Greek government imposes new austerity budget

Robert Stevens
10 December 2011

Early Wednesday morning, the unelected Greek "technocratic" government of former central banker Lucas Papademos passed a brutal austerity budget. Approved by a vote of 258 to 41, it was supported by all three parties now comprising the government: the Panhellenic Socialist Movement (PASOK), New Democracy and the neo-fascist LAOS party.

For PASOK, the majority party within the coalition, the vote was a continuation of its record of implementing every attack demanded by the financial elite over the past two years. As for the conservative New Democracy (ND), its approval undermined its long feigned stance against austerity.

Even now, ND continues to claim that it disagrees with aspects of the cuts and has demanded elections in the new year. But only last month, ND leader Antonis Samaras signed a letter, agreed to by the other government parties, pledging them to enforce the austerity conditions demanded by the "troika"—the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF). Now he has voted for the budget stating, "Our disagreements remain... we are approving the budget because it is an absolute priority to safeguard the viability of Greek debt."

The passage of the budget was a condition for Greece receiving an 8 billion euro loan agreed to with the troika. Without it, the Greek state would have been thrown into bankruptcy this month.

It includes a further 5 billion euros in spending cuts and another 3.6 billion in taxes. Pensions will be cut by 15 percent from January 1, and wages are to be slashed even further.

The budget deficit is to be slashed to 5.4 percent of gross domestic product in 2012 from 9 percent this year. This compares with the EU ceiling of 3.0 percent and the previous Greek government's forecast for next year of 6.8 percent. In addition, a "solidarity income tax" imposed earlier this year as a "one-off" payment is to remain in place for at least three years.

Ahead of the vote, US Vice President Joseph Biden met with Papademos, Samaras and former PASOK Prime Minister George Papandreou. Calling for the budget to be passed, Biden stated, "We stand by you in solidarity as you meet some very difficult requirements from the IMF and European Union."

During the budget debate, Papademos stressed that Greece faced years of austerity. He said, "The financial crisis in our country is not a passing storm. Given the size of the problems, our national effort will not be completed in 2012. It will take many years and will require the efforts and insistence of several governments."

PASOK is positioning itself to be the leading player in imposing this draconian assault on the population as part of an unelected government with no democratic mandate to rule. Prominent PASOK MP and former government spokesman Elias Mossialos said this week that the Papademos regime should remain in power for two more years.

PASOK Finance Minister Evangelos Venizelos claimed that the budget was "a tool to exit the crisis." In reality, the budget and its attendant attacks are only the latest stage in the efforts of the international financial oligarchy to force the burden of the economic crisis onto the European working class by destroying their jobs, wages and conditions.

Next week, European Union and IMF officials are due in Athens to discuss the terms of a further 7 billion euro package of spending cuts and tax increases in 2013-14. This is to be the basis for further loans to Greece of around 130 billion euros. In October, the troika renegotiated Greece's sovereign debt in a deal that included a 50 percent write-down on the face value of Greek debt held by private banks.

Christine Lagarde, the IMF's managing director, said this week that the austerity measures had not been implemented rapidly enough and Greece was "in a difficult phase with structural reforms proceeding slowly, the economy weak and the external environment deteriorating." She called for a "prompt implementation of underlying fiscal reforms which are necessary to downsize the public sector and strengthen tax collection."

An indication of what is in store was revealed this week by the daily newspaper *Kathemerini*. It reported that from January, a further 19,000 public sector workers will be forced into early retirement or into a "labour reserve scheme" in which their wages will be slashed by 40 percent for a year. Some 7,000 of these are employed by state bodies that are due to be entirely closed or merged with other organizations.

Last week, the government began transferring another 14,000 civil servants into the labour reserve scheme. This had been agreed to by PASOK in October as part of a plan affecting 30,000 workers.

Over the past two years, the austerity packages pushed through by PASOK have meant that each man, woman and child in Greece is in debt by over 30,000 euros.

Millions of Greeks now live in dire poverty, with nearly a million people officially unemployed. Figures released last month by the Bank of Greece found that in a population just 11 million, some 500,000 people were living in households that had no income at all because all its members were unemployed. The bank said this accounts for 12.9 percent of the labour force, up from 9.8 percent. Gross incomes have dropped by 6.3 percent this year, compared to 9.1 percent in 2010.

Unemployment reached a record high of 18.4 percent in August, with the young hardest hit. The unemployment rate in the 15-24 year-old category increased to 46.4 percent from 43.5 percent in August.

In the meantime, tens of billions of euros are being funnelled into the Greek banks as a result of the October accord with the troika. That agreement reserved some 30 billion euros to "recapitalise" the banks. Now even more is to be handed over to them. Recently, Finance Minister Venizelos announced that the banks needed at least 40 billion euros to keep from going under.

As with the measures implemented by PASOK, the cuts being imposed by Papademos will do nothing to arrest the economic collapse of Greece, whose recession is being fuelled by the worsening euro zone sovereign debt crisis. The Greek economy has continued to contract drastically (by more than 5.5 percent already this year). Next year, the economy will enter its fifth consecutive year of recession.

According to data released by the statistics service ELSTAT, the annual pace of contraction in industrial output accelerated from a 1.7 percent drop in September to 12.3 percent in October. Manufacturing production declined by 11.9 percent. This follows a fall in production of 5.8 percent in 2010.

In its Economic Survey of Greece 2011, published earlier this year, the Organisation for Economic Cooperation and Development (OECD) described PASOK's austerity measures as "impressive." It said, "The cuts in the public deficit were unprecedented."

The OECD continued, "The authorities should continue this vigorous reform process and their efforts to convince markets of their capacity to implement fundamental economic adjustments."

In its recently published World Economic Outlook, the OECD forecasts an even bigger collapse in the economy, by 6.1 percent this year and a further 3 percent in 2012. Under conditions where the social conditions of the population are being reversed to those previously seen only in wartime, the OECD, speaking on behalf of the international bourgeoisie, demanded that the working class be forced to bear even more privations. "Any weakening of the authorities' resolve to fully implement the [troika] adjustment programme would increase the risk of debt default," it said.

The government is fully reliant on the trade union bureaucracy to carry out its agenda. On December 1, the unions called another token general strike, the seventh of the last year.

In response to the hostility of the working class to the austerity programme, reflected in massive demonstrations during a 48-hour general strike in October, the unions are working to prevent any movement that threatens capitalist rule. Between the strikes, they have sabotaged every struggle of the working class. Only this week the metro workers' trade union called off a planned 48-hour strike in Athens following a deal struck with management.

The disillusionment of the working class with the demobilising role of the unions was evident in the smaller demonstrations in Athens and other cities in the latest general strike. Commenting on the smaller turnout, Mary Bossis, professor of international security at the University of Piraeus, explained that this did not denote a lack of opposition to the new government. "There is a silent anger, something like an undertow, and this is dangerous," she said.

This was backed up by an opinion poll published Thursday which found that 80 percent of respondents were dissatisfied with the new government.

As the latest budget passed, protests attended by thousands of youth and students to mark the police shooting of a 15-year-old student in 2008 were held outside the parliament building. The police used tear gas and stun grenades to violently disperse the youth. Forty-six people were detained. Protests were also held in Thessaloniki, where police made seven arrests.