GREECE SOLIDARITY CAMPAIGN

British MPs can back the Greek government's anti austerity plan and join the call for a European Debt Conference

Introduction

On the 25 January 2015 Syriza were elected to form a Government in Greece committed to a pro-growth / anti austerity policy. A critical, albeit longer term part of that policy, is the substantial reduction of 'Greece's debt' to the IMF, the EU and the European Central Bank (the Troika.)

The Greek government has therefore called for a European Debt conference to discuss an alternative approach to not only Greece's debts but to those of other sovereign states in Europe.

Currently, Greece has made a short-term arrangement with the EU. This will give some support to Syriza's reform package, especially on tax avoidance. But further measures and agreements will be required to allow Syriza to carry through its reform package in full.

Greek debt

Greece 'owes' €315bn, 175% of its GDP, in bailout loans received mainly from the Troika. The conditions for these loans were contained in a series of Memoranda from 2010 that imposed the harshest austerity measures in Europe combined with rapid privatisation. Just as Alexis Tsipras warned in his open letter to the German people, and despite a €40 billion debt relief package in 2012, and the worst austerity conditions for Greek people since their WW2 occupation, Greek debt has ballooned. Austerity has failed in Greece.

The effect of the Troika loans

Total Troika loans amounted to €252 billion between 2010 and 2014. €179 billion went on debt payment and debt interest (€40.6 billion in interest payments.) €48 billion went on the recapitalization of Greek banks – mainly restoring the capital of the big investors. Over the 4 years only €27 billion was spent by the Greek state on all of its internal, social obligations.

The Troika's terms meant that the loans could not be used productively. They have simply recycled and expanded the Greek debt. As a result the average Greek wage dropped to €600 (£450: $690) a month. Unemployment shot up to 26%, with youth unemployment at 59% . And the economy has shrunk by 25% since the start of the eurozone crisis.

In 2016 Greece's debt repayments servicing Troika loans will amount to €11bn, 3 bn of which is interest. 10 million Greeks in a shrinking economy know that the debt is not sustainable. What has been created is a situation where it is impossible for the debt to ever be paid, with constant rescheduling inevitable. What that means is a permanent debt economy, with no prospect or possibility of economic development.

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Some international reaction to Greece's position

US President Barack Obama said "You cannot keep on squeezing countries that are in the midst of depression… At some point, there has to be a growth strategy in order for them to pay off their debts to eliminate some of their deficits."

The French Finance minister, Michael Sapin has said that Greece needs a 'new contract' with its European partners and that their efforts to renegotiate are 'legitimate'.

German opposition politicians in the Bundestag and EU Parliament, including the vice-chair of the SPD party, along with all the main leaders of the trade unions in Germany, have signed a statement calling for 'serious negotiations with the new Greek government, to open up economic and social prospects beyond a failed austerity policy', in particular the 'ruinous' obligations of the loans agreed by previous governments of Greece.

Ex IMF chief economist Kenneth Rogof says that debt annulment is now an essential part of modern economic management.

Nobel prize winning economist Paul Klugman says 'Now, the truth is that nobody believes that Greece can fully repay. So why not recognize that reality and reduce the payments to a level that doesn't impose endless suffering? Is the goal to make Greece an example for other borrowers? If so, how is that consistent with the values of what is supposed to be an association of sovereign, democratic nations?'

What Greece is calling for?

Syriza has proposed a European Debt Conference modeled on the London Debt Conference of 1953, when half of Germany's post-World War Two debt was written off, leading to a sharp increase in economic growth.

What Syriza aim to negotiate as a result of debt conference is cancellation of a substantial part of the debt, with repayment of the remaining debt tied to economic growth and the purchase of Greek sovereign bonds under the European Central Bank's €60bn monthly programme of quantitative easing.

Modern history of 'debt cancellation'

Debt cancellation is not a new or eccentric concept. The McKinsey Global institute (who have recently issued a report showing that world debt has risen by $57 Trillion since the 2008 crash) suggests several ways to reduce debt, including 'more efficient programmes of debt restructuring'. This means some debt annulment.

In 1934 the British government, without any negotiation, simply stopped paying their WW1 debt to the US. This would amount to £40 billion today if adjusted by RPI, or £225 billion if estimated as a proportion of GDP.

The 1953 London Conference annulled over 50% of Germany's debts, including pre-war debts, as part of the planning to stimulate West German growth – informed by the knowledge that debt in the past had stifled growth and led to the catastrophe after 1918.

In 1983, a group of 27 countries, mainly Latin American, declared they could no longer finance their debt charges, from debts of over $239 billion. As a result in 1989 the Brady Plan (under President Bush senior) annulled 32% ($61 billion) of all outstanding loans in the 18 countries that applied.

In the 2000s heavily indebted poor countries had debts cancelled. $130 billion was removed from the debts of 35 countries, mainly in sub Saharan Africa.

Why does this matter to us?

The austerity programme across Europe has failed to deliver significant growth in seven years and there is no realistic prospect of doing so.

The situation in Greece has brought to the centre the possibility of an alternative to austerity and debt – opening up new possibilities that should be grasped by all who are interested in a dynamic and socially just Europe.

The Greek people voted for change and for hope. This hope is spreading – see the rise in popularity for Spain's anti-austerity party. Podemos is barely a year old and is running ahead in the polls.

If this movement for change is crushed, hope will be replaced by despair for the future and the contempt for current politics and politicians will increase. In that scenario it is the chauvinists, the nationalists, the racists and the fascists who will reap the benefit across Europe.

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WHAT COULD UK MPS DO?

1. Publicly support the Greek government's attempts to throw off the Troika's memorandum

2. Use their influence to build support for a European Debt Conference among European partners.

3. Call for a public and independent EU countries' based enquiry on the reasons for the (mounting) debt and what the debt is being used for, including an examination of the role of the City of London.

4. Be part of an ongoing Greece Solidarity network of MPs.

SPEAKER BIOGRAPHIES

Euclid Tsakalotos

Euclid Tsakalotos is Alternate Minister of Foreign Affairs in the Greek Government and responsible for the international economic relations of SYRIZA. He has been a key figure in the ongoing negotiations between the Greek government and its partners.

Euclid is a Professor of Economics at the University of Athens. He is the co-author, with economist Christos Laskos, of *Crucible of Resistance: Greece, the Eurozone and the World Economic Crisis* (Pluto, 2013)

Ann Pettifor

Ann Pettifor is a director of the think-tank Policy Research in Macroeconomics (PRIME). She was one of the leaders of the Jubilee 2000 campaign, which led to the writing off of $100 billion (in nominal terms) of debt owed by 35 countries in Africa, Latin America and Asia. In 2005 she helped the Nigerian Debt Management Office clear $30bn of debt owed to the Paris Club of creditors.

Ann was one of the few people to correctly predict (in 2003 and 2006) the global debt-deflationary crisis of 2007. She is the author of *Just Money – How Society Can Break the Despotic Power of Finance* (Commonwealth Publishing 2014) and *The Coming First World Debt Crisis* (Palgrave 2006) and was the editor of New Economics Foundation's *Real World Economic Outlook – the Legacy of Globalisation: Debt and Deflation* (Palgrave 2003)

Paul Mason

Paul Mason is economics editor of Channel 4 News, and author of '*Why It's Kicking Off Everywhere*', a book about the global unrest of 2011 that focused on Greece.

He is currently making a documentary about the first 100 days of Syriza in power entitled *Greece: Dreams Take Revenge.*

Chair, Jon Cruddas MP

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The social impact of austerity in Greece – factsheet

Unemployment

- Between 2009 and 2014 273% increase in unemployment – pre-memoranda was 9%, in 2014 26%
- Unemployment among the young (16-24 years) in 2014 was 59% – nearly 6 out of 10 of all young people. In 2009 it was 21%[1]

Cuts in wages and pensions

- 2009 – 2014 wages dropped by 38% and pensions by 45%.
- The average Greek household has lost a third of its income, while the cost of living proportionately is the highest in the EU.

Poverty

- 8 mill Greeks live close to the poverty level, 432€ per month[2]
- 5 mill Greeks live in extreme poverty, under 233€ per month[3]
- So 58% of the Greek population live close to or in absolute poverty[4]
- In 2012 one fifth of households could not meet basic food needs. Since then poverty has increased.[5]
- From 2009 to 2014 doubling of proportion of children living in conditions of severe deprivation – risen to 21%[6]
- 400% increase in overdue mortgages – from 5% to 25%, 280 000 households threatened with repossession
- Jan – Sept 2013 237 000 premises (80 % of which are residential) had their electricity supply cut off due to unpaid bills

Health

- Greece has an insurance-based health system – paid through work
- If you are unemployed you are covered for the first year. 72% of people unemployed in Greece have been so for over one year
- 3.3 million – a third of the population of Greece – are uninsured
- 20 per cent of children not being vaccinated as parents are uninsured
- Infant mortality increased by 14% between 2008 – 2012 – the highest increase since WW2
- Pressure on public health caused by poor access to treatment, poor living conditions, malnutrition and stress. 40% rise in heart attacks among women due, rise in perinatal death rates
- Health spending cut by 1/4 in the first memoranda[7], further cuts since.
- 45% hospitals have been closed – 80 hospitals now, 177 pre-memoranda.

NOTES

1 Children of the Recession, Unicef 2014

2 Parliament's State Budget Office http://www.mkiellinikou.org/en/2015/02/27/the-results-of-austerity/

3 ibid

4 ibid

5 OECD 2013 Annual Report

6 Children of the Recession, Unicef 2014

7 Greece's health crisis: from austerity to denialism, The Lancet vol 383, no 9918