European Central Bank extends credit on fears of Greek bank collapse

By Robert Stevens
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The European Central Bank (ECB) intervened again Friday to prop up Greece's banks, as savers, fearing their imminent collapse, withdrew record amounts of deposits.

Following the collapse of talks between Greece and its creditors—the European Union (EU), the ECB and the International Monetary Fund (IMF)—over the terms of a further spending cuts programme, billions of euros in deposits were withdrawn from Greek banks. This week alone €4.2 billion were withdrawn, including €1.2 billion on Friday.

To stave off financial collapse and a default on its overall debt of over €300 billion, Greece's Syriza-led government requested that the ECB loan Greece's Central Bank an additional €3.5 billion. The ECB, which loaned the Greek banks another €1.1 billion of "Emergency Liquidity Assistance" on Wednesday to reach a total of €84.1 billion, released additional money Friday, though it is unclear how much. According to some reports, it was just enough to tide Greece over until Monday.

Speculation mounted that Greece could even be forced to impose capital controls and limit deposit withdrawals as early as this weekend. The *Financial Times* commented that fear of Greek default on its €1.6 billion debt repayment to the International Monetary Fund at the end of June "is rapidly being overtaken by a separate—and possibly more dangerous—ticking time bomb: the solvency of Greece's banks."

The ECB's strategy is to keep Greece faced with imminent collapse with the aim of ensuring that a deal is signed after Monday evening's emergency summit of EU leaders, convened by President of the European Council Donald Tusk. It is an extraordinary and reckless example of brinksmanship—threatening not only the decimation of the Greek economy but a potential domino effect that could impact on the entire European economy.

It is a strategy that the dominant sections of the European bourgeoisie have all endorsed. The institutions will not tolerate any impediments to their strategy of continent-wide attacks on the working class, with Athens to be made an example of.

The *Wall Street Journal* reported that Syriza has already offered austerity measures in the order of €2.5 billion to be implemented over two years. The European Union is insisting on €3 billion in fiscal savings in this year alone, including savage pension cuts.

Syriza's latest proposal, presented at Thursday's meeting, was for the introduction of a "deficit brake". This would automatically cut spending across the board if the Greek government's budget went into deficit. This was bluntly dismissed by euro zone officials, however; IMF head Christine Lagarde declared that there was an urgent need for dialogue "with adults in the room."

This is the severest indictment of Syriza's claims that it could safeguard the livelihoods of Greek working people through an "honourable compromise" with the financial oligarchy.

The representatives of the world's billionaires are demanding ever more brutal cuts in order to ensure that the entire gigantic cost of the 2008 global financial crash is paid for by the working class for decades to come.

In his latest blog, Finance Minister Yanis Varoufakis summed up some of the indices of the social catastrophe this has already produced in Greece. Since 2010, "Wages fell by 37 percent, pensions were reduced by up to 48 percent, state employment diminished by 30 percent," and "Consumer spending was curtailed by 33 percent," he wrote.

"Around 1 million families survive today on the meagre pension of a grandfather or a grandmother as the rest of the family members are unemployed in a country where only 9% of the unemployed receive any unemployment benefit. Cutting that one, solitary pension is tantamount to turning a family into the streets."

The *Financial Times*, which has repeatedly solidarised with Syriza's call for a slower imposition of austerity, editorialised Friday that "The time has come for Tsipras to accept the deal from Europe."

It warned that the alternative was far worse. "Given Greek banks' dependence on funding from the European Central Bank, default could then push Greece out of the Eurozone," it wrote. "The destruction of Greece's financial system would rip the life out of its economy and do unknowable damage to its political system."

Syriza is not rejecting austerity, but seeking the most favourable political terms for it to be implemented. Tsipras and Varoufakis argue that if Greece is allowed to carry out less austerity now, it will be able to pay back more of its debts later based on an assumed recovery of the economy.

However, even were a last-minute accord reached on its terms, this would not fundamentally alter the attacks raining down on the working class. The *Daily Telegraph* recently pointed out that it would take Greece more than 40 years, to 2057, to pay back its astronomical debts.

A central plank of Tsipras's pose of offering an alternative to years of austerity was that his government would function as more efficient tax collectors. But with fear of a Greek default ever more pronounced, the level of unpaid tax is rising with the resulting decline in state revenues fuelling Athens' crisis. New figures revealed that unpaid taxes rose to €1 billion in May, bringing the total this year to more than €5 billion. Total outstanding unpaid tax stands at more than €77 billion.

In an attempt to strike a better deal with the EU, ECB and IMF, Tsipras attempted to secure the support of Washington against the hard-line demands of the EU, to no avail. The failure of this strategy means that Tsipras is now relying on an attempt to play the "Russia card".

Even as the ECB was in session, Tsipras was speaking before Russian President Vladimir Putin, as a guest of honour in Moscow. His speech followed the signing of an agreement to build an extension of a pipeline that would carry Russian gas to Europe via Greece. The possibility of Syriza receiving financing from Russia was also broached.

Deputy Prime Minister Arkady Dvorkovich told *Russia Today*, "If financial support is needed, we will consider this question."

Syriza's orientation to Moscow and China has major implications, as Greece is a longstanding member of NATO. Tsipras even visiting Moscow at such a time was viewed as an implicit threat. US magazine *Foreign Policy* wrote with concern, "So far, Russia has largely stayed out of the European financial crisis. But the Greek conundrum provides a tasty incentive to dive in. If Moscow does, it would transform a five-year economic crisis into a geopolitical one."

Tsipras's speech, speaking alongside Putin only days after the EU extended sanctions against Russia for six months, contained an implicit threat. "The economic centre of the planet has shifted. There are new economic forces that are playing a role," he said. "Russia is one of the most important partners for us."

Greece was strategically important and "still preserves the status of centre of stability in the region," he added.

Tsipras seeks only to establish the best terms for the Greek bourgeoisie, and he remains committed to securing a deal with the EU. To this end, Tsipras is shoring up alliances domestically. On Tuesday, he met with Stavros Theodorakis, the leader of To Potami (The River) and Fofi Gennimata, the new leader of the social democratic PASOK. Together the latter control 30 deputies.

Tsipras is seeking a hedge against possible rebellion within his own party, if he reaches a deal on the institutions' brutal terms. Theodorakis is on record that he will back any deal that is struck with the EU.