

Talks on Greek national government stagger on without agreement

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9 November 2011

Yesterday, Greece's political establishment again failed to meet the demands of the European Union and the United States to announce the formation of a national government.

PASOK leader George Papandreou, having stepped down as prime minister, was expected to name longtime central banker Loukas Papademos as his replacement. Instead, discussions with the opposition New Democracy dragged on for another day.

Papademos is the favoured candidate of Berlin, Paris and Washington. A former governor of the Bank of Greece and former deputy head of the European Central Bank, now an academic working in the United States, he is considered a safe pair of hands in imposing savage austerity measures against the working class. He has taught at Harvard University since leaving the ECB in 2010 and had to return to Greece from the US to take up his position.

Others named as possible successors to Papandreou are no less the creatures of the financial oligarchy, and particularly close to the US.

European Union Ombudsman Nikiforos Diamantouros, according to his Wikipedia biography, was educated at Indiana University and taught in New York and Columbia. As Director of the Greek Institute for International and Strategic Studies, he was funded by the Ford Foundation and the Macarthur Foundation. He has been president of the Modern Greek Studies Association of the US and since 1990, co-chair of the Subcommittee on Southern Europe of the Social Science Research Council, New York, among other posts sponsored by the US.

IMF Director Panagiotis Roumeliotis is the former head of the investment and management firm Ecofin and a former Greek economy minister.

Stavros Dimas, also mooted as a possible nominee, is

New Democracy's vice president and earlier made a career on Wall Street.

It was already agreed Monday that PASOK Finance Minister Evangelos Venizelos will stay in his post to ensure continuity. He is another favourite of the finance markets for agreeing to previous austerity packages and demanding the resignation of Papandreou.

The chief obstacle to the formation of a national government was conservative New Democracy, rather than the social-democratic PASOK. Party leader Antonis Samaras wanted early elections and believed that taking joint responsibility for cuts at this stage was a poisoned chalice and would forestall taking advantage of anti-PASOK sentiment.

Though he was forced to concede the necessity of such a step, tensions exploded once more when Europe's finance ministers refused to release the next 8 billion euros in aid for Greece until PASOK and New Democracy pledged themselves in writing to meet the conditions demanded of Greece by the "troika"—the EU, ECB and International Monetary Fund.

A letter would have to be signed by PASOK, Samaras, the new prime minister, finance minister and governor of the central bank, the EU insisted.

EU economic and monetary affairs commissioner Olli Rehn described Papandreou's proposal to call a referendum over the bailout a "breach of confidence." "We now have to repair the social contract between Greece and the euro area which should be done in writing," he said.

"It is indeed essential that a new government will express its explicit and unequivocal commitment in writing concerning all the decisions taken by the 17 euro-area member states on October 27," he insisted. "It should be clear in Athens that solidarity is a two-way street and we expect a united political class to

carry out its part of responsibilities.”

This means Samaras must openly back the terms attached to the 130 billion euro aid package and sign on to the austerity measures.

“There is national dignity,” Samaras complained in a statement. “I have long and repeatedly explained, why in order to protect the Greek economy and the euro, the implementation of the [deal] has become ‘inevitable’.”

An official told Dow Jones his concerns: “Samaras is facing divisions within the party because a lot of senior party members feel that he is giving too much ground... So a number of people are refusing to be part of the new government.”

Party spokesman Yiannis Michelakis replied to Rehn, “The fact that Europe has lost any trace of trust in the [PASOK] government does not mean it can insult our national dignity.”

Papademos also caused difficulties by insisting as a condition for assuming the role of premier that the new government must have a longer period of rule than either PASOK or New Democracy desired. Both had tentatively agreed to a general election on February 19.

The former banker wanted to secure greater independence from the two main parties, arguing for a cabinet that had enough political clout to make decisions without reference to PASOK and New Democracy, i.e., one accountable only to its paymasters in the troika. Again New Democracy was reluctant to name leading figures from within its ranks, creating the prospect that real power would remain outside the cabinet.

The outcome of this wrangling remains unclear. Even before it is concluded, however, Greece has been shunted onto the sidelines by the growing economic and political difficulties facing Italy, the world’s eighth largest economy.

Jeremy Warner, assistant editor of the *Daily Telegraph*, noted cynically, “The eurozone debt crisis has again conformed to pattern this morning; just as one fire abates, temporarily at least—with news of the formation of a government of national unity in Greece—another lights up. Lamentably, this one—Italy—may be too big to douse.”

Reuters was equally blunt, “Italy has displaced Greece as the epicentre of the euro zone’s sovereign debt crisis, with government bond yields nearing unsustainable levels that could force the bloc’s third

largest economy to seek a bailout that Europe cannot afford.”

The *New York Times* noted continued concern on the world’s markets, stating that, in both Greece and Italy, “it is not only the economy that is on trial, but also the ability of democratic government to make highly unpopular choices.”

The cynicism of such a statement is brazen. Neither country has a genuinely democratic government—one has not even been elected, the other is bought and paid for by the billionaire Berlusconi. These are administrations serving the financial elite—wholly against the popular will and to the detriment of the livelihoods of millions.



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