Euro zone negotiates Greek bailout amid rising popular opposition

Christoph Dreier, Alex Lantier
21 February 2012

A euro zone finance ministers' meeting strained to reach an agreement on a bailout for Greece, according to reports from Brussels early Tuesday morning. The deal was reached amid deepening popular hostility to austerity measures that would trigger a deep recession in Greece.

The agreement is said to include financing of €130 billion (US$172 billion), aiming to cut Greece's debt from 160 percent of GDP to 121 percent of GDP by 2020. Few details were announced about the deal, which was negotiated amid deep divisions between the major powers involved.

Late into the morning, it was not clear whether even a paper agreement could be reached. The finance ministers were still divided late last night over how big a loss Greece's private creditors should take, and whether the massive bailout would in fact help reduce Greece's debt load.

Despite initial reports that markets were confident such a deal could be reached, a "strictly confidential" report was leaked to the *Financial Times*, indicating that the bailout might have to be as large as €170 billion or even €245 billion to prevent economic collapse in Greece.

The deep social cuts already forced on Greece have plunged the country into a deep depression. While perversely arguing for more austerity measures, the report noted that "deeper recession" was a major risk: it would "result in a much higher debt trajectory, leaving debt as high as 160 percent of GDP in 2020."

A coalition of countries including Germany, the Netherlands and Finland reportedly opposed disbursing the Greek bailout on this basis.

The euro zone meeting also debated which creditors should take what losses. Some argued for a cut of 53 percent or more in private bondholders' debts, while others argued that the European Central Bank (ECB) should take losses on bonds that it had purchased.

There were also continuing arguments over whether Athens would accept permanent control of its budget by the "troika"—the International Monetary Fund, the European Commission, and the European Central Bank (ECB). Such a deal would strip the Greek population of control over state spending, effectively turning the country into a dictatorship run by European finance capital.

The EU finance ministers have already decided not to make part of the loan directly available to the Greek government. Instead it is to be deposited in a special account to be used only to service debts owed to the banks, rather than to fund social affairs or other government spending.

A key element of the leaked report dealt with fears that the Greek government would be unable to impose sufficiently deep cuts on the Greek population, amid rising mass opposition.

It wrote, "The Greek authorities may not be able to deliver structural reforms and policy adjustments at the pace envisioned in the baseline [debt scenario]. Greater wage flexibility may in practice be resisted by economic actors; product and service market liberalization may continue to be plagued by strong opposition from vested interests; and business environment reforms may also remain bogged down by bureaucratic delays.”

That is to say, workers and professionals may oppose the slashing of their wages and working conditions. Under conditions where the financial aristocracy views any challenge to its diktat as completely unacceptable, this puts the likelihood of a revolutionary confrontation between the working class and the ruling elite on the political agenda in Greece.

Bailout negotiations have been used to put pressure on Athens to make ruthless cuts in social spending and intensify the exploitation of the working class. Each portion of the bailout has only been disbursed under harsh conditions and constant inspections by troika representatives.

In advance of the latest decision, the troika dictated new demands for austerity measures to Athens. On February 12 the parliament was ordered to approve social cuts of €3.3 billion. These cuts call for a €1.1 billion reduction in health care spending, the sacking of 15,000 government employees this year, and a further 150,000 workers over the course of the next four years.

There are plans for a 22 percent cut in the Greek monthly minimum wage of €750 (US$990), and a 35 percent cut for youth under 25, which will serve as a benchmark for across-the-board cuts in private sector wages. Last Saturday, the parliament was called upon to whip through even more salary and pension cuts in order to meet the demands of EU finance ministers.

The cuts already implemented in recent years have led to a youth unemployment rate of almost 50 percent, reductions in medical care, and long queues in front of soup kitchens. Hunger and poverty are once again commonplace on the streets of Athens and other Greek cities. The Greek financial elite, on the other hand, have hoarded more personal wealth in foreign bank accounts than the total Greek national debt, according to reports in the *Handelsblatt* newspaper.

The rapid impoverishment of the Greek working class has led to a collapse of popular support for the social-democratic PASOK party, amid deep popular anger with the policies of PASOK Prime Ministers Giorgios Papandreou and Lucas Papademos. With PASOK polling at only 8 to 11 percent and the conservative New Democracy (ND) party polling only around 30 percent, public opinion is rapidly shifting against any party that is publicly committed to defending the policies of the European Union and the troika.

For the time being, this shift in the polls has primarily benefitted petty-bourgeois “left” parties like the Stalinist Greek Communist Party (KKE), the SYRIZA coalition, and the Democratic Left, a SYRIZA split-off. These parties together have 43 percent support in recent polls.

However, this support reflects not approval of these parties’ political program—they are bankrupt adjuncts of PASOK and the PASOK-dominated trade union bureaucracy, which in practice support PASOK’s cuts—but an initial attempt by masses of workers to register political opposition to Greek and European capitalism and the reactionary policies of the European Union.

This must inevitably take the form in coming weeks and months of growing political tensions and conflicts between the working class and entire political establishment. It is precisely this outcome that is panicking leading strategists of the European bourgeoisie.