Europe-IMF bailout, social cuts announced in Greece

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In a nationally-televised May 2 cabinet meeting, the Greek government of Prime Minister Giorgios Papandreou announced massive social cuts worked out last week in negotiations with European and International Monetary Fund (IMF) officials. In exchange for these austerity measures, the European financial ministers' summit in Brussels decided to implement a €110 billion bailout package enabling Greece to pay its creditors.

The announcement came after tens of thousands of Greek workers marched on May Day to protest the government's decision to seek a bailout loan. Polls show that 61 percent of the population opposes Papandreou's decision to seek a bailout. There are widespread expectations of violent clashes as the government moves to enforce the cuts.

Papandreou warned the Greek population that it would be forced to make "great sacrifices" and that his government's goal was to "avoid bankruptcy." The Greek government is seeking to reduce the budget deficit from 14 percent to 4 percent of Greece's gross domestic product (GDP), which stands at roughly €245 billion. A proportionate reduction would amount to $1.4 trillion in government spending cuts in the US, or €241 billion worth of state spending cuts in Germany.

As it absorbs the impact of these cuts, the Greek economy is expected to contract by 4 percent this year—compared to previous estimates of a contraction of 0.3 percent.

After the cabinet meeting, Greek Finance Minister George Papaconstantinou gave some details on the further cuts the government will demand. Public sector workers face a 15 percent cut in their official wages: wages traditionally paid as "13th" or "14th" monthly salaries will disappear, replaced by a bonus capped at a maximum of €1,000 per year, available only for workers with monthly salaries under €3,000. Wages will then be frozen until 2014. Other bonuses—a large portion of public-sector workers' total pay—will be cut by 8 percent, on top of previous cuts of 12 percent.

Pensioners also face massive cuts. The retirement age—65 for men, 60 for women—will be increased and indexed in relation to life expectancy, while the pay-in period to receive a full pension will increase from 37 to 40 years. Pensions will be calculated from the average yearly salary a worker has earned over the course of his working life, and not the last yearly salary he received.

In the private sector, a new minimum salary will be put in place for young workers, and the government plans to scrap legislation barring companies from firing more than 2 percent of their total work force in any given month, while loosening guidelines on severance packages.

Sales taxes—which fall most heavily on the working class—will be increased by 2 percent, to 23 percent, after a two-percent increase in March, with a further 10 percent increase on fuel, alcoholic beverages, and tobacco products. Property taxes will also increase, and Athens announced a one-time tax on "highly profitable" companies.

Athens also plans to privatize mass transit and utilities—moves that will doubtless dramatically increase user fees, just as workers face plunging wages and rising unemployment. There will also be large cuts in spending on hospital equipment and medical care.

Social Affairs Minister Andreas Loverdos said: "This is the most difficult moment the country has faced since 1974"—that is, the end of the military junta that ruled Greece from 1967 to 1974. Commenting on Loverdos' remarks, the *Financial Times* noted fears that the government might "lose political control" of the two million workers who are members of the ADEDY public-sector and GSEE private-sector unions, and that "protests could turn violent."

Antonis Samaras of the right-wing opposition New Democracy (ND) party criticized Papandreou's cuts as "a genuine Waterloo of the government's forecasts and policies.... They had assured us that the Stability and Development Program was fully adequate for this year. Now they admit that it has essentially failed and are imposing new, much more drastic measures, with new increases in indirect taxes and additional salary cutbacks in the public sector."

Trade union officials also criticized the cuts. ADEDY president Spyros Papaspyros announced protests today and tomorrow, in addition to an already-planned May 5 joint national strike with the GSEE. He said: "The measures will set off a volcanic eruption in terms of public reaction. Our income is being further cut, there will be thousands of layoffs and the cost of living will increase through the new taxes."

Stathis Anestis, spokesman for the GSEE, promised a "decisive and dynamic" reaction. He called for changes in EU labor regulations: "We are asking all Europeans to think again: what kind of Europe do they want? What kind of society? What kind of employees?"

The unions' comments are aimed at containing popular hostility to Papandreou's policies and preventing it from taking a politically independent direction. The strikes they organize, presented to workers as an attempt to pressure Papandreou and Greece's creditors to pass cuts that are "fair," have not stopped the social-democratic PASOK party government from carrying out one wave of cuts after another.

In fact, as the Greek daily *Kathemerini* reported, the current cuts were worked out in consultation with "senior labor union officials." Much of the top ADEDY and GSEE leadership consists of members of Papandreou's PASOK party. Based on their pro-capitalist, pro-government perspective, the unions view Papandreou's cuts as a necessity to repay Greece's creditors. (See: "The Greek trade unions: Partners in the government’s austerity program").

Kathemerini added, "At his meeting with union officials [on April 29], Papandreou made it clear that the IMF and EU have allowed Greece very little room to maneuver and are attaching tough measures to the 45 billion euros in emergency loans that Greece wants this year. Sources said he asked the unionists to appreciate this point and not to try to make political capital from the situation."

A special meeting of eurozone finance ministers in Brussels approved the €110 billion package yesterday evening.

European governments decided to fund a bailout largely out of fear that a Greek default might lead to a new financial crisis and the bankruptcy of other countries, such as Portugal and Spain. Credit rating agencies recently downgraded both countries' debt. The social-democratic governments of Prime Minister José Luis Zapatero in Spain and Prime Minister José Sócrates in Portugal announced plans for further austerity measures last week, as the interest rate Spain and Portugal pay on new borrowing surged.

After its credit downgrade, reports also emerged that Spain's official unemployment rate recently topped 20 percent, having risen 11.45 percent since January 2008. Eighty percent of the jobs lost were held by men, particularly in the construction industry. Santiago Carbó, economics professor at the University of Granada, said: "Most of the 20 percent is structural. It's here to stay."

German Finance Minister Wolfgang Schäuble said the German government would soon put the Greek bailout to a vote in parliament: "we have a good chance to finalize the legislative process in Germany by Friday," May 7.

Chancellor Angela Merkel said she would push for the approval of €8.4 billion in loans to Greece, the first installment of an expected German contribution of roughly €25 billion. Merkel called the bailout "absolutely necessary" to "return the euro to stability." France's National Assembly is expected to vote today to approve a €6.3 billion loan, part of a total expected contribution of €20 billion from France.

There are also fears of a new banking crisis as the value of Greek bonds—held as collateral by major European banks—collapses. Eurozone country banks hold €164 billion of Greece's roughly €300 billion in state debt, including €28 billion held by German banks, €50 billion held by French banks, and €20 billion held by Italian banks. Caja Madrid recently announced a 79 percent fall in quarterly profits, due to "shifts in sovereign bond markets."

According to a report appearing today in the German news magazine *Der Spiegel*, US Treasury Secretary Timothy Geithner pressed Berlin to rapidly agree to a bailout: "There was considerable American pressure applied on Germany to agree to the rescue package. Geithner demanded from Deputy Finance Minister Joerg Asmussen at a meeting of G7 finance ministers in Washington last week that Germany drop its resistance as fast as possible."

Tens of thousands of workers marched in Greece's major cities on May Day to demonstrate their opposition to the cuts being prepared by the ruling class.

In Athens, 80,000 workers—20,000 according to police—marched behind banners reading, "No sacrifice, the plutocracy must pay for the crisis." Several hundred younger marchers carrying red flags clashed with riot police after they attempted to bar the road to the Parliament building, and a police van burned after protestors threw Molotov cocktails. Marchers converged on Athens' Syntagma Square, chanting "No to the IMF's junta"—a reference to Greece's 1967-1974 military dictatorship.

Protestors heckled Apostolos Kaklamanis, a lawmaker and former parliamentary speaker of the ruling social-democratic PASOK party, then threw plastic water bottles at him and kicked him, before police rescued Kaklamanis.

Roughly 5,000 protestors marched in Thessaloniki. Some marchers attacked storefronts and cash machines, clashing with riot police.

The May Day protest came just before a May 5 nationwide general strike called by ADEDY and GSEE. According to a poll published on April 30, 51.3 percent of Greeks intend to participate in street protests, should the government continue with plans for social cuts and the European-IMF joint bailout.

The *Times* of London interviewed law students at Athens University. Thanos Petrou, 21, said: "If I get a job as a trainee lawyer, I'll only earn €300 a month. How can anyone survive on that?" The *Times* added, "Some are already referring to a 'lost generation' who will never find jobs or security."

Demonstrators cited in press reports stressed the devastating effects social cuts will have on workers' living standards. Nikos Diamantopoulos, marching in Athens, denounced the cuts being prepared by the Papandreou government: “These measures are death. How people are going to live tomorrow, how they’re going to survive, I do not understand."

Virginian Kalapotharakou, an accountant who had joined striking sailors and dockworkers at the Piraeus port, called Papandreou's cuts "very reactionary. They're trying to do away with all the rights we gained through struggles in previous years."

Tassos Anestis, a shipyard worker, told the *Financial Times*: “We are going to suffer because of measures imposed by the European Union and the International Monetary Fund … but it is those who ruined the economy that should pay."