Greek prime minister forced out in euro crisis deal

Patrick Martin
7 November 2011

Greek Prime Minister George Papandreou agreed to resign Sunday and be replaced by a coalition government of national unity that will have a mandate from the bankers and European heads of state to impose even more drastic austerity measures on the working people of Greece.

Papandreou held what a spokesman said was his last cabinet meeting as leader of the social democratic PASOK party before entering a protracted meeting with President Karolos Papoulias and Antonis Samaras, leader of the opposition right-wing New Democracy party.

The talks faced a double deadline Monday—the opening of the financial markets in Europe, hit by huge sell-offs last week over the Greek crisis, and a meeting of European Union finance ministers in Brussels. The Greek delegate to that meeting, Finance Minister Evangelos Venizelos, was expected to confirm the formation of a new government committed to carrying out the terms of the EU agreement reached October 26 on a restructuring of Greece's debt.

Press reports from Athens indicated that beyond the ouster of Papandreou, demanded by Samaras as the price of his party's support, there was no agreement on the composition of the new government or who would lead it. Talks will continue Monday, again chaired by the elderly Papoulias.

PASOK retains a narrow majority in parliament, demonstrated in the 153-145 vote of confidence won by Papandreou in the early hours of Saturday morning. The next prime minister could thus be another PASOK leader, most likely Venizelos, or a "nonparty" caretaker, such as Loukas Papademos, the former vice president of the European Central Bank, Greece's largest single creditor.

New Democracy has abandoned its posture of opposition to the austerity policies of PASOK, which was aimed solely at undermining and ultimately bringing down the Papandreou government. The conservative party has close ties with co-thinkers like the Christian Democrats of Angela Merkel in Germany and the French UMP of Nicolas Sarkozy, the two leaders most active in the imposition of savage budget cuts on Greece.

As part of the deal with PASOK, New Democracy has now agreed to ratification of the terms of the austerity deal with the European Union, once the final technical details are ironed out, by a deadline of December 15, the date when the Greek government will run out of money to pay obligations like state employee salaries and pensions and interest on government bonds.

Papandreou is the third government leader this year to become a casualty of the euro crisis, but unlikely to be the last.

In February, the Fianna Fail-Green coalition in Ireland was wiped out in a general election, replaced by a coalition of the right-wing Fine Gael and the Labour Party.

In June, the ruling Socialist Party in Portugal was routed in general elections by the right-wing Social Democrats.

The ruling social democratic PSOE in Spain is expected to lose heavily in the general election set for November 20, and Prime Minister Jose Luis Zapatero stepped down as PSOE leader long before the vote, announcing he would not seek reelection.

In Italy, the government of Prime Minister Silvio Berlusconi faces another vote of confidence in parliament Tuesday, on a budget bill, which he is widely expected to lose.

If the Berlusconi government falls, which would precipitate early elections, it would complete a sweep of all five governments of the so-called PIIGS—Portugal, Ireland, Italy, Greece and Spain—that were viewed at the beginning of this year as the most likely candidates for financial crisis and bankruptcy.

Berlusconi was compelled to accept supervision of the Italian economy by the International Monetary Fund in intensive discussions at the G-20 summit in Cannes November 3-4. This effort to forestall an immediate collapse of confidence in European financial markets may instead precipitate it, since any serious outside review of Italy's books is likely to find the financial crisis is much worse than currently admitted.

In Greece, the political crisis takes the form of a de facto takeover of the government by the EU and its emissaries. EU

© World Socialist Web Site

Economic and Monetary Affairs Commissioner Olli Rehn told Reuters that the European powers backed the change in government in Athens. “We have called for a national unity government and remain persuaded that it is the convincing way of restoring confidence and meeting the commitments,” he said.

He added that the proposal announced last Monday by Papandreou for a popular referendum in Greece on the austerity measures dictated by the EU and the IMF amounted to “a breach of confidence by Greece” that would “lead it outside the euro zone.” Rehn continued, “We do not want that, but we must be prepared for every scenario, including that one, for the sake of safeguarding financial stability and saving the euro.”

Papandreou sprang the referendum proposal in order to call the bluff of New Democracy on the one hand and the Greek trade unions and their pseudo-left allies on the other and to force them to drop their professed opposition to the austerity measures, which are fiercely opposed by the broad mass of the Greek people. After being summoned to France by Sarkozy and Merkel on the eve of the G20 summit and threatened with expulsion from the euro zone and a cutoff of funds, Papandreou dropped the referendum proposal, but not before New Democracy agreed to back the EU-IMF austerity plan.

According to some European press reports, Venizelos has the backing of the major EU powers, particularly Germany, because of his role in scuttling Papandreou’s call for a referendum. After Papandreou’s meeting with Merkel and Sarkozy, Venizelos came out publicly against the referendum and was widely lauded in the European media as a result.

Venizelos is a long-time political rival of Papandreou, dating back to their contest for the PASOK leadership in 2007, while the party was in opposition. He served as defense minister before Papandreou named him finance minister this summer, seeking to ensure support of all factions of PASOK for acceding to the austerity demands of the EU.

This connection to the military raises many questions in the wake of Papandreou’s firing of the entire top general staff last week, at the same time as he advanced the proposal for a referendum. Papandreou replaced the heads of the army, navy, air force and joint chiefs of staff, who were all appointed by the previous New Democracy government, but had worked with Venizelos as defense minister.

The purge of the top generals in the midst of a full-scale government crisis had the appearance of a preemptive effort to forestall military intervention. It was widely reported as such in the European media, but the American press has been virtually silent about it. This alone indicates that the US government is playing a critical but largely behind-the-scenes role in the Greek events, which the US corporate-controlled media loyally covers up.

Whatever the outcome of the political maneuvers in Athens, the Greek working class has already paid an enormous price. According to a report by Inter Press Service (IPS), the measures already implemented have given birth to a “new poor” in Athens, with wide layers of the population, once accustomed to regular employment and adequate living standards, now plunged into destitution.

The report published November 1 cited the emergence of homelessness on a mass scale in the Greek capital, as well as a proliferation of aid clinics and feeding stations familiar in third-world war zones, but not seen in the European Union in many decades.

This includes a medical facility for the homeless, run by Doctors of the World, and a volunteer clinic in Perama, a working class district of Athens once home to longshoremen and shipbuilding workers, most of whom are now laid off.

Nikitas Kanakis, with Doctors of the World, told IPS, “Out of the 40 kids our pediatrician examined two weeks ago, 23 were malnourished. Some years ago we thought that this country had moved past the point where a lack of food was a prominent social issue. Now we are making public appeals for supplies so that we can provide those in need with dry rations and clothing along with our medicines.”

The Athens Center for the Homeless reports a 30 percent increase in people seeking food since the beginning of 2011. Together with church facilities and other agencies, charities distribute 12,000 meals a day to the hungry in Athens alone.

There are also reports of a significant increase in drug abuse, sexually transmitted diseases and other social problems that are the direct consequence of poverty and mass unemployment. Suicides have increased by as much as 40 percent, according to the Greek minister for health.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site