Greece Rejects the Troika

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Global Research, July 08, 2015
CounterPunch 6 July 2015

Region: Europe
Theme: Global Economy

*Just after 7 PM Greek time on Sunday, I was told that the "No" vote (Gk. Oxi) was winning approximately 60/40. The "opinion polls" showing a dead heat evidently were wrong. Bookies across Europe are reported to be losing their shirts for betting that the financial right wing could fool most Greeks into voting against their self-interest. The margin of victory shows that Greek voters were immune to media misrepresentation during the week-long run-up as to whether to accept the troika's demand for austerity to be conducted on anti-labor lines.**

It should not have been so great a surprise. Voting age for the referendum was lowered to 18 years, and included army members. Faced with an unemployment rate of over 50 percent, Greek youth understandably wanted no more euro-austerity.

The Troika's demand was for austerity to be deepened solely by taxing labor and reducing pensions. Its policy makers had vetoed Syriza's proposed taxes on the wealthy and steps to stop their tax avoidance. The IMF for its part vetoed cutbacks in Greek military spending (far above the 2% of GDP demanded by NATO), despite even the European Central Bank (ECB) and German Chancellor Merkel agreeing to this.

European Commission President Jean-Claude Juncker threatened to expel Greece from Europe, despite no law permitting this to occur. Let us see now whether he still tries to carry out his bluff, which has been echoed by right-wing leaders throughout Europe.

His retaliatory actions from an ostensibly non-political, non-elected office are not alone. The eurozone class war in support of finance against labor and industry is now open and in earnest. Instead of doing what a central bank is supposed to do – provide liquidity (and paper currency) to banks, ECB head Mario "Whatever it takes" Draghi forced them to shut down even their ATM machines for lack of cash. Evidently this was intended to frighten Greek voters to think that this would be their country's future if they voted No.

It is an old strategy. Andrew Jackson expressed his vindictiveness toward the Second Bank of the United States by shutting it down. When it refused to appoint his corrupt political cronies, he deposited the U.S. Treasury's money in his "pet banks." The drain of money plunged the economy into depression. The Southern slave states welcomed deflation, because they sought low prices for their cotton exports, and also opposed northern industry with its protectionist policies and anti-slave politics.

What Greece needs is a domestic central bank – or failing that, a national Treasury – empowered to create the money to monetize government spending on economic recovery. Mr. Draghi has shown the ECB not to be "technocratic," but a cabal of right-wing operatives working to bring down the Syriza government, in a way quite willing to empower the far-right Golden Dawn party in its stead. In light of his refusal to carry out the duties of a central bank and act as lender of last resort when Greek banks run out of cash, Mr. Varoufakis has said that: "If necessary, we will issue parallel liquidity and California-style IOU's, in an electronic form. We should have done it a week ago."**

U.S. popular media echoed the European right by trying to frighten Greeks and their sympathizers into believing that the vote is whether or not to remain part of Europe – as if Britain does not have its own currency while remaining part of the European Union. However, the vote does throw into question just what it means to be what pro-austerity advocates call "committed to the European project." Eurozone officials are unanimous that it means a commitment to financial war against labor – to austerity and yet further economic shrinkage; to faster privatization selloffs (but not to Russians if they offer higher prices, as Gazprom did) and hence higher prices for hitherto public utilities; to no rejection of past insider deals privatization to higher value-added taxes on consumers; and to lower pensions for labor.

This prospect was at the center of a meeting at the European Parliament in Brussels on July 2.*** There was of course unanimous support for a "No" vote to the anti-labor, pro-creditor demands by the IMF, European Central Bank and European Council. But there also was concern that the Syriza leaders did not begin immediately upon their January election victory to educate voters on what actually is at issue: why remaining subject to the junk-economics dictates by the IMF and ECB, will make the economy subject to chronic debt deflation. Instead of spending the past six months educating the public over what is at issue with the Troika, Syriza focused on playing political rope-a-dope to demonstrate how firmly the ECB and EC were committed to austerity.

The left-wing Syriza members with whom I met during the last two weeks in Athens, Delphi and Brussels felt that more should have been done to educate the Greek public as to how impossible it is for Greece to pay the debts with which the Troika had loaded it down, with abject surrender by its pro-bank Pasok/New Democracy coalition that had ruled Greece for a generation. (New Democracy leader Samaras resigned after the vote was in last night.)

One factor that may have incensed Greeks to vote "No" was the revelation that an internal IMF Debt Sustainability Analysis – which Lagarde had sought to suppress – had endorsed what Syriza's leader Alexis Tsipras has been saying all along: Greece needs a debt writedown. Its official debt is unpayable, and never should have been forced upon it in the first place – under conditions where the Troika removed the elected prime minister from office to put in their own technocrat (Lucas Papademos, who had worked with Goldman Sachs to falsify the government's 2001 balance sheet to enable it to meet the eurozone's entry conditions).

It was revealed last week that IMF head Christine Lagarde has overruled her staff and board to defend specifically French interests. As in 2010-11 under Dominique Strauss-Kahn, French banks are major holders of Greek bonds (including via their ownership of Greek banks). Strauss-Kahn notoriously overrode his staff when they urged the IMF not to capitulate to ECB demands to pay French, German and other private bondholders with Troika bailout loans for which they made Greek taxpayers liable.

Two weeks ago the Greek Parliament released a report by its Debt Truth Commission explaining why Greece's debt to the IMF, ECB and European Council was legally "odious." It was imposed Greece by the demand by Ms. Merkel and other pro-bank leaders that Greece *not*hold the referendum that Pasok Prime Minister Papandreou had proposed on the bailout of French and German banks at Greek expense.

That was the root of today's problems. It also was the occasion on which European finance and democracy become antithetical, prompting the late *Frankfurt Allgemeine Zeitung* editor Frank Schirrmacher to write his famous editorial, "Democracy is Junk."****

The Troika have refused to write down a single euro of unpayably high debt. They pretended that debt relief is [an issue for later](). That is what enabled Tsipras to depict his nation as being victimized by the eurozone's vicious class war. The Syriza position has been "We'd like to pay. But there simply is no money – as the IMF's own calculations have clearly and explicitly shown."

Last Tuesday, Tsipras explained to Greek voters that the Troika had put *nothing* in writing about debt writedowns. This pierced the haze of media-induced panic. His seeming willingness to surrender simply*dared* the Troika to back up their promises in writing. He certainly was not going to make the tragic mistake that Russian leader Gorbachev made when he believed the verbal NATO promises that it would not move into the post-Soviet countries of Central Europe and the Baltics.

The Troika's position was and is: "Impose austerity now. We'll talk about debt writedowns later. But first, you must sell off what remains of your public domain. You must lower wages by another 20%, and force another 20% of your population to emigrate. Only then, when we're sure that we can't get another euro out of you anyway, *then* we may be willing to *talk* about writing down *some* of your debt. But not until we have stripped you of anything left to pay in any case!"

Tsipras and finance minister Varoufakis have been widely criticized in the U.S. media for seeming to capitulate to Troika demand. The reality is that they have been civil and polite, even taking conciliatory stance if only to show how totalitarian and unyielding the Troika has been.

That contrast between reason and totalitarian "free market" austerity is what convinced the Greeks to vote No.

Michael Hudson's book summarizing his economic theories, "The Bubble and Beyond," is now available in a new edition with two bonus chapters on Amazon. His latest book is Finance Capitalism and Its Discontents. He is a contributor to Hopeless: Barack Obama and the Politics of Illusion, published by AK Press. He can be reached via his website, mh@michael-hudson.com

Notes

1) James Galbraith summarizes the misrepresentation in "9 Myths About the Greek Crisis," *Politico*,

2) Ambrose Evans-Pritchard, "Defiant Greeks reject demands as Syriza readies IOU currency," *The Telegraph*, July 5, 2015. He should be viewed as what used to be called a "certified leak" from the Syriza negotiators.

3) Peripheral debts: Causes, consequences and solutions," sponsored by by the Eurpean

United Left/Nordic Green Left, GUE/NGL (www.guengl.eu). The video can be found here:http://www.guengl.eu/news/article/press-conferences/peripheral-debts-causes-consequences-and-solutions.-2-july. (My speech begins at about 27 minutes.)

4) http://www.voxeurop.eu/en/content/article/1128541-democracy-has-junk-status

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