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Greece: Depression or Recession? Are the Troika Bailing Out or Forcing Under?

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Six years of recession, an impressive drop in GDP from €231 billion in 2009 to €193 billion in 2012, unemployment at 26.9% in April 2013 from 7.5% in 2008, 57% for the under 25s, and an explosion of suicide cases… This overview of Greece is catastrophic and alarming for the rest of Europe. As in Argentina in 2001, children are fainting in schools through lack of food. While seropositivity is on the increase, medical spending has dropped by 20% in two years, from 7.1% of GDP in 2010 to 5.8% in 2012. Meanwhile, the Nazi party, Golden Dawn, that sits in Parliament knows very well how to make the most of this social ruin to spread its hatred. The creditors have transformed recession into depression and the Troika (EU – IMF – ECB) darkens the picture all the time.

The IMF's attempts to maintain the credibility of its plan

All the Troika's efforts are now focused on a public debt target of 124% of GDP in 2020. This fanciful objective is turning all the heads, so much so that the IMF (International Monetary Fund) adjusts its positions to keep this target in its sights. Should the Greek people accept a macro-economic objective that takes their well-being so little into consideration?

Beyond the infatuation with balance of payments deficit reduction, the IMF report on Greece, published at the end of July 2013, confirms that the Greek population is still writhing in the stranglehold of increasing public debt. The 2012 reduction to "only" 156.9% of GDP, from 170.3% the previous year, has been completely wiped out by a rise to close to 176% in 2013 |1|.

Although it quietly recognises its resounding defeat in Greece, the Washington institution claims to have a new solution, based on growth previsions that are continually adjusted downwards. This "optimistic" scenario is founded on imaginary upturns in exports, investments and consumption that would, if realised, permit the attainment of the obsessional IMF goal of reducing public debt to 124% in 2020 and 110% in 2022. Yet this level of public debt will be no more than slightly inferior to 129.7% of GDP, the level of 2009: a comparatively small change over eleven years.

It is common knowledge that the economic policies applied by the Troika over the last three years have resulted in utter failure and tighter strangling of the population. The IMF is seeking new financial resources (privatisation receipts, reduction of costs by hacking away at social benefits, etc.) for the country so that it may continue to repay its creditors. The IMF estimates Greek public finance needs for the period 2014 – 2015 to be around €11 billion. More precisely, €4.4 billion at the end of 2014 and €6.5 billion for the whole of 2015. The creditors are insisting that the State repay them phenomenal sums whatever the consequences.

What is more: the IMF says that a new write-down of Greek public debt will be necessary within the next two years in order to bring it in line with the forecast drop to 124% of GDP by 2020. This easing will be about 4% of GDP, about €7 billion, to the cost of its European partners, without any guarantee of the success of the bail-out. Anyway, apart from the Troika and the Greek government, who still has any faith in the IMF?

Surprise twist and call to order

On 29 July 2013, the IMF Executive Committee approved a new advance to Greece of €1.72 billion. One of the loan conditions is a plan to lay off 4,200 public employees |2|. The Brazilian delegate to IMF, who also represents eleven other south and central American countries, abstained. "Given the negative effects of the policies imposed on Greece and its population, the program ends up bringing risks to the integrity of the IMF," he said. "It is important that the Fund prepare a new program for Greece, with better conditions, so as to allow the country to emerge from the crisis", he insisted |3|.

Even if the eleven south and central American countries are of insignificant weight in the IMF, having collectively only 2.61% of the voting rights, compared to the US which alone has a blocking minority of 16.75%, the incident kicks over a few tin cans.

The Brazilian Minister of Finance, Guido Mantega, reassured Christine Lagarde that this would not happen again; Brazil supports the IMF action and its delegate was not mandated to abstain |4|. The minister "immediately" recalled his representative to ask for an explanation.

Rather than having a submissive posture, and going beyond this diplomatic incident, Brazil could, if it had the political will, and especially as it has no current debt to the IMF, challenge the IMF's policies. However the Brazilian delegate's abstention was from lack of confidence in Greece's ability to reimburse rather than a supportive gesture in defence of social justice.

Will the bail-outs force Greece under?

It must be well understood that the objective of the Troika's bail-out of Greece is to impose a radical neoliberal programme while at the same time pushing the State into debt so as to definitively stifle any reaction by the government.

So this new IMF disbursement involves a vast programme to increase Greek debt towards the Troika. In fact Greece has just received a disbursement of €4 billion, on the 31 July 2013, from the European Union: €2.5 billion were paid by the Eurozone through the European Financial Stability Facility (EFSF), and a loan of €1.5 billion, to be repaid by 2048, was granted by the European Stability Mechanism (ESM), which is destined to replace the EFSF. This loan is generated by the central banks of the European countries who return to Greece the interest it has paid on its previously existing debt within the framework of the 2010 Memorandum. Is European liberalism going to push its cynicism as far as requesting interest on the interest paid by Greece? These are odious debts because not only are they linked to violations of human rights, but they also carry very high interest rates (about 5%). France and Germany find finance at 2% and enrich themselves on the backs of the Greeks to whom they lend at 5%.

In the wake of the closing of the Greek public television service |5|, we find, in the conditionalities linked to loans, a new law concerning public employees, adopted on 18 July

2013 a few hours before German finance minister, Wolfgang Schaüble, visited Athens. For the duration of this visit Athens was transformed into a No Man's Land under strict police surveillance. This law institutes massive redundancies among civil servants, in complete contradiction with the Greek constitution, and the sacrifice of thousands of employees who must work for eight months at reduced pay before being offered new "take it or leave it" employment contracts. In all, 4,200 persons are concerned: local police, teachers, school wardens and many others. A fiscal reform law voted on 25 July 2013 completes that of 18 July. In meagre compensation, the government obtained from the Troika a reduction of restaurant VAT to 13%, down from the 23% in force for over a year.

Among other measures, the Troika is intent on the privatisation of long-distance bus transport services, the Athens and Thessaloniki water distribution services, the DEPA gas company, the biggest oil refinery and distribution service (ELPE, Hellenic Petroleum S.A.), the national lottery, the football result prediction organisation (OPAP) and many more.

After its successive failures in turning around crises in Asia in 1997 (Thailand, Indonesia and South Korea) and elsewhere, the IMF continues its crusade against the sovereignty of the peoples of Europe using Greece as its guinea-pig. The latest declarations of the IMF claiming to want to review the harshness of austerity policies are worthless, while under cover of debt reduction it is prepared to do its worst as the Greek Nazi party looks on avidly. For an outcome favourable to the Greek people the debt to the Troika must be abolished, as it is odious |6|. Other illegitimate debts must also be abolished and the anti-social measures imposed since 2010 must be repealed. The Troika which is pushing Greece into a deadly humanitarian crisis must "clear off" and fast.

Translated by Mike Krolikowski and Vicki Briault.

Notes

|1| IMF report, July 2013 : http://www.imf.org/external/pubs/ft…

|2| *Brazil Summons IMF Rep Home After Abstention on Greece Debt Vote.* David Biller, Sandrine Rastello, Bloomberg, 1 August 2013. http://www.bloomberg.com/news/2013-…

|3| This group, presided by Brazil, contains the Cape Verde Islands, the Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Surinam, East Timor and Trinidad & Tobago.

|4| *"[Mr Nogueira Batista] did not consult the government, nor was he authorised by us to vote in this manner and the finance minister has ordered him to return to Brazil immediately to explain himself"* Brazil's finance ministry said.

|5| CADTM press release, 14 June 2013, *Greece, brutal takeover by the government and the Troika.*http://cadtm.org/Greece-brutal-take…

|6| Renaud Vivien, Éric Toussaint, *Greece, Ireland and Portugal: why agreements with the Troika are odious.* http://cadtm.org/Greece-Ireland-and…

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