Financial markets celebrate as Syriza repudiates pledge to write off Greek debt

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The announcement by Greek Finance Minister Yannis Varoufakis that the new Syriza-led government will request a “debt swap” rather than a write-off of a large portion of Greece’s €315 billion foreign debt is further confirmation of the regime’s bourgeois character and capitalist programme.

On Tuesday, the Greek stock market jubilantly greeted the news. Shares rose 11 percent. Greek bank stocks rose 18 percent, recovering all their losses since the January 25 general election. Markets throughout Europe celebrated, with the euro up almost 1 percent against the US dollar. American stock indexes also shot up late Monday and continued to surge on Tuesday.

Varoufakis’s proposal to a meeting of City of London investors, made public in the *Financial Times*—the Syriza government’s favoured conduit to reassure big business—is based on a “menu of debt swaps.” They would require the introduction of two types of new bonds. The *Financial Times* explained: “The first type, indexed to nominal economic growth, would replace European rescue loans, and the second, which he [Varoufakis] termed ‘perpetual bonds,’ would replace European Central Bank-owned Greek bonds.”

Varoufakis sounded “an emollient note,” according to the *Financial Times*, assuring the investors that a debt swap would be “smart debt engineering.” He avoided using the term “debt haircut”—something resolutely opposed by the German government.

Syriza’s proposal repudiates the central plank of the Thessaloniki Programme on which the party was elected. The programme’s declared goal is to “write off the greater part of public debt’s nominal value so that it becomes sustainable in the context of a ‘European Debt Conference.’”

Varoufakis met with some 100 representatives of London’s financial elite after talks with UK Chancellor George Osborne earlier in the day. According to a Reuters source, Varoufakis told the investors that private holders of Greek bonds would be spared any losses.

The *Financial Times* commented that investors were “relieved that the Greek government seemed to be pushing for a restructuring of the debt it owes to the troika of state-level creditors, rather than that of private-sector creditors who already had their loans renegotiated in 2012.”

As further reassurance to his super-rich hosts, Varoufakis later tweeted, “Debt will be rendered sustainable, even if we replace haircut with euphemisms and swaps.”

Following a meeting that Varoufakis described as a “breath of fresh air,” Osborne echoed the comments of US President Barack Obama, who said “there has to be a growth strategy” for Greece, and added, “You cannot keep on squeezing countries that are in the midst of depression.”

In a swipe at Germany, which has rejected any notion of a debt write-off, Osborne said, “[I]t was important that the euro zone has a better plan for jobs and growth.” A Greek exit from the euro zone “is a rising threat to the British economy,” he continued, adding that “we have got to make sure that in Europe, as in Britain, we choose competence over chaos.”

The meeting with Osborne is part of a tour of Europeans capitals by Varoufakis, who is seeking support for a pro-capitalist reflationary strategy based on the quantitative easing (QE) already begun by the European Central Bank. He has met with his counterparts in Paris and Rome and meets today with European Central Bank head Mario Draghi. On Thursday, he will meet German Finance Minister Wolfgang Schäuble in Berlin.

Varoufakis told the *Financial Times*, “Whatever our partners think about our being from the radical left, we’re serious about reform, serious about being good Europeans and serious about listening.”

Syriza represents the interests not of the working class, but of a section of the Greek bourgeoisie. Its strategy of economic “growth” aims to support a layer of the upper-middle class that has been hit by the collapse of the economy over the last five years.

Such “growth” will be achieved at the expense of workers and youth. As the *Financial Times* noted, “Mr Varoufakis said the government would maintain a primary budget surplus—after interest payments—of 1 to 1.5 per cent of gross domestic product, even if this meant Syriza, the left-wing party that dominates the ruling coalition, would not fulfil all the public spending promises on which it was elected.”

Varoufakis’ mantra is that Syriza will “destroy the oligarchy” in Greece. This euphemism is clearly understood by the international bourgeoisie as an opportunity to gain unprecedented access to the Greek economy, with Syriza previously explaining that it intends to allow “*more space for competitive businesses to emerge*.”

The *Financial Times* praised Syriza’s policy Tuesday, editorialising that as Varoufakis tries to “win support for a new deal, Greece’s finance minister deserves a full and even sympathetic hearing.”

The newspaper wrote that the Greek economy has “too many over-regulated industries and outdated practices, and a long tradition of overmanning the public sector,” and complained that under the “troika” (the European Union, the European Central Bank and the International Monetary Fund), “very little was done to confront the oligarchs, or to tackle endemic tax avoidance.”

Syriza needed allies, the mouthpiece of British finance capital continued, “if it is to take on the oligarchs, restructure its banks and develop a modern system of tax collection.” Some of its ideas “smack of student radicalism,” the newspaper continued, but concluded that Syriza may have “enough sensible radicalism to sketch out the outlines of a deal.”

Such “sensible” policies are now being rolled out by Syriza, following its first few days in office when a host of new ministers spouted anti-austerity rhetoric.

Within hours of its election, Syriza announced a coalition with the right-wing xenophobic Independent Greeks (ANEL). Its leader, Panos Kammenos, who has close ties to the military and shipping magnates, was named defence minister, as Syriza fulfilled its pledge of a “new patriotic alliance.”

ANEL has moved rapidly to stoke up a chauvinist atmosphere. Last Friday, Kammenos provocatively flew over the islets of Imia, whose ownership Greece disputes with Turkey, to drop wreaths in memory of three Greek officers killed nearby in a helicopter crash 19 years ago. In 1996, Greece came close to war over the islets. Kammenos’ provocation resulted in Turkish fighter jets being scrambled and entering Greek airspace before being intercepted by Greek jets, while seven Greek coastguard boats faced three Turkish ones off of the islets.

Kammenos has also said ANEL intended to vote against Syriza’s proposal to grant second generation immigrants Greek citizenship.

On Sunday, Syriza Labour Minister Panos Skourletis said his party’s election promise to restore the minimum wage to its previous pre-austerity rate of €751 would be put on hold and implemented only gradually.

Skourletis said this decision was based on concerns over the impact of the previous pledge on the profitability of debt-stricken companies. Talks would need to be held first with employers, he declared.

Any minimum wage increase, he added, “has to be combined with specific rearrangements that will give companies some breathing space. For instance, companies’ debts to [pension] funds and banks can be rearranged.”

Workers will suffer the consequences and be forced to exist on the paltry minimum wage of €480 imposed by the previous government at the behest of the troika.

In another retreat Monday, Varoufakis, referring to an earlier report that the privatisation of the strategic port of Piraeus would be halted, ruled out the “recall of privatisations which are due to be completed,” saying that would be “unwise.”