

# New Democracy heads austerity coalition in Greece

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New Democracy party leader Antonis Samaras was sworn in as Greece's new prime minister Wednesday evening, heading a coalition government with the social democratic PASOK and the Democratic Left.

Greece is once again headed by a government comprised of the two parties—ND and PASOK—that have reduced workers and youth to penury over the last five years. And all three coalition partners are committed to further draconian austerity measures under the €130 billion bailout memorandum signed with the troika—the European Union, European Central Bank and International Monetary Fund—in March.

While final details of government posts are to be outlined, the announcement that National Bank Chairman Vassilis Rapanos is to be finance minister is a statement of intent.

The agreement took three days to finalise after Sunday's elections gave New Democracy a narrow three percent lead over SYRIZA (the coalition of the radical left), leaving it far short of a majority.

Greece's political elite was under intense pressure to speedily cobble together as broad-based a coalition as possible that would be able to push through the memorandum. The three parties have stressed their commitment to the memorandum, pleading only for a shift in its timetable. With the financial markets turning their aim against Spain and Italy, they are pinning their hopes on concessions from the EU and Germany in particular.

The conservative daily *Ekathimerini* quoted Eurogroup chief Jean-Claude Juncker stating that the dire economic situation in Greece meant “we could talk about extending the time frame.”

But this was immediately contradicted by Bundesbank President Jens Weidmann, who said that any further financial aid was dependent on the

government sticking to the memorandum. “There is an agreement with Greece, and that counts,” he said.

A refusal to countenance any loosening in the timetable is, in fact, the least of the new government's problems. More fundamental is the social reaction that it faces as it seeks to press ahead with EU diktats.

Under the memorandum, Greece is committed to outlining additional spending cuts this month of €11.7 billion—equal to 5.5 percent of national output. Monitors for the troika are due back in Athens immediately to check on the progress made so far on the austerity programme, before agreeing to the next bailout instalment.

The instalment is, in fact, of negligible value for Greece, since most of it goes to pay off foreign creditors. According to reports, during the six-week election campaign, the government had stopped paying its bills. On Wednesday it was announced that the country had managed to narrowly avert an energy crisis after the gas supplier DEH secured an emergency €100 million bank loan from the state-run Loans and Consignment Fund.

With Greece entirely dependent on foreign supplies of natural gas, mainly from Russia, it was scrambling to pay its bills. *Athens News* cited a DEH official who said the loan “gives us a breather to pay for July and August deliveries.”

Greece's economy is expected to shrink by a further 7 percent this year as a direct result of the austerity measures already imposed. According to the Athens Chamber of Commerce, some 68,000 businesses have closed over the last 17 months, and a further 36,000 are expected to close in the next year.

More than one in four people are jobless, rising to one in two among youth. Wages have been cut by up to

50 percent and pensions slashed.

While the various parties haggled over the terms of their coalition agreement, thousands of people queued from early Wednesday morning in Pedio tou Areo Park for a free handout of fruit and vegetables by producers from Crete. In the end, the distribution began several hours before its allocated 10.00 a.m. start due to the sheer numbers waiting and was finished within three hours.

In the face of the immense social distress already inflicted by Greece's ruling elite in cahoots with the EU, the coalition is tasked with imposing even harsher attacks. This includes the large-scale privatisation of state assets to raise €50 billion and "structural" labour reforms, giving employers the power to hire and fire at will.

Some 15,000 public sector-posts are to be eliminated this year as part of a plan to cut the overall number by 150,000. Total government spending is to be cut by €480 million and pension costs reduced by €300 million this year alone.

In the meantime, ND has outlined additional policies to cut the corporation tax and the top rate of individual taxes to 15 percent and 32 percent respectively.

While the coalition may have a 29-seat parliamentary majority, it has no mandate for this programme. As Reuters noted bluntly, "With Greek society deeply split, a repeat of the violent anti-austerity protests seen last year is a constant threat."

It is concern over the inevitable social conflict that will result that had delayed the formal announcement of a coalition deal until Wednesday. Both PASOK leader Evangelos Venizelos and Fotis Kouvelis of Democratic Left, a splinter from Syriza, have said that no leading members of their party will take cabinet seats.

This effort to distance themselves from the coalition's plans is cynical in the extreme. As finance minister in the last administration, Venizelos negotiated the memorandum with the troika. PASOK and the Democratic Left have made clear they will "actively support" ND and will help "advise" on appointments.

Their concern is that, should their parties openly assume leading positions in the new administration, they will be wiped out completely. Both parties saw their support fall in Sunday's election, with PASOK retaining just 33 seats and the Democratic Left 17. Much of their vote went to SYRIZA, which had

claimed to oppose the memorandum while insisting that Greece remain in the euro zone at all costs.

ND, PASOK and the Democratic Left had hoped to persuade SYRIZA to join a "National Salvation" government. On Wednesday, Venizelos stressed that the government's priority must be the establishment of a cross-party group to conduct negotiations with the troika, and called on SYRIZA to take part.

SYRIZA has declined, but its role is no less duplicitous. On Wednesday, party leader Alexis Tsipras claimed that "Nobody else but us can carry out the deep reforms the country needs because we are not corrupt or worn out. Sooner or later, we will get this opportunity."

Tsipras did not specify the "deep reforms" necessary, other than to call for more effective tax collection and for an end to what he described as the "huge and unbelievable waste in the public sector."

Immediately Sunday's results were in, Tsipras congratulated Samaras on his victory, explicitly ruled out SYRIZA attempting to form a government in opposition to ND and pledged the coalition would act as a "responsible" opposition.

Subsequently, Tsipras has spelt out that SYRIZA will not lead efforts to mobilise social opposition to the new government. In an interview Tuesday, he said, "Solidarity and resistance are both important, but right now solidarity is the most important. Our role is to be inside and outside parliament, applauding anything positive and condemning all that is negative and proposing alternatives."



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