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## State privatization and the unrelenting expansion of neoliberalism: The case of the Greek financial crisis



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### ABSTRACT

The existing literature has identified two waves of reforms within the neoliberal agenda of state privatization, deregulation and new public management. This study examines what we call the third wave of neoliberal reforms of governmentality, in which members of central governments and public servants increasingly come to think and behave like business entrepreneurs. We address the matter through the lens of crises theoretically capable of undermining neoliberalism's legitimacy. Specifically, we aim to better understand the manufacturing of consent to the neoliberal agenda of state privatization. We study the falsification of Greek public accounts as revealed in 2010, relying on empirical material, such as journalistic statements and reports from international institutions. Our analysis indicates that, although the Greek crisis provided an opportunity to question key aspects of contemporary state management, including the practice by governments of creative finance, the main problematizing trajectories articulated in both the media and political arenas did not destabilize but consolidated neoliberalism. In particular, we illustrate how discursive activity favors the emergence of a collective interpretation of crises that perpetuates the hold of neoliberalism over the social and political realms. In the discussion, we reflect on the consequences that this has for democratic processes.

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## 1. Introduction

In early 2010, the *Spiegel* in Germany (February 8), followed by the *New York Times* in the United States (February 14), accused the Greek government of having “cooked its books”.<sup>1</sup> A question soon emerged: did the alleged falsification result from prohibited practices or from using creative but legal accounting techniques? This question, however, rapidly disappeared from the main press agencies' agendas. Most commentators, instead, began to focus on seemingly more important issues. How would other European governments react? Would they be willing to lend money to Greece or would the country be forced to appeal to the International Monetary Fund (IMF)? Would the “Greek crisis” spread to other countries to the point of affecting all Western economies?

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<sup>1</sup> In fact, news of the fraud had already been released at an earlier date (see for example Erlanger, 2010a; Evans-Pritchard, 2010a), but had been largely ignored. It is only once the two articles mentioned above were published that a clearer problematizing trajectory began to take shape.

This episode provides a striking illustration of a significant trend in terms of public policy. Increasingly managed as if they were private companies, governments appear to have adopted a range of practices and techniques (including earnings management ones based on the use of financial instruments) quite counter-intuitive for entities not aiming (on the face of it) to yield a profit. Should we assume that states are becoming like large corporations? Are governments adopting financial practices similar to those that caused the collapses of Barings and Enron? In addition to resorting to private sector methods to manage state accounts, are government officials in the process of embracing the values and interpretive schemes of entrepreneurs, responding primarily to market forces and not to citizens?

This paper highlights a neglected aspect in the neoliberal agenda of state privatization, namely, encouraging elected representatives and public servants to think and act as if they are business entrepreneurs. Neoliberalism relates to the expanding development of certain logics, practices and techniques of government, which Foucault (2004a, 2004b) terms governmentality. At the level of state management, neoliberal reforms of governmentality are commonly viewed as having involved two major waves (Dardot and Laval, 2009): first, the privatization of activities previously carried out in the public sector and the decreasing regulatory role of the state (Berry et al., 1985; Dent, 1991; Ogden, 1995; Arnold and Cooper, 1999; Mueller and Carter, 2007); and second, the deployment of the “new public management” within the government apparatus (Preston et al., 1992; Oakes et al., 1998; Townley, 2002). We argue that a third wave of state privatization supplements these developments, whereby private sector mentalities and practices increasingly influence how the state is conceived of and managed to the point that members of central governments and public servants come to think and behave increasingly like business entrepreneurs. The phrase “third wave” implies that the influence of state privatization has a specific chronology, while acknowledging the mutual dependency of different waves that do not follow clear-cut temporal stages.

To illustrate this third wave, we consider how a number of governments (not merely the Greek one), in the 1990s and 2000s, adopted techniques of creative finance typically used in private companies. We see the development of these kinds of practices as revealing a process of state privatization that not only entails the use of finance methods developed in the business sector, but involves the embodiment, by political actors, of an entrepreneurial ethos. As such, we argue that the third wave of state privatization promotes a conception of the state that naturalizes the neoliberal agenda, and we question its potential to undermine the foundations of democratic processes.

We do not assume that neoliberalism has become naturalized to the point that any resistance, change and alternative project is impossible to sustain. On the contrary, we focus on the emergence of a counter-discourse that might have destabilized neoliberal governmentality. Specifically, we study the Greek financial crisis to better understand how a potentially destabilizing “trial of strength” affected the spread of neoliberalism (Boltanski and Chiapello, 1999; Latour, 1987). Drawing on discourse analysis, we predicate our examination on official reports from the main international political institutions involved in the event, as well as written press articles. Thus, we analyze the discursive activity that shaped the Greek crisis in both the media and political arenas, both of which could have been a catalyst for a systemic and ethical questioning of neoliberalism’s ascendancy over society. We show that problematizing trajectories were followed that diverted attention away from questioning the core principles of state privatization, focusing instead on the mistrust of certain categories of people, thereby strengthening the third wave of state privatization and what arguably appears as an unrelenting expansion of neoliberalism.

Our empirical material includes statements made in one of the main vectors of meaning construction in late modernity, namely, written and online press articles (Hall, 1997). We based our use of this material on the classic (and highly plausible) view that the press plays a key role in modern democracy by both informing and influencing citizens’ judgment (Chomsky, 1989; Herman and Chomsky, 1988). While the press’ impact on people’s subjectivities is not deterministic, the power of the media in shaping the mindset of a number of citizens, through a variety of subtle and not-so-subtle ways, should not be downplayed. In addition, we examined the content of official reports from the main international institutions involved in the event. Overall, the objective was to identify problematizing trajectories or key lines of interpretation within both the media and political arenas.

Our analysis suggests that the journalistic and political treatment of the “affair” exemplifies a case of “failed” scandal. The episode clearly provided an opportunity for reporters, politicians and citizens to question key aspects of contemporary state management. Indeed, citizens discovered that their government had been using financial technologies to “manage” the accounting image of public finances, in a way that reduced public deficit in the short term while increasing public debt in the long run. And yet, most of the critical views challenging such practices subsided within a matter of days. Other lines of interpretation and blame, less likely to disrupt the status quo, promptly overwhelmed them. In the political arena, the reforms supported by international political institutions largely left unchallenged, and may even have strengthened, neoliberal governmentality. Ultimately, the problematizing trajectories followed in both the media and political arenas did not destabilize but consolidated neoliberalism.

The study of the “Greek crisis” thus improves our understanding of the social mechanisms that help consolidate the neoliberal agenda of state privatization and perpetuate the status quo, in spite of crises that have, at least in theory, the potential of destabilizing the way in which states are conceived of and administered. Our findings also contribute to the literature by providing insights into the role of discursive activity, articulated in both the media and political arenas, in promoting a climate that favors the manufacturing of consent to state privatization. As such, our examination emphasizes the role of discursive activity in articulating naturalizing trajectories of problematization that solidify state privatization and the unrelenting expansion of neoliberalism. In the process, citizen debate tends to be marginalized, thereby undermining the foundations of democracy.

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