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European Union and IMF demand new austerity measures in Greece

By Christoph Vandreier

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At a joint press conference in Berlin on Friday, German Chancellor Angela Merkel and Greek Prime Minister Alexis Tsipras made a show of unity. Greece no longer wanted to be seen as "part of the crisis but part of the solution," said Tsipras. There were large budget surpluses and the targets set had been surpassed, he added, in summarising his government's austerity policies.

In the lead-up to the conference, conflicts erupted between Greece on one side and the European Union (EU) and International Monetary Fund (IMF) on the other. Both institutions imposed a brutal programme of austerity on Greece over recent years and supplied it with bailout loans. They are now demanding an intensification of attacks on the working class.

A dispute emerged last week after Tsipras announced a plan, during a live speech on television, to pay 1.6 million especially needy retirees Christmas benefits totalling €617 million, equivalent to €380 per person. The measure was passed by parliament on Thursday. In addition, sales tax increases for the islands in the eastern Aegean were suspended. The islands have spent additional funds over recent years for the confinement of refugees.

Part of the primary surplus achieved in the Greek budget this year will be used to finance the measures. Due to the Greek government's enforcement of brutal austerity and privatisation measures, a budget surplus of €1.9 billion was reached, rather than the €500 million agreed with Greece's creditors in the memorandum of understanding.

These figures make clear that no retreat from the austerity measures is involved, but merely a symbolic gesture. Tsipras hopes to be able to stabilise his deeply despised government and hold onto power. In the course of its first year in government, Syriza (Coalition of the Radical Left) has seen its support collapse due to its austerity policies from 35.5 percent in the September 2015 election to 14.1 percent in the latest polls.

The government has already imposed pension cuts of €230 million this year. Further cuts of €439 million in top-up pensions are planned for next year. This is in spite of the fact that 45 percent of pensioners currently receive monthly payments placing them below the poverty level of €665, according to government figures. The real number of impoverished pensioners is much higher, because in Greece, where there is virtually no social welfare system, the unemployment rate of 22.6 percent means that entire families are dependent upon the pensions of the grandparents.

Prior to Syriza assuming power, pensions dropped by 50 percent due to cuts. Syriza actually promised an end to pension cuts during the election campaign and to oppose the EU's austerity demands. But once elected, they bowed to the EU's dictates, emerging as the government most capable of enforcing the austerity drive. Only two months ago, the Syriza government attacked pensioners with tear gas.

In the face of these austerity measures, the millions for pensioners amount to a drop in the bucket. It will include one-off payments that will do nothing to change the character of the cuts implemented and those to come. In comparison with the more than €40 billion in austerity measures since 2009, the hand-out to pensioners does not even amount to 1.6 percent of the total.

But even these cosmetic measures were too much for the EU and IMF. "The institutions have decided that the actions of the Greek government do not correspond to the terms of the loan agreement," stated euro group head Jeroen Dijsselbloem. The European Stability Mechanism (ESM), through which the previous loans were organised, reacted to Tsipras' Christmas policy by freezing previously approved debt relief measures, including interest rate cuts and debt moratoriums. These measures will now be discussed further at the euro group meeting on 26 January.

According to news portal Spiegel Online, German Finance Minister Wolfgang Schäuble encouraged the ESM to take this step. The German government has responded to the Brexit victory in Britain and Donald Trump's election in the United States by stating its intention to consolidate its domination in Europe and impose austerity with even more ruthlessness. At the beginning of the month, Schäuble stated to the *Bild am Sonntag* newspaper that Greece had to impose all reforms if it "wants to stay in the euro—regardless of its debt position."

The background to the latest dispute is the ongoing negotiations over the budgetary goals that should be imposed on Athens for new loans. The majority of the euro group members demanded a budget surplus of 3.5 percent in the year 2019-20 so that Greece can begin paying off its massive debt burden.

IMF Europe chief Poul Thomsen and chief economist Maurice Obstfeld proposed in a submission on Monday that the target be reduced to 1.5 percent. This would, however, mean that the debt would have to be restructured and partially written off so as to avert state bankruptcy. French President François Hollande also spoke out in favour of treating Greece more moderately.

But neither Hollande nor the IMF representatives are concerned about halting austerity measures in Greece. The authors of the submission explicitly call for further "structural reforms," including making it easier to impose mass layoffs. They state that Greek pensions remain too high and mass taxes are too low. The conflict is merely over the best methods to squeeze the billions of bailout loans from the Greek working class and who should profit from this the most.

The Syriza government has more than made clear over the past year that it is also committed to this goal. For the first time since the outbreak of the debt crisis, a government has surpassed the terms of the creditors and saved more than had been dictated. That it is paying out a fraction of the additional savings, and in a one-off measure to boot, is a hollow gesture.

Shortly before Tsipras' joint press conference with Merkel, Finance Minister Euklides Tsakalotos had spoken of errors in communication with regard to the Christmas measures in a meeting with German parliamentarians. One ought to have informed the creditors in advance, the Finance Minister stated, according to Spiegel Online.