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Greece

What if SYRIZA took the EU at its word and audited Greek debt?

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Since the announcement that elections will be held in Greece on 25 January 2015, the prospect that they be won by SYRIZA has been presented as a menace to international public opinion and in particular, as a threat to the Eurozone. Yet those who are sounding the alarm are fully aware that SYRIZA has announced that it has no intention of suspending debt repayments once elected, and wishes to remain in the Eurozone. On the other hand SYRIZA is committed to putting an end to the unjust and antisocial measures implemented by previous governments and the Troika.

This campaign against the supposed dangers of SYRIZA is aimed at intimidating Greek voters into renouncing their right to change. It is also intended, in the event of a SYRIZA victory, to cause part of European public opinion to reject the Greek Coalition of the Radical Left in order to avoid Podemos winning the autumn 2015 Spanish elections in its wake. Other surprises could be in store from countries such as Cyprus, Portugal and Slovenia if their citizens considered that it would be worth trying to replace disastrous ultraconservative policies by left-wing measures. European leaders and the large private corporations that support them are aware that the majority of the Eurozone population has a negative opinion of the policies that have been implemented in recent years, and would be ready to vote for change. A SYRIZA victory would represent a major threat to the mainstream parties, whether conservative or “socialist”, fearing that the contamination could spread to Spain.

The debt that Greece is expected to pay is equivalent to 175% of annual national wealth, and is an intolerable burden for the Greek people.

What would happen if a SYRIZA government decided to apply, to the letter, Article 7 of a regulation adopted by the European Union in May 2013 “on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability”, concerning countries subject to a structural adjustment plan, including in particular Greece, Portugal and Cyprus.

Paragraph 9 of Article 7 maintains that States subject to structural adjustment should carry out a complete order of public debt in order to explain why indebtedness increased so sharply and to identify any irregularities. Here is the text in full: “A Member State subject to a macroeconomic adjustment programme shall carry out a comprehensive audit of its public finances in order, *inter alia*, to assess the reasons that led to the building up of excessive levels of debt as well as to track any possible irregularity”. [1]

The Greek government, under Antonis Samaras refrained from applying this regulation so as to hide from the Greek population, the real reasons for the increase in debt, and the irregularities linked to it. In November 2012, the Greek parliament, dominated by a right wing majority, rejected a SYRIZA motion for the creation of a parliamentary commission to investigate the debt, by 167 to 119 with zero abstentions.

It is clear that should SYRIZA win the elections, the government that would then be set up could well decide to apply the letter of European law and create a parliamentary debt audit commission (with citizen participation) to analyse the process that led Greece into excessive indebtedness, to track probable irregularities, and to identify the illegitimate, illegal, odious ... parts of the debt.

Citizen participation is fundamental to a rigorous and independent audit process. Article 8 of the above-mentioned regulation recommends that: “A Member State shall seek the views of social partners as well as relevant civil society organisations when preparing its draft macroeconomic adjustment programmes, with a view to contributing to

building consensus over its content.” One more reason for active citizen collaboration in the audit process.

Here are some key points that could be revealed by carrying out an audit.

Greek debt, which was at 113% of GDP in 2009 before the onset of the Greek crisis and the intervention by the Troika, which now holds 4/5 of total debt, reached 175% of GDP in 2014. We therefore see that the Troika intervention was followed by a very considerable increase in Greek debt.

Between 2010 and 2012, the loans that the Troika granted to Greece were very largely used to repay its most important creditors at that time, mainly the private banks of the principal European economies, starting with the French and German banks. [2] In 2009, some 80% of Greek public debt was held by the private banks of seven EU countries. Fifty percent was held by French and German banks alone.

An audit of Greek debt will show that European private banks greatly increased their loans to Greece between the end of 2005 and 2009 (rising by more than €60 billion, from €80 billion to €140 billion) without taking into account Greece's real repayment capacities. The banks acted recklessly, reassured in their conviction that the European authorities would come to their aid if there was a problem.

As previously mentioned, an audit will show that the so-called bail-out of Greece set up by the European institutions with assistance from the IMF, has in fact enabled the banks of some European countries with a decisive influence on European institutions to continue collecting debt repayments while at the same time transferring the risk to the Member States through the Troika. It is not Greece that has been saved, but a handful of big private banks mainly based in the strongest countries of the EU.

Private European banks were thus replaced by the Troika as Greece's main creditor as from late 2010.

The audit will analyse the legality and legitimacy of the bail-out process. Is it in conformity with European treaties (especially Article 125, which prohibits EU countries from taking on the financial engagements of another EU country)? Did it comply with normal EU decision making procedure? Did the public lenders in 2010 (the 14 EU countries that granted Greece €53 billion of loans, the IMF, the ECB, the European Commission etc.) respect the principle of the free will of the borrower, Greece, or did they profit

[CADTM](#)

[1] <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013R0472>

[2] C. Lapavistas, A. Kaltenbrunner, G. Lambrinidis, D. Lindo, J. Meadway, J. Michell, J.P. Paineira, E. Pires, J. Powell, A. Stenfors, N. Teles : “The eurozone between austerity and default”, September 2010.

<http://www.researchonmoneyandfinance.org/index.php/publication/eurozone-reports/33-second-rmf-report-on-the-eurozone-crisis-eurozone-between-austerity-and-default>

See also Eric Toussaint, “Greece-Germany: who owes who? (Part 2) Creditors are protected, the people of Greece sacrificed”, published 6 November 2012, <http://cadtm.org/Greece-Germany-who-owes-who-Part-2>