Greece told deeper austerity needed to secure additional loans

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Euro zone finance ministers met Monday to discuss a set of proposals from the Syriza-led Greek government based on the austerity programme both sides signed on February 20. Greece was required to submit a list of austerity measures deemed acceptable to its creditors as a precondition for receiving a pending loan of €7.2 billion and any further loans.

The Eurogroup meeting ended within 90 minutes. In a clear sign that there would be no retreat from finalising an austerity package, the finance ministers agreed that "technical talks" between Greece and its main creditors, the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF), would begin Wednesday.

Speaking at a press conference following the meeting, Eurogroup Chairman Jeroen Dijsselbloem said, "We have spent the last two weeks discussing who will meet whom, where, and in what configuration. It's been a complete waste of time…"

The Eurogroup "needed to see signs that reforms are being implemented," he demanded, warning that there "can be no talk about early disbursement if there is no agreement and no implementation." The Greek government, he added, had promised the Eurogroup that it would take no unilateral actions or roll back austerity measures already adopted.

Without billions of euros being made available in loans, Greece faces default on its €320 billion foreign debt in a matter of weeks. The euro zone meeting took place amid dire warnings that Greece's banks can no longer finance the economy due to their lack of liquidity and an ongoing flight of deposits.

Nearly €20 billion were withdrawn from the banks in January and February. There is a nearly €80 billion gap between the €135 billion available in the banks' deposits and their loan balance, which exceeds €210 billion. The banks only have temporary access to high interest rate emergency liquidity assistance (ELA) from the ECB, which can be ended at any time.

One senior bank official told *Kathimerini,* "As things stand, it is simply impossible for us to finance the economy, as we can only marginally cover the cash needs of our clients."

Last Friday, Greek Finance Minister Yanis Varoufakis submitted a letter to the Eurogroup with a list of six proposed reforms. These included hiring students and even tourists as temporary "nonprofessional" tax inspectors, vague "antibureaucracy" initiatives, and measures to raise revenue from online gambling. The letter was derided as being nowhere near adequate.

Upon taking office, Syriza began its rapid capitulation to the demands of global capital, insisting it had already agreed to 70 percent of the austerity measures in place. Addressing Syriza's latest proposals Sunday, Dijsselbloem said, "Those absolutely won't be accepted as the 30 percent that they wanted to replace."

In a letter to Varoufakis, Dijsselbloem stressed that the proposals would also have to be evaluated and approved by the ECB and the IMF.

European Commission Vice President Valdis Dombrovskis rejected Greece's letter out of hand, telling a German newspaper that "a letter here or there isn't going to change much."

Since the February agreement, the ECB has tightened the screws, insisting that there is no alternative to continuing with mass austerity and repayment of Greece's mountain of debt. ECB Governing Council member Luc Coene told the Belgian daily *De Tijd* Saturday that Greece would have to carry out new austerity measures or face leaving the euro zone, which "will be ten times worse for them. Ten times."

Coene declared, “I do not believe there is a radically different way… Syriza has made promises it cannot keep,” and the Greek people “will understand quickly that they were deceived by false promises.”

He threatened, “Reform is the only way… Tell me where the money should come from if the Greeks do not want reform and do not want to repay other European countries?”

In agreeing last month to an extension of the austerity agreement signed by the previous New Democracy/PASOK government, Varoufakis and Prime Minister Alexis Tsipras, the leader of Syriza, farcically claimed that they would no longer be accountable to the widely despised EU, ECB, IMF “troika,” which, they declared, would no longer be returning to Athens to monitor austerity. In fact, they had agreed to a continuation of Greece’s subordination to the troika members, merely—and with consummate cynicism—renaming them the “institutions.”

This terminological sleight of hand was the only “concession” won by the Greek government in nearly a month of negotiations.

In reality, everything is being done on the troika’s terms, as has been the case since 2010. Even the pretence of renaming the troika has been ditched, with German Finance Minister Wolfgang Schäuble purposefully using the word numerous times as he entered Monday’s meeting and other euro zone ministers, including Dijsselbloem, following suit. Far from an end to the troika’s monitoring of the Greek government in Athens, the technical talks beginning Wednesday will be held in both Brussels and Greece, Dijsselbloem told the press conference.

The response of the euro zone ministers to the Greek government reveals the ruthless character of this capitalist body. Greek voters, who elected Syriza based on the party’s election promises to end austerity, have been told their votes count for nothing. The financial aristocracy and its institutions will tolerate nothing that impedes the transfer of wealth from the poor to the rich.

The response of the ruling class to Greece’s catastrophe exposes the fraudulent perspective on which Syriza secured its election victory. Syriza claimed its agenda of negotiating a debt restructuring programme on the basis of remaining in the European Union would be persuasive to sections of the ruling elite and was the only realistic way forward. Instead, Syriza was made to grovel and capitulated in a matter of days.

The Greek government moved quickly Sunday to quash comments attributed to Varoufakis in an Italian newspaper that if Athens’ proposals were not accepted, new elections or a referendum on EU membership could be contemplated.

Even after having his letter of proposals to the Eurogroup ridiculed, Varoufakis spent the weekend attempting to shore up illusions in the EU. Forced to acknowledge that his proposal to replace Greece’s current debt with bonds linked to nominal growth had met with “silence,” he pleaded, “I’d like for Europe to understand that this would be a way of paying back more money, not less.”

While a section of the ruling elite is concerned about the impact of a “Grexit” on the stability of Europe’s fragile economy, other voices are demanding that if Greece does not carry out deeper cuts, it should be allowed to leave the euro zone. The aim is to make clear that there will be no let-up in austerity in either Greece or anywhere else in Europe.

At a recent forum of the *Financial Times*’ FT City Network, comprised of 50 of the City of London’s most influential financiers, asset managers and insurers, Robert Swannell, chairman of Marks and Spencer, and Stephen Hester, head of insurer RSA, described Greece’s position within the euro zone as akin to “an emperor with no clothes.”

The *Financial Times* noted that Hester “argued that the euro zone should take a more aggressive stance, triggering Grexit if the Greek government baulks at further reforms.” Hester said, “If Greece isn’t prepared to reform enough to stay in, I don’t think the EU should risk the knock-on political dangers of too much compromise towards Greece that could halt reform in other member states.”