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Banks demand savage austerity measures in Greece

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31 May 2011

Officials with the European Central Bank (ECB), International Monetary Fund (IMF), and the European Commission (EC) have been deployed to Athens this week to finalise plans with the Greek government for another round of savage austerity measures.

The initial round of mass public sector layoffs, wage cuts, and destruction of welfare and social infrastructure programs impoverished wide layers of the Greek population, but failed to satisfy the European banks. They are now demanding control over the country's economy, with representatives of the ECB, IMF, and EC (the so-called troika) to be placed directly in charge of a privatisation program that will see Greece's public assets sold off and the proceeds funnelled to the banks.

The immediate concern for the European Union and the social democratic Greek government of Prime Minister George Papandreou is to finalise the terms for the additional financing—reportedly €12 billion ($17 billion) by the end of next month—required to service its debt repayments and avoid default. Further funding of about €30 billion will be required next year, and even more in 2013. Greece missed budget targets set last year when the IMF and Eurozone governments provided a €110 billion loan package. The country had been expected to return to private bond markets by 2012, but this is no longer regarded as realistic.

At the centrepiece of the new bailout package is a privatisation drive that is forecast to raise €50 billion by 2015. Publicly owned power and water companies, ports, banks, the former telecommunications monopoly, train operators, and other companies such as Opap, the largest European lottery and sports betting firm, will be included in the sell-off. In addition, there will be further sweeping spending cuts—more than €6 billion within twelve months, equivalent to 2.8 percent of Greek gross domestic product—and regressive tax hikes targeting the working class.

The *Financial Times* reported Sunday that the new loans would be conditional on an "unprecedented outside intervention in the Greek economy, including international involvement in tax collection and privatisation of state assets." Yesterday, the Greek daily *Kathimerini* added: "The troika has insisted that its representatives have a say in the decisions [of the agency formed to implement the privatisations] and that they are able to block any moves they disagree with. They have also demanded that no representatives of the government be allowed to participate in the agency and that any decisions it takes should be protected by law so that they cannot later be reversed by a different government."

These extraordinary developments make clear that the European financial oligarchy is dispensing all pretence of basic democratic norms and principles of national sovereignty in Greece.

The population is overwhelmingly opposed to the proposed measures. For the past seven days, young students and workers have rallied outside the Greek parliament. Describing themselves as the "indignant", after the Spanish "*Los Indignados*" protest movement, the youth have organised via social networking internet sites, independently of the trade unions and parliamentary political parties.

An estimated 50,000 people demonstrated in Athens on Sunday. "The few banners in the crowds bore slogans that betrayed no allegiance to any political party, highlighting the absence of unions and associations that usually organize demonstrations in Greece," a report published in *Kathimerini* noted. Several dozen students and unemployed people have since maintained a tent city in the city's central square.

The trade unions have played a critical role in helping implement the EU-IMF austerity measures by defusing mass opposition within the working class to the Papandreou government. A series of 24-hour general strikes were organised by the unions last year. These were intended as symbolic actions, allowing workers to blow off some steam while not affecting the implementation of the cuts.

Further strikes are planned for June, with the ADEDY public sector union calling a demonstration this Saturday. ADEDY chief Ilias Iliopoulos has openly explained that his overriding concern is to prevent the emergence of a movement of the working class beyond the control of the unions. “The country will explode if they continue with this policy including all these measures against the people,” Iliopoulos told the *EuroNews* website last week. “There will be public resistance, a reaction with an uncontrollable outcome.”

The prime minister has appealed for the political establishment to close ranks behind the austerity program. In recent days Papandreou has held meetings with the leaders of most of Greece’s parliamentary parties, including opposition head Antonis Samaras of the right-wing New Democracy Party, as well as those from the Stalinist Communist Party of Greece and the extreme right-wing LAOS party. Samaras has declared he will not support the government’s measures, on the basis that he agrees with austerity but opposes tax increases, urging instead that the corporate tax rate be slashed to 15 percent.

Samaras is under pressure from European bankers to provide unconditional support for Papandreou’s policies, with EU Economic and Monetary Affairs Commissioner Olli Rehn declaring it “essential” for all parties to agree.

The crisis is further exposing deep divisions among the European powers. The German government is pressing to have the extension of additional loans to Greece conditional on some form of debt restructuring, involving a change in repayment terms for private debt holders. This has been opposed by the European Central Bank, which has highlighted warnings from ratings agencies that any restructuring would be labelled a “credit event”, potentially equivalent to a default.

The *Wall Street Journal* reported: “The ECB has warned loudly that a debt restructuring, however mild, could cause a meltdown in Greece’s banking system and financial panic around Europe’s indebted periphery.”

ECB officials have sharply denounced German officials. Bank executive board member Lorenzo Bini Smaghi told the *Financial Times* that “a debt restructuring, or exiting the euro, would be like the death penalty—which we have abolished in the European Union.” Describing an “orderly” debt restructuring as “a fairytale”, Bini Smaghi added that anyone who imagined the impact would be containable are like “those who in mid-September 2008 were saying the markets had been fully prepared for the failure of Lehman Brothers.”

The ECB and the French banks are among the worst exposed to a Greek debt restructuring, while the German banks would take a far smaller “haircut”, and moreover would likely expect to be subsidised for any losses by the government of Chancellor Angela Merkel. The perceived advantage in a Greek restructuring as far as Germany and its smaller eurozone allies are concerned is that the move could potentially reduce the amount of their public funds funnelled into the banks of France and other rival powers.

These differences are not expected to be resolved ahead of key meetings involving eurozone finance ministers on June 20 and EU heads of state and government on June 23-24.

None of the rival powers has an answer to the escalating crisis of the European banking system. Fears are mounting for the debts in Ireland, Portugal, Spain, and other economies, with a growing clamour for further austerity measures in addition to those that have already produced a historic regression in the wages and conditions of the working class.

Whatever their differences, all the major powers are agreed on the necessity for the European working class to pay for the economic crisis. The offensive being waged by financial oligarchy is meeting growing resistance throughout Europe, with the Spanish anti-austerity movement that was inspired by the Arab uprisings in turn triggering similar actions in several European countries.