

# BURDENED WITH DEBT RELOADED

## The politics of devaluation

What follows should be read in the context of our analysis of the crisis in “Burdened with Debt”,<sup>1</sup> the paper we presented at the 2010 summercamp.

Very briefly, our point of view is that the aggravation of the protracted capitalist reproduction crisis had been postponed by a certain politics of money that had led to a relative autonomisation of finance capital and a closer interaction between exporters of capital/lenders of money and debtors with increasing private or public debts (on the level of the EU this was expressed as a hierarchical interaction between the “core” nation-states and the “peripheral” ones). With the bursting of the real estate bubble in the US into a global financial crisis in 2008 there were additional public debts due to socializing of capitalist losses and bailing out banks. In some countries, the financial crisis turned into a fiscal crisis of the state. In Greece, the regime of accumulation of the '90s and 2000's based on the increase of fixed capital investment and productivity of labour, a dual labour market and high public and private spending made possible by the low real interest rates in the Eurozone “periphery” (due to the higher inflation rates compared to the ones in the “core”) and the corresponding influx of capitals from the surpluses of the EU “core”—a regime that had started showing signs of decline since the mid 2000's due to the fall in the rate of exploitation— collapsed completely with the advent of the crisis. Due to the fact that this is a country with a relatively high level of proletarian unrest which, despite capitalist modernization in the last two decades, coexisted with a strong petit-bourgeois class and a traditional system of political clientelism, it was considered suitable by the dominant fractions of the Capitalist International and their local allies as a laboratory of fiscal terrorism and police repression. In Greece, the initial austerity measures developed into a full blown shock policy of devaluation of capital, which has deepened the recession and increased public debt. A main ingredient of the politics of devaluation of capital is the depreciation of labour power which aims at the weakening of the power of the working class by establishing permanent austerity and disciplining mechanisms, and by the creation of a large reserve army. Furthermore, this depreciation of labour power is facilitated by the institutional abolition of collective bargaining agreements, a process which, to a great extent, undermines the very function of the labour power representation mechanisms (see below).

The general politics of devaluation, with its bank recapitalization measures, the elimination or expropriation of that portion of the total-social capital (small and medium-scale enterprises) that is unable to valorise surplus capital, the depreciation of promissory notes and the fall in consumption and investments, aims at the centralization of capital, the reproduction of so-called primitive accumulation and the overcoming of the separation between the different moments in the reproduction of the capitalist relationship that existed before the crisis.

We do not pretend to have a full understanding of the internal contradictions of European capitalism and our research into the matter is still a work-in-progress.

Whether this peculiarly irrational condition of “*unemployed capital at one pole and unemployed worker population at the other*” (Marx) will be resolved in the future through a controlled recession that will lead to a rise of the competitiveness of the Greek economy inside a new European cycle of accumulation or whether the increasing contradictions due to protracted politics of devaluation will lead to chaotic development and the rupture of the Eurozone, we do not know. We can't tell what the extent and the forms of the centralization of capital will be. While we are still in the midst of a devaluation process through “debt crisis”, it is too early to say what the form and content of a future regime of accumulation will be –if there is going to be one– fuelled by a devalued labour power and how much stable it will be. This process has led to a competition among the capitalist “*hostile brothers*” where, both at the level of relations between nation-states and on the national terrain, the strongest and the most cunning “*tries to reduce his own share [to loss] to a minimum and to shove it off upon another*” (Marx). It has also led to the rise of nationalism inside the working class, an individualist struggle to preserve one's job, an export of labour power (especially its skilled part) and a rust out of the unemployed labour power.

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<sup>1</sup> [http://www.tapaidiatisgalarias.org/?page\\_id=105](http://www.tapaidiatisgalarias.org/?page_id=105)

In the midst of a capital devaluation process, there are nevertheless certain investment plans especially in the energy sector (solar power, oil and hydrocarbons) and a long list of imminent privatisations of state services and state controlled companies, which, however, in an environment of deep recession and lack of state investments, seem very uncertain.

As an illustration of what we said above, here are the most recent data we have gathered.

**Concerning the recession:** in 2010-2011, GDP (in 2000 fixed prices) has decreased by 10% (overall recession for 2008-2011 is 16,3%). Total consumption has fallen by 12.6% (-10.7% for private consumption and -14.5% for public consumption). Gross fixed capital investment has decreased by 17.9%.

**Concerning exports:** the exports of goods and services have increased by 14.5% in 2010-2011. This is due to the recovery of international trade, that is the increase of external demand in all countries. So, if it is put in its international context, Greece's market performance of exports of goods and services in 2010-2011 is -1% compared to 2009, which is the worst export performance in the last 20 years. Exports correspond only to the 1/5 of GDP.

**Concerning employment and unemployment:** in the second quarter of 2011, employment has decreased by 6.1% and unemployment has increased by 36.5% compared with the second quarter in 2010. The rate of unemployment had reached 20.9% last November or, in other words, more than one million people. Particularly affected are women from 15 to 34 years old whose unemployment percentage is 32% and young people (15-24 years) in general whose percentage is 48%. As a result economically non-active population has exceeded active one by 500.000. GSEE estimates that the unemployment rate will run into 26% in 2012. This percentage of unemployment is comparable only to the one in the early '60s when hundreds of thousands of Greeks emigrated to central Europe, North America and Australia. Note that the 2012 estimates do not count in the forthcoming dismissals in the public sector: 15,000 state workers will be dismissed this year and 150,000 in total by 2015 (the total number of employees in public services and the state apparatus was 768,000 by 2010, that is 15% of the total workforce, one of the lowest in Eurozone: note that since 2010 this number has further decreased due to the minimal new hirings in 2011 and 2012 and the (early or not) retirement of many employees). The only sector where employment is increasing is the police.

**Concerning unit labor cost and productivity of labor:** during 2010-2011 the unit labor cost decreased only by 1.2%. This happened because while average nominal wage in the private sector decreased by 4.5%, productivity of labor also decreased by 3.3%. Productivity of labor is related to the number of laborers employed, the rate of labor discipline and the net investment in fixed capital. Total investment in both constant and variable capital has decreased by 29.4% in the last two years. Apart from that, the unit labor cost decrease has led to a meager 3% decrease in the prices of export goods and services.

**Concerning the closing down of small and medium-scale enterprises:** already 1 in 4 commercial enterprises has closed down and their confederation estimates that by the summer 2012 38% of them will have closed down. During 2010-11 68.000 small and medium-scale enterprises have closed down (Jan-Sep 2011: 67.000 job losses) while estimates for 2012 seem gloomy too: 60.000 more enterprises are to close down resulting in 100.000 job losses. It is important to note down that small and medium size enterprises in Greece are the true backbone of both the Greek economy and society, accounting for 99.9% of all capitalist enterprises, their share in total employment being 85.6% –without taking into account the “black” labour force– compared to 66.9% in EU and they count for 72% of value-added production compared to 58.4 % in the EU according to 2011 statistics.

**Concerning retirement pension cuts:** without going into details, since the cuts vary according to the age of the pensioners, the amount of the pension and the pension fund one belongs to, due to the new measures pensions will be cut by 10 to 20%, retirement compensation by 30% while health care has deteriorated and social benefits to disabled people have been cut too. Note that according to the European Committee new pension cuts have to be applied by 2012-2013 so as to make-up for the pension funds losses due to the recent PSI implementation.

**Concerning wage cuts:** in 2010-2011, wages in the public sector had been cut by 23%. With the introduction of the new wage scale in this sector in November 2011, the wages have been cut by an

additional 20% in average. Before the new round of austerity measures, the real wages in the private sector had been cut by 8%. Now the basic pay is cut by 22% and for those under 25 by 32%. This means that the basic pay is reduced to 480 euros or 400 euros for those under 25. The unemployment benefit is reduced to 350 euros (note that in Greece you can't get this benefit, which is the same for every unemployed, for more than one year and you are entitled to get it only if you have worked for two consecutive years full-time before your dismissal). All existing union contracts will cease after three years at maximum and private contracts are encouraged. Wage drift is frozen until the rate of unemployment falls under 10%. Employers' social security contribution is reduced by 3%.

**Concerning the fiscal crisis of the state:** in 2011 the government budget deficit has increased in absolute terms by 1.3% in comparison with 2010. The state revenues have decreased by 1.7% while the state expenses have increased by 2.8% in the same period. The decrease of state revenues is due to: a) the reduction of average wages, pensions and employment and, therefore, the reduction of the associated individual income taxes, b) the decline in the profitability of the capitalist enterprises which combined with the reduction of the profit tax rate by 1% in 2011 led to a significant reduction of the tax on profits (which will be decreased from 24% to 20% in 2012, see below), c) the lower than expected increase of revenues from indirect taxes (VAT, taxes on oil, alcohol and tobacco), despite the big increase of the tax rates, because of the reduction in consumption, d) the big increase of tax rebates instead of their initially planned decrease due to the failure of the new relevant tax regulations. The main reason behind the increase of the expenses has been the increased debt service: interest payments rose by 23.6% in comparison to 2010. On the other hand the so called "primary expenditures" have been decreased only by 1.3% in spite of the deep cuts of the wages in the public sector. This is due to the increase of the expenditure for social security, social care and social protection by 12.8%. This increase is the result of a) the increased subsidies to the pension funds which are on the verge of disaster due to the big reduction of the social security contributions caused by the big rise of unemployment, the reduction of average wages and the wide extension of part time labour contracts and b) the increased expenditure for unemployment benefits caused also by the rise of unemployment. Further, military expenditure declined by 60% while expenditure related to the "Public Investments Program" declined by 21.8%. According to EUROSTAT, the ratio of Greek government debt to GDP has risen dramatically from 113% in 2008 to 129% in 2009, to 145% in 2010 and reached 165.3% by 2011. According to the European Committee, this ratio will be decreased to 161.4% by 2012 due to the PSI implementation, before rising again to 165.3% in 2013. Then, according to EC's "wishful thinking", it will start to decline slowly, as the Greek GDP will be increasing to reach a bit less than 120% in 2020, namely, where it was in 2009 when the fiscal terrorism strategy was adopted for the "salvation" of the country!

**Concerning taxes and profits:** *"Greece has been cutting the corporate tax rate over the last few years. The statutory tax rate for non-listed companies was cut from 40 % to 37.5 % in 2001 and to 35 % in 2002, followed by a cut to 29 % in 2006. It was then further reduced to 25 % in 2007. The tax reform enacted in 2008 foresaw a gradual reduction by 1 percentage point per year of the corporate income tax rate for the years between 2010 and 2014 (from 25 % to 20 %). Under the new tax law enacted in March 2011 the corporate income tax rate of 20 % shall apply to the total taxable income already from the year 2012 (for income earned in 2011), whereas a rate of 24 % shall apply only for the year 2011 (for income earned in 2010)."* Taxation Trends in the European Union, 2011 Edition – European Commission (available at: <http://ec.europa.eu/taxtrends>)

**Concerning the introduction of additional taxes:** due to the fact that the state is unable to increase its revenues through income and indirect taxes, new real estate taxes have been introduced with the aim to collect 2.5 billion euros more. Direct taxes are expected to contribute 22.3 billion euros to state revenues in 2012 compared to 17.8 billion euros in 2011. This they expect to achieve through the rise of the objective value (market value) of real estate property which will increase the relevant taxes by 33%. One has to keep in mind that the homeownership rate in Greece is 70%.

**Concerning saving account deposits:** according to a Focus Bari survey in March 2011 43% of Greek citizens do not have bank deposits at all while most of the rest use their deposits in order to survive.

**Concerning poverty, medical care and suicides:** in 2010 the Greek proletariat was the seventh poorest one in the EU in relative terms, with 27.7% of the population living in a household with a disposable income below the "poverty threshold" (60% of the median national disposable income). It is sure that this figure has risen since then and that a higher proportion of the proletariat is below "the

poverty threshold". The number of homeless people is approximately 20,000 (11,000 in Athens alone) having increased in the last two years by 20-25%. Most of the new cases of Greek homeless people are not related to drug addiction or mental illness as was mostly the case before 2008 but to long-term unemployment and/or house foreclosures. Suicides (both attempted and accomplished) have increased from 507 in 2009 to 622 in 2010 (+22,5%) before getting stabilized in 2011 (598 until December 2011, -3.9%). By comparing those numbers to the Greek average suicide rate (3.5 per 100,000 citizens -one of the lowest in Europe), then the increase gets much higher: +31,4% in 2009, +61,4% in 2010 and +55,7% in 2011. A few days ago hundreds of people witnessed a 77-year old pensioner shooting himself at Syntagma Sq. At his suicide note he wrote that he did not want to end up searching for his food in the trash bins. The news of this tragic event caused widespread anger. The same afternoon a few thousands of people gathered at Syntagma Sq. As a result, small scale clashes occurred with the riot police at the square and nearby streets. There is no official survey of the state of the medical system in Greece for the years 2010-2011. Some of the main changes we have experienced: since the beginning of this year, four major Health and Insurance Funds (those for civil servants/state workers, private sector workers, self-employed –both workers and small bosses– and farmers/peasants) have been unified into one, the National Organization for Healthcare Provision (EOPPY) which covers 9.5 million people. According to the regulations of this new fund, the number of doctors who are in contract with it is just 5000, which means 1 doctor for 2000 insured patients. Moreover, the maximum number of patients who are allowed to visit a doctor for free is 50 during a week and 200 during a month. After these numbers have been reached, the next patients should pay. Besides, the state compensation to doctors has fallen from 20 to 6.5 euros per visit, which is certain to become an additional factor for the deterioration of medical care –unless one can afford to pay more.

**Concerning emigrants and immigrants:** there is a growing tendency of emigration among both skilled and unskilled workers. The state seems to favour such a development for reasons of weakening forthcoming class struggles, that's why it looks forward a bilateral agreement with Australia and New Zealand similar to the one it has already made with Canada. Many immigrants from Eastern Europe (Albania, Poland, Romania) working during the past years at the constructions sector, as well as many Kurds are leaving the country since they can't find a job any more. At the same time the police is persecuting street vendors from Africa and Asia under the pretext of eliminating "illegal trade" and the centres of the cities are kept under constant surveillance, while the presence of riot cops and police squads in areas where marginalized proletarians hang around is more than evident, mainly around university buildings situated in downtown Athens where street vendors usually gather. Currently, massive arrests of immigrants without papers are being made in the central neighborhoods of Athens, while new concentration camps, where arrested immigrants are going to be held awaiting to be deported, are to open soon in regions all over Greece. To make matters worse, illegal immigration is crudely related to increased criminality rates and threats for the public health according to the overwhelming media propaganda that diverts the public discourse agenda, imposing the immigrant figure as the convenient scapegoat for all the suffering currently experienced by the Greek population. At the same time, the police doesn't prevent fascist gangs and thugs from attacking immigrants. According to a new law introduced by the government as part of the new agreement with the troika, within the next three months all "illegal" immigrants employed at the agricultural sector or as nurses, maids and cleaners must present with their employers at the police in order to register themselves. In case they do so, the employers are exempted from all social security contributions and from all fines for hiring an "illegal" worker till the moment of his/her registration. If the "illegal" immigrant and his/her employer don't present themselves at the police and the immigrant is arrested, the employer has no penal implications but he is not exempted from the contributions of the period before his/her arrest/registration. Within six months after his/her "registration" the immigrant must return to his/her country of origin and only in one month after his/her deportation from Greece, his/her employer can apply in order to get a one year permit for his employee.

**Concerning housing and the unions:** The undermining of the function of the unions is also shown by the recent closing of the Workers' Housing Organisation (OEK) and of the Workers' Social Fund (OEE) both supervised by the Ministry of Labour, as part of downsizing the public sector in observance of the terms set by Greece's creditors. These two organisations were funded by workers' and bosses' contributions, which were recently abolished (the so-called 'decrease of the non-wage cost') so that the government could find an extra 300 million to finalize the deal of the new bailout package with troika. As OEK was in charge of state-subsidized housing for the poor and large families, it was estimated to have around 1 billion euros of available capital for the development of housing units across Greece. The provision of rent subsidies to 120,000 beneficiaries, the issuing of 10,000 subsidized housing loans

a year and the building of more than 1,500 homes annually have come to an abrupt halt (with widespread repercussions in the construction sector and on banks that issue subsidized loans, which will further deepen the recession). However, the closing of the Workers' Social Fund (OEE) has another effect, one on unions. Founded in 1931 by the state, OEE's role was to manipulate and control unionism, as it would support financially and house those unions whose 'objectives and activities were not against the Law', as its founding law dictated. Through the contributions by workers and bosses, OEE housed labour unions of the private sector and the regional Labour Centres all over Greece and financed them (including payment for their personnel), it held a supplementary insurance fund for union cadres, it supported financially union cadres' training by holding seminars and only later, in the 80's onwards, it had also a welfare function (programs of subsidized tourism and kindergartens etc). Having been less and less able to perform their essential function —the bargaining of the price of the labour power and in general the reproduction of the working class as working class, as variable capital— the unions have reached a point where this inability of theirs has finally undermined their very existence. However, if it is the capitalist state that gives a decisive blow to its valuable pillars, even in a state of emergency, then it will not be left intact from such an historical change in its relationship to the unions...

## Concerning the Private Sector Involvement (PSI)

The PSI bond exchange is a sovereign debt restructuring agreed on 9 March which means that Greece is under an orderly default. Despite the fact that the PSI exchange is characterized as the ‘*largest ever sovereign debt restructuring*’ and the exultation that accompanied its agreement,<sup>2</sup> the real decrease of the Greek sovereign debt is actually low. Let’s see why. The debt which is held by private investors (banks, pension funds, hedge funds, individual holders) will be restructured according to the agreement (21 February 2012) between the Euro-leaders and the Institute of International Finance (IIF).<sup>3</sup> The agreement includes a 53.5% “haircut” on the nominal value of eligible Greek bonds.<sup>4</sup> The rest of the amount will be covered by EFSF notes (having a face amount equal to 15% of the old bonds), short term EFSF notes (to repay the interest rates of the old bonds), new government bonds (having a face amount equal to 31.5% of the old bonds and a 10 to 30-year maturity) with GDP-linked securities (e.g. the bond interest rate will proportionally increase if Greece achieves higher GDP increases than planned).

In absolute numbers the bond exchange aims to restructure approximately 197 billion euros, if the participation in the PSI reaches 95.7%.<sup>5</sup> Therefore, the total reduction of the Greek debt due to the 53.5% haircut amounts to 105 bn euros. However, the financing of the PSI through the second Troika bail-out reduces significantly the actual amount of the restructured debt: 85.5 out of 130 bn euros of the second Troika bail-out will finance the PSI bond exchange. This amount is composed of 30 bn euros EFSF notes (also known as “PSI bond sweeteners”), 50 bn euros help to the Greek banks (also known as “recapitalization” process)<sup>6</sup> and 5.5 bn short term EFSF notes to repay the old bond interest accrued. Therefore, the actual relief from the swap is rather small, less than 50 bn [=197-85.5-62 bn, where the 62 bn correspond to the new government bonds that replaced the 46.5% of the 197 bn bonds]. If we also take into consideration the financing of the public deficit for 2012 (more than 14 bn), the servicing of Greek sovereign bonds owned by the ECB (ca. 4.6 bn), and the new loan of the second bail-out, then the real decrease of the debt will only be ca. 30 bn (=50-14-4.6) or ca. 8% of the total debt for this year. This is why according to the European Commission the Greek debt as a GDP percentage will still be very large during 2012 (161,4% from 165,3% in 2011), rising again to 165,4% in 2013.<sup>7</sup>

Leaving therefore aside the spectacular presentation of the sovereign debt restructuring as ‘a major national and European success’, the PSI bond exchange demands 85.5 bn euros deriving from the second Troika bail-out (130 bn euros loan) that was announced the same day (21.02.12). Ironically and in a true twisted logic the ‘success’ of the sovereign debt restructuring was presented as a precondition for this second bail-out while it was the other way round and, more importantly, both were ultimately premised on the agreement of the new internal devaluation package known as “Memorandum n.2” and the implementation of the measures it includes.

The only thing that spoilt the fun was that the Greek government had to activate the recently famous CAC’s<sup>8</sup> in the face of the refusal of 6 out of the 14 Greek pension funds which hold government bonds

<sup>2</sup> See for example the triumphant but touching at the same time announcement of the Greek technocrat Prime Minister, Papademos: ‘*With the completion of the biggest debt restructuring that has ever taken place, a window of opportunities and hope opens for Greece. It is a considerable, I would say historic, success, that became possible with the systematic, coordinated and tough efforts of many. With the help of our partners, with the sacrifices of the Greek people and the cooperation of the political forces that support the government, we achieved a very difficult task*’. To enjoy the full announcement, see <http://www.emg.rs/en/news/region/176168.html>

<sup>3</sup> Check here for the members of IIF: <http://www.iif.com/membership/members/>

<sup>4</sup> Due to the lower interest rates of the new government bonds and their prolonged maturity the real loss for the bondholders reaches approximately 75% of the net present value. However, we must note that some hedge funds have bought big amounts of Greek bonds at very low prices, well below 46,5% of their nominal price, at the secondary bond market, bonds that were additionally secured by means of CDS. Thus those funds can now profit due to both the low prices they bought and the securities that were triggered by the haircut.

<sup>5</sup> Note that the total amount of the Greek public debt is approximately 366 billion euros.

<sup>6</sup> The Greek banks will receive 50 bn euros for their recapitalization after taking haircut losses on their Greek bond portfolio (42 bn euros) of no more than 23 bn euros...

<sup>7</sup> After all, the nominal reduction of the Greek debt due to the haircut is 105 bn, while the second bail-out loan is bigger by 25 bn...

<sup>8</sup> *Collective Action Clauses* allows a supermajority of bondholders to agree to a debt restructuring that is legally

and are facing imminent danger. Consequently, the bond exchange lost its “voluntary” character; ISDA characterized the Greek PSI as a “credit event” and as a result CDS were activated.<sup>9</sup> According to some media, law firms representing bondholders (from individuals to hedge funds) intend to sue the banks and the Greek state, claiming full repayment of their holdings. At the same time, the ‘markets’ and the rating agencies treat the new Greek bonds as unsafe. It is indicative that although they are registered under the British legislation and advertised by the IIF and political officials<sup>10</sup>, their prices fall near 15% to 20% of their nominal value, depending on the bond-contract duration.

The political conclusions are rather gloomy:

1. The PSI constitutes a decisive moment in the management of the debt crisis against the proletariat reaffirming the capitalist neoliberal strategy of money terrorism through debt. The Greek state gets even tighter tied up to the Troika’s and Eurozone’s vicious circle of new loans for the repayment of debt which lead to a deeper internal devaluation of labour and unproductive/non-competitive capital. According to the Declaration of the Eurogroup of 21 February (when the PSI was agreed), in order for the Greek state to ‘*carry out fully the privatisation plans and implement the bold structural reform agenda, in both the labour market and product and service markets, in order to promote competitiveness, employment and sustainable growth* [sic]’, certain preconditions were set: a) Further strengthening of the European Commission’s Task Force with a permanent presence on the ground and a stronger on-site monitoring, working in close and continuous co-operation with the Greek government in order to assist the Troika in assessing the measures taken by the Greek government, b) Establishment of a special account controlled separately from Greece’s main budget, which should, each time, contain enough money to service its debts for the next three months, c) Introduction in the Greek Constitution/legal framework of a provision ensuring that priority is granted to debt servicing payments.

Besides, the biggest part of the sovereign debt gets under the English Law which endeavors to grant a bigger protection to the creditors in case of a default, even giving them the ability to confiscate assets of the Greek state.<sup>11</sup> Moreover, if Greece were to leave the Eurozone, it could no longer pass legislation to convert euro-denominated debt into new drachma debt.

Furthermore, except for the servicing of payments, the above procedures aim to forcibly deepen the political unification of the Eurozone, even if their outcome could equally be its disintegration. This has given rise to a political turmoil over the last year in Greece:<sup>12</sup> the formation of a “National Salvation” government with a technocrat prime minister; the unofficial, yet substantial, declaration of a “status of emergency”; the splits of political parties and the creation of new ones; the oncoming national elections through which the ruling fraction of capital tries to establish itself and respond to the social discontent and the political turmoil; the strengthening of left and right nationalist tendencies both on the political and on the social level.

2. The currently main holder of the Greek public debt is the Official Sector,<sup>13</sup> the Euro-area one (ECB, NCBs) and the IMF, if we add together the two bail-out packages and liquidity with which the ECB has supported Greek banks, with the private sector now declining to almost one third. Through the PSI, therefore, the leading fraction of the European bourgeoisie has managed to destroy ‘orderly’ a large part of financial capital already devalorized, freeing thus mainly banks from the burden of toxic debt and transferring it to ECB and NCBs and through it to the “European taxpayers” (that is, mainly to the European proletariat and petty bourgeoisie). As Greece is used as a laboratory of fiscal terrorism, the rest of the European proletariat is soon to follow. Besides, such relations of debtor-creditor ‘partners’ in the EU leaves a lot of ground for the political management of the already rising nationalism among

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binding on all holders of the bond, including those who vote against the restructuring (wikipedia).

<sup>9</sup> <http://www2.isda.org/news/isda-emea-determinations-committee-restructuring-credit-event-has-occurred-with-respect-to-the-hellenic-republic>

<sup>10</sup> The Greek minister of Economy, E. Venizelos, advertised the PSI exchange as “*a smart and profitable choice*”, a “success story”.

<sup>11</sup> It’s hard not to bring to mind what Marx had written on the national debt: ‘*The national debt, i.e. the alienation by sale of the state... marked the capitalist era with its stamp. The only part of the so-called national wealth that actually enters into the collective possession of a modern nation is the national debt*’. Capital, vol. 1, p. 919.

<sup>12</sup> Similar changes we can trace in Italy.

<sup>13</sup> During the last two years the ECB has been buying a large amount of “junk” bonds (not only Greek ones) in order to provide banks with liquidity and ameliorate the private losses from the debt restructuring. This means that the exposure of ECB at problems of servicing the debt has increased.

European proletarians.

3. The assault on the Greek and immigrant proletarians seems to have no end. As already mentioned, the PSI scheme is greatly connected to the implementation of the new internal devaluation package (“Memorandum n.2”). If the progress of the latter is not the expected one, then no money from the “rescue plan” will be deposited to the special account serving the Greek debt, while the Greek government will have to fund it by itself (eg. tax money). The European Committee has already suggested that new austerity measures accounting to more than 11 bn have to be applied within the next two years<sup>14</sup>, mainly targeting on further cuts on pensions, unemployment benefits, minimum wages, social spending related to the national health system, etc. Massive lay-offs from the public sector (15,000 during 2012 and 150,000 by 2015) are on the plan too. It seems highly probable that the revenues from this new attack will be channeled to make-up for the losses of the Greek pension funds (roughly estimated to 11 bn) due to the implementation of the PSI “rescue plan”.<sup>15</sup>

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<sup>14</sup> IMF in its last report on Greece talks about 14 bn!

<sup>15</sup> One should note that all the money that the pension, hospital or university funds had deposited on the National Bank of Greece were invested by the NBG management on Greek bonds, without the funds’ knowledge or consensus, even a few days before the PSI implementation, resulting in huge losses for the funds as the bonds were bought at the nominal and not at the market price.

## **Class struggles in a war-like situation**

As general strikes have had less and less participation after 2010 at both private and public sector and precisely because of their total failure to halt the wave of institutional measures which has been imposing an unprecedented depreciation of labour power, struggles emerged on the terrain of the implementation of this devastating attack, that is the separate workplaces at both public and private sector.

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The 'sovereign debt crisis' attack unsurprisingly found its immediate target at the public sector. Therefore, the workers at this sector were the first who responded against the wage cuts, the huge slashes in public spending, the dismantling of services and the dissolution of a vast amount of state entities.

Apart from strikes and demos which escalated last October, a wave of sit-in protests at town halls, ministries and public service offices by civil servants in Athens and around the country marked an unusual upgrading of struggle for this particular sector. Workers sealed off the entrance to the social security informatics directorate, as well as the entrance to the housing, interior and development ministries and to the pensions directorate of the General State Accounts Office. These militant practices, which blocked at least temporarily the 'labour reserve' plans of the government (whereby 30,000 civil servants were supposed effectively to lose their jobs within months) signalled the awakening of the majority of the chronically lethargic civil servants whose very existence, according to the state propaganda, now constitutes the main 'structural problem' of the country.

Municipal workers nationwide occupied local government offices and refuse collectors were on a ten-day protest that included a blockade of the capital's main landfill site in northwest Athens. The municipalities undergo drastic cuts at the moment, as some of their services (starting with cleaning services) will get privatized and a part of their personnel is going to be dismissed.

On October 12, members of the GENOP union began an occupation of the printing offices of the Public Power Corporation (DEI). As part of new property tax legislation, the DEI billing department was to send homeowners bills for increased property taxes as part of their electricity bills. Although not devoid of populism -they claimed they would not cut off electricity only of those who live in abject poverty, thus undermining the aggressive character of the movement against taxes- and a macho bravado, those unionists' action slowed down the whole process.

Capitalist crisis proves to be particularly unhealthy for proletarians as the severe cuts in all kinds of health services show: there were about 40% cuts in hospital budgets, understaffing, reported occasional shortage of medical supplies, merges or even closures of hospitals as well as mental institutions and rehabilitation centres. Health workers have responded by continuous strikes or even occupations of the Health Ministry with the last one having lasted for 15 days. An interesting struggle took place in the General Hospital of Kilkis, a town in northern Greece, for some weeks. The general assembly of all health workers (doctors included) decided to occupy the premises and started the retention of work, serving only emergencies until the complete payment for the hours worked, and the rise of their income to the levels it was before the arrival of the troika (EU-ECB-IMF), as they say. They also provided free healthcare declaring that the long-lasting problems of the National Health System (ESY) in the country cannot be solved through limited claims of the health services sector and thus they placed their special interests inside a general framework of political and economic demands against the brutal capitalist attack asking for solidarity from everybody. Though the occupation is over, the unpaid health workers continue the retention of work.

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A series of defensive and sectional struggles at workplaces at the private sector revealed that the Greek industrial capital has already taken advantage of the new institutional framework of the 'state of emergency' now ruling in Greece to prop up its profitability or just transfer its own debts and losses onto the workers.

The basic demands around which these struggles evolved were mainly against lay offs, factory closures, removal of machinery and commodities' stock by the bosses, for due payment and defense of existing labour contracts. Over several months last year numerous struggles appeared of a similar trend. In a steel factory in Volos 100 workers were on strike for a month against its closure and lay offs. In an aluminium factory in a western suburb of Athens, workers were on strike demanding payment due for over a year. Similar strikes with the same demands took place in two other aluminium factories in the same area.

Two milk factories in Attiki and Larissa correspondingly were the terrain of some victories: after just one-day strike in Agno milk factory against lay offs and clashes with the riot cops, the workers got back to their jobs. In Larissa the strike made the bosses revoke both the lay offs and the wage cuts. In a pharmaceutical factory in Northern Attiki the 330 workers' struggle was focused on demanding wages due (they had not been paid for months) and rejecting the imposition of intermittent work (once a week). There were also clashes with the riot police when the bosses tried to remove commodities of thousands euros value out of the factory.

The 400 steel workers' strike at Elliniki Chalivourgia (over 150 strike days) in West Attiki started as a response to 50 lay offs after the bosses' blackmail to change the labour contract (5 hours a day for a 50% wage cut) had been rejected. The same company owns another factory in Volos, of a smaller productive capacity and with 360 workers who, acting as scabs, work 8 hours a day temporarily to make up for the production of the factory on strike, although, according to the bosses' plan, their labour contract has changed, too.

It is a struggle 'adopted' by PAME through the control of its union. According to the initial strategy, the struggle was presented as having emblematic dimensions for the working class in general, with its possible victory being symbolically a 'victory for all' and conversely, its defeat a 'defeat for all'. What helped build this emblematic character -apart from PAME's activities and aspirations- was not only the unusually long duration of this struggle but also the unexpected solidarity shown by all political milieus, base unions, neighbourhood assemblies, the workers' own community or just ordinary people (a solidarity, however, mainly confined to financial support). As time went by and the bosses seemed intransigent, the limits of the stalinists' tactics imposed on the struggle became obvious: the strike remained stagnant without any prospect either from within -it is indicative of the Stalinist lawfulness that the strikers do not dare to even call their struggle 'occupation', let alone seize the means of production for whatever purpose...- or from without. Some solidarity actions were met with reserve and even hostility by the union: *'All those who believed that they would keep our struggle away from other factories or companies, that they would turn us against the organized class movement, PAME, where we belong and which supports us, now that they failed, they will intervene more openly. They will attack us with slander, lies, terrorism and provocations, in order to weaken our struggle. They have already started doing so in various ways so far. In press announcements, through various events under the pretext of solidarity...'*, (from Sifonios' speech, the head of the union, on January 17, at the strike demo of PAME). In this way political opponents of KKE were held at bay while on this very day (17/1) of an Attiki-wide strike declared by Attiki Labour Centres, the strikers of Elliniki Chalivourgia chose to follow PAME strolling down to the Ministry of Labour leaving all other solidarity strikers take the usual route to Syntagma square. Instead of an 'escalation' of the struggle, the strike actually was used by the KKE as another opportunity for its electoral campaign: 'No dialogue-No retreat-the plutocracy should pay for the crisis-Down with the government of predatory taxes-Elections now-All join the strike on 17/1 and PAME's demo', as the announcement of PAME ended.

The use of the steelworkers' strike as a tool for promoting the stalinist party's general political line, does leave room for some opportunistic manoeuvre though, as the recent (17/2) warm welcome to the neo-nazi Golden Dawn 'solidarity delegates' in the factory by the head of the union showed. Whether

the steelworkers are heading for a double defeat –both by the bosses and the stalinists who manipulate a workers’ struggle subordinating it to their political games– or not is a bet that a lot would not like to make...

Mass media were hard hit by the recession: the huge cuts in state subsidies and private money injections led to massive lay offs in newspapers and TV stations.

At ‘Eleftherotypia’, a newspaper identified with the ‘rebirth’ of democracy after the fall of the dictatorship and of a prestige equivalent to the French ‘Liberation’, journalists, administrative personnel and printers went on strike when it became known that the boss intended to file for protection from its creditors under Article 99 of the Bankruptcy Code. The boss claimed credit problems and left the workers unpaid since summer while giving shares to shareholders the previous years. Before December, there had been a series of strikes without any effect and after it the workers published two issues of the paper with the support of the journalists’ union, without however having any definite prospects ahead.

‘Communist’ bosses have been hit by the recession, too. Since December 2010 the administration of the KKE-owned 902 FM radio station /902 TV had started firing non-party member workers without previous notice. What’s worse, when some workers started organizing against the firings, they faced the party’s divide-and-rule tactics pitting them against the party members. Just recently, KKE’s press company, Typoekdotiki, a giant printing company in Greece, which was facing potential closure, filed for protection from its creditors under Article 99 of the Bankruptcy Code. The Code stipulates that employees and other interested parties cannot request or seize assets of a company in trouble until a recovery program is applied and until it gets clear whether the company will continue to exist or will be liquidated. However, it was PAME that condemned such practices of the bosses just almost a year ago. Here is an extract from their daily newspaper, Rizospastis (10-11-2010): *‘The only ones who gain [from the application of this Code] are the employers, since they get rid of those they are indebted to, both suppliers and workers (namely the workers are regarded to be suppliers), safeguarding employers so that they proceed to default on payment to all. Workers lose everything, wages, redundancy payment, insurance money, eligibility for unemployment benefits, while they are blackmailed by employers to leave, taking half the redundancy pay or by being imposed to shiftwork or part-time employment so that the company’s profits can be saved’*. So much for workers’ rights and ‘socialized’ means of production, as KKE’s political programme emphasizes!

At a TV station called Alter, its 620 unpaid for months workers proceeded to work retention, brought transmission to a halt and with interventions at the TV frequency in the occupied TV station they presented mainly struggles at various workplaces. This struggle, we must note, is also largely controlled by PAME.

Certain other strikes were effective enough at least in blocking attacks on wage and labour relations: at Vodafone mobile-phone company, the few days’ strike resulted in preventing the change of labour contracts (less hours for less wages). At Notos department chain stores, a 24-hour strike and strike pickets were enough reasons for the bosses to withdraw a new labour contract (less hours for less wages) at least for the moment.

Struggles over wages due are quite often the case in the tertiary sector, too. Hotel workers were on strike in Northern Greece demanding wages due for months and mainly young and unemployed people who took part in the National Census managed to get their wages after a 6-month delay and after self-organized mobilizations (since there was no union for them).

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Apart from workplace struggles and because of the head-on attack on both the production and reproduction spheres, new forms of struggle have flourished mostly organized in neighbourhood assemblies.

These ‘popular assemblies’,<sup>16</sup> as most of them are called, have proliferated (over 40 only in Attiki) after the repression and exhaustion of the mobilizations at Syntagma square last August. They attract a growing number of disappointed, conservative voters of the two big (which is highly questionable now, as their legitimacy is fast diminishing) parties, leftists of all kinds, anti-authoritarians and quite

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<sup>16</sup> Some of them pre-existed the Syntagma square occupation.

ordinary workers or unemployed who are not acquainted with any political procedures and usually frequent the assemblies in the beginning of certain struggles to abandon them later and thus delegate powers to the militants.

Such struggle is the one against a new property tax integrated within the electricity bill which just shows the emergency nature of the capitalist attack we undergo. For a combination of reasons (the struggle is an opposition to the blackmail with the electricity, it expresses certain legal claims of unconstitutionality and it's a privileged ground for a collective refusal of payments from below), it soon took on the characteristics of a country-wide movement, mainly through neighbourhood assemblies. It is estimated, according to data by the GENOP union (of the Public Power Corporation), that around 30-40% of the households have not paid this particular tax. Faced with this mass indiscipline, the state seemingly retreated while it made a manoeuvre subsuming the tax under the responsibility of the Tax Office and thus it hopes to weaken the movement dispersing it into isolated, fragmented tax-payers. At the moment, they are cutting off electricity at small enterprises or professionals who have not paid the tax and at households that are in arrears with electricity bills for over four months. Moreover, as a response to the movement, the Ministry of Finance is claiming to have purloined money paid for the electricity and channeled it into the payment of the tax instead, which will be a new terrain of struggle.

The responses to the crisis are however varying and not necessarily of an antagonistic character. There has been a growing tendency –mainly within neighbourhood assemblies or ‘citizens’ networks’– of promoting projects of co-operative commodities exchange (usually without the intermediary sellers), service exchange, soup kitchens, self-sustained farming or even local social programmes for unemployed in an era when the welfare state is disintegrating and the social wage is under attack.<sup>17</sup> It seems that this self-managed austerity strategy's boundaries with charities flourishing now in Greece and led by the Church, NGO's and various well-known capitalists are somehow blurred. This movement will have a long way to go at the expense of a more radical and aggressive class one.

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<sup>17</sup> Particularly for SYRIZA (the Coalition of the Left), such initiatives are promoted under the slogan “No one on their own to face the consequences of the crisis” as a project of an informal welfare state. It may seem similar to alternative self-managed schemes but it is basically the Left programme for a social-democratic welfare state.

# **A short volcanic eruption in the heart of a prolonged winter**

## **A brief description of the events of February 12, 2012**

*We didn't die when we were starving for affection.*

*We won't die a hungry dog's death now,*

*you bloody bastards!*

From a wall in Athens

February, 12 can be considered as a massive proletarian eruption which was simmering for months now in a prolonged “state of emergency” and found a violent outlet against an equally violent capitalist shock policy. It was a temporary social explosion that took place during a day on which the majority of the parliament voted for a new “Memorandum of Agreement” between the Greek state and ECB, EC and IMF. The new Memorandum deepens the politics of devaluation and the fiscal discipline in both the public and the private sector, serving as a necessary condition for a new loan<sup>18</sup> and the PSI bond exchange.

The destructive burst of proletarian rage which took place that Sunday followed a rather disappointing, both in terms of participation and effectiveness, 48-hour general strike called by GSEE and ADEDY.<sup>19</sup> It becomes thus more and more obvious that general strikes, let alone the fetishistic call (propagated monotonously mostly by leftist organizations) for a “political general indefinite strike”, have become quite unpopular to the majority of workers. Of course, since the evacuation of the Syntagma square occupation (during last summer) till now, a series of struggles and sociopolitical events has taken place, but they never expressed such a dynamic and practical confrontation with capital and its state on the street level, as on that day, even if its duration was short.

The generalized riots declared a material negation of the present policy followed by the Greek capital, its state and its EU partners. Despite the fact that they didn't manage to cancel the voting of the “Memorandum no 2” (this could only happen by invading the parliament),<sup>20</sup> they sent a message of insubordination. Of course, this message is not clear as it reflects the multiplicity of motives and political tendencies of those that participated. The riots involved massive demonstrations, long and harsh confrontations with the police forces, extended destructions of fixed and circulating capital (looting and burning of banks, cinemas, commercial shops, pawnshops) as well as offices of MP's and police stations, mostly in Athens, but also in other major cities of Greece, too.<sup>21</sup> Many public buildings (ministries, town halls, public service offices) were occupied before and during that day. At least 200-250 thousand people<sup>22</sup> joined the events, in one way or another, in Athens. Many people were injured by the police forces. We will stick to Athens because this is where we witnessed some of the almost chaotic events.

Concerning the political and social composition of the demonstrators we can say, without exaggeration, that almost all the political milieus (anarchist-antiauthoritarian, parliamentary and non-parliamentary left parties and organizations as well as nationalists of all kinds) were there, a large number of organized football fans and many (first and second generation) immigrants mostly from Albania, East Europe, Middle East and North Africa. There were calls from the majority of unions, base-unions, and numerous neighbourhood assemblies. Although the huge crowd was predominantly proletarian, one

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<sup>18</sup> 130 billion euros for the years 2012-2014. The first “Memorandum” was accompanied with a loan of 110 billion euros (2010-2012).

<sup>19</sup> The umbrella union organizations of private and public sector respectively.

<sup>20</sup> There have been multiple efforts to invade the parliament since 2010. All of them were blocked by police forces.

<sup>21</sup> In Volos for example, a city in central Greece, a riot in a juvenile penitentiary broke out.

<sup>22</sup> According to other estimations, the number of demonstrators reached 500,000.

cannot deny that a significant part of the petit-bourgeoisie was there too, as in all violent demonstrations and mobilizations since the outbreak of the capitalist attack under the name of “debt crisis” two years ago. The age range covered three generations: from school students to pensioners.<sup>23</sup>

Despite the fact that all the calls for the mobilization at Syntagma square were for 17:00 and 18:00, 1,000-1,500 people had occupied Amalias St. (the road in front of the parliament’s building) already by 16:00.<sup>24</sup> It was in this street where the cops immediately and without any excuse started their effort to disperse the crowd by using pepper spray and flash-bang grenades. Then the clashes began... The arrival of a black-block at that time, was met with applause by other demonstrators, according to many witnesses.

The riot police used tons of tear gas in order to make the demonstrators leave the Syntagma square. We have to say that there were many people (including some of us) that didn’t manage to approach Syntagma. Most of the streets that converge to Syntagma Square were transformed into battlefields. Contrary to the divide-and-rule police tactics during the first day of the general strike, when the riot cops tried to attack and isolate only the “trouble makers”, on Sunday they aimed primarily at driving all the demonstrators away from Syntagma square: the crowd should not have remained as a unified body in that place and thus jeopardize in whatever possible way the voting process.<sup>25</sup> Besides, there was a need for the state for a spectacular management of the situation so that an empty square would symbolize the victory of the dominant capitalist policy in the repeated dilemma between “memorandum or default”. However, crowd dispersal was not an easy task. Barricades, molotov cocktails, a rain of smashed marbles and even close combats for 6-7 hours resulted in an atmosphere saturated by chemical gasses and fires in the centre of Athens from 19:00 until midnight. The police had also to deal with thousands of demonstrators who although not actively participating in the clashes, lootings or burning were equally angry, persistent and determined to remain in the streets, supporting in various ways the most violent ones. Anti-cops slogans were constantly heard ranging from “Pigs, killers” to even “Traitors” (!) or “Albanians” (!) accompanying the back and forth movement of the crowds and also revealing both the increasing delegitimization of the state as embodied in its repressive mechanism and the mystified in nationalistic terms reading of the devastating class attack as “treason”. However, it is noteworthy, at least in comparison to the violent clashes around Syntagma square in October that not only fear was in general absent but also hostile behaviour by significant parts of the demonstrators against the most violent ones (such a behaviour was confined only to certain leftists).

The extended destructions, burning and looting took place wherever the police was absent or where they could not intervene because of the barricades and the clashes. Thousands of people participated in these events and there was a festive atmosphere. People were applauding and cheering when banks were violated, smashed and set on fire. Many people young and old found opportunities to loot stores with clothes, shoes, optics, mobiles etc.<sup>26</sup> Constant and spontaneous collaboration and solidarity among demonstrators was an important reason for the duration of the riots.

Finally, around 1:00 in the night, the police managed to prevail and disperse the demonstrators. About that time some of us made a stroll in the center, where thousands of policemen blocked the routes to Syntagma and the parliament and a lot of firemen worked to extinguish the fires. Few people in small groups stayed around the square and a few hundreds were still in front of the parliament shouting slogans.

As Athens was set ablaze, the leaders of all the political parties, obviously scared by the ferocity of the riots and the response of the crowd, condemned the riotous proletarians in the name of a “peaceful and justified protest”, trying more and more hopelessly to create false divisions among the demonstrators. Needless to say, it is the very capitalist management of the crisis (to which some of them are

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<sup>23</sup> According to the police there were 79 arrests (53 Greeks and 26 foreigners). There were also 92 detentions (68 Greeks and 24 foreigners). Foreigners were from Albania, Algeria, Tunisia, Romania, Pakistan, Poland, Mauritania, Afghanistan, Palestine and Iraq.

<sup>24</sup> Interestingly, this time the members of the stalinist KKE were prudent enough to keep themselves away from Syntagma square in heavily self-guarded blocks in safe places (like Omonia square or elsewhere, too), chanting slogans to themselves alien to whatever was happening next to them. KKE made its demo and when, after hours of clashes, the police managed to push the masses of protestors to Omonia, they left the place.

<sup>25</sup> For an analysis of the divide-and-rule police tactics, see our two Open Letters, [http://www.tapaidiatiscalarias.org/?page\\_id=105](http://www.tapaidiatiscalarias.org/?page_id=105)

<sup>26</sup> Few ATM’s were emptied.

supposedly opposed) that is wiping them out quicker than their commodity temples are burned down.

The fierce witch-hunt, both in repressive and ideological terms, which was enacted by the state on the very next day of the riots shows that no questioning of the dominant capitalist policy can be allowed, especially when it gets so generalized and threatening. The police published photos of the persons who were detained on Sunday, 12 and also 23 photos which picture people in action (during that day) asking the public for information. This was a material expression of A. Samaras's statement (president of the conservative party): *"I will take off the hoods of those scum who destroyed the city"*, an instant of intensified repression. Also, police presence was increased in Athens the following days, as was the presence of fire brigades in various main streets. A week after Sunday, 12 a small (around 3,000-4,000) and non-violent protest in the Syntagma square, called by unions controlled by Syriza and other leftist organizations, resulted in 6 arrests and 135 detentions!

The next day saw also a series of short occupations of public buildings in Athens and other cities and a wave of international solidarity in other countries which is a first sign of the validity of the characterization of Greece now as a laboratory of a war-like capitalist strategy at least for certain parts in Europe.

The extremely volatile and explosive situation does not allow any safe conclusions for the time being since the inability of the proletarian struggles to have any real and persistent effects (in the production and reproduction spheres of the capitalist totality) is accompanied by a deep, generalized and amorphous despair and anger precipitated also by the destruction of any safety valves for their containment.<sup>27</sup> Therefore, the widespread prospect of a rather prolonged dead-end period looming ahead could be easily reversed by a social explosion that will change more deeply the balance of forces.

***TPTG***  
***April 2012***

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<sup>27</sup> Quite indicative of both the depth of the volatile nature of the proletarian response and the slow reflexes in such critical times of its most organized part (including the antiauthoritarian milieu) was the outcome of a big gathering of all the neighbourhood assemblies (about 42, only in Attika) on the very eve of the voting of the new Memorandum: the delegates agreed to meet after a month and a half later (!) without taking any practical initiatives regarding the next day even though the majority of them were among those who took part in the generalized riots the following day! On the other hand, we have to recognize that the role of organized anarchist/antiauthoritarian groups and also of football fans was important for the continuation of street fighting.