EU representatives discuss withdrawal of Greece from the euro zone

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A withdrawal of Greece from the euro zone is increasingly likely. In recent days, representatives of the "troika"—the International Monetary Fund (IMF), the European Commission, and the European Central Bank (ECB)—have signalled that they are willing to force Greece into bankruptcy if it does not impose further austerity measures.

Yesterday representatives of the Troika returned to Greece to review the progress of the austerity measures. According to media reports, continuing popular resistance, and especially the suspension of the austerity measures during the election campaign, led to a delay in the implementation of social cuts demanded by Greece's creditors.

The new Greek government had asked that the austerity measures ordered be extended by two years and be implemented incrementally, because it saw no possibility of implementing the cuts as planned against the population. According to news magazine *Spiegel*, such a delay would require an additional €10 billion to €50 billion, so as to finance Greece's debt burden.

The austerity measures already implemented have led to mass poverty, unemployment and wage cuts, resulting in a deep recession. This year the Greek economy is projected to contract by 7 percent, more than the original forecast of 4.5 percent.

Given the speed of Greece's economic collapse, the size of its debt relative to its economy is actually increasing even as Greece pays down its debt. The Greek Ministry of Finance expects that meeting debt targets will therefore require an additional €14.5 billion in cuts, rather than the €11.5 billion originally planned.

Nevertheless, Troika representatives refused to even consider scaling back the austerity measures. Instead, they are now openly discussing forcing Greece into bankruptcy in September, when the next instalment of the existing aid package of €12.5 billion falls due. The government would then be forced to leave the euro zone and reintroduce the drachma as Greece's currency to print money to fund its debts.

Last Friday, the ECB announced that they would no longer accept Greek bonds as collateral for loans until the Troika issues its report. Since this is only expected in September, Greek banks face severe financial problems. They will need to turn to the Greek central bank for funding.

On Monday, a European Commission spokesman made ??clear that not a penny in credits would be paid until the full report was received from the Troika. For this reason, Athens sought emergency loans from EU countries for August to avert bankruptcy. According to *Der Spiegel*, high-ranking IMF officials made ??it clear that they did not want to make further payments to Greece.

The German government—the second largest creditor in the Troika after the IMF—is increasingly openly discussing the expulsion of Greece from the euro zone.

The German Minister of Economics and Free Democratic Party (FDP) chair Philip Rösler told broadcaster ARD that he was "more than skeptical" that Greece could implement the requirements of the creditors.

"If Greece does not fulfil its obligations, there can be no further payments", the FDP leader said. "The country would then be insolvent. This will probably start a discussion in the country itself. The Greeks will then come to the conviction themselves; it is perhaps smarter to withdraw from the euro zone."

This is apparently the scenario that the minister wishes to see. "I think that for many experts, for the FDP and also for me, an exit of Greece from the euro zone has long lost its horror", he added.

Christian Social Union (CSU, part of the ruling coalition) General Secretary Alexander Dobrindt has even drawn up plans for implementing Greece's withdrawal from the euro. He suggested to *Welt am Sonntag* that the drachma be gradually reintroduced. "The Greek government should now start paying half of its civil servants, pensions and other expenses in drachmas", he said.

According to the *Süddeutsche Zeitung*, government circles now consider it "inconceivable that Angela Merkel would once again appear before parliament seeking approval for a third rescue package for Greece". Opposition already developed inside Germany's ruling coalition during the votes on the two previous bailout packages for Greece.

Speaking to *Bild Zeitung*, finance minister Wolfgang Schäuble expressed his intransigence towards Athens: "If there have been delays, Greece must make them up. The euro group will consult when the Troika's report is presented."

These positions are not uncontroversial in the German bourgeoisie. The fact that they are now formulated so openly initially had the effect of putting the Greek government under pressure. The coalition of the conservative New Democracy (ND), the social-democratic PASOK and Democratic Left (DIMAR)—who together did not even win 50 percent of the vote in the general election—is tasked with enforcing the new austerity measures despite broad popular opposition.

Discussions about the exclusion of Greece from the euro zone are not just empty threats. Through the Greek government's austerity measures and the bailouts of the Troika, three-quarters of the costs of a state bankruptcy are now in the public purse. The private banks long ago exchanged their Greek government bonds for fresh currency. The money for this was squeezed out of Greek workers, on the one hand, and provided by the other euro countries on the other.

This unloading of Greek debt on public authorities means that the direct impact of a Greek national bankruptcy would fall primarily on the public finances of the euro zone and states contributing to the IMF. For this reason, a willingness to expel Greece from the euro is growing in the financial elite.

In this way, an example would be made for other countries that are reliant on the Troika. Especially in Spain, working class opposition has resulted recently in massive protests. The exclusion of Greece would serve to threaten and intimidate them.

A return to the drachma under these conditions would have catastrophic consequences for the population. Hyperinflation would devalue wages, pensions and social benefits overnight and intensify hunger, poverty and mass misery. Greece would become a cheap wage workshop for the multinationals.

The alternative for the working class cannot be to defend remaining in the euro zone. The next package of austerity measures would worsen the situation facing workers no less and drive the country into bankruptcy all the more certainly. What is necessary is a European-wide mobilization of workers against the financial elite and their European institutions on the basis of a socialist programme.