Greek Central Bank Warns of "Uncontrollable Crisis"

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Ahead of today's meeting of the euro zone's finance ministers, the Bank of Greece warned that the country faces imminent economic collapse.

Months of talks between the Syriza-led government and its international creditors, the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF), over the terms of an austerity programme broke down acrimoniously at the weekend. The talks, ongoing since February, centred on whether Greece would receive €7.2 billion from the institutions, if Syriza agreed to impose further cuts. On June 30, the existing programme expires, with Athens due to make a payment of €1.6 billion to the IMF.

Athens could be forced into default in weeks since. On Wednesday, Syriza's top negotiator Euclid Tsakalotos bluntly stated, "At the moment we haven't got the money," as Syriza has already repaid more than €13 billion since coming to power. However, Greek Finance Minister Yanis Varoufakis said his government would not table any new proposals at today's Eurogroup meeting.

Greece's Central Bank bluntly warned in its regular monthly statement that, "Failure to reach an agreement would… mark the beginning of a painful course that would lead initially to a Greek default and ultimately to the country's exit from the euro area and, most likely, from the European Union."

In stark language, the statement warned that without an agreement, a "manageable debt crisis… would snowball into an uncontrollable crisis, with great risks for the banking system and financial stability. An exit from the euro would only compound the already adverse environment, as the ensuing acute exchange rate crisis would send inflation soaring."

The bank continued, "All this would imply deep recession, a dramatic decline in income levels, an exponential rise in unemployment and a collapse of all that the Greek economy has achieved over the years of its EU, and especially its euro area, membership. From its position as a core member of Europe, Greece would see itself relegated to the rank of a poor country in the European South."

The *Financial Times* noted that this statement was "the first time any Greek authority has publicly broached the possibility the country could face ejection of the 28-country club that Athens joined shortly after its return to democracy in 1981."

The central bank's intervention was politically directed against Syriza, whose leader, Prime Minister Alexis Tsipras, is demanding a loosening of certain austerity measures demanded by the EU before imposing them on the working class. It points to the support that exists in powerful sections of the Greek capitalist class for a policy of capitulating to the most extreme demands of the EU.

Bank of Greece President Yannis Stournaras led the enforcement of deep austerity as the finance minister (from 2012 to 2014) in the conservative New Democracy (ND) government. He is also a member of the IMF's Board of Governors.

Syriza issued a statement denouncing Stournaras who "not only exceeded the boundaries of his institutional role, he is attempting to contribute to the creation of an asphyxiating framework in the moves and negotiating abilities of the Greek government."

Fuelled by intensifying fears over a "Grexit" (Greek exit from the euro zone), the Athens stock market again fell sharply. By closing, it was down 3.15 percent, a 17.3 percent drop just in the last four sessions. Greece's banks, cut off from international money markets months ago by the ECB and haemorrhaging deposits, fell a further 1.38 percent. Their overall value has plummeted by 27 percent in the last week.

Leaders of Syriza's Left Platform, an amalgam of pseudo-left outfits who fear that Syriza will lose all credibility if it signs on to the institutions demands, called nationwide demonstrations against the troika Wednesday evening. Speaking to the *Guardian,* Stathis Kouvelakis, a Left Platform member of Syriza's Central Committee, said, "Either Tsipras commits political suicide and accepts these measures, or he says the big 'no'."

Thousands of people heeded Syriza's call and came out to demonstrate in front of the Greek parliament in Athens. This is only a pale reflection, however, of the opposition to further EU austerity measures that exists in the Greek working class, and that led to the voting out of the previous ND government and the collapse of Greece's long-standing social democratic party, Pasok.

Earlier another Left Platform leader, Stathis Leoutsakos, raised the possibility of the armed forces being mobilised to enforce the edicts of the EU, saying, "The proposals made by lenders can only be passed with tanks and if the lenders want to pass them they have to find the tanks." He backtracked immediately, adding, "I don't mean tanks in the classic sense of the word. Today tanks have been replaced by a communications game that they play in great skill in the euro zone."

As Greece nears default, with the threat of economic chaos across the continent, divisions within the European ruling elite on how to manage an all-encompassing crisis are surfacing.

Greek Prime Minister and Syriza leader Alexis Tsipras received a visit from Austrian Chancellor Werner Faymann yesterday. Faymann speaks for those within ruling circles who want to finalise an austerity agreement by giving Tsipras a few minor concessions, which he could then attempt to sell to the population—even though it elected him based on promises to end all austerity measures.

Faymann trailed his visit by stating he wanted to "avoid a catastrophe." Of the EU, ECB, IMF demands of Greece, he said, "I know there were a number of proposals, also from the institutions, that I also don't find in order."

The institutions are calling for no let up in brutal cuts, but in Greece there is "high joblessness, 30-40 percent (with) no health insurance and then raising VAT on medicines. People in this difficult situation cannot understand that."

In Athens, he called for a continuation of negotiations stressing, "For Europe to be stronger, it must show solidarity and support to any country which needs it."

The *Guardian* described Faymann's intervention as "a last-ditch attempt to end the standoff with international creditors" before the euro group meeting.

Writing in the *Financial Times*, columnist Martin Wolf warned, "Neither Greeks nor their partners should imagine a clean break if they leave the euro." Citing the economic breakdown and resulting mass unemployment in Greece in the last five years, he stated, "Such a brutal adjustment would have shredded the politics of any country. Europeans are now dealing with Syriza because of this calamity."

A deal being reached "now seems ever more unlikely," Wolf cautioned, adding, "That would not be the end of the story, however. Europeans will be unable to walk away. Whether Greece stays inside the euro or leaves, much the same challenges will arise. The Europeans would still have to admit that they would not get much of their money back; and they would still have to help avoid a Greek collapse."

Faymann, Wolf, et al. are at odds with other sections of the Europe ruling elite that are demanding a humiliating total capitulation of Syriza, whose most powerful spokesmen are elements within the German ruling elite.

Andreas Scheuer, secretary-general of the German Christian Social Union, Chancellor Angela Merkel's sister party, said, "The Greek government apparently hasn't realised the seriousness of the situation yet. They are behaving like clowns sitting in the back of the classroom, although they have received explicit warnings from all sides that they might fail to pass to the next grade."

Last week it emerged that European leaders began discussion on scenarios involving a Greek exit from the euro.

With no agreement expected from today's meeting, plans are being mooted for another summit of euro zone heads of government on Sunday. According to the FT, citing EU officials, preparations for this "were almost finalised," with these "included laying the groundwork for capital controls to prevent a meltdown of Greece's financial sector."