The Greek crisis is only the beginning

Nick Beams
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The media reports referred to it as the Greek bailout. This is a complete misnomer. The €130 billion package agreed to by euro zone finance ministers last week was not a bailout of Greece, but of the banks and financial institutions that invested money in its bonds.

It is estimated that out of every euro provided by Brussels, only 19 cents will go to the Greek government, with the rest flowing straight into the coffers of banks and financial investors. The costs of repayment are being borne by the Greek people. Savage jobs cuts and the destruction of social services are driving the country back to the conditions of the Great Depression. Already, almost a third of the population is estimated to be living below the poverty line.

Announcing last week's decision, the head of the euro zone group of finance ministers, Jean-Claude Juncker, emphasised that Athens had to demonstrate a "strong commitment" to "fiscal consolidation, structural reforms and privatisation"—code words for the plundering of Greece by the wolf pack of international finance capital.

Continued "reform," Juncker claimed, would "allow the Greek economy to return to a sustainable path." This is a contemptible lie. Greece is in the fifth year of a recession, with the economy contracting by more than 7 percent in the past year. The slide into depression will be accelerated, with unemployment, now at 20 percent, rising still further. Greece is caught in a vicious circle. The imposition of austerity measures is bringing a contraction in the economy, further increasing the debt burden.

Recalling the methods first developed by British imperialism in the nineteenth century, Greece has been turned into a virtual semi-colony of international finance capital. At least four officials of the European Commission, together with representatives of the International Monetary Fund and the European Central Bank (ECB)—the so-called "troika"—will be permanently stationed in Athens to vet the government's policies line by line.

The repeated claims that the bailout package will reduce Greece's debt burden are false. When the crisis began in early 2010, the country's debt to gross domestic product (GDP) ratio was around 120 percent. It has since risen to 170 percent. Now the stated aim is to cut it back to 120 percent.

The claim that the threat of a widening financial collapse has been averted is also a lie. Last December, European financial markets were within days of freezing. The ECB, fearing a meltdown on the scale of that which followed the collapse of Lehman Brothers in September 2008, intervened to make available almost €500 billion at an interest rate of 1 percent under its longer-term refinancing operations (LTRO) program. A further handout was provided last month, bringing to €1 trillion the total made available to the banks.

Not surprisingly, given the profit-making opportunities it provided, the immediate impact of this program has been to boost financial markets. Banks have used funds acquired at 1 percent to invest in bonds and other financial assets yielding many times that amount, enabling them to provide their CEOs and financial traders with fat bonuses as a reward for their "financial acumen."

While staving off the immediate threat of a collapse, the LTRO has dragged the ECB deeper into the debt crisis, creating a new source of instability. If and when banks are gripped by another wave of panic and start selling bonds, the ECB will be forced to intervene again.

London School of Economics Professor Paul De Grauwe noted in a *Financial Times* comment: "The LTRO program has relieved the pressure in the sovereign debt markets of the euro zone. But this is only temporary. The peripheral countries are now pushed into a deep recession that will exacerbate their fiscal problems and will create renewed distrust in financial markets." As a result, he warned, "the sovereign debt crisis will explode again."

Writing in today's *Financial Times*, European columnist Wolfgang Münchau warned that the euro zone crisis was far from over. "If you think the European Central Bank's policies have 'bought time,' you should ask yourself: time for what? Greek's debt situation is as unsustainable as ever; so is Portugal's; so is the European banking sector's and so in Spain's. Even if the ECB were to provide unlimited cheap finance for the rest of the decade, it would not be enough."

There are other potential flashpoints beside the so-called peripheral countries. Belgium has a significant debt burden, approaching 100 percent of GDP, as well as a large banking sector. France is running a persistent balance of payments deficit and has a large banking sector with considerable exposure to the peripheral economies.

Outside Europe the stagnation of the Japanese economy and its persistent fiscal deficit of more than 10 percent of GDP are provoking concerns that at some point it could be forced to borrow in international markets.

In the midst of his campaign for re-election, French President Nicolas Sarkozy declared the European financial crisis to be over. In fact it is only just beginning. The interaction between the financial turmoil and falling economic output that has characterised the Greek crisis threatens to become a global phenomenon, as growth rates decline or stagnate in the major capitalist economies. Continental Europe, Britain and Japan are at or near recession, the US economy stagnates, while China has significantly downgraded its forecast growth rate.

At the same time, debt levels in almost all the major economies have increased since 2008–2009. Sooner, rather than later, international finance capital will demand significant increases in interest rates on sovereign debt, not only in Europe but more broadly. The attack on Greek workers and youth is only the sharpest expression of an international offensive against the working class.

In all the mass media reportage, the operations of the global financial system and the debt crisis are shrouded in mystifying and arcane language. But the essential class content is clear: the sovereign debt crisis and the consequent gutting of social spending is one of the central mechanisms of a worldwide social counterrevolution.

This global class war can be countered and defeated only with an international response by the working class: a unified struggle for the overthrow of the lords of international finance and the entire profit system in order to begin the reorganisation of the world economy on the basis of a socialist program to meet the needs of humanity. This is the perspective of the International Committee of the Fourth International.

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