Syriza: "A grain of sand in the machinery"

http://internationalviewpoint.org/spip.php?article3862

Greece

Syriza: "A grain of sand in the machinery"

- IV Online magazine - 2015 - IV481 - February 2015 -

Publication date: Thursday 12 February 2015
Eric Toussaint, analyses Syriza's first days at the head of the Greek government for *Le Courrier*. He was interviewed by Benito Perez (of the daily *Le Courrier*, Geneva. [1]

Eric Toussaint is visibly exhausted at the end of a difficult week. But his mind is clear and his enthusiasm is intact: Syriza's victory in the Greek legislative election has opened one of those parentheses within which History accelerates and is written as we watch. A political scientist who is experienced in economic matters, founder and spokesman of the Committee for the Abolition of Third World Debt (CADTM), Toussaint is a key observer of the battle now going on between Greece and its creditors—mainly the governments of Northern Europe. That is evident from the interest that was shown in his presentations Saturday, in Geneva, during a day of discussions on the economy organized by *Le Courrier*. A former adviser to the government of Ecuador and the president of Paraguay (Fernando Lugo), the Belgian native has also been approached by Syriza. Pending his possible involvement, Eric Toussaint is speaking out freely and observing the Greek experiment with a benevolent but critical eye.

**What is your assessment of the first steps taken by the Syriza government in the economic area?**

**Eric Toussaint:** The first measures they've taken have been to end a series of policies that were unjust, unpopular and damaging for the country. Very concretely, the government has granted free electricity to the 300,000 households that were without power; returned the legal minimum wage to its former level (751 euros), re-hired 3,500 employees who had been fired; dissolved the entity created by the Troika to manage privatisations; cancelled the sale of the ports of Piraeus and Thessaloniki, etc. In short, the government has shown that it will fulfil the mandate entrusted to it by Greece's people. We can only be pleased with that.

**Is the make-up of the government, with the appointment of Yanis Varoufakis to the key post of Finance Minister, in line with that attitude?**

Personally, I'm disappointed that all ten of the "super-ministers" are men, even if several women do hold important vice-ministerial positions. On the economic level, while Varoufakis is in the spotlight, the key man is [vice-Prime Minister] Yannis Dragasakis, who belongs to the more moderate wing of Syriza. The government is the result of a very delicate balancing act. For my part, I would like to point to the very important inclusion of Giorgos Katrougalos, who is in charge of administrative reform; he's the one who just announced the re-hiring of the employees who had been fired. He is a jurist and is one of the originators in 2011, along with ourselves, of the Initiative for a citizen audit of Greece's debt!

The appointment of Panos Kammenos to Defense and Syriza's alliance with his right-wing AN.EL party, however, will make it more difficult to keep other campaign promises, including making the Church pay its share and reducing the size of the army, which is a sacred cow...

Yes. Those two concessions are cause for concern. For a year and a half, Alexis Tsipras has made a series of positive statements about the Church, on its role in binding up the social wounds caused by austerity. To the point where he's forgotten to point out that the Church, which owns large amounts of real estate, needs to contribute more to the public finances.

As for the presence of Kammenos at Defense, that is of course a message to the army that Syriza won't touch it. However Greece's military budget, proportionally, is one of the largest in the European Union. And in fact Germany...
and France, who are the main suppliers to the Greek army, have made certain that the successive governments in Greece have limited their austerity efforts in that area. Having said that, Kammenos has been surrounded by a "safety rail" in the form of the vice-minister, Costas Ysichos, a Greek-Argentine and a former member of the Montoneros guerillas, who is on the left within Syriza.

I would also point out that despite the presence of a party with racist tendencies in its coalition, the government immediately announced that he will grant Greek citizenship to children of migrants who were born or grew up in the country. Of course, it should be voted by the Parliament. That's important in the context of Greece, since the preceding government had played on xenophobia. That's Syriza's way of showing that the alliance with AN.EL is limited to economic issues and that it won't make migrants pay the price.

On the central issue of the debt, some Syriza members argue for a moratorium on repayments, which would be indexed to growth.

If that's the case, it means that the Greek position has already evolved, probably due the very strong and very negative reactions of various key personalities in the Eurozone, since the farthest any of them have gone is to suggest the possibility of rescheduling repayments… Suspension of payment and an audit of the debt are among the weapons Syriza has publicly discussed using, but only as a secondary strategy. The Syriza government's primary strategy is to call for a negotiation and an international conference to discuss all the debts. It also includes putting the debate at the heart of the European institutions, rejecting the Troika (the Central Bank, the IMF, and the EU) as illegitimate.

So the battle lines seem to be drawn. Is that simply posturing in order to raise the stakes, or is any dialogue really impossible?

I tend to lean towards the latter. Syriza proposes two fundamental things: First, maintain budgetary balancesomething few European governments can boast of doingbut redistribute the costs differently, lightening the burden on victims of the crisis while increasing it for those who have benefited from it. Second: Negotiate a reduction of the debt. However, for the European leaders, the debt is the instrument used to impose the very neoliberal structural adjustment measures that Syriza has decided to end. Therefore no compromise seems possible. Possibly, if Syriza had said, "We'll continue following neoliberal model, but you lighten the debt," the EU might have accepted. But in fact, Europe cannot allow Tsipras to keep his word. He's probably been told, "Look at Hollande; that's what he did in your position. So do like he and everyone else have done and get with the program."

The important thing that's happened this week is that Syriza has already dropped a grain of sand into the machinery, and that's decisive.

Syriza's weapon: suspend repayments

What weapons do each camp have to use in this inevitable standoff?

The figures illustrate the challenge we face in 2015. Greece must repay 21 billion euros in several payments, with the main deadlines in March and July-August. The agreement between the former government and the Troika was that the Troika would lend Greece the money necessary for meeting the repayments provided that it continue the privatisations and the rest of the austerity plan.
In such a situation, Syriza's weapon is simple: suspend payment. Then, as I see it, the Greek government should create an audit commission to determine which debts are legitimate and must be repaid. The audit can provide legal arguments to support a suspension of repayment, or possibly a repudiation of illegal debts—that is, debts that were contracted without respecting the internal order of the country or international treaties.

I found an EU regulatory provision adopted in 2013 that requires all countries under structural adjustment to audit their debt in order to explain why it has risen so high and to reveal any possible irregularities. [2]

**How can a debt that was contracted voluntarily by a democratic government be illegitimate?**

Mainly due to the fact that these loans were granted under unjust terms. Greece was forced to conduct policies that amounted to social counter-reform and which violated certain rights, along with a policy of austerity that has destroyed the economy and made repayment impossible. It can also be demonstrated that the government acted illegally for the benefit of private interests, which would make the transaction null and void. An audit of Greece's debt is easy to conduct—80% of it is in the hands of the Troika and goes back no farther than 2010.

**As you say, the majority of Greece's debts have been in European public hands since then. Isn't it unjust to make European taxpayers pay?**

The legislatures of these countries agreed to the loans under deceitful pretexts. We were told, "Greece must be saved"; "Help the poor Greek retired people" when in reality the French, German, and Belgian governments had been appealed to by their banks, who were worried that Greece would no longer be able to repay their high-risk, very high-rate loans. Merkel's and Sarkozy's goal was to allow their banks to wriggle out without taking any damages, while taking the opportunity to impose anti-labour measures and privatisations. In reality, the goal was not to save the Greek retirees' pensions, but to reduce them! Consequently, since the operation served to save the creditor banks, the governments should pay the cost of cancelling the debts via a tax on those institutions.

In reality, the amounts at stake are not that significant for the EU. The absence of reaction by the international stock exchanges proves that there is no systemic risk. The current impasse is more an ideological question. For the EU, the risk is of creating the precedent of a country remaining within the Union without applying the neoliberal policies. Scuttling Syriza would be a message sent to the Cypriot, Portuguese, Irish and Spanish voters in particular the latter, who might be tempted to vote Podemos in a few months.

**Concretely, suspending repayment of the debt would mean a halt to the European payments and the explosion of interest rates on the capital markets for Greece. Would the Greek government lack funds?**

No. Nothing indicates that the budget would no longer be balanced, and that means that Greece does not need to borrow fundswhich in any case would only be used for debt repayments. As for the share of financing Greece has obtained on the financial markets, it's minimal. And anyway, the rates have already exploded in the past week, even though the suspension hasn't take place.

**What weapons can the EU use to strangle Greece?**

The Greek banks are in very bad shape. These banks receive loans from the European Central Bank (ECB) to provide them with cash. I feel that the ECB could block these loans at the risk of seeing the Greek banking system collapse. Faced with that possibility, Greece will have to act quickly, expropriate the owners of the institutions, and turn them into public services. But that would require a radicalisation of Syriza's program.
Can the Greek government hope for any real international support?

From social movements, yes! Over the past weeks, we've seen many movements get involved that had never before called for a vote for a political party! That support, in particular in the major EU countries, can be very significant. If major German trade unions like DGB and Verdi openly support Syriza and tell the SPD-CDU government "Keep your hands off Greece," that could weigh in the balance. As for the governments, outside the EU, it's also possible that certain ones would support Greece for opportunistic reasons I'm thinking of Russia, for example. If Russia were to lend Greece a few billion at very low rates without attaching conditions, that could help. Of course, I would prefer that other governments do it. Ten years ago, Hugo Chávez would have surely taken the initiative. But today Venezuela doesn't have the financial capacity.

"All that just to regulate capitalism a little?!"

Economists are intensely discussing one question: Is the break being recommended by Syriza possible or not without Greece's exiting the euro? What is your opinion on that?

Well, we'll see! Syriza has a very good saying: "No sacrifices for the euro," because it just isn't worth it. Syriza will only take the initiative of leaving the Eurozone if it is forced to, because a majority of Greeks are still attached to the single currency. And also, leaving the euro would only be advantageous if nationalisation of the banks and strict oversight of movements of capital were put in place, which explains why the less radical wing of Syriza is reticent. More generally, such a decision would exacerbate the conflict with Europe.

For the government, the advantage would be being able to contract debt with its national bank in a new national currency. Provided, of course, that the population would maintain its trust in this "new drachma." We could also imagine a redistributive monetary reform, with differentiated exchange rates depending on the size of transactions, in order to provide an advantage to the poorer citizens. That has already been done for example in Belgium, just after the Second World War and is also a way of fighting inflation (see text box "Redistributive Monetary Reform").

On the other hand, devaluating in order to make Greek exports more attractive would put the purchasing power of the Greek people at risk. And it would remain within the same mindset of competitiveness.

The Eurozone countries have no interest in expelling Greece.

No, except perhaps as a kind of political punishment. To teach them what it costs to revolt... But no legal mechanism exists for doing it!

In the current context, the measures the Syriza government is taking are courageous, but they still mostly amount to a return to an earlier situation that was not really very progressive. There has also been a call for a European New Deal. Ultimately, what is Syriza's political project?

Frankly, I'm asking myself the same question. But given the calendar, we'll know in the next few months. Up to now, the option was to move back a bit towards a social state. We're still far from having gone back to the earlier situation! Beyond Syriza, my concern is that the radical Left in Europe no longer seems to see an alternative form of power outside the framework of regulated capitalism. Admittedly, the balance of power is not good, and restoring social rights is already progress. But look at the sacrifices that have been made! Capitalism has shown so clearly where it's leading us that there is the possibility of a real chance of an emancipatory or socialist project call it whatever you...
wont if it puts an end to social injustice, and provided that the population participates directly in the political and economic choices made by the society. I would find it regrettable if all the suffering, all these efforts that have been made, lead to nothing more than a slightly regulated capitalism. Obviously, these transformations need to be brought about with the assent of the population, at a pace that is acceptable to the people. Syriza was elected to restore a degree of social justice, and not to conduct a program of emancipation. But for the population to follow along, you have to be able to present them with a project, an outlook. And that's where there's a real lack of reflection and concrete action.

**Text box [3] : Redistributive monetary reform**

A redistribution of wealth can also be accomplished via an appropriate monetary reform. Without going into detail here, this could be modelled on the monetary reform carried out after the Second World War by the Belgian government, or, in another part of the world and at another point in time, by the Nicaraguan authorities in 1985. It is aimed at taxing the revenues of those who have enriched themselves at the expense of others. The principle is simple: At the time of a currency change, automatic parity between the old and new currency (one former euro in exchange for one new drachma, for example) would be guaranteed only up to a certain ceiling.

Above that ceiling, the excess amounts must be placed in an escrow account and their origin justified and authenticated. In principle, any amount above the ceiling is exchanged at a less favourable rate (for example: two former euros in exchange for one new drachma); should the funds prove to be of criminal origin, they can be seized. Such a monetary reform would allow a share of the wealth to be distributed in a way that is more socially equitable. Another goal of such a reform is to reduce the supply of money in circulation so as to fight inflationary tendencies. In order for it to be effective, strict oversight over movements of capital and foreign exchange operations must be put in place.

Here is an example (of course the rate scales given here can be modified a great deal following a serious study of the distribution of cash savings among households and the adoption of strict criteria):

1 Euros would be exchanged for 1 new drachma up to 200,000 Euros  
1 Euros = 0.7 new drachma between 200,000 and 250,000 Euros  
1 Euros = 0.6 new drachma between 250,000 and 350,000 Euros  
1 Euros = 0.5 new drachma between 350,000 and 500,000 Euros  
1 Euros = 0.4 new drachma between 500,000 and 600,000 Euros  
1 Euros = 0.3 new drachma above 600,000 Euros  
1 Euros = 0.2 new drachma above one million euros

If a household has 200,000 Euros in cash, it receives 200,000 new drachmas  
If it has 250,000 Euros, it receives 200,000 + 35,000 = 235,000 new drachmas (n.d.)  
If it has 350,000 Euros, it receives 200,000 + 35,000 + 60,000 = 295,000 n.d.  
If it has 500,000 Euros, it receives 200,000 + 35,000 + 60,000 + 75,000 = 370,000 n.d.  
If it has 600,000 Euros, it receives 200,000 + 35,000 + 60,000 + 75,000 + 40,000 = 370,000 n.d.  
If it has one million Euros, it receives 415,000 + 80,000 = 495,000 new drachmas  
If it has two million Euros, it receives 415,000 + 80,000 + 100,000 = 595,000 n.d.

*Translated by Snake Arbusto*
Syriza: "A grain of sand in the machinery"

[1] Source: http://www.lecourrier.ch/127...


[3] This text box written by Eric Toussaint was added subsequent to the interview published by the daily Le Courrier