

European Union, banks ramp up pressure on Greece's Syriza government

Stéphane Hugues
17 April 2015

Greece's Syriza government is responding to increasing pressure from the European Union (EU) and the banks by looting Greece's financial reserves and preparing further austerity measures against the working class.

On Wednesday, the US credit rating agency Standard and Poor's again downgraded the Greek government's credit rating to junk status, from B- to CCC+, citing the government's "unsustainable commitments." The only ways Athens could meet its commitments was by "deep economic reform or further relief," it said.

Greece's statistical authority said the 2014 deficit was 3.5 percent of Greece's GDP, considerably higher than the 0.8 percent forecast. This deficit was due to the cost of servicing Greece's crippling public debt, without which it would have had a budget surplus of 0.4 percent of GDP.

Standard and Poor's said Greece's economic outlook depended on it reaching a political settlement with its creditors: "In our view, these conditions have worsened due to the uncertainty stemming from the prolonged negotiations between the almost three-month-old Greek government and its official creditors."

Syriza's response is to intensify its attacks on the working class to pay off the EU and the banks. In recent weeks, it has been forcing state organizations and companies to lend it money to pay the debt installments. It has forced state pension funds to lend pension money and taken funds from hospitals earmarked to pay for patients' medication, effectively turning itself into a collection agency for the EU at the expense of the Greek population.

Now, it has found a new way to open up all of the cash reserves of all state organizations. According to a 1951 law, the government can oblige all state institutions with cash reserves to place them in the

Bank of Greece, the country's central bank—giving the government access to funds of up to €3 billion to pay off its creditors. With Athens facing over €300 billion in debts that it has to repay, however, this is clearly only a stopgap measure.

Greek Minister of State Alekos Flambouraris said Wednesday that Athens can now afford delays of "a week or ten days" in reaching an agreement, so long as an agreement is eventually struck.

Syriza's reactionary policies are exposing the illusions it promoted in the run-up to the January elections that it would be able to negotiate an end to austerity with the EU. Only a few weeks after taking office, however, Syriza's leader, Greek Prime Minister Tsipras, totally betrayed its electoral program, accepting EU demands not only to continue to pay back the debt but to deepen attacks on the population.

However, the EU led by Germany were not content with a statement from Syriza indicating its general agreement with EU austerity policy. They are demanding detailed plans for more austerity measures, specifying exactly what Syriza intends to cut and how many hundreds of billions of euros it will extract from the Greek workers. Since then, negotiations have dragged on behind closed doors, as Syriza and the EU attempt to resolve their differences and attack the workers.

EU officials are also pushing for an agreement on deeper austerity, though German Finance Minister Wolfgang Schäuble specified a longer time line for a deal than Flambouraris. He told Bloomberg News, "Greece has until the end of June to come to an agreement."

He poured cold water on expectations that the EU will reach a settlement with Syriza when all 19 finance ministers of the euro zone countries, including

Greece's Yanis Varoufakis, meet on April 24 in the Latvian capital, Riga.

Schaeuble, who has been leading the EU offensive, is touring the United States amid what are evidently high-level talks in foreign policy circles over Greece, the euro zone, and the NATO military alliance. "No one has a clue how we can reach agreement on an ambitious program," Schaeuble told the Council on Foreign Relations in New York. He added that the new Greek government had "destroyed" all the economic achievements of the last years.

He said a deal was not only unlikely in Riga but also in the coming weeks and suggested that the euro zone could handle a Greek default, even though it would prefer to avoid it, noting that the markets had "priced in" all possible outcomes to the Greek drama. He blithely asserted that there is no risk of financial panic spreading to other euro zone states from a Greek default.

In a further sign that German authorities are considering the possibility of a Greek default, the German weekly *Die Zeit* reported that Berlin is working on a plan allowing Greece to receive financing from the European Central Bank even if it missed payments to creditors.

"The plan under discussion is aimed at allowing the ECB to continue financing of Greece in the event of bankruptcy," the *Zeit* article said. "In addition, Greek banks would be restructured, allowing them to continue to take part in central bank operations even after a state bankruptcy."

The divergences between the different EU governments are all, in the final analysis, about how the working class is to be looted. Were the Greek state to be placed in bankruptcy, its creditors would insist on new, savage cuts to Greek social spending and state budgets, beyond even what six years of austerity since 2009 has inflicted on the Greek working class.

As Syriza carries out more and more new austerity cuts, these will produce social explosions in a working class that has already suffered so many privations.

Yesterday, 4,000 gold miners demonstrated against losing their jobs in front of the Ministry of Productive Reconstruction, Environment and Energy in Athens. The Greek government's expressed intention is to stop work at the Hellas Gold mining operation in Skouries in northern Greece, over environmental concerns.

Syriza is stepping up pledges and threats to use police action in face of social protests. It is currently threatening to forcibly smash an occupation of the Athens University rectorate by an anarchist group. Deputy Citizen Protection Minister Yiannis Panousis has already stated: "We are in the last hours of the seizure of the Senate." He claimed he had got the "green light" from Prime Minister Alexis Tsipras to send in the riot police.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact