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Greece

An alternative to capitulation

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On 5 July 2015, by a referendum initiated by the government of Alexis Tsipras and the Hellenic Parliament, the Greek people overwhelmingly rejected the austerity measures imposed by the institutions that were known as the Troika. It was a splendid victory for democracy.

However the agreement reached on Monday, 13 July will lead to fresh austerity measures over several years. This completely contradicts the will of the Greek people expressed in the referendum. During the night of 15th to 16th July, it was adopted thanks to the support of four right-wing parties (PASOK, Potami, New Democracy, Independent Greeks) that brought their votes to Tsipras while 32 Syriza MPs voted against and 7 abstained.

This agreement forces Syriza to abandon essential commitments made during the 25 January 2015 election campaign, which led to its historically significant victory. Syriza has binding responsibilities towards the Greek people and it is tragic that they were not respected, especially since the people very clearly showed their support both on 25 January and 5 July 2015. [1]

The Greek government's concessions to the creditors include pension cuts (Syriza had promised to restore a 13th month to people who receive pensions of less than 700 euros per month) and an extension of the retirement age; wages will remain restrained; labor relations will become more precarious; there will be an increase in indirect taxes, including those paid by lower income earners; the continuation and acceleration of privatization; the accumulation of new illegitimate debts to repay previous debts; the transfer of valuable Greek assets to an independent fund; further relinquishing of key elements of sovereignty, giving an upper hand to the creditors in matters of legislative power, etc.

Contrary to claims that in return for these detrimental concessions Greece will get three years of respite and will significantly boost its economic activity, it will in fact be impossible to create the primary fiscal surplus announced in the plan considering the continued check on household purchasing power and public expenditure.

Harmful consequences are inevitable: in a few months or early next year at the latest, creditors will attack the Greek authorities for failing to comply with their commitments in terms of primary fiscal surplus and will introduce new demands. Neither the Greek people nor their government will have any respite. The creditors will threaten to bring the promised disbursements to a halt if new austerity measures are not implemented. The Greek authorities will be caught up in a spiral of concessions.

The Truth Committee on Public Debt established by the President of the Greek Parliament has documented in its preliminary report made public on 17 and 18 June 2015 that the debt claimed by the present creditors must be considered illegitimate, illegal and odious. [2] The Committee has also shown that its repayment is unsustainable. On the basis of arguments derived from international and domestic law, the Greek government should have taken a sovereign decision to suspend debt repayment for the time that the debt audit takes to run its full course. Such a suspension of debt payment is quite possible. Since February 2015, Greece has paid â‚¬7 billion to creditors without receiving the â‚¬7.2 billion previously agreed upon in the bailout program that ended 30 June 2015. Other amounts that should have been paid to Greece have not been transferred: the interest earned by the ECB on Greek securities, the projected balance for the recapitalization of banks, etc. If Greece suspends debt payment to its international creditors, it will save nearly â‚¬12 billion by the end of 2015 and the creditors would be compelled to make concessions. [3] A radical reduction in the amount of debt could lead the way either to negotiation or to repudiation.

Contrary to the widespread claim that suspending payment would result in exiting the euro, it would have been possible to stay in the Euro if a series of sovereign measures of self-defense and economic recovery such as a strict control on banks, currency, and taxation (see below) had been implemented. It would have been perfectly possible to eschew the ECB's, the Eurogroup's and the EC's unacceptable and illegitimate injunctions. The Tsipras government decided otherwise, and this has led to a tragic subordination to EU supervision, to more austerity and to the selling off of the Greek national heritage.

It is now clear that negotiations cannot convince the European Commission, the IMF, the ECB and the neoliberal governments in other European countries to take measures that respect the rights of Greek citizens as well those of the people in general. The referendum of 5 July, to which those institutions were fiercely opposed, did not convince them. Instead, in contradiction with basic democratic rights, they have radicalized their demands. Without taking strong and sovereign measures of self-defense, the Greek authorities and the Greek people will not be able to put a stop to the human rights violations perpetrated by the creditors. A host of measures should be taken at EU level to restore social justice and true democracy. Technically, it is not difficult but it must be noted that with the balance of power prevailing in the European Union, the countries with progressive governments can hope neither to be heard nor supported by the European Commission, the ECB, or the European Stability Mechanism. On the contrary, these institutions as well as the IMF and the neoliberal governments are actively opposing the current Greek experiment to demonstrate to all the people of Europe that there is no alternative to the neoliberal model. However, if the Greek authorities adopt strong measures they can gain genuine concessions or simply force the institutions to recognize the decisions taken. It is also vital to find an alternative strategy by initiating massive popular mobilizations in Greece and other European countries. The Greek authorities could draw on that to thwart the attempts to isolate them â€" attempts that the forces opposed to change in favor of social justice will waste no time in making. In turn, such a stand from the Greek government would empower popular mobilizations and encourage the mobilized people to have confidence in their own strength.

On top of the suspension of the payment of illegitimate, illegal, odious and unsustainable debt, here are a number of alternatives to the conditions in the agreement between Tsipras and the creditors, to be urgently submitted to democratic debate, that are likely to help Greece recover:

1. The Greek state is by far the main shareholder of the major Greek banks (representing more than 80% of the Greek banking sector) and it should therefore take full control of the banks in order to protect citizens' savings and boost domestic loans to support consumption. First, the State should have assumed its majority stake in the banks and turned them into public-sector companies. Then, the State would have organized the orderly liquidation of these banks whilst ensuring the protection of small shareholders and savers (guaranteeing deposits up to 100,000 â‚¬). The State would have recovered the cost of cleansing the banks from major private shareholders who have caused the crisis and then abused public support. To do this it would have had to seize part of their assets which reach far beyond the banking sector. A 'bad bank' should have been created to isolate and hold toxic assets with a view to their liquidation. Those responsible for the banking crisis should have been sued to pay once and for all. The financial sector must be thoroughly cleaned up and made to serve the people and the real economy.

2. The Greek authorities should retrieve control over the central bank. Yannis Stournaras, the current CEO (appointed by the government of Antonis Samaras), invests all his energy in preventing the changes that the people call for. He is a Trojan Horse that serves the interests of large private banks and neoliberal European authorities. The central bank of Greece should be made to serve the interests of the Greek population.

3. The Greek authorities also had the opportunity to create an electronic currency (denominated in euros) for internal use in the country. The public authorities could raise pensions and salaries in the public services and grant humanitarian aid to people by opening credit accounts for them in electronic currency that could be used for several kinds of payment: electricity and water bills, payment for transport and taxes, purchases of food and basic goods, etc. Contrary to a baseless prejudice, even private businesses would do well to voluntarily accept the electronic method of payment as it will allow them to sell their goods and settle payments to the government (payment of taxes and for

the various public services they use). The creation of this additional electronic currency would reduce the country's needs in euros. Transactions in this electronic currency could be made by mobile phones as is the case today in Ecuador.

4. The restrictions on capital flows must be maintained while the price of consumer goods must be controlled.

5. The privatization agency must be dissolved and replaced by a national
asset management agency (with an immediate halt to privatizations) which will be responsible for protecting the public assets while generating revenue.

6. New measures should be adopted to achieve more tax justice, reinforcing those already taken, notably by levying heavy taxes on the richest 10% of the population (particularly the richest 1%), both on their income and on their assets. Similarly, it would be beneficial to significantly increase the tax on big companies' profits and to withdraw the tax exemptions for ship-owners. Heavier taxes should be imposed on the Orthodox Church, which only paid a few million euros in taxes in 2014.

7. Taxes on small incomes and wealth and on essential goods and services should be significantly reduced. This would benefit the majority of the population. A whole series of basic utility services should be free (public transport, electricity, and water to a certain limited level of consumption, etc.) These social-justice measures would revive consumption.

8. The fight against tax evasion should be intensified by establishing substantial deterrents. Considerable amounts can thus be recovered.

9. An extensive public plan for job creation should be implemented to rebuild the public services destroyed by years of austerity (for example, health and education) and to pave the way for the necessary ecological transition.

10. This support to the public sector should be accompanied by measures which provide active support to small private ventures that are key elements in the Greek economy.

11. Public domestic borrowing measures may be adopted by issuing public debt securities within national borders. In fact, the State must be able to borrow to improve the living conditions of the population, for example by carrying out public utility works. Some of this work can be financed by the current budget through assertive policy choices, but government borrowing could enable other projects, broader in scope â€" for example the massive development of public transport to replace private cars; developing the use of renewable energy; creating or reopening local railway services throughout the urban and semi-urban sectors of the country; renovating, rehabilitating or constructing public buildings and social housing while reducing energy consumption and providing quality amenities. Such measures can also finance the ambitious plan for job creation outlined above.

It is urgent that a transparent policy of public borrowing be defined. Our proposal is:

1 Public borrowing should aim at guaranteeing an improvement in living conditions, discarding the logic of environmental destruction.

2. Public borrowing must contribute to a redistribution of wealth and to reducing inequalities. That is why we propose that the financial institutions, large private corporations and wealthy households be legally bound to purchase – commensurate with their wealth and income – non-indexed government bonds at 0% interest. The remaining

population can voluntarily acquire government bonds at an interest rate that will ensure a genuine and positive return (e.g. 3%), above inflation. So if the annual inflation is 2%, the interest rate actually paid by the State for the corresponding year will be 5%. Such a policy of positive discrimination (similar to those adopted against racial oppression in the US, the caste system in India, or gender inequalities) will result in tax justice and less inequality of wealth distribution.

Finally, the Greek authorities should ensure that the Audit Committee as well as other committees working on the memoranda and on war damages can continue their task.

Other additional measures that can be democratically debated and implemented on an urgent basis might complement these first emergency measures based on the following five pillars:

– Socializing banks and a part of currency creation.
– Preventing tax evasion and establishing a fair tax reform to provide the State with the necessary resources for implementing its policies.
– Protecting public property, including the national heritage, and placing it at the service of the entire community.
– Rehabilitating and developing public services.
– Supporting local private enterprises.

It is also important to launch Greece into a process of structural democratic change with active citizen participation. To achieve this constituent process, Greece must convene an election of a Constituent Assembly to draft a new democratically chosen Constitution. Once the Constituent Assembly – which should operate on the basis of grievances and proposals received from the people – adopts the draft, it will be submitted to popular vote.

Exiting the Euro Zone. After the Greek Parliament adopted the disastrous agreement of 13th July on the 16th, an alternative must include the possibility of voluntarily exiting the Euro Zone if the Greek people support this prospect. This option is comforted by the Greek Parliament's capitulation on July 16th and by the very content of the agreement. Moreover the Greek people will soon understand that if they want a future that includes justice and emancipation, Greece must get out of the euro zone. In this case, the above propositions remain valid, especially the socialization of banks similar to the nationalization of France's banking system after the Liberation. These measures should be combined with a significant monetary reform, inspired by the system implemented by the Belgian government after World War II. This reform will specifically aim at deflating the incomes of those who got rich at the expense of others. The principle is simple: during the changeover to another currency, there should be no automatic parity between the old and the new currency (the existing euro against a new drachma, for example) beyond a certain limit.

The amount exceeding the limit must be blocked in an escrow account and its origin must be justified and authenticated. In principle, any amount exceeding the specified ceiling will be exchanged at a less favourable rate (for example, two former euros against one new drachma). When a criminal origin can be proved, the sum may even be forfeited. Such monetary reform would distribute part of the wealth in a more socially just manner. Another objective of the reform is to reduce the money in circulation in order to fight inflationary trends. To be effective, strict control over capital movements and foreign exchange must be established.

Here's an example (of course the rates are indicative and may be modified after analyzing the distribution of liquid household savings and the adoption of stringent criteria) :

â‚¬1 would be exchanged against 1 new drachma (n.D.) up to 200,000 euros
â‚¬1 = 0.7 n. D. between 200,000 and 500,000 euros

â‚¬1 = 0.4 n. D. between 500,000 and 1 million euros
â‚¬1 = 0.2 n. D. above 1 million euros

If a household owns â‚¬ 200,000 in cash, it gets 200,000 n.D in exchange.
If it has â‚¬ 400,000, it gets 200,000 + 140,000 = 340,000 n.D
If it has â‚¬ 800,000, it gets 200,000 + 210,000 + 120,000 = 530,000 n.D
If it has â‚¬ 2 million, it gets 200,000 + 210,000 + 200,000 + 200,000 = 810,000 n.D

A genuine alternative logic can be triggered and Greece can finally liberate itself from its creditors' control. The peoples of Europe could again believe in a change that favors justice.

Translation by Suchandra de Sarkar in collaboration with Christine Pagnoulle, Mike Krolikowski and Snake Arbusto.

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[2] See: http://cadtm.org/Executive-Sum...

[3] â‚¬6.64 billion and â‚¬5.25 billion respectively, will be paid to the ECB and the IMF by 31 December 2015. Source: Wall Street Journal,