

Prospective coalition parties in Greece pledged to impose deeper cuts

By Julie Hyland
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Athens is expected to announce a “national salvation” coalition headed by the conservative New Democracy (ND), whose objective is to press ahead with the austerity measures agreed with the troika—the European Union, the European Central Bank (ECB) and the International Monetary Fund (IMF).

Under intense pressure from the financial markets and world powers meeting at the G20 in Mexico, negotiations continued Tuesday night between ND head and prime minister designate Antonis Samaras, Evangelos Venizelos for the social democratic PASOK, and Fotis Kouvelis of the smaller Democratic Left, a right-wing split-off from SYRIZA (the coalition of the radical left).

The talks were described as extremely productive, with the outstanding issue being whether PASOK was prepared to take up leading ministerial positions. However, Venizelos stressed that PASOK would “actively support” the intended coalition.

Should the agreement be finalised, it will mean that the new government is essentially a continuation of the administration that was decisively rejected in the first round of elections in May, with the same clique of corrupt bourgeois politicians most closely associated with austerity—ND and PASOK—again in the lead role.

All three parties are pledged to implementing the memorandum agreed with the troika, pleading with the IMF and EU only for a variation in the timing of spending cuts.

The cuts, which amount to 1.5 percent of gross domestic product, were agreed in March, with Greece already in the fifth year of a recession and unemployment at 22 percent and more than 50 percent among youth. Wages have been cut by up to 50 percent, pensions slashed, and health, education and other social services devastated.

A report in the *Guardian*, “What’s in New Democracy’s in-tray?” setting out the main points that the

planned coalition “will want to renegotiate” with the troika, made clear that even worse is to come.

Under the memorandum, any incoming government is committed to additional fiscal cuts of €11.7 billion this month. The troika is to return to Athens immediately upon formation of a government in order to scrutinise its plans.

Samaras and Venizelos have urged that the deadline for implementing these cuts be extended from 2014 to 2016. The *Guardian* suggests that Samaras will also outline a €650 million spending package targeted at pensioners, farmers, law enforcement officials and small businesses, to be paid for by new cuts elsewhere.

ND intends to stick to the agreement that the public-sector workforce be reduced by 150,000 people by 2015. As part of this, 15,000 civil servants are to be transferred to a “labour reserve,” i.e., placed on a basic salary for one year after which they will be fired. The only change proposed here is that the labour reserve be extended from one year to three years.

The main element of ND’s programme, however, is a plan to slash taxes on big business and the rich. According to the *Guardian*, ND intends to cut the corporate tax rate from 20 percent to 15 percent by next year and reduce the top individual tax rate from 45 percent to 32 percent.

In contrast, proposals for a “gradual reduction” in value-added tax (VAT) from 23 percent to 19 percent would be phased in “over the next three years.”

Reuters quoted a “senior New Democracy official” stating that his party would “support a quickening of the government’s privatisation programme,” which includes a sell-off of Greece’s major energy utilities.

These proposals are made under conditions where big business and the wealthy have evaded taxation for decades. According to a separate report in the *Guardian*, Greek ship owners, who control more than 15 percent of

global merchant freight, enjoy tax-free profits.

“With their wealth offshore and highly secretive, the estimated 900 families who run the sector have the largest fleet in the world,” the newspaper noted. “As Athens’ biggest foreign currency earner after tourism, the industry remitted more than \$175 billion (£112 billion) to the country in untaxed earnings over the past decade. Greece’s debt currently stands at €280 billion.”

This open pitch to the super-rich is made more extraordinary under conditions where widespread popular opposition to austerity has seen both ND and PASOK—the two parties that have alternated in power since the fall in the military junta in 1974—go into an electoral tailspin.

In May, ND secured 58 seats in the 300-member parliament and PASOK just 41. Even with the anti-democratic electoral mechanism which guarantees the lead party a top-up of 50 seats, the two were unable to form a government.

In last Sunday’s election, PASOK’s vote fell even further to 33 seats. The Democratic Left also fell from 19 to 17 seats.

ND’s tally increased slightly to 79 seats—129 with the 50 seat top-up. This is still far short of a majority. Its rise owes nothing to a revival in the party’s popularity, but is entirely due to the blackmail campaign by EU leaders and the international financial markets, which threatened that Greece could be thrown out of the euro zone and its economy destroyed if anti-memorandum parties won the day.

On this basis, ND was able to siphon some seats away from the Independent Greeks and the fascist Golden Dawn, amidst reports that some voters, usually hostile to ND, transferred their support on this occasion to avoid an exit from the euro zone. Even so, with a record 37.5 percent of voters abstaining, Samaras’ lead is extremely narrow.

In any event, it is a hollow victory. Not only is the intended coalition highly unstable and lacking any democratic mandate, its fortunes are dependent on minimal good will gestures from the IMF and EU. So far, EU leaders have made clear that—barring a possible slight variation in timing—there will be no fundamental change in the memorandum.

José Manuel Barroso, president of the European Commission, said that a new coalition must be “based on the largest majority... to ensure the memorandum.”

German Chancellor Angela Merkel was more explicit, declaring, “The important thing is that the new government sticks with the commitments that have been

made. There can be no loosening on the reform steps.”

With the targets of financial speculators shifting to Spain and Italy, the European bourgeoisie are anxious to send no signal that they are prepared to relax their austerity diktats.

The return of ND and PASOK to power is entirely the responsibility of SYRIZA. The pseudo-left coalition was able to significantly increase its electoral support due to its stated opposition to the memorandum. But with SYRIZA making clear that its central priority was keeping Greece in the euro zone, this commitment was worthless.

In the lead-up to Sunday’s election, SYRIZA leader Alexis Tsipras spent his time courting G20 leaders and penning articles in the *Financial Times* and other newspapers to reassure international capital that his party had no intention of taking any measures that would conflict with its interests.

On Sunday evening, Tsipras stressed that he had congratulated Samaras on his victory and stipulated that SYRIZA had no intention of seeking to form a government, as is its constitutional right, even if ND’s efforts to assemble a coalition failed.

Stating his party’s “respect” for the election outcome, Tsipras declared that, “a government should be formed from the core of ND, as it was the will of the people.”

Having thus endorsed an ND-led government, Tsipras went on to pledge that a “parliamentary opposition should be critical and responsible, and I have informed Mr. Samaras that we intend to be that.”

According to reports, PASOK leader Venizelos has said that the coalition’s priority must be the formation of a “national negotiating team” to engage with Greece’s international creditors. “There would be an open invitation for forces that are not participating in the government to participate in this national team,” he said, in what was widely interpreted as a call for SYRIZA to come onboard.

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