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The Financial Invasion of Greece

By Sharmini Peries - Michael Hudson
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SHARMINI PERIES: Greece's economic crisis has perhaps been eclipsed by Europe's refugee crisis, terrorist attacks, and by the forthcoming Brexit referendum. But it has not gone away. Greece's Syriza coalition faced violence on the streets and a 3 day general strike last week that had brought much of the country to a halt. In spite of the protests the government of Alexis Tsipras pushed through legislation to amend the country's tax and pension system with the backing of 153 MPs, a measure required by the lenders in order to continue the debt negotiations. Addressing the 300 seat house, Prime Minister Alex Tsipras said we are determined to make Greece stand on its 2 feet at any cost.

To discuss these developments, I'm joined by Michael Hudson, a distinguished Research Professor of Economics at the University of Missouri-Kansas City. His latest book is Killing the Host: How Financial Parasites and Debt Bondage Destroyed the Global Economy.

Michael the International Monetary Fund is pushing for comprehensive measures to tackle Greece's debt burden. They want the lenders to get creative in terms of debt cancellation and the measure that they're proposing seems to be fairly progressive compared to what the lenders are talking about. Tell us more about the IMF's proposal and how the lenders are reacting to it.

HUDSON: The IMF says it will not reduce Greece's debt by a single penny. It will keep the debt in place. The problem is the way that the European central banks keep their balance sheets, if it breaks down Greece's debt owed to the IMF, then the countries Germany, France and other countries whose banks are bailed out will have to take a loss and they refuse to lose a single penny. So the IMF has not made a creative proposal. It has repeated what it said a year ago without changing a single word. It says okay, we're going to keep every penny of debt in place but we're going to give you a fudging number. We're only going to charge you 1.5% interest and you won't have to pay the debt for 25 years. So you don't get a debt markdown, but you won't have to pay interests for 25 years and we'll charge you only a little bit of interest.

There's only one kicker. You're going to have to cancel your pensions, write them down, impose austerity, privatize your government, and you're going to have to shrink your economy so that it will shrink by about 1, 2, 3% a year so that the 1.5% interest that we're charging as little as it is, is going to absorb all the income growth you have. Every penny of growth of have from the next 25 years ,you'll have to end up paying the German banks.

Now we know you can't do it. We know that when you cancel the pensions you're going to shrink. We know your labor's on strike. We know they're going to emigrate.

But there's a way out. You can sell your ports, your land, your public utilities, your railroads, your airports, anything you have you can sell to the Germans and at the end of this time you won't have a single thing and all we ask is that all you Greeks get out of our country, now that we own you. That's what the IMF is saying. It's not creative; it's absolutely brutal. That's why the Greeks are out on strike.

PERIES: Now why are the lenders then acting the way they are?

HUDSON: Because they're using finance as the new means of war. There is a war going on in Europe but it's not a military war anymore. They're now using finance instead of war and they're using finance to say, we can grab your country. We can put you out of work. We can control you and we don't have to kill you, we can just make you immigrate by taking away your pensions and taking all your money. There's a land grab just as if it were an invasion to grab Greece's ports, to grab Greece's railroads, and to grab everything else. This is war.

PERIES: Now the international press has been reporting on Monday's meeting with the finance ministers as if it was a success and Prime Minister Alexis Tsipras and the finance minister came out of it with smiles, why?

HUDSON: Because they sold out. Because you're supposed to smile before a camera, that's the polite thing to do. You're supposed to smile as if you've somehow defended your constituency. Mr. Obama always smiles whenever he does another giveaway to Wall Street. But the smile does not reflect anything that's good for the great people and the great people obviously know this as you can see by their political reaction.

PERIES: And these attack reforms and pension reforms that now they have to swallow, the people of Greece. What does it really mean for the people?

HUDSON: It means, the opposite of what reforms used to mean. For the last 100 years the whole reform movement meant you give more authority to government. You give more emphasis on economic growth. Reform used to mean making the economy fair. But today we're in a Orwellian doublethink world where we reform means wiping out the reforms that Greece did after WW II. Wiping out the pension reforms, wiping out the tax reforms, and wiping out the tax reforms apparently. It's a rollback to what you could call neofeudalism. It's the opposite of the reform movement. So the newspapers use the word reform but it's exactly the opposite.

PERIES: Alright then the left wing and the Syriza party. What are they saying in light of what we just heard?

HUDSON: Well they're appalled and as you know Yanis Varoufakis, whom you've had on your show resigned rather than become the undertaker imposing austerity on Greece. They're simply appalled and think nothing could be worse and that they realized there is a war going on and they'd hoped that they'd be supported by other left wing movements and France and Spain and Portugal. But there's a bitter class war of debtors against creditors or creditors against debtors going on in Europe and all they can do right now is expose the hypocrisy of the IMF. If you're talking about Greece, let's juxtapose the IMF supporting a really insolvent economy of kleptocrats in the Ukraine.

The IMF is preparing to bail out Ukraine, to say you don't have to pay your debts that you owe to Russia or any governments that the U.S. doesn't like. You have to sell off your land to George Soros and the people whom the U.S. government does like. Look at the dual standard that the IMF is imposing on Greece compared to what it's doing for the Ukrainian government. You see that the IMF has become a tool of the New Cold War and the Syriza people and the Greeks can do is point out how unfair this is and to try to let the world know that what is happening is a movement way to the right wing of the political spectrum and that finance is war.

PERIES: Finally, Michael, what choice does the Greek government have? What can they do?

HUDSON: Mr. Tsipras says they have no choice. He says the choice is only to surrender and in fact the argument now is not between Greece and the IMF. Not between Greece and Germany or Europe. The arguments that keep going on are solely between the IMF and Germany as to whether the IMF is going to break its traditional rules and make a loan in violation of all of its principles. Under its articles of agreement, the IMF is not allowed to make a loan to a government that cannot afford to repay the loan. All of the staff of the IMF have unanimously

found that Greece cannot pay the loan because the terms of IMF loans, the conditionalities, shrink the economy and make it impossible to pay.

So the IMF says that we're going to break the rules of that and we're going to lend, essentially because the U.S. tells us to do that and Greece is going to have to pay so we can demonstrate that if Spain tries to stand up and pay its pensions to people, if France pays its labor, if Italy pays its labor, we're going to smash their economies, we're going to smash their labor unions, and we're going to smash their labor just as we do to Greece. Greece is a demonstration very much like when the Nazis bombed Spain, in the Picasso drew the great drawing for. This is the IMF's version of the Nazi bombing of Spain to say, this is what's going to happen to labor throughout Europe if you don't surrender.