Greek government agrees to savage cuts, but troika demands more

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Talks held Tuesday night between the three parties making up the Greek government of Prime Minister Lucas Papademos failed to finalise the cuts demanded of it in return for a €130 billion rescue package. Without the financing, Greece will be forced to default on its debt by March 20, when a €14.5 billion bond comes due.

The coalition parties met in the midst of a nationwide one-day general strike, with tens of thousands protesting in Athens despite torrential rain. The strike was called by the private-sector trade union federation GSEE and the public-sector ADEDY federation. Transport was affected nationally and many schools, ministries, hospitals and banks were closed or forced to operate on a skeleton basis. Police fired teargas to disperse protesters.

The talks between the social democratic PASOK party, the conservative New Democracy and the neo-fascist LAOS broke up after the three parties reached agreement on a new round of savage attacks on social services, jobs and wages, but failed to adopt the full range of cuts demanded by the so-called "troika" (European Union, International Monetary Fund and European Central Bank). The party leaders meet again today and are expected to present a package for approval by euro zone finance ministers.

The discussion on the 50-page "medium-term fiscal programme" insisted on by the troika was postponed Monday in order to allow more time for the Greek government parties to consider its contents. But talks resumed based on the parties accepting unprecedented attacks on the working class.

The Papademos government is known to have signed up to slashing spending this year by €3.3 billion. But it has publicly specified only €1.1 billion in health spending cuts and the slashing of local government subsidies by €440 million.

It has also accepted one of the main demands of the troika, immediate job losses, announcing that 15,000 jobs will be eliminated in the public sector this year. The government is already committed to the termination of 150,000 of a total of 750,000 public-sector jobs by 2015.

Other measures being finalised are a 25 percent cut in the €750 private-sector minimum wage, a 35 percent reduction in supplementary pensions, and an end to holiday bonuses—equal to an extra month's pay.

It is virtually certain that all three parties will sign up to whatever is demanded by the troika, but the attacks being planned are so great that they calculate it would be political suicide to be seen to accept the troika's demands without at least a token protest. Greek Finance Minister Evanagelos Venizelos has described talks with the troika as a "hydra's head," declaring, "Unfortunately, the negotiations are so tough that as soon as one chapter closes, another opens."

The Greek economy is being looted and millions thrown into destitution to protect the investments of the banks and global speculators.

European officials are insisting that instead of new loans being handed directly to the Greek government, they are to be put in an escrow account with the requirement that any disbursements go first to service Greece's debt. Only then can whatever remains be used to pay wages, pensions and health benefits and keep transport, power generation and the rest of basic services going.

An aide to French President Nicolas Sarkozy said that another option being considered was for Greece to write into law that its highest fiscal priority is the servicing of debt.

Pushed by Germany and France, the proposal resurrects many of the essentials of the plan submitted by Germany but put aside at last week's European Union summit. In that scheme, Germany called for the appointment of an unelected "budget commissioner" to wield veto power over Greek spending decisions. While that open proposal for a financial dictator has been dropped for the present, the demand of German Chancellor Angela Merkel that the Greek government be required to use any EU-IMF loans to first pay off its bankers and bondholders has been incorporated into the new plan.

The French-German proposal is reportedly backed by the European Commission and several other euro zone countries.

The *Washington Post* called the proposal "a financial straitjacket," while the *Financial Times* noted that "additional cash to run the Greek government could still be withheld if Athens did not live up to tough new reform demands."

The bailout and accompanying austerity measures are targeted to reduce the Greek debt only from the current level of 160 percent of gross domestic product (GDP) to 120 percent of GDP by 2020. The proposed €130 billion troika loan is also dependent on the outcome of separate talks between Greece and international banks and other private bondholders over the write-off of around €100 billion from Greece's €200 billion of privately held debt. In return for this "haircut," however, the banks are demanding that Greece exchange their old bonds for new ones paying a higher interest rate.

There is a growing likelihood that Greece will default on its debt and face exit from the euro zone. Top political figures in Germany, France and the Netherlands have openly raised this scenario.

Neelie Kroes, the European commissioner from the Netherlands, yesterday told *deVolkskrant* that a Greek exit from the euro would not pose major problems. "They always said, 'If a country lets you down or asks to get out, then the whole edifice falls in.' But that is simply not true," he commented.

This forced José Manuel Barroso, president of the European Commission, to counter, "The costs of a default of Greece, the costs of a possible exit of Greece from the euro, would be much higher than the costs of continuing to support Greece."

The Greek government is nevertheless actively preparing for a possible exit, with Papademos commissioning studies into the likely impact.

The Greek trade unions were obliged to make their own show of opposition, just as the government parties. But they will also do what is demanded of them by the employers and have no intention of bringing down the unelected "technocratic" government of Papademos that is imposing the cuts. In an unmistakable display of their subordination to Greek capitalism and the corporate-financial elite, the unions last week signed onto a joint letter with the employers' federation to Papademos opposing certain of the troika's demands and suggesting other ways of attacking the conditions of the working class.

With preparations being made in ruling circles for a Greek exit from the euro zone, all of the pseudo-left formations—the Stalinist Communist Party of Greece (KKE), SYRIZA and Antarsya—are presenting an exit from the euro and return to the drachma as a progressive assertion of "national self-determination." In fact, such an outcome would ravage the living standards of the Greek working class no less than the current austerity program. It would unleash hyper-inflation and drastically reduce the real wages and pensions of workers while wiping out sections of the middle class.

All of these parties and coalitions reject any struggle based upon a united offensive of the Greek, European and international working class against the EU and its constituent governments. Instead, they are in constant discussions over the formation of an electoral front that would be dominated by the trade union bureaucracy and designed to channel growing opposition into a nationalist campaign to save Greek capitalism by restructuring its debts.