Greek government agrees €11.5 billion cuts package

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The leaders of the three Greek government parties have announced their agreement on further austerity cuts amounting to €11.5 billion.

On Wednesday evening, after days of wrangling, New Democracy leader and Prime Minister Antonis Samaras, Evangelos Venizelos of the social democratic PASOK party, and Democratic Left leader Fotis Kouvelis said they had agreed the package of cuts to be imposed in 2013 and 2014, as demanded by the "troika" (the European Commission, European Central Bank and International Monetary Fund).

The troika had threatened that if agreement was not reached on the measures, €31.5 billion, part of its second €130 billion loan package, would be withheld. The government is still awaiting the disbursement, due last month, of €4.2 billion from the loan package. Without this the bankrupt Greek state cannot make €3.1 billion in bond payments to the European Central Bank due August 20.

The funds disbursed to Greece from the troika are not a "rescue". Every euro received is handed straight to the banks and most of this is passed back to international creditors. The troika is lending money to Greece so that Greece can immediately hand it back to them. Already this year a €4.63 billion repayment was made to the European Central Bank followed by a €3.3 billion repayment in May.

Government officials have now begun a series of meetings with troika officials, outlining where the cuts will be made. Finance Minister Yannis Stournaras held a meeting with troika inspectors Thursday and will hold another on Sunday.

Venizelos and Kouvelis had argued that the cuts should be imposed over a period of four years instead of two. PASOK was in favour of €6 billion in cuts for 2013 and a postponement of the remaining €5.5 billion to a later date.

This condition was dropped at the insistence of Samaras, who warned his coalition partners that failure to impose all of the cuts immediately would result in Greece being denied any further funding by the troika, leading to the fall of the government and necessitating new elections.

No specific details have emerged regarding the cuts, with government representatives stating that they will not be outlined in full until early September, once they have been approved by troika officials.

Venizelos stated, "If the prime minister believes that the immediate adoption of all of the €11.5 billion measures will then allow him to negotiate, and that only that will secure payment of the next loan instalments and the country's position in the euro, I am obliged to accept his estimate. We will not lead the country to elections."

Stournaras said, "The prime minister said that it must be accepted—as a necessary condition for our country to remain in the euro zone and be able to negotiate further—to cut public spending by another €11.5 billion."

Democratic Left leader Kouvelis said the talks had discussed "chapters and not specific figures". Having just agreed to a devastating cuts package, he shed crocodile tears, declaring, "We will not proceed with measures that add to the burden on society".

The new cuts are worth fully 5.5 percent of annual economic output and will have a devastating impact on the already decimated living standards of millions. Were the equivalent of such brutality to be carried out in the United States, $802 billion in public spending cuts would be required, £82 billion in Britain, and €136 billion in Germany.

There are reports that party leaders have already secured agreement from the Labor Ministry for a cut of around €5 billion. Health spending is also reportedly being cut by hundreds of millions. These cuts are almost exclusively directed against workers and the poorest in society.

Pensions will be cut even further, with the right-wing *Kathemerini* noting Friday that the "government may look to trim pensions below €1,000. There will definitely be cuts to all pensions above €1,400."

The negotiations were held at the economic equivalent of gunpoint. The *Guardian* published some of the wording from a leaked government document, stating that the troika's inspectors would "pinpoint the measures" required before leaving the country "to draw up the [debt sustainability] assessment which will open the way to the disbursement of the [next] loan instalment."

The document welcomed a "climate" of discussion that was "exceptionally good and marks a change in the hostile behaviour of the representatives of our lenders that has existed up to now."

The first to be informed about the agreement between the coalition leaders were not the Greek people, but the representatives of the troika. *Athens News* reported that "Sources from the prime minister's office said that Samaras had relayed the results of his talks with European Commission President Jose Manuel Barroso, European Council President Herman van Rompuy and EU-IMF troika inspectors, and underlined that Greece's options were clear."

The impact of the austerity on the Greek population over the past three years is evident not only in the widespread poverty and mass unemployment, with more than 20 percent officially out of work, including one in two young people. Greece is also undergoing a staggering level of depopulation, as many people seek to escape a life of misery by going abroad.

This week the National Statistical Service reported that the population has fallen by nearly 1 million, to 9,903,268. This contrasts to the census of 2011, which recorded a population of 10,787,690. A decade earlier it stood at almost 11 million.

The *Greek Reporter* web site noted, "Specialists assume that the main reason for this significant drop may have been the financial crisis which forced many Greek people, especially the young, to move to more stable countries."

As a result of the latest cuts, each man, woman and child in Greece will be burdened with a further debt of €1,171.

Last week, the non-governmental organisation The Smile of the Child reported that the number of children who needed their assistance due to poverty had doubled since last year. In the first half of 2012, a total of 4,468 children asked for help, compared to 4,500 in the whole of 2011.

According to the head of the organization, the figure in 2011 was already an increase of 54 percent compared with 2010. Some three out of ten families who received support from the organisation reported they were struggling to survive because of problems relating to unemployment or a precarious employment situation.