https://internationalviewpoint.org/spip.php?article4004

Greece

For Syriza, there is an alternative to “strategic retreat.”

- Debate - Perspectives in Greece -

Publication date: Wednesday 29 April 2015

Ever since the media spin that presented the February 20 agreement between the Greek government and the Eurogroup as almost a victory started subsiding, the main argument of its supporters has been that “it bought some time.”

Some concessions had to be made, proponents say, but they took place within the framework of a “propellant compromise,” to use the terminology of deputy prime minister and prominent figure of Syriza’s “realists” Yiannis Dragasakis.

The argument here is that there would be no additional austerity for the four-month duration of the agreement, the liquidity problem that brought the banking system to the verge of collapse would be temporarily resolved, and the government would have some room for maneuver in its preparations for the new round of negotiations in June without having to abandon its strategic targets. It does not constitute a defeat, therefore, but a tactical retreat that works in favor of the Greek side.

But even without going into a detailed analysis of the commitments undertaken by the Greek government while signing the agreement, it’s clear that it didn’t take long before reality refuted the main points of the preceding argument.

Inside the “Iron Cage”

In the first place, it became clear that the government’s hands were tied. While it has successfully resisted the austerity measures pushed by the Europeans, it is also unable to implement the program on which it was elected. Indeed, the core of these measures both carries a financial cost and requires the prior approval of the troika (let’s stop once and for all the euphemisms about the “institutions” and “Brussels Group”).

This concerns, in particular, the settlement of tax arrears in favor of low-income tax-payers, the restoration of the tax-free threshold on annual income up to â‚¬12,000, and the abolition of the absurdly unjust ENFIA (Uniform Tax on Real Estate Property). Furthermore, raising the minimum wage back to â‚¬751 is to be done on a two-year horizon, with unclear deadlines.

Finally, the proposals for the reinstatement of collective bargaining agreements and labor legislation were met with major opposition from the troika, and, in Greek Finance Minister Yanis Varoufakis’s list of reforms last month, the government committed itself to continuing ongoing and outstanding privatizations.

As a consequence, during the first month of the left government, a period of unprecedented legislative inaction prevailed, a vivid reflection of the long-prepared “iron cage” in which the European Union (EU) had imposed on the undisciplined Greeks. Inaction that amounted to a de facto cancellation of the first announcements of the new government, which had created a positive climate in Greek society but also internationally among the allied political and social forces.

In essence, this means that the redistributive measures that could provide genuine relief to the working class and other popular strata, and would allow Syriza to stabilize its social alliances, are deferred indefinitely.

Something that often goes unmentioned should also be stressed: the first period of the Syriza government, among other things, highlighted the contradictions of the Thessaloniki Program [1], on the basis of which it was elected and which it was supposed to implement without negotiation. But as it turned out, the EU considers “unilateral” â€” and therefore condemnable â€” any break with the policy of the memorandum, and not only default on the debt or exit from the euro.

The most blatant confirmation of this came with economist Declan Costello’s letter, which was sent on behalf of the European Commission and stated that passing the “humanitarian crisis bill” without prior “proper policy consultation” would mean “proceeding unilaterally and in a piecemeal manner that is inconsistent with the commitments made, including to the Eurogroup as stated in the February 20 communiqué.” [2]

And indeed, in this agreement [3], the Greek side explicitly said it would “refrain from the cancellation of measures and unilateral changes of the political and structural reforms that would undermine the fiscal targets, economic recovery or financial stability, as these are assessed by the institutions.” So from the outset, there was no chance that the implementation of such a program would be “exempt from the negotiation.”

But it also became clear that, apart from being a casus belli for the EU, the program was not “fiscally neutral” (i.e. having no impact on the budget) as announced. Otherwise its enactment wouldn’t run the risk of being vetoed by the troika, which is primarily concerned with defending the budget surpluses. And this is without mentioning the illusion that the money coming from the EFSF fund could be used for different purposes, an idea explicitly banned by the February 20 agreement.

“Creative Ambiguity”

The deadlock due to legislative inaction was further intensified by the internal disagreements on the terms of the agreement, which were voiced both at the February 27 meeting of Syriza’s parliamentary group on and at the late February meeting of its Central Committee in late February (where the related amendment of the Left Platform received 41 percent of the vote).

The most immediate and most significant consequence of this dissension was that, despite the pressures coming from the EU, the Eurogroup agreement wasn’t brought before parliament for a vote. Instead, a discourse of “creative ambiguity” regarding the terms of agreement started taking shape.

What this meant, concretely, was a form of “selective disobedience” amounting to a de facto “unilateral” implementation of some of the measures included in Syriza’s program. The most significant of these are the bills addressing the humanitarian crisis, the settlement of tax arrears, the protection of primary residence from evictions, the restoration of ERT (the Greek public broadcasting company), and the establishment of an audit committee that will investigate what took place during the memorandum era.

From the above, only the first two have been introduced so far, and by now the discrepancy between the initial intentions and the result, as well as the role played by the troika in the lawmaking process, have become apparent.

The bill concerning the humanitarian crisis spends up to â‚¬200 million, approximately one-sixth of what the Thessaloniki Program had planned. The income limit for benefiting from the proposed measures (electricity reconnection, food stamps, housing benefits) is set at â‚¬4,800 per year for a family of four and â‚¬6,000 for a family with three children, thereby targeting only cases of extreme poverty. The announced target of 150,000 households appears rather optimistic, and in any case it only amounts to half that set in the Thessaloniki Program. Yet even in this diminished form, it was opposed by the European Commission.

The bill allowing for 100 installments for the payment of tax arrears certainly constitutes a basic form of relief for the millions of lower- and middle-class victims of the tax assault of the past years â€” so too with the elimination of the arrest order for public debts â€” but even this measure is rather slimmed down compared to the provisions originally proposed.

There is no provision for a debt haircut since the troika rebuffed that measure, while those who are unable to pay two consecutive monthly installments during the first eight months (three months thereafter) will lose this benefit. Moreover, those who can afford immediate payments are clearly favored by being exempted from fines and surcharges.

In short, the pursuit of sources of immediate public revenue, combined with EU pressure to prevent any kind of debt relief, seem to have prevailed over the objective of combating the overtaxation that ordinary people have been subjected to over these last years.

But even these symbolic and rather ambiguous measures, which skate over Syriza’s fundamental objective of wealth redistribution, were enough to trigger a new round of recriminations from European leaders. In fact, European Central Bank (ECB) President Mario Draghi never halted the assault initiated on February 5, when he decided to cut off the main funding mechanism for the Greek banks.

A month later, with his three “no”s to Greek government’s requests (i.e. allowing Greek banks to issue short term Treasury bills to finance public debt payments, accepting Greek bonds as ECB collaterals, and raising the Emergency Liquidity Assistance cap to 3 billion), the president of the ECB made his intentions clear. The “drip-by-drip torture,” as far as liquidity is concerned, gradually paralyzes the economy as the liquidity provided by the public sector is exhausted and public revenue declines.

Furthermore, in March, the government must service bonds of â‚¬1.4 billion to the International Monetary Fund, of which 800 million goes to the repayment of debt interest. In order to meet its needs, and while having given priority to repay lenders, the government is being forced to tap into the cash reserves of pension funds and public sector entities.

Greece’s financial situation is indeed dire; in a much-discussed interview with Der Spiegel, Alexis Tsipras momentarily abandoned the language of diplomacy and stated that “the ECB is still holding onto the rope that is around our necks.” [4]

Last Thursday’s European summit, and the separate seven-part meeting of Tsipras with Draghi, German Chancellor Angela Merkel, French President François Hollande, European Commission President Jean-Claude Juncker, Eurogroup President Jeroen Dijsselbloem, and European Council President Donald Tusk didn’t bring any substantial changes. Any bailout is still strictly conditioned on a “list of reforms” to be submitted by Greece in the next few days, and everyone urged Tsipras to deliver immediately on his “unfulfilled pledges.”

In her press conference after the end of the meeting, the German chancellor went even further. “The Greek government has the opportunity to pick individual reforms that are still outstanding as of December 10 and replace them with other reforms if they . . . have the same effect,” Ms Merkel said.

As stressed by the *Financial Times* Brussels correspondent Peter Spiegel, this is "a potentially incendiary demand since the document Ms Merkel referred to â€" a letter written by Greece's then centre-right prime minister Antonis Samaras and his finance minister Gikas Hardouvelis â€" was the focus of particular scorn for Mr Tsipras's far-left Syriza party on the campaign trail." [5]

It seems highly unlikely that today's first bilateral meeting in Berlin between Merkel and Tsipras will lead to a modification of Germany's attitude. This is probably what lead Syriza's leader to declare, for the first time, that "there was an alternative plan" if the country was confronted by a shortage of liquidity.

An Alternate Strategy

The plan â€" or rather, the range of strategies â€" currently being considered by the Europeans can be summed up as follows: either trigger in the short term the collapse of the Syriza government, or, and this appears to be the prevailing option, drag it into a new strategic retreat in April, which will prepare the ground for a final capitulation in June.

This approach seems to have been demonstrated by the Eurogroup's decisions in earlier this month when, in a particularly tense atmosphere and with express procedures, the Greek side was forced to accept two important demands of the Eurogroup. Firstly, a very strict confirmation of "the commitments of no unilateral actions and no rolling-back on measures previously agreed needed to be respected at all times." Secondly, the return to Athens of the "technical" teams of the troika. [6]

Beyond the symbolism, this move has a highly practical significance: it is on the basis of the collected data â€" which is expected to confirm the negative trends of public revenues, budgetary targets, and of the economy in general â€" that these teams will draft proposals for a new package of austerity measures. This package will eventually be presented by the lenders as the terms of a new "bailout", to be "negotiated," in reality imposed to the Greek government in the summer, when Greece has to deal with more than â‚¬10 billion in debt repayments.

It is by now absolutely clear that remaining stuck in this deadly trap can only lead to the utter rout of the Syriza government and, moreover, to a collapse of the political and social forces that constitute its base, with direct and devastating consequences at the European and international levels. In that respect, the relative decline in support for Podemos in recent polls should already raise some concerns, even if it has also domestic causes.

An escape from the current deadlock, however, has some prerequisites. The first is a break with the climate of complacency â€" in other words, breaking with the idea that, with appropriate media spin, every meeting with the European officials can be presented as a success and that the signed agreements can be tweaked at will.

The sincerity and sober assessment required by the situation were best conveyed by Interior Minister Nikos Voutsis, who stressed before parliament this month that "the country is at war, a social and a class war with the lenders" and that in this war "we will not go like cheerful scouts willing to continue the policies of the memorandum." This is the kind of language that international supporters of Syriza need to hear, and not the language of facile optimism that creates illusions and causes confusion that tomorrow may prove costly.

In order for this battle to be won â€" and it should be emphasized that despite the setbacks and the losses, the outcome of the battle remains undecided â€" there needs to be proper preparation. Unfortunately, the February retreat turned out to be necessary inasmuch as it had to be proven, in real terms, that even with the most sincere intentions, the insistence on the strategy of staying within the euro whatever the cost can only lead to defeat.

There is, of course, a range of unilateral measures that are necessary weapons in this battle and which logically come before the option of a Grexit. These include two measures that are longstanding components of Syriza's program: capital controls, which also require strict public control of the banking system, and defaulting on debt payments.

It should be clear, however, that these moves would bring about a dynamic that would breach fundamental constraints of the monetary union and would inevitably lead to the exit from it. In any case, the ECB's relentless blackmail with its provision of liquidity places onto the agenda every day the issue of regaining sovereignty over monetary policy.

From this point of view, the most reasonable proposal is a negotiated exit from the euro, which would be combined with a writing-off of the major part of the debt, and would free both sides from the negative effects of a forced Grexit and from the endless preoccupation with an unsustainable Greek debt.

It is true that, given Syriza's mandate on the issue of the euro, such a proposal would need to be validated by popular consultation. The possibility of a referendum in the case of an impasse in negotiations is currently under discussion by the government, as demonstrated both by the statements of Varoufakis in Corriere della Serra [7], and more recently by similar declarations by a government's spokesperson.

In any case, this line could constitute the basis for a credible proposal, free from any double language, addressed both to the EU and to Greek society.

Because ultimately, herein lies the decisive criterion for determining "whose side time is on." Although there are some signs of declining favorability, the government continues to have broad popular support, since most people understand the obvious, namely that a terribly asymmetrical war has been unleashed against it.

And in this war, those that side with Europe will have a hard time winning a majority of the Greek people. It is also true, however, that the atmosphere of the government's first few weeks, which lifted people's spirits and drove them into the streets, has radically changed. Nonetheless, nothing dictates that this spirit cannot be revived.

In order for this to happen, however, the horns of battle have to blow again, and the ensuring struggle has to be waged with all due seriousness and determination â€" not with PR stunts and rhetorical contortions.

Translation by Despina Lalaki

Jacobin 23 March 2015.

---

[1] See the Syriza website here.

[2] See Paul Mason, Channel 4 blog.

[3] See statement in English here.

[4] See Spiegel Online International.

[5] *Financial Times*, "Greek bailout summit ends in disarray", 20 March 2015.

[6] Eurogroup press conference.

[7] See Reuters.