On eve of general strike

European, world markets plunge on Greek debt fears

Joe Kishore
5 May 2010

World stock markets fell sharply on Tuesday, driven by fears that massive spending cuts in Greece will be insufficient to resolve the country's debt crisis, which threatens to expand to other European countries.

A strike of civil servants Tuesday, to be followed by a general strike of public and private sector workers on Wednesday, underscores the clash of social interests playing out in Greece and throughout the continent. The financial elite in Europe and internationally, with the support of the PASOK government of Prime Minster George Papandreou in Greece, is demanding unprecedented austerity measures. The trade unions, aligned with Papandreou, are struggling to contain overwhelming popular opposition.

On Sunday, Papandreou laid out the "great sacrifices" demanded of the Greek working class in exchange for €110 billion in loans from European governments and the International Monetary Fund. These include sharp wage and benefit cuts for public sectors workers, the easing of restrictions on mass firings in the private sector, an increase in the retirement age, the privatization of transit and other government services, and increases in regressive sales taxes. Legislation containing the measures is due to be voted on by the Greek parliament on Thursday or Friday.

The spending cuts will provoke a sharp economic contraction, including an anticipated 4 percent decline in GDP this year. This will mean mass layoffs throughout the economy.

Government officials in Europe and Washington have endorsed the attack. On Sunday, US President Barack Obama—who spearheaded the global bailout of the financial system—told Papandreou that he welcomed the "ambitious" program of cuts. At the same time, German Economics Minister Rainer Bruederle warned that the loans would not cover all of Greece's requirements over the next three years.

For its part, the European Central Bank issued a statement Sunday praising the "ambitious fiscal adjustment and comprehensive structural reforms," while at the same time warning that "the Greek public authorities [must] stand ready to take any further measures that may become appropriate to achieve the objectives of the program"—that is, more cuts.

The turmoil in Greece sent stock markets down sharply in Europe and the US. Particularly hard hit were share values of banks, which own much of the debt of Greece and other countries. In Athens, the market fell 6.7 percent, in Spain 4.3 percent, and in Portugal 4 percent. Markets in Britain, Germany and France fell between 2.6 and 3.3 percent. The euro fell to a 13-month low.

Across the Atlantic, the Dow Jones Industrial Average fell more than 224 points, or 2 percent, while the Nasdaq fell nearly 3 percent. A closely watched measure of market volatility rose 18 percent, indicating that investors anticipate more steep declines in the coming days and weeks.

Concerns about a spreading sovereign debt crisis beyond Greece—and demands for attacks on the working class—are currently centered on Portugal and Spain. Ratings agency Standard & Poor's downgraded the debt of both countries last week.

Socialist Party Prime Minister Jose Luis Zapatero was forced to issue a statement Tuesday calling fears that Spain would have to resort to an IMF loan "complete madness." Zapatero has already introduced plans for massive spending cuts and has pledged to do "whatever it takes" to reduce the country's budget deficit.

Similar measures are being planned and implemented throughout Europe and internationally. The bailout of the financial system has been followed by demands that the working class pay for the resulting surge in government debt.

The *Financial Times* worried in an editorial Monday that none of the major candidates competing in the May 6 elections in Britain has "tackled head-on the question of how to restore Britain's public finances… The parties have not been straight with the public about the austerity that lies ahead."

Central to the concerns of investors and governments demanding these cuts is the inevitable social reaction they will provoke. Jeremy Batstone-Carr, an analyst at Charles Stanley, warned that if Greece "fails to deliver the austerity measures in the face of widespread popular dissent then the International Monetary Fund will withdraw its support and the emergency aid will be withdrawn. This is the immediate crisis."

The financial elite is relying on the social democratic Papandreou government to push through the cuts in Greece, and the government is in turn relying on the trade unions and middle class organizations to contain and demobilize opposition. However, there is broad concern that the situation might get out of hand.

Spyros Papaspyros, the head of public sector union ADEDY, worried in comments to the *Financial Times* that the austerity measures "have surpassed the tolerance threshold of the society and no one can foresee what will happen next."

Papaspyros made clear to the newspaper of British finance capital that he well understood his role. The *Times* wrote, "But Mr Papaspyros said the unions would do their best to press their demands for a fairer distribution of the costs of the austerity measures but had no intention of helping speculators who bet against a Greek default." In other words, the unions entirely accept the necessity for austerity measures and will do their best to help resolve the deficit crisis.