New elections called in Greece

Christoph Dreier
17 May 2012

On Wednesday, the leaders of all parties represented in the Greek parliament, with the exception of the fascist Golden Dawn, agreed to hold new elections on June 17. This marked the definitive failure of attempts to form a government with a working majority based on the May 6 elections.

Until the elections, the president of Greece's administrative court, Panagiotis Pikramenos, will lead a transitional government. According to the Greek constitution, such a transitional regime cannot enact new laws. Its main task is to prepare new elections.

Greek and European stock markets reacted nervously to the latest developments, and wealthy Greeks are withdrawing substantial amounts of money from their accounts. According to the head of the Greek central bank, there is concern that the banking situation could develop into a panic.

In Greece's May 6 elections, an overwhelming majority of the population voted against the austerity policies of the European Union (EU). The main beneficiary of this rising sentiment was the Coalition of the Radical Left (SYRIZA), which opposed further austerity measures during the campaign and emerged as the second strongest party in the election, with 17 percent of the vote.

This outcome sent shockwaves through the Greek and European political establishment, and a fierce debate has emerged on how to deal with the opposition to EU austerity policies and the deepening crisis of the euro.

SYRIZA rejected a coalition government with the former ruling parties, New Democracy (ND) and PASOK, unless they distanced themselves from their previous austerity policies. It proposed to renegotiate the terms of the bailouts imposed on Greece by the EU and the banks.

A coalition between ND—which, as the party with the largest vote, automatically receives an extra 50 seats in parliament—PASOK, and a small split-off from SYRIZA, the Democratic Left (DIMAR), would have had a majority. However, both ND leader Antonis Samaras and the head of DIMAR, Fotis Kouvelis, refused to form a coalition without SYRIZA. They did not dare to continue implementing unpopular austerity measures without SYRIZA's support.

An offer by the Independent Greeks, a right-wing populist split-off from the ND, to participate in government was also rejected. Its chairman, Panos Kammenos, had apparently sent a letter to the chairmen of the other groups offering an emergency coalition of national unity if his party could take over the Defense Department. Kammenos subsequently denied having written such a letter.

EU representatives reacted to the failure of coalition talks by stepping up pressure on Greece. German Finance Minister Wolfgang Schäuble declared on German radio that he would not accept the renegotiation of the fiscal pact demanded by SYRIZA.

"You cannot have your cake and eat it," he said. Demanding that Greece comply with previous austerity measures if it were to stay in the euro zone, he said that this requires an "effective government that is willing to take that path."

Even the Federation of German Industries (BDI) lectured the Greek population on how they should vote. "The people of Greece are called upon in the election to choose pro-European parties which aim to make Greece more competitive," BDI President Hans-Peter Keitel told the *Rheinische Post*.

Immediately after the election, EU officials made it clear that they would prefer to see Greece leave the euro zone rather than make concessions on the fiscal pact. German Foreign Minister Guido Westerwelle threatened to end aid support payments and drive Greece into bankruptcy, should there be any let-up in the austerity measures.

The logic of this threat is clear: either Greece accepts cuts that have already led to mass poverty and unemployment and ruined its economy, or the EU will cut off credit to Greece, forcing it to reintroduce its own currency, the drachma. The international financial markets would then force down the value of the new Greek currency, resulting in hyperinflation and a corresponding drastic devaluation of wages and pensions.

Samaras exploited these threats during his election campaign, declaring that only ND could ensure that Greece remained in the euro zone by continuing with austerity policies. “The upcoming elections are a struggle between the forces of leftist nihilists in alliance with opportunist populists on one side and the resolute and strong European front on the other,” he declared.

Already last week Samaras appealed for an alliance with smaller right-wing parties which failed to receive the three-percent share of the vote necessary to enter parliament. He accused SYRIZA of “unbelievable arrogance and incredible irresponsibility.”

So far, SYRIZA has been able to profit from these threats; it now leads in the polls with up to 27 percent of the vote. Its leader, Alexis Tsipras, stated that his aim in the election was the formation of a left government “that cancels the austerity measures and rebuilds the country from the ruins left behind by the parties of the cuts.”

Tsipras and other SYRIZA representatives also stress, however, that they are opposed to leaving the euro zone. They spread the illusion that it is possible to defy the EU austerity program while still remaining in the EU and the euro zone.

They promote support for European politicians seeking to replace the EU fiscal pact with a “growth pact”. These include the new French president, François Hollande, who has said he wants to send Greece “a sign of hope,” in the form of “growth policies that will help them stay in the euro zone.”

Such a “growth pact” would not change the nature of EU austerity measures, however. It would merely continue attacks on social spending by introducing so-called structural reforms to increase competitiveness—i.e., lower wages and more flexible working conditions to drum up more money for ailing European banks.

The role model for Hollande and other advocates of a “growth pact” is the Agenda 2010 introduced by the 1998-2005 government of SPD Chancellor Gerhard Schröder, which created a huge low-wage sector in Germany.