Greek government approves brutal austerity measures in proposal to EU

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Greece's Syriza-led government agreed to a massive new €13 billion (US$14.34 billion) package of austerity measures yesterday evening, less than a week after Sunday's landslide "no" vote in a referendum on European Union (EU) austerity.

The proposal would be the deepest package of cuts since the EU austerity drive began in Greece in late 2009. It goes well beyond the proposed €8 to 9 billion in cuts initially demanded by the EU in talks with Syriza.

The 13-page proposal was submitted to the EU, International Monetary Fund (IMF) and European Central Bank (ECB) before the midnight deadline previously set by the institutions. In exchange for cuts, the Greek government is reportedly asking for a €53.5 billion ($59.2 billion) loan to the Greek state and some form of debt restructuring, allowing it to avoid state bankruptcy and remain in the euro currency area.

The austerity measures reportedly include sharp increases in the regressive VAT sales tax and an increase in the retirement age to 67 by 2022. The elimination of additional payments to the poorest pensioners will take place by the end of 2019, a year earlier than previously scheduled.

Plans for the privatization of state assets, including ports and airports, will go forward. The proposal also includes a reported increase of the corporate tax to 28 percent, rather than 29 percent, a reduction requested by the IMF.

In proposing the new austerity package, Syriza has with extraordinary rapidity repudiated the vote in Sunday's referendum, which Syriza itself had called and presented as a model of democratic accountability. More than 61 percent of the population rejected precisely the measures that the government has now adopted.

Even as Syriza officially called for a "no" vote, Tsipras had no intention of fighting EU austerity. The prime minister expected to lose the vote and, in response, abandon office and leave it to another government to impose the cuts. (See also: Tsipras petitions EU for new austerity deal)

Following the vote, the Syriza-led government has moved as quickly as possible to reach an accommodation with the pro-austerity parties within Greece and approve a deal that would be acceptable to the European banks.

The measures were finalized in discussions between Greek Prime Minister Alexis Tsipras, Deputy Prime Minister Yiannis Dragasakis, Finance Minister Euclid Tsakalotos and Economy Minister Giorgios Stathakis—all from the ruling Syriza ("Coalition of the Radical Left") party—and adopted by the Greek cabinet on Thursday.

The government is planning to seek a vote in the Greek parliament today, relying on support from the openly pro-austerity New Democracy and PASOK parties. On Saturday, eurozone finance ministers are scheduled to meet to review the proposal, followed by a meeting Sunday of the EU leaders.

The new austerity proposal was rushed through amidst threats from European officials to entirely cut off funding for Greece and force the country out of the eurozone. In response to these threats, Syriza continually refused to take any measures that would threaten capitalist property relations and rejected any appeal to workers throughout Europe for a common struggle against austerity.

It is uncertain whether an agreement will be approved by the EU, even on the surrender terms being offered by Syriza. Sections of the European ruling class are discussing forcing Greece to default on its debts, expelling it from the euro zone, and pushing it through a drastic economic crisis by forcing it to restore a devalued national currency.

German Finance Minister Wolfgang Schaeuble said yesterday that any significant restructuring of Greece's debt was unlikely, as this would violate EU rules.

Other European officials have indicated a desire to reach agreement with the Greek government. Syriza members told the *Guardian* that French finance ministry officials had worked with Greek Finance Minister Tsakalotos to rewrite the austerity package Athens was proposing, in order to make it acceptable to the EU.

Donald Tusk, the chair of the EU summit, urged European officials to take certain measures to allow Greece to pay back its debt. “The realistic proposal from Greece will have to be matched by an equally realistic proposal on debt sustainability from the creditors,” Tusk said.

Germany has also come under pressure from the Obama administration to ensure that Greece is not pushed out of the eurozone. On Wednesday, US Treasury Secretary Jack Lew publicly intervened to push for an agreement on austerity between Greece and the EU and call for some form of “debt restructuring.”

Criticizing those who “create more of these kind of life-and-death deadlines,” Lew said they were creating far greater economic and political risks, including a broader financial panic across southern Europe and the possible splitting of Europe. The US wants to ensure that Greece remains within NATO and continues to support the campaign of military and economic aggression against Russia.

With Greece’s banks still closed and depositors limited to €60 in daily cash withdrawals amid the crisis, the Greek economy is rapidly grinding to a halt.

The National Confederation of Hellenic Commerce released a report Wednesday that found that consumption had fallen 70 percent since the closure of Greece’s banks, costing €1.2 billion to the economy. Greeks are reportedly stocking up on key medicines as well as non-perishable foods, such as rice and pasta, fearing a possible collapse of supplies of imported food and medicine.