SOME EUROPEANS: *STOLT OG FRJÁLS FÓLK, LOS INDIGNADOS* and *OI AGANAKTISMENOI* (Part three) *

by George Venturini

GREECE bequeathed the world democracy - and drama. It might be responsible for regaling its own default to Europe and a catastrophic debacle to the European Union.

Alarm must have been heard loud and clear when Greece turned to Beijing with an offer trying to entice China to buy Euro 25 billion (US$ 35 billion) in bonds in 2010. Then, to put it unkindly but realistically, Greece was bankrupt.

Greece presents as a developed country with a high standard of living and the 22nd highest human development and quality of life indices in the world in 2010. It is a member of the European Union, the Eurozone, the Organisation for Economic Co-operation and Development, the World Trade Organisation and the Black Sea Economic Co-operation Organisation. Most citizens saw membership of the E.U. in 1981 and the Eurozone 20 years later as an escape from the political and economic instability which blighted Greece's history. Greeks had a higher-than-average percentage of support for the Euro, at 72 per cent, before the currency was even introduced.

The economy of Greece is the 27th largest in the world by nominal Gross Domestic Product and the 34th largest at purchasing power parity, according to data provided by the World Bank for the year 2009. Per capita it is ranked 24th by nominal G.D.P.

With a G.D.P. estimated at Euro 216 billion (US$ 310 billion), Greece has a per capita income of $ 27,800, although 20 per cent of the 11 million population survives with an income below the annual threshold of Euro 6,000. Studies support the general view on the trends in the economy, providing comparative measures of standard of living. Greece's per capita income - in purchasing power terms - was 65 per cent that of France in 1850, 56 per cent in 1890, 62 per cent in 1938, 75 per cent in 1980, 90 per cent in 2007, 96.4 per cent in 2008; it was 97.9 per cent in 2009 and larger than countries such as Israel, Italy and South Korea. Out of a labour force of 5.05 million - 4 per cent in agriculture, 18 per cent in industry and 78 per cent in services - 17 per cent is officially unemployed. Unemployment is particularly high amongst under 25-s: 43 per cent. The labour force on average works the second most hours per year among O.E.C.D. countries, just after South Korea. The (University of) Groningen Growth & Development Centre has published a poll revealing that between 1995 and 2005 Greece was the country whose workers worked the most hours/year amongst European countries; Greeks worked an average of 1,811 hours per year, followed by Spaniards - with an average of 1,800 hours/year.

The Gross External Debt is Euro 371 billion (US$ 533 billion); the public debt at Euro 327.1 (US$ 470 billion) is about 154 per cent of G.D.P.

Greece has faced economic hardships and defaulted on its loans in its past history: in 1826, 1843, 1860 and 1893.

On 19 June 2000 Greece was accepted by the European Council into the Economic and Monetary Union of the European Union, based on a number of criteria using 1999 as the reference year.

Thirty years after Greece became a member of the E.U. and more than a decade after it swapped the Drachma, one of the world's oldest currencies, for the Euro, Greeks are on the frontline of the government's attempts to prevent the region's first debt default.

With hindsight, it was no surprise that the debt crisis started in Greece, which failed to join the Euro area when it was set up in 1999 because it did not meet the economic or fiscal criteria for membership. Revisions to its budgetary figures showed that it should not have been allowed in when it did join, in 2001. Greece's foibles, though, would not have led to a crisis without the help of France and Germany. They set the precedent when, for three years beginning in 2002, they exceeded the prescribed budget-deficit limits with impunity. What is more, France and Germany played the leading role in setting capital rules which encouraged French and German banks to finance Greece’s profligacy, and then required too little equity to absorb the potential losses. Because of lax oversight of derivatives markets, regulators now have little idea where the losses would turn up were Greece to renege on its debts.

Greece hid its debt through “creative accounting,” and in some cases even left out huge military expenditures. While the Greek Government pursued its “creative accounting” methods, it received more help from Wall Street starting in 2002, when various investment banks began offering complex financial products with which governments could push part of their liabilities into the future. While Goldman Sachs was helping Greece hide its debt from the official statistics, it was also hedging its bets through buying insurance on Greek debt as well as using other derivatives trades to protect itself against a potential Greek default on its debt. So, while Goldman Sachs engaged in long-term trades with Greek debt - meaning Greece would owe Goldman Sachs a great deal in the future, the firm simultaneously was betting against Greek debt in the short-term, profiting from the Greek debt crisis that it helped generate.

Greece abused the credibility which came with its membership in the Eurozone. In 2004, for instance, the Greek Government embarked upon a massive spending spree to host the 2004 Summer Olympic Games, which cost Euro 7 billion. Then, from 2005 to 2008, the same government decided to go on a spending spree, this time purchasing all types of armaments that it hardly needed from foreign suppliers. When its debt crisis flared up in 2010 European leaders hoped to contain it at the Greek border, providing a bail-out worth Euro 110 billion over three years, of which Euro 80 billion came from other Euro-area members and Euro 30 billion from the International Monetary Fund.

After an audit commissioned by the incoming Νέα Δημοκρατία, *Néa Dimokratía*, New Democracy Government in 2004, Eurostat revealed that the budgetary statistics on the basis of which Greece joined the Eurozone had been under-reported.

Greece's main industries are chemicals, food and tobacco processing, industrial products, metal products, mining, petroleum, shipping, textile and tourism. The tourism industry is a major source of foreign exchange earnings and revenue accounting for 15 per cent of Greece's total G.D.P. and employing, directly or indirectly, 16.5 per cent of the total workforce.

According to Eurostat data, G.D.P. per inhabitant in purchasing power standards stood at 95 per cent of the E.U. average in 2008. The G.D.P. growth has, as an average, since the early 1990s been higher than the E.U. average.

Nevertheless, the Greek economy faces significant problems, including rising unemployment levels, an inefficient bureaucracy, tax evasion, corruption, and nepotism. Between 2009 and 2011 unemployment skyrocketed, from 10.3 per cent in 2009 to 16.2 per cent on March 2011, an increase of 57.28 per cent, leaving more than 800,000 unemployed. In the final quarter of 2010, youth unemployment reached 36.1 per cent. 400,000 jobs were lost in 2010.

The public sector leaves much to be desired, but takes in taxes some 35 per cent below where they should be. Wealthy Greeks have always treated the country's tax system like an eleemosynary plate: what they give is strictly optional. The resulting gap was covered up for as long as the Greek State could obtain cheap credit; then in 2008 it became glaringly obvious and seriously hurtful. Tax evasion is a way of life in an economy riddled with abuses, discrimination and corruption, but changing habits and culture represents one of the biggest headaches for a beleaguered government trying to climb a financial Olympus in flip-flops. It is fairly estimated that 2 million private-sector workers are carrying the brunt of the tax load while a million public sector employees and 1.3 million self-employed escape almost financially unscathed.

Corruption is widely regarded as one of the triggers of the Greek debt crisis threatening the Euro. Transparency International has suggested that corruption is part of everyday life in Greece, and claimed that private households paid more than Euro 780 million in bribes in 2009 - some Euro 462 million to civil servants and Euro 325 million in the private sector. The total sum was up 23 per cent from 2007, when Transparency estimated that bribes were paid for a total of Euro 639 million. Corruption and impunity from prosecution lie at the heart of Greece's debt crisis, according to Prime Minister Georgios Papandreou. On 1 March 2010 he was reported as saying: "The crisis in our country is not limited to our fiscal problem. It is only the tip of the iceberg. It is extremely urgent to deal with it because it has assumed dramatic dimensions."

Back in 2008 the I.M.F. warned that the G.F.C. could result in massive social unrest.

Writing in *The New York Times* on 19 December 2008, Nobel Prize Paul Krugman noted that "The financial services industry has claimed an ever-growing share of the [United States]'s income over the past generation, making the people who run the industry incredibly rich. … The vast riches achieved by those who managed other people's money have had a corrupting effect on our society as a whole. … But surely those financial superstars must have been earning their millions, right? No, not necessarily. The pay system on Wall Street lavishly rewards the appearance of profit, even if that appearance later turns out to have been an illusion. … At the crudest level, Wall Street's ill-gotten gains corrupted and continue to corrupt politics, in a nicely bipartisan way." Similar considerations apply to Greece.

By that time it seemed certain that Greece was insolvent, and on the verge of bankruptcy. Its problems are so dire that they risk sucking the international financial system into what analysts call a 'Lehman moment'. On 15 September 2008 Lehman Brothers Holdings Inc. filed for Chapter 11 bankruptcy protection. That remains the largest bankruptcy filing in United States history with Lehman holding over US$ 600 billion in assets. The sudden, massive collapse of Lehman investment bank contributed to triggering the so-called Global Financial Crisis from which the developed world has yet fully to recover. 'Lehman moment' is now shorthand for an uncontrolled debt default: the moment when a large company - or a country - announces that it cannot pay its debts. Much of the language to describe similar events is used to embellish episodes of the systematic fraud in which wealthy finance capitalists the world over stole trillions of public dollars - and no one landed in gaol.

The Greek economy had expanded at an average annual rate of 4 per cent from 2004 to 2007 and 2 per cent during 2008 - at constant prices of 2000, one of the highest rates in the Eurozone. However, in 2009 G.D.P. decreased by -1.9 per cent. A decrease of G.D.P. by -2.5 to -4 per cent was estimated for 2010, due to the G.F.C.

In 2009 Greece had the E.U.'s second lowest Index of Economic Freedom - after Poland, ranking 81st in the world. The country suffers from high levels of political and economic corruption and low global competitiveness compared to its E.U. partners. That year, after 15 consecutive years of economic growth, Greece went into recession. An indication of the trend of over-lending in recent years is the fact that the *ratio* of loans to savings exceeded 100 per cent during the first half of the year.

By the end of 2009 the Greek economy - on the basis of data revised on 15 November 2010 in part due to reclassification of expenses - faced the most severe crisis since the restoration of democracy in 1974, and the highest budget deficit and government debt to G.D.P. *rationes* in the E.U.

Soon after its election in October 2009, the *Panellinio Sosialistikó Kínima*, Panhellenic Socialist Movement, PASOK government discovered that the public finances had been fiddled: a budget deficit of 3.7 per cent of national income was in fact touching 15 per cent. Bad at any time, this would have been fatal in the wake of the near-collapse of the banking system.

The 2009 budget deficit stood at 15.4 per cent of G.D.P. This, and rising debt levels - 127 per cent of G.D.P. in 2009 - led to rising borrowing costs, resulting in a severe economic crisis. Greece was, accused of trying to cover up the extent of its massive budget deficit in the wake of the G.F.C. This resulted from the massive revision of the 2009 budget deficit forecast by the new government, from 6-8 per cent - the estimate of the previous government - to 12.7 per cent, later revised to 15.4 per cent, more than five time the E.U. limit of 3 per cent of G.D.P. Economic operators worried that the Greek Government might default on its debt. This had increased the cost of Greece's borrowing and triggered a 10 per cent depreciation of the Euro against the United States dollar since the end of 2009.

As a result of the on-going economic crisis, industrial production in the country decreased by 8 per cent between March 2010 and March 2011.

There was an ever present fear that Greece was bankrupt. A rather credible rumour was circulating at the end of 2010 that the Greek Government was attempting to interest China into buying bonds for Euro 25 billion through the offices of Goldman Sachs investment bank.

In the first weeks of 2010 there was renewed anxiety about excessive national debt. Some politicians, both in Greece and in other European countries, have sought to attribute some of the blame for the crisis to hedge funds and other speculators stating that institutions bailed out with public funds were exploiting the budget crisis in Greece and elsewhere.

In reality there was a long lead up to the G.F.C. E.U. politicians in Brussels turned a blind eye and gave Greece a fairly clean bill of health, even as the reality of economics suggested that the Euro was in danger. Investors assumed they were implicitly lending to a strong 'Northern Europe' country while buying Eurobonds from Greece. In the meantime, 'dynastic politics' rewarding social groupings increased the economy's corruption and dysfunction. Anxiety about Turkey led to high defence spending, and fuelled public deficits - financed primarily by French and German banks. 'Dynastic politics' ? even the present Prime Minister cannot escape from the suspicion that he is the beneficiary of an entrenched semi-hereditary political caste which has ruled - and in some cases mis-ruled - Greece for as long as anyone can remember. Georgios A. Papandreou is the son of Andreas G. Papandreou, who was twice prime minister of Greece, and the grand-son of Georgios Papandreou, Sr., who was three times prime minister of Greece.

In early 2010 it was revealed that successive Greek governments had been found to have consistently and deliberately misreported the country's official economic statistics to keep within the monetary union guidelines. This had enabled Greek governments to spend beyond their means, while hiding the actual deficit from the E.U. overseers.

On 23 April 2010 the Greek Government requested that the E.U./I.M.F. bail-out package - made of relatively high-interest loans - be activated. The I.M.F. had said that it was "prepared to move expeditiously on this request." The initial size of the loan package was Euro 45 billion and its first instalment covered Euro 8.5 billion of Greek bonds which became due for repayment. However, by taking such a bail-out from the E.U. and I.M.F., Greece ultimately incurred a larger long-term debt, as the money from these institutions simply added to the overall debt, and thus, actually increased eventual interest payments on that debt. Thus, one realises the true nature of debt: a financial form of indenture.

On 27 April 2010 the Greek debt rating was decreased to BB+ - that is to a 'junk' status - by Standard & Poor’s amid fears of default by the Greek Government. The yield of the Greek two-year bond reached 15.3 per cent in the secondary market. Standard & Poor’s estimated that, in the event of default, investors would lose 30–50 per cent of their money. Stock markets worldwide and the Euro currency declined in response to this announcement.

In the spring of 2010 the Greek Government had already decided on drastic austerity measures, to receive loans amounting to Euro 110 billion from the E.U., the European Central Bank - E.C.B. and the I.M.F. - the so-called ‘troika’. These austerity measures have massively depressed the living standards of broad social layers, increased unemployment and triggered a deep recession. In May 2010 the Greek Government deficit was again revised and estimated to be 13.6 per cent, which was one of the highest in the world relative to G.D.P. and public debt was forecast, according to some estimates, to reach 120 per cent of G.D.P. during 2010 - one of the highest rates in the world. As a consequence there was a renewed crisis in international confidence in Greece’s ability to repay its sovereign debt.

On 1 May 2010 a set of austerity measures was proposed. The proposal helped persuade Germany, the last remaining holdout, to sign on to a larger, Euro 110 billion E.U./I.M.F. loan package over three years for Greece - retaining a relatively high interest of 5 per cent for the main part of the loans, provided by the E.U.

In order to avert default, the other Eurozone countries and the I.M.F. agreed to a rescue package which involved giving Greece an immediate Euro 45 billion in bail-out loans, with more funds to follow, totalling Euro 110 billion. To secure the funding Greece was required to adopt harsh austerity measures to bring its deficit under control. Their implementation would be monitored and evaluated by the European Commission, the E.C.B. and the I.M.F. The bail-out strategy made some sense in May 2010, since banking systems were still weak after the convulsions of 2008, exposures to Greek debt were not well mapped out, and private creditors had had little time to adjust their positions. But it would lose credibility over the following months because, in their wisdom, 'markets' might have concluded that a bail-out would fail to put Greek debt, in particular, on a sustainable path.

On 5 May a national strike was held in opposition to the planned spending cuts and tax increases. Protest on that date was widespread and turned violent in Athens, with the killing of three people.

In late May 2010 markets around the world began falling due partly to problems in Greece and the Eurozone. Some economists held the view that Greece would prove to be just the first of a series of countries standing on the brink of the abyss. What was happening in Greece was regarded as just the tip of the iceberg of rising sovereign debt problems in the Eurozone, in the United Kingdom, in Japan and in the United States. And that might have been a new phase of the G.F.C.

The November 2010 revisions of 2009 deficit and debt levels made accomplishment of the 2010 targets even harder, and indications signalled a recession clearer and harsher than originally feared.

On 15 November 2010 the Eurostat revised the public finance and debt figure for Greece following an excessive deficit procedure methodological mission in Athens and placed Greece's 2009 government deficit at 15.4 per cent of G.D.P. and public debt at 126.8 per cent of G.D.P., thus making it the largest deficit - as a percentage of G.D.P. - among the E.U. member countries.

Greek bank deposits had fallen by the most in more than a year in May as speculations returned that the government would default on its sovereign debt and leave the single currency. The problem was that Greece had a high percentage of debt in the hands of foreign creditors, which was seen by certain analysts as more difficult to sustain. Greece, as well as Spain and Portugal, seem to have a ‘credibility problem’, because they lack the ability to repay adequately due to their low growth rate, high deficit, less foreign direct investment and other disadvantages.

Without new measures, Greece’s debt would reach 166 per cent of G.D.P. in 2012, next year, the European Commission alerted on 13 May 2011.

On a poll published on 18 May 2011 62 per cent of the respondents felt that the I.M.F. memorandum that Greece had signed in 2010 was a bad decision which hurt the country, while 80 per cent had no faith in the Minister of Finance, Giorgos Papakonstantinou, to handle the crisis.

A 22 May 2011 survey showed that two-thirds of Greeks rejected the idea of abandoning the Euro and only 16 per cent were in favour of returning to the Drachma. Overall acceptance of the Euro stood at 58 per cent, and was significantly higher among pensioners and housewives.

In early June 2011 the E.U., the E.C.B. and the I.M.F. said that flagging government resolve to overhaul the Greek economy threatened to leave the fiscal deficit entrenched at the unsustainable level of 10 per cent of G.D.P.

The financial crisis - particularly the austerity package put forth by the E.U. and the I.M.F. - was met with anger by the Greek public, leading to riots and social unrest, while peaceful demonstrations began taking place every evening in front of the Greek Parliament since 25 May 2011.

Where people used to stop off at *Syntagma* - Constitution - Square for the shopping and the shiny rows of up-market boutiques, they began to arrive in their tens of thousands to protest. Swarming out of the metro station, they emerged into a village of tents, pamphleteers and a booming public address system. *Syntagma* has become the Greeks' *Tahrir* Square and *Puerta del Sol*. The gathering was being fuelled by social media. According to market researches, from 2008 to 2010 the number of Greeks using social networks grew by 350 per cent. Currently, almost 92 per cent have at least one social media account, making it much easier for protests to be coordinated through a *Facebook* page: 'Indignants at *Syntagma'* - the name taken from the Spanish protest, *Los Indignados* - that more than thousands had accessed.

Since 25 May, when demonstrators first converged there, the Square has become an open-air gathering place for the display of angry politics. Everybody would get a short chance with the microphone. All sorts of semi-anarchic ideas and democratic illusions are to be found among the rank-and-file activists assembled there. There is only one limitation: speakers cannot identify themselves as representatives of political tendencies. Not that it would matter, anyway !

Every evening, the ‘People’s assembly’, a fluid mass of people coming and going, would gather and decide, by a show of hands, what was to be discussed. A volunteer and rotating ‘coordinating committee’ then would give anybody who wanted to speak a slip of paper with a number on it. Speakers would speak for three minutes in the order numbers were drawn. The content of the discussions and votes are confined to organisational issues, such as the form and timing of the next protest action. Alternative models for the settlement of Greece’s State debt or proposals for a new constitution are frequently discussed. However, a thought-out political strategy, like politics altogether, is taboo. There remains an inordinate preoccupation with maintaining a non-political character of the movement. If one asks, the standard reply is that there are no leaders, just ordinary people. In reality, the movement has a conscious political ideology and perspective; even the ‘no-politics’ is a political statement. The assembled then would vote, with results quickly put up on a website. Voting is equally un-structured: all those who find themselves accidentally on the Square can raise their hands to vote. There are neither elected representatives nor mandated delegates. This offers plenty of opportunities for manipulation.

It was a combination of earnestness and pantomime, to be sure, but it was something else too: *Syntagma* Square, overlooked by the Parliament building, would become the new front line of the battle against European austerity. And as Prime Minister Papandreou battled first to keep his own position, and then to win Parliament’s support for the most extreme package of spending cuts, tax rises and privatisations ever faced by any developed country, what happened between the Square and the Parliament matters for the rest of the Eurozone. Transformed into a self-styled ‘People’s assembly’, *Syntagma* Square became the prime symbol of resistance of indignant citizens, the so-called *Αγανακτισμένοι, Aganaktismenoi* - ‘The angry ones’, at the humiliating and hurtful policies of a ruling group which has governed Greece for at least three decades, but which has now lost its legitimacy. Dubbed the ‘debtocracy’, this *cabal* is seen by many Greeks to include most politicians, bankers and media magnates. Needless to say, in the present crisis, this oligarchy is said to be supported by ‘the troika’.

The Greek resistance to the catastrophic economic measures was expected. Throughout modern history Greeks have resisted Fascist and Nazi invasion and occupation, domestic dictatorships, including the bloody military *junta* of 1967-1974 organised by the Central Intelligence Agency, with determination and sacrifice.

However, the nature of resistance had changed and the constitution of the *Aganaktismenoi* has ballooned. There is plenty of evidence that their resistance to the language and methods of 'austerity measures' enjoys widespread support across a huge cross-section of Greek society. Reliable surveys report that more than a quarter of Greece's population of 11 million people has taken to the streets in recent months. One respected poll shows that more than 80 per cent of Greek citizens support the demonstrations and believe they will continue, with more than half the respondents now convinced that the resistance will 'achieve something'.

Angry men and women of all ages, occupations, including the many unemployed, and of all persuasions, have also gathered in Thessaloniki in the area around White Tower, and in public spaces in other major cities. The daily occupations and rallies, sometimes involving more than 100,000 people, had begun peacefully, with the police most of the time observing from a distance.

Perhaps the *Aganaktismenoi* had drawn inspiration from a pamphlet by a 93-year-old famous French Resistance fighter Stéphane Hessel who had provided the incitement to European youth in *Indignez-vous !* - Time for outrage !. The Spanish *Indignados* and the French *Indignées* had borrowed their names from Hessel's title. The *Aganaktismenoi* are somewhat different from the *Indignados,* less organised in every possible way, from information to the use of the Internet and other social media. There is even *www.real-democracy.gr*.

But, being more angry than ‘outraged’, the Greek demonstrators targeted the loss of sovereignty which has turned the country into a neo-colonial fiefdom of banksters, the destruction of democracy and the consequent pauperisation of working Greeks.

In the age of TV satellite vans and YouTube, the banner wavers painted signs and coined slogans with half an eye on the media. Papandreou’s face was plastered over placards which congratulate him in English for being ‘Goldman Sachs’ employee of the year’.

The media outlets were accused of being ‘part of the system’. Bankers and creditors were described as crooks; there were more than a few shouts to turn their guts into garters. The big parties and their politicians were accused of being all the same. *Οι Αγανακτισμένοι,* the *Aganaktismenoi* shouted: “*Οι κλέφτες, κλέφτες!* - Thieves, thieves!”, which was more than a simple indictment of the funding difficulties and social convulsions that Greece is facing.

One banner outside Parliament asked “how many pieces of silver” politicians have taken to sell the nation. People were giving *moutzas* to the Members of Parliament inside. A μούντζα - *moutza*, or φασκέλωμα - *faskeloma* is the most traditional gesture of insult among Greeks. It consists of extending all fingers of one or both hands and presenting the palm or palms towards the person-to-be-insulted in a forward motion. It is often coupled with expletives such as να - *na*, παρ'τα - *par'ta* or όρσε - *órse*, meaning ‘here’, ‘take these’ and ‘there you go’ - respectively.

But it was not all entirely pessimistic. A young demonstrator might have spoken for all when he said: “What I like about this square is that people discuss things, they express themselves without fear.”, while another said: “We want the system to change and we want all traditional politicians out. We want young people suffering in this system who still have dreams to take over." The movement had taken advantage of the widespread rejection of established political parties by banishing all political parties - including left and socialist parties - from the Square. It justified this censorship on the basis of so-called 'direct democracy' and enabling 'the people' to decide - proclaiming thereby that political parties are not welcome.

Of all the economic horror stories produced since the G.F.C., Greece must be the most frightening. Greece has easily the worst economy out of all the 17 nations in the Eurozone. The country is in its third-straight year of recession, with national income on course to plunge by nearly 5 per cent in 2011 - and to fall further in 2012. Fifty-thousand businesses closed in 2010, and unemployment has increased dramatically. Almost one in five workers is out of a job, and 40 per cent of young people cannot enter the labour market.

The demonstrators felt that what was imposed was a bailing out the banks which lent to them. The largest creditors are French banks. The second largest are the Germans and the third largest are the British. Many Greek bonds are now held by hedge funds. These are the people asking for public funds. More than a financial crisis, it was - in the chants of the demonstrators - a hostage crisis. It was possibly a repetition of the Bear Stearns Companies, Inc., an American global investment bank and securities trading and brokerage, until its collapsed in September 2008, at the time of the opening of the G.F.C. and of the scandal of Lehman Brothers. After the high-finance fiascoes and thievery of the previous few years, such supposition was not groundless.

On 13 June 2011 Standard & Poor's lowered the Greek sovereign debt to a CCC rating, the lowest for all of the 131 states to which Standard and Poor's assigns a rating, following the findings of an E.U.-I.M.F. audit which called for further austerity measures. After the major political parties failed to reach consensus on the necessary measures to qualify for a further bail-out package, and amidst riots and a general strike, Prime Minister Papandreou proposed a re-shuffled cabinet, and asked for a vote of confidence in Parliament. The crisis sent ripples around the world, with major stock exchanges exhibiting losses.

On 15 June Prime Minister Papandreou announced that he would reshuffle his cabinet and call for a vote of confidence in his government to ensure the implementation of his austerity programme. Earlier in the day, he had proposed a pact with the opposition, New Democracy to form a national unity government. Such a government would continue to impose the sweeping cuts and privatisations demanded by the banks and 'the troika' in exchange for further loans. Papandreou had told New Democracy's leader, Antonis Samaras, that he was prepared to stand down as head of government if New Democracy joined with Papandreou's PASOK in a national coalition. But later Papandreou revealed on television that the opposition had leaked details of the planned coalition, and that he was withdrawing his offer. For his part Samaras declared that his party could not cooperate with PASOK as "they have lost the trust of both the Greek citizens and the markets."

Papandreou's proposal came as tens of thousands took to the streets of Athens in a day of action called by the country's main trade unions and supported by the *Aganaktismenoi*. The declared purpose of the demonstration was to form a human chain, surround and shut down Parliament. They were protesting the brutal austerity programme being imposed by the banks and the government.

Inside Parliament the deputies were discussing the latest fiscal plan put forward by the government, involving a fresh round of spending cuts, tax increases and the privatisation of many key State-owned industries and services. Outside, the streets surrounding the Parliament building resembled a military encampment. A huge contingent of riot police confronted protesters in *Syntagma* Square and nearby streets. Fire engines were deployed in the Parliament's courtyard, and the main entrance to the Parliament was blocked off by high metal fencing and police vans and buses. From behind the barriers, the crowd - including young and old, and many families with children - chanted "Resign, resign" to the assembled parliamentarians. Protesters at the front of the crowd shook the railings defending the Parliament. When some members of the crowd threw objects at the Parliament building, police responded with tear gas. The previously peaceful rally of more than 25,000 began to break up when riot police fired. *Syntagma* Square was filled with clouds of choking gas, which quickly covered the Square. The trade unions had called their own one-day general strike, paralysing public transport throughout the country. Large protests also took place in a number of other Greek cities. In the northern city of Thessaloniki an estimated 20,000 demonstrated.

All-party agreement to austerity measures was a condition raised by ‘the troika’ and the banks during the recent elections in Portugal. Only two weeks before, Jean-Claude Junker, President of the Euro Group and head of the 17 Eurozone finance ministers, declared at an E.U. finance meeting: “In the case of countries with difficulties, it would be wise for the principal political forces of those countries to agree on the path to follow. That is what we did in Portugal. That is what happened in Ireland, and that is what we would like to happen between the political parties in Greece.”

Threats, advices and proposals for a future Greek government were accompanied by a further tightening of the screw on the Greek economy. The proposal for a government of national unity made by Prime Minister Papandreou exposed the failure of the perspective encouraged by the Greek trade unions and middle class organisations - that mass pressure and spontaneous protests could be sufficient to force the Greek parties to change course. In fact, the Greek political *élite* has reacted to a series of one-day general strikes - fifteen in total and three so far in 2011 - and numerous demonstrations and protests by closing ranks and pressing for more cuts.

The government was seeking to save an additional Euro 28.4 billion by 2015 with another austerity package. It also wanted to raise Euro 50 billion through the sale of State enterprises.

Events seemed to be proceeding with the inevitability of tragedy, as politicians and the electorate balked at the deal in front of them - years of austerity for Greek citizens and years of subsidies from the rest of Europe all to keep the single currency project ‘on track’.

According to a poll released a week before, ratings for PASOK had plummeted. The party had won the election in 2009 with 44 per cent of the votes cast, but now its approval rating had slumped to 27 per cent. Nine out of ten respondents thought that Greece is “on the wrong path”, 80 per cent were “dissatisfied” with their lives, and 70 per cent were worried that their personal economic situation would continue to deteriorate in following months. Seventy five per cent of persons polled gave a negative image of the I.M.F., and 65 per cent felt that it was hurting Greece's economy. Sixty four per cent felt that the possibility of bankruptcy was likely, and when asked about their fears for the near future, polls showed a fear of: unemployment - 97 per cent, poverty - 93 per cent and the closure of businesses - 92 per cent.

On 17 June the central banker at the heart of the Eurozone storm warned that the region’s troubles are symptomatic of the economic malaise of Western nations. Jean-Claude Trichet, President of the European Central Bank, told *The* (London) *Times* that the sovereign debt threats were “not only a Euro area issue, but have a European aspect and a global aspect.” ... “We were not at ease with the idea that, in the heat of the crisis, all countries were called on to spend as much as possible, embark on deficits as much as possible.” he said. “I believe the tensions we are observing in Europe today are part of a much more global phenomenon.” On the same day the former Minister for Defence Evangelos Venizelos replaced the Minister of Finance, Giorgos Papakonstantinou.

Eurozone finance ministers were expected to agree to release a Euro 12 billion tranche of an existing, year-old bail-out loan that Greece needed to pay back debt maturing in July and August 2011 and avoid default. “They have bought themselves time until September.” speculated a prominent strategist with Boston Consulting Group.

Some economists and politicians have been forecasting the Euro's demise for years. The crisis in Greece has exposed the largest fault lines in the single currency project since the Euro was introduced in 1999. The London-based Centre for Economic Policy Research, a network of over 700 researchers based mainly in universities throughout Europe, predicted that the Eurozone is "almost certain" to break up within five years and "probably" by 2013. According to the C.E.B.R., several forces make a break-up of the Eurozone inevitable: mainly the slow economic recovery in Greece - as well as in Portugal, Spain and Italy; the extraordinary tough austerity packages being imposed on the borrowers; their lack-lustre export growth; and a possible unwillingness of countries and institutions to continue funding bail-outs. Without a break-up of the Eurozone - the C.E.B.R. argues - economic growth in southern Europe will be below 1.5 per cent in every year to 2015.

The anger in *Syntagma* against the austerity and the politicians it imposing was continuing. Whether it will translate into political success was debatable. Prime Minister Papandreou may be one of the most disliked men in Greece but there appeared to be no mainstream politician as an alternative.

On one side there was the fractious spectrum of Greek political parties and on the other the financial power of 'the troika' and of the 16 other members of the Eurozone. Against the possibility of losing in the unequal struggle the *Aganaktismenoi* responded, with a sense of the impending drama, somewhat like this: "We may lose, but what matters in life is how one loses."

Thousands of those protesters were still gathering every evening at *Syntagma* Square in front of Parliament. On 5 June hundreds of thousands had participated in a demonstration which took place largely independently of the unions. It included many former PASOK voters from the working class neighbourhoods. The E.U. had urged the Greek Government not to yield to the pressure from the streets.

On 20 June, in Luxembourg, after seven grueling hours, which included a video conference with colleagues from G7 countries, the finance ministers of the Eurozone countries decided to delay until July the disbursement of Euro 12 billion in loans from the European Union and the I.M.F. They made the payment of the next instalment of the already approved Euro 110 billion loan conditional on the Greek Parliament approving the new austerity package. There was a danger: had the Euro 12 billion had not been paid by mid-July, Greece would have confronted bankruptcy.

A default would cause savage losses for European banks and some fear could cause a global financial panic similar to the events of September 2008 when Lehman Brothers collapsed. Global money markets froze up, with investors pulling money out of bank bonds and other corporate debt and piling into only the safest government bonds. But the biggest worry was that a Greek collapse could trigger a crisis of confidence in other weak links, namely Portugal or Ireland and even Spain. Given the large exposure of these countries' banking systems to one another, this is where the risk of contagion is highest. A default would hit Greece's banks hardest as they are the biggest holders of Greek government debt.

The finance ministers meeting in Luxembourg also agreed in principle to a further Euro 120 billion aid package to follow the loan. Half of the new package would take the form of new loans, a quarter was to be raised through privatisations and the remaining quarter from contributions from the private sector. This package, which was due to be finalised in July, was also subject to unconditional compliance with the planned austerity measures.

Prime Minister Papandreou had done his best to comply with the ultimatum of 'the troika', and to push the second austerity package through Parliament using a series of political manoeuvres. This was a remarkably difficult enterprise because PASOK has only a majority of five votes in the 300-member Parliament - a majority which was increasingly at risk due to the vacillation of a number of individual PASOK deputies. Prime Minister Papandreou's attitude had not helped.

On 15 June Papandreou had offered to form a government of national unity with the conservative New Democracy. He even declared he was ready to renounce his own office as head of government to ensure a clear majority in favour of the austerity package. But the opposition had rejected his terms immediately, accusing Papandreou of organising a “populist orgy”, and instead demanded early elections. The opposition was demanding a renegotiation of credit terms with ‘the troika’, though it was well known that the New Democracy not only supported the austerity measures but actually wanted to intensify attacks on public services and social spending, to relieve the private sector. Following Samaras’s rejection of his offer, Papandreou reshuffled his cabinet and named the former Minister for Defence, Evangelos Venizelos, as the new finance minister. The lawyer Venizelos has little economic experience, but he is said to have good relations with the unions. Venizelos made it absolutely clear that he was going to devote all his energies to the enforcement of austerity measures. Now he was entering into “the real war,” he said, in reference to his previous post as defence minister.

On 22 June there appeared the news that British Treasury ministers had admitted that the Cameron Government was drawing up plans for a Greek bankruptcy after being warned by Jack Straw, the former Labour foreign secretary, that the Euro “cannot last”. A “quick end” to the single currency was now better than a “slow death”. In an emergency debate, British Members of Parliament from all parties had demanded that the United Kingdom stand aside from a new rescue package for Greece and push for that country to leave the Euro.

On 22 June also the ‘People’s assembly’, gathered in *Syntagma* Square, launched an appeal to the whole country to join in and to block the so-called Medium Term Programme. This was the new plan of complete sell-out of the country’s wealth and of extreme social destruction demanded by ‘the troika’ and supported by the Papandreou Government. The unions called for a 48 hours general strike on 28 and 29 June. The ‘People’s assembly’ also decided to block the access to Parliament and issue a new resolution in which it said:

“It has been one month since we have flooded the squares along our country, claiming to get grip of our lives. In the end of June, our struggle comes to a turning point. This government of zero social acceptance is attempting to vote the Medium Term Program. This plan must not pass. We cannot allow for the looting of our social wealth, we are not willing to tolerate the degradation of the majority of the people in favour of the profits of the few.

The communicative manoeuvres, the fake reshuffles and the blackmailing of the government, IMF, EU do not fool us. We now know that the dilemma isn't whether to choose "Memorandum" or "Default", as memoranda lead with a mathematical accuracy to social devastation.

For the two day period of the discussion and voting process of the Medium Term Program within the Parliament, unions have released a call for a general 48hour strike. During these two days, no one should work, consume, nor support even the minor breakage of the strike. From the very first morning of the strike we will gather in Syntagma Square along with the People's Assemblies from all over the country and throughout all the neighbourhoods of Athens.

On the actual day of the voting, we will surround the Parliament – sending out the message that this Middle Term Program is rejected by the people.

It has been one month now that we prove, each and every day, that there are no "one-way streets", and that we possess the power to draw a new course for our society. Now is the time for us to take the next big step. Now the time is ours, now it is the time for us to speak!

It is either us or them! Real democracy now!"

Most people occupying *Syntagma* had taken part in many strikes and occupations over the previous twenty months. The occupation of the Square had not been started by the unions. It had been much more spontaneous, largely organised by bloggers. The occupation had been peaceful and important because it had united strikers and demonstrators. The occupiers were very clear that they did not want to provoke the police and allow them to attack. Police did try to disperse the occupiers on the strike day, but they failed. It then tried to provoke an incident.

Almost all of Greece's public sector workforce took part in the general strike on 22 June. A huge number of private sector workers joined them. Two things stood out. The first was the sense of political crisis. The general strike coincided with the most crucial stage of negotiations between the Greek Government and the E.U./I.M.F. They were negotiating over how to reinforce the government in terms of standing up to demonstrators and dealing with creditors. The second most important thing was that the general strike and its large size proved to the government that resistance was not going away. People had gone through so much in the previous twenty months that they were getting more and more angry. That was why so many people had come out and the strike was so solid.

At first the Left was not sure how to respond to the protesters' spontaneous initiative. On their part, the media described the occupiers as apolitical, opposed to traditional forms of organisation and possibly not connected with the Left. At a time, groups of anarchists engaged in fighting with the police, but the bulk of the demonstrators were not involved in rioting. The main purpose was to hold the Square - and peacefully. Sections of the Left, including the Socialist Workers Party and the Anti-Capitalist Left, played an important role in arguing for this. They were concerned not to let the media play one section of the movement off against another. They also put forward some proposals. Their views were based on the cost of maintaining the loan: in 2010 the Greek Government paid Euro 51 billion servicing the debt - that is Euro 1 billion every week. If Greece had stopped paying that billion a week, it would not need cuts in pensions, wages or services. A default organised and carried out by the government without interference from the 'debtocracy' would lead to improvements for the Greek working class. They argued that there is an alternative to austerity and that would rest on nationalisation of the banks, cancellation of the debt and ultimate workers' control of the banking system. Such demands are becoming more and more popular with the *Aganaktismenoi*. Workers committees in strikes should have adopted the demands and stop the crisis on workers' terms.

A vote of confidence in the government had been expected for 22 June, and the following week Papandreou would have tried to have the cuts accepted by Parliament. Those were two crucial votes. They would have taken place while Parliament was surrounded by strong demonstrations.

In the early hours of 22 June PASOK Members of Parliament, fearful that they might lose power, rallied behind Prime Minister Papandreou. All 155 of the party's deputies turned out for the roll-call vote of confidence.

But anti-austerity protesters outside were unimpressed and from outside renewed their chants of "thieves, thieves". A four-week old tent camp in the Square looked a bit scruffier by the day, but the 'angry ones' promised to stay in the square until the following week, when Parliament was due to vote on a four-year austerity package intended to prevent a default and put the country on the road to economic recovery.

Europe's heads of state were to meet in Brussels on 23 and 24 June to decide on the second Greek rescue package. Help would have been forthcoming only if the Greek Parliament were to endorse the extra doses of austerity to be administered to the country, together with a big programme to privatise State assets worth Euro 50 billion, equal to 20 per cent of G.D.P. Assuming that Greece accepted, despite the demonstrations, as it had promised, it could expect to receive an additional Euro 85 billion in bail-out funding which would stretch to 2014.

As the Eurozone continued to dangle the carrot of further aid to Greece, in the evening of 23 June E.U. leaders endorsed a European Commission's proposal to clean up the country's public sector using E.U. structural funds. A proposal by the European Commission President José Manuel Barroso to that effect won support from the meeting in Brussels. Yet, diplomatic sources castigated the move as something that looks like a "nation-building [exercise] for the third world."

While a further injection of E.U./I.M.F. aid to Greece was still out of reach as Greece's Parliament rowed over a Euro 28 billion austerity package to be approved the following week, E.U. leaders discussed ways to boost the Greek economy "on the ground", as President Barroso said at a press conference. Barroso had already announced that he wanted "to front-load" structural funds set aside for Greek regional projects to help the country rebuild its public sector. The Commission President said that he wanted to fund new Internet Technology systems for the country's beleaguered tax administration in particular. He pointed out that, from a Euro 675 million structural fund allocated to Greece for the period 2007-2013, Euro 420 million was still unused.

"You know what this is. This is nation-building, something that happens in the third world." commented one E.U. diplomat, saying that Barroso's initiative had taken many governments by surprise. As part of the plan, the Commission would also call on member states to second experts from their governments to help the Greek Government overhaul its public administration. Behind the scenes diplomats spoke of a complete lack of faith in Greece's ability to climb out of its own debt problems. The Greek Government was struggling to clean up its image after it not only bungled deficit statistics but also after it was caught tweaking the terms of the austerity package to try and have it approved by Parliament.

Leaders of the 27-member European Union agreed on 23 June on a second financial assistance for Greece but on condition that the debt-ridden country implements a programme of severe austerity measures. They issued a joint statement calling on E.U. Finance Ministers to complete work on outstanding elements of a second bail-out to allow the necessary decisions to be taken by early July. The statement noted that the request by the Greek Government for a loan "will provide the basis for setting up the main parameters of a new programme jointly supported by its euro area partners and the IMF." and also that "A comprehensive reform package and adoption by the Greek Parliament of the key laws on the fiscal strategy and privatization must be finalized as a matter of urgency in the coming days."

Speaking at a press conference, E.U. President Herman Van Rompuy said the leaders agreed that required additional funding for Greece “will be financed by both official and private sources.”

On 24 June Heads of Mission of ‘the troika’ and the Greek representatives reached a satisfactory agreement on a set of measures to close the fiscal gap for the years 2011-2014. The parties agreed on a Medium-Term Fiscal Strategy. The Commission expected that the M.T.F.S. would be reflected in the new implementation law and translated into concrete legislative measures, also reflecting the privatisation plan. The Commission was looking forward to the voting of both legislative bills the following week by the Greek Parliament. These measures, once fully implemented, would have enabled Greece to meet the agreed targets.

The unpopular austerity programme including pay cuts, tax increases and privatisation of State companies were aimed at saving Euro 28 billion for the Greek State.

Under the bail-out conditions agreed with the E.U. and the I.M.F., Greece was supposed to privatise Euro 50 billion worth of public utility companies, although not one had been privatised.

For his part, President Barroso told the joint press conference that “there is a real will of the European Union to do what is necessary to preserve the financial stability in the euro area and to work together with our Greek partners and to work for reinforced European governance.” All this must have been seen against the reality of the situation: tax rises and spending cuts put in place in 2010 have resulted in almost a million unemployed, a 40 per cent drop in consumption and the closure of 700,000 businesses.

On 26 June a three-day parliamentary debate on the austerity package began. It was due to end on 28 June with a vote of confidence in Papandreou. It was considered highly unlikely that PASOK deputies would vote against the head of government and force new elections. Based on the result of the vote of confidence, the government would then have to approve the second austerity package in Parliament the following week. At the beginning of the parliamentary debate, Papandreou reiterated his call for national unity. “The consequences of a sudden bankruptcy or exit from the Eurozone would be immediately disastrous for Greek households, banks, and the country’s credibility.” he threatened. He appealed to opposition politicians “to stop fighting in these critical times, stop projecting the image that the country is being torn apart.” He also announced a referendum for the fall on a constitutional amendment that will better permit it to monitor corruption in the government. Only the leaders of the ultra-right-wing LAOS party supported the demand for a unity government, however. The New Democracy insisted on new elections. The same demand was raised by the leaders of the Greek Communist Party and the Coalition of the Radical Left parties - commonly known by its Greek abbreviation *ΣΥΡΙΖΑ*, SYRIZA - which had both played a key role in recent months in reducing the opposition to the Papandreou government.

There remained, of course, big question marks over Greece’s future. The current first Euro 110 billion bail-out by its European partners and the I.M.F. will run out in March 2012. Prime Minister Papandreou was relying on another Euro 85 billion or so loan from the E.U./I.M.F to keep the country going until 2013, when, perhaps, Greece could move seamlessly into the E.U.’s new stability mechanism for supporting fiscal miscreants.

It would be a second bail-out package to keep the country afloat. In order to receive the loan, Greece would have had to sell off State-owned assets. It would also have inflicted more financial pain on the people in the form of even deeper cuts to government programmes and entitlements. That plan was certainly going to spark more protests and civil unrest. It was all coming down to a fight between the bankers who had made reckless loans and the people who would suffer deep austerity for years. In the end, one way or another, Greece would be facing default. The bankers were willing to increase debt in hope that everything would return to normal.

Nevertheless, even if the banks voluntarily let some of the debt rollover, it could have led to something equal to a default. There had been reports that fractious Eurozone finance ministers were trying to patch together a second aid package for Greece, with more official loans and, for the first time, some sort of contribution by private investors who hold Greek government bonds. At the same time some credit rating agencies were speaking of such a debt exchange or voluntary debt rollover as a prologue to default, which would inevitably have led to the assignment of a default rating to Greece.

The week before the debate in the Greek Parliament Jean-Claude Junker, President of the Euro Group and head of the 17 Eurozone finance ministers, warned of the dire consequences of a Greek default. On 12 June Junker had been reported as saying that a Greek bankruptcy, “could prove contagious for Portugal and Ireland, and then also for Belgium and Italy because of their high debt burden, even before Spain. … We are playing with fire. … ” If Greece had been forgiven the debt or were outright to default, it would not have taken long before most or all those other countries did the same thing.

Greece’s economic crisis, which began at the end of 2009 when the world belatedly realised that Greece's fiscal and trade deficits were unsustainable, was far from over. In fact it had taken a new and dangerous turn. The situation continued to be bleak. There was still a long way from solving the debt crisis. The worry was that a Greek financial collapse could trigger panic elsewhere in the 17-nation Eurozone - a fear which saw borrowing costs in vulnerable E.U. countries surge and stock markets come under pressure.

Some economists feared that a Greek default would trigger financial chaos like the September 2008 collapse of Lehman Brothers.

At *Syntagma* and elsewhere the protesters' anger was not subsiding; rather it was expressing a profound sense of humiliation by profit-hungry bankers, only days after Papandreou had said: "We will not surrender." "We will prevail and we will hold on. We have as a country in the past successfully faced major crises. As hard at this struggle is, we cannot run away from our fight." He had told his supporters in an emergency meeting on 23 June: "We will fight and we will win, for Greece, its people and the future of the new generations." It fact, it seemed that bankers wanted to control everything, and that Papandreou had no power to make an about turn from the destiny the bankers had decided. Greece was experiencing the same feeling that Third World countries experience: humiliation - the feeling by Greeks that their fate was being decided elsewhere, by unelected officials from the E.U. or the I.M.F. The view was prevailing amongst the demonstrators that Greece had become a kind of 'protectorate' of the E.U. Certainly the patent intervention from outside in Greece's internal affairs was not unprecedented. But now, in democracy, Prime Minister Papandreou was in fact flying off to meetings to learn the terms of his surrender. He had promised no more cuts, but in return for a second Greek bail-out he would have further to sacrifice public sector jobs. State assets would be sold off. The demonstrators were shouting "We won't sell !", but that was precisely what the government was asked to do, including selling-off Greek islands ? The pain might have been endurable had there been a visible chance that suffering it would have led to a positive result; that would have worked. Over a year from the first bail-out Greece had seen industrial production slump by 11 per cent. Unemployment was up to 16 per cent. The number of Greeks out of work had increased by 40 per cent with respect to the previous year. The debt had ballooned - heading towards 153 per cent of G.D.P. The demonstrators knew that bankers' interests never have worked in favour of people. They deeply felt that this is the fate the financial oligarchy was planning to impose on humanity.

But there were also experts who argued that the best option for Greece and the rest of the E.U. should be to engineer an 'orderly default' on Greece's public debt which would allow the country to withdraw simultaneously from the Eurozone and reintroduce its national currency the Drachma at a debased rate. Economists who favoured this approach to solve the Greek debt crisis typically argued that a delay in organising an 'orderly default' would wind up hurting E.U. lenders and neighbouring European countries even more.

To help escape from its debt crisis, the Greek Government came up with a way to raise some cash: sell off most of everything it owned. It was not precisely what the Greek Government had in mind when it began discussing further financial assistance from the Eurozone countries. But this is what was asked in exchange for a second installment of bail-out funds. Selling off certain government properties could raise Euro 50 billion by 2015. Finding buyers for those assets was not to be an easy operation.

Against such proposal there was not only resistance on the part of unions, but also by ordinary citizens opposed to the privatisation of State-owned land and conscious of the bureaucratic complications which would stand on the way of would-be developers. In addition, many of the designated properties had been on sale for years - without much success. Realistically, Greece had already estimated that privatisation would yield no more than Euro 1 or 1 billion per year of attempted sale. Originally the E.U. had asked for at least Euro 3 billion by mid-2013. That position was modified in early 2011.

The E.U. still expected the bulk of the Euro 50 billion to come from the sale of government-owned land. An umbrella company administers some 70,000 real estate properties on behalf of the Greek Government. They include beaches, a sprawling waterfront property with two hot springs, commercial sites in Athens, the Mont *Parnes* casino, a marina in a protected cove south of Athens - reserved to the rich and powerful, an aging golf course on the island of Rhodes, the *Anavyssos* saltworks - which have been inactive since 1960, the State lottery and the horseracing operator, the State railway - that the State owns but which has been yielding less than the wages of the workers, the *Postbank* - in which the State has a controlling majority of shares, farmland, and government buildings. Perhaps, most attractive of all is Athens International Airport - which was opened in 2001 and is majority-owned by the State. It could come with the *Hellenikon* airport - which has been inactive for years.

On 27 June 2011 talks about how to entice private investors to contribute towards a new bail-out widened to include a possible buy-back of Greek Government bonds - but officials at a meeting in Rome discussing the issue said there were no guarantees the idea would not lead to a default and counselled caution. The Rome meeting was the first gathering of Greece's official and private creditors, together with Greek government officials, since the country's debt crisis had begun. Greece had been promised Euro 110 billion in aid in 2010 from the E.U./I.M.F., the first of three bail-outs to Eurozone nations. But that money would not have been sufficient to finance it until mid-2013 as originally planned. Finance ministers from the rest of the 17-nation Eurozone were to consider a French proposal articulated on four points: that bondholders reinvest 50 per cent of the proceeds from maturing Greek bonds in new 30-year bonds; that they also set aside 20 per cent of the proceeds to buy top-rated zero-coupon bonds to guarantee capital repayment; that, if the Greek economy were to grow faster than expected, investors would receive higher yield; and that a special-purpose vehicle, controlled by the private creditors, would manage assets, allowing investors to remove Greek assets from their balance sheets.

On 27 June also trade union organisations commenced a forty-eight hour strike in advance of a parliamentary vote on the austerity package, the first such strike since 1974. Massive demonstrations were organised throughout Greece, intended to pressure Parliament members into voting against the package. Almost every street in Athens showed boarded-up shops where owners could not pay their debts. The despair and bitterness were palpable.

Greece ground to a halt on 28 June. The strike had halted most public services and was affecting most of Greece's transportation systems and freeing workers to participate in demonstrations. Disruptions were taking place on land, on sea and in the air. The capital's underground system was the only form of public transport working "to allow Athenians to join the planned protests in the capital" metro drivers were saying. Banks were closed and hospitals were operating on skeleton staff. Crowds converged early on *Syntagma* Square. In Athens alone 38 arrests were made in addition to 75 people being detained, while 46 civilians and 38 policemen were injured.

On the previous evening Prime Minister Papandreou had implored members of Parliament to support his plans to slice Euro 28.6 billion from government spending by 2015, and to sell off the national silver to meet E.U. and I.M.F. demands for reform.

On the streets in front of Parliament, protesters were banging drums, chanting, waving and singing. The crowd was huge, politically diverse and overwhelmingly peaceful. There were people from all walks of Greek society; at times the rhetoric was that of a national resistance. One of the demonstrators said: “This is a movement against the political system.” and he added: “They have all cheated us. They destroyed the banks, our pension funds. They invested our social security money in bonds for their own benefit.” Who *they* were he could not precisely say - but this did not diminish his anger. Something entirely new seemed to be taking shape in the Square. A tent village has sprung up, a ‘liberated zone’ in which an open conversation had been going on for weeks. University professors, passers-by, unemployed laborers, all would get their three minutes with the microphone. When riot police had totally cleared the square with clubs on the night of 15 June, the protesters did not fight. They simply walked right back, picked up the rubbish and repaired their neighbourhood.

Protesters were not just incensed by a ruling *élite* of profiteers who tighten their belt around the necks of the poor. When the government's economic rescue plan involved literally “selling itself off to the highest bidder” - attempting to shed debt by privatising public assets - citizens realised that it was not just their pensions, but their national identity and democracy itself, which was at stake. One protester compared the loan agreement to the occupation of Greece by Germany during the second world war: “Nothing has changed, only the weapons. This time the weapons are the terms of the loan agreement.” The reading of the law which was up for debate starkly revealed the depth of Greece's sense of humiliation and disenfranchisement. People were tired of being asked to trade their dignity for survival. What makes the Greek public even angrier is that their collective punishment is being meted out by foreign powers - ‘the troika’. This highlights perhaps the biggest problem of unaccountable, Right-wing, supranational institutions. Greece would not be going through this if it were not a member of a currency union. If it had leaders of its own who were stupid enough massively to cut spending and raise taxes during a recession, those government officials would be replaced. And then a new government would do what the vast majority of governments in the world did during the world recession of 2009 - the opposite: that is, deploy an economic stimulus, or what economists call counter-cyclical policies.

There is no question that the Greek Government could have had more bargaining power than it has used, and events seemed to confirm this. Because of the massive opposition to further economic self-destruction the Greek Government had thus far been unable to reach an agreement with the I.M.F. for the release of their latest loan tranche on 29 June. Greek people were told that the decision before Parliament was a historic one. The future of the country was at stake. On the eve of the debate Prime Minister Papandreou said it was a "unique opportunity to keep the country on its feet." But the people no longer seemed to see it that way. Polls suggested that between 70 and 80 per cent were opposed to the austerity plan. A victory by the Prime Minister seemed still possible, although there were doubts about the ability to gain a majority vote even though he had a majority in the Parliament. Several deputies had come under fierce pressure in their constituencies to vote 'no'.

That uncertainty had been communicated to Europe's capitals. From Brussels the European Monetary Affairs Commissioner Ollin Rehn urged the Greek Parliament to adopt the austerity programme. "I trust that the Greek political leaders are fully aware of the responsibility that lies on their shoulders to avoid default." ... "Both the future of the country and financial stability in Europe are at stake." Rehn said. "The only way to avoid immediate default is for parliament to endorse the revised economic programme." He warned also that there was "no Plan B" to avert default, and said that economic reforms - although challenging - were a better alternative for the Greek people. The newly named I.M.F. chief, Christine Lagarde, would urge Greek politicians to unite to avoid a debt default. "If I have a message this evening [28 June] about Greece, it is a call to the Greek opposition... to join in national unity with the party which is currently in power." she told France's TF1 television station. "The country's destiny is at stake." European officials had also been pressing the main conservative opposition party to support the austerity bill, but thus far their urgings had failed to convince New Democracy party leader Samaras.

Approval of the austerity measures by Parliament would have unblocked Euro 12 billion of emergency loans from the previous year's 110-billion-Euro bail-out and freed Eurozone finance ministers to start drawing up a second bail-out for as much again at talks in Brussels. Even some deputies within Prime Minister Papandreou's governing PASOK had voiced dissatisfaction with the measures, with two of them indicating they might not vote in favour. However, the government held a five-seat majority in the 300-member Parliament, and was confident that the bills would have mustered the simple majority of 151 votes to pass.

Prime Minister Papandreou was confident that a second bail-out would have been roughly the same size as the first and hopefully on better terms. Had the legislation passed in Parliament, Eurozone finance ministers meeting in Brussels on 3 July would have been likely to agree to release the next aid tranche, with the I.M.F. following on 5 July. European officials would also have started to finalise the details of a second bail-out - worth an estimated Euro 120 billion - designed to help Greece pay its debts until the end of 2014.

Without a new plan in place, the E.U. and I.M.F. indicated that they would have withheld Euro 12 billion loans that Greece needed to repay debts due in mid-July. Attention would then switch to putting together a second rescue package for Greece of about the same magnitude as the initial Euro 110 billion bail-out agreed in 2010. Had the package not been approved, Greece could have run out of money within weeks.

Finance Minister Venizelos acknowledged that the cuts were "unfair", but said that they were absolutely necessary. He called on members of Parliament to support the measures, saying both the government and the opposition were "running out of time." But the main opposition leader, Samaras said that the thinking behind the austerity package was flawed and that tax rates should have been lowered rather than raised in order to stimulate the economy.

The outcome of the debate was still uncertain. Prime Minister Papandreou was facing opposition from within PASOK, with two of its members saying they may have opposed the bill.

The new programme would have involved some Euro 30 billion in private sector participation through a 'voluntary' rollover of maturing debt, a similar sum from privatisation revenues and an expected Euro 55 billion in new official funding.

The austerity imposed in order to obtain the funds had led to frequent strikes and demonstrations. More than 5,000 police officers were deployed in the city centre to monitor what started off as a peaceful rally, but rapidly deteriorated into running skirmishes on the fringes of the main demonstration. In the end the police surrendered *Syntagma* Square to some groups of anarchists, moving back to form defensive lines around the Parliament. The promises of the Greek Government never again to allow a repeat of the riots of 2008 went up in flames. Two communications vans with mobile telecoms transmitters had been daubed with graffiti condemning the banks and the media before being set alight by protesters who had apparently mistaken them for satellite TV trucks. There were also skirmishes as trade unionists had tried to persuade anarchists to leave the Square, saying that their violent protests were only harming the aims of the demonstrations. Police fired tear gas. As many as 20 police officers and four demonstrators had been injured in the scuffles - police said - while a number of demonstrators had been treated for breathing difficulties.

Prime Minister Papandreou had repeatedly assured the population that only his Euro 28 billion austerity plan would have brought Greece back on its feet. Even with the new austerity measures and a second bail-out, many investors still thought that Greece was heading for some sort of default because its overall Euro 340 billion debt burden was too great. Bank deposits had fallen the most in more than a year in May 2011 as speculation reignited that the government would default on its sovereign debt and leave the single currency. Unemployment was set to average 14.5 per cent in 2011 year and the economy was shrinking 3.8 per cent - the third year of contraction.

Rioters caused Euro 800,000 in damage to State property in Athens during the two days of strike and violence in June as Prime Minister Papandreou battled for political survival in Parliament.

Papandreou’s challenge was now to convince Greeks that his measures would have worked, when trust in politicians on both sides of Parliament was at the lowest since democracy was restored after seven years of military *junta* in 1967-1974. A poll conducted on 21 to 23 June had shown that PASOK would have received only 20 per cent of votes, trailing New Democracy with 21.4 per cent. In a survey for a television channel and the newspaper *Kathimerini* at the end of June PASOK stood at 26.5 per cent and New Democracy on 32.5 per cent.

Prime Minister Papandreou’s approval rating was 28 per cent, the lowest, while New Democracy leader Samaras scored 35 per cent. Later, 29 per cent believed Samaras was best suited as prime minister, compared with 22 per cent for Papandreou. But, quite significantly, 46 per cent said neither gained their confidence. When Papandreou was elected in October 2009, PASOK had won 44 per cent of the vote.

On 29 June the Greek Parliament ignored the huge protests in *Syntagma* Square and approved the austerity programme, with 155 out of 300 Members of Parliament voting in favour. But

Οι Αγανακτισμένοι movement which had emerged to challenge such an unpopular loan package was not going away.

Many Greeks were willing to accept the necessity of facing national debt, but they rejected the I.M.F. approach of socialising the losses and privatising the gains, which had placed the burden of unsustainable debt repayment squarely on the people. Just about everyone would agree that, even if Greece did not default, as it likely it will, its debt would be 120 per cent of G.D.P. by 2020. Such a national debt is clearly unsustainable at a 16 per cent interest rate, compared with 6.2 per cent before the bail-out.

The austerity measures, conditional with the loans, were so severe that they had produced a deepening social crisis. And the worst was yet to come. Since the bail-out was introduced in May 2010, unemployment had risen 40 per cent, bringing the national rate to 16 per cent and 42.5 per cent for youth. The basic wage had been cut from Euro 700 to 550 per month, the sales taxes rose to 23 per cent, and the economy had shrunk 4.5 per cent.

The Greek Government was able to carry through Parliament the austerity package, but success only postponed an unsavoury choice that the Eurozone would have faced sooner or later: let Greece go and put both the European experiment and the global economy at risk, or forge a deeper union in the face of opposition from their voters. The Greek crisis had become a defining moment in a project which traces back to the 1950s, when a small group of politicians started what would eventually be known as the European Union. Their aim was to form such strong political and economic ties that the horrors of the second world war could never happen again.

The vote on the austerity measures had been seen as crucial for the country’s future, as the E.U. and I.M.F. had made future funding conditional on a positive outcome. Belgian Finance

Minister Didier Reynders said that the Eurozone finance ministers were likely to agree as a result to release a next tranche of loans to Greece at a meeting on 3 July. The I.M.F. was set to follow suit on July 5.

That Euro 12 billion loan was to prevent Greece defaulting in mid-July or at the latest on 20 August, when Greece was to honour a big bond redemption, and shift the focus to a second assistance package likely to be about the same size as 2010 Euro 110 billion bail-out.

But credit insurance markets were still pricing in an 80 per cent chance of Greece defaulting on its Euro 340 billion debt mountain - 150 per cent of G.D.P. - within five years, and a likely 40 per cent write-down for bondholders on three-year debt.

On 4 July 2011 Standard & Poor's called Greece a country in *de facto* financial bankruptcy. No sleight of hand, no obfuscation, no debt reorganisation and no 'innovative' bail-outs could hide the fact that the defective rules of the 17-member Eurozone have allowed some of its members to succumb to the siren calls of excessive and unproductive indebtedness, to be followed by a default on debt payments accompanied by crushingly higher borrowing costs.

Some foresighted gurus have predicted that the Euro will move towards disorderly debt workouts, and eventually a break-up of the monetary union itself, as some of the weaker members crash out. The crisis is evolving, it was explained, and scenarios which are treated as inconceivable today may not be so far-fetched five years from now - sooner perhaps. Even firmer voices vaticinated that it is now 100 per cent certain that Greece will default on its debt. These are the views of several preeminent academic experts. On the ground, the Governor of the Bank of France has recently warned that, should Greece default on its debt, the Eurozone would end up having to finance all of Greece's economy.

With the country tottering on the edge of insolvency, the ranks of Greek citizens who fear pauperisation and social convulsion are understandably swelling. Unemployment officially stands at 16 per cent; the figure is expected to jump sharply in coming months. Over 40 per cent of the under-25s cannot find work; little wonder that some of them have joined the ranks of the street fighters prepared to take on the widely-hated police. Even the middle classes fear their society is splitting into rich and poor.

On 21 July 2011 European leaders adopted another package of measures aimed at preventing Greece from defaulting on its huge public debt and stabilising the common European currency.

Officials from the E.U. and the I.M.F. announced that they will give Greece a second bailout worth about Euro 109 billion. In addition, Greece will receive voluntary loans from the private sector to help cover the financial gap. Banks and other private investors will contribute some Euro 37 billion to the rescue package either by rolling over Greek debt, swapping it for new bonds with lower interest rates, or by selling the bonds back to Greece at a low price. But those contributions will be voluntary. Eurozone leaders also pledged to provide adequate resources to re-capitalise Greek banks if needed.

After the meeting, European Union President Herman van Rompuy and European Commission President José Manuel Barroso said that the participants unanimously supported a package they called a ‘Marshall Plan’ for Greece to ensure the sustainability of its debt and prevent the crisis from spreading. I.M.F.Director Christine Lagarde praised the determination of Eurozone countries to support Greece and other struggling European economies. Prime Minister Papandreou hailed the package as a solution which is good for the Greek people as well as for businesses.

In a statement, the leaders of 17 Euro countries and their financial institutions said that they are determined to continue to provide support to countries under E.U. financial aid programmes, provided they commit to implement the necessary reforms. On the occasion, they welcomed Ireland's and Portugal's resolve to implement their austerity programmes.

This is what they said:
"We reaffirm our commitment to the Euro and to do whatever is needed to ensure the financial stability of the Euro area as a whole and its Member States. We also reaffirm our determination to reinforce convergence, competitiveness and governance in the Euro area. Since the beginning of the sovereign debt crisis, important measures have been taken to stabilize the Euro area, reform the rules and develop new stabilization tools. The recovery in the Euro area is well on track and the euro is based on sound economic fundamentals. But the challenges at hand have shown the need for more far reaching measures.

Today, we agreed on the following measures:

Greece:

1. We welcome the measures undertaken by the Greek government to stabilize public finances and reform the economy as well as the new package of measures including privatisation recently adopted by the Greek Parliament. These are unprecedented, but necessary, efforts to bring the Greek economy back on a sustainable growth path. We are conscious of the efforts that the adjustment measures entail for the Greek citizens, and are convinced that these sacrifices are indispensable for economic recovery and will contribute to the future stability and welfare of the country.

2. We agree to support a new programme for Greece and, together with the IMF and the voluntary contribution of the private sector, to fully cover the financing gap. The total official financing will amount to an estimated 109 billion euro. This programme will be designed, notably through lower interest rates and extended maturities, to decisively improve the debt sustainability and refinancing profile of Greece. We call on the IMF to continue to contribute to the financing of the new Greek programme. *We intend to use the EFSF* [European Financial Stability Facility] *as the financing vehicle for the next disbursement.* [Emphasis

added] We will monitor very closely the strict implementation of the programme based on the regular assessment by the Commission in liaison with the ECB and the IMF.

3. We have decided to lengthen the maturity of future EFSF loans to Greece to the maximum extent possible from the current 7.5 years to a minimum of 15 years and up to 30 years with a grace period of 10 years. In this context, we will ensure adequate post programme monitoring. We will provide EFSF loans at lending rates equivalent to those of the Balance of Payments facility (currently approx. 3.5%), close to, without going below, the EFSF funding cost. We also decided to extend substantially the maturities of the existing Greek facility. This will be accompanied by a mechanism which ensures appropriate incentives to implement the programme.

4. We call for a comprehensive strategy for growth and investment in Greece. We welcome the Commission's decision to create a Task Force which will work with the Greek authorities to target the structural funds on competitiveness and growth, job creation and training. We will mobilise EU funds and institutions such as the EIB [European Investment Bank] towards this goal and relaunch the Greek economy. Member States and the Commission will immediately mobilize all resources necessary in order to provide exceptional technical assistance to help Greece implement its reforms. The Commission will report on progress in this respect in October.

5. The financial sector has indicated its willingness to support Greece on a voluntary basis through a menu of options further strengthening overall sustainability. The net contribution of the private sector is estimated at 37 billion euro. (Footnote: Taking into account the cost of credit enhancement for the period 2011-2014. In addition, a debt buyback programme will contribute to 12.6 billion euro, bringing the total to 50 billion euro. For the period 2011-2019, the total net contribution of the private sector involvement is estimated at 106 billion euro.) Credit enhancement will be provided to underpin the quality of collateral so as to allow its continued use for access to Eurosystem liquidity operations by Greek banks. We will provide adequate resources to recapitalise Greek banks if needed.

Private sector involvement:

6. As far as our general approach to private sector involvement in the Euro area is concerned, we would like to make it clear that Greece requires an exceptional and unique solution.

7. All other Euro countries solemnly reaffirm their inflexible determination to honour fully their own individual sovereign signature and all their commitments to sustainable fiscal conditions and structural reforms. The Euro area Heads of State or Government fully support this determination as the credibility of all their sovereign signatures is a decisive element for ensuring financial stability in the euro area as a whole.

Stabilization tools:

8. To improve the effectiveness of the EFSF and of the ESM [European Single Market] and address contagion, we agree to increase their flexibility linked to appropriate conditionality, allowing them to:

- act on the basis of a precautionary programme;
- finance recapitalisation of financial institutions through loans to governments including in non programme countries ;
- intervene in the secondary markets on the basis of an ECB analysis recognizing the existence of exceptional financial market circumstances and risks to financial stability and on the basis of a decision by mutual agreement of the EFSF/ESM Member States, to avoid contagion.

We will initiate the necessary procedures for the implementation of these decisions as soon as possible.

9. Where appropriate, a collateral arrangement will be put in place so as to cover the risk arising to Euro area Member States from their guarantees to the EFSF.

Fiscal consolidation and growth in the euro area:

10. We are determined to continue to provide support to countries under programmes until they have regained market access, provided they successfully implement those programmes. We welcome Ireland and Portugal’s resolve to strictly implement their programmes and

reiterate our strong commitment to the success of these programmes. The EFSF lending rates and maturities we agreed upon for Greece will be applied also for Portugal and Ireland. In this context, we note Ireland's willingness to participate constructively in the discussions on the Common Consolidated Corporate Tax Base draft directive (CCCTB) and in the structured discussions on tax policy issues in the framework of the Euro Pact framework.

11. All Euro area Member States will adhere strictly to the agreed fiscal targets, improve competitiveness and address macro-economic imbalances. Public deficits in all countries except those under a programme will be brought below 3% by 2013 at the latest. In this context, we welcome the budgetary package recently presented by the Italian government which will enable it to bring the deficit below 3% in 2012 and to achieve balance budget in 2014. We also welcome the ambitious reforms undertaken by Spain in the fiscal, financial and structural area. As a follow up to the results of bank stress tests, Member States will provide backstops to banks as appropriate.

12. We will implement the recommendations adopted in June for reforms that will enhance our growth. We invite the Commission and the EIB to enhance the synergies between loan programmes and EU funds in all countries under EU/IMF assistance. We support all efforts to improve their capacity to absorb EU funds in order to stimulate growth and employment, including through a temporary increase in co-financing rates.

Economic governance:

13. We call for the rapid finalization of the legislative package on the strengthening of the Stability and Growth Pact and the new macro economic surveillance. Euro area members will fully support the Polish Presidency in order to reach agreement with the European Parliament on voting rules in the preventive arm of the Pact.

14. We commit to introduce by the end of 2012 national fiscal frameworks as foreseen in the fiscal frameworks directive.

15. We agree that reliance on external credit ratings in the EU regulatory framework should be reduced, taking into account the Commission's recent proposals in that direction, and we look forward to the Commission proposals on credit ratings agencies.

16. We invite the President of the European Council, in close consultation with the President of the Commission and the President of the Eurogroup, to make concrete proposals by October on how to improve working methods and enhance crisis management in the euro area."

The President of the European Council, Herman Van Rompuy, said:

"I am glad to announce that we found a common response to the crisis situation. Our meeting was focussed: European leaders defending the financial stability of the Euro area.

Today we reached three important decisions, fully supported by all of us:

- We improved the Greek debt sustainability;
- We took measures to stop the risk of contagion.
- We committed to improve the Eurozone's crisis management.

I convened this summit of Heads of State or Government of the Eurozone because the situation was really grave. I equally invited - alongside the President of the ECB - the Managing Director of the IMF, Mme. Lagarde to take part in the work.

The problems the Euro area is facing could only be solved at the highest level. We had to act quickly. Convening this meeting focussed the minds and accelerated finding a solution. I could not allow a difficult situation to become a dangerous one.

From a series of national debt crises, the situation was evolving into a systemic concern, threatening the stability of the Eurozone as whole. This threat had to be contained, otherwise the situation could have led to a serious loss of confidence in our common currency and could even have jeopardised the ongoing economic recovery in Europe and the world.

That's why today we tackled the problem by addressing two main factors:

- investors' fears that losses will be imposed on a non-voluntary basis on bondholders in Greece and then maybe in other countries as well, and

- market uncertainty over the Eurozone's ability to resolve the crisis. Let me comment today's decisions in more detail.

Firstly, we offer a solution to the Greek debt problem. We reached agreement on a new assistance programme to fully cover the financing gap and to be financed by both the EU and the IMF. Two other very important steps are the agreement to reduce the interest rate for the future loans, and to lengthen the maturities to a minimum of 15 years and up to 30 years.

The banks have today also committed to support Greece on a voluntary basis, through a menu of options.

Importantly, we have changed the approach to PSI: private sector involvement will be limited to Greece and Greece only.

This is a strong package.

Secondly, we agreed on a series of measures to stop contagion. To start, we stated clearly that the Greek situation is different from that of other countries; that's why it requires an exceptional response, including as regards the participation of the private sector.

In addition, the EFSF [European Financial Stability Facility] will get more flexibility to intervene: precautionary assistance, recapitalisation of banks through governments, including in non programme countries; and secondary market interventions in exceptional circumstances on the basis of an analysis by the ECB.

So, if you want: we created a solid fire-wall and better fire-brigade equipment.

Thirdly, we decided to improve the Eurozone's governance. While dealing with the short-term, we do not forget the long-term. Let me mention two points in particular:

We agreed that reliance of our own rules on external credit rating agencies should be reduced.

Furthermore, we have received a mandate to make concrete proposals on how to better organize crisis management in the euro area and to improve working methods. I will work in close consultation with the Presidents of the Eurogroup and the Commission, and present proposals in October.

Today, with all these decisions, we have shown that we will not waver in the defence of our monetary union and our common currency.

A final remark. When European leaders say that we will do “everything what is required” to save the Eurozone, it is very simple: We mean it.”

Yes, on 21 July 2011 European ministers agreed to reduce Greece’s debt, so that creditors would see the value of their loans cut by around 20 per cent. And yes, the agreement reduced the interest on the country’s debts, and finally conceded the importance of fostering economic growth in Greece. But what was initially touted as a new ‘Marshall Plan’ to rebuild the country was unlikely to be anything of the kind. Moreover, the agreement continued to treat Greece as if it were only temporarily short of funds, when the country is close to insolvency. Greece was left with more money going out than coming in, despite the fact that in 2010 the government had cut 10 per cent of public sector jobs and slashed between 15 and 30 per cent off the wages of those lucky enough to stay on the State payroll. The government had also cut 10 per cent off pensions. Over the next four years, it was planning to lay off another 150,000 public sector workers - over 20 per cent of the total - and to means-test benefits. In addition Prime Minister Papandreou had announced a massive privatisation programme which, he hoped, would bring in Euro 50 billion. This year alone, the government wanted to sell its holdings in its post-office bank, the gas provider, the railways, the ports of Piraeus and Thessaloniki, the State lottery - and some land, to boot. Even government ministers admitted in private that they doubt whether this fire sale schedule is possible or whether the Euro 50 billion target is plausible.

Three years ago European governments were forced to underwrite all of the losses in the European banking system. This effectively meant a transfer of debt from private banks - capital to European tax payers - labour, as the ruling class attempted to make workers pay for the deepest crisis in seventy years. The debt burden which has resulted is simply astronomical. As a block, the so-called PIIGS - Portugal, Ireland, Italy, Greece and Spain - are around US$ 3,000 billion in debt, and they are attempting to solve this problem by borrowing from the very same rapacious sources that they bailed out in the first place ! This is clearly both a tragedy - for the working class, and a farce - in terms of its ability to work, and by the signing of the agreement one saw the latest moves to resolve a crisis which threatens to bring down the Eurozone. Greece is at the centre of the crisis as it has debts of over 150 per cent of G.D.P. and a huge number of bonds which were soon due to be repaid. Fearing that Greece would be unable to pay, 'the markets' - banks and hedge funds - became extremely nervous (!), and this caused a spike in the cost of borrowing for Italy and Spain. Both of these countries are simply 'too big to bail' and so the latest move by the European *élites* has sought to quarantine the problems of Greece at the same time as making sure that private capital will have to contribute as little as possible. The essence of the deal was a second bail-out for Greece - Euro 109 billion, a reduction in the cost of borrowing for Greece, Ireland, and Portugal from around 5.5 per cent to 3.5 per cent, and an extension of the maturity of the loans from 7.5 years - on average - to between 15-30 years. All of this was designed to allow Greece to avoid defaulting on its debts to private capitalists and the cost to the Greek people is a continuation of neo-liberal austerity and the fire sale of many of its national assets. As much as Euro 50 billion worth of Greek assets is set to be sold-off, as everything from forests to beaches are placed into a special privatisation vehicle by the I.M.F. In addition, there have been massive cuts in Greek living standards - and this is a pattern which is already familiar in Spain, Portugal and Ireland.

The summit has really not solved the crisis but merely postponed it. It has even exacerbated the underlying problems. The question of the underlying causes of the debt crisis were not addressed at the summit. Politicians and the media repeat *ad nauseam* that the crisis is a consequence of dubious financial stewardship, and that the countries affected were "living beyond their means". In fact, the debt crisis is the result of the systematic looting of State coffers and the enrichment of the upper class at the expense of working people. In Greece, the victory of PASOK was a prerequisite for an austerity programme which will lower the living standards of workers and pensioners by 40 percent by 2015. For three decades, taxes on corporations, high incomes and wealth have been continuously lowered. The billions of Euros with which the speculative losses of the banks were offset after the G.F.C. began in 2008 have overwhelmed public finances.

But there is no shortage of funds in Europe which could be used to settle the debts. This is demonstrated by the rapid increase of private wealth and the number of millionaires, which continues to grow unabated despite the crisis. According to the *World Wealth Report*, compiled by the American investment bank Merrill Lynch/Capgemini, some 3.1 million millionaires resided in Europe in 2007; they collectively possessed total assets of Euro 7.5 trillion. An emergency tax of just 4.7 per cent on this wealth could, on a single stroke, write off the entire Greek public debt.

This wealth is rising rapidly, even in the wake of the G.F.C. In Germany alone, according to the Bundesbank, the sum of private fortunes has risen for the past five quarters by a total of Euro 350 billion - exactly equivalent to the total debt of Greece. And this is despite the fact that medium incomes have stagnated for ten years and lower incomes have fallen. Wealth is concentrated almost exclusively in the upper tenth of society, which possesses over 60 percent of the total wealth. It is easy to see why the Germans did not simply just write a check in 2008. Doing that for the Greeks - and others - would have merely sent more money into the same system which generated the crisis in the first place. That said, the Germans could not simply let the Greeks sink. Despite its flaws, the system which currently manages Europe has granted Germany economic wealth of global reach without costing a single German life.

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Despite the radical steps taken by Europe institutions, the Eurozone's economy is still in trouble. Standard & Poor's cut Greece's credit rating to CC - just above the level of default - on 27 July. It said that the restructuring of Greek debt proposed by Eurozone leaders was a selective default.

The best way to understand the European Financial Stability Facility which is mentioned almost in passing in the bureaucratese and stencil-cut solutions of the 17 Eurozone countries leaders' statement, is to realise that for the first time there is now a European-wide Ministry of Finance. The E.U. leaders do not call it that, but that is what it is, and it is run by the Germans. So, in effect Germany, will be dictating fiscal policy to all of the Euro system from here on. This is what one could call the financial ‘Fourth Reich.’ Germany has accomplished financially what it has never been able to do militarily since the days of the Holy Roman Empire, which is essentially to gain control over Europe. Even suppressing memories of old time, feelings may be different, depending on one being in Spain or Portugal or Ireland or Italy.

How will the ‘Fourth Reich’ rule Europe ? That remains to be seen, but if history is any indication it will be with what the Germans would consider to be pressing efficiency.

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Every European member State will react to this new world differently. The French are both thrilled and terrified - thrilled that the Germans have finally agreed to commit the resources required to make the European Union work and terrified that Germany has found a way to do it and preserve control of those resources. The French realise that they are losing influence in Europe - and fast. France conceived the European Union explicitly to contain German power so it could never be harmed again while harnessing that power to fuel a French rise to greatness. The French nightmare scenario of an unrestrained Germany is now possible. From the outside, the British are feeling extremely thoughtful. They have always been the outsiders in the European Union, joining primarily so that they can put up obstacles from time to time.

Greece is some kind of ‘first case’ for the imminent reduction of a number of E.U. member countries to the humiliation of vassal states, yielding their sovereignty to a singular, centralised, imperial (?) authority. This will involve the virtual handover of control of their economies - in particular the raising of revenue by taxes - to that overarching authority. In the process, the control of major strategic assets - indeed, of whole national economies - will be lost to that authority.

Greece’s rapid loss of national sovereignty has been publicised by such highly-positioned officials as the President of the Euro Group, Jean-Claude Juncker. He recently declared that in return for Eurozone finance ministers agreeing to release the most recent bail-out funds to Greece, that country would "pay with a massive loss of its sovereignty." The same source observed: "In return for the Euro 12 billion - the fifth payment from the Euro 110 billion E.U./I.M.F. loan agreed last year - Greece will have to push through a swathe of privatisations reminiscent of the selling of East German firms in the 1990s after the fall of Communism." "The sovereignty of Greece will be massively limited." Jean-Claude Juncker told a German magazine in an interview published on 3 July 2011, just hours after the Eurozone ministers reached agreement. The formula one will see playing out in Greece day by day will now continue to play out elsewhere in Europe as each Economic and Monetary Union domino falls.

It is now clear that there are several languages spoken, several new voices to be heard in Europe at large and places nearby.

First is the language of the grey-flannel-suited politicians, called collectively 'the Eurocrats' - among them superb economists who cannot produce a 'Plan B' ! One may savour an example of their 'tone' from the first notes of the 22 July statement announcing the new bail-out for Greece. There one may find expressions such as: "determination to reinforce convergence, competitiveness and governance in the Euro area.", "new stabilization tools.", "The recovery ... well on track", "sustainable growth path" and - really to top it all: "We are conscious of the efforts that the adjustment measures entail for the Greek citizens, ..." What a select chorus of *chutzpanim* !

In the 18 months since the Greek crisis erupted, Greeks have suffered a wave of belt-tightening which has seen wages cut, pensions slashed and benefits lost. The Greek Government has desperately tried to rein in the country's colossal of circa Euro 370 billion debt by taking an axe to an easy target: the public sector. Unions estimate that at least 150,000 jobs could be lost. Perversely, those who should be hit, the tax evaders, the rich who have whisked their money abroad, are still getting away scot free. The latest 'reforms' have reinforced the perception that it is low-wage earners, pensioners and out-of-work youths who will suffer. As Will Hutton, writing in the *Guardian*, observed: “Greece is being asked to shoulder more economic pain than even Germany in the 1920s.”

But, hold on ! Starting in 2010 and continuing in 2011, the bail-out money was provided not to Greece, but to its creditors. These are European - including British - banks, which have been paid to exit the Greek debt markets. All the solvent banks took their money and ran while only the needy or the greedy remain.

The European authorities have been playing a dangerous game of ‘chicken’ with Greece - and for a long time. Better still, the whole thing could be a set up. After all, Greece accounts for a puny 2 per cent of European G.D.P., and the E.C.B. and I.M.F. have the reserves to cover the debt. So, is one supposed to believe that little Greece, caused such havoc with the financial system that Chancellor Merkel and President Sarkozy had to meet to save it in the nick of time ? Increasingly, this appears incredible. The entire amount of the Greek default is in the low hundreds of billions. That is pocket change for zillionaires, globalist banking families and their corporate, military and religious enablers. It is walking-around money. They can gamble more than that in a day - an hour even.

The more one looks at it, the more one see some kind of ‘shadow play’ - a crisis planned to build further ‘global governance’.

Greece has been turned into a large stage for the replay of an old game, in which now the Anglosphere power *élite* seems to have been involved on both sides: first erect an enemy and then prosecuting and finish him.

There is no doubt who is behind *this* European Union - it is the Anglo-American ‘special relationship’ and its world-spanning ambition for ‘global consolidation’, supported on the continent by a serious, thorough, efficient, no-nonsense deputy. Yes, Germany pretends to be fed up, but it is fed up with the inevitable consequence of its own rigidity. The E.U. admitted Greece when the country was just seven years from a bloody dictatorship; 30 years on, it still produces governments addicted to external support. It is not on the cards that Greece may turn to and sustain a sudden shift to Germanic efficiency, with an overvalued currency, slashed wages and hundreds of thousands put out of work.

The Greek tragedy is played at several levels, in variable modes and on different stages of the political scene, and there is an element of theatre of the macabre in the ‘negotiations’ between Greece and ‘the troika’.

Consider: while France and Germany were urging Greece to cut its spending on social services and public sector employees - who still account for 25 per cent of the workforce - they were pressing Greece behind the scenes to secure billions of Euros in arms deals … from France and Germany. That money had gone into buying a fleet of warships, submarines, and war planes and helicopters. A member of the European Parliament did not mince words when saying that Chancellor Merkel and President Sarkozy privately intimated to Prime Minister Papandreou that the Franco-German contributions to the bail-out depended upon the arms deals which had been signed by the previous Greek prime minister being ‘honoured’. Sarkozy apparently told Papandreou, “We are going to raise the money to help you, but you are going to have to continue to pay the arms contracts that we have with you.”

The arms deals run into the billions, with Euro 2.5 billion alone for French frigates. As a percentage of G.D.P. Greece still happens to be the largest purchaser of arms in the European Union. More purchases are presently under discussion: Greece has said it ‘needs’ 40 fighter jets, and both Germany and France are vying for the contract. Germany continues to be the largest supplier of arms to Greece, according to a report published by the Stockholm

International Peace Research Institute in March 2011, with Greece being the second largest purchaser - after Turkey !

When the tragedy turns to farce is when the 'lenders' and *their* institutions continue to make profit at the expense of the standard of living of the Greek people. It really reveals the true hypocrisy of the whole endeavour, and the nature of who is really being 'bailed-out.'

The rest ? is conversation, make-believe.

Another, powerful voice is being heard, though - coming from the *parterre*. It comes from *Syntagma* Square, which is to Greece what *Tahrir* Square was to Egypt, *Puerta del Sol* is to Spain and *Austurvöllur* Square was to Iceland - wherever the people take to the street. It is the voice of those 80 per cent who for years have suffered the hallucinations of 'free market' ideology and their consequences, incessantly supplied by their (?) governments, those who are angry about their corrupt, paralysed country, now diminished in its sovereignty.

Οι Αγανακτισμένοι are bound together by a shared sense of disenfranchisement and the belief that they have it in themselves to forge a new reality - and that at the moment they have a chance to do so. They now proclaim a refusal to suffer any further to make the rich even richer, a withdrawal of consent and trust from the politicians abusively 'governing' in their name, and finally that simplest and most devastating of censures from one generation to the next. "We are ordinary people, we are like you." reads the mission statement of *www.real-democracy.gr*. - the online hub of the *Syntagma* protests. One protester sums it up: "Without us none of this would exist, because we move the world … I am outraged. I think I can change things."

It is easy to overstate comparisons; those joining the anti-regime uprising in *Tahrir* Square and *los indignados* of Barcelona and Madrid are striving to confront very different enemies, and are facing wildly dissimilar levels of repression as a result, not the least the appearance of democracy as in Greece, as in Spain, as in Portugal - as in Italy.

Greece needs a radical renewal of its political class, a peaceful revolution in its economy and society, a cleansing of its public life, and - finally, but most importantly - to bring to justice those who have for years mis-managed public funds. The latter could become an irrepressible demand.

Even the less angry believe that when Prime Minister Papandreou said: “The only thing we are asking for is the right to make deep changes in our country, to make our country a viable one, one of growth and jobs creation.” ... “This [the new bail-out] is a European success, a European package.” they were being fed a lie. They believe instead that this is a farce, in which a small corrupt *élite* - the cleptocracy - has enriched itself at the expense of the population. Numerous politicians and business operators - fraudsters, really - are implicated in illegal transactions worth billions, of which only a fraction becomes public knowledge. Even if and when a scandal comes to light, those responsible are not held to account. If they are, most of the times they remain unpunished.

The tragedy in the Greek situation is that the Greek Government seems not to want, or to be unable, to listen to the voice channelled through the peaceful movement of the *Αγανακτισμένοι*. But how long will that last ? And could that movement turn uncontrollably violent ? It is not easy to say.

Οι Αγανακτισμένοι cannot be tranquillised by Papandreou’s expression of “understanding” - anymore than *Los Indignados* can be satisfied with Prime Minister Zapatero’s declarations of his “respect” for them. Both the Greek and the Spanish governments claim to be Socialist - a condition which on the basis of their acceptance of the brutality of the European Union officials can hardly be sustained. To the extent that both governments ignore the opinion of a large majority of the population and place themselves to the service of a global economic system, manipulated by a handful of extremely powerful and equally unscrupulous economic actors for their own benefit, to enrich a few at the expense of an ever-growing majority, they hardly qualify as democratic.

And the tragedy for Greece and other countries of the PIIGS is precisely that their governments have been destined to implement that kind of deregulation which paved the way for the change from an economy based on productivity of industrial systems to a drugged economy based on incomes for the top 1 per cent of the population derived from monetary and financial transactions. In that there is a great danger.

Greece, historically regarded by scholars as the birthplace of democracy, has become the epicentre of a powerful political spectacle undermining the foundations of every democracy in the Mediterranean region - possibly beyond. Street fighting has turned whole sections of Greek cities into burned-out battles, where the present resilience and future meaning and viability of democracy are being pushed to the limit.

The question is being asked more frequently how many more sacrifices, how much humiliation citizens can endure before they snap, or slump. If the Greek tragedy shows anything, it confirms to those who choose to listen that large-scale organisations with wide and powerful footprints, bodies such as global banks and credit institutions, the International Monetary Fund and the European Commission, now regularly have ruinous effects on democracies, and will in future continue to do so unless ways are found of restructuring them through democratic representation in forms of public control, under the watchful eyes of citizens spread across borders. So far, of course, ‘cross-border democracy’ in this sense is just a utopia; it appears as if in a mirage; it is though an ideal as necessary and desirable as it is stifled by its own vagueness, and by arbitrary power.

So, with insolvency and probable default just around the corner, will the Greek efforts to keep alive and spread the spirit of 'direct' democracy prevail ? Can Greek citizens manage successfully in practice to refuse indignity ? Or will still further rounds of odious and hurtful "austerity measures" be imposed ?

Demonstrations at *Puerta del Sol* and at *Syntagma* Square will continue. But, given their appearing impotence to change, the next problem presents itself rather numinously. And here is the bigger issue: can a truly democratic movement break the stranglehold of corrupt *élites* and powerful anti-democratic institutional forces which have come to characterise not just the politics of Greece, but of several 'western democracies' ? Greece is only an extreme example of an unfolding seismic social shift which is challenging democracies the world over. What happens in Greece might very well tell whether democracy will recover from the crisis of legitimacy camouflaged and exacerbated by the 'Global Financial Crisis' or whether it will shrink - undermined by the very forces which brought on the crisis in the first place.

In Greece, like in Spain, like in Portugal, while the political *élite* struggles with *its* economic recovery from the disaster *it* created, everyday life is worsening: economically, politically, and socially. Today's non-violent protest seems on the verge of violence. The fabric of society itself is in grave danger.

Resistance against oppression causes a rupture between rulers and the ruled. That is how revolutions begin. The thing about a revolution is that it is gradual and elusive. One does not even realise it is a revolution when in fact one is already in it.

Resistance and rebellion against unjust power remains a *Leitmotiv*, a succession of notes, which become a single, powerful voice in the history of mankind. What if real revolution broke out in Greece and then spread westwards ? It all begins with the people taking to the streets. It is that simple. Is the idea of revolution really far-fetched ?

In the Greek theatrical tradition, tragedy moves is from drama to catharsis. Κάθαρσις in Greek means 'cleansing'.

One would want to wish it to Greece, of course. But wishing will not be sufficient: what Greece is going to face is most likely a catastrophe.

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