Syriza government submits new list of austerity proposals to Greece’s creditors

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The Greek Syriza-led government sent a list of austerity measures to its international creditors on Friday.

Syriza’s proposals have to be agreed by the “Brussels Group”, consisting of the Eurogroup, European Central Bank (ECB) and International Monetary Fund (IMF), before any of the outstanding €7.2 billion in loans can be made available to the bankrupt state.

The government of Prime Minister Alexis Tsipras had previously agreed to send the list by Monday. Specific austerity measures were demanded of Greece following last week’s summit of European leaders.

The content of Syriza’s proposals has not yet been publicised, but the conservative daily newspaper *Kathemerini* has reported that they include some €3 billion in “much-needed revenue.” Other measures include pro-business “reforms to improve Greece's investment climate,” as well as “privatizations, such as regional airports.”

The government’s position on the possible lifting of VAT exemption is unclear, and it is also not known whether or not there will be an extension of the hated property tax.

It is by no means certain that these measures will be enough to convince the creditors, especially as Syriza claimed for days beforehand that the list will not include “recessionary” measures such as cuts to salaries and pensions.

Greece will be unable to make it past April 20 without access to external funding, Reuters reported. Such a scenario would quickly trigger a default on a total debt of €320 billion.

Greece’s banks, excluded from international money markets and reliant on a tightly monitored trickle of funding from the ECB’s Emergency Liquidity Assistance scheme, are functionally insolvent. Depositors fearful that Greece may be forced to exit the euro continue to scramble to withdraw their money. The banks are bleeding cash, with deposits dropping by more than €7.5 billion in February alone.

The Greek government suffered a further financial blow this week when the European Financial Stability Facility refused its appeal for €1.2 billion. This proposal was linked to a scheme for recapitalising the continent’s banks, which the Eurogroup claimed was “legally impossible.”

The German government, despite claims of improved relations with the Syriza government after Tsipras’ meeting with Chancellor Angela Merkel on Monday, continues its hard-line stance. Insisting that money be kept from Greece pending the legislation of specific austerity measures, German Finance Ministry spokesman Martin Jaeger said, “We see no reason to release it.”

Also being withheld is €1.9 billion the ECB raised in profits made from its 2010 purchase of Greek government bonds.

The Greek government, which must pay out billions in debt servicing over the coming weeks, is being forced to take desperate measures. It can only pay state workers’ wages and pensions through short-term “repo” transactions—e.g., borrowing money from state entities and passing them to the central banks’ Common Fund. The *Financial Times* reported Friday that when the board of the OAED, the unemployment benefits fund, voted unanimously against investing with the Common Fund, Syriza forced its chair to resign. A Syriza-appointee then forced through a €120 million transfer to the central bank.

As Syriza was drafting its measures, the pressure was again ramped up, with the head of Germany’s Bundesbank, Jens Weidmann, warning that austerity must be deepened. “The economic adjustment process is more like a marathon than a sprint,” he said. “The second half is well known to be harder than the first in a marathon, and the finish line is still a long way from being reached.”

The *Times* bluntly advised, “Tsipras has until this summer, when the ECB will be obliged to make an assessment of how much capital the banks need, to convince the markets that he is committed to transforming Greece into a fully functioning capitalist economy.”

Various scenarios for a Greece exit from the euro, or Greece running out of euros and being forced to begin using another form of currency, are being discussed in ruling circles.

“A Greek exit from the euro zone would be a political disaster, not only for the euro zone but for the whole idea of Europe,” said Thomas Oppermann, Social Democrat Party leader in the German Bundestag. “Of course we can’t rule that out. It’s first of all down to the Greek government whether it does what is required to stay in the euro zone.”

On Friday a “senior euro zone official” told *Reuters* that Greece could remain within the euro, but, “At some point, when the government has no more euros to pay salaries or bills, it might start issuing IOUs—a paper saying that its holder would receive an x number of euros at a point in time in the future.”

He added, “Such IOUs would then quickly start trading in secondary circulation at a deep discount to the real euros and they would become a 'currency', whatever its name would be, that would exist in parallel to the euro.”

Another euro zone official commented, “If they were to default, it is better to do that inside the euro zone rather than outside, because then it would become a problem of all the countries sharing the euro, rather than just Greece.”

Billionaire investor George Soros concluded this week, “It’s now a lose-lose game and the best that can happen is actually muddling through.”

“You can keep on pushing it back indefinitely,” he added, “But in the meantime there will be no primary surplus because Greece is going down the drain.” He warned the current negotiations could lead to a “breakdown,” forcing Greece into a withdrawal from the euro. “Right now we are at the cusp and I can see both possibilities,” Soros concluded.

In his March 15 letter to Merkel, published this week by the *Financial Times*, Tsipras said his government would do everything to meet the conditions laid out in the February 20 austerity extension agreement. However, “Given that Greece has no access to money markets” and under the “ECB’s special restrictions” it was “impossible for any government to service its debt obligations.”

Tsipras warned that the ECB’s economic stranglehold over Greece was jeopardising the country entering into a further comprehensive austerity agreement, as stipulated by the February agreement, at the end of June. He advised Merkel “not to allow a small cash flow issue, and a certain ‘institutional inertia’, to not (sic) turn into a large problem for Greece and for Europe.”

The extent to which Syriza is committed to remaining in the EU and carrying out the demands of its creditors was underscored this week, when former New Democracy Prime Minister Antonis Samaras published the February 20 four-month loan extension Syriza signed up to.

“The government not only did not tear up the memorandum, it signed on to it,” Samaras said. As for the loan extension Syriza agreed, “We had done the same to receive a 2-month extension. The two texts are almost identical, with the same terminology.”

Samaras demanded that Syriza now “quickly implement what it has signed.”