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Greek prime minister calls for referendum on EU austerity demands

By Robert Stevens and Alex Lantier

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Early this morning, Greek Prime Minister Alexis Tsipras called a July 5 referendum in Greece on whether to approve a package of austerity measures demanded by the European Union (EU) in exchange for extending loans to avert Greek state bankruptcy.

Tsipras's proposal came after talks in Brussels between EU and Greek officials collapsed again amid bitter recriminations. Having already agreed to impose billions of euros in social cuts, Greek officials refused to agree to new austerity measures, including deep pension cuts, demanded by the EU, the International Monetary Fund (IMF) and the European Central Bank (ECB). Greek Labor Minister Dimitris Stratoulis denounced the EU's demands as "complete humiliation" for the Greek government and the "enslavement and extermination" of the Greek people.

The EU's demands amount to an order to Tsipras to completely and openly repudiate the results of this January's elections in Greece, which his Syriza party won based on pledges to end EU austerity. German Chancellor Angela Merkel and Dutch Prime Minister Mark Rutte reportedly told Tsipras to "shut up" over dinner Thursday night as he asked for more time to resolve the debt crisis.

Upon returning to Athens, Tsipras held an emergency meeting with his cabinet. He then appeared on national television after midnight to announce the referendum, which he said he had discussed with Merkel, French President François Hollande and ECB chief Mario Draghi.

"After five months of hard negotiations, our partners unfortunately ended up making a proposal that was an ultimatum towards Greek democracy and the Greek people," Tsipras said. He said that the EU had subjected Greece to "humiliation and blackmail," adding that its proposals "clearly violate European rules and the basic rights to work, equality and dignity."

Nonetheless, he proposed that the Greek people vote on whether to accept these reactionary proposals, calling this a "democratic process."

"I will respect the result, whatever it is," he added.

Tsipras's proposal is a reactionary fraud, designed to lend a veneer of democratic legitimacy to the looting of Greece by the banks at the expense of workers and broad sections of the middle class.

According to Tsipras's proposal, people can vote either to accept the EU cuts, pushing them even deeper into penury, or vote "no" and face a cutoff of credit from the EU and the ECB, the bankruptcy of the Greek state, and the collapse of Greece's banking system. Indeed, it appears that, even before the referendum, Greece's banks are beginning to collapse.

On Thursday, Jens Weidmann, the head of Germany's central bank (Bundesbank), said the ECB should prepare to cut off credit to Greek banks. With depositors continuing to pull money from Greek banks, at least one—Alpha Bank—reported that it had stopped processing online transactions Saturday morning.

If the Greek state and banks were totally cut off from access to credit in euros, and Greece was thus forced to reintroduce a national currency to bail out its banks and avert financial collapse, the resulting devaluation of the Greek currency would likely devastate the country. One study, by the Swiss bank UBS in 2011, estimated that a country like Greece could suffer a 40 to 50 percent collapse of its gross domestic product in the year following such an event.

Sav Savouri, chief economist at the Tosca Fund, a London-based hedge fund, bluntly predicted that a Greek exit from the euro would lead to a "collapsing civil society" and the coming to power of a military dictatorship. "In every instance where that's happened, the military will take over the role of government," he said.

It is unclear how a referendum would turn out. A June 16 Mega TV poll found 56.2 percent for staying with the euro and 35.4 percent support for a euro exit. However, pollsters admitted that opinion is shifting rapidly, with support for a euro exit rising 10 percent in the first half of June.

The situation Greece confronts is a devastating indictment of Syriza's pro-capitalist perspective. Having refused to appeal for the mobilization of deep opposition to austerity in the European working class, hoping instead that other EU powers would criticize and soften austerity policies demanded by Germany, it has found itself isolated and compelled to impose continued cuts. It is now reduced to proposing a referendum that amounts to holding a loaded gun to the head of the Greek people.

Beyond giving his reactionary maneuvers a pseudo-democratic veneer, Tsipras's referendum proposal is a tacit recognition that his party and his government are deeply split and cannot agree on how to proceed.

Broad sections of the Syriza-led government and the Greek ruling class as a whole are pushing for capitulation to what Tsipras acknowledged were humiliating demands. After Greece's central bank came out with a call to remain in the euro, Finance Minister Yanis Varoufakis stressed that Greece was doing everything it could to satisfy the "strange demands" of its creditors and was determined to remain inside the euro zone.

The *Financial Times* recently reported on a pool party held in the "leafy, affluent northern suburbs" of Athens and attended by a pro-EU crowd of "well-heeled businessmen, politicians, academics, and socialites." For these layers, the *Times* noted, "life without the euro is almost unimaginable. The single currency made it easier for them to send children to study abroad and purchase property and luxury goods elsewhere in Europe."

Given that Syriza largely consists of similar affluent middle-class academics, politicians and socialites, divorced from and hostile to the working class, similar moods are well represented within the organization itself.

Other sections of the government, including Syriza's Left Platform faction and the far-right Independent Greeks (Anel) party, are considering a Greek exit from the euro. Greek Development Minister Panagiotis Lafazanis, a member of the Left Platform, called on Greeks to answer "with a resounding no" to the referendum's proposal of a deal with the EU.

Behind them stand other, powerful sections of the Greek financial aristocracy, notably shipping magnates with close ties to Anel. Their fortunes have until now been protected by provisions of the Greek constitution stipulating that they pay zero tax on international earnings. However, the EU's latest plans include proposals to "phase out special tax treatments for the shipping industry" and "implement an effective taxation framework for commercial shipping."

Such measures would undercut the wealth of the shipping magnates, who still control the world's largest merchant fleet. The holdings of the wealthiest of them, Philip Niarchos, are valued at $2.5 billion, and four other shipping tycoons have assets worth over one billion euros each.

These divisions within the Greek ruling class mirror divisions between the major imperialist powers in Europe. While European officials have until now insisted that they aimed to keep Greece inside the euro zone in talks led by Berlin, it emerged yesterday that British Prime Minister David Cameron has suggested that the breakup of the euro zone via a Greek exit might be the best strategy.

A diplomatic memo leaked to the *Guardian* said that Cameron "wondered if it was wise for Angela Merkel to allow the discussion with Greece to take place at the [prime minister] level and mused that it might be better for Greece to leave the euro zone in order to sort its economy out."

The only way forward for the working class is to set its policy independently of all the factions of the capitalist class, whose social order has utterly failed. The critical task is to prepare to mobilize the working class in Greece and across Europe in revolutionary struggle against the reactionary intrigues of Syriza and the EU.