

Greece at a Crossroads

by **Peter Prontzos - Thursday, June 23, 2011**

<https://politicsrespun.org/2011/06/greece-at-a-crossroads/>

Now that the Greek government has survived a confidence vote in Parliament, the stage is set in Greece for further confrontations ahead of next week's decision on the new "austerity" plan demanded by the "troika" – the International Monetary Fund (IMF), the European Central Bank (ECB), and the European Union (EU).

While the origins of the crisis in Greece are many, there are a number of fundamental elements.

The problems began when Greece adopted the Euro, which raised the cost of living and eliminated the government's ability to adjust currency rates.

Another difficulty is the political system, which is seen by most Greeks as incompetent and self-serving. The two main parties have done little to modernize the Greek state or economy, to create a system of fair taxation, or to confront the growing debt.

Moreover, as Andre Gerolymatos (Hellenic Studies, SFU) noted:

"A major part of the Greek debt crisis is the result of excessive military expenditures forced on the country by the German military industrial complex". As long as Greeks were buying their goods, Germany was unconcerned about the debt.

The downturn resulting from the global recession was exacerbated by U.S. financial derivatives: "Wall Street tactics akin to the ones that fostered subprime mortgages in America have worsened the financial crisis shaking Greece."

A further burden is the over 2 million refugees who have fled to Greece (population 11 million) from places like the Middle East, North Africa, and eastern Europe. (That would be equivalent to Canada accepting 6 million immigrants).

Last year, the troika forced cuts in public spending as well as tax hikes in return for a \$145 billion loan.

Public sector wages were slashed about 20%. My cousin Maria, who has taught high school for 27 years, found her pay cut from roughly \$2,000 to \$1,600 per month.

More than 400,000 workers have already lost their jobs. Youth unemployment is over 40%.

Thousands of small businesses were forced to close.

While these harsh measures benefited many European banks (especially in France and Germany) it made the economic crisis in Greece even worse.

How is it fair to punish the farmers, workers, and business owners for a crisis that they did not create?

Around 80% of Greeks agree that sacrifices must be made, but feel that the sacrifices have been, “unfairly aimed at the poor while wealthy tax evaders and corrupt politicians got off lightly”.

As one Greek said: “This is not about me. This is about my children. Their future is not very bright.”

Now the troika is demanding more: 28 billion euros in tax hikes and spending cuts - further reducing public services, jobs, and pensions - and the privatization of \$50 billion of public enterprises.

It won't work. Nobel Prize-winning economist [Paul Krugman argues that](#), “slashing spending in the face of high unemployment is a mistake,” throwing more people out of work and delaying recovery.

How will making Greeks poorer enable them to pay their debts?

There is a realistic alternative. Debt reduction and restructuring, combined with an economic stimulus and reforms to the government, could help the economy recover without imposing more brutal consequences on people who have already suffered too much.

“The European authorities have more than enough money to finance a recovery programme in Greece, and to bail out their banks if they don't want them to take the inevitable losses on their loans. There is no excuse for this never-ending punishment of the Greek people”, [according to Mark Weisbrot](#) of the *Center for Economic and Policy Research*.

Greeks are fighting back against “austerity”, inspired by similar struggles in Ireland, Portugal, Italy, Spain, Egypt, and even Britain. Mostly peaceful demonstrations and strikes continue ahead of next week's vote in Parliament on whether to bow to the latest demands the banks and speculators.