Introduction: Financialisation, crisis, social protests and development alternatives in Southeast Europe

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Southeast Europe is the region of the continent that has been most severely hit by the present crisis. GDP has plummeted in many countries, unemployment and poverty have sharply risen. Orthodox structural adjustment programmes have aggravated the recession. In a number of countries, strong social protests have emerged. The crisis has put the question of alternative developmental models on the agenda. To pose the question of development models implies to search for the reasons why the pre-crisis growth models and strategies have so dismally failed.

The contradictions of the pre-crisis growth models

Pre-crisis growth was credit-based. Rapidly expanding credit sustained domestic demand and made real estate and construction sectors surge. The domestic credit growth rested on high capital inflows. In many countries of the region, among which some are not formally within the Eurozone, most of the domestic debt was contracted in foreign currencies. Flats and cars were bought with euro or Swiss franc credits. However, the debtors usually received their income in the national currency. Thus, they were extremely vulnerable to currency devaluation. This vulnerability tied them to the prevailing exchange rate and/or the neo-liberal policies that were supposed to sustain exchange rate stability. Exchange rates on which the finance-led model rested were overvalued. With the exception of Slovenia, already weak industrial sectors came under increasing pressures - both in countries with the euro (e.g. Greece) and in countries which had their exchange rate tied to the euro. The deficits of foreign trade and current account surged throughout the region. And external debt soared as well.

Extreme vulnerabilities in the present crisis

The peripheral South East European countries - with the exception of the Eurozone member country Greece - as well as Turkey were immediately drastically affected by the dearth of capital flows. Greece enjoyed initially some protection by its Eurozone membership. At the beginning of the crisis, the country still had relatively good access to external capital and the recession was relatively mild in Greece in 2009. In early 2010, international banks and other financial institutions, however, became more restrictive towards Greece and rapidly increased the interest rates. Drastically reduced capital inflows *vis-à-vis* capital outflows made the main pillar of the pre-crisis model in Southeast European countries. There was, however, one exception: Turkey. Turkey was perceived as an "emerging market" and capital flows rapidly returned to Turkey. They enabled relatively high growth rates in 2010 and 2011. The high current account deficits which have accompanied that growth have, however, been an indicator of the fragility of that growth performance and hence Turkey is prone to financial crisis.

Orthodox structural adjustment programmes

The governments adopted orthodox structural adjustment programmes. Some did so under the guidance of the International Monetary Fund (IMF) and the EU, others produced home-grown varieties of austerity. The basic patterns were the same: restrictive budget policies particularly cuts in social expenditure, cuts in wages and pension payments and privatisations (in those countries - like Greece - where there are still lucrative public enterprises left that might be privatised). Austerity policies had as their key priority to avoid a devaluation of the currency or, in the Greek case, to maintain membership in the Eurozone. This priority was in the interest of the banks and the indebted middle strata. Since devaluation was politically excluded as an option, "internal devaluation", i.e. wage reduction and generally deflationary policies, became the main policy instrument. Austerity has drastically reduced domestic demand and, thus, brought the current account deficits gradually down. Thus, the external refinancing requirements were reduced. Recession which at times has been extreme (e.g. Greece, Romania) has aggravated the problems of private and public debt. The structural problem of the weakness of the productive sectors has not been tackled at all. While the economic crisis has continued, the social crisis has attained new proportions. In many countries, unemployment has reached record heights. Social services, like health services, crumble under the weight of crisis and austerity.

Social protests

The established political forces have visibly lost their legitimacy. Social protest movements have emerged from Greece to Slovenia. The social and organisational bases of the protests differ from country to country. Trade unions and the young have been central to the protest in Greece and Slovenia. In Bulgaria, they had a rather spontaneous character and relied to a considerable extent on people with middle class backgrounds while there have been a number localised cases of workers resistance in Serbia. In Bosnia and Herzegovina, the protests in early 2014 were particularly in the former industrial centres of the country and sparked off by dubious privatisation processes and the disastrous social and economic situation. In Turkey, the Gezi Park protests which swept over the whole country were very broadly based and directed against the authoritarian tendencies in the country and showed limitations of relatively unorganised protesters and the extent of coerciveness of the government forces against citizens. In most cases, social protestors do not have allies in the political arena. One important exception is Greece where the left-wing party alliance Syriza has grown spectacularly. And in Slovenia, a new left-wing alliance, Združena levica, has emerged. In the July 2014 elections for the national parliament, Združena levica gained 6% of the votes and is now represented by six parliamentarians. This is the first time that a party with a socialist orientation has gained parliamentary representation in a successor state of Yugoslavia. This is a precedent for the entire region.

The need for developmental alternatives

The crisis has a structural character. Therefore, it is one of the key challenges to formulate developmental alternatives. They clearly would have to address the question of strengthening the productive structures, particularly industry. The question of adequate exchange rate policies is intimately linked to the question of possible re-industrialisation. And this is one of the most vexing questions for the political left in the region: For Greece, leaving the Eurozone or not. For other countries, the question is similar: de-euroisation of the economy and devaluing the domestic currency, or not.

Contents of the special issue

The contributions are based on the International Conference "Financialisation, Crisis, Social Protests and Development Alternatives" which was held at the Middle East Technical University in Ankara on 14th and 15th February 2014. The conference brought together social scientists from Croatia, Serbia, Slovenia, Austria and Turkey.

Key issues of the articles are:

- the roots of the present crisis in Southeast Europe
- the inherent logic and contradictions of the present austerity policies
- mapping of the social protests, their socio-political composition and aims
- the debate on possible developmental alternatives.

The articles map accumulation models, crisis processes, social protests and the debates on alternatives in Southeast Europe from Slovenia to Turkey.