Greek government announces further austerity

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Just over a week after the European Union summit, at which the government leaders spoke of growth and an end to austerity, all European governments are preparing to implement massive cuts across the continent along Greek lines. In Greece itself, despite the deep recession, further cutbacks are being pushed through.

Last Friday, Andonis Samaras delivered his first substantial parliamentary speech as the new Greek prime minister. He not only assured the so-called troika—the European Commission, European Central Bank (ECB) and the International Monetary Fund (IMF)—that Greece would fulfill all previously agreed cuts, which include cutting 150,000 public sector jobs. He also announced further privatizations and structural measures.

Representatives of the troika had earlier threatened not to pay the next tranche of aid money of €31.5 billion, if the agreed cuts were not implemented quickly. Without payment of the instalment, Greece is threatened with bankruptcy within weeks, due to the high interest rates it must pay to service its debt.

During the recent election campaign, in the face of popular opposition to the austerity measures, Samaras had promised to, at least partially, renegotiate the memorandum with the troika. Now, however, he has categorically rejected this.

"We don't want to change the targets," he said in parliament. "What needs to change is what is hampering us from attaining the targets. The main objective must be to aggressively pursue structural reforms, instead of the asking creditors to change the terms and conditions."

Specifically, the premier announced that the privatization of state enterprises would be expedited. He wants to sell off not only the railways and the electricity companies, as previously planned, but also the water works in Athens and Thessaloniki, and ports and airports in the provinces, as well as state land along Athens's coast.

These measures are expected to include mass lay-offs and wage cuts, as well as price increases for basic commodities.

Within the next five months, Samaras plans to close dozens of public facilities in order to reduce the federal deficit. The prime minister's claims that this will happen without any lay-offs are barely credible. Samaras also announced a tax reform benefiting the employers, and justified the measures as necessary to attract investors.

His new finance minister, Yannis Stournaras, said in the parliamentary debate on Saturday that Greek government bonds would be accepted as a method of payment for the privatizations. This means selling off state-owned enterprises at fire-sale prices, as such bonds are now trading at a fraction of their nominal value.

Stournaras stressed that the government would implement all the agreed cuts before considering new talks with the troika. "We must adopt the measures included in the second loan in February so that we do not threaten the release of this loan," he said.

To get to grips with the recession, the government needed two more years to meet the objectives, Stournaras said. “The extension means someone will have to give us more money and this is not simple,” he said. “The negotiations will not be quick; they will be long and arduous.”

Troika representatives have made clear that they would not accept even this minimal request for a time extension. IMF chief Christine Lagarde last week said she was in no mood for negotiations. Various representatives of the German government also spoke against it.

The German Free Democratic Party (FDP) parliamentary leader Rainer Brüderle urged the Greek government to fully implement the agreed cuts. With respect to a postponement, he remarked cynically that this was indeed possible, “but by weeks, not years.”

Brüderle said Greece already had a yellow card, and the next offence would mean a red card and being sent off, i.e., having to leave the euro zone. He received support from Bavarian Finance Minister Markus Söder (Christian Social Union, CSU), who declared that Greece’s rescue efforts had failed and a withdrawal [from the euro zone] was inevitable.

Troika representatives are coming to Greece in July for the second time to discuss the delivery of the next tranche, and thus decide on the future solvency of the country.

Already, the head of the European Union (EU) task force for Greece, Horst Reichenbach, is demanding that the government settle outstanding invoices from suppliers immediately. These amount to €6 billion and are not yet considered part of the national debt.

There is no question that the measures announced will increase unemployment, reduce wage levels and thus deepen the recession. Greece already has an official unemployment rate of 22.6 percent, which is more than twice as high among young people. Every week, about 1,000 businesses have to close, and the economy is likely to shrink by more than 9 percent in the current quarter.

An opinion poll ordered by the European Commission found that more than 90 percent of Greeks fear food will become scarce. The queues at the soup kitchens in Athens and Thessaloniki are getting longer, and more workers are having their electricity supply cut off because they cannot pay their bills.

Every further social cut will meet the resistance of Greek workers. In the parliamentary elections, the majority voted for parties that criticised the memorandum with the troika. The conservative New Democracy (ND) was only able to form a government, together with the Social Democratic PASOK and the Democratic Left (DIMAR), because of the country’s undemocratic electoral system.

These three parties together were not able to muster a majority of 50 percent of the votes cast. In fact, with an abstention rate of 38 percent, only 29.8 percent of eligible Greek voters cast their ballot for one of the government parties.

The government is relying on the Coalition of the Alternative Left (SYRIZA) to keep the mass opposition under control. In the elections, SYRIZA demanded the revocation of the memorandum, and received 27 percent of the vote.

From the outset, SYRIZA has made plain that it defends the EU institutions, which dictate the austerity program, and stands firmly on the side of the bourgeois order. Now, it has declared itself willing to suppress opposition or steer it into harmless channels.

Party representatives have accused the government of “selling out the country,” but have repeatedly stressed that SYRIZA will function as a “responsible opposition” and not call on workers to strike or to demonstrate.