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Greece Succumbs to Imperialist Banksterism

By *Greg Felton*
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Almost 75 years ago, the government of Greece was on the receiving end of a humiliating ultimatum. On Oct. 28, 1940, the envoy of Italian dictator Benito Mussolini, demanded that General Ioannis Metaxas, head of the Greek Council of State, permit Italian forces to occupy certain "strategic sites" and islands in Greece within three hours or face attack.

Metaxas's reply, in French, was brief: *"Alors, c'est la guerre!"* ("Then, it is war"), and with those words Greece's participation in the War for Europe began. The people, though, interpreted the event in a simpler, more powerful way. Greeks of all political leanings jubilantly and defiantly took to the streets shouting *Okhi*! (No!). The defiance was internationally inspiring, especially in the United States.

Over the next six months, Greek forces proved more than a match for Mussolini's army. They defeated the Italians in Albania and repulsed the Italian counter-offensive of March 1941. Mussolini was humiliated, so his axis ally Adolf Hitler, felt he had no choice but to come to Mussolini's aid. He launched an invasion of Greece from Bulgaria and Yugoslavia on April 6 that would spell the end of formal Greek resistance. On April 20 and 23, respectively, Greece was forced to sign armistice treaties with Italy and Germany, bringing the country under axis occupation until 1945.

The consequences of Greek resistance were brutal. Starvation in the cities claimed hundreds of thousands of lives as Hitler shipped Greek produce to the Afrika Korps. As the leader of an occupying force, Mussolini refused to accept responsibility for the welfare of the Greeks, whereas the Germans were indifferent to them. Greece was plundered—the price the country paid for its peoples' bravery. Nevertheless, from 1942 onward Oct. 28 has been celebrated as *Okhi* Day, the day the Greek nation stood its ground against foreign *diktat*.

On July 5, 2015, history repeated itself after a fashion. In a nationwide referendum, 61%, of Greeks shouted *okhi* to ever-more severe austerity measures as the price for new loans and Greece's remaining within the Eurozone. On July 7 the leaders of the 28 European countries gave the government of Alexis Tsipris two days to present "credible proposals" to its creditors or face expulsion from the Eurozone. Now as then, the Greek government capitulated in the wake of a German-led attack, only this time the weapon of choice was banks not tanks.

The term "attack" might seem inappropriate given that Greece is a voluntary member of the European Union and is severely in debt to The European Central Bank, The International Monetary Fund as well as other EU countries and foreign banks. In addition, Greece already had bailouts in 2010 and 2011. However, this is not a purely economic matter, and contrary to our knee-jerk bourgeois prejudices, Greece is not solely or even largely to blame for the state of its enormous debt.

Debt and disinformation

At the time of writing, the national debt of Greece stood at more than €357 billion, and government debt was more than 175 per cent of GDP and growing. The cause, according to Greece's major creditors in Berlin, London and New York, was profligate social spending. The Greek government, they argue, took out unsustainable loans to pay for health coverage, minimum wage, decent pensions, libraries, schools and parks. Therefore, Greeks are responsible for their own predicament: The people have to tighten their belts, even if that means adding a few notches, and the government must succumb to deregulation and increased privatization; in other words, Greece must surrender political control over its economy to foreign corporations. This is the standard, bourgeois explanation. It is dead wrong.

Even allowing for governmental inefficiency and corruption, the austerity ultimatum imposed on Greece is gratuitously cruel, hypocritical and designed to destroy the Greek economy. What's more, the moneylenders know it. On Oct, 13, 2011, at a high-level econo-political meeting in Brussels, Poland's finance minister Jan Rostowski, among others, acknowledged the perversity of austerity measures: "Cuts could—and this really is true—can make the recession worse." As reported in euobserver.com:

[Rostowski] described a "vicious cycle" wherein the imposition of austerity on a weak economy can suppress demand, which then inhibits companies' willingness to invest, which frightens other firms from investing and encourages households to save instead of spend. As the economy takes a nose dive, government revenues decline, expanding public debts, forcing further public-spending cutbacks.

Rostowski's statement perfectly depicts what has happened to Greece, and has been common knowledge for years. Statistics from the Organization of Economic Co-operation and Development (OECD) prove that social spending is not the cause of Greece's indebtedness. (See Figure 1.) Even as Greece's debt-to-GDP ratio climbed over the last six years, social spending as a percentage of GDP has been consistently less than Germany's and has lagged behind Germany for 30 years.!

Social spending as % of GDP

	1980	2000	2011	2014
Greece	10.3	19.3	23.5	**24.0**
Germany	22.1	26.6	26.2	**25.8**

Source: www.globalresearch.ca/the-greek-economic-crisis-the-social-impacts-of-austerity-debunking-the-myths/5431010

Nevertheless, the Greek people have already had to endure more than four years of austerity, which has strangled the economy and contributed to a humanitarian catastrophe on a scale not seen since the Great Depression, including 40% child malnutrition. In 2013, Maria Markantonatou, a researcher at the University of the Aegean, outlined some of the symptoms of imposed austerity:

* Continuous drop in GDP,

* Rapid reduction in domestic demand leading to the loss of thousands of jobs,

* Doubling unemployment, reaching 25.4% in August 2012,.

* Unemployment of youth (15–24) at 57%,

* Increase in unsafe work environments due to weakened labour rights,

* More than 65,000 small and medium sized enterprises closed in 2010 alone,

* Increase in homelessness by 25 percent from 2009 to 2011 and

* Increase in suicides by 25% from 2009 to 2010 and 40% from 2010 to 2011.

To expect Greeks to endure even lower wages, higher taxes, poorer medical care and worsening job protection does nothing to ameliorate a 357-billion euro debt and hobbles Greece's economy and calls into question the raison d'être of the European Community. It is supposed to be a community, a family of nations, that supports its members and negotiates with them. Instead, the troika's disregard for the welfare of Greeks differs little from that of the German government some 75 years ago.

It should be obvious that the European Union has mutated into a predatory, Germany-dominated corporatist empire that sets up poor states to become hyper-indebted and then forces them to impoverish their people, sell its assets and surrender control over the economy. This is the business model of an extortion racket, not an economic union, and from this perspective it is easy to validate Yanis Varoufakis's claim that Greece was set up.

Persuasion and predation

The moneylenders got their hooks into Greece in 2001. The country was beginning to experience financial difficulty at a time when other Eurozone members were expected to show improved balance sheets. Greece was in debt more than €2.8 billion when Goldman Sachs's Chairman and CEO Lloyd Blankfein came up with a scam to help Greece hide the true extent of its debt. As former U.S. Treasury Secretary Robert Reich wrote in *The Nation*:

[Blankfein arranged] a secret loan of 2.8 billion euros for Greece, disguised as an off-the-books "cross-currency swap"—a complicated transaction in which Greece's foreign-currency debt was converted into a domestic-currency obligation using a fictitious market exchange rate. As a result, about 2 percent of Greece's debt magically disappeared from its national accounts. …Then the deal turned sour. After the 9/11 attacks, bond yields plunged, resulting in a big loss for Greece because of the formula Goldman had used to compute the country's debt repayments under the swap. By 2005, Greece owed almost double what it had put into the deal, pushing its off-the-books debt from 2.8 billion euros to 5.1 billion. In 2005, the deal was restructured and that 5.1 billion euros in debt locked in.

The derivative-based loan arranged though the bank's international division, which Blankfein oversaw, is typical of the corrupt lending practices that caused the 2007 financial banking collapse. (See Figure 2.) After the meltdown, Greece's financial situation became untenable, and it received two bailouts—one in May 2010 for €110 billion and one in February 2012 for €130 billion—although the term "bailout" is thoroughly misleading. The word connotes assistance, a chance to start over, but the billions of euros thrown at Greece were not designed to help the country or its people.

As *Der Spiegel* observed, the €130 billion was not used to foster competitiveness or better Greece's condition. It was a stalling tactic, akin to giving a starving man just enough food to keep him alive but not enough to help him regain his health. It was meant to convey the illusion of Greek solvency and not unduly cost creditors:

The holders of Greek government bonds are to get some €30 billion as an incentive to convert their old paper into new bonds. The aim is to keep alive the illusion that Greece isn't bankrupt — after all, the creditors are voluntarily forgiving part of the debt. The financial sector is cleverly manipulating the fear that a Greek bankruptcy would trigger a fatal chain reaction.

That leaves €100 billion. But that too isn't geared to what Greece needs in order to get back on its feet. It's linked to an estimate of how much debt the Greek economy can bear without collapsing. International technocrats agree that with debts amounting to 120 percent of gross domestic product, the country can just about go on servicing its debt. That's the level at which the cow can go on supplying milk without dying of exhaustion. So 120 percent became the goal.

An excellent case can be made that the Greek people—especially pensioners, the sick and the poor—did not incur the debt and so owe nothing to the banksters. Past governments can be blamed for allowing themselves to be suckered into a dishonest loan scheme, but none of this would have happened had it not been for the predatory behaviour of Goldman Sachs. First, in 2001 it profited from Greece's misfortune to the tune of €600 million, which at the time represented 12 per cent of the revenue from the bank's trading and principal investments unit, which Blankfein ran.

Second the former managing director of Goldman Sachs's international division, Mario Draghi, is now head of the European Central Bank, which just happens to be leading the austerity squeeze on Greece. If Goldman Sachs is the de facto leader of the troika, then by what moral authority does the troika impose austerity on Greece? On June 3 this year, teleSURtv reported that the troika asked Prime Minister Alexis Tsipras, among other measures, to scrap welfare benefits for low-income pensioners and disabled people, and raise the value-added tax on medicine to 11 per cent from 6.5 percent. The imperial disregard for the welfare of Greeks differs little from that of 75 years ago, only at that time the Western world came to Greece's aid against Germany.

If the troika is recognized as an instrument of Goldman Sachs's greed then the plundering of Greece can be explained rationally. From 2008 to 2011 the European Commission approved €4.5 trillion—36.7% of the EU's GDP—in public aid to the financial sector with no strings attached—no austerity repayment measures, no lending conditions: It was free money. Banks do not have to repay a bailout because they have placed themselves above the law, but a sovereign government like Greece's must obey the rules set down by these banks.

An example of the exceptionalism afforded to banks is the manner in which they can conjure up money out of thin air, a technique that goes by the noxious euphemism "Quantitative Easing". As globalreaserch.ca explains, this technique allows a central bank to generate electronic "money" to buy bonds and other short-term investments:

This keeps prices high and yields low, enabling the central bank to keep the cost of borrowing down. It also injects rivers of capital into the financial sector (no austerity required in return). At the end of 2014 the U.S. Federal Reserve had acquired $4.5 trillion worth of assets as part of its "Quantitative Easing" program. The Bank of England has spent about £0.5 trillion on Q.E. The ECB has just recently announced it is about to begin a cycle of Quantitative Easing.

Appearances to the contrary, the troika (Goldman Sachs) is not interested in helping Greece climb out of debt or improve its competitiveness. so it has no moral authority to demand that the Greek government cave in to austerity demands. Moreover, the Greek people—especially pensioners, the sick and the poor—did not incur the debt and so owe nothing to the banksters. Why the anti-austerity government of Alexis Tsipris caved in to the troika has nothing to do with social spending but everything to do with predatory banking practices that bear a closer resemblance to extortion than legitimate lending.

It is the idea of European co-operation and unity that is truly bankrupt.