

Greece: Syriza, “The Economics of Conflict”, Negotiating with Creditors

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January 25th, Syriza (Coalition of the Radical Left) formed a government in Greece with the help of the ANEL (Independent Greeks). Within 24 hours direct attacks, threats and provocations aimed at the Greek government, about to begin negotiations with EU and Eurozone leaders, began. The attacks were pre-emptive strikes against efforts to find a quick, viable and productive solution to the Greek debt problem that continues to strangle the Greek economy and society; time is very short and everyone is aware that it is working against the efforts of the Greek government that needs to reach an agreement by February 16 or February 28 at the latest.



Thousands rally in Athens to show their support for the new Syriza government.

First came the German Defense Minister, [Ursula Gertrud von der Leyen](#), who warned that when you request solidarity you are expected to show solidarity. The warning referring to the objections that Athens raised on the first day of Prime Minister Alexis Tsipras on the job, that the new government was not even asked in the EU's decision to extend sanctions on Russia. The German minister also took the unprecedented step to warn that the place of Greece in NATO might be at stake if it continues to 'support' Russia. Greece however did no more than protest for not being consulted before such a serious decision was taken.

But the main battlefield is in Germany. On February 4th the European Central Bank (ECB) in Frankfurt stated that as of February 11th, 2016 it would stop accepting Greek bonds as collateral for granting liquidity. While Greek banks would still receive emergency funding from the Greek Central Bank through the Emergency Liquidity Assistance, the Greek government and the Greek finance minister tried to keep their cool and not raise the temperature higher than it already was. Regardless of the composed response the warning – if not blackmail – is very clear. The ECB decision gives to the Greek government six days to comply and 'capitulate' even though negotiations have barely started. Germany's Chancellor Angela Merkel and officials know that time works against them in one respect; leaders in Europe and beyond (see [Obama's interview](#) on the need to end austerity in Europe) may soon realize the value of the Greek proposal to pay the debt when the country's economy begins to grow and not spend tens of billions of euros in the next two years that could be invested in the real economy.

Negotiating with Creditors

The ECB of course follows its rules; Mario Draghi stated that it could not continue to provide

liquidity since the austerity-based program for Greece has been effectively discontinued. The demand however by the ECB and EU officials that the Syriza-led government continues the previous government's policy is an offence to democracy and the clear mandate of the Greek people in the elections of January 25. The assumption that a government elected with the mandate to negotiate a different plan for Europe (that is possible) and an end to austerity in Greece will renege on its promises that call for a more democratic and socially just Europe is historically naïve, politically dangerous and morally unacceptable.

But why is the Greek government's rather sensible and modest plan is an anathema for the German government and economic circles in Frankfurt, Brussels and most European capitals, especially Madrid? These attacks aim not at the Greek government's solutions to its debt and liquidity problems but at the rise of an anti-austerity party in government that generates hope for a rise of the Left around Europe. The expected rise of the Podemos party in Spain (elections to be held in November) threatens the right wing government and will challenge even more strongly Chancellor Merkel's intransigence. This is why German policy needs to stop the Syriza-led government from achieving what will amount to a relative victory, no more than an easing of the current debt repayment obligations, which is what the Greek government is asking and especially more time (up to six months) to devise an alternative program that will crack down on tax evasion as previous governments failed to do so. Who would disagree – European governments included – that the fight against the corrupt Greek oligarchs is long overdue?

[Yanis Varoufakis](#), the Greek finance minister, has already conceded that instead of asking for debt forgiveness the Greek government will focus on balanced and surplus budgets (of no more than 1 to 1.5% of GDP, instead of the insane 4.5% agreed by the previous government). Instead of a stand-off however a tough negotiation and an agreement is more likely. Concessions from Frankfurt or Berlin and expressed at the next Eurozone members meeting on Monday February 16 will reach a 'bridging agreement.' What is at stake is an alternative strategy for the EU and the Eurozone or the intransigence of the German government and its allies; the Greek government's plan to restore economic stability and generate growth in the continent, for economic, moral but above all political reasons is not only viable, but indeed necessary.

The role of France and Italy in the conflict is crucial and President François Hollande may grasp the opportunity he has been looking for. Italian Prime Minister Matteo Renzi can no longer be considered left in Europe and right-wing in Italy, as he complained when Tsipras visited him in Rome; but all social democrats have more to lose from parties like Syriza because they are exposed for failing to combat austerity-driven policies that have dragged Europe into deflation. The historic victory of a Left party with an explicitly anti-neoliberal programme represents a threat for the neoliberal/conservative bloc that dominates European politics at the moment. The failure of the austerity agenda is evident to all but very difficult to admit and above all 'sell' the U-turn to German, Dutch and other north-European electorates and even Spanish conservative voters. It is not an exaggeration to predict that from the battle between the first explicitly anti-austerity government of the Left in a Eurozone country and a very powerful bloc of other member states the future of the Left everywhere in the continent will be decided.

The Return of the Politics of Dignity

In some ways however the most significant battle has been won. The intense and hopeful

campaign of Syriza before the elections against the politics of fear won over middle-aged voters, the unemployed, the young, even the more conservative countryside. Syriza represents the promise of a new social contract with Greek society, since the party is untainted by corruption, mismanagement, failed promises and a disastrous handling of the crisis. Today the Greek government states emphatically that it will not be blackmailed and will not renege on its pre-election commitments. Despite the tense negotiations underway people in the country, in Athens and elsewhere, feel more confident, hopeful and not afraid; in an unusual show of solidarity to the Greek government a few thousand gathered on February 5th and more on February 11th and 15th around the country, but also in many cities around the world, to proudly state that they support the politics of dignity. It has been a very long time since a pro-government demonstration has taken place in Greece.

Beyond the economics of the conflict, most Greeks are hopeful because they elected a government that seeks to restore their dignity and respond to the racist stereotypes of corrupt, lazy and profligate Greeks. The first poll a few days after the elections shows the overwhelming majority of Greeks – not only those who voted for Syriza – approve of the dignified stance that the Greek government has taken in the negotiations. The Greek government in its first few weeks enjoys levels of popularity that reach 60 to 80 per cent, as people approve the strategy of tough but fair negotiating line that the Greek delegation and Tsipras personally follow. Such a return to politics was more than necessary in a country that has been divided for too long, has been scared for too long. Given the state of the country's economy and society it is not curious why Greeks elected a Left government, it is astonishing that they took so long.

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