European Union officials demand brutal austerity in Greece

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At a meeting of the European Parliament economic committee on Monday leading European officials called upon the Greek government and opposition parties to reach a consensus to impose a new round of punishing austerity measures on the country.

At the heart of such measures is the privatisation of huge swathes of the Greek public sector. In their totality, the cutbacks demanded by the EU at the behest of the banks amount to a social counterrevolution.

At the EU economic committee Monday, the head of the Eurogroup, Jean-Claude Juncker, boasted that the European Union, in alliance with the International Monetary Fund and the European Central Bank, had already enforced a cross party political consensus to impose drastic austerity programs in a number of European countries. Now he expected all Greek political parties to fall into line.

"In the case of countries with difficulties, it would be wise for the principal political forces of those countries to agree on the path to follow", said Juncker. "That's what we did in Portugal. That's what happened in Ireland, and that's what we would like to happen between the political parties in Greece".

Juncker's threats were endorsed at the meeting by the European Economic Affairs Commissioner Olli Rehn, who also pressed Greek politicians to reach a political consensus on austerity and privatisation.

The comments by Juncker and Rehn on Monday are primarily aimed at the main opposition party in Greece, which has raised some objections to the latest round of drastic austerity measures announced by the Greek Prime Minister George Papandreou. The conservative New Democracy party has demanded tax cuts for its corporate supporters in exchange for supporting austerity measures.

Some members of the ruling Pasok party have also raised qualms about backing Papandreou's austerity agenda. The Athens daily *Kathimerini* reported that Pasok parliamentarians "understand that if they approve the new memorandum they will be committing political suicide".

In the event, Papandreou announced on Tuesday further tax increases and spending cuts aimed at slashing an additional €6.4 billion from the state budget.

Papandreou had already announced plans to raise €50 billion by 2015 by selling off more than 30 fully and partially government-owned businesses, including water companies, the ports of Piraeus and Thessaloniki, the Athens racecourse, the Postbank, a casino and the OPAP lottery company. The government is also seeking an investor for the state owned rail transport system.

According to the EU bureaucracy in Brussels, however, Papandreou's plans are completely inadequate. The main condition laid down by the EU for a possible new loan to Greece is the rapid implementation of a much more drastic program of privatisation, including the sell-off of the country's most valuable and socially necessary assets.

A number of leading Eurozone countries back the setting up of a special trust to organise a much more rigorous fire sale of Greek public assets. According to a report in Tuesday's *Süddeutsche Zeitung*, the proposed trust would assume responsibility for the sale of additional state-owned enterprises, including hospitals and bus companies. The article notes that the total worth of Greek state assets is estimated at around €300 billion—much more than the €50 billion Papandreou has proposed to raise.

The article also details an initiative to issue shares in the trust that could be immediately sold to interested parties. This is regarded as a means of putting additional pressure on the Greek government to privatise as quickly and drastically as possible.

The latest proposals from EU officials and Eurozone governments will award quasi-dictatorial powers to non-elected bodies to sell off socially necessary institutions and services such as hospitals, power companies and telecommunications to the highest bidder. The result will be higher consumer prices for essential services and the complete abolition of any sort of safety net for the needy and the working population—already plagued by mass unemployment.

The remarks by Juncker and Rehn in the European

Parliament are directed at ensuring that the entire political establishment in Greece falls into line with this program of social counterrevolution dictated by a handful of unelected European officials, who in turn take their orders from the banks.

Juncker made his own subservience to the financial elite abundantly clear in his comments to the press prior to the EU economic committee meeting. Asked about his plans for Greece, Juncker responded, "We're working on a formula that will not lead to a negative judgment by the ratings agency and will not mean that the country is seen to be in default".

Moody's ratings agency cut the ratings of eight Greek banks at the end of last week. Earlier in the week the same rating agency issued a further downgrade of the country's sovereign debt, plunging it further into junk territory.

The Moody downgrading comes against a backdrop of a growing flight of capital from Greece by private banks. According to figures from the Bank for International Settlements, foreign banks withdrew €7 billion from Greece in the last quarter of 2010. US and French investors are reported to have halved their holdings in Greek state bonds.

More recent data reveals that foreign banks withdrew around €8 billion from Greek banks in March, coinciding with several billions in withdrawals by Greek investors.

This trend is expected to have intensified in April and May. Some finance analysts are already predicting that the Greek government will be forced to intervene to nationalise a number of Greek banks in order to prevent their collapse.

Under pressure from the finance markets, proposals are now being made for the nationalisation of Greek banks at the expense of the taxpayer. At the same time, the finance markets and the EU institutions are demanding that the state sell off its most important social assets to private investors!

Behind Juncker's and Rehn's insistence on a cross-party consensus to impose austerity is the threat to choke off funds to the Greek economy. Cross-party support for austerity measures and the EU privatisation program is a condition for awarding the country the next tranche of its existing EU-IMF bailout due in a few days.

In March 2010, Greece was awarded an initial €110 billion bailout by the EU-IMF and ECB attached to an agenda of massive spending cuts. One year later, the country is in a deepening recession program, and its debt levels are soaring.

In order to prevent a complete collapse of the Greek economy, EU officials are now discussing the possibility of a further bailout package for the country amounting to between €60 and €100 billion. Proposals for additional loans to Greece will be discussed at the next meeting of Eurogroup finance ministers on 20 June, to be followed by a summit of EU leaders three days later.

The ruling Pasok party of Papandreou, the opposition New Democracy and the country's trade union federations have all made clear that they accept the necessity for budget cuts and have appealed to the population to make sacrifices. There are growing indications, however, that the protest movement in Greece is developing increasingly outside of the control of the official trade union structures.

Following a succession of toothless protests and demonstrations organised by the trade unions, which attracted a dwindling number of participants, a new wave of protests has commenced in Greece. On Sunday, more than 70,000 crammed into Athens' Syntagma Square to protest outside the parliament building. The demonstration followed a series of 12 nightly rallies and is largely inspired by the Indignant Citizens movement in Spain and Italy.

One banner prominent on Sunday's protest read "Thieves—hustlers—bankers". Thousands more demonstrated in other Greek cities.

According to one social commentator, the developing social crisis in Greece is impelling new social layers to join the protests.

"The prospect of losing the security of a state job at a time of sharply rising unemployment has brought many people onto the street for the first time, whatever their political affiliation", said Taki Michas.

The development of a new wave of protests outside of the control of the trade unions has led to an increasingly nervous response by sections of the Greek ruling elite. They fear that the movement against austerity and the dismantling of the Greek social system could assume far more radical forms in the coming weeks and months.