Fears over Greek crisis continue to drive down global markets

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Despite the Greek parliament's approval of drastic austerity measures, fears that the country's economic crisis will deepen and spread to other nations continued to drive down international markets Friday.

The panic selling that saw the Dow Jones Industrial Average plummet by nearly 1,000 points, or about nine percent—a steeper drop than even in the wake of the Lehman Brothers collapse in 2008—continued to reverberate around the world, hitting markets in Asia and Europe and leaving share prices on the New York Stock Exchange down again on Friday.

In Asia, Japan's Nikkei 225 index was among the worst hit, closing down 3.1 percent on top of a 3.3 fall on Thursday.

Japanese Prime Minister Yukio Hatoyama told reporters Friday that "Japan is very concerned about Greece's problems and the government will deal solidly with any fallout." The Bank of Japan poured another 2 trillion yen (nearly US$22 billion) into the country's financial institutions. It marked the biggest emergency injection by the central bank since December 2008. There are growing concerns about Japan's own mounting national debt.

In Europe, the FTSE 100 in London was down 2.6 percent; Frankfurt's DAX fell 3.27 percent and the CAC-40 in Paris dropped 4.13 percent.

After another day of hectic trading on Wall Street, the Dow closed down nearly 140 points, or 1.33 percent. This came on top of Thursday's 3.2 percent drop. The index has now fallen by nearly 7.5 percent compared to last month, and most financial analysts predict that the decline will continue.

The media, led by the talking heads on the cable television financial programs, cast about for explanations for Thursday's market seizure, pointing to computerized trading and even a so-called "heavy finger" trade in which it was rumored that a trader for a major US bank had mistakenly substituted "b" for "m" and sold billions instead of millions in stock.

This theory was largely discounted before the trading was over Friday. No one could verify that such a trade had been made, and financial analysts pointed out that under conditions of an otherwise healthy market, such an error would have had a negligible effect.

The US Security and Exchange Commission, meanwhile, announced that it is launching a probe of Thursday's trading to see if the staggering fall in share prices was connected to any "irregularities."

Serious analysts could not obscure the obvious, however. The sell-off on the international markets was the result of a growing panic among the world's ruling elites over the events in Greece.

Investors watched live television coverage of tens of thousands of Greek workers battling riot police outside the parliament building in Athens and suffered a severe crisis in confidence, not just in Greek debt, but in the stability of the world capitalist system generally.

There was a palpable fear that similar eruptions are on the horizon throughout Europe, Asia and in the United States itself as governments pursue similar measures to those being imposed in Greece as a means of forcing working people to pay for the massive debts of the banks and for the ballooning public deficits that have been incurred to prop up the financial sector.

As the *Washington Post* reported, the continued plummeting of share prices on the world stock markets was being driven by "evidence of a scary proposition: That the fiscal crisis that began in Greece months ago is spreading across Europe like a virus, causing growing doubt even about the fate of nations with far more manageable levels of government debt."

This includes Spain, which has come under increasing financial pressure, despite having considerably less debt, compared to the size of its economy, than Britain or the United States.

The result of this "contagion effect," the *Post* continued, is that investors are selling off their investments in other countries' debts, creating a kind of self-fulfilling prophecy. These countries, in turn, must pay "higher and higher interest rates to get any loans," unleashing a "fiscal death spiral."

New York Times economic analyst Floyd Norris wrote Friday that "fears are growing that Europe, which is worried that the crisis in Greece could be followed [by] ones in Portugal and Spain, will follow the pattern laid down by the United States government in 2007, when officials offered frequent reassurances that the sub-prime mortgage problem was 'contained' but delayed taking the bold action that finally did stop the panic."

Mohamed A. El-Erian, the chief executive of the money management firm, Pimco, told the *Times*: "There is a recognition that the Greek crisis has morphed not into not only a European crisis, but is going global."

This sense that the Greek events pose a grave threat to the world capitalist economy found expression in an emergency teleconference held Friday by the finance ministers and central bankers of the Group of 7—United States, Germany, Japan, Britain, France, Italy and Canada.

Canada's Finance Minister Jim Flaherty told reporters after the conference that all those participating grasped the "urgency" of the crisis and understood "the need for a clear, timely and strong response." He gave no indication, however, as to what that response would be.

In Germany on Friday, the parliament voted to approve the country's share of the 110 billion euro ($140 billion) Greek rescue package put together by the European Union and International Monetary Fund.

German Finance Minister Wolfgang Schäuble warned, "It would be devastating to even risk a chance of Greece, a member of the euro zone, going bankrupt." The result, he suggested, would be the end of Europe's common currency, the euro and the entire project of capitalist unification of the continent.

In Brussels, meanwhile, the heads of state of the 16 Eurozone nations met Friday evening to discuss final details on the EU section of the financial package. The prerequisite for the meeting was the vote by the Greek parliament the night before to pass a sweeping and draconian package of austerity measures that resembled the kind of International Monetary Fund "shock therapy" programs imposed in much of Latin America during the debt crisis of the 1980s and 1990s.

The bitter opposition of Greek working people to being forced to pay for the crisis created by the financial elite erupted into pitched battles between demonstrators and riot police outside the parliament building in Athens.

Controversy over the package approved by the Greek legislators continued to build on Friday with the announcement by Finance Minister Giorgos Papakonstantinou that the legislation would allow the government of Prime Minister George Papandreou to sign agreements with the EU and the IMF without first submitting them to parliament.

Papakonstantinou said that the EU had demanded the provision, and that the government immediately accepted it to expedite the loan disbursements.