Greece-Eurogroup agreement on the debt: A necktie for Tsipras and a noose for workers

Friday 3 August 2018, by NTAVANELLOS (DAVANELLOS) Antonis (Date first published: 25 June 2018).

Introduction

Three years ago, a clear majority of the Greek people voted to reject the so-called Memorandum — the commitment to inflict drastic austerity measures in exchange for financial assistance from European governments and international institutions like the IMF. Hopes ran high that Prime Minister Alexis Tsipras, the leader of the Coalition of the Radical Left (SYRIZA) elected in January, would stand by the people. Instead, Tsipras ignored the results of the referendum and agreed to this latest of three Memoranda.

The austerity demanded by Europe's bankers and bureaucrats caused one of the most severe economic depressions outside of wartime in history. The capitulation of SYRIZA under Tsipras, and its junior partners in government, the Independent Greeks (ANEL), "has proved to be the disaster many of us predicted," Zoe Konstantopoulou, the former speaker of the Greek parliament who resigned in protest at Tsipras' action, wrote earlier this month [1]. "People's lives have become unbearable. Youth unemployment has become the norm, and an estimated 8% of the population has left [the country] in search of work. The minimum salary doesn't pay the bills, and hundreds of thousands of families go without electricity for extended periods of time."

Other left-wing currents also resigned, rather than submit to SYRIZA's role as the party of austerity. A new left-wing party called Popular Unity was founded. Antonis Davanellos, a leading member of Internationalist Workers Left (DEA), former Political Committee member of SYRIZA and now a part of Popular Unity, debunks Tsipras' latest claims to have shepherded Greece out of its crisis by explaining the reality behind another agreement with the bankers.

Socialist Worker.org

GREECE'S PRIME Minister Alexis Tsipras promised his European partners that he would don a necktie once the debt problem was resolved and the Greek economy was freed from the barbarous Memorandum polices applied under the "Troika" of creditors: the International Monetary Fund, European Central Bank and European Commission.

True to his word, when he appeared at the Zappeion monument in Athens to publicly announce a new agreement after meeting with the Eurogroup in Luxemburg, Tsipras was sporting, you guessed it, a tie!

Tsipras was sending a clear message from the SYRIZA-ANEL government that its policies since 2015 have been a sort of success story — even if they prolonged and deepened austerity cutbacks enforced beginning in 2010 — by finally bringing an end to the hated Memorandum period in which the Greek economy was bled by the Troika.

Of course, Tsipras' attempt to launch a convincing public relations campaign is doomed to fail because it clashes so sharply with reality.

Hiding behind demagogic claims about a supposed "end of the Memorandum," the Greek government must follow the Memorandum's austerity policies for an inconceivably long duration — in fact, a whole historical epoch.

The Eurogroup agreement, in fact, didn't even match up with the hopes of Tsipras' negotiators. The "French proposal," offered by the "not too radical" President Emmanuel Macron, to link repayment of the debt with GDP growth by recalculating mechanisms — supposedly to reduce the amount of installment payments, based on the strength of the Greek economy — has been tacitly abandoned.

In practice, the decision could be summed up as an "extension" of deadlines for just one-third of the debt — the European Financial Stability Facility's 96 billion euros in loans made under the second Memorandum — and the creation of a cash reserve that should allow future governments to cover repayment obligations in case Greece's much-heralded return to international financial markets proves impossible after all is said and done.

THE DECISION is calculated to meet the requirements of Greece's creditors and the European Union.

On the one hand, it allows them to declare that, henceforth, "no European country remains under a Memorandum." This is an attempt to reinforce the image of a cohesive European Economic Area, with a view to preparing for the open conflicts brought on by Trump's protectionism and threatened trade wars.

On the other hand, it protects their interests concretely, and over a long period.

The creation of a treasury reserve was deemed necessary based on the calculation that the SYRIZA-ANEL government's prediction of rapidly raising money on the international financial markets is very exaggerated.

A few weeks ago, following a political crisis in Italy, the 10-year interest rate for Greek debt securities reached 4.84 percent — about the same level as before the bankruptcy that opened the way to the first memorandum of 2010-11. Following the release of the Eurogroup decision, it fell slightly to 4.14 percent, but this is still a prohibitively high level.

The so-called "grace period" of 10 years for payments on interest and principal on the European Financial Stability Facility's 96 billion euro loan — no gift since it adds a decade of interest for creditors — comes on the condition that it facilitates repayments on the total debt, extending the Greek debt crisis to 2032 (instead of 2022 as had been previously discussed) and prolonging European supervision over the Greek economy.

One mainstream newspaper, the Tribune, reinforces this conclusion with quotes from anonymous "experts" who claim that "the deal is clever. The Germans did not give much to Greece, just the bare necessities to get the country out of the danger zone in the medium term. We [Greek financial markets] will need them again in 2032, if there is no quick economic recovery."

In return, the Tsipras government gave in on the following points:

1. A commitment that the totality of laws signed within the framework of the Memoranda — the

reforms and counter-reforms of the entire eight-year crisis — will remain in place without any modification (including secondary changes), even after the supposed end of the Memoranda. What Tsipras describes as an exit from memoranda is, in fact, the transformation of neoliberal counter-reforms contained in the three Memoranda into permanent measures for decades to come!

2. A commitment to enforce further, extremely rigorous austerity measures, including: additional pension cuts beyond those slated for 2019; higher taxes paid mainly by ordinary people; abolition of a ceiling on non-taxable income starting in 2020; an increase of the ENFIA property tax by means of an “adjustment” to real estate evaluations; the demolition of even rudimentary social protections by reducing social security benefits in 2018; and again, an intense program of privatizations that includes the public electricity company (DEI), the water distribution system in Athens and Thessaloniki, and all public lands with considerable market value.

3. A commitment to tighten future economic and social policy within the restricted space provided by the agreement on primary fiscal surpluses, calculated before paying interest on the debt, which will relentlessly push society deeper into neoliberal barbarism. The agreement stipulates that Greece must generate a surplus of 3.5 percent of its gross domestic product until 2022, then an average of 2.2 percent for an additional 37 years, that is, until 2060!

Even those economists who have consistently supported the Memoranda note that no other country in history has ever aimed to generate surpluses of this magnitude for such a long period.

Yet Tsipras isn’t worried, even if the Greek experience of the last eight years shows that these surpluses are paid for in workers’ and poor people’s blood. The creditors aren’t worried either, since the Eurogroup agreement sets up a draconian mechanism for monitoring and guaranteeing surpluses: quarterly audits, compliance reports, mechanisms mandating additional costs in case budget targets aren’t achieved.

It looks like a fourth Memorandum...hot on the heels of the third.

AS WE have noted before, this agreement presupposes a more or less rapid transition of the Greek economy toward a state of perpetual growth. Where need be, the agreement permits drastic intervention by creditors — first in 2022, and then, probably even more dramatically, in 2032 — to mold the Greek economy to their purposes.

Moreover, while IMF Director Christine Lagarde and European Central Bank President Mario Draghi both claim that this agreement is considered viable in the medium term until 2032 — thereby allowing Greece to operate in international financial markets — they still maintain that Greek debt is not viable in the long run.

In fact, it is likely that problems will emerge sooner, since the agreement is not based on economic forecasts, nor does it facilitate growth.

Tsipras’ commitment to generate surpluses at 3.5 percent of GDP means that public investment, the traditional instrument by which “growth” is achieved by Greek capitalism, may not be increased. Worse, it will be reduced.

In response, high-ranking officials are already promising private investments, and Tsipras emphasizes that they will not hesitate to facilitate them. Despite wiping out wages and workers’ rights, investment by Greek capitalists remains at just 30 percent (!) of pre-crisis levels.

N. Christodoulakis, a former government minister from the social-democratic PASOK party in the 1996-2004 Kostantinos Simitis administration, reports a “lack of investments to the tune of 100 billion euros in Greece today." He went on to propose reducing primary surpluses to 1.5 percent of GDP, so that remaining fiscal resources could be directed towards "investment in production," which might spur economic growth.

Given all this, Tsipras will be quickly forced to understand the value of the left's historical insistence that the only viable debt policy is to repudiate it.

From the point of view of the working and popular classes, SYRIZA's agreement with the creditors and the Troika constitutes a serious danger. Accepting that private investment, domestic and international, are the sole hope for social progress can only lead to absolute surrender to the appetites of capital.

Wages, pensions, social spending, labor law, environmental protection, public spaces and social rights in a broad sense will come under additional pressure. The "sacrifices" required will be increasingly barbaric, and the results will be even more uncertain than compared to the first Memorandum — which promised an end to the crisis in...2012!

Faced with this policy, we must persistently insist on social organization and re-launching major struggles to challenge it.

Meanwhile, the conservative New Democracy party, led by Kyriakos Mitsotakis, and the far right Golden Dawn party have tried to build a mass nationalist movement by vilifying Macedonian national identity and sovereignty.

They are presenting a rather "soft" face at the moment. They condemn Tsipras' "failed moves," while trying to take advantage of popular discontent with the governmental policy. But they are careful not to criticize the core of Tsipras' policy provided in the agreement because, for the right — both the mainstream conservatives and the neo-fasicts — the voice of capital has always been "the voice of God."

Under these new conditions, the burden to resist and overthrow this government falls once again on the radical left.

Antonis Davanellos, July 19, 2018

P.S.

• socalistworker.org, July 19, 2018:
http://socialistworker.org/2018/07/19/a-necktie-for-tsipras-and-a-noose-for-workers

• This article was translated from Greek to French by Sotiris Siamandouras for A l'encontre and from French to English by Todd Chretien.

Footnotes

[1] ESSF (article 45551), Third anniversary of the 2015 referendum: If you love Greece, help us get rid of Alexis Tsipras and his zombie party.