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The Sovereign Debt Crisis or Sophie's Choice On European Tragedies, Guilt and Responsibility

Does it matter at all?

The year 2011 will probably be known for its quick succession of Euro summits. They all had a similar, tragic outline. Every summit started with good intentions: this would be *the* summit bringing *the* solution for *the* crisis. As a result, expectations ran sky high and financial markets lifted. As the summit came closer, expectations were moderated, ballyhooing tempered, rumours about failures spread, and possible solutions were put into doubt. During – or just before – the summit, it became clear that although some solution was to be expected, it definitely would not be *the* solution. For a moment markets had seemed relieved after the summits, but within a few days pessimism took over. Instead of restoring confidence the summit had further weakened it: once again it became clear that this was not the final solution; once again a new summit would be needed. Just as in Greek tragedy, every next step seems to bring us closer to the final catastrophe.

The longer we are entangled in the sovereign debt crisis the more difficult it seems to find a way out. Every proposal has a wide range of contestants: politicians, policymakers, financial markets, economists or rating agencies. What is propagated by one contestant is downgraded by another. Everyone has their own interests, and although these interests are highly interdependent, they are also often conflicting. What can be done? Both the financial system and the European Union are human inventions, but it seems that our creations took over, reducing us to victims of these same inventions. If we intervene, the question arises whether our interventions matter at all.

At first sight we might be inclined to think that situations beyond our control take away our responsibility. The difference in effectiveness between acting and not acting becomes rather ambivalent. However, we will argue that even in such cases we could act and *take* responsibility. In our argument, Greek tragedy figures as a source of practical wisdom. Greek tragedies show us tragic heroes: mortals who embrace their fate as their choice. In this article we will explain what Greek Tragedy and the sovereign debt crisis have in common. We will illustrate what tragic heroes are up to, and, finally, we will propose what acting, in the sense of taking moral responsibility, in the current crisis could look like.

Oedipus complexity

The dynamics of good intentions that result in unintentional and unwanted outcomes are not only at the heart of Greek Tragedy and the sovereign debt crisis, In fact, they determine post-modern society as a whole. Let us start with Oedipus to illustrate the meaning of these dynamics.

Oedipus is trapped in a situation created by his ancestors; he has what family therapists nowadays would call a trans-generational problem. Because of past events, he is doomed to kill his father and marry his mother. As soon as his destiny is revealed to him, he does everything in his power to prevent it though. Unfortunately, he does not succeed: unknowingly he does, indeed, kill his father and marry his mother. Although Oedipus was doomed, he was not forced to act as he did. In a sense he executed his own fate.

Tragic events, like this one, presuppose some level of human freedom. A tsunami might be fatal, but it is not a tragic event. The life of a slave may be miserable, but it is not tragic in the sense of Greek tragedy. Tragic events occur when human actors create catastrophes themselves. In tragedies fate and freedom coincide. On the one hand, human beings have a certain freedom, but on the other hand they are not – and cannot be – in full control of the situation. Intentional actions are situated within given circumstances and can produce unwanted results. Oedipus took his own decisions (intentional actions) and he neglected warnings from others. He was doomed (given circumstances) and he definitely did not aim for the final results (unwanted consequences). A tragic actor's freedom is both always present and always constrained.

This tragic *condition humaine* cannot be relegated to history. In the 1990s Ulrich Beck published *The Risk Society*, containing an up-to-date variant of tragedy. His main point is that knowledge and technology driven interventions in society and nature do not only bring solutions, but also create (even bigger) problems. Knowledge and technology have become so extremely complex that it cannot be determined beforehand what their interventions will bring. A similar way of reasoning can be found in Anthony Giddens's *Modernity and Self identity* (1991). The consequence of this view is that we do not only have to cope with risks, but with fundamental uncertainty: all our actions and thoughts can be doubted. In the case of risks we attribute probabilities to future scenarios and thereby are able to control the outcome of our acting to a certain degree. However, in cases of uncertainty we do not know which future scenarios to take into account, let alone attribute probabilities. (For that reason, *The Uncertainty Society* would have been a more suitable title for Becks' book.)

The tragic message is that the more knowledge and technology we use, the more *unwanted* and *unintended* our results. This tragic dimension is not only an epistemological problem of the actor, but also, and even primarily, an ontological characteristic of advanced technological societies. Oedipus' problem is mainly epistemological; his troubles come about because he lacks knowledge, although his bystanders possess the required knowledge. He could have prevented his doom if he had but listened to them. In the uncertainty society the problem is not a lack of knowledge and people do listen. The problem is caused by an abundance of complexity. We do not only suffer individual Oedipus complexes, but *Oedipus complexity* as well. When dealing with Oedipus complexity, we are confronted with technology driven and

knowledge processing systems that seem to have their own laws and agenda beyond human intentions.

Both the *sovereign debt* crisis and the *credit* crisis are loaded with tragic Oedipus complexity. We started this essay by referring to the 2011 summits: they intended to solve the crisis, but resulted in a loss of confidence. Governments are in trouble due to their efforts to bail out financial institutions; financial institutions came into trouble due to the subprime crisis that resulted from US government policy to stimulate house ownership among Ninja's (no income, no job, no assets); structured products made to spread risks, spread risks in such a way that they could be everywhere, but could not be located anywhere; bonuses to stimulate profitability, endangered financial stability; et cetera. The financial sector is a living proof of the uncertainty and unpredictability of a chaotic system which is characterised by a sensitive dependence on initial conditions. In such systems the slightest, immeasurable deviations in the initial state lead to ever larger (exponentially increasing) differences in the future.

Becoming aware of these tragic dynamics can be paralysing. It could seduce us into concluding that when we are not in control, it is better to refrain from acting. We might even conclude that we are not responsible because of this loss of control. However, tragic heroes act in a different manner: they reject this kind of passivity. After Oedipus has found out about his terrible deeds, he does not hide behind his ignorance or the fateful character of his situation, his doom. He 'embraces' his fate as his choice. He appropriates the doom and takes responsibility, by blinding and banning himself. By doing so, the tragic hero acts as a scapegoat that 'purifies' the polluted situation.

The tragic hero

In order to understand what it means to take responsibility in tragic situations such as the present sovereign debt crisis, we have to distinguish between three modes people can find themselves vis-à-vis a fateful event: being a victim, being guilty and being responsible.

People can claim the position of the victim. A victim has nothing to do with the catastrophe he finds himself in; fate and freedom do not coincide in this case. Victimhood is related to fatalism and determinism and not to tragedy. As mentioned before, tragic events occur when people create catastrophes themselves. Being hit by a meteorite is a catastrophe, but has nothing to do with personal freedom; it is simply a case of bad luck. Dinosaurs were also hit by meteorites, but they had the good luck never to find themselves in a financial or sovereign debt crisis. After all, in the case of financial crises the bad luck has a moral ring to it.

For when it comes to the sovereign debt and the credit crisis preceding it, most Europeans were involved in the financial system as *actors*. In a democracy, with regard to the outcomes of governmental policies, everyone - tragically – bears guilt. After all, in democratic European countries the people themselves are sovereign. Although it is clear that the amount of freedom is not equally distributed among the population (with

regard to the financial governance of a country a minister has more freedom to act than the citizen whose freedom is restricted to voting once every four years or so), this makes victimhood in the case of the sovereign debt crisis not appropriate. That is why it is inaccurate to claim that most Europeans are just victims.

The situation European citizens find themselves in when it comes to the current crises can be compared to a car driver who unintentionally runs over a child. Even when s/he has strictly adhered to the traffic rules, s/he has a tragic guilt to bear. Even if s/he is then acquitted by a judge and even if (s/he cannot be blamed from a moral point of view. The reason of his guilt is that the accident was – at least partly – the (unintended) result of the driver's free actions. After all, s/he was not forced to drive a car, s/he *choose* to drive a car. Everyone participating in the financial system is affected by guilt as well. Be it as (elected) 'producers' or 'consumers' of the debt-creating financial policies. Not only politicians spending too much money, or CEO's of financial institutions receiving sky high bonuses, or reckless risk taking investment bankers, but also citizens who expect the government to spend money, and private investors looking for extra profits have their part in the crises. In the context of finance, greed and guilt are two sides of the same coin. However, the fact that everyone is guilty does not necessary imply that all actors take responsibility. Those who *take responsibility*, the tragic heroes, do not only accept that freedom and accompanying choices might have unintended and unwanted consequences, they also sacrifice themselves to bear these consequences.

A responsible position is not a very comfortable position; understandably, there are several reasons why people refuse to become tragic heroes alias scapegoats. Ironically their arguments can be derived from the tragic dynamics in general and from the dynamics of the current crises in particular. We list a few recurring excuses for escaping responsibility: 'My intentions were good so why should I be blamed', 'I was not the only one, everyone acted in a similar way', 'I acted according to the rules, how could I know this would go wrong', etc. Although it is tempting to hide behind these excuses, there are several people we can expect to speak up and take responsibility: they should not only acknowledge but also bear the consequences. This type of behaviour can be expected from top executives in the financial sector for instance. Since they were far from reluctant in claiming success in prosperous time, they should not be reluctant to take blame in times of crisis. Speculating private investors can cash profits, but have to accept losses as well. Those who borrowed too much in times of low rates should acknowledge they have to make additional costs when rates go up. The same logic applies to political 'leaders': the European Union is a political project so politician should be in charge.

Taking moral responsibility does not only imply that one sees and bears fate as choice, but also that – within this situation – one does not avoid to choose again. Oedipus took responsibility by banning and blinding himself. This was a tragic and difficult act that is exemplary of a tragic hero. A tragic choice is always a choice between two evils. We find a more recent and striking example in William Styron's novel *Sophie's choice* (1979). The novel depicts a Jewish woman who upon arrival at a concentration camp, is

demanded to choose between her two children: one child can stay with her, the other one will be sent to the gas chambers immediately. As a mother she has to choose between the devil and the deep blue sea, knowing that whichever child she chooses, she always loses. If she does not make the choice, both children will be murdered. Sophie makes her choice knowing that the resulting trauma will haunt her forever. However, the awareness that the choice does not bring her any good does not prevent her from making it. As a mother she cannot escape from it. Motherhood put her in this ambivalent moral position and made her act.

The lack of a comparable moral position within the European Union is what makes the sovereign debt crisis difficult to handle. Leaders are desperately looking for positive results and they lack the principles that force them into a decision. What is needed within this crisis is a shift from financial results to political principles.

Towards political principles

For nearly two years European politicians and policymakers have been confronted with their own tragic choices. To name a few: Should the private sector contribute to the stability fund or should it not? Should the Greek hand in sovereignty or should the Greek state fail? Can European countries strengthen the European Union without handing over sovereignty? Should the United Kingdom sign a treaty without proper safeguards or no treaty at all? If the European Central Bank acts as a lender of last resort does that fuel confidence or free rider behaviour?

Answering these questions is problematic for two reasons. First of all, a wide range of conflicting answers is produced: politicians and policymakers do not agree with each other. Examples of the latter are inter al. the disagreements between the (former) president of the European Central Bank and the German Chancellor regarding the involvement of the private sector in the proposed solutions. Additionally, all solutions are continuously put into doubt. The 'pact' between media and experts produces deconstructive critics and criticism day in day out. Consequently, tragic awareness has infiltrated Europe: good intentions will produce unintended results; therefore 'no intentions will be beneficial' is the implied conclusion. In contradistinction to Sophie's situation, there is no strong European identity – such as Sophie's motherhood – that will force a decision.

After World War II the European project started as a political project that had to put an end to tragedies such as Sophie's. However, from its very inception the European project was overdetermined by financial-economic considerations. Moreover, in the age of globalisation, these considerations are highly dependent upon the judgment of others. European responsibility has increasingly been outsourced to financial media, financial markets, economists and rating agencies. They seem to decide on what should be done and what should not be done. During the sovereign debt crisis the financial economic prospects are questioned and consequently European decision making encounters difficulties. Although these financial institutions are no democratic institutions they have a growing say in judging the decisions made within Europe. So far markets have been

displeased with the solutions offered by politicians, but 'who' these markets are and 'which' solutions they consider to be convincing has not been clear yet. Furthermore, outsourced responsibility cannot be claimed by European politicians. In contrast to Sophie, European Economic responsibility is mainly about results, whereas motherhood is about principles. Becoming a hero or a leader is not only a personal choice; it is also embedded within certain contexts. Unlike the politicians and CEOs, Sophie was not offered a chance to escape from responsibility.

It is true that financial and economic institutions can be blamed when it comes to the financial crisis, but it is not fair to blame them exclusively for the European crisis. European politicians are trapped in a dependency of their own making. Just like Oedipus, they are doomed by former decisions. Politicians and Europeans neglected and still neglect other possible options to face the crisis: the focus on and stories about financial and economic benefits have dominated other stories about European identity. The European Union was not only created to enlarge economic welfare, it was also a celebration of twenty-five centuries of European culture. Moreover, the European Union has also been created to guarantee peace and solidarity – commitment towards weaker individuals and countries – within a continent known not only for its magnificent cultural expressions, but also for its bloody wars. The aesthetic reflection on these fateful events, namely tragedy (many Greek tragedies deal with the Trojan, Persian and Peloponnesian Wars), as well as its descendants such as the European novel and film and popular genres such as the Portuguese fado, have played an important role in the establishment of a tragic sensibility and empathy with those who suffer from bad luck, be they individuals or European countries. The welfare state and the Rhineland model belong to the concrete fruits of Europe's tragic sensibility. In this sense the European ideal was and is undoubtedly appealing, but it has not always been appreciated. At the moment it even finds itself in the danger zone. The longer the crisis goes on, the more likely it is that we will sacrifice this European Ideal on the altar of the financial system.

Sovereign debt or Sophie?

In conclusion we would like to reframe the tragic situation we are in. If politicians and people were asked to rank the most astonishing crisis moments, the call for a Greek referendum by the Greek Prime Minister Papandreou would undoubtedly be situated at the top. In October 2011, after weeks of political struggling, the French president Nicolas Sarkozy, and the German Chancellor Angela Merkel, proudly presented their 'Merkozy' plans to handle the crisis. Expectations ran high as these plans were expected to solve the crisis or at least bring some temporary peace. Apart from the rescue of the euro –and the European Union – in general, there was a special focus on Greece. This country was balancing on the edge of failure and the plan offered a solution. Greece was to be paid out of the next tranche of their rescue package – to prevent an instant failure. Greece could receive the money it needed but there was one condition: it had to agree to more and tougher reforms for Greek citizens. Contrary to all expectations Greece did not accept this offer gratefully. Papandreou, already fiercely criticised within as well as outside his country, wanted to involve everyone in this decision: he proposed a referendum. Everyone was flabbergasted. The majority

expected the referendum to result in a rejection of the reform plans and as a consequence Greece would lead the European Union into even more heavy weather. But perhaps we should rather call it a democratisation of tragic responsibility.

If we put the speculations about the outcome of this referendum aside for a moment, we can observe that in fact Papandreou asked his people to take responsibility. He made clear that even in times of crisis they have a choice, although it is not a very appealing one: a complete bankruptcy or a fundamental loss of sovereignty combined with painful reform plans. It was a choice between two unwanted possibilities, two evils, comparable to the choice between the pest and cholera. Only suffering could come of it, no matter which alternative the people chose. Realising this can be hard, especially because the leading assumption within the European Union seemed to be that you could have your cake and eat it. The neo-liberal paradise – welfare for everybody – seemed possible for some time. But it turned out that the neo-liberal ideology can be tough as well. Whereas neo-liberalism had already showed its demonic nature to the workers in the sweatshops in the developing countries, it was now time for the Europeans to face the dark side of the invisible hand. The question Europe faces at the moment seems to be the following: ***is neo-liberal capitalism with a human face possible***, a question echoing the question of the possibility of a communism with a human face that constantly haunted the Eastern Block after the Second World War. Greece was the first country to be confronted with these tragic choices, and will probably not be the last one. We should however keep in mind that these are not the only dominant choices we can make. Although participation within the European Union dooms us with these ‘eco-tragic’ dilemmas, it also freed us from Sophie’s choice for the time being.

If we ask European citizens which dilemma they prefer - the sovereign debt dilemmas or Sophie’s choice - we expect that the answer will be all but ambivalent. So let us make sure that we do not sacrifice peace, solidarity and sublime beauty in this sovereign debt crisis. It is up to politicians to connect economics to politics and to define Europe in political and cultural and not in purely economic terms.

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