the underlying weaknesses of the real economy, progressing into an economic crisis. As opposed to the dominant narrative, this paper claims that this deep-rooted crisis cannot be imputed to insufficient growth in the peripheral countries, but to the rampant growth of the core capitalist economies. Rampant growth alongside a falling capitalist profitability were the two main factors that led to capital overaccumulation and to socio-spatial inequalities exacerbation. Uneven geographical development patterns have also played a significant role as to the crisis intensity and manifestations. Within the EU and Euro area crisis manifestations have been quite acute, mainly due to the contradictory character of the common currency adopted by highly differentiated states in respect to their historical and political backgrounds, as well as to their socio-economic structures. The characteristics and the impact of the economic crisis on the European countries vary, while the European neoliberal doctrine uniformly practiced in order to overcome the crisis has dramatically aggravated socio-economic conditions, making it harder and harder for many people to cope.

The objective of this paper is to study the manner in which the 2007-2008 financial crisis hit and has since impacted certain European states, particularly the European South (Greece, Italy, Spain and Portugal) in contrast to two states of the ‘developed’ European core (Germany and France). The study is conducted under the prism of the Uneven Geographical Development theory. Given that all of the countries under study were, and continue to be, member-states of both the European Union and the Eurozone, the paper emphasizes the role of their ‘European status’ on the development and progress of the economic crisis.

Following a critical analysis of the crisis’ political economy and of the unevenness patterns in Europe, the study method is based upon the systematic examination of the main economic and social variables such as public, private and external debt, GDP per capita, unemployment, long-term unemployment and youth unemployment levels, as well as percentages of people at risk of poverty and social exclusion. The data have been extracted from the Eurostat Regional Database. In the following sections, three main issues are addressed. First, the determinant factors leading to the 2007-2008 financial and to the subsequent global economic crisis. Second, the structural
weaknesses of the European project in relation to the uneven geographical development pattern which has highly contributed to the exacerbation of crisis manifestations and socio-spatial inequalities in recent years. Third, the specific character and the consequences of the crisis in certain Northern and Southern European countries, namely France, Germany, Greece, Italy, Spain and Portugal. In closing, the author reflects upon the perpetuating effects of the Euro-crisis in terms of inequality and social injustice, taking also into account the role of social resistances and solidarity movements.

1 Roots and trends of the global economic crisis

In the years following the 2007 financial crisis, various interpretations have been proposed as to the main factors that conduced to the major collapse of several interconnected economies worldwide. Undoubtedly, the collapse of the housing bubble in the US was the catalytic agent for the forthcoming events; however, the underlying circumstances have been subject to debate among several economic and political-economic cycles.

This paper proposes that the contemporary crisis constitutes a structural capitalist crisis, with an intensity rate comparable to the 1929 crisis and depression. It primarily developed across the most powerful economies of the capitalist core, developing internationalizing tendencies related to several changes that took place during the past four decades towards the globalization objectives. Furthermore, the crisis primary epicenter was the financial system. It should be stressed, however, that this is not just a financial crisis. On the contrary, it originates from the real economy, affecting the production sphere as well as several national economies worldwide. In this sense, the crisis’ roots lie in the 1970s economic crisis, and the international realignments undergone in order to overcome its effects, leading to a new growth model. Various authors (Maniatis, 2012; Λιοδάκης, 2015; Roberts, 2016) have argued that the contemporary crisis stems from the tendency of the rate of profit to fall, a systemic capitalist contradiction which re-presented at the late 1960s leading to the 1973 overaccumulation crisis. The economies never actually recuperated despite the several fluctuations, bringing forth the 2007-2008 crisis outburst. The subsequent endeavors towards a global recovery through the adoption of neoliberal policies failed to solve the problem, provoking a perpetuating effect (Maniatis, 2012; Λιοδάκης, 2015; Harvey, 2011).
The 1970s marked the end of capitalism’s postwar ‘golden Era’ – a period characterized by high growth and profitability rates, by relatively improved labour conditions, by the Keynesian state and by general social stability. The outgoing Keynesian model was replaced by the monetarist and neoliberal doctrines of Friedrich Hayek, Milton Friedman and the Chicago School of Economics. The basic principles of the neoliberal approach were deregulation, privatizations and decreasing social expenditure, while the respective policy framework led to the dispute of various collective social acquisitions.

At the same time the flexible accumulation regime emerged, replacing Fordism (Harvey, 1989). On the basis of the new regime, the advanced economies of the global capitalist core were de-industrialised, giving space to the development of tertiary sector activities and to financial activities. Small-scale enterprises developed in service of the large industries, promoting labour market flexibility. In parallel, the underdeveloped peripheral countries were industrialized, serving as tax havens as well as sources of cheap unskilled labour force (i.e. low-cost country sourcing).

Moreover a new wave of globalization developed, further integrating the capitalist system (Παπακωνσταντινου, 2010). A new international-division-of-labour pattern was formed, the main axes of which include the transition from closed to open economies, the development of multinational enterprises, the increasing investment flows from peripheral to central countries and the aforementioned de-industrialization/industrialization pattern. The national borders were exceeded through the liberalization of international commerce, the abolishment of restrictive measures concerning capital flows, and the reinforcement of transnational political alliances (e.g. the European Union and the Eurozone) (Αντωνοπούλου, 2004).

Lastly, the new accumulation regime was reinforced by the so-called third technological revolution at the information and automation technology sectors. This revolution led not only to the production of innovative products, but also to the automation of production and services. The social impact of these proceedings was pernicious, resulting in a significant decline in available employment positions. Dismissals and wage decreases constituted the social cost of economic progress and of the efforts made to counteract the crisis (Παπακωνσταντινου, 2010).

The aforementioned factors brought to the fore new norms of social culture. The goal was to achieve an inversion of the falling rate of profit and to contain the overaccumulation crisis through adopting new ways of surplus-value extraction. Under the neoliberal hegemony, modern ‘revolutions’ have taken place in terms of technological progress, markets liberation,
constitutional revisions, economic borders redetermination, etc. Social and labour rights such as employment and working conditions have been disputed. The subsequent result was a rise in the rate of profit – although in relative terms, not sufficing for the containment of the crisis. These techniques resulted only in a partial rise of the falling rate of profit, mainly through the rise of the surplus value rate (Maniatis, 2012). Thus, this period was characterized by low rates of profit and of productivity increase, compressed wages, relatively high unemployment rates and, ultimately, economic stagnation.

The insufficiency of these strategies set wheels in motion for the search of alternative sources of profit, no other than financial market activities. Hence, the displacement of capital alongside the lifting of financial markets restrictions led to a significant rise of the specific weight of financial capital in the capitalist metropolises (Harvey, 2011; Παπακωνσταντίνου, 2010). Favorable policies towards financial activities were reinforced during the late 1990s, since the economic performance of the latter was hitherto characterized as disappointing. Despite these efforts, the rate of profit decreased once again after 1997, resulting in the creation of the ‘dot.com’ bubble in the early 2000s. The bubble’s creation stemmed from the overgrowth of fictitious capital, as well as from the temporary autonomisation of the latter from real capital (Maniatis, 2012). Those same processes led to the 2007-2008 housing bubble and to the subsequent financial crisis.

The increasing relative weight of the financial sector within the overall economic sectors was supposed to substitute for low profitability and low investments. The financial bubbles succeeded in benefiting markets short-term, whilst positively affecting consumer demand. The latter, however, dramatically fell when the whole system collapsed, leading to the rapid decline of the overall capitalist profitability. This was a revealing moment as to the lack of effective measures towards the overcoming of economic crises, particularly the 1970s crisis. In this respect, the 2007-2008 crisis was the climax of the downturn of capitalist economic performances for the past decades, despite some short and transient rebounds (Maniatis, 2012; Roberts, 2016).

Financial institutions speculated, the housing bubble developed and then burst. Soon, the financial crisis was internationalized, affecting several economies worldwide. What is considered to be key to the internationalisation of the US crisis is the collapse of Lehman Brothers, on September of 2008. Globalization mechanisms were catalytic to the progress towards an international financial crisis. The manifestations of the crisis vary by country, having different primary and secondary effects in each. Europe constitutes a special case study, given the particular features of the
European structure consisting of the European Union and the Eurozone. The common framework and currency cannot automatically lead to a ‘uniform’ Europe. The next section examines the character of the European economic crisis in respect to its manifestations in the Eurozone area, focusing on certain member-states: Germany, France, Greece, Italy, Spain and Portugal. To this end, an analysis of the uneven geographical development pattern in Europe is formerly conducted, identifying the structural weaknesses of the European project.

2 The European crisis

2.1 Structural weaknesses of the European project: patterns of uneven geographical development in Europe

Historically, spatial development in European countries was always characterized by divergent trends. In line with Smith et al. (2001), three are the key elements as to socio-spatial patterns in capitalism. First, spatial inequalities developed in the past two centuries worldwide, introducing a richest/poorest country distance of 3/1 in 1820, to 72/1 in 1992. Second, the European continent presents with a respective image, with a long run widening gap between the East and the West. The contradicting development character between the Western-European industrial and the Central-Eastern-European countries – including Russia – became more apparent in the turn to the 20th century, when the latter countries transitioned from late feudalism to capitalist industrialization. Even then, however, the gap was a lot narrower than the one presenting today. Third, the integration of former USSR countries into the world capitalist system and, later on, into the EU, further increased divergent tendencies between East and West, impacting unevenly each country on a national, as well as on a sub-national level. Today, more than ever, Europe constitutes a fragmented, multispeed economic entity in terms of socioeconomic structure and development, leading to a trichotomous division between the North, the South and the ‘transitioning’ countries of South-Eastern Europe.

Regarding the EU, gradual expansion led to deeper disparities. The primary core consisting of the six founding states (Belgium, France, Germany, Italy, Luxembourg, Netherlands) was fairly uniform, since together they composed the European capitalist core approximately for two centuries. The majority of these countries were colonial powers until recently, too. In the sequential enlargement cycles there were two speeds of integration. On the one hand, there were
advanced countries such as the United Kingdom, Denmark, Switzerland, Finland and Austria. On the other hand there were less developed countries such as Spain, Greece, Ireland and Portugal; counties that had been characterized by relatively low industrial growth. At this stage the rising inequalities had already become a significant issue inside the EU, searching for appropriate economic and policy measures in order to smooth them out. Approximately a decade later, during the so-called ‘Big Bang’ enlargement cycle of 2004, various counties were integrated; among them the ‘transitioning’ economies of South-Eastern Europe. These countries were brought under capitalist relations after the USSR collapse, facing exacerbating social inequalities. Thus the developmental gap widened, despite the multiannual preparatory steps taken towards meeting the accession criteria (Serfati, 2016).

Especially during the post euro-introduction period, inequalities were exacerbated in several cases. This constitutes an oxymoron, considering certain convergence criteria which were supposed to be met in order for a state to join the EMU and Eurozone systems. Eurozone’s main structural problem is that different economies with highly divergent economic, institutional and socio-cultural trends are brought together in terms of monetary and economic policies. In order to meet the membership conditions, the peripheral states entered Eurozone with high exchange rates – a measure intended to control inflation. This meant a priori reduced competitiveness of these states on the international scene. Moreover, the facilitation of trade transactions was proven to concern mainly the European capitalist core states. Preexistent conditions regarding the structure of the advanced economies designated that peripheral countries would import products of higher quantity and value than those exported, leading to evermore rising deficits. On the contrary, Northern-European countries’ exports of capital and products rapidly rose. Thus, the realignments taking place in the very first years of the 21st century and right before the crisis outburst exacerbated uneven geographical development patterns across the EU and the Euro area. For these reasons, EU has developed a wide policy framework targeting international and interregional disparities. Social policies, on the other hand, have not only been neglected, but, rather, they have been negated. Based on the restrictions set in the context of the common monetary policy – and on the consequential inability to currency devaluation – the economies’ competitiveness is now dependent upon domestic market conditions, namely the labour market performance. Under the alternative of internal devaluation, labour market flexibility, dismissal liberations and wage cuts comprise the main solution to fiscal and currency issues. The European
Employment Strategy (EES) has promoted such policies and practices, leading to intensification of inequalities. (Lapavitsas et al., 2010; Overbeek, 2012)

The main institutional tool addressing socio-spatial inequalities is the European Cohesion Policy. Despite the high quantity of funding packages provided for the Cohesion targets, it has been clear that this is not the optimum way to decrease socio-spatial inequalities. In fact, despite the signs of anaemic convergence for some years, high rates of unemployment, poverty and social exclusion show that socio-spatial divergence – not to say exploitation – concerning certain countries indeed exists. Ultimately, it seems that the social cost of economic growth experienced in shock terms has been extremely high – especially for the transitioning countries – failing to narrow the development gap between different member-states.

In reference to the Southern-European countries – Greece, Italy, Spain and Portugal – which have preoccupied the international community in the past years, a study of their crisis-related characteristics is of significance, not only due to the crisis manifestations but also because they have been Eurozone members since the very beginning, functioning within a strict economic and monetary policy framework. Expectations regarding these counties’ progress were high, and mostly regarded their convergence with the European North. Progression of events, however, showed that the EU mechanisms actually produce and reproduce socio-spatial inequalities. These countries had shown signs of convergence until 2008, as their GDP per capita rose with rates higher than the respective rates of the North. Nevertheless, after 2008 divergence trends have reoccurred, bringing the North-South gap at the same level as 1974. More specifically, Southern-European countries’ GDP per capita reached 82.5% of the EU’s GDP per capita in 2008 (Serfati, 2016). Observations about a “downward adjustment” (European Commission, 2014: 279) of these states’ GDP per capita were also noted by the European Commission.

North-South divergence within the Eurozone area stems from a number of reasons. Undoubtedly, through their accession, these countries were given the opportunity to increase their international trade and financial exchanges with other member-states, aiding the development of certain – though limited – domestic industries. On the other hand, there has been increasing dependency of the national economies towards the North. Developing dependency links was a choice made by the state governments and the domestic elites which resulted in economic development programs failing to boost domestic economies, perpetuating a pattern of low growth of industries which can produce high added value (e.g. manufacturing). Contrarily, ground was mostly given to labour-
intensive activities of low added value, such as agricultural processing retail, construction and tourism (Serfati, 2016). Especially in the cases of Greece, Spain and Portugal, production has been dependent upon the exploitation of cheap labour, and the exports have mainly concerned the agro-food and other industries which do not require high levels of specialization and advanced technology. The added value of these industries is almost always low. The cheap-exports/costly-imports pattern results in a continually negative trade balance for the Southern countries and constitutes an important indication of exploitation by foreign capital. Respectively, the trade balance for the Northern states was increasing during the period 2000-2008 (Serfati, 2016).

Regarding other economic aggregates such as competitiveness, GDP per capita and current account balance, the convergence target for Northern and Southern countries was not achieved. The European economic integration expectation was not fulfilled. As is noted by Shafik (2013), in the first years of the euro economic integration was rapid, leading several governments and markets to believe that the euro would be beneficial both to the North and the South. However, convergence did not last and a competitiveness gap emerged. The crisis outburst revealed the underlying problems, showing that real convergence was only minimal. Eurozone countries recording the lowest rates of GDP per capita before the 2000s should, but did not record the highest rates of per capita growth. Meanwhile, average current account balance rates in comparison to 1995 show that, during the 2000-2007 period, imbalances between the countries grew (Roberts, 2016). Northern countries (Netherlands, Germany, Finland, Austria, Belgium) had positive aggregates, whereas Southern countries had negative aggregates. This image is indicative of the member-states’ economic performances in the post-Eurozone period.

The common monetary policy meant competitiveness loss for the Southern countries, as well as for Ireland. Strict restrictions regarding national fiscal policies (although a common fiscal system does not exist) mean that the states’ competitiveness lies upon other factors, such as employment conditions and labour market performances. In other words, achieving high competitiveness levels means internal devaluation and wage cuts. In the case of the South this was not aviable option, given that they were characterized by relatively low wages to begin with. This fact allowed Northern states to increase their competitiveness, since wage levels had already been relatively high. Wage cuts in the North resulted in declining purchasing power and domestic demand, worsening the South’s position, since their access to the export markets was limited. Thus,
intertemporal progress of the competitiveness levels is a strong indicator of the North-South gap (Lapavitsas et al., 2010; Overbeek, 2012).

2.2 Economic crisis and crisis of the European project

It is estimated that the first signs of the European crisis developed in 2008. Recession in Europe started in early-2008 and lasted until late-2009. A second wave of negative economic growth figures was recorded from mid-2010 until mid-2011 (Crescenzi et al., 2016). In this respect, many Eurozone member-states have been going through repetitive waves of downturn-figure periods, on the verge of depression. Not having fully recovered from the 1970s crisis, the rate of profit on capital once again provoked a generalized economic crisis, threatening global capitalism and particularly Europe (Roberts, 2016). Given the divergent trends and inequalities characterizing European states, the intensity and the duration of the crisis have both been differentiated and uneven. The crisis hit the banking system, the real estate market and private and public debts. Whilst at the very first stages the crisis mostly targeted the private sector, later on it manifested as a sovereign debt crisis. It should be stressed, however, that the sovereign debt constitutes an outcome and a manifestation of the underlying crisis, not the reason for its outburst.

As mentioned above, the economic crisis spread from the US to the rest of the world rapidly. Two are the main mechanisms identified for this contagion effect. The first is through the banking and the financial systems. To the end of intensifying financial competitiveness multiple European policies were developed, allowing for the European banks to lavishly invest in toxic bonds and assets of the US institutions. Significantly, until 2009 the banks had already recorded 685 billion € in losses, not having acknowledged an extra 934 billion € of losses for the same period (EuroMemorandum Group, 2009). The second contagion mechanism was international trade, which from 2008 to 2009 recorded a 33% decline. Trade credit grants ceased, USA’s export capacity diminished, while product prices fell.

Apart from the aforementioned mechanisms, there were other factors affecting certain groups of states right after the US financial crisis. On the one hand, the United Kingdom, Ireland and Spain came up against similar issues as the US regarding financial and housing bubbles which, until 2007, had led to an upward spike of the property prices. The inability of part of the population to pay back their loans more or less led to recession. On the other hand, Central European countries such as Hungary and Latvia could not borrow from external markets – a tactic formerly used to reduce
current account deficits – creating a great number of national emergencies (EuroMemorandum Group, 2009).

In early 2010 the European banking crisis developed into a sovereign debt crisis hitting various countries, due to several factors. First, to the structural weaknesses of the European project, namely the divergent trends and the subsequent socio-spatial inequalities. Second, to the hitherto high levels of public debt that some states held. Third, to the decisions made by the European leaders as to the bailout of the bankrupt banks, to the detriment of the states themselves. Together with the generalized recession, this choice led to further increase of the public debts. Fourth, to the unwillingness of the European Central Bank and the leading powers of the EU to practice inflationary policy. Finally, to the options proposed by the EU towards containing the debt crisis, which resulted in the expansion of the public debts in just a few years.

Regarding the structural weaknesses of the EU and the Eurozone, it should be noted that the common currency eliminated the capability of the states to proceed to currency devaluation. The two alternatives to achieve competitiveness stimulation therefore were either internal devaluation or increasing fiscal deficits. Fiscal deficits among others entailed rising borrowing, given the states’ ability to borrow at very low interest rates. In the case of the South the aforementioned proceedings led to high current account and fiscal deficits, and to private debts, given that households were compelled to borrow due to lower wages. Contrarily, Northern European states practiced internal devaluation, reducing wages that were higher than those of the South to begin with. Thus, a competitiveness gap emerged, bringing about an export performance gap. It is worth noting that Germany increased its export volume twice the rate of the rest of Eurozone, while the trade surplus boosted industrial and speculative capital exports, through which Germany was established as an international economic and political power. (Overbeek, 2012)

The catalytic agent expediting the sovereign debt crisis is related to the series of events that took place when the European banks found themselves on the brink of bankruptcy, right after 2008. A great rise in the state expenditures took place during that period, to the benefit of the banks. The financial institutions’ bailout was undergone through the use of public resources, while at the same time moves were made towards the recapitalization of the banking system and the appliance of fiscal incentives intended to restart growth. A vicious circle of bailing-out, borrowing
and indebtedness was the outcome of the financial systems’ bailout, leading to rising fiscal deficits and public debts (Lapavitsas et al., 2010).

These imbalances led to rising borrowings by the Southern states, at the early stages of the crisis. Up until 2010, national and international banks were exposed to public debts amounting to 85% of the Eurozone GDP. According to Overbeek (2012), the public debt of several countries such as Italy and Spain was then lower than the late 1990s’ levels. This indicates that the debts could have been repaid, yet financial markets require certain insurances while lending money on the basis of the debt credibility rates. It is no coincidence that the Southern states borrow at interest rates 3-8% higher compared to Germany or Netherlands. As an aftereffect of underproduction and generalized recession in the most affected countries, state revenues deriving from taxes had a sharp downturn. Suffice to say that the preferable choice made by the banks at this time was speculation through CDSs, essentially placing bets on whether certain states would default or not, while using money ‘given away’ to them by the governments.

2.3 EU’s response to the crisis

The decisions made by the EU institutions regarding the ‘indebted’ member-states impacted national policies as well as the social composition of these countries. Transformations undergone within the EU and the EMU reinforced the institutions’ role, confirming once again the democratic deficit characterizing the Union. All these proceedings are supposed to have contributed to the European integration; the consequences deriving from them are still under discussion.

According to Hadjimichalis (2012), the EU soon proved not only unable but also unwilling to handle the upcoming euro-crisis, “owing to various dogmatic and inflexible neoliberal pacts that form its ideological and everyday institutional modus operandi”. In this sense, the Southern member-states along with Ireland – the so-called PIIGS – were held responsible for the various national crisis manifestations, which allegedly threatened the euro-area and the euro currency itself. There was a clear delay in decision-making, due to the several restrictions characterizing international and EU pacts, and to the obvious lack of political willingness of certain leaders to demonstrate a stance of solidarity.

Thus, practical responses to the crisis effects were not immediate. Negotiations proceeded for more than one year, reflecting EU’s structural weaknesses regarding political emergencies. Finally, intergovernmental ‘solutions’ were given through the European Stability Mechanism, the
European Semester, the Euro-Plus Pact – mechanisms established to counteract the crisis and to “to increase fiscal and economic discipline in the Member States” (EPSC, 2015). Additionally and in order to bypass policy restrictions regarding EU’s intervention in social, welfare and labour issues (e.g. Lisbon Pact restrictions), several countries were put under the ‘supervision’ of the International Monetary Fund (IMF). Decisions and realignments of this nature have highly contributed to the reinforcement of the role of the European Commission, the European Council and the European Central Bank, expanding their economic and political intervention capacity.

The resulting outcome was an unforeseen exertion of political pressure towards the ‘problematic’ member-states by IMF and European authorities, alongside the mainstream media. Greece, Ireland, Spain, Portugal, Italy, Cyprus and Iceland became the recipients of presumptuous political practices. Many of these states have since been put under IMF-EU supervision, adopting policy measures with regard to denationalisations/privatisations, sale of public property, state expenditure reductions targeting mostly welfare, tax increases, public sector dismissals, etc. At the same time, the private sector is being facilitated through national minimum wage reductions, collective bargaining agreements’ abolition and other measures disputing social and labour hard-won rights. The precipitous rise in unemployment, the exacerbation of social inequality and the intensification of poverty and social exclusion across the European South evince the widening gap between the European countries.

3 Euro-crisis manifestations: a comparative analysis

This section analyses socio-economic data regarding some of the main economies implicated in the euro-crisis, namely France, Germany, Greece, Italy, Portugal and Spain. The first two countries constitute model-countries of the European core/North, whereas the remaining four countries represent the European South, part of the periphery. The variables chosen in order to assess the situation among the countries are: their public, private and external debt, public surplus/deficit, GDP per capita, total unemployment, youth and long-term unemployment, and risk of poverty and social exclusion.

Figures 1-4 depict the evolution of the main economic aggregates for the countries under study. These aggregates are directly related to the EU’s sovereign debt crisis rhetoric. All in all it seems that, with the exception of Germany, all of the countries have had negative progress regarding
their debts and fiscal balances. These countries have exhibited public deficits since 1995, however after 2008 the deficits increased, as a result of falling revenues and rising expenditures provoked by the crisis.

**Figures 1 and 2: Public deficit/surplus and public debt as % of GDP**

*Source: EUROSTAT, own elaboration*

Greece, Portugal and Spain came up against soaring debts growth rates right after the crisis outburst. Spain and Portugal increased their private debts reaching approximately 200% in 2009, although for different reasons. For Spain it was mostly investments and the real estate market, whereas for Portugal it was mainly private consumption (Lapavitsas et al., 2012). At the same time, the two countries had the lowest rates of public debt in the pre-crisis period. Post-crisis, Greece, Spain and Portugal had a particularly rapid growth of public debt, owing to the banks...
bailout and to the high interest-rate loans that they had to take in order to comply with the EU decisions. Thus, the external debt has risen respectively, while the Greek external debt reached 138.1% in 2015. Greece had the lowest private debt until 2007, with a growing rate which came to a halt during the crisis, when investments and private loans ceased. As expected, Germany has recorded the optimum performance amongst the countries under study, with the lowest public deficits – in some cases even surpluses, and with declining debts post-crisis. Particularly regarding the private debt, there have been declining rates even before the crisis, due to high investments and to low household indebtedness. Germany’s external debt is the lowest among the group and has declined significantly, since Germany constitutes the main creditor of the in-crisis states.

Figure 5: Unemployment as % of active population

Source: EUROSTAT, own elaboration

Figures 6 and 7: Youth and Long-term unemployment as % of active population

Source: EUROSTAT, own elaboration
Unemployment is a strong indicator of social viability, and in the case of the South social viability seems to be relatively low. Due to the domestic real estate bubble, Spain was the first country to be impacted by the crisis. Italy was also impacted soon enough, although some containment was managed, in relation to the other Southern states. The young population group between the ages of 15 and 24 was the most affected in Italy. Greece, Spain and Portugal have demonstrated low resilience to the crisis effects on every aspect of unemployment: total, youth, and long-term. The deep social crisis as well as the structural weaknesses of the Greek economy and labour market are evinced by the considerably high rates of long-term unemployment. While Spain and Portugal seem to be recovering, Greece is recovering in slower rates and seems unable to provide jobs to the striving population. In this sense, job insecurity is one of the most important features characterising the Greek society today.

Regarding the Northern countries, France’s unemployment rates are systematically consistent with the EU-28’s average rates. What is interesting is that youth unemployment is lower during the crisis than in the second half of the 1990s, probably due to the productive and economic opportunities that that the country was provided with by the common currency. Germany shows no signs of recession regarding the unemployment rates, which are the lowest overall.

The social aggregates examined in figures 8 and 9 are GDP per capita (in PPS) and people at risk of poverty and social exclusion respectively. The GDP per capita index shows the distance of the
countries under study from the EU-28 average. Germany’s and France’s GDP per capita is systematically above the EU-28 average. Indeed, Germany’s index value has increased since 2008, either due to the rise of its GDP per capita, or due to the decline of the EU-28 average. Greece and Portugal have had the lowest values both before and after the crisis, whereas Italy and Spain deteriorated during the crisis period. In any case, it seems that Greece is far from recovering in the near future, as is corroborated by the extremely high rates of people at risk of poverty and social exclusion. The South has higher rates than the Euro-area 19 average over time, while France and Germany have lower rates. France is the country with the overall lowest rate, due to the traditional welfare model adopted by the state administration.

Conclusion

Finally, it appears that despite the convergence targets set as part of the European integrative process, in the period following the establishment of the Eurozone there were indeed diverging tendencies, as well as an aggravation of socio-spatial inequalities. The common currency reinforced the dependency links developed in the EU and the socio-economic exploitation of the South by the North. Some of the mechanisms determined, through which uneveness in Eurozone is perpetuated, are euro’s exchange rate, the common policy framework, the countries’ economic and productive structures related to their position in the international division of labour, the international trade relations, as well as various other internal and external factors affecting the countries’ competitiveness and growth.

The economic crisis has had differentiated effects on the European states, thus deepening even more the preexisting disparities. Some main results are the widening North-South gap in terms of GDP per capita, the rapid growth of unemployment rates in Greece as well as in Spain and Portugal, and the rise of the percentages of people who are at risk of poverty and social exclusion. Most of the states under discussion seem to be in a recovery process in the past years, however Greece is still in a dramatic state, with a rising rates of external debt and people at risk of poverty and social exclusion, and with acutely high rates of unemployment, especially long-term unemployment. In any case, the deepest rift is to be observed between Germany and the Southern countries, since it seems that the latter have incurred most of the costs, while Germany has mostly benefitted from the overall process. Regardless of the particular differences between
states, the crisis’s dramatic economic and social impact has brought to the fore a discussion regarding not only the role of the EU, but also the viability of the European project as such. In the long run, the crisis’s social impact has been more intense than its economic impact on the national level. The social crisis in the European South has led to more and more poor and homeless people, to higher rates of depression and to extreme social insecurity. However, in some cases forms of social resistance emerged, making room for collective claims and solidarity movements towards better living conditions, labour rights and other social rights, such as the right to housing. Social and political claims have been the epicenter of demonstrations and protests mostly in Greece and Spain, succeeding in protecting and ensuring basic aspects of the social cohesion. Regardless of the success rate of the social movements, solidarity has proven to be the most significant element towards surviving through the crisis; an element that has not and cannot be provided by neither the national governments, nor the international and European institutions.

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