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## The Austerity Junta and the Savaging of Greece

by Binoy Kampmark

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British Chancellor of the Exchequer, Denis Healey, spoke about how an attack by his conservative counterpart Geoffrey Howe was akin to “being savaged by a dead sheep”. Unfortunately for Greece, whose government did not repay the 1.6 billion euros to the International Monetary Fund owed to it at the appointed hour, such savaging has gone beyond deceased sheep.

Richard Quest on CNN was his characteristic self, howling in Athens about the passage of time and the unprecedented nature of a developed state defaulting on its debt. A card carrying member of the gloom troupe, Quest’s announcement to the business class lounge was an attempt to squeeze the Greece lemon for all it was worth.

The ideology of austerity should be a dead one. Instead of being kept in a necropolis of failed economic ideas, it is being rolled out with a dedicated, unflinching fanaticism. The mummies of economic failure refuse to go out of business. What happened, as noted by Joseph E. Stiglitz and Martin Guzman, did so “not because Greece didn’t do what it was supposed to do, but because it did, and the models were very, very flawed.”[1]

The trench warfare being mounted by the Tsipras government against that ideology has, at stages, been remarkable. On June 23, the Prime Minister offered the olive branch to European

finance ministers, the ECB and the IMF, an offer that whiffed of austerity lite. It would involve increases to the value added tax, while imposing taxes on various parts of the tourist sector. The corporate sector would also feature heavily. The point lacking to the Troika was that of “consolidation”, a word that finds itself in the lexicon of slash and burn economics.

Christine Lagarde of the IMF turned her nose up at the program, despite many of her own economists admitting that austerity had crippled growth, effectively disabling a state’s means to repay debt. After all, the process of paying debts off with loans which further enhance indebtedness is a creditor’s fantasy realised.

The debt cycle is kept permanently fed, and the creditors of the Troika, whatever they claim, have little interest in allowing Greece to break it. If they had, measures to encourage growth would have been encouraged. Instead, they see eternally accruing interest; Greek citizens, notably the pensioners, working classes and small businesses, see impoverishment inflicted from above.

The European Commission and the various finance ministers did not have time to even consider such a proposal as a foundation for any negotiations at all. For Greece, it was a case of taking it or leaving it. Sovereignty, stubbornly finding voice in the representations of Yanis Varoufakis and Alexis Tsipras, could hop it. That the Greek government was negotiating precisely on an anti-austerity platform was entirely beside the point. Even EC President Jean Claude Juncker has admitted that the Troika lacked the necessary “democratic legalisation”, having also “insulted Greece’s dignity.”[2]

Even as the discordant sirens on default were being sounded, Tsipras was gathering his forces for a last-minute effort to get another bailout, one that would involve a total of 29 billion euros covering two years. This is tongue and cheek diplomacy, one that is banking (pun intended) on the will of creditors to consider more leg room for economic growth before taking Greece to the proverbial economic slaughterhouse.

Then there is the threat of seeking a court injunction against the institutions of the EU, a legal measure that would prevent expulsion from the euro and free up capital for the banking system. “We are taking advice,” explained Varoufakis, “and will certainly consider all our legal rights.”[3]

Wednesday’s talks with European finance ministers are planned, though Jeroen Dijsselbloem has parroted the familiar line that any new package will, in turn, require Greece to take another savaging. “The last chance to get a solid extension of the old program has gone by. We are now in a difficult situation” (CNN, Jun 30).

As for the default scenario, its bleakness is clear though by no means unprecedented. Argentina engaged in two debt restructuring programs in 2005 and 2010 after defaulting in 2001 – and ended up paying the IMF ahead of schedule. Lenders were issued new debt valued at 65 percent less than old bonds. The economy gained traction. The result was a dramatic reduction of the nation’s debt as a percentage of GDP. From 166 percent in 2002, it fell to 45 percent in 2012.[4]

That did, however, rile vulture investors and the small percentage of bond holders who insisted on more generous terms of repayment. US courts have been busy ever since dealing with aggrieved suits.

Stiglitz, always favouring pro-stimulus packages, has even suggested that an element of criminality is involved in this nasty fiasco. “It’s a kind of criminal responsibility for causing for causing a major recession.”[5] This is not implausible. The Troika have become accessories to the creation of poverty and the evisceration of sovereignty. They have refused to entertain any measure that would stimulate growth. They have terrified the Greek populace into an either or option ahead of the referendum on their proposals: you are with the European project only if you accept our draconian recipes, our asphyxiating formulae.

In what is amounting to a time warp, we are witnessing, not merely an anti-Keynesian response but a pre-Keynesian one: reduce expenditure, freeze assets, prevent capital from getting its hands dirty. The Great Depression was the result of such belt-tightening paranoia. Europe’s recent economic doldrums, likewise, attest to this persistent mania in the trimmed budget sans investment and raising revenue.

Come Saturday, then, no option is a brilliant one, but a “Yes” vote is bound to keep a sick, savaged patient within a system that is proving dangerously unstable. Greece is being sacrificed on the altar of an idea that is fast losing its adherents.

#### **Notes.**

[1] [http://www.huffingtonpost.com/joseph-e-stiglitz/argentina-greece-default\\_b\\_7697838.html](http://www.huffingtonpost.com/joseph-e-stiglitz/argentina-greece-default_b_7697838.html)

[2] <http://en.protothema.gr/juncker-the-troika-insulted-greeces-dignity/>

[3] <http://www.telegraph.co.uk/finance/economics/11707092/Greece-threatens-top-court-action-to-block-Grexit.html>

[4] <http://www.forbes.com/sites/realspin/2013/12/19/the-real-facts-on-argentinassovereign-debt-restructuring-a-rebuttal/>

[5] <http://time.com/3939621/stiglitz-greece/?xid=tcoshare>