Stock markets rise after Greece signs new austerity agreement

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Europe's stock markets rose Monday in response to the four-month extension of austerity agreed Friday between the Greek government and the euro group.

Stocks shot up in all the main markets save London, closing at their highest levels in seven years. Japanese equities hit a new 15-year peak. The FTSE Eurofirst 300 rose by 0.6 percent and Germany's Dax by 0.7 percent. London's FTSE 100 rose sharply and was due to reach a record level, before falling only due to a plunge in the shares of the crisis-ridden HSBC bank. Greece's own stock markets were closed for a public holiday.

The financial aristocracy believes Greek Prime Minister Alexis Tsipras' deal will allow it to continue raking in billions of euros in profits by savaging workers' living standards in Greece and across Europe. Commenting on the austerity deal, Erik Nielsen, global chief economist of UniCredit, said, "Europe has drawn the line in the sand—and markets had absolutely no problem with that."

Summing up the results of less than a month of talks, in which Greece's Syriza-led government did not win even minor concessions, Nielsen called it a "complete political surrender" on Syriza's part.

The first condition of the agreement was for Syriza to submit further proposals by Monday evening to the European Commission, European Central Bank and International Monetary Fund "troika", detailing how it would strictly adhere to the austerity programme agreed to by the previous New Democracy/PASOK regime.

Syriza complied totally with this humiliating demand. To ensure that its proposals would not be rejected, Syriza officials spent the entire weekend and Monday in talks with troika representatives, honing a suitable austerity agenda. One Greek government source told the *Guardian*, "It will be put over this evening although when exactly that will be we just don't know. Right now they are drawing up and crossing out [proposals] … It is changing all the time."

In the end, Syriza left nothing to chance. On Monday evening, Athens stated that it would instead submit its proposals on Tuesday morning.

This followed a warning in Monday's *Financial Times*, which noted: "Euro zone officials have for weeks complained that [Greek Finance Minister] Mr Varoufakis's reform proposals were not sufficiently detailed and had not come with estimates of how much they would affect the economy and government budgeting. *Officials who have seen the weekend submission from Athens have indicated it is similarly vague*." [emphasis added]

Another official acknowledged Athens' proposals amounted to "a list of actions to be taken" without a detailed breakdown of numbers.

Reuters reported Monday evening that a government official said Syriza's list "will include reforms to fight tax evasion, corruption" and "measures to reform [the] public sector, [and] cut bureaucracy". Also included are "reforms to regulate tax arrears and bad loans."

Syriza uses these standard euphemisms ("reforming public sector, cut bureaucracy") because, like the right-wing New Democracy government before it, it is a reactionary bourgeois party trying to cover up its plans to cut workers' jobs and pay and increase productivity.

Syriza's capitulation has only fueled demands for further concessions from the European Union.

The German government, which has insisted that Greece carry out the troika's austerity directives to the letter, has responded to Syriza's capitulation with even more vociferous demands. Foreign Minister Frank-Walter Steinmeier said, "The ball is in the Greek government's court. If Athens wants to see changes in individual points, then that is okay. But if these changes lead to further spending, then they need to save elsewhere or look to gather more revenue."

The statement issued by the euro group Friday stipulated, "The Greek authorities commit to refrain from any rollback of measures and unilateral changes to the policies and structural reforms that would negatively impact fiscal targets, economic recovery or financial stability, as assessed by the [EU, ECB and IMF] institutions."

Among those who Syriza first turned to as a supposed counter to the austerity being demanded by Germany was European Commission President Jean-Claude Juncker. Not only did Juncker endorse the German position before the ink was barely dry on Friday's deal, he was leading the chorus for Syriza to tear up any promise it had made to alleviate the social devastation visited on the Greek people over the past five years.

Speaking Monday to *Wirtschaftswoche*, Juncker said Syriza cannot raise the minimum wage because "It's very difficult claiming privileges that other states don't have." He said Spain, Ireland and Portugal had already passed through a "vale of tears," and that Greece could not be treated differently, "especially on raising the minimum wage."

As Syriza desperately tried to make its proposals "sufficiently comprehensive to be a valid starting point" ahead of negotiations on a harsher austerity package in April, IMF head Christine Lagarde insisted that Syriza had to tackle "vested interests, protected professions, rigidity in some markets."

She said, "I hope that the structural reforms that are so needed in the country can be implemented. ... There's been a lot of talk about it, but now it's time to get on with the work."

In fact, there is every indication that Syriza's capitulation to the EU austerity diktat will only fuel the collapse of the Greek economy and the drive for deeper attacks on the working class.

Greece's banks remain in deep crisis, with their access to funds cut off by the ECB. Due to fear of a financial collapse as Greece's previous credit agreement with the troika was due to expire, €1 billion were withdrawn from Greek bank accounts last Friday.

According to JP Morgan, outflows from Greek banks last week total €3 billion. In just under two months, €25 billion in deposits have been withdrawn from Greek banks. JP Morgan estimates that on this basis, the banks will run out of collateral to obtain new ECB loans in just eight weeks. This is down from the 14 weeks it estimated only last week.

Alan McQuaid, chief economist at Merrion Stockbrokers, described the latest deal as "kicking the can down the road," adding that "it's better than nothing and for the time being it will be seen as positive, assuming they can deliver these reform promises today."

Peter Dixon, equity strategist at Commerzbank, cautioned, "We have cleared the first hurdle, but Greece has to come up with a serious set of measures now. Over the course of the next few months, we will be having more discussions and possibly a lot more market volatility."

Gary Jenkins, chief credit strategist at LNG Capital said Syriza "now have four months to try and demonstrate that they have an action plan which is acceptable to their European partners and to their own people. It is not inconceivable that we are all back here in four month's time with a heightened risk of either a Greek exit [from the eurozone] or default—or both."