

New strikes called as more social cuts are prepared in Greece

Alex Lantier
3 March 2010

The Greek trade unions announced new strikes yesterday against further budget cuts demanded by banks and European institutions, amid the ongoing Greek debt crisis. This comes less than one week after a one-day national strike against budget cuts on February 24, in which an estimated 2 million workers participated.

The Supreme Administration of Greek Civil Servants Trade Unions, ADEDY (the public sector union), called a one-day national strike for March 16—the day after a scheduled meeting between Greek Prime Minister George Papandreou and European finance ministers to discuss Papandreou's proposed cuts. ADEDY announced rallies for today, as well as March 8 and March 12. The tax service union also announced a two-day strike for March 8 and 9.

Roughly 30,000 taxi drivers were on strike throughout Greece yesterday against a plan to force them to keep receipts and accounts so that the central government receives more tax income.

The unions are calling these actions under mounting pressure from the working class, which is deeply opposed to cuts in its living standards carried out to pay for the financial crisis precipitated by international bankers and their political facilitators in the Greek government and the European Union. Union leaders are seeking to use limited strikes and protests to contain working class resistance and buy time to work out an austerity deal with the social democratic PASOK government of Papandreou.

The unions have pledged support for Papandreou, portraying his government as the victim of international finance and the European Union bureaucracy, rather than the representative of Greek capital. This is bound up with efforts to channel popular opposition in a nationalist direction

The Greek government ran a budget deficit of over 12 percent of gross domestic product (GDP) in 2009, and is preparing massive social cuts under pressure from European officials and financial markets to reduce spending. Athens will refinance €8.2 billion in debt on April 20, €1.92 billion on April 23, and €8.5 billion on May 19. Whether financial markets lend these funds at a sufficiently low interest rate will be key in determining whether the Greek government stays solvent or

requires a bailout.

Greek Prime Minister George Papandreou will travel to Berlin to meet with German Chancellor Angela Merkel on March 5. He will also visit US President Barack Obama in the White House on March 9.

The Greek government has already frozen wages in the public sector and announced plans to increase the retirement age by two years, to 62. The government may also eliminate one of two additional monthly salaries traditionally paid to public and some private sector workers to supplement their 12 monthly salary payments.

On a visit to Athens on March 1, European Union economy commissioner Olli Rehn urged “additional measures” to cut spending. “No member of the eurozone can live permanently beyond its means,” he said. “Either you keep your debt under control, or your debt starts controlling you.”

Two hundred demonstrators tried to storm the building where Rehn met with Greek Labour Minister Andreas Loverdos, but were repulsed by riot police. Rehn was forced to enter through a side door.

As the Greek economy shrinks, keeping the budget deficit below a fixed percentage of economic output involves ever-larger cuts. An audit by staff at the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) completed February 25 included a demand for further budget cuts of €3.6 billion to €4.8 billion. Greek officials also gave assurances they would push through regressive increases in value-added taxes and fuel taxes.

After a March 1 meeting with Prime Minister José Luis Rodríguez Zapatero of Spain, which is also planning large spending cuts to reduce its budget deficit from 11.4 percent to 3 percent of GDP, Merkel said the common European currency faced “great challenges.”

She said that if European budget deficits were not quickly reduced to below the 3 percent limit set by the European Stability and Growth Pact, “the euro would be vulnerable to attack, which would harm us all.”

The *Wall Street Journal* reported February 26 that US hedge funds are speculating on a collapse of the euro, which fell from \$1.51 in December to \$1.35 last month, possibly down to the level of \$1.00. Such a fall would risk setting off large-scale

price inflation. Economist Jacques Attali told *Le Monde* that in such circumstances, “the euro zone could explode.”

There are rising international tensions over financing a bailout of Greece. Currently, no officials are proposing to let Greece default. At over €300 billion, Greece’s public debt is so large that financiers say a Greek default would pose a systemic risk on the scale of the collapse of the US investment bank Lehman Brothers in September 2008.

On February 26, *Bloomberg News* wrote that the 16 eurozone countries might put together a €25 billion bailout package for Greece, with Germany contributing €4-€5 billion. However, Merkel denied such plans in a February 28 interview, saying, “We have a treaty which rules out the possibility of bailing out other nations.”

Le Monde commented: “Merkel is ready to open her wallet, but she must deal with public opinion and a political community that is mostly very hostile to such a measure. In Germany, where reforms and wage moderation have demanded sacrifices from the population, it is inconceivable” to help Greece.

There are some discussions of private involvement in a potential bailout. On February 28, French Finance Minister Christine Lagarde said she was confident Greece could refinance its debt “via the means that we are now studying...involving private partners, public partners, or both.” Two days before, Deutsche Bank CEO Josef Ackermann traveled to Greece for meetings with Papandreou.

Increasingly, European politicians are considering letting the IMF set up a Greek bailout and force through social austerity measures. Since the outbreak of the world economic crisis, the IMF has organised bailouts for Hungary, Latvia, Romania and Ukraine. More broadly, the IMF has pushed through draconian austerity measures in large sections of Africa, Asia and Latin America over the last three decades.

The *Wall Street Journal* wrote: “Merkel is more open to a deeper IMF role, says a person familiar with her thinking.... Ms. Merkel believes the IMF has more know-how and experience at setting up aid packages than the European Commission, the executive arm of the EU.”

However, many European officials are concerned that a bailout of Greece by the IMF, which is dominated by Washington, would give the US decisive influence over the eurozone and the euro itself. China also has IMF voting rights.

Last month, *Le Monde* cited anonymous high-ranking European officials as saying, “If [the IMF] intervened alone, we would lose all control of the conditions [of the bailout]. Efforts at budgetary and monetary coordination inside the eurozone would no longer have any meaning.”

On Monday, Luxembourg Minister-President Jean-Claude Juncker told *Der Spiegel*, “I consider that an engagement by the IMF going beyond technical help would not be necessary.” German Finance Minister Wolfgang Schäuble is also hostile to an IMF bailout of Greece, *Der Spiegel* wrote, noting, “no one

in Berlin wants the US to be involved in the eurozone, even indirectly.”

French President Nicolas Sarkozy is said to be hostile to an IMF role in a Greek bailout. IMF chief Dominique Strauss-Kahn of the opposition French Socialist Party is a potential opponent for Sarkozy in France’s 2012 presidential election, and Strauss-Kahn currently leads Sarkozy in opinion polls.

However, as a bailout will entail drastic and profoundly unpopular austerity measures against the working class, there are fears the European Union might be too weak to carry it out. One aim of having unelected IMF authorities in Washington rather than European governments organise a financial rescue would be to make the bailout impervious to popular protest and defuse intra-European tensions.

In one sign of the explosiveness of the situation, Greek officials are raising the issue of German reparations for the Nazi occupation of Greece during World War II. After similar comments last week by Greek Deputy Prime Minister Theodoros Pangalos, Greek Prime Minister George Papandreou said, “The issue of German World War II reparations has not been finally settled. We have never given up on our claims.”

Former European Central Bank chief economist Otmar Issing told ZDF Television Monday, “The IMF would be suitable [for a Greek bailout] because it is meant for this.... By turning to the IMF, you avoid resentment building up between Greece and other individual countries, such as Germany.”

The *Wall Street Journal* wrote, “Ted Truman, a former international Treasury official in the Obama administration, says the EU should use the IMF more fully—if only to give the electorate in Greece and elsewhere a political target other than Brussels, Paris, and Berlin.”



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact