

German chancellor steps up pressure on Greece

Peter Schwarz
28 April 2010

The German government is linking the provision of funds for Greece to entirely new conditions, thereby delaying financial aid.

Following Athens' request for loans of €45 billion from the International Monetary Fund and the Eurozone countries—a bailout that had previously been agreed upon in principle—Chancellor Angela Merkel has made her consent dependent on Greece presenting a “three-year, sustainable and credible recovery programme”. In practice, this means that the government of Prime Minister George Papandreou must add a third round of austerity measures to the two draconian packages already adopted.

Some German economists close to the government are suggesting that Greece be pushed into state bankruptcy or be forced to withdraw from the monetary union. They argue that supporting Athens violates the rules of the euro stability pact and will lead to similar demands from other countries and undermine the value of the euro.

Germany has largely isolated itself in the European Union with its implacable attitude. In particular, the highly indebted countries of southern Europe, but also France, are accusing the German government of stoking a wave of speculation that has already driven up interest rates on Greek government bonds to record levels.

Even some German commentators are warning that Germany is undermining its own position, since it is one of the principle beneficiaries of the Eurozone area, which absorbs about 70 percent of German exports. Bankruptcy for Greece could trigger a chain reaction that would mean the end of the euro.

This would have devastating consequences for the European financial system, intra-European trade and, in particular, the German export industry. Experts

estimate that the German currency would appreciate by 30 percent against the rest of the euro area if the euro were to fail, making German industry barely competitive.

Moreover, German banks hold Greek bonds worth €45 billion, which would be written off in the event of state bankruptcy. The losses of these banks would prove far more expensive for Germany's public purse than the guarantees currently being discussed, involving Germany underwriting an €8.4 billion loan to the Greek government.

Merkel's Greek policy faces criticism from two sides. Her coalition partners—the Christian Democratic Union's sister party, the Christian Social Union (CSU), and the Free Democratic Party (FDP)—accuse her of being too lenient towards the Greek government. On the other hand, sections of the Social Democratic Party and Merkel's own Christian Democratic Union (CDU) accuse her of not acting quickly enough to support Greece.

In reality, the chancellor is following a clear line. Her main objective is to shift the full burden of the crisis onto the Greek population and force the Greek authorities to take whatever measures are necessary to carry this through. If the German government had immediately pledged support, writes the *Süddeutsche Zeitung*, “the pressure on the Greek government would have disappeared at once. Prime Minister George Papandreou would no longer have been able to bring a radical austerity programme before parliament as is now foreseen”.

At the same time, Merkel has signalled to the banks that they need not worry about their money. Pro-government sources confirm that the chancellor never seriously considered Greek national bankruptcy. Internally, she made it clear from the beginning that the

country could not be allowed to fail, and that ultimately support would be forthcoming. However, her intention was to drive up the price of a rescue package.

Merkel's priority is not Greece, but Germany and Europe as a whole. Greece serves as a test case. It is a proving ground to see how the working class can be made to pay for the huge deficits in the budgets of all countries arising from the international financial crisis and the rescue packages to save the banks.

Dramatic cuts in wages, pensions and public spending such as those currently being imposed by Papandreou on the Greek population are also planned for Ireland, Portugal, Spain, Italy, Britain, France and Germany itself. Greece is being closely monitored to see how far Papandreou can go without provoking a popular revolt, and to what extent the unions and pseudo-left organizations such as the petty-bourgeois SYRIZA are able to keep the social opposition under control.

It is in this context that the anti-Greek hysteria being fanned by the German media should be seen. It serves a particular purpose: to prevent any solidarity between the German and Greek working classes.

Papandreou, Merkel and other European leaders fear nothing more than a common struggle by European workers against the cuts and austerity measures. Currently, some 350,000 Greek immigrants live in Germany, having fled the military dictatorship 40 years ago. Many of these workers played prominent roles in the labour disputes of the 1970s and 1980s.

It is the gutter press belonging to the Springer-Verlag group that is playing the leading role in the anti-Greek smear campaign and the drive to stir up backward prejudices. For weeks, the tabloid Bild newspaper has told its readers that the "Greek system" consists of "corruption and nepotism", and conducted a witch-hunt against the "bankrupt Greeks", whose "luxury pensions" must be paid by Germans. Bild readers are not told about the low incomes and pensions in Greece, nor the fact that the cost of living has risen to German levels since the introduction of the euro.

What is new is that this agitation is not confined to the gutter press, but can also be found in the pages of publications read by the liberal middle class. For example, Stern published a letter from the author Walter Wüllenweber to the "dear Greeks" that drips with arrogance and maliciousness. Wüllenweber accuses "the Greeks" of having spent more money than

they have earned for decades, and "lived at the expense of others, continually deceiving".

Following the appearance of this piece, he was promptly invited to appear on the prestigious television talk show hosted by Anne Will, where the presenter competed with him in denouncing all Greeks as lazy and corrupt.

The object of this propaganda is to cover up the fact that Greek society—like German—is divided into classes, and that millions of Greeks live in abject poverty, while a small elite has enriched itself thanks to its relations with the European Union.

Behind this campaign is the attempt to stir up sections of the middle class against the working class. In this, Greece serves only as the means of preparing new attacks on the entire European working class.

Peter Schwarz



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact