

Greece, Europe and beyond: Poisoned Fruits of Austerity

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Contents

- [Syriza's Crisis](#)
- [But Wait, There's More!](#)
- [Europe's Clouded Future](#)

BAILOUT? GREECE IS not being “bailed out.” Greece is being waterboarded. And the reasons are overwhelmingly political, having little or nothing to do with economic realities. It’s about destroying any forces that support alternatives to the crushing dictates of capital.

The Greek “Catastroika” — as Michael Löwy aptly labels it in his article on “Capitalism versus Democracy” in this issue [of *Against the Current*] [[1](#)] — is far from ending with the “third bailout” of August 12, with consequences likely to reverberate well beyond the boundaries of one modest-sized southern European economy. It may portend a disastrous future for the eurozone and ultimately the European Union. But in the meantime, the gnomes of Berlin and the creditors (read: “predators”) led by the European Central Bank (ECB) and International Monetary Fund will suck more juice loans from what’s left of the Greek economy they’re smashing into the ground.

To understand what’s happening to that economy and its people doesn’t really require Marxist or sophisticated radical analysis. The thinking of rational economists is captured by reporter Neil Irwin [[2](#)]:

“(T)he willingness of Germany’s allies in Europe to impose even harder conditions on Athens...was a victory (reflecting) the politics of today’s Europe rather than a viable plan to help Greece’s economy in the short run. Despite forecasts that recovery would follow the bitter medicine Germany and lenders like the International Monetary Fund have been prescribing for Greece for five years, the country is stuck in a depression-like slump. The latest package tightens austerity rather than relieving it.

“In the view of many economists...the continued imposition of a budget-cutting-first approach during an extended downturn is holding back recovery not just in Greece but also across the continent, which continues to suffer from towering unemployment and tepid growth...The eurozone unemployment rate is above 11 percent, more than double that of the United States. Its economic output in 2014 was lower than in 2007, before the global crisis.”

Similar summaries can be found all over the financial press, including the particularly catastrophic impact on young people with few or no employment prospects. How has this disaster unfolded?

Early this year, Greek voters elected a new government of Syriza — “Coalition of the Radical Left” — on the strength of its dual promise to end crippling austerity and remain within the eurozone (the common currency). It’s an entirely understandable impulse — Greeks wish to remain part of Europe, and a precipitous unprepared exit from the euro and return to the national drachma currency would

put the country's economy in a position analogous to Cuba's desperate mid-1990s "special period."

Rational economic policy, then, would have written off part of a debt that everyone knows can never be repaid, and stretching out payment terms on the rest to allow the Greek economy to reboot. Even the IMF chief Christine Lagarde explicitly recognizes this reality (IMF calculations are that Greece's further economic shrinkage will push its debt level to a staggering 200% of annual GDP). But nothing of the sort was forthcoming from the Berlin-led predators, who demanded that Greece implement harsher public service and pension cuts, and a fire sale of national assets in return for new credits as insolvency loomed and tens of billions of euros drained from its banks every week.

Some brief background is relevant. Five years ago, the German-led European "institutions" bailed out the private lenders that had made wildly imprudent loans to Greece, converting these into debts to the ECB and effectively the taxpayers of Europe — making them politically much harder to reduce or forgive.

So on July 5, responding to the appeal of Prime Minister Alexis Tsipras and the Syriza government, Greek voters went to the polls and notably voted by a 62-38 margin to reject the deal imposed by the predators. (It might be noted that only 63% participated in the referendum, perhaps reflecting a degree of demoralization and exhaustion among the population.) The working class "No" vote was particularly high. In short, the Greek people stood behind their elected government — but then the government failed to stand behind them.

Instead, Tsipras returned to the predators and came back with an even worse deal, ramming it through parliament with the votes of the previously defeated ruling class parties of the so-called "center-left" PASOK and "center-right" New Democracy. Whether naively or cynically, and despite the urgings of his then finance minister Yanis Varoufakis, Tsipras had done nothing to prepare any backup plan involving preliminary steps toward leaving the euro and defaulting on the debt — the only contingency plan and threat that could have given Greece a degree of negotiating leverage.

Syriza's Crisis

Tsipras — having stripped his cabinet of some left-wing Syriza ministers who refused to support the new austerity-on-steroids package — went begging to the predators for some measure of debt relief. The Germans and central bankers, with Tsipras getting to ready to purge or force out Syriza's left wing and the party effectively reduced to becoming a suitable transmission belt for austerity, imposed the punitive terms of the "third bailout" that the Greek parliament accepted on August 14.

At this writing, Syriza special conference and a new Greek election — where Tsipras can veto the candidacies of any Syriza members deemed disloyal — are widely expected. With a split in Syriza all but inevitable, what political options may be open to left and revolutionary forces currently inside the party, and potential partners outside it, must be left for a separate analysis. [3]

Prospects for the "success" of the newly imposed measures are hardly favorable. Suppressed wage and pension levels (many Greeks had to take "early retirement" in the wake of the 2009-10 financial meltdown and economic slump) mean less spending and lower government revenues. Huge increases in the national sales tax (VAT) mean reduced consumption and more tax evasion, particularly in the informal sectors which are bound to grow. The short-lived upturn in Greece's economy will turn back to a 2-4% decline this year, and likely in each of the next three years.

Necessary reforms to catch up with tax-dodging rich folks and corporations are all the more difficult in a climate of government uncertainty and reliance on those "mainstream" parties that wealthy and

corporate crooks bankroll. And the forced sales of national assets, including public utilities — wait till the privatizing vultures get their claws on those! — aren't likely to net more than a small fraction of the purported \$50 billion they're supposed to raise to pay down the debts.

Banks are open, but money can't be sent abroad to cover essential imports. Greek citizens with the means to do so are heading for the exits. Every day brings new levels of misery to the ordinary Greek population, even if that news tends to be crowded out by the even more desperate surge of refugees washing up in southern Europe from the disasters in north Africa, Eritrea and the horrors of Syria.

But Wait, There's More!

We'll briefly return to what the waterboarding of Greece may imply for the "European project." But it may be useful to observe that the agony we're describing isn't entirely unique to that devastated nation. Two examples are worth pointing out here.

Readers of *Against the Current* will be familiar with the articles we've published on the forced bankruptcy of Detroit, the resulting slashing of city workers' pensions and even worse shredding of health benefits, accompanied by waves of home foreclosures and water shutoffs [4].

Most recently, when Detroit City Council rejected a 7.5% increase in water rates that tens of thousands of homeowners already on the edge simply cannot afford, it was firmly instructed by the state-appointed "financial oversight" authorities that the dictatorial management of city finances would be extended if the rates weren't increased. The Council majority promptly fetched, rolled over, played dead and approved the rate hike, ratcheting up the social misery in the city one more step. So much for democracy, either in Athens or the former Motor City.

Detroit's debts at the time of its federal bankruptcy were purportedly around \$18 billion. That's vastly exceeded by the disaster in colonial Puerto Rico, in recession since 2006, where austerity and government borrowing for operating expenses have produced the situation described by Rafael Bernabe of the Working Peoples Party:

"Servicing the growing debt demands an increasing portion of the public budget. This debt has now reached \$73 billion and the government has been forced to admit (after years of adamant denial) that it is unsustainable. The government now seeks to renegotiate this debt while imposing harsher austerity measures formulated in the so-called Krueger Report headed by former IMF executive Anne Krueger. The mixture of limited debt relief, austerity and devaluation of Puerto Rico's labor force can only result in extended recession and perpetuation of the present economic structure characterized by the extraction of profits, high unemployment and lack of development funds." (From a presentation prepared for the 2015 Solidarity Summer School)

Hedge fund vultures who have bought up pieces of Puerto Rico's debt at steep discounts are demanding tax increases and massive education cuts as they lobby against any debt relief or legal protection [5].

Many U.S. states and governmental entities are in severe fiscal crises. Indeed, here in the Detroit area the latest financial emergency is that of Wayne County, which is likely to replicate the brutal measures imposed on the city.

Europe's Clouded Future

Plenty of sober analysts — far from the wild-eyed far-left editors of the present periodical — feel that a Greek exit from the euro, orderly or otherwise, is ultimately almost inevitable, and that the future of the European Union itself is profoundly troubled.

On the one hand, the lack of solidarity with Greece on the part of the mainstream “left” parties of Europe illustrates their transformation from traditional social democracy into parties of neoliberalism. Indeed most of them appear lined up behind the “Berlin consensus” — with the German Social Democratic Party even more vicious than Chancellor Merkel, while the French offer neoliberalism with a slightly more humanoid face — that all debts must be paid and that the Greek people need to be properly punished for daring to think that they might have a voice in the matter.

On the other hand — with a few exceptions like insurgent left party Podemos in Spain, whose electoral fate may be deeply affected by developments in Greece — the political dynamism in much of Europe appears to lie with “Euroskeptic” parties of the right wing, featuring nasty anti-immigrant, overtly racist and especially Islamophobic messages as a demagogic and false “alternative” to austerity.

The most dramatic advance of the far right is that of the National Front in France. It is not unusual that such forces prosper, with some working-class support, in the absence of well-articulated progressive alternatives. Nor is it at all surprising that some of them are financially supported by Vladimir Putin's Russian regime as part of the East-West dirty, bloody and “frozen” conflict in Ukraine.

All the implications of these interlocking crises are far beyond our scope here. But it's worth recalling a comment attributed to a triumphant European leader at the inception of the common currency: “You are the euro, and upon this currency we will build our Europe.” [6].

Whether this character really thought he was a modern Jesus addressing St. Peter is not recorded. Today, however, thanks to the modern religious cult of “the free market” and finance capital with its poisoned fruits of austerity, the euro looks less like a rock than a looming iceberg, and Europe less like the Kingdom of Heaven than the Titanic.

The Editors, *Against the Current*

P.S.

* “Poisoned Fruits of Austerity”. From *Against the Current* n° 178, September-October 2015.
<http://www.solidarity-us.org/>

Footnotes

[1] See on ESSF (article 35587), [Greece and beyond: Capitalism versus Democracy in Europe](#).

[2] “How the German Approach Prevailed in the Greek Bailout,” *The New York Times*, July 30, 2015.

[3] See the discussion by Dan Georgakas in this issue of ATC, available on ESSF (article 35800), [Greece, Austerity & Europe's Future - "'Surrender or Eurozone Exit'".](#) We also refer our readers to an August 12 statement of the Fourth International, ESSF (article 35640), [The EU diktat accepted by the Greek government is a defeat for all workers in Europe. We have to build the fightback.](#)

[4] See for example Dianne Feeley, ESSF (article 35801), [Detroit \(USA\): A Recipe for Killing a School System](#) and (article 35802), [USA: Detroit's Foreclosure Disaster](#).

[5] <http://www.democracynow.org/2015/7/31/headlines#73113>

[6] http://www.nytimes.com/2015/07/09/business/dealbook/greek-debt-dispute-highlights-prospect-of-a-euro-exit.html?_r=0