Greece to miss deficit target and impose more cuts on workers

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The Greek cabinet met Sunday and conceded that it would miss the deficit target set by the IMF and European authorities for the current year. According to the finance ministry, the deficit will exceed the target of €17.1 billion, and would reach €18.69 billion ($25 billion)—about 8.5 percent of gross domestic product.

Prime Minister George Papandreou said that he would impose whatever cuts were required to reduce the deficit back to the figure demanded by the IMF, the European Central Bank and the European Commission, the "troika" that now serve as financial overlords for the Greek working class.

To bring the deficit down to 6.8 percent of GDP, or about €14.65 billion, next year, the cabinet approved an additional €6.6 billion in new austerity measures to take effect in 2011 and 2012, on top of the brutal cuts already put into place since the financial crisis exploded in 2010.

This included a plan to transfer 30,000 public employees to a labour reserve pool where they will receive reduced pay—about 60 percent of their normal salaries—pending complete elimination of their jobs at the end of next year. The measure is a direct violation of the Greek constitution, which guarantees the jobs of civil servants.

The Papandreou government took the measure in the face of mounting popular opposition, including a series of protests and blockades directed against visiting delegations from the troika. The timing of the cabinet action was driven by the need to reassure the finance ministers from the 17-euro countries, who meet in Luxembourg today. Papandreou declared, "We have a single and steady goal—to meet our commitments so that we guarantee our credibility."

Representatives of the troika came to Athens last Thursday to oversee implementation of the previously announced savings measures. On October 13, the troika is expected to decide whether the last instalment of the first EU rescue package—€8 billion—is to be paid out to Greece. Otherwise the country could face insolvency within a few weeks, which would mean that no pensions, wages or benefits could be paid.

In early September, the representatives of the troika had demonstratively withdrawn from Greece, because they were dissatisfied with the progress made in implementing the social meltdown, and wanted to put more pressure on the government.

Further shortages in the state budget arose, because wide scale wage reductions and the increase in mass taxation had led to a deeper recession than was expected by the government and the Troika. State tax revenues decreased correspondingly, while social spending increased a little. The European institutions are now demanding further cuts.

Greece's social-democratic government has since then done everything possible to meet these conditions and bring the troika back into the country. Last Tuesday, the Greek parliament approved a property tax increase, payable concurrently with electricity bills and affecting up to 80 percent of the population.

The government has also announced its intention to reduce pensions even further, terminate social benefits for families with numerous children, and impose wage cuts of up to 40 percent in the public service. This is in addition to the phased elimination of the 30,000 public service jobs.

Particularly this last demand was also hotly debated within the Greek cabinet, not only because it would destroy the ruling party's base of support in the civil service, but also because of its constitutional implications. The Greek constitution stipulates that government employees are entitled to lifelong employment.

Following initial talks with Finance Minister Evangelos Venizelos on Thursday night, the EU representatives announced that a temporary leave of absence of 30,000 public servants did not go far enough. The government now had to put deeds to words and terminate the jobs in question. The cabinet accordingly took the action demanded by its creditors.

Representatives of the troika have also demanded that the privatisation of major state enterprises should be brought forward. They particularly referred to the sale of Athens' Airport and the state OPAP Lottery Company, whose revenues are expected to offset the September budget deficit.

The rapid privatisation is expected not only to fill the budget gaps, but also to create conditions whereby companies from other European states can gain a foothold in Greece. Federal Economics Minister Philipp Rösler (Free Democratic Party, FDP) has already announced that German companies would take advantage of the favourable conditions of the mass privatisation and wage dumping to invest heavily in Greece.

Roland Berger, the management consultancy firm, has even introduced a "rescue plan" for Greece, based almost exclusively on privatisation. Berger proposes the establishment of a central holding company, in which Greek state assets—i.e., ports, airports, motorways and property worth a total of about €125 billion—will be incorporated. It is claimed that the proceeds of these sales would reduce the country's debt by a half.

Last Friday, the troika wanted to talk to the transport ministry about opening the management of Greek transport facilities to foreign firms. Licenses for taxi and truck drivers are currently strictly limited, each costing up to €150,000. The plan is to expand the licensing by offering for them for €3,000. For most of the self-employed taxi and lorry drivers, who are often heavily in debt due to the purchase of licenses, this would mean nothing less than the expropriation of their livelihoods without the least compensation.

However, the meeting was postponed because of the transport ministry employees had occupied the building in protest against the government's measures. Since their arrival on Thursday, the troika representatives have been confronted by huge protests from Greek workers.

On Thursday, the ministries of finance, the economy, justice, health and labour, and social affairs were mainly occupied by employees from these departments. When the troika representatives wanted to enter the finance ministry, workers prevented them from doing so, chanting: "Take your emergency plan and clear out". From the ministry's balcony hung a banner with the inscription: "When injustice becomes law, opposition becomes a duty". Taxi drivers at a demonstration outside the Greek parliament shouted: "We will not back down. Blood will flow".

On Friday afternoon, thousands of students and school pupils demonstrated in Athens. Pupils are currently occupying almost 600 schools throughout the country, because the government's drastic spending cuts have made the provision of normal lessons impossible. On Thursday, the Supreme Court announced it was going to examine possible misdemeanours committed by the squatters and proceed against them with the full force of the law.

Workers wanted to expand Thursday's protests, intending not only to give a show of opposition to the troika, but also to actually disrupt the functioning of government. However, they were restrained by the trade unions. With the exception of the finance ministry, the occupation of the buildings was abandoned after a few hours. Instead, the trade unions organised small, ineffective strikes and demonstrations.

The unions are doing everything to divert the immense anger and desperation of the Greek workers into channels of innocuous protest. Last week, they led one occupational group after another on strike, thus stifling the development of a broad movement against troika and government: first the railway workers, then the taxi drivers and eventually doctors and nurses. Only one general strike, scheduled for October 19 and limited to 24 hours, has been planned—a course of action that will not have the slightest effect on the savings proposals.

The trade unions have supported all the earlier cuts. They do not represent the interests of workers, and are only concerned about maintaining their own position in the state apparatus. That is why the international secretary of the Greek trade union federation (GSEE) declared that the current cuts posed a problem primarily because they had been implemented "under pressure from the financial markets, without any consultation with their social partners." She regretted that "The process of constructive social dialogue has effectively stalled."