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Banks and EU leaders pressure Greece for more austerity

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Over the last week, finance organisations, the banks, European heads of state and leading European Union (EU) officials applied intense pressure on Greece for more punitive austerity measures, including public sector lay-offs and privatisations. They are demanding more of the same budgetary blood-letting which has had catastrophic consequences for Greek workers over the past three years.

According to a deal worked by the "troika" (International Monetary Fund, European Central Bank, European Union) last October, the Greek government must rapidly implement new spending cuts to receive the next instalment of its €130 billion bailout. In exchange, private creditors would be called upon to forgive a significant share (fifty percent or more) of their investments in Greek bonds.

Last week private creditors, represented by the Institute of International Finance (IIF), met with the Greek government and fought to minimise the "haircut" they must take on their investments. On Thursday the business press even ran a report that hedge funds alleged to be holding between 10-20 percent of Greek debt were considering suing the country in a European human rights court, to get a full return on their investments.

A final agreement with creditors was due to be thrashed out over the weekend, for the Greek government to be able to make the announcement of a successful deal on Monday when euro zone finance ministers are due to meet.

Failure by Greece to qualify for the money promised by the troika would likely trigger a default by the country on its debts, possibly precipitating its departure from the euro zone, with untold consequences for Greece and the European Union as a whole.

Having gone down to the wire in his negotiations with the government, the head of the IIF, Charles Dallara, left Greece abruptly on Sunday after failing to come to an agreement.

An IMF delegation was also in Athens last week. IMF officials trawled through various Greek government departments to demand that the cuts already agreed be implemented more rapidly and decisively. In particular, the IMF delegation is demanding the privatisation of leading institutions and services still in the hands of the state. One proposal currently under consideration by the government is to acquire revenues by opening up national treasures, such as the Acropolis, for commercial use.

As leading officials from the troika and the IIF applied the thumbscrews in Athens, European leaders made clear that the Greek government could expect no leniency on their part.

In Friday's *Süddeutsche Zeitung*, European Economic Affairs Commissioner Olli Rehn warned against a failure of an aid deal for Greece and called upon European leaders to pressure the country to implement cuts. "Otherwise, this program will fail," he said, "and that will help neither Greece nor Europe."

In Paris, French President Nicolas Sarkozy stepped up to the plate on the same day and called upon Greece's political parties to unite to implement the troika's program: "The euro zone remains in danger," Sarkozy declared. "Greece's entire political class must understand that it cannot put off decisions needed to resolve the country's crisis."

French European Affairs Minister Jean Leonetti was blunter, declaring in a radio interview: "Europe will not pay any more for Greece."

Tactical differences exist between some European nations, with the German government, in particular, calling for a larger haircut for investors holding Greek debt. However, all the European leading players are agreed on the necessity of pouring vast new sums of money into the banks.

This is the significance of the policy of the European Central Bank, which recently offered rock-bottom interest rates to the banks to restock their reserves. The banks jumped readily at the offer and took up nearly half a trillion in loans from the ECB. This is the main reason behind the upturn in European stock market fortunes in the past week.

European leaders, including Greece's prime minister—the former banker Lukas Papademos, who was imposed in November as new head of government by the troika—are also agreed on the need to compensate the banks by quickly dismantling the remains of the country's welfare state benefits.

The Greek trade unions have given important support to the Greek government in this reactionary endeavour. Following average wage cuts during the past three years of between 25 and 40 percent for public sector workers, and between 15-25 percent for workers in private industry, the country's main trade unions have indicated their readiness to assist in imposing further salary reductions.

On Tuesday, just 7,000 people attended a protest organised by public sector unions, which had called for strike action last Tuesday. One day later, union leaders met with employers to thrash out new wage cuts. The unions have declared they are opposed to cuts in the country's minimum wage, but that they are prepared to agree to a pay freeze for a number of years and cuts to social contributions paid by workers.

The trade unions' offer would condemn workers to the low levels of wages they currently earn for an indefinite period. At the same time, the union's readiness to agree to cuts in social contributions undermines the basis of Greece's already under-financed welfare state. With unemployment rocketing—youth unemployment now stands at over 45 percent—the unions are negotiating away the only financial cushion available when workers lose their jobs.

No confidence should be placed in pledges by the trade unions to defend the existing level of wages. According to recent OECD figures, Greek average annual salaries (17,500 euros gross) and the Greek minimum wage (751 euros gross per month) are already amongst the lowest in the euro zone. Moreover, the trade unions have already accepted changes which allow employers to hire young workers at below the official minimum.

The new cuts imposed by the Greek government at the behest of the troika will inevitably provoke new protests by the Greek workers, as labour disputes and anti-austerity protests develop in neighbouring Bulgaria and throughout southeastern Europe.

A fundamental lesson of the Greek experience is the necessity of breaking completely with the nationalist, pro-capitalist policies of the unions and developing a pan-European movement against austerity based on a socialist program.

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