Greek government, European officials plan billions in new social cuts

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27 July 2012

Greek officials met with European Commission (EC) President José Manuel Barroso and international financial officials yesterday to discuss a new round of budget cuts worth 11.5 billion euros (US$14.4 billion) in 2013-2014.

These cuts, amounting to over 5 percent of Greece's Gross Domestic Product (GDP), will devastate a Greek economy already bled white by repeated waves of social cuts over the last three years. The Labor Ministry budget is to contract by €5 billion, largely at the expense of pensions.

Greece's devastated public hospital system faces another €300 million in cuts. Health minister Andreas Lykourentzos was forced to deny reports that Athens plans to impose a mandatory €1,500 upper limit on health spending per patient in Greece.

Relative to the size of Greece's economy, these cuts are massive; corresponding amounts would be $802 billion in the United States, £82 billion in Britain, or €136 billion in Germany. They come on top of the deepest economic contraction in Greece since the Nazi occupation of that country; most workers have lost 30 to 50 percent of their wages and benefits. Reports earlier this year suggested that roughly 30 percent of Greece's population is forced to rely on street clinics for health care.

Athens is making the latest budget cuts in a desperate attempt to meet European Union (EU) debt-cutting targets, which it has missed as austerity policies shrank Greece's economy faster than it could pay down its debts. The economy is projected to contract by 7 percent in 2012, more than earlier forecasts of 4.5 percent. Greece needs further assistance to meet a €3.26 billion debt payment due on August 20.

The leaders of the Greek government coalition met last night to finalize the budget cuts. Prime Minister Antonis Samaras of New Democracy (ND), PASOK leader Evangelos Venizelos, and Democratic Left (DIMAR) leader Fotis Kouvelis approved roughly €10 billion of the cuts. Government spokesman Simos Kedikoglou said the meeting had been "constructive," adding: "Everyone wants to contribute to achieving fiscal targets."

Samaras, Venizelos, and Kouvelis reportedly disagreed on where to make the last €1.5 billion in cuts. Samaras was reportedly opposed to cuts in "special salaries" in the public sector, mostly paid to the security services, while Venizelos hoped to avoid further cuts to pensions. Coalition talks to finalize the cuts are slated to resume Monday.

Samaras will also meet officials of the "troika"—the EC, International Monetary Fund, and European Central Bank (ECB)—for further talks today.

After a two-hour meeting with Samaras, Barroso reiterated EU demands for cuts: "To maintain the trust of European and international partners, delays must end. Words are not enough, actions are much more important than words."

These events underscore the bankruptcy of the Greek political establishment—both the current government, which imposes whatever cuts the EU demands, and the pseudo-left SYRIZA party that emerged as ND's main opponent in the June elections. While weakly criticizing EU austerity, it pledged to repay the banks and made public campaign gestures to the army and police, effectively handing the election to ND. It has pledged to be a "responsible" opposition, not to call strikes, and to support the EU (See, "SYRIZA backs Greek government's capitulation to the EU").

Social and political tensions are escalating in Greece, reflected in the recent resignation of General Constantinos Ziazias as army chief of staff. He announced Wednesday morning that he was resigning his position, explaining: "I was called at 2 a.m. to receive a list with names of officers for promotion and discharge. I cannot accept such interference with my duties."

This was apparently a continuation of infighting inside the army that flared up last autumn, when the PASOK government of Prime Minister Giorgios Papandreou sacked the entire top brass amid rumors of a possible coup, after the announcement of further unpopular austerity measures. This provoked opposition among former army personnel in ND's "Defense Group," including current Deputy Defense Minister Panayiotis Karabelas. These forces are now pressing for a redistribution of influence inside the army, amid rising discontent in the ranks over economic policy.

Greek news site onalert.gr commented, "Without a doubt, the personnel of the army is in a desperate state … due to the cuts they have suffered and those that are coming, and on top of that the anxiety of being posted elsewhere. In no other civilized European country are the promotions and discharge of army officers connected in such a blatant and crude way with political parties."

EU officials are pressing ahead to preserve the euro at the expense of massive attacks on the working class and the Greek economy. At the same time, a bitter debate is raging inside the European bourgeoisie over whether to rescue Greece and other debt-stricken countries. Some favor cutting off credit to Greece, forcing it to leave the euro zone and to reintroduce and print its own national currency to stave off a collapse of its banking system.

Markus Soeder, the finance minister in the German state of Bavaria, was the latest to call for expelling Greece from the euro zone. Yesterday he called Greece a "money sink," adding: "In terms of reform steps there is nothing. So I don't think the solution lies in giving more money to Greece, but that Greece will leave the euro zone."

Yesterday, however, troika officials also told the Greek daily *Kathimerini* that if Greece made the currently agreed-upon cuts, they would support keeping Greece in the euro zone. For his part, Barroso said that all European heads of state were committed to keeping Greece inside the euro zone, "as long as its commitments are honored."

Yesterday ECB head Mario Draghi also pledged the ECB would do "whatever it takes to preserve the euro," adding: "Believe me, it will be enough." Financial commentators widely interpreted this as a pledge to print whatever money was necessary to finance indebted euro zone states—including not only Greece, but larger economies including Italy and Spain.

As it seeks to free up resources to pay off the banks, the European bourgeoisie is thus choosing between two equally bankrupt policies: ruining workers in the indebted countries with devastating austerity, or printing large amounts of money—a policy Berlin opposes, citing a ban on ECB "debt monetization," or financing government spending by inflationary money-printing.

Referring to the ECB's €1 trillion loan to European banks earlier this year, the *Wall Street Journal* wrote, "For a while the banks did what the ECB wanted them to: they bought their domestic sovereign debt, driving down yields. But €1 trillion proved not to be enough. Yields fell only temporarily. Now it seems Mr. Draghi is willing to ignore restrictions on debt monetization … In theory the ECB is only limited by how fast it can run its printing presses. And in the days of electronic finance, that's essentially the speed of light."

Remarkably, the massive amounts of credit made available to the banks have not produced economic growth. While European stock markets ended up on expectations of fresh funds from the ECB, the latest economic figures show contraction in Europe. The British economy shrank a larger-than-expected 0.7 percent in the second quarter of the year, and Germany faces falling business confidence amid expectations that it will need to help fund a bailout of the ailing Spanish banking sector.