Greek Parliament approves deep social cuts in face of mass opposition

Stock markets fall sharply on fears of unrest

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The Greek Parliament voted to approve €30 billion in cuts to jobs, wages, pensions, and social spending Thursday, the day after a general strike against the measures. The cuts were agreed to by Prime Minister George Papandreou as part of a loan package from European governments and the International Monetary Fund.

Mass opposition to the measures panicked stock markets, expressing growing concern in ruling circles that global social unrest will disrupt plans to make the working class pay for government deficits. Markets fell sharply in Asia, Europe, and the United States.

At one point on Thursday afternoon, US markets were in free fall, down almost 9 percent before finishing down 3.2 percent. The mid-day fall was the largest since December 2008, and revealed a level of market volatility not seen since February 2007.

There were also reports that European banks are beginning to freeze interbank lending, as during the 2008 Lehman Brothers crisis, for fear that banks holding Greek debt might go bankrupt.

The precipitous fall in US markets was later blamed on computer selling. Regardless, the dominant sentiment on Wall Street was concern over the credit crisis in Greece. Traders reportedly started selling after seeing television reports of clashes outside the Greek Parliament. Several commentators warned of a possible sell-off on Friday.

There is overwhelming popular opposition in Greece to the austerity program, which includes deep cuts in pay and benefits for government workers, easing restrictions on mass firings, the elimination of the minimum wage, cuts in public education funding, the privatization of government services, and a sharp increase in the VAT tax. Polls show that 61 percent of the population opposes the bailout and cuts.

In remarks before Parliament, Papandreou repeated his insistence that the cuts were necessary as part of a fundamental restructuring of the Greek economy. “The emergency measures are the condition for us to regain our credibility and win time, lost time, the time to make the big changes that were delayed for years,” he declared.

The final vote in Parliament was 172-121 in favor of the bill. Papandreou expelled three deputies of his own PASOK social-democratic party from the parliamentary majority group for abstaining in the vote. The conservative New Democracy (ND) party, the Communist Party of Greece (KKE), and the SYRIZA coalition voted against the bill.

The ADEDY public sector and GSEE private sector trade unions called a rally in front of the Greek Parliament yesterday evening. Tens of thousands of protestors marched through the streets of Athens after the vote in protest, chanting, “They declared war. Now fight back.”

The unions are calling protests in an attempt to control the workers, even though they themselves support the principle of carrying out cuts to balance Greece’s books. The unions met with Papandreou to discuss the cuts as the prime minister negotiated them with European governments and the IMF. The union leadership consists largely of PASOK members.

Details continue to emerge of events during Wednesday’s general strike. There were reports that soldiers joined in the protests, after a number of air force pilots recently called in sick to protest.

On Tuesday, teachers forced their way into a state television’s broadcast station as it was interviewing education officials, refusing to leave until they were allowed to read out a statement to the public on national television. Before being escorted out of the building by police clad in riot gear, the teachers denounced plans to sack 17,000 part-time staff.

Media coverage has focused on the tragic death of three workers in the firebombing of the Marfin Egnatia Bank in Athens Wednesday. The hooded attackers have yet to be identified.

Government officials have blamed the attack on protestors. However, one cannot rule out a police provocation, which has a long tradition in Greece. The Papandreou government responded to the deaths by pledging to continue the offensive for austerity measures.

Media commentators hoped that the tragedy could be used to demoralize working-class opposition and push through the cuts. The *New York Times* explained: "Many observers here [in Athens] said that the violence probably would embolden the government not to back down, while spawning a backlash among Greeks against a growing number of extremists" who were protesting state policies.

Bank workers, however, denounced the banks for preventing workers from participating in the strike. Athens Indymedia posted a letter, signed "An employee of Marfin Bank," which bitterly criticized the bank and its owner, Mr. Vgenopoulos, for neglecting fire and security arrangements, and forcing workers to work despite the strike.

It continued, "For many days now there has been complete terrorization of the bank's employees in regard to the mobilizations of these days, with the verbal 'offer': you either work, or you get fired.… The two undercover police who are dispatched at the branch in question for robbery prevention did not show up today, even though the bank's management had verbally promised to the employees that they would be there."

The protests come amid further signs that the Greek government is collaborating with international financial institutions to impose the crisis on the backs of the working class.

Karel de Gucht, the European Commissioner for Commence, told *El País*. "We knew that Greece was tricking us. One could already see when they entered the euro that there were problems" with Greek debt and deficit figures. He noted that the European Commission had tried to investigate Greek figures in 2003-2004, but that other EU states had opposed this; at the time, Germany and France were also running deficits in violation of Maastricht treaty criteria.

This is particularly significant because Papandreou—in deciding last autumn to abandon his election promises of increasing social spending—claimed that he had not known that Greece was in a desperate fiscal situation. In fact, the ruling class in Greece and Europe hoped to use Papandreou's election to create a political atmosphere in which the cuts could pass. Papandreou could use PASOK's connections with both the trade unions and the middle class parties such as SYRIZA to demobilize opposition.

Praising the massive austerity plan recently agreed to by Papandreou as "very credible," De Gucht continued, "The population would not have accepted it before. One had to be careful not to provoke a revolution."

Such comments cannot hide a growing atmosphere of panic on financial markets, which fear that financial collapse and popular protest could rapidly spread throughout Europe and the world.

The *Financial Times* commented, "Riots in Athens have illustrated how the severe austerity measures…have implications not just for economic growth but also for social cohesion."

Economists have also expressed concern that the budget cuts will lead to an unprecedented collapse in the Greek economy, which could be replicated throughout Europe. The *New York Times* cited calculations of economist Daniel Gros: "For each 1 percent of GDP decline in Greek government spending, total demand in the country falls by 2.5 percent of GDP." This suggests that if Athens cuts state spending by 10 to 15 percent of GDP as planned, the economy would fall by roughly 30 percent.

There are also further signs of "contagion" to other countries. On Thursday, Moody's Investor Service warned that the banking systems of Portugal, Spain, Ireland, Italy and the UK are "increasingly moving into the focus of the markets."

"The market is implying that the financial system is backed by the sovereigns," i.e., governments, noted BNP analyst Rajeev Shah. "A lot of the risk has moved from the financial system to the sovereigns, but if the contagion keeps spreading it effectively moves back to the financial system."

In other words, the bailout of the financial system by states has temporarily stabilized the position of the banks, while guaranteeing the wealth of the financial elite. However, this has not resolved the crisis that erupted in 2008, but merely transferred it into a growing crisis over state debt.

The sovereign debt crisis and the demand that the working class pay for this debt through an unprecedented attack on living standards is creating the conditions for social revolution and renewed economic and financial collapse.