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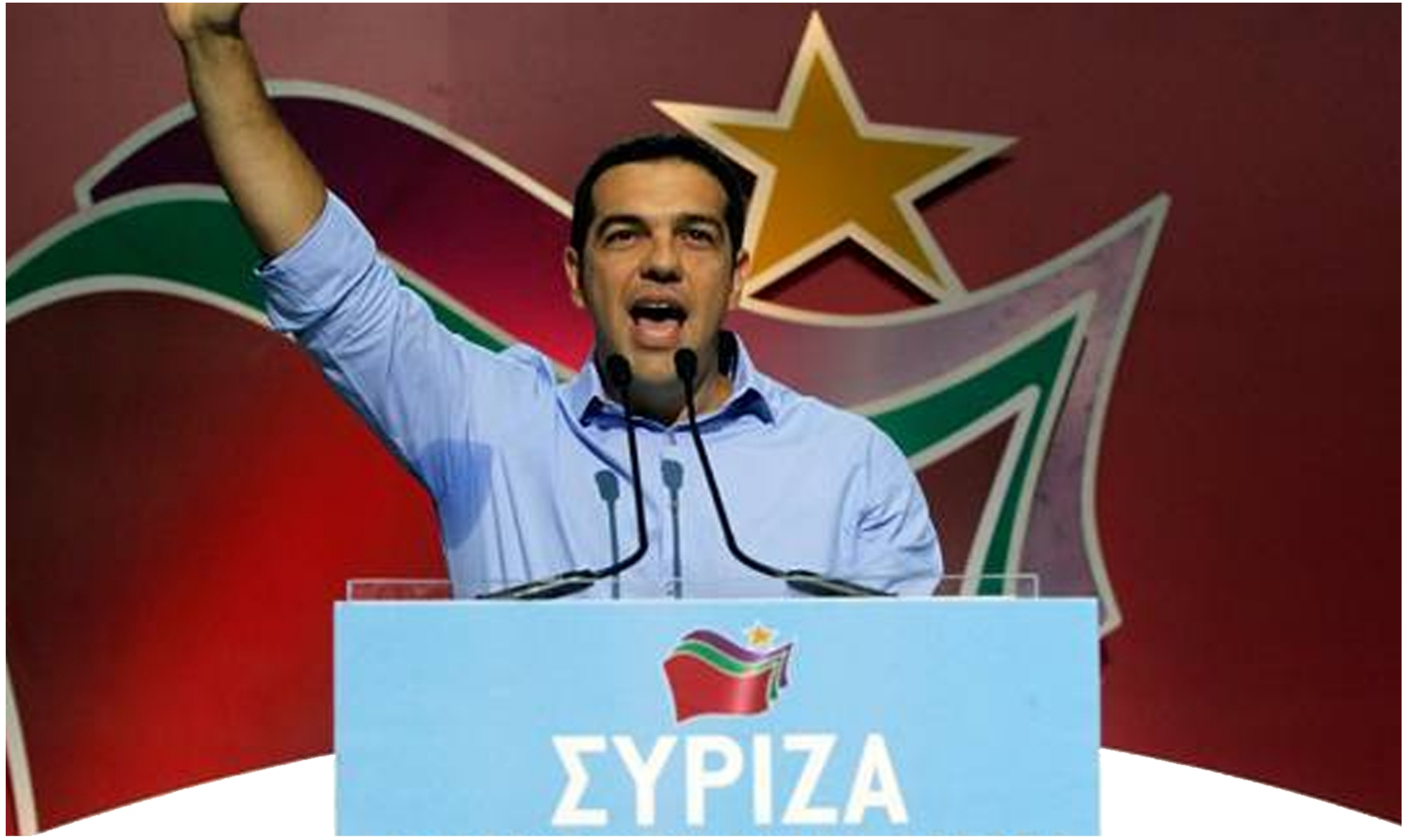

THE BIG DECEPTION

TPTG

JULY 2015

In a paper we presented in May 2015 at a public meeting on the left wing management of the capitalist state, we stated that *"the boring spectacle of the Greek state's 'negotiations' with its European 'partners' and the partial institutional reforms introduced by the Syriza government have functioned like the blue pill of hybernation, a pill that has been swallowed by a large amount of proletarians and the movement against violent internal devaluation. But in the desert of the real, the state of things is crystal clear for those who dare look at it: the only negotiations actually taking place are those between the leadership and the rank-and-file of Syriza, with the leadership trying to convince the rank-and-file to accept the new memorandum and the repayment of debts".*

By June, it was obvious that Syriza's tactics of "chasing two rabbits (and catching none)" and the postponement of the implementation of the austerity measures agreed both by the former government and Syriza's with the Troika last February could no longer work. When the Troika (ECB, IMF, European Commission) decided to end the spectacle of "negotiations" by putting forward a "take it or leave it" proposal on June 25th, Tsipras announced a referendum for July 5th on whether Greek citizens should approve or reject it.

Here we should note some things on the proposals that were made both by the Greek government and the Troika *before* the announcement of the referendum. During the June "negotiations" for a new ESM loan agreement, the Greek government had made a forty-seven page proposal to the Troika that included a number of harsh austerity measures and reforms. After some rounds of negotiations, on 22nd of June a more concrete proposal had been sent to the Troika by the Greek government which would amount to 8bn cuts. The proposal was not accepted by the Troika, which in turn made a new proposal to the Greek government (the so-called "Juncker's proposal"). This proposal was presented as an ultimatum: if it was not accepted by the Greek government then grexit would be inevitable. The truth is that the proposal of the Greek government did not differ greatly from that of the Troika, their main difference being debt restructuring. There were also some minor differences on particular issues, e.g. concerning the time for the implementation of certain measures (the Greek government wanted to delay the implementation of certain measures concerning pension cuts), the liberalisation of collective redundancies, a measure that the Greek government rejected, or the privatisation of the Independent Power Transmission Operator which the Greek government also rejected. However, both proposals took the **same political direction**: the continuation of austerity, the reduction of the direct wage due to VAT increases, the reduction of pensions and a rise in the retirement age, wage cuts in the public sector, further restructuring of labour relations, privatisations etc.

Footnotes

[1] Though all details of the new agreement are still to be finalised, it is clear that SYRIZA has agreed on a 3-year austerity package in return for the 86bn-euro loan. From that massive loan, 80bn will be used for bank recapitalisation and debt servicing, while the remaining 6 bn euros will be used to finance public administration debts to the private sector (e.g. hospital equipment and drugs suppliers etc.).

[2] Two of the many SAPs that have been brutally launched against the global proletariat over the years. It is worth mentioning that certain reforms that the Troika have been persistently trying to impose on Greek proletarians is simple copy-pasted from other, older, SAPs. The latter constituted the notorious response to the so-called "debt-crisis" and local class-struggles of the 80s when many African and American countries defaulted, in the aftermath of extreme oil-price fluctuation. SAPs were elaborated by IMF technocrats and implemented by local capitalists, those who, after all, had tied up their countries with international flows of over-accumulated money capital by means of state bonds issuance, which were then used to finance the capitalist expansion and modernisation of local accumulation regimes. It was, and still is, through the implementation of those SAPs that the direct use of military force by the imperialist "centre" against the then colonies of the "periphery" has consecutively been covered up and transformed into the indirect use of financial force against the (nowadays) ex-colonies, under the pretext of "sovereign debt crisis".

[3] One could mention here Piraeus port pier No 2 upgrade (the one that is now leased by COSCO) and pier No 3 construction, logistics centre at Thriasio Field, railways connecting Piraeus port to Thriasio Field, Athens-Thessaloniki railway system upgrade etc.

[4] COSCO has already signed major agreements with Hewlett-Packard and other multinational companies to channel their products to CEE countries. A historical precedent of such a strategy are the cheap commodity flows from SE Asia to the US, funded by massive US national and private debt expansion, that have allowed for the stagnation – if not decrease – of workers' direct wages in the US since the 80s.

[5] This shift to new locations other than China, even though the latter still receives the lion's share of all new investments in the car industry, is related to rising labour costs in China and (still) high transportation/logistics costs.

[6] K. Marx, *Capital*, vol. 3, Penguin, p. 490-91. Our emphasis.

[7] *On Syriza and its victory in the recent elections in Greece* (French translation in *Echanges* #150).

[8] For a different kind of initiative, but of very limited potential, have a look at this site: http://synelefsi-syntagmatos.espivblogs.net/

are still mediated by inter-classist, populist forms of organisation and 2) that the mass base of a new Syriza-like populist party of political crooks is under formation. Whether it will manage to attract Syriza's disillusioned electorate is a question which is too difficult to answer for the moment.[8]

TPTG

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Four days after the announcement of the referendum on June 27th, Tsipras made a new proposal to the Troika asking for a new loan by the ESM in which he accepted almost entirely "Juncker's proposal"! The Troika did not accept the new proposal. So, the referendum that took place five days later on was actually on whether or not to accept a proposal that the Greek government had already accepted!

However, for intra-party reasons this high political risk was absolutely crucial for Syriza's leadership. They knew that they had no hope of convincing the party's MPs to vote this ultimatum deal or even the government's own proposal in unless an extreme "state of emergency" was created. And this is what happened after the announcement of the referendum. Banks were closed and capital controls were enacted. The middle class YES [to all memoranda] movement, a movement created in June by the right-wing parties of New Democracy, PASOK and Potami and encouraged by Syriza's timid, eurocentrist neoliberalism-with-a-human-face, jumped on the bandwagon. Having most of the mass media under their control, they started a hysterical propaganda war in favour of YES, consciously misinterpreting the referendum as one on whether Greece will remain in the European Union or not. This propaganda had the opposite result: even KKE voters rejected their party's proposal to cast spoiled ballots and abstain from the "false dilemma" of the referendum, and voted NO.

The new agreement (which will lead to the third memorandum) that was finally reached after the referendum is much worse than the above mentioned proposals as we will show below.[1] It's impossible to know what exactly happened behind the scenes that Sunday night of July 5th and the following day when an informal "national unity" government was formed, leading to the resignation of top managers of the Ministries of Finance and Economy like Varoufakis, Manousakis (Woland) and Valavani. But what we do know is that both the local bourgoisie and the Capitalist International were embarrassed by the result of the referendum – the true meaning of NO was that 62% of the voters fearlessly reject the continuation of all kinds of memoranda – and that SYRIZA's government is determined to ease the pain they felt from the result and continue the internal devaluation policy aligned with the dominant European austerity policy. Ironically enough, not only the closed banks, the capital controls and the grexit terrorism unleashed by European and local propagandists (politicians, journalists, state intellectuals) but also the result of the referendum provided the necessary legitimisation for Tsipras and his government to implement the third memorandum and continue the further devaluation of our labour power for the benefit of local and European capital. The referendum was a stress test on whether the electoral base of Syriza still believed passively in the government's "good intentions". The bigger than expected percentage of NO, coming mainly from the working class, only meant that Syriza's leadership had to intensify the propaganda image of a "good left party" that did all it could to avoid signing a new memorandum but, unfortunately, failing in the face of intransigent, superior powers.

The polarisation created between the mass media hysteria against NO on the one hand and the drive of Syriza's electoral base, the extra parliamentary left and parts of the anti-authoritarian milieu in favour of it on the other reached its climax with the outcome: the devastating NO was actually the culmination, the end rather than the beginning, of a government-led protest that devoured many people's energy against the politics of devaluation. This polarisation also obscured the developments leading to the very contrary of the result of the referendum: as it is known, the very next morning the prime minister met with the other political leaders to form this informal "national unity" government to help impose the new memorandum. The resignation of both Varoufakis and the leader of the Right wing party helped pave the way for this new alignment.

Before analysing the measures of the new attack against the working class, which are included in the so called "prior actions" demanded by the creditors to restart "negotiations" for the new program, we will briefly summarise the most important results of the policy of capital devaluation imposed through the previous Structural Adjustment Programs (SAPs) [2] also known as "memoranda":

- A 30% reduction of the GDP and a 65% reduction of capital investments.
- A 25% destruction of small capitalist or family enterprises (an absolute reduction by more than 300,000 units).
- Deregulation of labour legislation through the actual annulment of sectoral employment contracts and the abolition of collective bargaining for the determination of the minimum wage.
- A 22% reduction of the minimum wage by decree, a 20% reduction of the unit labour cost and a 50% reduction of the purchasing power of the wage workers.
- Expansion of precarious labour: part time employment has increased from 6.5% to 11.5% of total employment. Most of the new jobs created pertain to part-time labour (89.3% in the last quarter of 2014).
- Widespread violation of labour legislation by the bosses, e.g. unpaid overtime and late wage payments.
- Pensions below 1000 euros have been reduced by 16.9%. Higher pensions have been reduced by up to 48%.
- Unemployment rate increase from 7.7% in 2009 to over 26%. In absolute terms the latter corresponds to a mere reduction of 1 million jobs. By early 2011, unemployed and idle proletarians have surpassed those being employed, resulting in a 1 million difference by 2012.
- A very high increase in direct and indirect taxation of the working class. Especially for poorer households, the increase has been tremendous, reaching 340%, including income and property taxes.
- As far as our indirect wage is concerned social expenses have been acutely decreased since 2009: 35.6% reduction of education expenses· 38% reduction of health expenses.

disciplined and well educated labour that German export-oriented capital goods production has been steadily relocating since the early 70s, as part of a more general agenda that the German state has been persistently pursuing.

The successful reproduction of this disciplined and cheap labour at CEE countries is among the most important presuppositions for the unhindered continuation of the mercantilist policy, launched by German capital and its state in order to export the consequences of the (permanent-since-1973) crisis to the rest of EU countries. The former mercantilist policy heavily depends both on the mystification of global –mostly female– unwaged household labour **and** on the perpetuation of massive imports of cheap consumer goods from SE Asia.[4] Respectively, the process of "annihilation of space through time" that depends on efficient infrastructures and disciplined workers' exploitation, allows the fast supply of capital goods that Germany and its satellite-countries are exporting to the developing Asian markets. It is no wonder that further allocation of car manufacturing to CEE countries (mainly Slovakia and Czech Republic) is to be expected in the following years, alongside China, Mexico and the US.[5]

What those specific aspects of the brand-new, harsher of all so far, memorandum clearly demonstrate is that the role of credit and banking system is not limited to "simply" recycle overaccumulated capitals through state bonds purchases and make profit by means of mere speculative usury, further inflating bubbles of fictitious capital. In fact, simultaneously, "[credit] *capital really does emerge, in the pressure of its demand and supply, as the* ***common capital of the class****, whereas industrial capital appears like this only in the movement and competition between the particular spheres*".[6] It is due to this that the credit and banking system undertakes a critical role in defining, organising and supervising the (pre)conditions of capitalist reproduction as a **whole**. It is due to this that the new SAP, nowadays implemented in Greece, will affect proletarians in other EU –though not only– countries too. It is, finally, due to this reason that our response shall be total **and** international or nothing. It is, in other words, only through our common, proletarian struggles in Asia and EU that both the normality of the social factory and the totality of social capital with its numerous transformations and mediations are to be put under our fierce attack.

A final word about the political situation in Greece before and after the referendum: most of the vote for Syriza last January was a passive *"revenge vote against a right-wing government whose harsh austerity programs had disastrous effects on [people's] lives"*, as we said in our first text on Syriza.[7] But another quite large part of its voters were activists involved in the anti-austerity citizens' movements of the previous years. The same people, through exactly the same recuperable forms of organisation (popular assemblies, municipal political parties, local solidarity structures etc) have recently set up new "NO to the end" [sic] committees, consisting mainly of dissident Syriza and other pro-drachma leftist parties members. This means 1) that proletarian social needs

- The creation of an independent Privatisation Fund ("Sovereign Wealth Fund") according to the model followed by the German state and its "Treuhandanstalt", the agency that promoted the massive dispossession and privatisation of fixed capital and other immovable property of the former People's Republic of Germany. The Privatisation Fund will constitute of bank assets (e.g. subsidies, immovable property, mortgages etc.) and all assets that have already been transferred to the Hellenic Republic Asset Development Fund (TAIPED), according to previous memoranda, such as state-owned shares (e.g. shares of the Telecommunications Company, Piraeus and Thessaloniki Port Authority, OSE Railway Company, Athens airport etc.), various infrastructure (airports, marinas, regional ports) and state-owned immovable property (the ex-airport of Athens in Elliniko, various buildings, public lands etc.). State-owned shares of the Greek banks are also among the assets that might be transferred to this fund. The aim of this Privatisation Fund is to collect 50 bn euros "through privatisation and other means" within the next 30 years. So far, judging from the local (e.g. Elliniko airport, state lottery, tier no.2 of the Piraeus port, regional airports etc.) and global experience all assets to be privatised are first artificially undervalued. Therefore the 50-bn-euro goal correspond to assets of higher actual value. From the expected revenues: 25 billion euros will be used for the gradual repayment of bank re-capitalisation; 12,5 billions will be disposed in order to reduce the nominal debt, while the remaining 12,5 billions will be channelled in productive investments, in order to (re)subsume our devalued labour power to the self-valorising logic of global capital.

It should also be noted here that the new round of privatisations (a.k.a. "accumulation by dispossession"), especially those regarding the sphere of commodity circulation (railway, airport and port privatisations, "market liberalisation" for road and naval transportation according to OECD toolkit etc.), is of deeper importance, its consequences affecting the reproduction of capitalist relations on a much broader level.

By means of targeted state spending[3] –most of which were subsidised by EU structural funds- Greek capitalists aim to synchronise their pace with Chinese ones, who nowadays are investing on massive infrastructure development (e.g. Belgrade-Budapest railway upgrade so as to increase network capacity from 500 trains per year to 2000-2500 by 2018, construction of commodity terminals e.g. shopping malls in Hungary etc.). The joint aim is to set up a new and more efficient commodity supply chain – Greece being the most important transit hub of that network due to its ports. Through this newly developed axis, circulation and turnover time will be compressed, servicing almost all European countries, especially those constituting Germany's productive and consumptive satellite zones in Central and Eastern Europe (CEE), where the former's impressive and lasting net external surpluses are allocated, rather than being "wasted" to EU southern markets or boost domestic demand by means of wage concessions to German proletarians. Indeed, it is to these CEE zones of cheap,

- Almost 40% of total population (see: 20% of full time employees, 37% of full-time self-employed and 52% of part-time employees) is below or close to the so-called "poverty threshold".
- The income of the poorer 10% of the population has been reduced by 86% compared to only 17-20% for the richer 30% of the population.

A brief description of the initial measures in the new phase of capital's attack

The initial measures of the new program that have been codified as "prior actions to start the negotiations" concern five particular fields in the context of the overall attack against the working class: 1) taxation, 2) wage labour market, 3) changes in the civil procedure code in favour of banks (e.g. foreclosure easing), 4) pensions and 5) accumulation by dispossession (or continued "primitive accumulation").

1. Taxation system / state expenses

- Increase of the VAT rate from 13% to 23% for a big number of "necessities of life" (which had been 9% before 2009): coffee, tea, sugar, chocolate, biscuits, canned food, legumes, veal, and a number of other commodities. It is estimated that if the increase in the VAT rate is passed on to commodity prices and the consumption level in 2015 remains the same as last year then the average annual additional burden on each household will reach 157 euros.
- The VAT rate has also increased from 13% to 23% in public transport (bus and ship tickets, taxi fares, etc.), in hotels, catering and restaurants, foreign language and remedial schools.
- Abolition of the 30% tax reduction in the islands.
- The so-called "solidarity surcharge" is increased for incomes over 30,000 euros, while it remains the same for smaller incomes.
- Property tax (ENFIA) is maintained at the same level at least for 2015 and 2016 contrary to SYRIZA's promise to abolish it.
- State expenses for heating allowances are reduced by 50%.
- Big increase in the taxation of farmers and abolition of various subsidies they enjoyed. It should be noted though that the measures hitting farmers –except for the VAT hike on fertilisers, fodder and various insecticides, pesticides etc.– have been postponed until September due to fears of an even bigger loss of votes in parliament not only from the "left opposition" within SYRIZA but also from New Democracy and PASOK, who are currently supporting SYRIZA to pass the new reforms.

2. Wage labour/product market

- "Review and modernisation of collective dismissals, industrial action, and collective bargaining, taking into account best practices elsewhere in Europe", i.e. abolishing restrictions on collective dismissals, makings strikes more difficult and permitting lockout as a response to a strike, further deregulation of collective bargaining legislation.
- "De-politicisation" of public administration, i.e. restricting strikes, union activities and union participation in public sector management.
- Further reduction of the costs of public administration, in line with a schedule agreed with the creditors, i.e. wage cuts, a new round of layoffs, etc.
- Retraction of the legislation which was introduced counter to the previous memorandum, i.e. the re-opening of ERT and the rehiring of cleaners, teachers and administrative university staff or the introduction of "clear compensatory equivalents".
- Abolition of the Sunday holiday for retail shops throughout the year and "liberalisation" of the sales periods (i.e. permitting shops to put on sales – i.e. price reductions – whenever they wish). This specific measure further promotes centralisation of capital through the destruction of small retail shops. It also leads to centralisation in the sphere of circulation (e.g. logistics and transportation) and agricultural production.
- Opening of the restricted professions of engineers, notaries, actuaries, and bailiffs, and "liberalisation" of the market for tourist rentals and ferry transportation.
- "Liberalisation" of truck licenses, beverage and alcohol production, pharmacy ownership, dairies and bakeries, points of sale of non-prescribed pharmaceutical products.

3. Civil Procedure Code

- The code is being changed in order to make foreclosures much faster and easier even for the primary residence of a debtor. The minimum bid will be defined by current market prices (rapidly decreasing since 2009) and there will be a further 50% discount, in case the first auction proves unsuccessful.
- In the case of the bankruptcy of a capitalist enterprise, repayment of the banks takes priority over compensating employees and servicing debts to the social security funds or the tax authorities. It should be noted that these changes in the Civil Procedure Code had been rejected by lawyers last November in a referendum organised by the Athens Bar by a majority of 94% –but it looks like referenda do not mean anything in Greece.

4. Pension System

The "prerequisites" for the pension system – that are part of the actual reform measures, already scheduled to be approved later in autumn, and should be considered as the continuation of previous reforms (like the "Giannitsi reform" in 2001 or the "Loverdos reform" in 2012) – include:

- the raise of retirement age to 67
- the unification of pension funds (initially only for auxiliary pensions) and the subsequent downward adjustment of auxiliary pensions through the indirect application of the zero deficit clause
- the gradual abolition of the Subsidy of Social Solidarity for Pensioners (EKAS) starting from the beginning of 2019. More than 200.000 pensioners nowadays are entitled to EKAS pension supplement.
- the penalty increase for early retirement from 6% per year to 16%
- the overall reduction of pension spending by 2,5-3 bn euros over the period 2015-2016
- the freezing of the State's subsidy to pension funds at today's nominal levels until 2021 despite the expected increase of pensioners
- the further passing of healthcare costs onto us
- the restructuring of the pension system aiming for a closer connection of contributions to the pensions given, that is the gradual transformation of the pension system from fundamentally redistributive to increasingly **compensatory**.

5. Accumulation by dispossession (privatisations and investments)

An important part of the agreement refers to the continuation of privatisation or in other words "accumulation by dispossession". Among many other, the following are predicted:

- The Greek Statistical Authority (EL.STAT.), Greek banks management and the Hellenic Financial Stability Fund (HFSF) will be put firmly in the control of creditors and the Capitalist International. In that sense creditors will control monetary reserves, loans etc.
- Bank re-capitalisation with 25 bn euros, further increasing the public debt. This shall be added to the 38 bn euros already given by the State for the bailout of the Greek banks after the PSI agreement. This new re-capitalisation scheme will result in further concentration of the banking sector, massive layoffs of employees and the simultaneous shrinking of their Balkan network.
- The application of the EU Bank Recovery and Resolution Directive (BRRD) that defines compulsory liquidation procedure for the failed banks (e.g. bail-in procedures).