

# German parliament supports austerity for Greece

Peter Schwarz  
29 February 2012

On Monday, the German parliament approved the new financial package for Greece by a large majority. 496 of the 591 deputies present voted in the affirmative, supporting the devastating austerity measures with which the disbursement of funds is linked.

The Social Democratic Party (SPD) and the Greens voted for the cuts along with most members of the governing parties—Christian Democratic Union/Christian Social Union (CDU/CSU) and Free Democratic Party (FDP). They are fully behind the government of Chancellor Angela Merkel (CDU) when it comes to shifting the burden of the international financial crisis onto the working people of Greece and throughout Europe.

Only the Left Party voted unanimously against the package. Seventeen deputies belonging to the government coalition, who want Greece expelled from the euro zone or declared insolvent, also rejected it. Nine other members of the government camp abstained or were absent from the vote. For the first time in such an important vote, Merkel lost the so-called chancellor's majority, but thanks to the support of the SPD and Greens this had no practical consequences.

The financial package includes €130 billion (\$175 billion) from the European Union and International Monetary Fund, provided to Greece in interest-bearing and repayable loans. In addition, there is €34 billion from a previous financial package, which had not yet been issued, and another €35 billion to secure the exchange of old Greek government bonds into new ones.

Although the talk is always of an “aid” or “rescue package” for Greece, the almost 200 billion euros will flow directly into the coffers of the banks. The Greek budget and Greek population will not benefit from

them.

According to the *Financial Times Deutschland* (FTD), €93 billion are needed immediately to ensure the debt write-off by private creditors takes place and to make it more attractive; €35 billion will be used to guarantee bonds held by private banks that are deposited with the European Central Bank; €23 billion for the recapitalization of Greek banks; €30 billion to “sweeten” the creditors to exchange their old bonds into new ones, and €5.5 billion to pay old debt interest.

For creditor banks, this is a great deal. They will write off slightly more than half of the nominal value of their Greek government bonds (which are already worth far less on the market) and will receive new, internationally guaranteed bonds.

Since the €93 billion being used by the EU and IMF to fund this exchange will be charged to the Greek state, the “waiver of more than €110 billion stands against Greece’s newly-issued debt of more than 93 billion euros,” FTD concludes. The new “rescue package” reduces Greek debt only by about €17 billion if the creditors actually voluntarily “write off” the €110 billion.

According to FTD, the remaining billions in the rescue package are mainly “reserved for servicing old loans from the IMF and public banks, and for interest payments”. The exact details are still not known.

The financial package for Greece is therefore simply an aid package for the banks, for which Greece is liable and must pay a devastating price. The austerity measures, to which the Greek government is committed and which must be reviewed before payment of each instalment, are unprecedented in post-war European history. Only authoritarian regimes, such as the Pinochet dictatorship in Chile and Brüning’s

emergency government at the end of the Weimar Republic before the coming to power of the Nazis, have imposed similar measures.

Athens is undertaking to sack 150,000 public sector workers over the next four years, slash the minimum wage and unemployment benefits by a quarter, and cut private sector wages by 15 percent; to reduce spending on medicines by a billion within a year, raise prices on public transport by 25 percent and privatize many state enterprises. For many Greeks, this means outright poverty, hunger and even death.

Many experts consider that all the finance package will achieve is to build a “firewall” around the country, so that it can then be allowed to go bankrupt without triggering further state bankruptcies and financial crises internationally.

Greece is the prelude to similar attacks on working people throughout Europe. In an interview with the *Wall Street Journal* on February 22, European Central Bank President Mario Draghi openly declared: “The European social model has already gone. There was no alternative to fiscal consolidation, and we should not deny that this is contractionary in the short term.”

In Germany, the media have made much about the differences within the government camp. But these differences revolve solely around the question of whether and when Greece should go bankrupt. The ruling coalition, as well as the SPD and the Greens, all agree on a policy of social austerity.

Merkel is taking advantage of the dissenters in her own ranks to ward off international demands. The US, most EU member states and the IMF are urging that the European Stability Mechanism (ESM) be stocked up from half to one trillion euros, to secure the banks against future state bankruptcies. The German government has so far rejected this because it would have to supply a large portion of the money required. Pointing to the resistance within their own ranks helps to fend off such claims.

The tabloid *Bild* has sought to encourage opposition to financial aid for Greece among broader social layers by employing chauvinist arguments. On the day of the parliamentary vote, the newspaper appeared with a large headline: “Stop.”

The same newspaper published an article by former Chancellor Helmut Kohl (CDU), who spoke out strongly in favour of the financial package. Kohl

warned of the danger of war and dictatorship if the package had been rejected. After two terrible world wars, one had come to the realization that only a united Europe would provide lasting peace and freedom, he warned. “The evil spirits of the past are not banished; they can come back again and again” he said. That is why “the great European idea” should be defended against “faint hearts and doubters.”

The contradiction between Kohl’s plea for the financial package and the negative editorial line taken by *Bild* is more apparent than real. In reality, it is the austerity measures being dictated by the EU that are reawakening the “demons of the past”—social misery, dictatorship and war. Europe can be united only in a struggle against the EU and the governments and financial interests that stand behind it.

The Left Party rejected the financial package for purely tactical reasons. It says the package rescues only the banks and speculators, and the anti-social and economically damaging programmes drive Greece deeper into crisis. However, proceeds from the standpoint of arousing illusions in a possible reform of the EU and directing the growing social anger into harmless channels. In practice, the Left Party works closely with the SPD and Greens and supports austerity measures when needed to ensure a majority.



To contact the WSWs and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**