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IMF and Troika Want Still "More Austerity" From Greece–The 'Wikileaks' Revelation

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Last August 2015, after eight months of intense negotiations with Europe's Troika financial institutions—the IMF, European Central Bank, and European Commission—the Greek Government capitulated to the Troika's demands imposing more austerity on Greece and its people in exchange for another $98 billion in additional loans.

The $98 billion did not represent economic assistance to Greece, to stimulate its economy, but was earmarked almost exclusively to pay back interest to the Troika, Europe banks, and Europe investors for prior loans made to Greece in 2012, 2010, and before. But while the Greek people would see little real benefit, they would have to pay the price. In exchange for the $98 billion in new credit, the August 2015 debt restructuring deal required Greece to even further cut pensions, axe more government jobs and cut wages, raise taxes, accelerate the sales of public works (ports, airports, utilities, etc.) to private investors, and to in effect turn over Greek banks to the Troika and its northern Europe banker and investor friends.

To ensure Greece would not renege on the August 2015 deal, it would now also have to submit to vetoes by Troika representatives sent to Greece to oversee virtually all policy decisions made by Greece's democratically elected Parliament or local governments. The Troika last year thus tightened its grip on Greece both politically and economically to ensure it would receive debt payments from Greece no matter how harsh the austerity terms.

The Greek government may have thought it had a debt deal, albeit a dirty one, last August 2015; but recent developments are now beginning to reveal it was only temporary. Worse is yet to come. The Troika grip on Greece is about to tighten still further, as revelations in recent weeks show Troika plans to renege on last year's terms and demand even more draconian austerity measures. Leading the Troika attack on Greece once again is the International Monetary Fund, the IMF, one of the Troika's three institutional partners.

IMF Secret Plans to Impose Further Austerity on Greece

This past April 2, 2016, Wikileaks released transcripts of a secret teleconference among IMF officials that occurred on March 19. In it, leading IMF directors expressed concern that discussions between Greece and the IMF's Troika partner, the European Commission, on terms of implementing last August's deal were going too slowly. The Eurozone and Greek economies have been deteriorating since last August. Still more austerity would thus be needed, according to the discussions among the IMF participants in the teleconference. And to get Greece to agree, perhaps a new 'crisis event' would have to be provoked.

The original August 2015 deal called for Greece to introduce austerity measures that would result in a 3.5% annual GDP budget surplus obtained from spending cuts, tax hikes, and public works' sales needed to make the debt repayments to the Troika. But the IMF's latest forecast for 2016 is that Greece in 2016 would have a -1.5% GDP budget deficit, not a 3.5% budget surplus. And 2015, for which numbers are not yet available, was probably even worse. Getting from -1.5% or worse to 3.5% was thus virtually impossible, according to the IMF discussants on March 19, and therefore additional austerity measures were necessary.

According to the IMF, the additional austerity would have to occur in the form of 'broadening the tax base'—a phrase typically associated with making households with lower incomes pay more taxes instead of just raising tax rates on the top income households. The IMF thus rejected taxing the rich further, and instead taxing middle and working classes more. In addition, still more pension cuts would also prove necessary, as well as other measures.

The IMF secret teleconference further revealed that the IMF was increasingly concerned that the European Commission, in the midst of discussions with Greece on the details of the implementation of the August deal with Greece, might agree prematurely to grant some kind of 'debt relief' to Greece. The IMF was strongly opposed to 'up front' debt relief. All talk of debt relief should be postponed for at least another two years, according to the IMF's secret discussions.

The private teleconference also revealed the IMF was growing increasingly concerned that Greece's major debt payment to the Troika due this coming July 2016 might not be paid. The default on the payment would come within weeks of a possible United Kingdom exit (Brexit) from the European Union, scheduled for a vote in the UK on June 23, 2016. If the UK exited, and Greece could not pay, it might raise renewed interest—the IMF feared—in a Greek exit (Grexit) as well as a UK 'Brexit'. The IMF's March 19 teleconference therefore raised the idea that further austerity should be considered and proposed on Greece and quickly, before the June 23 UK 'Brexit' referendum in that country.

The IMF's April 15, Press Conference

The 'firestorm' over the leak of the IMF's plans for new and more austerity for Greece, prompted public responses by Greece, as well as a clarifying press conference by the IMF's European directors on April 15, 2016.

Greece's prime minister, Alexis Tsipras, publicly replied, noting Greece was already undertaking "an ambitious reform of income tax and a major overhaul of the Greek pension system"—the former providing a revenue of 1% of GDP and the pension reform and even greater 1.5% by 2018. With pensioners carrying the greatest burden of the austerity terms, why should the very rich be given relief with more taxation imposed on the middle and working classes by 'broadening' the tax base—i.e. making it less progressive, Tsipras inquired?

Wolfgang Schaueble, hard line German finance minister, who led the forces imposing even more austerity on Greece in August 2015, responded that debt relief was "not necessary" and ruled out any debt relief whatsoever for Greece, in 2018 or at any time. Schauble added that IMF refusal to participate in the August 2015 Greek debt deal unless the terms of the deal were changed to suit the IMF (which did not sign the deal as yet), would collapse the 2015 deal altogether.

In the IMF's press briefing of April 15, 2016 Poul Thomsen, head of the IMF's European department, responded that the IMF could not participate in the bailout without debt relief in some form, but left the door open as to what debt relief actually meant. Thomsen repeated his proposal to "broaden the tax base" and not raise taxes further on the rich.

Behind the apparent Schauble vs. IMF disagreement is the implication that 'debt relief' would require some kind of what is called 'haircut' and reduction in interest and/or principal for those investors holding bonds issued by the Troika on Greek debt. That's what Schauble and European bankers don't want. The IMF thus assured that debt relief did not require 'haircuts'.

The Meaning of the IMF's New Attack on Greece

What the new developments reveal is that fractures are emerging within the Troika and the Euro elites in general over the Greek debt deal of last August, as Europe's economy continues to falter. New crises have emerged in Europe, including the cost of refugee settlement and the great economic uncertainty associated with the possible UK 'Brexit' this June. Europe's central bank monetary policies are also clearly failing in the face of a steadily slowing global economy.

At the same time, the IMF itself is facing additional challenges supporting an even worse economic crisis in the Ukraine, which it has also committed to bail out but which is collapsing faster than predicted. Meanwhile, on the horizon are growing stresses in emerging market economies that have accumulated $50 trillion in additional debt since 2009, which threaten to lay claims on the IMF in the not too distant future. The IMF is no doubt looking over its shoulder at even greater potential challenges than Greece.

In short, the deteriorating conditions in the global economy are beginning to converge, and the Troika, Europe, IMF are all feeling the heat as the economic temperature rises. Another debt crisis in Greece is inevitable. But it may occur at a juncture at which it appears the least of the economic problems facing the global economy.

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