European Union demands further cuts in Greece

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Last weekend, representatives of the troika—the European Central Bank (ECB), European Commission (EC) and the International Monetary Fund (IMF)—returned to Athens to discuss a third package of budget cuts with the Greek government.

Officially, the troika has the task of preparing a report on Greece's budgetary situation for the European Union (EU) and IMF as the basis for agreeing to a further bank bailout to Greece's creditors, amounting to €31.5 billion (US$41.6 billion).

In reality, the work of the troika has less to do with preparing reports on austerity measures already adopted in Greece than on dictating the next package of social cuts. Loans promised by the troika last June will be withheld until the 2013 budget complies fully with EU demands.

Following weeks of talks with the troika, Athens presented an initial draft budget in parliament on Monday. The budget involves social spending cuts of more than €7 billion for the next year. The largest sums are to be slashed from public employees' wages (€1.1 billion) and pensions (€3.8 billion). Additional cuts are to be made in social welfare, health care, education and public services.

These austerity measures are part of a two-year plan of cuts initially calculated at €11.5 billion, but now estimated to total €13.5 or even €14.5 billion.

Monday's talks between Prime Minister Antonis Samaras of Greece's conservative New Democracy (ND) party and representatives of the troika lasted just 35 minutes. The government was instructed to link its new budget with fundamental reforms of labour legislation and the liberalisation of markets before talks could continue.

The plans for such reforms had been presented by the troika some weeks ago. They include lengthening working hours, introducing a six-day week, and the facilitation of layoffs—all measures that will undoubtedly increase the already horrendous unemployment levels in Greece. One quarter of Greek workers and more than half of Greek youth are unemployed.

In addition, the troika rejected €2 billion of the €7 billion planned in cuts because they were too vague. Instead, the troika urged the government to implement further wage and pension cuts, as well as sacking 15,000 employees in public service.

The Greek government has already undertaken substantial attacks on social gains and ensured that austerity measures were concentrated on workers and the poor, but it had shied away from mass layoffs in the public sector. In part, this is because the Greek constitution forbids such lay-offs, but it is primarily that Greece's coalition government can no longer rely on the collaboration of local authorities.
Administrative workers have frequently refused to implement the austerity measures dictated by the government.

According to a number of reports, Greek finance minister Yannis Stournaras lost his temper with troika representatives at the weekend. He turned on his interlocutors and shouted: "Do you really want to overthrow the government?" IMF chief inspector Poul

Thomsen reportedly replied that it was not his problem whether the government coalition lasted or not.

The most recent austerity measures in Greece have already led to an unprecedented social catastrophe. According to the budgetary plan, the country's economy will shrink in 2013 for the sixth year in a row. A recession of 3.8 percent is forecast for 2013, down from 6.6 percent this year. This means that the country's economy will have shrunk by a quarter since the start of the crisis.

The state has already slashed €49 billion in wages, pensions and social spending since 2010. This has resulted in an explosion of joblessness, wage cuts of up to 60 percent, drastic cuts to pensions, and an education crisis. Communal soup kitchens in Athens now provide 8,000 people every day with meals. Patients are increasingly expected to personally finance medication and doctors' visits—effectively excluding millions of Greek citizens from health care.

These cuts have not led to the reduction of public debt. On the contrary, according to the Greek Ministry of Finance, the extent of debt will rise to 179.3 percent of gross domestic product. In 2008, at the beginning of the debt crisis, and before the "bailouts", this figure stood at just 110.7 percent.

The sole beneficiaries of the emergency loans awarded by the EU have been the banks and speculators. The banks get back their loans, including exorbitant interest rates, while the euro zone countries and the ECB are assuming the risks of a Greek sovereign default. In this fashion, capital was transferred directly from the budgets of euro zone countries, and especially Greek workers, into the vaults of the banks.

The most recent austerity package will plunge the Greek population further into poverty, without doing anything to resolve the country's debt crisis. The ruthlessness of the troika, in cooperation with the Greek government, is an expression of the immense intensification of class antagonisms arising from the crisis of capitalism.