Greece: The dictatorship of finance capital

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The diktat handed down by the International Monetary Fund demanding the imposition of even harsher austerity measures before the release of the €12 billion final tranche of the current Greek bailout package marks a sharp turn in the unfolding European financial crisis. Even more significant than the immediate economic and financial consequences, it poses decisive political tasks and challenges before the Greek and European working class.

According to a report in the *Financial Times*, when eurozone ministers met on Sunday evening they had expected to go ahead with the release of the money on condition that new austerity measures were approved by the Greek parliament. But IMF officials intervened insisting that "they needed firmer commitments before making the payment."

The new orientation had been foreshadowed last week in remarks by IMF director of monetary and capital markets, Jose Vinals, as he introduced a new report warning of slowing world growth and heightened risks of a renewed global credit crunch. "The key message," he said, "is we are entering a new phase of the crisis—I would call it the political phase of the crisis—and now time is of the essence to take political decisions that are needed to avoid problems down the road."

The previous phase has been described as "kicking the can down the road" or "extend and pretend." That is, extend ever-more credit to the banks and finance houses and pretend that the underlying problems have been tackled, until they erupt again. But "extend and pretend" has clearly exhausted itself as rating agencies continuously downgrade sovereign debt, not only of Greece, but Ireland, Spain, Portugal and most recently, Italy.

These downgrades amount to a directive by finance capital to the political parties of the capitalist state that new political mechanisms and forms of rule must be developed through which to extract from the working class the trillions of dollars needed to restore the profits and health of the capitalist financial system, not only in Greece and Europe but internationally. Under conditions where increasingly this cannot be achieved through the parliamentary system, other measures must be found.

Speaking on the decision to hold up payment of the €12 billion final tranche, acting IMF managing director, John Lipsky, who took over after Dominique Strauss-Kahn was forced out, made clear that no opposition would be tolerated. "The most important steps are those that are going to be taken by the Greek authorities in adopting and implementing the very ambitious program of structural reforms necessary to heal the economy and set the stage for renewed growth."

The claim that "healing" and "renewed growth" will come from the further suppression of wages, deeper government spending cuts and the sell-off of government-owned assets is a contemptible lie as millions of people know through their own bitter experiences. The austerity measures of the past year—also introduced with the promise of "recovery"—have seen a rapid economic contraction and rising unemployment. But rather than bring down the level of debt, the ratio of debt to gross domestic product has continued to rise and is heading to 160 percent.

The guiding principle of the IMF is not the restoration of economic growth in Greece or anywhere else but the protection of the interests of the major banks and finance houses. Significantly, as a representative of US finance capital, Lipsky took sharp issue with the proposal floated by the German government, for its own nationalist motives, that the private banks should be forced to incur some losses on their loans as part of a new bailout package for Greece.

The calculation by Chancellor Angela Merkel and her government has been that such a measure would fall more heavily on French than German banks that have lent money to Greece. It was opposed by the government of French President Nicolas Sarkozy as well as the European Central Bank (ECB)—the latter out of fear that having taken on around €140 billion in Greek bonds it could lose tens of billions of euros in any restructuring.

Lipsky took issue with the German plan, not out any immediate concern for the French banks or the ECB, but because any form of default could trigger claims in the credit default swaps market where US banks and finance houses are heavily involved. Given the labyrinthine nature of these markets accurate assessments are difficult to come by, but it is estimated that US banks have an exposure of about $100 billion to so-called “peripheral Europe” with a total global exposure of up to $2 trillion in the credit default swaps market worldwide.

It is these interests that the representatives of finance capital are committed to defend—by whatever means necessary. And as the bourgeoisie makes its preparations, the working class must act no less decisively.

The “political phase of the crisis” means that it must put aside once and for all the delusion that present protests or even strikes can somehow pressure the troika—the European Union Commission, the ECB and the IMF—to pull back from the austerity program or that a solution is to be found under the leadership of the existing political parties.

Rather, strikes, protests and mass demonstrations, factory occupations and all the other methods of the class struggle developed over the past 150 years, must be brought forward to resist the cuts and austerity measures, and indissolubly linked to the fight for a workers’ government in order to take power out of the hands of the bankrupt ruling class and its political parties which have plunged the Greek people into a disaster.

The fight for this perspective must be carried forward against the various pseudo-left groups, which maintain that the way forward lies in withdrawal from the euro, the reinstatement of the drachma and the return to national regulation, while leaving the capitalist class and its corrupt political representatives in charge.

To pursue such a program is to court disaster. If implemented it would see a collapse of the Greek banks, hyper inflation, an economic crash and even higher levels of unemployment. If the working class were in any way associated with such a program and the social misery that would result, the way would be open for fascist forces to mobilise desperate sections of the dispossessed middle classes and the petty-bourgeoisie and create the condition for the military to impose its rule.

The working class must advance its own independent socialist program, based on the fight to overthrow the present regime and take political power in its own hands.

The first task of a workers’ government will be the nationalisation of the banks and major financial institutions and the repudiation of all public debt. At the same time, it will be compelled to issue a call to the working class throughout Europe to join the struggle to end the dictatorship of finance capital through the establishment of the socialist united states of Europe.

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