As Greek government collapses, Berlin demands more austerity

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The collapse of the Greek government is an expression of the deep social tensions across the continent. Prime Minister Antonis Samaras was no longer able to impose the European Union's austerity dictates in the face of popular opposition. At the same time, the political crisis in Athens has sharpened divisions within the EU.

High-ranking representatives of German politics and big business responded aggressively to the failure of the Greek presidential election. They made clear that they will not give an inch on austerity policies that have produced a social catastrophe in Greece and across Europe.

The early parliamentary election that must be held according to the Greek constitution changes "nothing in the course or conditions for [EU financial] support" for Greece, Bavarian Finance Minister Markus Söder (Christian Social Union—CSU) told the *Munchner Merkur* on Monday. "Accordingly, there can be no debt relief, there can be no relaxation of the criteria."

German Finance Minister Wolfgang Schäuble (Christian Democratic Union—CDU) told the *Bild* newspaper on Saturday that the Greek people had no right to determine the policies implemented by their government. "Fresh elections change absolutely nothing about Greece's debt," he said. "Any new government has to maintain the contractual obligations of its predecessor."

By this he means the debt memorandum between the EU, the International Monetary Fund, the European Central Bank and the Greek government, which committed Greece to implement severe social cuts in exchange for a bailout from the EU.

Schäuble not only declared he would stick to the austerity program regardless the result of the election, but spoke in favour of expanding social cuts across the entire continent. He attacked plans by the European Central Bank to purchase government bonds of European states in order to reduce interest rates for new loans.

"Cheap money cannot be allowed to reduce the drive for reforms in some countries. There is no alternative to structural reforms," said Schäuble.

This position is also supported by Bundesbank head Jens Weidmann. In an interview with the *Frankfurter Allgemeine Sonntagszeitung*, he stated that Germany was not prepared to provide a guarantee for loans given to other European states, such as through purchases of debt by the European Central Bank.

"Policy should concentrate much more on the challenges of political economy in the EU countries, with the structural weaknesses in growth," said Weidmann, adding in the same vein as Schäuble that even the larger EU states "require substantial reforms."

Christoph Schmidt, chairman of the Economic Council of Experts, which is appointed by the German government to provide advice, was even more explicit. "The more the central bank intervenes to push down interest costs for states," he said, "the greater is the danger that France and Italy will once again abandon the necessary reforms."

Schmidt also demanded deeper social cuts in Germany. The state had to stop pumping "billions in to the social system" and expand economic infrastructure instead, he declared.

Shortly before Christmas, an international federation of 178 human rights organisations published a report on the consequences of the EU's dictates on Greece. It drew horrifying conclusions. An estimated 2.5 million Greeks now live without health insurance. In one year, the HIV infection rate rose by 52 percent. Sixty-two people have died as a result of the re-emergence of the

West Nile virus.

Pensions and wages have been cut by up to 50 percent. Since the outbreak of the crisis, the report stated, 180,000 small businesses have had to close. The unemployment rate remains very high, at 28 percent. Among youth, it is even higher, at 61 percent. This is the result of a program that Berlin intends to intensify and expand throughout Europe.

With these policies, the German ruling elite is advancing not only its social program against the working class, but also its dominance over its European rivals. A policy aimed at monetary stability has served to strengthen its position within Europe in recent years, particularly since the outbreak of the global economic crisis in 2008. However, as class tensions and the political crisis in Athens intensify, the conflicts between the European powers are also growing.

Strong disagreements emerged following the announcement by European Central Bank head Mario Draghi at the beginning of December that he planned to start purchasing government bonds. French President François Hollande and Italian Prime Minister Matteo Renzi welcomed the move and warned of the threat of deflation in the euro zone, which they claimed could be averted only through an inflationary policy of “quantitative easing.”

There were discussions of a purchasing programme worth €1 trillion, a substantial proportion of which was to include bonds from states hit by the euro crisis. Other suggestions have called for the purchases to be in line with European Central Bank capital quotas. In this case, the country whose bonds would be purchased in the greatest quantity would be Germany.

Weidmann and the German government were critical of the plans from the outset and spoke out in favour of stricter austerity measures without financial injections from the European Central Bank. They declared there could be no further community—that is, German—liability for sovereign debt.

The conflicts were not over whether austerity policies should be pursued. Hollande and Renzi have made clear that they intend to pursue brutal austerity policies. However, they are at the same time calling for stronger backing for state finances from the European Central Bank and other European institutions.

The collapse of the Greek government has strengthened this wing. The most prominent opposition party in Greece, the Coalition of the Radical Left (SYRIZA), supports a finance policy of “quantitative easing.” According to all polls, SYRIZA will emerge as the largest party from the impending elections due to its public criticism of the EU austerity memorandum.

Like Hollande and Renzi, SYRIZA has made clear that it will support the EU and its debt regime. SYRIZA chairman Alexis Tsipras reassured the EU that as future prime minister, he would not overturn previously implemented social cuts. He also insisted he was not planning to announce a unilateral repudiation of Greek state debt, but to hold new negotiations with the agreement of the creditors.

Greece’s main creditors are the European Central Bank and the EU, which have taken on a large proportion of privately owned government bonds in the course of the bailout program. A debt deal would therefore be the equivalent of a communal financing of Greek debt within the EU and would have a considerable impact on other EU states.

Both the hard money and the “quantitative easing” factions of the bourgeoisie are mortal enemies of the Greek and European working class. They are both determined to carry through a social counterrevolution, destroying all of the social gains won over generations of bitter working class struggle. They represent two different methods for extracting the trillions from the working class that have been handed over to the banks in recent years.