Berlin calls for EU-run bankers' dictatorship over Greek economy

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On behalf of the German and international banks, the German government is proposing that the European Union be empowered to directly control Greek budget policy. The proposal, which will be discussed at a European Union summit on Monday, would literally give the EU dictatorial powers over the Greek economy.

It would mean that the banks, acting through an administrator appointed by the euro zone finance ministers, could at any time halt the payment of public sector salaries and pensions or any other "primary expenditures" by the Greek state.

According to the German plan, details of which were released by Reuters and the *Financial Times* over the weekend, Greece would be required to make servicing its debt repayments to the banks its "first and foremost" priority. The plan stipulates that should a tranche of promised bailout money not be disbursed, Greece could not threaten its creditors with default. It would "instead have to accept further cuts to primary expenditures as the only possible consequence of any non-disbursement."

The new budget commissioner would have the power to veto fiscal decisions taken by the Greek government if those decisions were deemed to be at odds with the debt reduction targets set by the financial markets and enforced by the "troika," i.e., the European Union (EU), the International Monetary Fund (IMF) and the European Central Bank (ECB).

On Sunday, Greek Finance Minister Evangelos Venizelos rejected the plan, setting the stage for a renewed confrontation between Athens and its creditors.

Separate from the German proposal, the EU and the IMF have presented a ten page list of "prior actions" Athens has to carry out before a new 130 billion euro bailout fund is launched. These include the elimination of an additional 150,000 government jobs within three years, major cuts in the defense and health care budgets, "entity closures," a reduction in Greece's 750 euro monthly minimum wage, and the abolition of a two-month salary bonus given annually to private sector workers.

In response to the EU-IMF demand to cut the minimum wage and end the private sector bonus, Greek employers and trade unions have made a joint counter offer of a three-year wage freeze.

The German proposal for a budget czar for Greece comes on the heels of the breakdown of talks in Athens between the Greek government and representatives of the international banks led by Charles Dallara of the Institute of International Finance (IIF). According to the agreement drawn up by the troika last year for a second Greek rescue package, private creditors with investments in Greek government bonds would be required to accept losses of at least 50 percent. The IIF, supported by the hedge funds and leading banks, has insisted on terms that would minimize the losses taken by Greece's creditors.

Greece is already being run by a "technocratic" government headed by an ex-banker who was installed as the country's non-elected leader following a concerted campaign by the banks and EU governments to remove the previous regime. Lukas Papademos, a former central banker and one-time employee of Goldman Sachs, took over as Greek prime minister at the start of November with a mandate to slash what remains of the Greek welfare state.

Just weeks later, another leading banker (also formerly at Goldman Sachs), Mario Monti, was installed as non-elected leader of Italy following a campaign by the money markets to drive up the price of

Italian debt.

Other European countries have been subjected in recent years to rule by non-elected "councils of experts" tasked with implementing drastic austerity programmes, i.e., Hungary between 2009 and 2010 and the Czech Republic until January 2010.

Berlin has insisted on a number of other measures aimed at dictating the monetary and budgetary policy of euro zone states. The most significant of these is the insertion of a "debt brake" clause into national constitutions laying down strict limits on any new loans undertaken by governments.

The proposal to establish dictatorial powers over the Greek economy are not new. According to a report in *Der Spiegel* magazine in the summer of 2010, a group of experts was at that time drawing up precisely such a plan at the request of German Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble.

The draft under discussion in 2010 demanded "restrictions on sovereign discretionary powers." Effective control over budgetary policy would be assumed by “an individual or group of individuals" appointed by a committee of experts.

Commenting on the Berlin plan in 2010, the *Financial Times* wrote that it "would place the debtor nation in a position of colonial submission.” The newspaper continued: “If ever agreed to, this would be politically explosive… When sovereigns default, what is needed is a conference table not a torture chamber."

Just one-and-a-half years later, “colonial submission” and a “torture chamber” for the masses are again being prepared for Greece. From the start of the current financial crisis, Greece has been the European testing ground for the implementation of vicious austerity policies that were subsequently introduced in one country after another. The Berlin plan for Greece, if implemented, will likewise serve as a precedent for similar measures in other countries.