Update on Greek Debt Crises – Why Syriza Continues to Lose

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This past August marked the second anniversary of the Greek debt crisis and the third major piling on of debt on Greece in August 2015 by the Eurozone 'Troika' of European Commission, European Central Bank, and the IMF. That 2015 third debt deal added $86 billion to the previous $230 billion imposed on Greece—all to be paid by various austerity measures squeezing Greek workers, taxpayers, retirees, and small businesses demanded by the Troika and their northern Euro bankers sitting behind it.

Studies by German academic institutions showed that more than 95% of the debt repayments by Greece to the Troika have ended up in Euro bankers' hands.

But the third debt deal of August 2015, which extends another year to August 2018, was not the end. Every time a major multi-billion dollar interest payment from Greece was due to the Troika and their bankers, still more austerity was piled on the $83 billion August 2015 deal. The Troika forced Greece to introduce even more austerity in the summer of 2016, and again still more this past summer 2017, to pay for the deal.

Last month, August 2017, Syriza and its 'rump' leadership—-most of its militant elements were purged by Syriza's leader, Alex Tsipras, following the August 2015 debt deal—-hailed as some kind of significant achievement that the private banks and markets were now willing to directly lend money to Greece once again. Instead of borrowing still more from the Troika—-i.e. the bankers representatives—-Greece now was able once again to borrow and owe still more to the private bankers instead. In other words, to pile on more private debt instead of Troika debt. To impose even more austerity in order to directly pay bankers, instead of indirectly pay their Troika friends. What an achievement!

Greece's 2012 second debt deal borrowed $154 billion from the Troika, which Greece then had to pay, according to the debt terms, to the private bankers, hedge funds and speculators' which had accumulated over preceding years and the first debt crisis of 2010. So the Troika simply fronted for the bankers and speculators in the 2nd and 3rd debt deals. Greece paid the Troika and it paid the bankers. But now, as of 2017, Syriza and Greece can indebt themselves once again directly to the bankers by borrowing from them in public markets. As the French say, everything changes but nothing changes!

What the Greek debt deals of 2010-2015, and the never-ending austerity, show is that supra-state institutions like the Troika function as debt collectors for the bankers and shadow bankers when the latter cannot successfully collect their debt payments on their own. This is the essence of the new, 21st century form of financial imperialism. New, emerging Supra-State institutions prefer weaker national governments to indebt themselves directly to the banks and squeeze their own populace with Austerity whenever they can to make the payments. The Supra-State may not be involved. But it will step in if necessary to play debt collector if and when popular governments get control of their governments and balk at onerous debt repayments. And in free trade currency zones and banking unions, like the Eurozone, that Supra-State role is becoming increasingly institutionalized and regularized. And as it does, forms of democracy in the associated weaker nation states become increasingly atrophied and eventually disappear.

Syriza came to power in January 2015 as one of those popularly elected governments intent on adjusting the terms of debt repayment. But after a tragic, comedy of errors negotiation effort, capitulated totally to the Troika's negotiators after only seven months.

The capitulation by Syriza's leader, Alex Tsipras, in July 2015 was doubly tragic in that he had just put to a vote to the Greek people a week beforehand whether to reject the Troika's deal and its deeper austerity demands. And the Greek popular vote called for a rejection of the Troika's terms and demands. But Tsipras and Syriza rejected their own supporters, not the Troika, and capitulated totally to the Troika's terms.

The August 2015 3rd debt deal quickly thereafter signed by Syriza-Tsipras was so onerous—-and the Tsipras-Syriza treachery so odious—-that it left opposition and popular resistance temporarily immobilized. That of course was the Troika's strategic objective. Together with Tsipras they then pushed through their $83 billion deal, while Tsipras simultaneously purged his own Syriza party to rid it of elements refusing to accept the deal. Polls showed at that time, in August-September 2015, that 70% of the Greek people opposed the deal and considered it even worse than the former two debt agreements of 2010 and 2012. Other polls showed 79% rejected Tsipras himself.

To remain in power, Tsipras immediately called new Parliamentary elections, blocking with the pro-Troika parties and against former Syriza dissidents, in order to push through the Troika's $83 billion deal. This week, September 20, 2017 also marks the two year anniversary of that purge and election that solidified Troika and Euro banker control over the Syriza party—-a party that once dared to challenge it and the Eurozone's neoliberal Supra-State regime.

The meteoric rise, capitulation, collapse, and aftermath 'right-shift' of Syriza raises fundamental questions and lessons still today. It raises questions about strategies of governments that make a social-democratic turn in response to popular uprisings, and then attempt to confront more powerful neoliberal capitalist regimes that retain control of their currencies, their banking systems, and their budgets–such as in the case of Greece. Even in the advanced capitalist economies, the message is smaller states beware of the integration within the larger capitalist states and economies–whether by free trade, central banking integration, budget consolidations, or common currencies. Democracy will soon become the victim in turn.

The following is an excerpt from the concluding chapter of this writer's October 2016 book, 'Looting Greece: A New Financial Imperialism Emerges', Clarity Press, which questioned strategies that attempted to resurrect 20th century forms of social-democracy in the 21st century world of supra-State neoliberal regimes. It summarizes Syriza's 'fundamental error'—a naïve belief that elements of European social democracy would rally around it and together they—i.e. resurgent social democracy and Syriza Greece—would successfully outmaneuver the German-banker-Troika dominated Euro neoliberal regime that solidified its power with the 1999 Euro currency reforms.

Syriza and Tsipras continue to employ the same error, it appears, hoping to be rescued by other Euro regime leaders instead of relying on the Greek people. Tsipras-Syriza recently invited the new banker-president of France, Emmanuel Macron, who this past month visited Athens. Their meeting suggests Tsipras and the rump Syriza still don't understand why they were so thoroughly defeated by the Troika in 2015, and have been consistently pushed even further into austerity and retreat over the past two years.

But perhaps it no longer matters. Polls show Tsipras and the rump Syriza trailing their political opponents by more than two to one in elections set to occur in 2018.

EXCERPT from 'Looting Greece', Chapter 10, 'Why the Troika Prevailed'.

Syriza's Fundamental Error

To have succeeded in negotiations with the Troika, Syriza would have had to achieve one or more of the following— expand the space for fiscal spending on its domestic economy, end the dominance and control of the ECB by the German coalition, restore Greece's central bank independence from the ECB, or end the control of its own Greek private banking system from northern Europe core banks. None of these objectives could have been achieved by Syriza alone. Syriza's grand error, however, was to think that it could rally the remnants of European social democracy to its side and support and together have achieved these goals—especially the expanding of space for domestic fiscal investment. It was Syriza's fundamental strategic miscalculation to think it could rally this support and thereby create an effective counter to the German coalition's dominant influence within the Troika.

Syriza went into the fight with the Troika with a Greek central bank that was the appendage, even agent, of the ECB in Greece, and with a private banking system in Greece that was primarily an extension of Euro banks outside Greece. Syriza struggled to create some space for fiscal stimulus within the Troika imposed debt deal, but it was thoroughly rebuffed by the Troika in that effort. It sought to launch a new policy throughout the Eurozone targeting fiscal investment, from which it might benefit as well. But just as the ECB was thwarted by German-core northern Euro alliance countries, the German coalition also successfully prevented efforts to promote fiscal stimulus by the EC as well. The Troika-German coalition had been, and continues to be, successful in preventing even much stronger members states in France and Italy from exceeding Eurozone fiscal stimulus rules. The dominant Troika German faction was not about to let Greece prevail and restore fiscal stimulus, therefore, when France and Italy were not. Greece was not only blocked from launching a Euro-wide fiscal investment spending policy; it was forced to introduce 'reverse fiscal spending' in the form of austerity.

Syriza's insistence on remaining in the Euro system meant Grexit was never an option. That in turn meant Greece would not have an independent central bank providing liquidity when needed to its banking system. With ECB control over the currency and therefore liquidity, the ECB could reduce or turn on or off the money flow to Greece's central bank and thus its entire private banking system at will—which it did repeatedly at key moments during the 2015 debt crisis to influence negotiations.

As one member of the Syriza party's central committee reflected on the weeks leading up to the July 5 capitulation,

> "The European Central Bank had already begun to carry out its threats, closing down the country's banking system".

The ECB had actually begun turning the economic screws on Syriza well before the final weeks preceding the referendum: It refused to release interest on Greek bonds it owed under the old debt agreement to Greece from the outset of negotiations. It refused to accept Greek government bonds as collateral necessary for Greek central bank support of Greece's private banks. It doled out Emergency Lending Assistance, ELA, funds in amounts just enough to keep Greek banks from imploding from March to June and constantly threatened to withhold those same ELA funds when Troika negotiators periodically demanded more austerity concessions from Greece. And it pressured Greece not to impose meaningful controls on bank withdrawals and capital flight during negotiations, even as those withdrawals and money flowing out of the country was creating a slow motion train wreck of the banking system itself. The ECB, in other words, was engineering a staged collapse of Greece's banking system, and yet Syriza refused to implement any possible policy or strategy for preventing or impeding it.