A Revealing Financial Times Comment on the Greek Debt Crisis

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A comment by Financial Times columnist Wolfgang Münchau, published on the eve of today's meeting of the euro zone group of finance ministers, points to significant differences over German-led insistence that the demand of the Syriza-led Greek government for debt restructuring should not be met.

Following the rejection of the Greek proposal at a meeting of the Eurogroup last Thursday, Münchau wrote that the Greek finance minister could expect a frosty reception when he once again confronted his colleagues in a "high noon" showdown.

"My advice to Yanis Varoufakis," he continued,

> "would be to ignore the exasperated looks and veiled threats and stand firm. He is a member of the first government in the euro zone with a democratic mandate to stand up to an utterly dysfunctional policy regime that has proved economically illiterate and politically unsustainable. For the euro zone to survive with the current geographic remit, this regime needs to go."

The publication of such a vigorous comment in one of the world's major financial dailies points both to the considerable opposition in financial centres to the policies of the German government and to the fact that the Syriza program, far from representing some far-left agenda, is a thoroughly bourgeois program enjoying some measure of support in ruling political and financial circles.

Münchau pointed out that there were risks involved in Greece standing up to the European Union policy elites, including a financial collapse leading to it being forced out of the euro zone. However, he writes that Greece should nevertheless maintain its stand in demanding a new loan to cover its needs over the next few months.

The Greek government has called for the "bridging finance" while a new agreement is worked out following the expiration of existing arrangements at the end of this month. With Germany taking the lead, the euro zone finance ministers have insisted that any additional finance can only be provided within the framework of the existing program.

This has been rejected by Syriza, a position which is supported by Münchau. The Greek government, he wrote, "should stick with their position not to accept a continuation of the existing financial support program."

In so doing they would no longer be bound by

> "self-defeating policy targets such as the contractual requirement to run a primary budget surplus of 3 percent of gross domestic product. For a country with mass unemployment, such a target is insane. It would, of course, be better for this nonsense to stop while Greece remains in the euro zone. But the most important thing is that it has to stop."

In other words, even if it leads to a financial crisis in Greece and the end of the euro zone in its present form, the overriding imperative is to take a stand against the German-imposed agenda.

Münchau cited proposals from a number of academic sources as to how Greece might deal with the situation, without precipitating a withdrawal from the euro zone.

The "most sensible," he wrote, is the introduction of a kind of parallel currency consisting of government-backed IOUs, citing a proposal by a US economist Robert Parenteau for "tax anticipation notes" based on expected future revenue. According to Münchau: "They act as a tax credit that allows government to run a fiscal deficit until the economy recovers. With such an instrument Greece could abandon austerity without abandoning the euro."

He also cited John Cochrane, a "conservative economist from the University of Chicago, who also wants the Greek government to create IOUs, electronic money, not necessarily cash, that could be used to fund pension and other transfer payments."

Münchau does not make the point, but the position of Cochrane is significant. The University of Chicago is the centre of the most right-wing "free market" tendency in bourgeois economists, associated with Milton Friedman. The so-called "Chicago boys" were notorious for their restructuring of the Chilean economy under General Pinochet after the CIA-backed overthrow of the Allende government in 1973. The fact that representatives of this tendency should be considering ways in which Greece can defy the dictates of the EU is some measure of the opposition to German policies in US financial and economic policy circles.

If measures for alternative financing were adopted, Münchau goes on to explain, then once set in place Greece would be able to default on its debts—mostly loans from European governments and EU institutions. Faced with a default, the official European creditors would not be able to eject Greece from the euro zone as they have no legal means for doing so. They would also be hesitant to force it out of the EU as they need Greece's support for policy changes, such as renewing sanctions against Russia.

Setting out his bottom line, Münchau concludes that Greece should seek to avoid an exit from the euro zone. However, while such an outcome is not desirable, it would be preferable to the status quo. "The worse-case scenario would be for the Greek government to blink first, and accept defeat." If that were to happen then the only political party left to oppose the EU agenda would be Golden Dawn, a neo-Nazi party.

Münchau's comment is significant from a number of standpoints. It underscores the opposition to the austerity agenda, at least in its present form, emanating from sections of the US, British economic establishments, with support in some parts of Europe.

In recent weeks, US President Barack Obama, as well as Treasury Secretary Jack Lew, have remarked that some way must be developed to lessen pressure on Greece. Their central concern is not the impoverishment of the Greek working class. Rather their stand underscores the point made by Marx that, while each capitalist seeks to suppress the wages of his own working class, he views the expenditure of the workers employed by others as the source of the demand for the goods he produces. On a far larger scale, the US fears that austerity and depression in Europe—a vital outlet from American goods and investment—will rebound on the US economy itself. The US thus pushes for some alleviation.

Another important aspect of the comment is what it reveals of the tactics being adopted by Syriza itself in its conflict with the EU. Far from its program representing a confrontation with the financial oligarchy in the interests of the working people of Greece, not to speak of the rest of Europe, it is a calculated attempt to win support from American and other powerful financial interests to pressure the German bourgeoisie.

However, resistance is proving hard to overcome because it is rooted in profound economic interests.

According to Münchau, reflecting the position of many other commentators: "The Germans support austerity on ideological grounds." However, this attempt to pass off the intransigence of the Merkel government as some kind of Lutheran-based desire for discipline, a response to memories of the hyper-inflation of 1923 or some Teutonic aspiration for order misses the real forces at work.

The German opposition is not fundamentally based on these factors. Rather, it is grounded in the fear among sections of the ruling elites that if it relents on austerity then it will have to ultimately take on responsibility not only for the debts of Greece but possibly, Spain, Portugal or even Italy. Such an outcome would seriously weaken Germany's global economic position, especially in relationship to US finance capital, which inflicted considerable damage on the German financial system through the sub-prime crisis in 2007.

These conflicts and tensions may not be openly expressed at today's meeting of the eurogroup, but as Münchau's column points to, they will be seething not far below the surface.

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