Banks secure own interests at Greece's expense

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At the start of this week, news agencies announced that French banks had proposed a "radical" plan to assist in the resolution of the Greek debt crisis. In Paris French President Nicolas Sarkozy told a news conference on Monday that the plan involved extending banking loans to Greece over a 30-year period. The proposal was aimed at alleviating the Greek crisis and establishing a system which, according to the French president, "each country could find attractive."

European stock markets and markets across the globe reacted positively to the proposal making large mark ups in the following day, particularly in the banking sector.

German banks also expressed their interest in the "French model." Deutsche Bank CEO Josef Ackermann indicated that his institution would be prepared to follow suit, while urging caution: "Political leaders expect a solution by the end of the week but we should not rush it."

In fact, the launching of the plan at the start of the week was obviously timed to send the right signals to the finance markets, while at the same time influencing the debate in the Greek parliament on a new round of devastating austerity measures. The French proposal and the indications of German support enabled supporters of the Papandreou government to argue that French and German banks were prepared to do their share towards relieving the country's budget crisis.

The German performers in this farce duly appeared together at a conference on Wednesday in Berlin coinciding with the first vote in the Greek parliament on the new austerity measures. In Berlin, Ackermann stood alongside Chancellor Angela Merkel and announced that German financial institutions were also willing to play their part in averting a "meltdown" of the money markets.

Following the majority vote in favour of the austerity budget on Wednesday, the Greek parliament held a second vote a day later to ensure the implementation of the measures. Coinciding with the second vote, the German Finance Minister Wolfgang Schäuble appeared alongside Ackermann and told journalists that Germany's banks were also prepared to support proposals for a "roll over," i.e., an extension of Greek debt.

At the same press conference, Ackermann declared: "We are convinced that Greece has to be helped further…. We are taking the French draft as a basis but will build modifications and are very confident we will find a solution that will give satisfactory answers to all participants."

According to the preliminary proposal announced on Thursday, German banks will contribute a total of €3.2 billion ($4.6 billion) towards a planned second bailout package for Greece.

Following the second majority vote in the Greek parliament in favour of austerity measures, a number of financial and media commentators took a closer and more sober look at the French and German proposals.

By Tuesday, the *Financial Times* had warned in an editorial that the French proposal offered more smoke and mirrors than substance. The editorial made the point that the French roll-over proposal was extraordinarily complex meaning that "It is impossible to explain to voters, but will no doubt be flaunted as proof that speculators have been taken to task."

Stressing the advantages of the plan for the banks, the editorial declares that the plan "seems designed less to make Greece's situation more sustainable than to help the banks offload risks from their balance sheets."

In the German online portal of *Die Zeit*, financial journalist Mark Schieritz concluded that the French proposal would do little to resolve the solvency problems of the Greece economy. It is a solution which just buys time for the banks, he argues, which will make it even more difficult for Greece to gain access to the money markets. As a proposal to help Greece, Schieritz concludes, it is "fatally flawed."

In the meantime details have emerged regarding the "generosity" of German Banks. It has been reported that about two thirds of the €3.2 billion sum to be raised by the German side will come from the partially-nationalized Commerzbank and the bad banks set up by the German government in the wake of the 2008 financial crisis. Owned totally (HRE and WestLB) or partially (Commerzbank) by the German government, any write-offs undertaken by these banks will inevitably be funded by the tax payer.

According to financial insiders, the contribution made by Deutsche Bank to the €3.2 total is expected to be less than €1 billion. Deutsche Bank posted pre-tax profits of €3.5 billion in the first quarter of this year, and Ackermann has announced that the bank intends to make a total profit of €10 billion for the operational year of 2011.

This means that Deutsche Bank's "contribution to the rescue of Greece," which is reckoned to currently have a total debt of over €300 billion, amounts to less than one tenth of the bank's planned profit for this year. In fact it is likely that the private German banks will make money on the deal.

In its commentary on the German proposal the Financial Times Deutschland concludes: "Putting aside the contribution from the bad banks, all of the remaining banks are putting up a sum of 2 billion. Bearing in mind the total sums on the balance sheets of the financial institutions, this really does amount to peanuts. In fact it is the euro states which will once again bear the main burden. They guarantee that the banks emerge without a scratch, and can even reckon with an interest rate of eight percent."

An article in the Süddeutsche Zeitung declares "the agreement struck by Wolfgang Schäuble with the finance branch on Thursday could prove to be a good deal for the banks — and a new major burden for the Greeks." The article then goes onto cite one finance analyst who describes the proposals as a "placebo" which ensured that "the banks had nothing to lose."

From the very start of the financial crisis in 2008, the major international banks and finance houses have dictated the terms of their own bailouts, laying down conditions to governments across the globe. Today these major banks are more powerful and influential than ever. The slavish subordination of bourgeois governments to the banks has forced some commentators to warn of the dangers.

In an essay written at the start of this month in the German news magazine *Der Spiegel*, Dirk Kurbjuweit notes that at the end of May Ackermann had boasted to Deutsche Bank shareholders that the time was ripe "to reap the harvest."

Referring to the refusal by the banks to take any responsibility for a crisis in Greece that they unleashed, Kurbjuweit writes:

"The banks and investment firms now play the role once held by the gods. Hardly anyone dares to criticise them, and fear of their wrath guides the behaviour of politicians. Many are reluctant to speak frankly, while others seek refuge in lies.

"Under such conditions, democracy has lost its dignity. And that is dangerous....."