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Bank closures impose deepening misery on Greek people

As global markets plummet

By Alex Lantier

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Stock markets closed sharply lower in Asia, Europe and the US Monday, as a weeklong bank holiday designed to avert a collapse of the banking system went into effect in Greece and European Union (EU) officials escalated threats to expel Greece from the euro zone.

Japan’s Nikkei index fell 2.9 percent. The Shanghai Composite lost 3.34 percent despite the boost from an emergency interest rate cut by Chinese authorities.

European markets fell heavily, with bank stocks hit by fears that a Greek exit from the euro zone would undercut major banks across Europe. The German DAX index fell 3.56 percent, France’s CAC-40 declined 3.74 percent, Italy’s FTSE-MIB sank by 5.17 percent, Spain’s Ibex dropped 4.56 percent, and Britain’s FTSE-100 fell 1.97 percent.

Interest rates on European government debt rose, though the rates are still below the record levels reached in 2012. Spanish and Italian ten-year bond yields rose 0.2 percent to 2.31 and 2.36 percent, respectively. Portugal’s rate rose 0.3 percent to 3.05 percent.

In New York, the Dow Jones Industrial Average lost 350 points, a decline of 1.95 percent. The Nasdaq index fell even more sharply, dropping by 2.4 percent.

Athens' stock market was closed to avoid a panic, as millions of Greeks faced the first day of a bank holiday imposed to keep capital flight from Greece's cash-starved banks from triggering a complete collapse of the financial sector. Personal withdrawals are limited to €60 per day, and many retirees were blocked from receiving scheduled pension payments. There were reports yesterday that the limit on daily withdrawals could be cut to as little as €20.

The result is rising social misery and economic uncertainty across Greece as the bank holiday continues.

"I came here at 4 a.m. because I have to get my pension," said one retiree waiting outside his bank in Thessaloniki. "I don't have a card, I don't know what's going on, we don't even have enough money to buy bread. Nobody knows anything. A bank employee came out at 8 a.m. and told us, 'You're not going to get any money,' but we're hearing that 70 branches will open."

"Now the limit is 60 euros. Next they'll shut the ATMs down completely. And when we go to get money, they'll give us drachmas," predicted retired military officer Yiorgos Aggelopoulos in Athens.

"Whatever happens, things don't look good in Greece," said retiree Ioanna Koufopoulou. "We're telling our kids and our grandchildren to leave, go abroad to more stable countries and more equal societies."

There were also warnings that, amid uncertainty over the future of the Greek currency, supplies of key imported products such as fuel and medicines could run short. Gas stations ran empty in Crete, and global drug companies warned of the danger of a shortage of key pharmaceuticals.

"In the worst-case scenario of Grexit, we believe the integrity of the medicine supply chain may be in jeopardy, which would create a risk to public health," the European Federation of Pharmaceutical Industries and Associations wrote in a letter to the EU Commission. It warned that after a Greek return to a cheaper drachma currency, traders might buy up cheap medicine in Greece and try to make a profit by selling it abroad, leading to shortages in Greece.

The financial crisis and conditions in Greece itself are both set to become tenser. Greek officials confirmed yesterday that they planned to default today on a €1.6 billion payment to the International Monetary Fund (IMF).

The crisis is the outcome of reactionary austerity policies pursued by the European Union (EU) in the aftermath of the 2008 global financial crisis, which have slashed workers' living standards and undermined economies across Europe.

Talks broke down this weekend between EU and Greek officials over what austerity measures to impose in exchange for EU bailout funds, after Greek Prime Minister Alexis Tsipras called a July 5 referendum on whether to accept the EU's proposed austerity package. After Greek

Finance Minister Yanis Varoufakis was expelled from a euro zone finance ministers' meeting, EU officials officially terminated the bailout altogether and threatened to force Greece out of the euro currency.

Speaking on national television last night, Tsipras called for a "no" vote in the referendum, saying that this would strengthen his hand in negotiations with the EU. He said that he was confident that Greece would not be expelled from the euro zone because the cost of a Grexit to the euro zone as a whole would be "huge."

Tsipras's assurances are worthless. Every promise and assurance he made both before and after being brought to power on the basis of an anti-austerity vote has turned to dust. Syriza has foreseen nothing. Its perspective of defending the EU and upholding the bailout program, while negotiating a somewhat less brutal austerity regime, has proven to be bankrupt.

Meanwhile, the Syriza-led government has imposed billions in additional cuts on the Greek working class while allowing the oligarchs to pull their money out of Greek banks and park it in offshore safe havens.

In his TV address, Tsipras suggested that if the referendum vote went against him, he would resign and call new elections. "If the Greek people want to choose to remain under austerity, we will respect this, but we cannot serve such a mandate," he declared.

Tsipras's decision to consider abandoning power further underscores Syriza's political bankruptcy. The referendum call is itself a reactionary trick aimed at providing political cover for the imposition of more EU austerity on the workers.

This weekend, Finance Minister Varoufakis admitted that Syriza had initially planned to keep negotiating with the EU, clinch a last-minute deal based on limited EU concessions, and campaign for the Greek people to vote for the EU package on this basis. "If the Greek people wanted us to sign on the dotted line, we would—even if that meant a government reshuffle or some other kind of configuration at the level of government," he said.

In the face of the EU's hard line and the collapse of negotiations, however, Tsipras is trying to adjust the content of the referendum that he himself called so as to turn a "no" vote into a justification for returning to further negotiations on austerity with the EU. European Union officials are indicating, however, that they intend to make no concessions.

EU Commission President Jean-Claude Juncker called on Greece to vote "yes" in the referendum, claiming absurdly that the "Greek people are close to my heart." In a country where 11,000 people have committed suicide over hardship imposed by EU austerity, Juncker argued against a "no" vote by saying, "I say to the Greeks, don't commit suicide because you're afraid of dying."

Leading politicians of the major euro zone economies made clear that they saw a "no" vote in the referendum as grounds for expelling Greece from the euro zone. Sigmar Gabriel, the leader of Germany's Social Democratic Party, the coalition partner of German Chancellor Angela

Merkel's Christian Democratic Union, said a "no" vote in the Greek referendum "is a clear decision against staying in the euro."

French President François Hollande and Italian Prime Minister Matteo Renzi both echoed Gabriel's remarks, stating that the Greek referendum is not over EU policies, but over whether Greece remains in the euro zone.