How Greece was looted by its creditors

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The Truth Committee on Public Debt's preliminary report was conceived of by Syriza as a cover for its refusal to mount a genuine struggle against the looting operation perpetrated at the expense of the Greek working class by the European Union, European Central Bank and the International Monetary Fund "troika".

It stands both as an indictment of the Troika and of Europe's governments and banks and of Syriza's politically criminal support for the European Union (EU) and the Greek capitalist class.

The report repudiates the myth that Greece's economic problems are the result of a profligate state. Since the 1980s, Greek public expenditure was lower than the public spending of all other eurozone countries, but one.

In June 2008, Greek public debt was €252 billion or 112 percent of GDP. Excessive spending of 4 percent of GDP on defence accounted for €40 billion (16 percent), with most debt resulting from the failure to collect income tax and social insurance contributions from employers, and illicit capital outflows of at least €200 billion between 2005 and 2009 by corporations avoiding paying up to €40 billion tax.

There was a sharp rise in private debt or corporate debt from 74 percent to 129 percent of GDP in 2009, after the 2008 crash, leaving European and Greek banks exposed to €100 billion of debt and an impending collapse.

German banks had loaned a massive $704 billion to Greek, Irish, Italian, Portuguese and Spanish corporations before December 2009, with two of the largest—Commerzbank and Deutsche Bank—loaning $201 billion to corporations in Greece, Ireland, Italy, Portugal and Spain, while the French banks, BNP Paribas and Crédit Agricole lent $477 billion.

These reckless and even corrupt loans brought the financial institutions to the point of collapse. In 2008, Kostas Karamanlis's New Democracy government provided €28 billion in aid to the banks. But this was not enough and the banks got their governments, chiefly France, Germany and Greece, to carry out an elaborate ruse to offload their toxic assets onto the Greek government.

The first step was to falsify the 2009 Greek national accounts. In 2009, Eurostat, Greece's official Statistical Agency, suddenly "discovered" additional debt, thereby inflating the country's deficit and debt figures. This included inflating the hospitals' liabilities, transferring the debt of public corporations that Eurostat had previously agreed to exclude, to the state.

The newly elected social democratic PASOK government of George Papandreou incorporated these figures into the October 2009 budget. A deficit of €9.3 billion, 3.93 percent of GDP, became €24 billion. This led to a budget deficit equal to 12.5 percent of GDP, far higher than the 3 percent maximum set for eurozone members, and raised Greece's cost of borrowing to junk bond levels.

This enabled the PASOK government to apply in 2010 to the International Monetary Fund (IMF) and European Central Bank (ECB) for €110 billion in multilateral and bilateral loans, used to buy up the banks' non-performing loans.

The IMF knew that the Greek debt was unsustainable. A debt restructuring it proposed would have reduced it by 80 percent, but the French and German banks were determined to not to take a "haircut." In 2013, an IMF report admitted not restructuring the debt "provided a window for private creditors to reduce exposures and shift debt into official hands."

Greece's representative to the IMF during 2010-12 told the committee that the IMF held training seminars for Greek journalists so that they could prevent the full extent of the fraud becoming known.

Austerity measures, imposed to service the debt, increased public debt from €299 billion in 2009 to €355 billion in 2011. This led to a second €130 billion bailout in 2012, conditional on further austerity and privatisations. The restructuring of the Greek debt and the ECB buyback of Greek bonds enabled some hedge funds, such as Third Point of Dan Loeb, to make hefty profits of €500 million and more.

The report details the illegal manipulations that the private eurozone financial institutions carried out in order to transfer their “non-performing” loans to the Greek banks and corporations to the IMF, ECB and EU.

The banks’ toxic loans were laundered via a company in Luxembourg, whose “partner” was the eurozone’s European Financial Stability Fund (EFSF), which provided €800 billion in guarantees, including some €250 billion from the IMF. The EFSF, Greece’s major creditor with 42 percent of loans, is managed by the German Debt Management Office, along with the European Investment Bank.

These and other loans were transferred to the Greek government and Eurostat changed its rules to allow this. The vast bulk of loans were used to repay debts.

The ECB is Greece’s third largest creditor (€27 billion) after the EFSF and the IMF. But it constitutes the largest claimant for the next five years. The ECB bought Greek bonds at a discount (€40 billion instead of €55 billion), with the ECB reaping the difference if the bonds are held to maturity. It has already received hefty interest from Greece, far higher than Italy or Spain. Greece paid €298 million in interest in 2014, a massive 40 percent of the total interest paid by the five countries in the Securities Market programme, although its loans constitute just 12 percent.

By 2011 the Bank of Greece’s “off balance” accounts, the private banks’ toxic assets, were valued at €300 billion compared with its own assets of €168 billion.

The scale of this rip-off is enormous. Of the more than €200 billion provided, only about 8 cents in every euro actually went to finance Greek government expenditure.

By the end of 2014, Greek sovereign debt had risen to 190 percent of GDP, and debt obligations, interest and other such costs accounted for 56 percent of the state budget.