German chancellor demands deeper spending cuts as Greek prime minister visits Berlin

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While the Christian Democratic Union (CDU) and Social Democratic Party (SPD) negotiate behind closed doors over a coalition agreement, Chancellor Angela Merkel made unmistakably clear in a meeting with Greek Prime Minister Antonis Samaras that the new government will continue and intensify the social devastation across Europe.

The future coalition partners in the SPD are in full support of this course. While in opposition, the SPD voted for austerity policies relentlessly dictated from Berlin and Brussels, while criticising some of the worst consequences. Now there is not a critical word to be heard from the SPD’s ranks.

When Merkel and Samaras appeared before the microphones at the press conference on Friday afternoon, they tried to display optimism and unity. “We want to fulfil the current programme,” Samaras said. “We can see light at the end of the tunnel.”

Merkel repeated this sentence in agreement, adding that the Greek government had made impressive progress in its attempts to make savings.

What lies behind such rhetoric is an extremely aggressive policy. The Chancellor made clear that she would not accept significant debt relief for Greece. She intends to exploit the country’s horrendous debt levels to attack the social rights of the working class across the entire continent.

Merkel had already opposed a debt write-down for Greece the previous day. A reduction of interest rates or a lengthening of loan repayments was the most that could be considered, the Chancellor said. Both measures would do nothing to reduce Greece’s mountain of debt, but merely draw out the process. At the press conference, Merkel also ruled out any relaxation in the obligations of the government. This referred to the strict austerity demands of the “troika”—the European Union (EU) commission, European Central Bank (ECB) and International Monetary Fund (IMF).

On Monday, Finance Minister Wolfgang Schäuble (CDU) sharply rejected any possibility of debt relief. Although there could be new bailouts in 2014, those countries in crisis would have to bring their finances in to order and continue with structural reforms. Greece in particular had to fulfil all of the terms, he said.

These terms include the budget cuts which the troika has dictated to Greece since 2010. Last week, there were sharp conflicts between the government and the troika over the 2014 budget.

The government presented a draft budget on Thursday, proposing a further €5.6 billion in cuts. €3.2 billion alone is to be cut from social spending, much of which will come from the already devastated health care system.

These attacks do not go far enough for the troika, however. They have demanded an additional €1 billion in cuts or they will withhold future tranches of the bailout. “Many finance ministers in the Euro Group are slowly losing patience,” said Jeroen Dijsselbloem to the Greek newspaper *Ta Nea* .

Merkel and Schäuble have now made unmistakably clear their desire to continue this policy beyond 2014. The indebtedness of state finances will be used as a means to redistribute society’s wealth. In this, Greece is serving as a model for the entire continent.

The budget cuts dictated by the troika and Berlin have led to a social catastrophe in Greece. Since 2010, at least one million jobs have been destroyed, and some 100,000 firms have gone out of business. The unemployment rate is 27 percent, and only 15 percent of these still receive social support. The remainder are left to fend for themselves.

According to a study by the Stavros Niarchos institute, 60 percent of families from socially disadvantaged areas are regularly unable to provide their children with sufficient food. Among 23 percent of the families, there were even periods of starvation over the past year.

Social inequality is exploding. While the incomes of the top 20 percent of the Greek population were five times greater than the bottom 20 percent in 2009, it has since then risen to a factor of 7.5.

Despite the brutal spending cuts, Greek state debt has not declined but has increased. Prior to the banking crisis, state debt stood at 105 percent of GDP. After the government used billions to rescue the Greek banks, it rose to 142 percent by 2010. The so-called bailout programs then led to a further increase. In September this year, debt totalled €321.8 billion or 169 percent of GDP. The government predicts this proportion will reach 175 percent next year.

The fact that the Greek budget has achieved a primary surplus this year for the first time since the crisis changes little. Without the inclusion of debt servicing, the Greek state took in €812 million more than it spent, according to government projections. This is not even sufficient to pay for the interest on state debt, let alone the debt itself.

Even a primary surplus of €3 billion, which the government has very optimistically projected for 2014, would not significantly reduce the debt burden. Every euro saved goes directly in to the accounts of the creditors. An intensification of the budget cuts, as is being demanded in Berlin, will deepen the recession even more.

As well as rich Greeks, the main profiteers from the troika's bailout programme have been the international banks and speculators, since the €240 billion in bailout funds have been used mainly to service privately-owned government bonds and interest payments. As a result, the private creditors were mostly able to offload their investments with large profits. The overwhelming portion of Greek state debt is now in public hands. The European population is liable for the banks' toxic assets.

The continuation of this policy in Germany by a grand coalition will therefore be directed against the European working class. The austerity policies in Greece will inevitably lead to a collapse of state finances. Public debt will then have to be written off, if not before. The deficits which will emerge in the budgets of Euro zone countries will be clawed back from the working class.

This is the programme of the grand coalition in Germany.