Letter from Athens

by

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Greece reaches New Debt Deal by Szu Ping Chan, and Matthew Holehouse
first published in the Daily Telegraph dateline Brussels 11th August 2015

Greece reaches new debt deal but critics brand targets 'utterly unachievable'. Broad terms of a third bail-out deal for Greece agreed after marathon talks, but economists say fiscal targets are "fantasy" and will not be met

Greece has agreed the broad terms of a new three-year bail-out deal with its international lenders, though experts warned that severe austerity demands meant the country's fiscal targets remained "utterly unachievable"

Greece's new bail-out measures include increases in the retirement age, opening up the energy and pharmaceutical industries and new taxes on shipping firms. More will follow in October

Greece has agreed the broad terms of a new three-year bail-out deal with its international creditors, though experts warned that severe austerity demands mean the country's fiscal targets remained "utterly unachievable". Technical details of the deal were finalised in the early hours of Tuesday morning, paving the way for Greece to unlock around €85bn in new loans.

The measures include increases in the retirement age, opening up the energy and pharmaceutical industries and new taxes on shipping firms. More measures will follow in October.

While Euclid Tsakalotos, Greece's finance minister, said there were just "two or three" details remaining to reach an accord, Germany, the country's biggest creditor, has called for more time to complete a deal.

Angela Merkel, the German Chancellor, is understood to have told Greek Prime Minister Alexi Tsipras that she would prefer to give Greece a second bridging loan rather than rush a deal through.

Mr Tsipras rejected the idea, arguing that it would ride roughshod over an agreement with the eurozone that had been struck after marathon talks on July 12 and implemented by the Greek government.

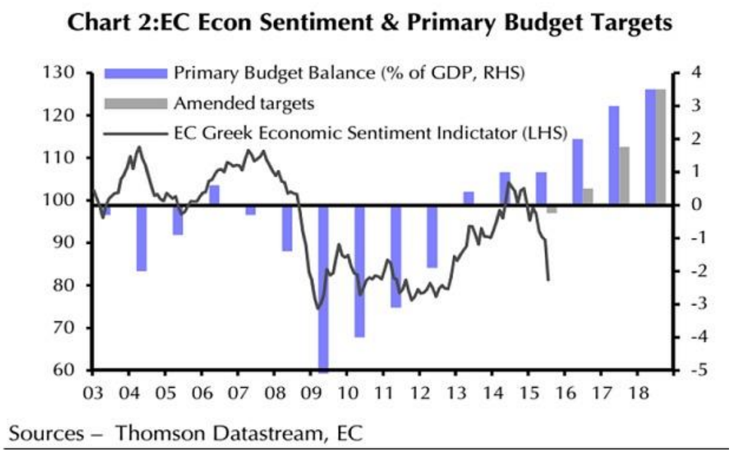
Greek Finance minister Euclid Tsakalotos (C) leaves a hotel following an overnight meeting with representatives of the International Monetary Fund, the European Commission, the European Central Bank and the Eurozone's rescue fund, the European Stability Mechanism in Athens

Under the terms of Greece's third rescue package, the country will be required to post a primary deficit no larger than 0.25pc of gross domestic product (GDP) this year. In 2016, the country is required to post a surplus of 0.5pc of GDP rising to 1.75pc in 2017 and 3.5pc in 2018.

Greece had previously proposed a primary surplus target of 1pc of GDP this year and 2pc in 2016. Officials claimed the deal would reduce Greece's obligations with regards to primary surpluses by 11pc of GDP over the next three years, meaning Greece would avoid austerity measures worth around €20bn over that period.

The Greek parliament must now pass the reforms agreed with creditors, ahead of a meeting of eurozone finance ministers expected on Friday. However, Costas Lapavitsas, a Syriza MP and professor of economics at SOAS university in London, criticised the package, and suggested he would vote against it. "To lower the targets because the economy is in recession is one thing. To present this as lightening the recessionary burden is quite another and wrong. Nothing has been lightened because the tax rises have already been voted in," he said.

Capital Economics said the economic downturn in Greece was likely to exert a bigger drag on the economy than reflected in the government's targets Capital Economics described the fiscal targets as "fantasy" and "utterly unachievable", while Raoul Ruparel, co-director at the think-tank Open Europe, said: "The new targets have not been so much negotiated as made inevitable by the recent economic destruction – claiming savings thanks to significant economic downturn has a touch of claiming success in cutting off your nose to spite your face," he said.



Alexander Stubb, Finland's finance minister, cautioned that a final agreement had not yet been reached. "We must take one step at a time. Agreement is a big word. There remains work to be done with details," he said.

Greece needs more money by August 20 at the latest, when it has a debt repayment of €3.3bn to the European Central Bank. Officials have not ruled out a second bridging loan to Greece in case agreement cannot be reached by then. UK Treasury ministers took part in a conference call on Tuesday to discuss the use of short-term bridging loans. However, Greek stocks rose and government borrowing costs fell sharply on Tuesday after the deal was announced in a sign investors are less worried about a default.

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Greek Bail-out by Ben Wright
first published in the Daily Telegraph on 11 Aug 2015

Finally, white smoke - we have a deal (probably). Greece will get its bail-out cash in return for agreeing to 35 different reforms and a commitment to run a primary surplus (revenue minus expenditure and excluding debt interest payments) of 3.5pc by 2018.

Capital controls in Greece created long lines at cash machines

Once the agreement has been finalized, it will be voted on by the Greek parliament and then ratified by the other Eurozone parliaments in time for Greece to make a €3.3bn repayment to the *European Central Bank* on August 20.

What a relief, it might seem. Except there remain many, hugely important, unanswered questions about how the deal will be actually structured and implemented.

How big will the bail-out be?
Somewhat extraordinarily we still don't know exactly how much money we are talking about here. Greece has asked for €86bn in order to help it make ends meet over the next three years. However, the International Monetary Fund (IMF) has floated the figure of €90bn. Even that could be on the low side depending on the depth of the country's expected recession.

How ugly is it going to get in Greece?
The European Commission has forecast that the Greek economy will shrink by up to 4pc this year and 1.75pc in 2016. That represents a dreadful state of affairs but may be optimistic. In July, amid capital controls and difficulties in securing basic goods, an influential survey of manufacturers (PMI) suffered its biggest ever monthly slump.

Will there be a Quartet?
First there was the Troika – consisting of the IMF, the European Central Bank and then the European Commission. In recent days the European Stability Mechanism has been added to the mix and the Troika has morphed into the Quartet. Yet the IMF has still not confirmed that it will take part in the bail-out. Germany has insisted that the fund is involved. But the IMF has said it's out unless debt relief is on the table.

Will Greece get debt relief?
Greece's debt pile could reach 200pc of GDP following its third bail-out in five years. The working assumption is that something will be done to ease that burden, but this has yet to be explicitly confirmed and the details could take ages to finalise. The IMF believes Greece might need a 30-year extension on its repayments to get its debt ratio down to a sustainable level. But German finance minister Wolfgang Schäuble has frequently argued that debt relief for Greece would violate EU law. Various legal experts believe it's not as clear cut as that, which suggests the matter may end up in the courts.

Will Germany scupper the deal at the last minute?
Germany controls 25pc of the voting rights in the eurozone's rescue fund, which is enough to block the bail-out if it gets voted down by the Bundestag. However, that would risk a huge schism with the rest of the eurozone.

Will Syriza break apart under the strain?
Alexis Tsipras is likely to face another rebellion from members of his own party when the bail-out is put before parliament later this week. Some analysts believe he might use the opportunity to formalise those divisions by calling snap elections in September at which the Left Platform of Syria would have the opportunity to stand as a separate party.

Will Greece implement the reforms it has promised to?
Fingers crossed.

Are the creditors worried about that?
Oh yes. German has long been pushing for the bail-out money to be distributed in smaller and more frequent tranches than previously. This will give the country's creditors the opportunity to continually monitor the progress being made on promised reforms, allowing them to withhold money if Greece is seen to be dragging its heels. The Greek government is not too thrilled at being treated like a truculent schoolchild.

How will the Greek banks get sorted out?
If the European sovereign debt crisis has taught us anything, it is that a country can't start to recovery properly until its banks do. Greece's lenders are in a horrible state, with deposits having been pulled for months and their books stuffed full of dodgy loans. €10bn of the bail-out has been earmarked for recapitalising the banks but the loans will take much longer to sort out – probably by setting up a so-called "bad bank". The experience of other countries suggests this will take years to resolve.

Who has won?
The protracted wrangling has been portrayed as a contest between competing ideas about how the eurozone should operate. The breakthrough on July 12 was initially seen as a triumph for Teutonic discipline and a defeat for Greek democracy with the hashtag #ThisIsACoup sweeping through the internet. That was always a gross oversimplification. In recent day, it has been Greece that has appeared keenest to reach an agreement while Germany has grown more reticent.

What is the eurozone?

It is a currency union devoid of a corresponding political union held together by a series of rules that are designed to maintain fiscal discipline. One of those rules is that the rich countries in the currency union should not have to subsidise the poorer countries. But what happens when the rules are broken? Will the fiscal transfers take place anyway and, if so, where will the new lines be drawn? Or will the rules be tightened up and order restored? Only when the other questions have been answered in the days, months and years ahead, will we know whether and how the eurozone has been transformed by its recent trauma.

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Witch Hunt in Greece as Yanis Varafoukis becomes First & Biggest Scapegoat by Ellen Brown
first published on Web of Debt on 2nd August 2015
See http://www.occupy.com/article/witchhunt-greece-yanis-varafoukis-becomes-first-and-biggest-scapegoat#.dpuf

In the modern global banking system, all banks need a credit line with the central bank in order to be part of the payments system. Choking off that credit line was a form of blackmail the Greek government couldn't refuse.

Former Greek finance minister Yanis Varoufakis is now being charged with treason for exploring the possibility of an alternative payment system in the event of a Greek exit from the euro. The irony of it all was underscored by Raúl Ilargi Meijer, who opined in a July 27 blog:

"The fact that these things were taken into consideration doesn't mean Syriza was planning a coup... If you want a coup, look instead at the Troika having wrestled control over Greek domestic finances. That's a coup if you ever saw one.

"Let's have an independent commission look into how on earth it is possible that a cabal of unelected movers and shakers gets full control over the entire financial structure of a democratically elected eurozone member government. By all means, let's see the legal arguments for this."

So how was that coup pulled off? The answer seems to be through extortion. The European Central Bank threatened to turn off the liquidity that all banks – even solvent ones – need to maintain their day-to-day accounting balances. That threat was made good in the run-up to the Greek referendum, when the ECB did turn off the liquidity tap and Greek banks had to close their doors.

Businesses were left without supplies and pensioners without food. How was that apparently criminal act justified? Here is the rather tortured reasoning of ECB President Mario Draghi at a press conference on July 16:

"There is an article in the [Maastricht] Treaty that says that basically the ECB has the responsibility to promote the smooth functioning of the payment system. But this has to do with... the distribution of notes, coins. So not with the provision of liquidity, which actually is regulated by a different provision, in Article 18.1 in the ECB Statute: 'In order to achieve the objectives of the ESCB [European System of Central Banks], the ECB and the national central banks may conduct credit operations with credit institutions and other market participants, with lending based on adequate collateral.'

"This is the Treaty provision. But our operations were not monetary policy operations, but ELA [Emergency Liquidity Assistance] operations, and so they are regulated by a separate agreement, which makes explicit reference to the necessity to have sufficient collateral. So, all in all, liquidity provision has never been unconditional and unlimited."

In a July 23 post on Naked Capitalism, Nathan Tankus calls this "a truly shocking statement." Why? Because all banks rely on their central banks to settle payments with other banks. "If the smooth functioning of the payments system is defined as the ability of depository institutions to clear payments," says Tankus, "the central bank must ensure that settlement balances are available at some price."

How the Payments System Works

The role of the central bank in the payments system is explained by the Bank for International Settlements like this:

"One of the principal functions of central banks is to be the guardian of public confidence in money, and this confidence depends crucially on the ability of economic agents to transmit money and financial instruments smoothly and securely through payment and settlement systems...Central banks provide a safe settlement asset and in most cases they operate systems which allow for the transfer of that settlement asset.

Internationally before 1971, this "settlement asset" was gold. Later, it became electronic "settlement balances" or "reserves" maintained at the central bank. Today, when money travels by check from Bank A to Bank B, the central bank settles the transfer simply by adjusting the banks' respective reserve balances, subtracting from one and adding to the other.

Checks continue to fly back and forth all day. If a bank's reserve account comes up short at the end of the day, the central bank treats it as an automatic overdraft in the bank's reserve account, effectively lending the bank the money in the form of electronic "liquidity" until the overdraft can be cleared.

The bank can cure the deficit by attracting new deposits or by borrowing from another bank with excess reserves; and if the whole system is short of reserves, the central bank creates more to maintain the liquidity of the system.

The most dramatic exercise of this liquidity function was seen after the banking crisis of 2008, when credit was frozen and banks had largely stopped lending to each other. The US Federal Reserve then stepped in and advanced over $16 trillion to financial institutions through the TAF (Term Asset Facility), the TALF (Term Asset-backed Securities Loan Facility), and similar facilities, at near-zero interest. Toxic unmarketable assets were converted into "good collateral" so the banks could remain solvent and keep their doors open.

Liquidity as a Tool of Coercion

That is how the Fed sees its role, but the ECB evidently has other ideas about this liquidity tool. Whether a country's banks are allowed to "access monetary policy operations" is seen by the ECB not as mandatory but as discretionary with the central bank. And as a condition of that access, if a country's bonds are "below investment grade," the country must be under an IMF program - meaning it must subject itself to forced austerity measures. According to ECB Vice President Constâncio at the same press conference: "When a country has a rating which is below the investment grade which is the minimum, then to access monetary policy operations, it has to have a waiver. And the waiver is granted if there are two conditions. The first condition is that the country must be under a programme with the EU and IMF; and second, we have to assess that there is credible compliance with such a programme."

Liquidity is provided only on "adequate collateral" - usually government bonds. But whether the bonds are "adéquate" is not determined by their market price. Rather, political concessions are demanded. The government must sell off public assets, slash public services, lay off public workers, and subject its fiscal policies to oversight by unelected bureaucrats who can dictate every line item in the national budget.

Tankus observes: "Europe now has a system where liquidity and insolvency problems can occur and can be deliberately generated (at least in part) by the central bank. Then the Troika can force that country into an "IMF program" if it wants to continue having a functioning banking system. Alternatively, the central bank can choose to simply "suspend convertibility" to the unit of account [i.e. cut off the supply of Euros] and force the write down of deposits [haircuts and bail-ins] until the banks are solvent again."

Pushed to the Cliff by the Financial Mafia

Were liquidity and insolvency problems intentionally generated in Greece's case, as Tankus suggests? Let's review. First there was the derivatives scheme sold to Greece by Goldman Sachs in 2001, which nearly doubled the nation's debt by 2005.

Then there was the bank-induced credit crisis of 2008, when the ECB coerced Greece to bail out its insolvent private banks, throwing the country itself into bankruptcy. This was followed in late 2009 by the intentional overstatement of Greece's debt by a Eurostat agent who was later tried criminally for it, triggering the first bailout and accompanying austerity measures.

The Greek prime minister was later replaced with an unelected technocrat, former governor of the Bank of Greece and later vice president of the ECB, who refused a debt restructuring and instead oversaw a second massive bailout and further austerity measures. An estimated 90% of the bailout money went right back into the coffers of the banks.

In December 2014, Goldman Sachs warned the Greek Parliament that central bank liquidity could be cut off if the Syriza Party were elected. When it was elected in January, the ECB made good on the threat, cutting bank liquidity to a trickle.

When Prime Minister Tsipras called a public referendum in July at which the voters rejected the brutal austerity being imposed on them, the ECB shuttered the banks.

The Greek government was thus broken Mafia-style at the knees, until it was forced to abandon its national sovereignty and watch its public treasures sold off piece by piece. Suspicious minds might infer that this was a calculated plot designed from the beginning to throw Greece's prized assets onto the auction block, a hostile takeover and asset stripping for the benefit of those well-heeled entities in a position to purchase them, including the very banks, hedge funds and speculators instrumental in driving up Greek debt and destroying the economy.

No Sovereignty without Control Over Currency and Credit

In the taped conference call for which Yanis Varoufakis is currently facing treason charges, he exposed the trap that eurozone countries are now in. It seems there is virtually no legal way to break free of the euro and the domination of the troika. The government has no access to the critical data files of its own banks, which are controlled by the ECB.

Varoufakis said this should alarm every EU government. As Canadian Prime Minister William Lyon Mackenzie King warned in 1935:

"Once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation."

For a nation to regain control of its currency and credit, it needs a central bank with a mandate to serve the interests of the nation. Banking should be a public utility, serving the economy and the people.

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Treason Charges: What Lurks Behind the Bizarre Allegations by Yanis Varoufakis
first published on his blog "thoughts for the post-2008 world on Wednesday 29th July 2015

The bizarre attempt to have me indicted me on… treason charges, allegedly for conspiring to push Greece out of the Eurozone, reflects something much broader. It reflects a determined effort to de-legitimise our five-month long (Jan. 25 to July 5) negotiation with a troika incensed that we had the audacity to dispute the wisdom and efficacy of its failed program for Greece.

The aim of my self-styled persecutors is to characterise our defiant negotiating stance as an aberration, an error or, even better from the perspective of Greece's troika-friendly oligarchic establishment, as a "crime" against Greece's national interest. My dastardly "crime" was that, expressing the collective will of our government, I personified the sins of:

Facing down the Eurogroup's leaders as an equal that has the right to say "NO" and to present powerful analytical reasons for rebuffing the catastrophic illogicality of huge loans to an insolvent state in condition of self-defeating austerity.

Demonstrating that one can be a committed Europeanist, strive to keep one's nation in the Eurozone, and, at the very same time, reject Eurogroup policies which damage Europe, deconstruct the euro and, crucially, trap one's country in austerity-driven debt-bondage.

Planning for contingencies that leading Eurogroup colleagues, and high ranking troika officials, were threatening me with in face-to-face discussions.

Unveiling how previous Greek governments turned crucial government departments, such as the General Secretariat of Public Revenues and the Hellenic Statistical Office, into departments effectively controlled by the troika and reliably pressed into the service of undermining the elected government.

It is amply clear that the Greek government has a duty to recover national and democratic sovereignty over all departments of state, and in particular those of the Finance Ministry. If it does not, it will continue to forfeit the instruments of policy making that voters expect it to utilise in pursuit of the mandate they bestowed upon it.

In my ministerial endeavours, my team and I devised innovative methods for developing the Finance Ministry's tools to deal efficiently with the troika-induced liquidity crunch while recouping executive powers previously usurped by the troika with the consent of previous governments.

Instead of indicting, and persecuting, those who, to this day, function within the public sector as the troika's minions and lieutenants (while receiving their substantial salaries from the long-suffering Greek taxpayers), politicians and parties whom the electorate condemned for their efforts to turn Greece into a protectorate are now persecuting me, aided and abetted by the oligarchs' media. I wear their accusations as badges of honor.

The proud and honest negotiation that the SYRIZA government conducted from the first day we were elected has already changed Europe's public debates for the better. The debate about the democratic deficit afflicting the Eurozone is now unstoppable. Alas, the troika's domestic cheerleaders do not seem able to bear this historic success. Their efforts to criminalise it will crash on the same shoals that wrecked their blatant propaganda campaign against the 'No' vote in the 5th July referendum: the great majority of the fearless Greek people.

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What a ruin the EU has made of the Greece I loved by Christopher Booker
first published in the Sunday Telegraph on Sunday 19th July 2015

The Greeks have suffered thanks to some insane fiddling of the figures

Watching the ever-ongoing crucifixion of the Greek people on the cross of the euro has recalled for me the four visits I have made to Greece over five decades. When I first spent months there in 1964, I found Greece a poor and backward but delightful country, many of whose friendly people still lived in the timeless way they had done for millennia. The remote Mani Peninsula, the southernmost prong of the Peloponnese, was still as untouched by the modern world as Paddy Leigh-Fermor had described it in his famously romantic travel book.

Ten years later in 1974, the modern world had begun to enter in. Even the Mani had been discovered by a handful of German jet-skiers. Then when I returned in 1995, as I reported here at the time, I asked people all over Greece how they enjoyed being part of the European Union, when it was giving them £6 back for every pound they contributed. With one accord, they all said: “We never see any of that money – it all goes to bankers, businessmen and corrupt politicians.”

This prompted a remarkable letter from an Englishwoman who had long lived in Arcadia. She vividly described how, in just 14 years, joining the EU had done more to destroy the traditional way of life formerly enjoyed by her neighbours than had been achieved over centuries by “successive invasions of Franks, Slavs, Venetians and Turks”.

My last visit was in 2000, when Nigel Farage [subsequently and MEP and the leader of UKIP who polled 12% of the vote at the Spring 2015 General Election] and I explained to a roomful of intelligent Athenians why it would be disastrous for Greece to join the euro; which, the following year, thanks to some insane fiddling of the figures by the Greek government, with the well-documented aid of Goldman Sachs, it did. The results have been even more horrifying than we could have dreamed of.

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Greening Greece by James Robertson
first published in the James Robertson Newsletter on 29th July 2015

The government of Greece is unable to raise the money it needs to meet its current costs and also to pay off its debts to the *International Monetary Fund (IMF)* and the *European Central Bank*. Its negotiations with those creditors have continued for many months of damaging "austerity" for the people of Greece. That situation continues - with one costly meeting after another of highly paid officials and bankers!

The following reports take the side of Greek citizens:

- *www.byline.com/column/11/article/135*
- *www.politicalcleanup.wordpress.com/2015/07/21/multinational-vultures-cluster-round-greeces-carcase-picking-off-airports-ports-tourist-resorts-energy-assets-and-utilities*
- *www.britain2020.wordpress.com/2015/06/06/a-final-hour-plea-for-economic-sanity-and-humanity-from-thomas-piketty-joseph-stiglitz-and-colleagues*

My view is that Greece should drop out of the eurozone. It should stop using the euro and restore the drachma as its currency. The new money supply should be created and put into circulation, not by bankers to interest-paying borrowers as is still the worldwide practice but debt-free by a public agency on behalf of the people as proposed by Positive Money - see www.positivemoney.org/our-proposals.

For an interesting comment from Ronnie Morrison, see www.bellacaledonia.org.uk/2015/06/29/greek-myths.

"Greece's economic woes will never be solved by merely moving money around the banking system. The lasting solution is to restore native forests to her barren hills and mountains, invest in large-scale solar power to energise Europe, and create an exemplar of sustainable development for our global future."

Oliver Tickell writes in *The Ecologist* about a sustainable alternative - "creating a European powerhouse of renewable energy, a land of milk, honey, trees, rivers and deep soils, and an exemplar of low-carbon, climate friendly development for all to follow."

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Grexit or Jubilee? How Greek Debt Can Be Annulled by Ellen Brown
July 14, 2015 by Ellen Brown
http://ellenbrown.com/2015/07/14/grexit-or-jubilee-how-greek-debt-could-be-annulled/

The crushing Greek debt could be canceled the way it was made – by sleight of hand. But saving the Greek people and their economy is evidently not in the game plan of the Eurocrats. Greece’s creditors have finally brought the country to its knees, forcing President Alexis Tsipras to agree to austerity and privatization measures more severe than those overwhelmingly rejected by popular vote a week earlier. No write-down of Greece’s debt was included in the deal, although the IMF has warned that the current debt is unsustainable.

Former Greek finance minister Yanis Varoufakis calls the deal “a new Versailles Treaty” and “the politics of humiliation.” Greek defense minister Panos Kammenos calls it a “coup d’état” done by “blackmailing the Greek prime minister with collapse of the banks and a complete haircut on deposits.”

"Blackmail" is not too strong a word. The European Central Bank has turned off its liquidity tap for Greece's banks, something all banks need, as explained earlier here. All banks are technically insolvent, lending money they don't have. They don't lend their deposits but create deposits when they make loans, as the Bank of England recently confirmed.

When the depositors and borrowers come for their money at the same time, the bank must borrow from other banks; and if that liquidity runs dry, the bank turns to the central bank, the lender of last resort empowered to create money at will. Without the central bank's backstop, banks must steal from their depositors with "haircuts" or they will collapse.

What did Greece do to deserve this coup d'état? According to former World Bank economist Peter Koenig:

[T]he Greek people, the citizens of a sovereign country . . . have had the audacity to democratically elect a socialist government. Now they have to suffer. They do not conform to the self-imposed rules of the neoliberal empire of unrestricted globalized privatization of public services and public properties from which the elite is maximizing profits – for themselves, of course. It is outright theft of public property.

According to a July 5th article titled "Greece – The One Biggest Lie You're Being Told By The Media," the country did not fail on its own. It was made to fail: [T]he banks wrecked the Greek government, and then deliberately pushed it into unsustainable debt...while revenue-generating public assets were sold off to oligarchs and international corporations.

A Truth Committee convened by the Greek parliament reported in June that a major portion of the country's €320 billion debt is "illegal, illegitimate and odious" and should not be paid.

How to Cut the Debt Without Loss to the Bondholders

The debt cannot be paid and should not be paid, but EU leaders justify their hard line as necessary to save the creditors from having to pay – the European taxpayers, governments, institutions, and banks holding Greek bonds. It is quite possible to grant debt relief, however, without hurting the bondholders. US banks were bailed out by the US Federal Reserve to the tune of more than $16 trillion in virtually interest-free loans, without drawing on taxes. Central banks have a printing press that allows them to create money at will.

The ECB has already embarked on this sort of debt purchasing program. In January, it announced it would purchase 60 billion euros of debt assets per month beginning in March, continuing to at least September 2016, for a total of €1.14 trillion of asset purchases. These assets are being purchased through "quantitative easing" - expanding the monetary base simply with accounting entries on the ECB's books.

The IMF estimates that Greece needs debt relief of €60 billion - a mere one month of the ECB's quantitative easing program. The ECB could solve Greece's problem with a few computer keystrokes. Moreover, in today's deflationary environment, the effect would actually be to stimulate the European economy. As financial writer Richard Duncan observes:

When a central bank prints money and buys a government bond, it is the same thing as cancelling that bond (so long as the central bank does not sell the bond back to the public).

…The European Central Bank's plans to create €1.1 trillion over the next 20 months will effectively cancel the combined budget deficits of the Eurozone national governments in both 2015 and 2016, with a considerable amount left over.

Quantitative Easing has only been possible because it has occurred at a time when Globalization is driving down the price of labor and industrial goods. The combination of fiat money and Globalization creates a unique moment in history where the governments of the developed economies can print money on an aggressive scale without causing inflation.

They should take advantage of this once-in-history opportunity to borrow more in order to invest in new industries and technologies, to restructure their economies and to retrain and educate their workforce at the post-graduate level. If they do, they could not only end the global economic crisis, but also ensure that the standard of living in the developed world continues to improve, rather than sinking down to third world levels.

That is how it works for Germany after World War II. According to economist Michael Hudson, the most successful debt jubilee in recent times was gifted to Germany, the country now most opposed to doing the same for Greece. The German Economic Miracle followed massive debt forgiveness by the Allies:

All domestic German debts were annulled, except employer wage debts to their labor force, and basic working balances. Later, in 1953, its international debts were written down. Why not do the same for the Greeks? Hudson writes: It was easy to write down debts that were owed to Nazis. It is much harder to do so when the debts are owed to powerful and entrenched institutions – especially to banks.

Loans Created with Accounting Entries Can Be Canceled with Accounting Entries

That may be true for non-bank creditors. But for banks, recall that the money owed to them is not taken from the accounts of depositors. It is simply created with accounting entries on the books. The loans could be canceled the same way. To the extent that the Greek debt is owed to the ECB, the IMF and other financial institutions, that is another option for canceling it.

British economist Michael Rowbotham explored that possibility in 1998 for the onerous Third World debts owed to the World Bank and IMF. He wrote that of the $2.2 trillion debt then outstanding, the vast majority was money simply created by commercial banks. It represented a liability on the banks' books only because the rules of banking said their books must be balanced. He suggested two ways the rules might be changed to liquidate unfair and oppressive debts:

The first option is to remove the obligation on banks to maintain parity between assets and liabilities, or, to be more precise, to allow banks to hold reduced levels of assets equivalent to the Third World debt bonds they cancel. Thus, if a commercial bank held $10 billion worth of developing country debt bonds, after cancellation it would be permitted in perpetuity to have a $10 billion dollar deficit in its assets. This is a simple matter of record-keeping.

The second option, and in accountancy terms probably the more satisfactory (although it amounts to the same policy), is to cancel the debt bonds, yet permit banks to retain them for purposes of accountancy.

The Real Roadblock Is Political

The Eurocrats could end the economic crisis by writing off odious unrepayable debt either through quantitative easing or by changing bank accounting rules. But ending the crisis is evidently not what they are up to. As Michael Hudson puts it, "finance has become the modern-day mode of warfare. Its objectives are the same: acquisition of land, raw materials and monopolies." He writes: Greece, Spain, Portugal, Italy and other debtor countries have been under the same mode of attack that was waged by the IMF and its austerity doctrine that bankrupted Latin America from the 1970s onward.

Prof. Richard Werner, who was on the scene as the European Union evolved, maintains that the intent for the EU from the start was the abandonment of national sovereignty in favor of a single-currency system controlled by eurocrats doing the bidding of international financiers. The model was flawed from the beginning. The solution, he says, is for EU countries to regain their national sovereignty by leaving the euro en masse.

He writes: By abandoning the euro, each country would regain control over monetary policy and could thus solve their own particular predicament. Some, such as Greece, may default, but its central bank could limit the damage by purchasing the dud bonds from banks at face value and keeping them on its balance sheet without marking to market (central banks have this option, as the Fed showed again in October 2008). Banks would then have stronger balance sheets than ever, they could create credit again, and in exchange for this costless bailout central banks could insist that bank credit – which creates new money – is only allowed for transactions that contribute to GDP in a sustainable way. Growth without crises and large-scale unemployment could then be arranged.

But Dr. Werner acknowledges that this is not likely to happen soon. Brussels has been instructed by President Obama, no doubt instructed by Wall Street, to hold the euro together at all costs.

The Promise and Perils of Grexit

The creditors may have won this round, but Greece's financial woes are far from resolved. After the next financial crisis, it could still find itself out of the EU. If the Greek parliament fails to endorse the deal just agreed to by its president, "Grexit" could happen even earlier. And that could be the Black Swan event that ultimately breaks up the EU. It might be in the interests of the creditors to consider a debt jubilee to avoid that result, just as the Allies felt it was in their interests to expunge German debts after World War II.

For Greece, leaving the EU may be perilous; but it opens provocative possibilities. The government could nationalize its insolvent banks along with its central bank, and start generating the credit the country desperately needs to get back on its feet. If it chose, it could do this while still using the euro, just as Ecuador uses the US dollar without being part of the US. (For more on how this could work, see here.)

If Greece switches to drachmas, the funding possibilities are even greater. It could generate the money for a national dividend, guaranteed employment for all, expanded social services, and widespread investment in infrastructure, clean energy, and local business. Freed from its Eurocrat oppressors, Greece could model for the world what can be achieved by a sovereign country using publicly-owned banks and publicly-issued currency for the benefit of its own economy and its own people.

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Comments on article

Anthony Hall, on July 14, 2015 at 7:37 pm said: Germany needs Greece and the other south European countries to be insolvent to keep the value of the Euro low; to make German goods more competitive in world markets. so Germany and Holland prosper but all others suffer austerity. Also while Greece dominates the headlines France, Italy and Spain's debts stay below the radar.

Ernest Huber, on July 14, 2015 at 7:47 pm said: "Give me control of a nation's money supply, and I care not who makes it's laws," is attributed to the founder of the massive financial crime syndicate, Mayer Amschel Rothschild (1744-1812). The Greeks are finding this quote to be tragically true. It's not the "Germans" who are financially raping Greece, but the crime syndicate members who control the German banks, the Greek banks, the European Central Bank, the International Monetary Fund, the World Bank, and the Bank for International Settlements. Those criminals are enslaving Greeks and stealing Greece and other nations, because the Greeks and most of the world have been indoctrinated to think they owe a national debt for worthless cyber and paper currency "loaned" to them by the central banking crime syndicates' owners and executives. It is the inherent right of any nation to create and use its own debt-free, interest-free, and tax-free currency. It is utter insanity to give that control to master criminals like Rothschild and his kind, who should have been imprisoned long ago. Greeks, the banking crime syndicate members wage war against you, and the entire world. They must be treated brutally for their ongoing crimes against humanity, or they will suck the very life out of our planet.

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The Problem of Greece is Not Only a Tragedy. It is a Lie by John Pilger

An historic betrayal has consumed Greece. Having set aside the mandate of the Greek electorate, the Syriza government has willfully ignored last week's landslide "No" vote and secretly agreed a raft of repressive, impoverishing measures in return for a "bailout" that means sinister foreign control and a warning to the world.

Prime Minister Alexis Tsipras has pushed through parliament a proposal to cut at least 13 billion euros from the public purse – 4 billion euros more than the "austerity" figure rejected overwhelmingly by the majority of the Greek population in a referendum on 5 July.

These reportedly include a 50 per cent increase in the cost of healthcare for pensioners, almost 40 per cent of whom live in poverty; deep cuts in public sector wages; the complete privatization of public facilities such as airports and ports; a rise in value added tax to 23 per cent, now applied to the Greek islands where people struggle to eke out a living. There is more to come.

"Anti-austerity party sweeps to stunning victory", declared a Guardian headline on January 25. "Radical leftists" the paper called Tsipras and his impressively-educated comrades. They wore open neck shirts, and the finance minister rode a motorbike and was described as a "rock star of economics". It was a façade. They were not radical in any sense of that clichéd label, neither were they "anti-austerity".

For six months Tsipras and the recently discarded finance minister, Yanis Varoufakis, shuttled between Athens and Brussels, Berlin and the other centres of European money power. Instead of social justice for Greece, they achieved a new indebtedness, a deeper impoverishment that would merely replace a systemic rottenness based on the theft of tax revenue by the Greek super-wealthy – in accordance with European "neo-liberal" values – and cheap, highly profitable loans from those now seeking Greece's scalp.

Greece's debt, reports an audit by the Greek parliament, "is illegal, illegitimate and odious". Proportionally, it is less than 30 per cent that of the debit of Germany, its major creditor. It is less than the debt of European banks whose "bailout" in 2007-8 was barely controversial and unpunished.

For a small country such as Greece, the euro is a colonial currency: a tether to a capitalist ideology so extreme that even the Pope pronounces it "intolerable" and "the dung of the devil". The euro is to Greece what the US dollar is to remote territories in the Pacific, whose poverty and servility is guaranteed by their dependency.

In their travels to the court of the mighty in Brussels and Berlin, Tsipras and Varoufakis presented themselves neither as radicals nor "leftists" nor even honest social democrats, but as two slightly upstart supplicants in their pleas and demands. Without underestimating the hostility they faced, it is fair to say they displayed no political courage.

More than once, the Greek people found out about their "secret austerity plans" in leaks to the media: such as a 30 June letter published in the Financial Times, in which Tsipras promised the heads of the EU, the European Central Bank and the IMF to accept their basic, most vicious demands - which he has now accepted.

When the Greek electorate voted 'no' on 5 July to this very kind of rotten deal, Tsipras said, "Come Monday and the Greek government will be at the negotiating table after the referendum with better terms for the Greek people". Greeks had not voted for 'better terms' but for justice and for sovereignty, as they had done on January 25.

The day after the January election a truly democratic and, yes, radical government would have stopped every euro leaving the country, repudiated the "illegal and odious" debt - as Argentina did successfully - and expedited a plan to leave the crippling Eurozone. But there was no plan. There was only a willingness to be "at the table" seeking "better terms".

The true nature of Syriza has been seldom examined and explained. To the foreign media it is no more than "leftist" or "far left" or "hardline" – the usual misleading spray. Some of Syriza's international supporters have reached, at times, levels of cheer leading reminiscent of the rise of Barack Obama. Few have asked: Who are these "radicals"? What do they believe in?

In 2013, Yanis Varoufakis wrote:

"Should we welcome this crisis of European capitalism as an opportunity to replace it with a better system? Or should we be so worried about it as to embark upon a campaign for stabilising capitalism? To me, the answer is clear. Europe's crisis is far less likely to give birth to a better alternative to capitalism… I bow to the criticism that I have campaigned on an agenda founded on the assumption that the left was, and remains, squarely defeated… Yes, I would love to put forward [a] radical agenda. But, no, I am not prepared to commit the [error of the British Labour Party following Thatcher's victory]… What good did we achieve in Britain in the early 1980s by promoting an agenda of socialist change that British society scorned while falling headlong into Thatcher's neoliberal trip? Precisely none. What good will it do today to call for a dismantling of the Eurozone, of the European Union itself…?"

Varoufakis omits all mention of the Social Democratic Party that split the Labour vote and led to Blairism. In suggesting people in Britain "scorned socialist change" - when they were given no real opportunity to bring about that change - he echoes Blair.

The leaders of Syriza are revolutionaries of a kind – but their revolution is the perverse, familiar appropriation of social democratic and parliamentary movements by liberals groomed to comply with neo-liberal drivel and a social engineering whose authentic face is that of Wolfgang Schäuble, Germany's finance minister, an imperial thug.

Like the Labour Party in Britain and its equivalents among former social democratic parties such as the Labor Party in Australia, still describing themselves as "liberal" or even "left", Syriza is the product of an affluent, highly privileged, educated middle class, "schooled in postmodernism", as Alex Lantier wrote.

For them, class is the unmentionable, let alone an enduring struggle, regardless of the reality of the lives of most human beings. Syriza's luminaries are well-groomed; they lead not the resistance that ordinary people crave, as the Greek electorate has so bravely demonstrated, but "better terms" of a venal status quo that corrals and punishes the poor. When merged with "identity politics" and its insidious distractions, the consequence is not resistance, but subservience. "Mainstream" political life in Britain exemplifies this. This is not inevitable, a done deal, if we wake up from the long, postmodern coma and reject the myths and deceptions of those who claim to represent us, and fight.

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Guerrilla Warfare against a Hegemonic Power: the challenge and promise of Greece by Ellen Brown

first published in CounterPunch on 10th July 2015

On July 4, 2015, one day before the national vote on the austerity demands of Greece's creditors, it was rumored in the Financial Times that Greek banks were preparing to 'bail in' (or confiscate) depositor funds to replace the liquidity choked off by the European Central Bank.

The response of the Syriza government, to its credit, was 'No way, Jose!' As reported in Zerohedge, the Greek government was prepared to pursue three 'nuclear options' to protect the deposits of the Greek people: (1) nationalize the banks; (2) launch a parallel currency in the form of electronic California-style IOUs, and (3) use the Greek central bank's printing press to issue euros.

Ambrose Evans-Pritchard in the Daily Telegraph wrote: 'Syriza sources say the Greek ministry of finance is examining options to take direct control of the banking system if need be rather than accept a draconian seizure of depositor savings - reportedly a 'bail-in' above a threshold of €8,000 - and to prevent any banks being shut down on the orders of the ECB. Government officials recognize that this would lead to an unprecedented rift with the EU authorities. But Syriza's attitude at this stage is that their only defense against a hegemonic power is to fight guerrilla warfare.'

The Greek crisis is a banking crisis, and it was precipitated largely by the Mafia-like tactics of the European Central Bank and the international banks it serves (notably Goldman Sachs). As Jeffrey Sachs observed in the Financial Times in 2012: 'The Greek economy is collapsing not mainly from fiscal austerity or the lack of external competitiveness but from the chronic lack of working capital. Greece's small and medium-sized enterprises can no longer obtain funding...the shutdown of Greece's banking sector brings to mind the dramatic shrinkage of bank lending during 1929-33 in the Great Depression.'

Economist James Galbraith explains the critical role of the ECB in this shutdown: 'A central bank is supposed to protect the financial stability of solvent banks. But from early February, the ECB cut off direct financing of Greek banks, instead drip-feeding them expensive liquidity on special 'emergency' terms.

This promoted a slow run on the banks and paralyzed economic activity. When the negotiations broke down, the ECB capped the assistance, prompting a fast bank run and giving them an excuse to impose capital controls and effectively shut them down.'

In December 2014, when the Greek Parliament was threatening to reject the pro-austerity presidential candidate, Goldman Sachs warned in a memo: 'In the event of a severe Greek government clash with international lenders, interruption of liquidity provision to Greek banks by the ECB could potentially even lead to a Cyprus-style prolonged bank holiday'.

And that is exactly what happened after the anti-austerity Syriza Party was elected in January. Why would the ECB have to 'interrupt liquidity provision' just because of a 'clash with international lenders'? The move was completely unnecessary.

The crisis to which it has led was described by Evans-Pritchard on July 7th: 'Events are now spinning out of control. The banks remain shut. The ECB has maintained its liquidity freeze, and through its inaction is asphyxiating the banking system. Factories are shutting down across the country as stocks of raw materials run out and containers full of vitally-needed imports clog up Greek ports. Companies cannot pay their suppliers because external transfers are blocked. Private scrip currencies are starting to appear as firms retreat to semi-barter outside the banking sector.'

It is not just Greek banks but all banks that are dependent on central bank liquidity, because they are all technically insolvent. They all lend money they don't have. As the Bank of England recently acknowledged, banks do not actually lend their deposits. Rather, they create deposits when they make loans. They do this simply with accounting entries. There is no real limit to how much money they can create, so long as they can find creditworthy customers willing to borrow it.

The catch is that the bank still has to balance its books at the end of the day. If it comes up short, it can borrow from the banks into which its deposits (whether 'real' or newly created) have migrated. Banks can borrow from each other at very low rates (in the US, the Federal Reserve's funds rate is 0.25%). They keep the difference in rates as their profit.

The central bank, which has the power to print money, is the ultimate backstop in this money-creating scheme. If there is leakage in the system from cash withdrawals or transfers to foreign banks, the central bank supplies the liquidity, again at very low bankers' rates.

That is the way the system should work. But in the Eurozone, the national central banks of member countries have relinquished their critical credit power to the European Central Bank. And the ECB, like the US Federal Reserve, marches to the drums of large international banks. The central bank can flick the credit switch on or off at its whim. Any country that resists going along with the creditors' austerity program may find that its banks have been cut off from this critical liquidity, being branded no longer 'good credit risks'. That damning judgment becomes a self-fulfilling prophecy, as is now happening in Greece.

The problem now for Greece is how to restore bank liquidity without the help of the ECB. One way would be to leave the Eurozone and return to its own national currency, as many pundits have urged. Its central bank could then issue all the drachmas needed to fund the government and provide cash for the banks.

But that alternative comes with other major downsides, including that the drachma would probably plummet against the euro. Greek leaders have therefore sought to stay in the Eurozone, but that means dealing with the bank runs that are bleeding the banks of euros. It also means bowing to ECB regulation, something the ECB is attempting to impose on all Eurozone banks.

Assuming, however, that Greece stays in the EU, might there be a way that the government could restore the liquidity necessary to keep its banks and the economy afloat, without the help of the ECB and while continuing to use the euro?

Consider again the Bank of England's bombshell 2014 report called Money Creation in the Modern Economy. According to the BOE, 97% of the money supply is now created by banks when they make loans. British banks create digital pounds. US banks create digital dollars. And Greek banks create digital euros.

How it all works is explained by Kumhof and Jakab in an IMF paper called *Banks are Not Intermediaries of Loanable Funds - And Why This Matters*. They note that the chief practical limit to the digital creation of money is simply the willingness of banks to make loans. The central bank can create massive 'excess reserves' (as the Fed did with quantitative easing), but bank lending to local businesses will not increase if the banks do not see a profit in it. The problem is called 'pushing on a string': there is no mechanism for forcing banks to make loans.

That is true in a private commercial system, but in a nationalized system, the government can pull on the string. It can manage the lending of its state-owned banks, as China and Japan have done for decades. Loans to local businesses can be guaranteed with government letters of credit in lieu of capital; and if some loans turn out to be non-performing, they can be written off or just carried on the books, as China has also done for decades. The money was created as accounting entries and can be carried on the books as accounting entries.

The Greek government could follow China's lead and nationalize its private banks, all of which are insolvent. It could then use their digital money machines to pump liquidity back into the economy, by making loans to all those once-viable businesses now starved of funds. Restoring their credit lines would allow them to pay for workers and materials, generating purchasing power and sales, increasing employment and the tax base, and generally reversing the economic death spiral induced by insufficient money in the system to keep the wheels of production turning.

Balancing the books can easily be achieved in a closed, nationalized, digital banking system, so long as liquidity can be kept from leaking out in the form of physical cash withdrawals or transfers to foreign banks. Money transferred digitally within the system can always be found somewhere and borrowed back by the bank from which it was transferred, balancing its books.

The remaining question is, how to deal with leakage in the form of cash withdrawals or transfers to foreign banks? One radical possibility would be to go all digital: cash would no longer be official legal tender after some designated date. President Roosevelt did something similar when he took the dollar off the gold standard and ordered people to cash in their gold for paper dollars in 1933.

That approach, however, is highly controversial. Ideally, it could be avoided by simply paying an attractive digital bonus for depositing physical cash in the banks, and paying an attractive interest rate to keep it there. A sizable fee could also be charged for cash withdrawals or transfers outside Greek banks. This would not actually be a 'haircut', since the digital euros would be available for use at full value so long as they were transferred by bankcard or check within the digital banking system. The transfer penalty could be phased out over time as cash deposits were built up. In effect, the money would just be on loan at interest to the banks for several years.

Another alternative would be to run the euro printing press at the Bank of Greece, something that is apparently being done quietly already. As a precedent, Ireland's central bank quietly printed fifty one billion...yes billion...euros in 2011. I wonder if anyone knows where they've gone.

Another much-discussed alternative would be for Greece to leave the EU and simply issue drachmas. But it looks as if the creditors have strong-armed Greek leaders into accepting their harsh austerity measures in order to stay in the EU, which the Greeks would like to do for geopolitical reasons. But perhaps these ends can be achieved by other means? There are always options...George Soros and Vladimir Putin to name just two.

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The Greek Coup: Liquidity as a Tool of Coercion by Ellen Brown
first published by Common Dreams on Friday, July 31, 2015

“My father made him an offer he couldn’t’t refuse. Luca Brasi held a gun to his head and my father assured him that either his brains, or his signature, would be on the contract.” - The Godfather (1972)

In the modern global banking system, all banks need a credit line with the central bank in order to be part of the payments system. Choking off that credit line was a form of blackmail the Greek government couldn’t refuse.

Former Greek finance minister Yanis Varoufakis is now being charged with treason for exploring the possibility of an alternative payment system in the event of a Greek exit from the euro. The irony of it all was underscored by Raúl Ilargi Meijer, who opined in a July 27th blog: 'The fact that these things were taken into consideration doesn’t mean Syriza was planning a coup...If you want a coup, look instead at the Troika having wrestled control over Greek domestic finances. That’s a coup if you ever saw one.'

Let’s have an independent commission look into how on earth it is possible that a cabal of unelected movers and shakers gets full control over the entire financial structure of a democratically elected eurozone member government. By all means, let’s see the legal arguments for this.

So how was that coup pulled off? The answer seems to be through extortion. The European Central Bank threatened to turn off the liquidity that all banks – even solvent ones – need to maintain their day-to-day accounting balances. That threat was made good in the run-up to the Greek referendum, when the ECB did turn off the liquidity tap and Greek banks had to close their doors. Businesses were left without supplies and pensioners without food. How was that apparently criminal act justified? Here is the rather tortured reasoning of ECB President Mario Draghi at a press conference on July 16:

There is an article in the Maastricht Treaty that says that basically the ECB has the responsibility to promote the smooth functioning of the payment system. But this has to do with…the distribution of notes, coins. So not with the provision of liquidity, which actually is regulated by a different provision, in Article 18.1 in the ECB Statute: “In order to achieve the objectives of the European System of Central Banks (ESCB), the ECB and the national central banks may conduct credit operations with credit institutions and other market participants, with lending based on adequate collateral.” This is the Treaty provision. But our operations were not monetary policy operations, but ELA [Emergency Liquidity Assistance] operations, and so they are regulated by a separate agreement, which makes explicit reference to the necessity to have sufficient collateral. So, all in all, liquidity provision has never been unconditional and unlimited.

In a July 23rd post on Naked Capitalism, Nathan Tankus calls this “a truly shocking statement.” Why? Because all banks rely on their central banks to settle payments with other banks. “If the smooth functioning of the payments system is defined as the ability of depository institutions to clear payments,” says Tankus, “the central bank must ensure that settlement balances are available at some price.”

How the Payments System Works

The role of the central bank in the payments system is explained by the Bank for International Settlements like this:

One of the principal functions of central banks is to be the guardian of public confidence in money, and this confidence depends crucially on the ability of economic agents to transmit money and financial instruments smoothly and securely through payment and settlement systems. . . Central banks provide a safe settlement asset and in most cases they operate systems which allow for the transfer of that settlement asset.

Internationally before 1971, this “settlement asset” was gold. Later, it became electronic “settlement balances” or “reserves” maintained at the central bank. Today, when money travels by check from Bank A to Bank B, the central bank settles the transfer simply by adjusting the banks’ respective reserve balances, subtracting from one and adding to the other.

Checks continue to fly back and forth all day. If a bank's reserve account comes up short at the end of the day, the central bank treats it as an automatic overdraft in the bank's reserve account, effectively lending the bank the money in the form of electronic "liquidity" until the overdraft can be cleared. The bank can cure the deficit by attracting new deposits or by borrowing from another bank with excess reserves; and if the whole system is short of reserves, the central bank creates more to maintain the liquidity of the system.

The most dramatic exercise of this liquidity function was seen after the banking crisis of 2008, when credit was frozen and banks had largely stopped lending to each other. The US Federal Reserve then stepped in and advanced over $16 trillion to financial institutions through the TAF (Term Asset Facility), the TALF (Term Asset-backed Securities Loan Facility), and similar facilities, at near-zero interest. Toxic unmarketable assets were converted into "good collateral" so the banks could remain solvent and keep their doors open.

Liquidity as a Tool of Coercion

That is how the Fed sees its role, but the ECB evidently has other ideas about this liquidity tool. Whether a country's banks are allowed to "access monetary policy operations" is seen by the ECB not as mandatory but as discretionary with the central bank. And as a condition of that access, if a country's bonds are "below investment grade," the country must be under an IMF program - meaning it must subject itself to forced austerity measures. According to ECB Vice President Constâncio at the same press conference:

[W]hen a country has a rating which is below the investment grade which is the minimum, then to access monetary policy operations, it has to have a waiver. And the waiver is granted if there are two conditions. The first condition is that the country must be under a programme with the EU and IMF; and second, we have to assess that there is credible compliance with such a programme. [Emphasis added]

Liquidity is provided only on "adequate collateral" - usually government bonds. But whether the bonds are "adéquate" is not determined by their market price. Rather, political concessions are demanded. The government must sell off public assets, slash public services, lay off public workers, and subject its fiscal policies to oversight by unelected bureaucrats who can dictate every line item in the national budget.

Tankus observes:

Europe now has a system where liquidity and insolvency problems can occur and can be deliberately generated (at least in part) by the central bank. Then the Troika can force that country into an "IMF program" if it wants to continue having a functioning banking system. Alternatively, the central bank can choose to simply "suspend convertibility" to the unit of account [i.e. cut off the supply of Euros] and force the write down of deposits [haircuts and bail-ins] until the banks are solvent again.

Pushed to the Cliff by the Financial Mafia

Were liquidity and insolvency problems intentionally generated in Greece's case, as Tankus suggests? Let's review.

First there was the derivatives scheme sold to Greece by Goldman Sachs in 2001, which nearly doubled the nation's debt by 2005.

Then there was the bank-induced credit crisis of 2008, when the ECB coerced Greece to bail out its insolvent private banks, throwing the country itself into bankruptcy.

This was followed in late 2009 by the intentional overstatement of Greece's debt by a Eurostat agent who was later tried criminally for it, triggering the first bailout and accompanying austerity measures.

The Greek prime minister was later replaced with an unelected technocrat, former governor of the Bank of Greece and later vice president of the ECB, who refused a debt restructuring and instead oversaw a second massive bailout and further austerity measures. An estimated 90% of the bailout money went right back into the coffers of the banks.

In December 2014, Goldman Sachs warned the Greek Parliament that central bank liquidity could be cut off if the Syriza Party were elected. When it was elected in January, the ECB made good on the threat, cutting bank liquidity to a trickle.

When Prime Minister Tsipras called a public referendum in July at which the voters rejected the brutal austerity being imposed on them, the ECB shuttered the banks.

The Greek government was thus broken Mafia-style at the knees, until it was forced to abandon its national sovereignty and watch its public treasures sold off piece by piece. Suspicious minds might infer that this was a calculated plot designed from the beginning to throw Greece's prized assets onto the auction block, a hostile takeover and asset stripping for the benefit of those well-heeled entities in a position to purchase them, including the very banks, hedge funds and speculators instrumental in driving up Greek debt and destroying the economy.

No Sovereignty without Control over Currency and Credit

In the taped conference call for which Yanis Varoufakis is currently facing treason charges, he exposed the trap that eurozone countries are now in. It seems there is virtually no legal way to break free of the euro and the domination of the troika. The government has no access to the critical data files of its own banks, which are controlled by the ECB.

Varoufakis said this should alarm every EU government. As Canadian Prime Minister William Lyon Mackenzie King warned in 1935:

Once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation.

For a nation to regain control of its currency and credit, it needs a central bank with a mandate to serve the interests of the nation. Banking should be a public utility, serving the economy and the people.

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Bernard Littauer - *writing in Russia Today*

The Euro at risk is at risk because everybody is playing chicken. The Greeks, the EU, the IMF, the European Bank. 100% In vs 100% Out is a false dichotomy. Classic economic theory does not talk about dual currencies, but the real world does. Switzerland has the Swiss France and a Business to Business currency. The UK allows companies to have a Balance Sheet and taxes in Euro as well as a Pound Sterling currency. Wince 2007/8 Iceland has been developing innovative currency and debt options. The Greeks could retain the Euro for tourism and shipping and reissue drachmas for the rest of the economy. Every family in Greece has a mobile phone. Greece provides an opportunity to trial the idea of moving from an Industrial Age currency system to an Information Age currency system.

For most people in the western world, this is their first exposure to this kind of an economic situation. However, this is not new at all. The exact playbook has been used for many decades to take over countries around the world. Two good books to read about austerity, neoliberalism and corporatocracy are: "Confessions of an Economic Hitman" by John Perkins and "Shock Doctrine" by Naomi Klein.

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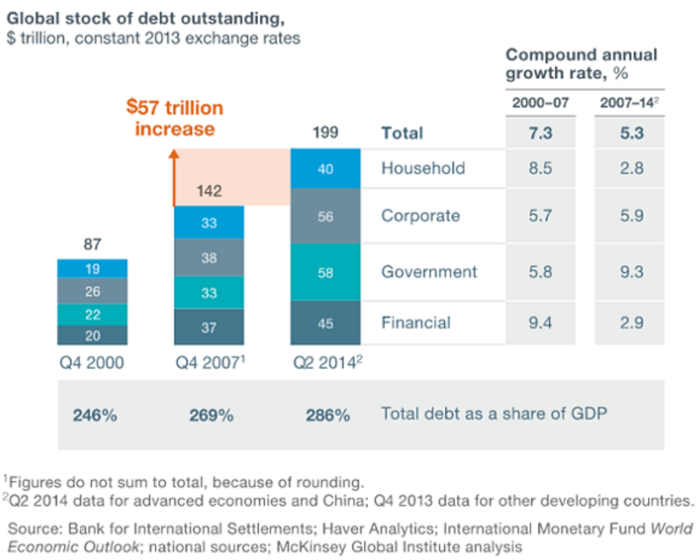
Five Persistent Greek Myths by Chris Kanthan
First published in NationofChange:
http://www.nationofchange.org/2015/07/10/blame-the-greeks-5-persistent-myths/

1. Greeks borrowed too much, isn't that right?

Maybe, but who didn't? In 2008, before the banking crisis wrecked Greece's economy, their debt-to-GDP ratio was 100%. Not great, for sure. But not horrible or unsustainable. Compare that with the current numbers for the U.S. and Japan – 101% and 220%, respectively. Even Germany, who loves to lecture people on debt, is at 75%; the U.K. is at 90%. On a global level, the total debt – government, household and corporate debts – is more than $200 trillion or 300% of world GDP! The whole world needs to go to "debtaholics anonymous." So, yeah, let a person from a debt-free country cast the first stone.



2. But shouldn't the Greek people take responsibility for their debt? Didn't they lie about their finances to get into the EU?

Are we always responsible for the actions of the leaders of our country? As individual Americans, are we responsible for the $18 trillion of debt - about $60,000 per person? How would you feel if you are asked today to pay $60,000 and take responsibility for your country?

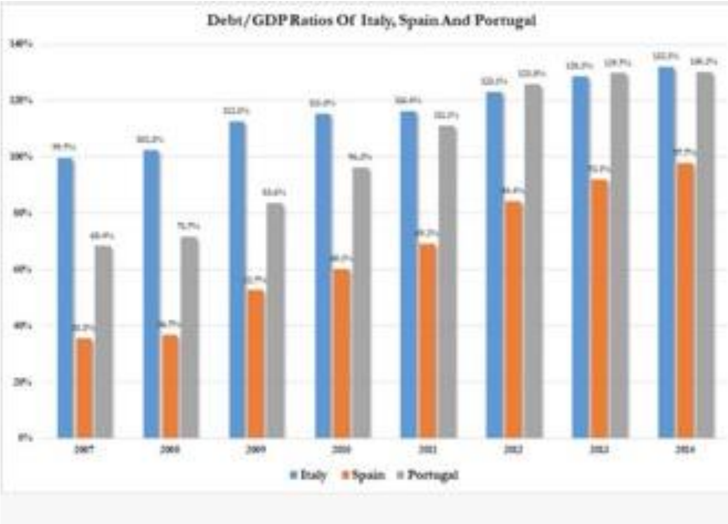
As for the fudging of the numbers, it was Goldman Sachs that worked with a handful of Greek and Italian bankers to fudge the debt numbers for those two countries.

Should all Greeks and Italians be held fully responsible for the actions of a few bankers?

By the way, the Goldman Sachs guy who was responsible for this manipulation is Mario Draghi, and he is now the president of ECB (European Central Bank) that is demanding blood from the Greeks.

3. Why can't the Greeks just stick to the austerity plan and reduce their debt like the other countries?

Because austerity doesn't reduce the debt burden. Look at the chart below for the crisis in Italy, Portugal and Spain.



Every single one of them has higher debt-to-GDP ratio now than in 2008. The medicine is worse than the disease. They are all worse off today than before.

They are all getting "Walmart-ized" – part-time jobs (replacing full-time jobs), lower wages, smaller pension, reduced benefits, dwindling government revenues, higher income and wealth inequality, huge layoffs of public employees, profitable public assets being sold off to international corporations, and so on.

50% youth unemployment, 25% reduction in GDP, 35% increase in suicides - those are the austerity numbers for Greece. Austerity is a neoliberal wet dream that is a nightmare for 90% of the population.

4. But everyone knows that Greeks are socialists who are tax avoiders, right?

Obviously, these are extremely insensitive and prejudicial statements that should never be made. Greece is #1 in small business ownership in Europe, with close to 60% of workers working at firms with less than ten employees. Greek people also work the longest hours in Europe. You know how American media and politicians always claim that small business is the backbone of America? So, unless America is aspiring to be a socialist country, Greeks are not socialists.

As for tax avoidance, yeah, tell me one country in the world where small business owners report 100% of their income. How come the same people, who get mad at the average small business owner, never seem to mind Boeing, Apple, Google and other corporations dodging trillions of dollars in taxes?

Plus, what good is going to come from all those hardworking people paying more taxes which will end up in the coffers of foreign banks and Greek oligarchs? Until we hear an American politician running on a populist, winning platform of "tax increase," perhaps we shouldn't demand that from the ordinary hardworking Greek citizen.

5. Don't Greeks retire early and get amazing pensions?

You mean that if they are all Walmart greeters, working for $7/hour, they will be much happier? In a world run by bankers, yeah, pensions are always prime targets.

And the bankers have a lot to smile about the current status of Greek pensions – they have been slashed by 40%, with the average pension being €600 a month. People are also now required to work many more years than before to collect pension, and plans will raise the retirement age to 67. Anyone who is supporting austerity for the Greeks is voting for crushing austerity for their own country in the very near future. Hunger Games in real life is no fun.

Three Comments

1. Greece lied about their deficits when the Euro was first created, but everyone knew about it. A tremendous amount was written on the topic and no one was fooled. When it all hit the wall in 2008 the ECB was shocked to find out there was a large deficit. Gee.

2. Part of this whole mess involves willfully misunderstanding communism and its fundamental argument against capitalism. Capitalism is designed to reward investment, not labor. Hence, the hammer and sickle on the Soviet flag. Hence, capitalist judges side with lazy landlords when a hard-working tenant has troubles. McCarthy-type goons have been waging a fear campaign that freezes the intellect of most people. Aside from the frightening purges in 1950s America, the word "communism" depicts something drastic the early Christians did--something far, far, far away from what socialists have been saying; "Pay the honest worker what he needs and deserves," pro-labor socialists have been saying for decades, "and forget the crooked banksters!" Some socialists have jailed, banished, or even executed banksters. Reality teaches us that you can't trap a poisonous viper or tiger peacefully.

3. I was told that 75% of Germany's war debts were forgiven/erased. And now the Germans are wagging their fingers and going after other EU countries about their debts? Hasn't the strong German economy benefited from a Euro dragged down by Greece, Italy, Spain etc.?

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We're All Greeks Now by Chris Hedges
first published in Nation of Change on 13th July 2015
http://www.nationofchange.org/2015/07/13/we-are-all-greeks-now/

The poor and the working class in the United States know what it is to be Greek. They know underemployment and unemployment. They know life without a pension. They know existence on a few dollars a day. They know gas and electricity being turned off because of unpaid bills. They know the crippling weight of debt. They know being sick and unable to afford medical care. They know the state seizing their meager assets, a process known in the United States as “civil asset forfeiture,” which has permitted American police agencies to confiscate more than $3 billion in cash and property.

They know the profound despair and abandonment that come when schools, libraries, neighborhood health clinics, day care services, roads, bridges, public buildings and assistance programs are neglected or closed. They know the financial elites’ hijacking of democratic institutions to impose widespread misery in the name of austerity. They, like the Greeks, know what it is to be abandoned.

The Greeks and the U.S. working poor endure the same deprivations because they are being assaulted by the same system - corporate capitalism. There are no internal constraints on corporate capitalism. And the few external constraints that existed have been removed. Corporate capitalism, manipulating the world’s most powerful financial institutions, including the Eurogroup, the World Bank, the International Monetary Fund and the Federal Reserve, does what it is designed to do: It turns everything, including human beings and the natural world, into commodities to be exploited until exhaustion or collapse.

In the extraction process, labor unions are broken, regulatory agencies are gutted, laws are written by corporate lobbyists to legalize fraud and empower global monopolies, and public utilities are privatized. Secret trade agreements - which even elected officials who view the documents are not allowed to speak about - empower corporate oligarchs to amass even greater power and accrue even greater profits at the expense of workers.

To swell its profits, corporate capitalism plunders, represses and drives into bankruptcy individuals, cities, states and governments. It ultimately demolishes the structures and markets that make capitalism possible. But this is of little consolation for those who endure its evil. By the time it slays itself it will have left untold human misery in its wake.

The Greek government kneels before the bankers of Europe begging for mercy because it knows that if it leaves the eurozone, the international banking system will do to Greece what it did to the socialist government of Salvador Allende in 1973 in Chile; it will, as Richard Nixon promised to do in Chile, “make the economy scream.” The bankers will destroy Greece. If this means the Greeks can no longer get medicine - Greece owes European drug makers 1 billion euros - so be it.

If this means food shortages - Greece imports thousands of tons of food from Europe a year - so be it. If this means oil and gas shortages - Greece imports 99 percent of its oil and gas - so be it. The bankers will carry out economic warfare until the current Greek government is ousted and corporate political puppets are back in control.

Human life is of no concern to corporate capitalists. The suffering of the Greeks, like the suffering of ordinary Americans, is very good for the profit margins of financial institutions such as Goldman Sachs. It was, after all, Goldman Sachs - which shoved subprime mortgages down the throats of families it knew could never pay the loans back, sold the subprime mortgages as investments to pension funds and then bet against them - that orchestrated complex financial agreements with Greece, many of them secret.

These agreements doubled the debt Greece owes under derivative deals and allowed the old Greek government to mask its real debt to keep borrowing. And when Greece imploded, Goldman Sachs headed out the door with suitcases full of cash.

The system of unfettered capitalism is designed to callously extract money from the most vulnerable and funnel it upward to the elites. This is seen in the mounting fines and fees used to cover shortfalls in city and state budgets. Corporate capitalism seeks to privatize all aspects of government service, from education to intelligence gathering. The U.S. Postal Service appears to be next. Parents already must pay hundreds of dollars for their public-school children to take school buses, go to music or art classes and participate in sports or other activities. Fire departments, ambulance services, the national parks system are all slated to become fodder for corporate profit. It is the death of the civil society.

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How Goldman Sachs Profited From the Greek Debt Crisis by Robert B. Reich
first published in The Nation on 16th July 2015

The investment bank made millions by helping to hide the true extent of the debt, and in the process almost doubled it. The Greek debt crisis offers another illustration of Wall Street's powers of persuasion and predation, although the Street is missing from most accounts.

The crisis was exacerbated years ago by a deal with Goldman Sachs, engineered by Goldman's current CEO, Lloyd Blankfein. Blankfein and his Goldman team helped Greece hide the true extent of its debt, and in the process almost doubled it. And just as with the American subprime crisis, and the current plight of many American cities, Wall Street's predatory lending played an important although little-recognized role.

In 2001, Greece was looking for ways to disguise its mounting financial troubles. The Maastricht Treaty required all eurozone member states to show improvement in their public finances, but Greece was heading in the wrong direction. Then Goldman Sachs came to the rescue, arranging a secret loan of 2.8 billion euros for Greece, disguised as an off-the-books “cross-currency swap”-a complicated transaction in which Greece's foreign-currency debt was converted into a domestic-currency obligation using a fictitious market exchange rate.

As a result, about 2 percent of Greece's debt magically disappeared from its national accounts. Christoforos Sardelis, then head of Greece's Public Debt Management Agency, later described the deal to Bloomberg Business as “a very sexy story between two sinners.” For its services, Goldman received a whopping 600 million euros ($793 million), according to Spyros Papanicolaou, who took over from Sardelis in 2005. That came to about 12 percent of Goldman's revenue from its giant trading and principal-investments unit in 2001-which posted record sales that year. The unit was run by Blankfein.

Then the deal turned sour. After the 9/11 attacks, bond yields plunged, resulting in a big loss for Greece because of the formula Goldman had used to compute the country's debt repayments under the swap. By 2005, Greece owed almost double what it had put into the deal, pushing its off-the-books debt from 2.8 billion euros to 5.1 billion. In 2005, the deal was restructured and that 5.1 billion euros in debt locked in. Perhaps not incidentally, Mario Draghi, now head of the European Central Bank and a major player in the current Greek drama, was then managing director of Goldman's international division.

Greece wasn't the only sinner. Until 2008, European Union accounting rules allowed member nations to manage their debt with so-called off-market rates in swaps, pushed by Goldman and other Wall Street banks. In the late 1990s, JPMorgan enabled Italy to hide its debt by swapping currency at a favorable exchange rate, thereby committing Italy to future payments that didn't appear on its national accounts as future liabilities.

But Greece was in the worst shape, and Goldman was the biggest enabler. Undoubtedly, Greece suffers from years of corruption and tax avoidance by its wealthy. But Goldman wasn't an innocent bystander: It padded its profits by leveraging Greece to the hilt-along with much of the rest of the global economy. Other Wall Street banks did the same. When the bubble burst, all that leveraging pulled the world economy to its knees.

Even with the global economy reeling from Wall Street's excesses, Goldman offered Greece another gimmick. In early November 2009, three months before the country's debt crisis became global news, a Goldman team proposed a financial instrument that would push the debt from Greece's healthcare system far into the future. This time, though, Greece didn't bite.

As we know, Wall Street got bailed out by American taxpayers. And in subsequent years, the banks became profitable again and repaid their bailout loans. Bank shares have gone through the roof. Goldman's were trading at $53 a share in November 2008; they're now worth over $200. Executives at Goldman and other Wall Street banks have enjoyed huge pay packages and promotions. Blankfein, now Goldman's CEO, raked in $24 million last year alone.

Meanwhile, the people of Greece struggle to buy medicine and food. There are analogies here in America, beginning with the predatory loans made by Goldman, other big banks, and the financial companies they were allied with in the years leading up to the bust. Today, even as the bankers vacation in the Hamptons, millions of Americans continue to struggle with the aftershock of the financial crisis in terms of lost jobs, savings, and homes.

Meanwhile, cities and states across America have been forced to cut essential services because they're trapped in similar deals sold to them by Wall Street banks. Many of these deals have involved swaps analogous to the ones Goldman sold the Greek government. And much like the assurances it made to the Greek government, Goldman and other banks assured the municipalities that the swaps would let them borrow more cheaply than if they relied on traditional fixed-rate bonds-while downplaying the risks they faced. Then, as interest rates plunged and the swaps turned out to cost far more, Goldman and the other banks refused to let the municipalities refinance without paying hefty fees to terminate the deals.

Three years ago, the Detroit Water Department had to pay Goldman and other banks penalties totaling $547 million to terminate costly interest-rate swaps. Forty percent of Detroit's water bills still go to paying off the penalty. Residents of Detroit whose water has been shut off because they can't pay have no idea that Goldman and other big banks are responsible. Likewise, the Chicago school system-whose budget is already cut to the bone-must pay over $200 million in termination penalties on a Wall Street deal that had Chicago schools paying $36 million a year in interest-rate swaps.

A deal involving interest-rate swaps that Goldman struck with Oakland, California, more than a decade ago has ended up costing the city about $4 million a year, but Goldman has refused to allow Oakland out of the contract unless it ponies up a $16 million termination fee-prompting the city council to pass a resolution to boycott Goldman. When confronted at a shareholder meeting about it, Blankfein explained that it was against shareholder interests to tear up a valid contract.

Goldman Sachs and the other giant Wall Street banks are masterful at selling complex deals by exaggerating their benefits and minimizing their costs and risks. That's how they earn giant fees. When a client gets into trouble-whether that client is an American homeowner, a US city, or Greece-Goldman ducks and hides behind legal formalities and shareholder interests.

Borrowers that get into trouble are rarely blameless, of course: They spent too much, and were gullible or stupid enough to buy Goldman's pitches. Greece brought on its own problems, as did many American homeowners and municipalities.

But in all of these cases, Goldman knew very well what it was doing. It knew more about the real risks and costs of the deals it proposed than those who accepted them. "It is an issue of morality," said the shareholder at the Goldman meeting where Oakland came up. Exactly.

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Greece, Europe, and the United States by James K. Galbraith
first published in Harpers on July 16, 2015, 1:00 pm

"A progressive Europe - the Europe of sustainable growth and social cohesion - would be one thing. The gridlocked, reactionary, petty, and vicious Europe that actually exists is another. It cannot and should not last for very long."

The full brutality of the European position on Greece emerged last weekend, when Europe's leaders rejected the Greek surrender document of June 9, and insisted instead on unconditional surrender plus reparations. The new diktat - formally accepted by Greece yesterday - requires 50 billion euros' worth of "good assets"–which incidentally do not exist - to be transferred to a privatization fund; all financial legislation passed since Syriza took control of parliament in January to be rolled back; and the "troika" (the *European Commission*, the *European Central Bank*, and the *International Monetary Fund*) to return to Athens. From now on, the Greek government must get approval from these institutions before introducing "relevant" legislation - indeed, even before opening that legislation for public comment. In short: as of now, Greece is no longer an independent state.

Comparisons have been drawn to the *Treaty of Versailles*, which set Europe on the path to Nazism after the end of World War I. But the 1968 Soviet invasion of Czechoslovakia, which ended a small country's brave experiment in policy independence, is almost as good an analogy. In crushing Czechoslovakia, the invasion also destroyed the Soviet Union's reputation, shattering the illusions that many sympathetic observers still harbored. It thus set the stage for the final collapse of Communism, first among the parties of Western Europe and then in the USSR itself.

Six months ago one could hope that Syriza's electoral victory would spark a larger discussion of austerity's failure and inspire a continent-wide search for better solutions. But once it became clear that there was no support for this approach from Spain, Portugal, or Ireland; only polite sympathy from Italy and France; and implacable hostility from Germany and points north and east, the party's goal narrowed. Syriza's objective became carving out space for a policy change in Greece alone. Exit from the Euro was not an option, and the government would not bluff. Syriza's only tool was an appeal to reason, to world opinion, and for help from outside. With these appeals, the Greeks argued forcefully and passionately for five months.

In this way, the leaders of the Greek government placed a moral burden on Europe. Theirs was a challenge based on the vision of "sustainable growth" and "social inclusion" that has been written into every European treaty from Rome to Maastricht - a challenge aimed at the soul of the European project, if it still had a soul. No one in the Greek government entertained illusions on that point; all realized that Greece might arrive at the end of June weakened, broke, and defenseless. But given the narrow margins for maneuver, which were restricted both by Syriza's platform and the Greek people's attachment to Europe, it was the only play they had.

European creditors responded with surprise, irritation, exasperation, obstinacy, and finally fury. At no time did the logic of the Greek argument - about the obvious failure, over the past five years, of austerity policies to produce the predicted levels of growth - make any dent. Europe did not care about Greece. After resigning as Greek finance minister, Yanis Varoufakis described the negotiation process:

The complete lack of any democratic scruples on behalf of the supposed defenders of Europe's democracy. The quite clear understanding on the other side that we are on the same page analytically … [And yet] to have very powerful figures look at you in the eye and say "You're right in what you're saying, but we're going to crunch you anyway."

What Europe's "leaders" do care about is power. They posture for their own parliaments and domestic politics. There is an eastern bloc, led by Finland, which is right-wing and ultra-hard line. There is a model-prisoner group - Spain, Ireland, and Portugal - which is faced with Podemos and Sinn Fein at home and cannot admit that austerity hasn't worked. There is a soft pair, France and Italy, which would like to dampen the threats from Marine Le Pen and Beppe Grillo. And there is Germany, which, it is now clear, cannot accept debt relief inside the euro zone, because such relief would allow other countries in trouble to make similar demands. Europe's largest creditor would then face a colossal write-off and the Germans would face the stunning realization that the vast debts built up to finance their exports over the past fifteen years will never be repaid.

Syriza was not some Greek fluke; it was a direct consequence of European policy failure. A coalition of ex-Communists, unionists, Greens, and college professors does not rise to power anywhere except in desperate times. That Syriza did rise, overshadowing the Greek Nazis in the Golden Dawn party, was, in its way, a democratic miracle. Syriza's destruction will now lead to a reassessment, everywhere on the continent, of the "European project." A progressive Europe - the Europe of sustainable growth and social cohesion - would be one thing. The gridlocked, reactionary, petty, and vicious Europe that actually exists is another. It cannot and should not last for very long.

What will become of Europe? Clearly the hopes of the pro-European, reformist left are now over. That will leave the future in the hands of the anti-European parties, including UKIP, the National Front in France, and Golden Dawn in Greece. These are ugly, racist, xenophobic groups; Golden Dawn has proposed concentration camps for immigrants in its platform. The only counter, now, is for progressive and democratic forces to regroup behind the banner of national democratic restoration. Which means that the left in Europe will also now swing against the euro.

As that happens, should the United States continue to support the euro, aligning ourselves with failed policies and crushed democratic protests? Or should we let it be known that we are indifferent about which countries are in or out? Surely the latter represents the sensible choice. After all, Poland, the Czech Republic, Croatia, and Romania (not to mention Denmark and Sweden, or for that matter the United Kingdom) are still out and will likely remain so - yet no one thinks they will fail or drift to Putin because of that. So why should the euro - plainly now a fading dream - be propped up? Why shouldn't getting out be an option? Independent technical, financial, and moral support for democratic allies seeking exit would, in these conditions, help to stabilize an otherwise dangerous and destructive mood.

James K. Galbraith is the author of The End of Normal and a co-author of The Modest Proposal to Resolve the Crisis of the Eurozone. He has been in Athens as a friend of Yanis Varoufakis, Greece's former finance minister. He participated in "How Germany Reconquered Europe," a forum about the future of the euro that appeared in the February 2014 issue. Read the full article at http://harpers.org/blog/2015/07/a-deeply-integrated-europe/ .

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Comments

1. Galbraith is ridiculous - the voice of Yankee corporate Hierarchy. The last thing that the American corporate dictatorship wants to see succeed is EU style social democracy. The EU as a country is one third the size of the USA and supports 42% more citizens. They live longer, their cities are cleaner, there isn't a homeless group standing on every street corner - the public transportation is better - I can go on and on. Yet Galbraith is sure the EU is going to fail. Baloney!

2. Does anyone else see that the "euro crisis" was caused by the Wall Street/London banking cartel? The whole point of the housing bubble (not just in the US, but also Ireland, Spain, etc.) was to create fraudulent, time-bomb derivatives (MBS CDOs) and sell them to peripheral European governments (especially Greece), pension funds, etc., knowing that when the housing bubble burst, the CDOs would default and plunge the EU into crisis. I'm quite sure this was a plot to break up the EU and destroy the euro (and make Germany look like the bad guy for not bailing everybody out). Anyone else see this?

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The Euro and its Discontents - a discussion
extracted from "How Germany Reconquered Europe," published in the February 2014 issue of Harper's Magazine.

This excerpt from a discussion between five experts on European and American policy explores whether the euro will survive in Europe, given the region's economic woes.

Jeff Madrick authored Harper's Anti-Economist column; James K. Galbraith is the Lloyd M. Bentsen Jr. Chair in Government/Business Relations at the Lyndon B. Johnson School of Public Affairs, University of Texas, Austin; Ulrike Guérot is the Associate for Germany at the Open Society Initiative for Europe; John N. Gray is the Emeritus Professor of European Thought at the London School of Economics; Christian Lemke is the Max Weber Chair in German and European Studies at New York University; and Emmanuel Todd is a historian, social anthropologist, and political scientist at the National Institute of Demographic Studies, Paris.

From an interview with Emmanuel Todd in the July 10 issue of Le Soir. Todd is a historian, anthropologist, and demographer whose most recent book is Qui est Charlie? He participated in "How Germany Reconquered Europe," which was published in the February 2014 issue of Harper's Magazine.

Christiane Lemke: How would you analyze this Greek psychodrama?

Todd: It strikes me that the Europe we're concerned with now is a Europe controlled by Germany and its Baltic and Polish satellites. Under Germany's direction, Europe has become hierarchical, authoritarian, and "austeritarian." The confrontation between [Greek Prime Minister Alexis] Tsipiras and [German Finance Minister Wolfgang] Schäuble has set that northern Europe against the south. Europe is in the process of splitting along those lines. Notwithstanding what their governments might say, I'd bet that the Italians, the Spanish, the Portuguese, and even the English have a lot of sympathy for Tsipras right now. It's more a north-south divide than a left-right divide?

Christiane Lemke: Look at German Social Democrats: they're taking a particularly hard line on the Greeks. Until very recently, all the talk among French socialists was: We are going to make another Europe, a Europe of the left. Thanks to our great relationship with the German Social-Democrats, there is another way. I would respond: No, it's going to be even worse with them! The Social Democrats are strongest in the Protestant areas of Germany. They are even more northern, even more opposed to the "Catholic jokers" in the south. What has re-emerged, therefore, is not at all a left-right division; it is a cultural divide as old as Europe itself. We are seeing again what [20th century French historian] Fernand Braudel wrote about: the limits of the Roman Empire. Those countries truly influenced by Roman universalism are instinctively on the side of a rational Europe - that is, a Europe whose sensibility isn't authoritarian and masochistic, one that understands that austerity is a suicide pact. On the other side, you have Lutheran Europe - which is the faith of two-thirds of Germany, two out of three Baltic states, and the Scandinavians. Poland is Catholic, but it was never part of the Roman Empire. So these are extraordinarily deep divisions making themselves felt. One hardly hears about France in this north-south debate.

Todd: That's the real question: is France going to act? France has two sides. There is the old collaborationist France, which is pro-Europe and pro-German. But it's clear that most of France is on the side of the south. [...] Up until now, France has played good cop to Germany's bad cop. For [French president François] Hollande, now is the moment of truth. If he lets Greece fail, he enters the history books on the side of the socialists who voted Marshal Pétain into power. If the Greeks are massacred one way or another with France's complicity, then we'll know that Pétain's France - the collaborationist France - has won.

Jeff Madrick: We gather for this discussion at an interesting time. Angela Merkel has just been comfortably reelected chancellor of Germany, which seems to strengthen the hand of austerity advocates there. Throughout the euro zone, trade is becoming less imbalanced. Productivity is rising in some countries, and a decline in labor costs is helping exports. All of this has led to a calming of financial markets. But the other side of this coin is extreme deprivation across the south of Europe, where unemployment remains extremely high and GDP is well below pre-crisis levels. Meanwhile, here in the United States, Janet Yellen is set to replace Ben Bernanke as chair of the Federal Reserve, and many observers wonder how long she can resist inflation hawks, who are demanding the "tapering" of the Fed's quantitative-easing policy. Events in Europe could well influence her decision, and her decision will in turn surely affect economic conditions in Europe.

So this is the backdrop as we gather two Germans, a Frenchman, an Englishman, and an American to discuss the future of the euro zone. We hope to cover many topics today, but will begin with the most basic question: Will the euro - that is, the euro as a shared currency and the euro zone as a multinational political and economic entity - survive? Two questions naturally follow from this one: Should the euro survive, and if it doesn't, what might take its place? Finally, we'll talk a little bit about the consequences of the euro's future for the United States. But first, Ulrike, if I might start with you: Will the euro survive?

Ulrike Guérot: The euro will certainly survive. In Germany, we are committed to the European Union not only for economic reasons - the economic benefits to German industry are admittedly great - but also for historical, geographic, and political reasons. Germany doesn't want to go it alone. I think we all agree that the European Union has had flaws from its very beginning. A political union has lagged behind the economic one. To me, this is the real crisis. So the better question is: Under what conditions of dysfunction will the euro survive? There have been several attempts since the Maastricht Treaty of 1992 to reform the European Union's institutional framework, but we need to recommit ourselves to fiscal and political integration, to making the euro more legitimate and also more democratic.

Madrick: John, your thoughts on whether the euro will survive?

John Gray: Well, we have to say over what period. If there has ever been a time when the euro zone could have disintegrated abruptly, that time is past. So if we're talking about the next few years or perhaps the next decade, I agree with Ulrike that the euro will survive in a dysfunctional way. Over the longer term, it seems to me that the preconditions of functionality cannot be met. There isn't going to be true political union in Europe, or anything resembling it. If the euro had been confined to a small number of similar countries, if it hadn't expanded the way it did, you could have had a monetary union that evolved into a political union. Instead, the euro zone grew to include countries with radically different levels of economic development, radically different political systems, radically different histories. If you believe - and I agree with Ulrike on this point - that a real political union is a precondition of the euro's long-term survival, then I don't think it can survive.

The basic lesson of the past ten, twenty years - even of the past hundred years - is that the upper limit, not only of democracy but of political legitimacy, is the nation-state. I'm not a nationalist, I don't particularly like the nation-state, but I think that's simply a fact. Apart from a few relics like Canada, the United Kingdom, Belgium, and Spain, which are genuinely multinational polities (but also remnants of empire and monarchy), there are no genuinely multinational democracies in the world, and I don't think there will be.

In the case of my own country, I don't think the British political class or the majority of British voters have it in them to make any fundamental, radical decision. On current evidence, I don't think they will commit to leaving the European Union. But I'm equally sure, or more sure, that any deeper commitment is politically impossible. The depth of public opposition is profound. Whatever deeper integration happens in Europe, we won't take part.

Madrick: Emmanuel?

Emmanuel Todd: The euro is a great mystery to me. From my perspective it's clear that it cannot work - that is not the mystery. These are very different nations, not just in terms of economic practice but in terms of social anthropology. If you take Germany, for example, you have a very connected culture. France is much more individualistic. Many differences derive from this, starting with birthrate. To a demographer, it's obvious that a nation producing 1.4 children per woman - Germany - and a nation producing two children per woman - France —- are entirely different worlds. If the euro survives, we'll have ever more unemployed young people in France, because through the euro we are imposing an economic system that doesn't match our culture or demographics.

I predicted all this in 1992, so to me the economics of the thing are no longer interesting. Outside Germany, it's pretty obvious that the euro is a complete failure. So the mystery I'm talking about is: Why does it go on? That is not an economic question; it's an ideological question. I think France is much more responsible than Germany for this mess. The German dominance of Europe is possible only because of French acceptance. You must realize what the euro is from the point of view of French politicians, whether right wing or left wing. They had the idea, they imposed it on Germany, which accepted it and turned it into a very efficient, German economic instrument. For France, getting out of the euro would mean admitting that our entire political class was hapless. It would be the beginning of a social revolution.

Madrick: Maybe the confrontation ultimately is with France. But let's leave it at that for now as I move on to James K. Galbraith.

James Galbraith: Jeff, if I could, let me restate the question this way: Will the euro zone continue with its full complement of present members under the current policy regime indefinitely? And the answer I would offer is somewhere between "very unlikely" and "absolutely not." Right now we are witnessing the destruction of some of the smaller countries of the European south. It's very plain in Greece - a country that has never had strong public social institutions. Those it does have - the health system, the education system, the system of infrastructure, and the maintenance of basic public services - are being demolished. You can't make a country attractive to foreign investment in a manner that will produce economic recovery if these social underpinnings are destroyed. Portugal, Ireland, Spain, and Italy are not as far down the road as Greece, but they are on the same general path.

So what will happen? One of two things. There may be a coherent political rebellion against the current direction of European policy. At the moment, I think the most promising source of such a rebellion is Syriza, the radical-left coalition in Greece, but there are other candidates. That rebellion would place the leadership of Europe in the position of having to decide whether they wished to continue the euro zone in its present form. If they did, policy would have to change. The second possibility is that the leadership of the center of Europe, specifically Chancellor Merkel's government, may decide to change its practical approach to these questions, in defiance of what it has been saying up to now. Those to me are the only two possibilities. I quite agree with Emmanuel Todd that the French position here is a nullity. France has not been exercising any effective, coherent position. On the other hand -

Todd: I'm ashamed, as a Frenchman.

Galbraith: And on the other hand, one has to respect the fact that Germany has a chancellor who has proved herself a very successful political figure and therefore has created for herself the possibility of exercising real leadership in this matter. In order for her to do so, there first has to be a recognition that this crossroads is coming. At the moment, Europe is attempting to stabilize the bond yields and the finances of Portugal and Ireland while leaving Greece to fester as an untreated wound. This raises the question of whether it would be possible for a single small country to be effectively expelled from the euro zone as a result of political impasse. There’s a belief that it is possible, and I think that belief is profoundly dangerous. We have experience with what happens to large conglomerate political systems when small pieces of them leave. The Soviet Union did not survive the departure of the Baltic states. Yugoslavia did not survive the departure of Slovenia.

All right, the euro zone is obviously different from those two - but what would happen? You can cut off a toe, which is Cyprus - that already happened. But if you cut off your foot - which is Greece, roughly 2 percent of the total European economy - the markets will immediately focus on the next limb, the next most vulnerable part, which might be Portugal. When Portugal goes, people will start looking at Spain, and when Spain goes then they’re looking at Italy. The notion that you can partially dismantle what was created as a permanent and irrevocable currency union without eventually seeing the whole thing collapse strikes me as mistaken. It’s an all-or-nothing proposition.

Madrick: Thank you. Let’s get some of Christiane’s views.

Christiane Lemke: Yes, the poor euro. I do believe that it will survive. But right now it’s like a swimmer halfway out from the shore. It hasn’t safely reached the other bank of the river, and it can’t really go back. It was a very risky project from the start.

As Emmanuel was saying earlier, the myth about the euro is that it exists to benefit Germany, that Germany created the euro to be more competitive, to increase exports, to dominate other countries. Historical records show that this is not the case. Germany gave up a very strong deutsche mark because the French - François Mitterrand - pushed the German government to prove its European-ness. That project has been very successful: Germany defines itself as a European country, and there is no will to renationalization among the German people. It’s not just in Germany that this political project has been quite successful. If you look at countries from the former communist world - Poland is a great economic success, the Balkans are politically stable, Croatia has joined the European Union, and Serbia is an official candidate. So there is something going on in a broader context, in a political context, here that makes an integrated Europe very valuable to citizens.

As for the economic project, I do agree that there are fractures. There was an idea that if you created one currency, economies would converge. They have not converged, and they will not do so in the future without other policies in place. Austerity will not do the trick. We all see austerity policies pushing countries in southern Europe even further into crisis, but that is partly because the wrong programs are being cut. Military expenditures in Greece are 2.6 percent of GDP, higher than the European average, higher than in Britain or in China. Start there. Don’t start with infrastructure programs or social programs for the poor and the middle class.

At this point, the euro stands for a deeply integrated Europe. The costs of dismantling the euro zone, or of allowing single countries to exit, would be immensely high. To reintroduce the French franc or the deutsche mark, the costs would be tremendous, and the global economy won’t wait. These economies are closely intertwined, not just in terms of trade but in terms of production. Over the past ten, fifteen years, there have been many Franco-German projects -

Galbraith: This is no longer true.

Lemke: - to take this apart -

Todd: You’re talking about the past.

Lemke: If you look at trade-balance figures, France remains the major export country for Germany, and vice versa. The state of both economies is such that we do need the euro to be competitive in the world market.

Guérot: Since you mention the world market, and since we’re talking for an American magazine, let me just suggest another reason the euro will survive, which is that there are too many actors - especially in US markets - who want it to survive. Nobody on Wall Street wants the euro to break apart. Nor do the Chinese. So that’s a good reason to assume it will survive.

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Greek government surrenders; now it’s up to the people to save themselves by Thomas H. Greco Jnr.

Posted on July 14, 2015 at *http://beyondmoney.net/2015/07/14/greek-government-surrenders-now-its-up-to-the-people-to-save-themselves/*

After almost six months of "negotiations," the Greek government has surrendered to the demands of the powers-that-be. In an interview that was conducted shortly after his resignation but prior to the deal just concluded between the Greek government and the European "institutions," former Greek Finance Minister, Yanis Varoufakis, indicated that the outcome was determined from the very beginning.

Pointing to a "complete lack of any democratic scruples, on behalf of the supposed defenders of Europe's democracy," he said, "At some point it was put to me very unequivocally: 'This is a horse and either you get on it or it is dead.'

Regarding contingency plans, Varoufakis commented that "if they dared shut our banks down," strong action would need to be taken "...but without crossing the point of no return." He said, "We should issue our own IOUs, or even at least announce that we're going to issue our own euro-denominated liquidity; we should haircut the Greek 2012 bonds that the ECB held, or announce we were going to do it; and we should take control of the Bank of Greece. This was the triptych, the three things, which I thought we should respond with if the ECB shut down our banks."

But his recommendations were voted down by his colleagues. Some further excerpts:

"Nothing shocks me these days - our Eurozone is a very inhospitable place for decent people. It wouldn't shock me either [for Prime Minister Tsipras] to stay on and accept a very bad deal. Because I can understand he feels he has an obligation to the people that support him, support us, not to let this country become a failed state.

But I'm not going to betray my own view, that I honed back in 2010, that this country must stop extending and pretending, we must stop taking on new loans pretending that we have solved the problem, when we haven't; when we have made our debt even less sustainable on condition of further austerity that even further shrinks the economy; and shifts the burden further onto the have-nots, creating a humanitarian crisis. It's something I'm not going to accept. I'm not going to be party to."

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Occupation of Greece Begins by Thomas H. Greco Jnr. *Author of The End of Money and the Future of Civilization*
Posted on July 17, 2015 at http://beyondmoney.net/2015/07/14/greek-government-surrenders-now-its-up-to-the-people-to-save-themselves/

Like so many others, both inside and outside Greece, I was greatly disappointed at the outcome of the negotiations between the Greek government and the "institutions." At first, it looked like a sell-out, but on further reflection, I can see that given the circumstances, the government really had no choice.

More than 70 years ago, Greece was overrun in a Nazi blitzkrieg. This week it has been overrun by the combined powers of global financial capital and its eurozone "partners." The following is a comment (still awaiting moderation) I made today on the website of former Greek finance minister, Yannis Varoufakis.

I regret having been overly judgmental in my comment of July 14. I have no business telling the Greek government what they should have done, or must do in the future. It is Tsipras and the Syriza coalition who have the responsibility of representing the interests of the Greek people and preserving the Greek state. I can see that surrender (or "strategic retreat") in the face of overwhelming force may have been necessary, just as it was with the Nazi occupation of 70 years ago. Better to live to fight another day when conditions may be more favorable.

Brothers in arms: Alexis Tsipras and Podemos' Pablo Iglesias

Now the battles must be fought on another level, the people need to do what they can to take care of themselves and each another. To do that, they first need to clearly identify their adversary and understand the kinds of weapons that are being used against them.

Bill Clinton's mentor, Prof. Carroll Quigley, in his 1966 book, *Tragedy and Hope* told us what the agenda is, who is in control of it, and how their plans are to be carried out. He wrote:

"The powers of financial capitalism had a far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences." Viewed in that light, the major political events of the past 40 years, including the Greek crisis, make perfect sense.

This anti-democracy cabal is able to achieve their aims by means of their control over the creation and allocation of money in virtually every country of the world. But money is simply our collective credit manifested as bank deposits or notes. We the people everywhere need to end our fixation on their politicized forms of money, and create our own exchange media (liquidity) by allocating credit directly amongst producers. This is the route back to freedom and democratic government.

An abbreviated sketch of my activities in Greece during the Greek Crisis by Thomas H. Greco Jnr

I spent a little more than three weeks at the *Kalikalos Holistic Summer School* during the months of June and July. Kalikalos is located on the Mt. Pelion peninsula where the views are spectacular, the mountain villages delightful, and the nearby beaches inviting, all of which provides a good balance of work, play and living in community with people from diverse places. In this ever-changing community of students, workshop leaders, volunteers, facilitators-in-residence, and staff, everyone pitches in to prepare meals, clean up, and share their special gifts.

The daily program routine leaves plenty of time for recreation and many people choose to go down the mountain to the beach in the afternoons (about a 20 minute ride) or to hike the ancient donkey trails that connect the villages. Healthy living is a fundamental aspect of the Kalikalos experience with plenty of opportunity for yoga, meditation, tai chi and whatever other modes of centring people care to share.

Meals are vegetarian and based mainly on fresh whole foods and traditional Greek ingredients - local olives, olive oil, feta cheese, locally baked bread, tomatoes, cucumbers, and vegetables from Kalikalos' own gardens.

During my first week there I gave two presentations and conducted sessions in which we played two of my simulation games, *Money Monopoly* and *Free Exchange*. Then in July during the workshop on *Solidarity Economy*, I participated in most of the sessions and gave two presentations on the money problem and exchange alternatives.

While my work on exchange alternatives in Greece has been mostly with private groups and activists, I have developed proposals for creating domestic and community liquidity at all levels ranging from the bottom upward to include grassroots initiatives, business associations, municipal governments, and even the national government. I will be publishing specific details about these proposals in the near future. I am also continuing to work with colleagues in Volos on laying out the framework for a nationwide network of localized credit clearing exchanges.

During the last weekend in July I conducted a two day workshop in Athens for a sizable group of participants interested or active in programs to create complementary liquidity. In the first session our discussions were based on my slide show on the Greek situation, and in the second, my presentation on *Taking Moneyless Exchange to Scale*, posted on my website at *https://beyondmoney.files.wordpress.com/2015/07/workshop-athens.ppsx* .

On Wednesday, July 29 2015, I was interviewed on Porto Kali internet radio in Athens (in English with Greek translation). You can listen to it at: *http://wp.me/a43RA-Ge*

The Greek debt crisis has been all over the news lately so most everyone is aware of it, but most people are not aware of the underlying causes or what is being done to the Greek nation by the financial and political powers-that-be. Several of my recent posts at http://beyondmoney.net have dealt with that topic. In addition, there have been some very good recent articles that clearly explain it. These three are especially enlightening:

- *Greece'd: We Voted 'No' to slavery, but 'Yes' to our chains*, by investigative reporter Greg Palast.
- *The Rest of the Story about Greece:* EU's economic demands seek to derail small business and local communities, paving the way for multinational corporate giants.
- Ellen Brown's fine article *"Guerrilla Warfare Against a Hegemonic Power":* The Challenge and Promise of Greece

To understand the larger agenda of which the Greek situation is indicative, listen to Ellen Brown's interview with Dr Paul Craig Roberts, Greece-y Mess - 07.08.15, at: *http://itsourmoney.podbean.com/e/greece-y-mess-070815/*

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Monetary Chaos has Created the Perfect Recipe for European Civil War by Ambrose Evans Pritchard
first published in the daily Telegraph on Thursday 30th July 2015

It has come to this. The first finance minister of a eurozone country to draw up contingency plans for a possible euro exit is under investigation for treason.

Greece's chief prosecutor is examining criminal charges against a five-man "working group" in the country's finance ministry for the sin of designing a "Plan B", a parallel system of euro liquidity and bank payments that could - in extremis - lead to a return of the drachma.

It is hard to see how a monetary union held together by judicial power, coercion and fear in this way can have a future in any of Europe's ancient nation states.

The criminalisation of any Grexit debate shuts off the option of an orderly return to the drachma, even though there is a high probability - some say a near certainty - that the latest EMU loan package for Greece will prove unworkable and precipitate the country's exit from the single currency within a year. As a matter of practical statecraft, this is sheer madness.

The Greek newspaper Kathimerini - the voice of the oligarchy - reported that the charges would include “breach of duty, violation of currency laws and belonging to a criminal organisation”, as well as violating data privacy by hacking into the Greek tax base. The prosecutor has latched onto a legal suit by a private lawyer accusing Yanis Varoufakis of treason. It is nothing less than an attempt to destroy the mercurial former finance minister, lest he return as an avenging political force.

The former Finance Minister enjoys immunity but is fast becoming a sacrificial scapegoat. There are over afoot in the Greek parliament to strip him of his immunity. The secret plan was approved from the outset by prime minister Alexis Tsipras. It was designed to create an alternative source of euro liquidity if the European Central Bank cut off emergency funding for the Greek banking system.

The ECB did in fact do exactly that and pulled the plug - arguably violating its Treaty duty to uphold financial - when the Syriza government threw down the gauntlet with an anti-austerity referendum.

Mr Varoufakis insists that his plan was based on California's IOU scheme in 2009 to cover tax rebates and to pay contractors when liquidity dried up after the Lehman crisis. His purpose was to reflate the economy within the eurozone, not to leave it. Yet it had a double function, and there lies the alleged treason. “At the drop of a hat it could be converted to a new drachma,” he said.

Pablo Iglesias, the pony-tailed leader of Spain's Podemos movement, has drawn his own conclusions after watching Europe's first radical-Left government in modern times brought to its knees by liquidity asphyxiation, and then further crushed by internal forces within Greece.

He accused Germany of imposing a Carthaginian settlement as punishment for daring to call a referendum, and warned that the “limits of democracy in Europe” are now brutally clear.

Podemos secretary general Pablo Iglesias speaks during a meeting in Oviedo, Spain

The lesson to be learned is that if Podemos is elected in Spain it must expect a trial of strength (“medir fuerzas”) and make sure it takes power in the fullest sense. You can interpret this how you will, but there is a hint of Leninist defiance in these words, a warning that Podemos may feel compelled to launch pre-emptive strikes against the entrenched positions of the Spanish establishment, in the media, the judiciary, the security forces and the commanding heights of the economy.

The fate of Syriza has clearly tainted the radical-Left brand. The EMU creditor powers have shown all too clearly that if you buck the system, your country will pay a bitter price. It is hard to explain to Spanish voters - or indeed to anybody - how Mr Tsipras could accept a package of draconian demands rejected by the Greek people in a landslide vote just a week earlier.

Podemos has lost its electoral lead and has dropped to 17pc in the polls, trailing the Socialists by a wide margin. But it would be premature to conclude that this is the end of the story. The deeper message - still entering the collective consciousness - is that no Leftist government can pursue sovereign policies within the constraints of EMU.

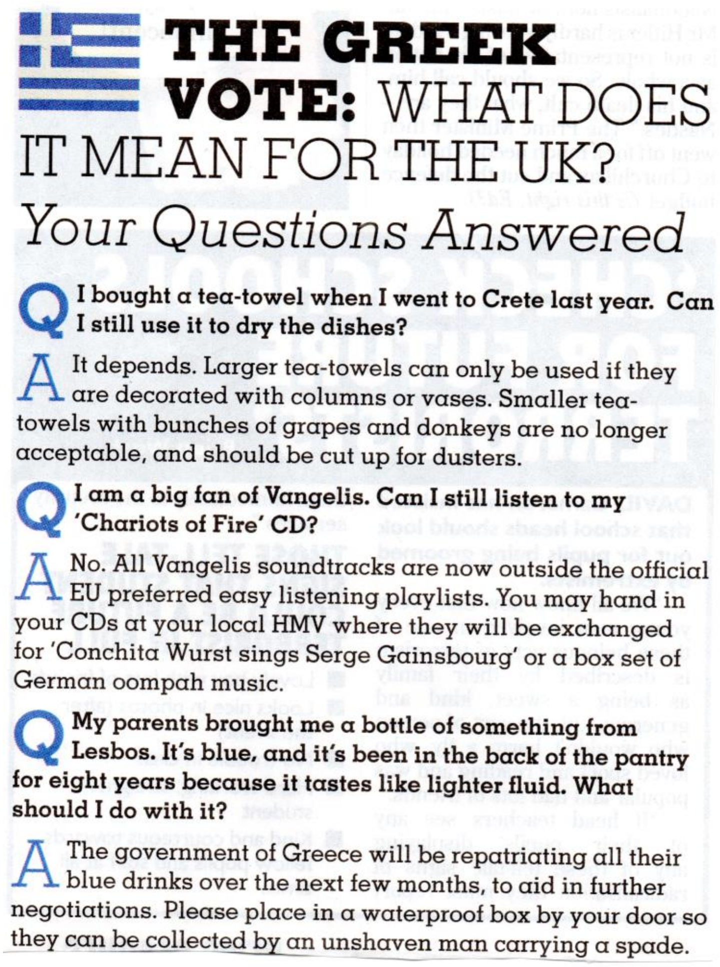
Professor James Galbraith from Texas University - who played a key role in the Greek plans and is now himself under fire - said Syriza's experiment over the past five months has demonstrated for all to see that it is impossible for a state on the EMU periphery to change the policy regime by force of argument alone, even if the prescriptions of debt-deflation and fiscal overkill imposed upon them have been self-evidently calamitous.

Speaking to the Left, prof Galbraith said Spanish voters should not delude themselves that they would secure better terms merely because their country is bigger. The creditors have shown themselves to be fanatically rigid, insisting on the exact terms of their Memorandum regardless of economic science and common sense.

For Spain, there would be the same sudden-stop in capital flows from EMU banks, leading to the same liquidity rationing by the ECB, the same internal bank-run, ending in the same “death spiral”.

Personally, I doubt that radicals will sweep Spain (or Portugal) in elections later this year. It is too soon. The country is enjoying a cyclical upswing, creating an illusion of recovery even as the current account deficit creeps up again. The worry is what will happen in the next global downturn when the Spanish people discover that they were never really cured.

Italy is another matter. There is no such mini-boom. Output is still 11pc below its pre-Lehman peak. It has dropped back to the levels of 2000. This is far worse than Japan's Lost Decade, or Italy's own experience in the 1930s. It is unprecedented in a large modern economy, and it stems from an irreversible loss of labour competitiveness in the early years of EMU.



THE GREEK VOTE: WHAT DOES IT MEAN FOR THE UK?

Your Questions Answered

Q I bought a tea-towel when I went to Crete last year. Can I still use it to dry the dishes?

A It depends. Larger tea-towels can only be used if they are decorated with columns or vases. Smaller tea-towels with bunches of grapes and donkeys are no longer acceptable, and should be cut up for dusters.

Q I am a big fan of Vangelis. Can I still listen to my 'Chariots of Fire' CD?

A No. All Vangelis soundtracks are now outside the official EU preferred easy listening playlists. You may hand in your CDs at your local HMV where they will be exchanged for 'Conchita Wurst sings Serge Gainsbourg' or a box set of German oompah music.

Q My parents brought me a bottle of something from Lesbos. It's blue, and it's been in the back of the pantry for eight years because it tastes like lighter fluid. What should I do with it?

A The government of Greece will be repatriating all their blue drinks over the next few months, to aid in further negotiations. Please place in a waterproof box by your door so they can be collected by an unshaven man carrying a spade.

Stefano Fassina, the ex-deputy finance minister in the ruling Democratic party of Matteo Renzi, is already proposing a "controlled disintegration of the eurozone" to break free from what he calls a neo-liberal mercantilism imposed by Germany. "We are at a historical watershed. The choice is dramatic," he said.

"Syriza and the Greek people have the undeniable historical merit of having ripped away the veil of Europeanist rhetoric," he said

Evoking the language of guerrilla warfare, Mr Fassina is calling for "an alliance of national liberation fronts" on the Left, acting in concert with "souverainist" parties on the democratic Right.

"We need to admit that the Left loses its historical function as a force committed to dignity and social citizenship in the neo-liberal cage of the euro. It is dead. The irrelevance and collusion of the European socialist parties are manifest," he said.

Beppe Grillo, the leader of Five Star Movement and still a major force in Italian politics, has long been equivocal about Italy's euro membership. Disgusted by events in Greece, he has issued a full-throttle "Plan B" for a return to the lira.

"It is hard to defend the interests of the Greek people more destructively than Tsipras has done. Thinking he could break the link between the euro and austerity, he has ended up consigning his country like a vassal into the hands of Germany," he said.

The lesson for Italy - he argues - is that it must draw up its own battle lines to prevent neo-colonial occupation and seizure of its national assets. It must take the fight pre-emptively to the creditors and force an exit from the euro on Italian terms.

This ideological rearmament is the unintended result of the Eurozone's refusal to seek any modus vivendi with Syriza even where there was plenty of common ground. They were so determined to chastise Greece for lese majeste that they completely lost sight of the greater European interest.

Donald Tusk, the EU president, concedes that a pre-revolutionary mood is taking hold across much of Europe, comparing it to the Left-Right alliances of the late 1930s. "It was always the same game before the biggest tragedies in our European history," he told the Financial Times.

Yet he could not bring himself to admit that the root cause of the populist uprising is the deformed structure of monetary union that has led to six years of mass unemployment and incubated this new tragedy. Nor could he admit that the deal he himself brokered after "water-boarding" Mr Tsipras in Brussels for 17 hours perpetuates the same vicious cycle.

So we now have a Europe where the political temperature is rising to boiling point: where the EMU elites are refusing to shift course; and where mischievous lawyers are concocting criminal charges against anybody daring to explore a way out of the trap.

This is a recipe for a European civil war.

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On Greece and Europe by Michael Hudson
What is Called "Negotiation" is a Demand for Total Surrender
first publishers in Global Research on 28th June 2015

Many readers of the European and American press must be confused about what actually is happening in the negotiations between Greece (Alexis Tsipras and Yannis Varoufakis). The European Troika (the IMF, European Central Bank and European Council now object to the name and want to be called simply "the Institutions") have stepped up their demands on Syriza.

What is called "negotiation" is in reality a demand for total surrender. The Troika's demand is to force Syriza to go back on the campaign promises that it made to voters who replaced the old right-wing Pasok ("socialist") and Conservative New Democracy coalition, or else simply apply the austerity program to which that coalition had agreed: cutbacks in pensions, deeper austerity, more privatization selloffs, and a tax shift off business onto labor…In short, economic suicide.

Last weekend a group of us met in Delphi to discuss and draft the following Declaration of Support for Greece against the neoliberal Institutions. It is now clear that finance is the new mode of warfare. The creditors' objective is the same as military conquest: they want the land, the natural resource rights and monopolies, and they want tribute (in this case, debt service). And they don't want sovereign Greece to tax the economic rent from these assets. In short, the negotiation between The Institutions and Greece is a bold exercise in rent extraction.

To read the press, one might think that Tsipras and Varoufakis are simply trying to capitulate, only to be turned down. Even many left observers have criticized them for taking the position that "We want to pay."

What is not recognized is how successful the Syriza negotiating strategy has been. While most voters opposed austerity, they also initially (and still) have a fear from withdrawing from the eurozone. Tsipiras and Varoufakis have walked a fine line and accurately judged unyielding and totalitarian the Institutions' "hard money" creditor approach would be.

The Eurozone's rejection of what obviously is an attempt at reason has greatly strengthened Syriza's hand to say "NO" to deeper austerity. It would bring yet more unemployment, yet more emigration, yet more bankruptcy – and deeper distress prices for the public domain that the Institutions are insisting be sold off.

On the surface, Syriza's non-payment of the debt that earlier coalitions ran up (largely by not taxing the oligarchs who supported them) need not cause a great disturbance in financial markets. After all, the debts to which Greece objects are those run up to the IMF and ECB, not private bondholders.

Yet the eurozone may turn this non-economic crisis into a political crisis by following through on its threat to exclude Greece from the eurozone. Current conditions are such that much larger numbers of Greeks may now support this position than was the case last January.

At stake is much more than Greece itself. What the attendees at Delphi want is to rescue not only the Greek economy, but all Europe - by replacing the euro and the ECB with a less austerity-based monetary ideology. If they are driven out of the eurozone, they will be able to create a real central bank (via the Treasury) to monetize deficit spending to revive the economy.

It is clear that what is needed is to replace the IMF with an institution able to assess the ability to pay debts, and to write down bad debts accordingly. Such an institution would replace Chicago School austerity and fiscal policy with a more progressive monetary and tax policy.

If the European Central Bank follows through on its threat to wreck the Greek banking system, Syriza has put itself in a position to replace the oligarchs' banks with a public option.

The Institutions evidently hoped that the government will face a no confidence vote if it is excluded from the eurozone. The reality is that it would have suffered a no confidence defeat if it had capitulated. Tsipras is now in a position to explain to voters, "We acted reasonably to do what we could. Nothing will satisfy them except loss of our sovereignty, our land and mineral wealth, and our power to tax. The IMF and ECB won't admit their 2010 mistake in not writing down the Greek debts, which stemmed largely from the falsified Goldman-Sachs-Papademos ploy that got us into the eurozone in the first place."

In sum, followers of recent news reports should bear in mind that despite all the statements of good faith that Greece "wants to pay its debts," the reality is that there is no money to do so – except to the extent that the IMF may "extend and pretend" the charade by advancing Greece the IMF's own money to pay. As matters have turned out, Tsipras and Varoufakis have not paid foreign debts with Greek money. They have not balanced the Greek budget by cutting back pensions, nor have they sold off the crown jewels of publicly owned infrastructure that European banks hoped to finance to their clients.

Instead of selling out, Tsipras has given Greeks enough time to pull out their savings from the banks and convert them into euro notes (domestic circulation of which has risen by 13 billion euros), or into "hard" assets such as cars (or even boats) with a resale value.

The Delphi Declaration on Greece and Europe
This is the Delphi Declaration in support of Greece in its confrontation with The Institutions first published in Counterpunch in 2015 following a meeting in Delphi on 21 June 2015

European governments, European institutions and the IMF, acting in close alliance with, if not under direct control of, big international banks and other financial institutions, are now exercising a maximum of pressure, including open threats, blackmailing and a slander and terror communication campaign against the recently elected Greek government and against the Greek people.

They are asking the elected government of Greece to continue the "bail-out" program and the supposed "reforms" imposed on this country in May 2010, in theory to "help" and "save" it.

As a result of this program, Greece has experienced by far the biggest economic, social and political catastrophe in the history of Western Europe since 1945. It has lost 27% of its GDP, more than the material losses of France or Germany during the First World War.

The living standards have fallen sharply. The social welfare system is all but destroyed. Greeks have seen social rights won during one century of struggles taken back. Whole social strata are completely destroyed, more and more Greeks are falling from their balconies to end a life of misery and desperation, every talented person who can leaves from the country.

Democracy, under the rule of a "Troika" acting as collective economic assassin, a kind of Kafka's "Court", has been transformed into a sheer formality in the very country where it was born! Greeks are experiencing now the same feeling of insecurity about all basic conditions of life that the French experienced in 1940, Germans in 1945, Soviets in 1991. At the same time, the two problems which this program was supposed to address, Greek sovereign debt and the competitiveness of the Greek economy have sharply deteriorated.

Now, European institutions and governments are refusing even the most reasonable, elementary, minor concession to the Athens government, they refuse even the slightest face-saving formula there might be. They want a total surrender of Syriza, they want its humiliation, its destruction. By denying to the Greek people any peaceful and democratic way out of its social and national tragedy, they are pushing Greece into chaos, if not civil war.

Indeed, even now, an undeclared social civil war of "low intensity" is being waged inside this country, especially against the unprotected, the ill, the young and the very old, the weaker and the unlucky. Is this the Europe we want our children to live in?

We want to express our total, unconditional solidarity with the struggle of the Greek people for their dignity, their national and social salvation, for their liberation from the unacceptable neo-colonial rule the "Troika" is trying to impose on this European country. We denounce the illegal and unacceptable agreements successive Greek governments have been obliged, under threat and blackmail, to sign, in violation of all European treaties, of the Charter of UN and of the Greek constitution.

We call on European governments and institutions to stop their irresponsible and/or criminal policy towards Greece immediately and adopt a generous emergency program of support to redress the Greek economic situation and face the humanitarian disaster already unfolding in this country.

We also appeal to all European peoples to realize that what is at stake in Greece it is not only Greek salaries and pensions, Greek schools and hospitals or even the fate even of this historic nation where the very notion of "Europe" was born. What is at stake in Greece are also Spanish, Italian, even the German salaries, pensions, welfare, the very fate of the European welfare state, of European democracy, of Europe as such. Stop believing your media, who tell you the facts, only to distort their meaning, check independently what your politicians and your media are saying.

They try to create, and they have created an illusion of stability. You may live in Lisbon or in Paris, in Frankfurt or in Stockholm; you may think that you are living in relative security. Do not keep such illusions. You should look to Greece, to see there the future your elites are preparing for you, for all of us and for our children. It is much easier and intelligent to stop them now, than it will be later. Not only Greeks, but all of us and our children will pay an enormous price, if we permit to our governments to complete the social slaughter of a whole European nation.

We appeal in particular to the German people. We do not belong to those who are always reminding the Germans of the past in order to keep them in an “inferior”, second-class position, or in order to use the “guilt factor” for their dubious ends. We appreciate the organizational and technological skills of the German people, their proven democratic and especially ecological and peace sensitivities. We want and we need the German people to be the main champions in the building of another Europe, of a prosperous, independent, democratic Europe, of a multipolar world.

Germans know better than anybody else in Europe, where blind obedience to irresponsible leaders can lead and has indeed led in the past. It is not up to us to teach them any such lesson. They know better than anybody else how easy is to begin a campaign with triumphalist rhetoric, only to end up with ruins everywhere around you.

We do not invite them to follow our opinion. We demand simply from them to think thoroughly the opinion of such distinguished leaders of them like Helmut Schmitt for instance, we demand them to hear the voice of the greatest among modern German poet, of Günter Grass, the terrible prophecy he has emitted about Greece and Europe some years before his death.

We call upon you, the German people, to stop such a Faustian alliance between German political elites and international finance. We call upon the German people not to permit to their government to continue doing to the Greeks exactly what the Allies did to Germans after their victory in the First World War. Do not let your elites and leaders to transform the entire continent, ultimately including Germany, into a dominion of Finance.

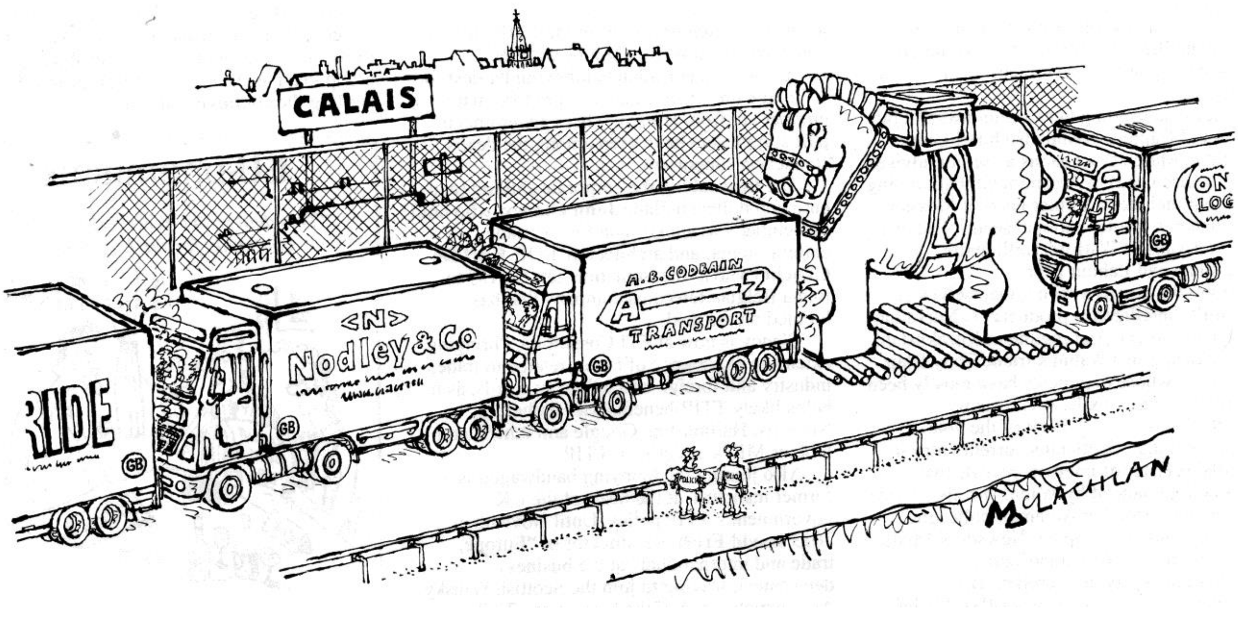
More than ever we are in urgent need of a radical restructuring of European debt, of serious measures to control the activities of the financial sector, of a “Marshal Plan” for the European periphery, of a courageous rethinking and re-launching of a European project which, in its present form, has proven unsustainable. We need to find now the courage to do this, if we want to leave a better Europe to our children, not a Europe in ruins, in continuous financial and even open military conflicts among its nations.

Commentary by Michael Hudson

The above declaration was adopted by nearly all participants in the Delphi conference on the crisis, on alternatives to euro liberalism and EU/Russia relations, held at Delphi, Greece on 20-21st of June. It is also supported by some people who were not able to be present. The list of people who signed included not only citizens of EU countries, but also of Switzerland, USA, Russia and India.

Many distinguished American scholars seem to be more sensitive as regard the European crisis, than the political leaders of EU themselves! As for Russians, it is only normal and natural to bear a great interest for what is going on in EU, as EU citizens bear also an interest for what is going on in Russia.

All participants in the Delphi conference share the strong conviction that Russia is an integral part of Europe, that there is a strong interconnection between what happens in EU and in Russia. They are categorically opposed to anti-Russia hysteria, which is nothing less than the preparation of a new, even more dangerous cold, if not hot war.



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EXCLUSIVE TO ALL PAPERS

WHAT WILL HAPPEN NEXT IN GREECE?

We don't know.

On Other Pages:

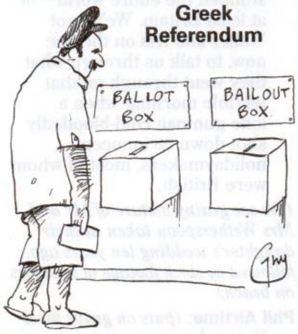
- Will the fact we don't know anything affect anything else? *(We don't know. Ed.)*
- Are there things that we don't yet know that we don't know, and if so, what are they? *(We don't know. Ed.)*
- When will we know precisely what we don't know? *(Seriously, we don't know. Ed.)*
- What do YOU know? Send us your analysis of the situation. Please. *(You're fired. Ed.)*

New Greek Dictionary

Grexit Greece leaves Eurozone
Greccident Greece leaves Eurozone by accident
Grexasperation EU annoyance over 'No' vote
Grexorbitant EU demands on Greek economy
Grexplosion Petrol bombs going off in Athens
Gremlin Greece seeks bailout from Moscow
Groin Greece rejoins Eurozone
Gross Greece's enormous negative GNP
Grovel How Greece should negotiate with Germany
Grextra time What will probably be given to Greece in order to pay Grextremely large aamount of Grexcess of debt

(That's enough of this. It's making me Gromit. Ed.)

Greek Referendum



Merkel 'rejects result'

by Our Political Football Correspondent **EU Addio**

ANGELA Merkel expressed her very real shock and dismay as she mulled the ramifications of the England's footballers defeating Germany at the Women's World Cup thanks to a penalty.

"I'm afraid the result is not something that either I or the German people can accept," the German Chancellor told reporters in Berlin.

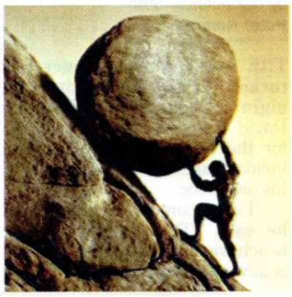
"We are demanding that the penalty be retaken over and over again, until we get the correct result."

The Timons of Athens

Friday 10 July 2015BC

TSISIPRAS DEFAULTS ON BOULDER ROLLING OBLIGATION

BY OUR TRAGEDY AND COMEDY CORRESPONDENTS HUGH RIPIDES AND HARRY STOPHANES



THE Greek leader Tsisipras has announced he has no intention of completing the task of rolling the massive weight of debt up the hill.

"What is the point? It only comes rolling back down again. And to make it worse, every day the rock gets bigger."

Civilians living at the bottom of the hill are concerned that they will be flattened if Tsisipras gives up the task set for him by the Gods, Mrs Merkel and the EU-Menides – known as the Furies due to their anger at the thought of not getting their money back.

King Pyrrhus welcomes referendum victory

KING Pyrrhus of Epirus today hailed the no vote in the Greek referendum, describing it as a stunning victory for Syriza.

"This result was in the face of overwhelming odds reminds me of my stunning victories defeating the Romans at Heraclea and Asculum."

King Pyrrhus continued, "Both battles won spectacularly at only the minor cost of my forces suffering irreplaceable casulties.

"I have no doubt that Syriza's referendum win will go down in history as being every bit as pyrrhic as my victories."

Queues form outside Horn of Plenty

THERE were long queues of angry pensioners outside the fabled Horn of Plenty last week. The Cornucopia had been shut for a week and was failing to provide any grain, milk, grapes, or even wine, to waiting customers.

One pensioner, Jason, 35, complained, "I've been fleeced." He went on to explain, "You come along here to this hole in the horn, and expect plenty of abundance. And what do you get? Austerity! It's outrageous!" Said another elderly citizen, Tiresias, 378, "It's a disgrace. I never saw this coming. They're robbing me blind!"

(Stories to be repeated for the rest of time).

Cheltenham Ladies' Girl who 'earned £8 million' helping Greece join the Euro by Paul Bracchi
first published in the Daily Mail on Monday 13th August 2015

What do you think the connection might be between Greece's economic meltdown and *Cheltenham Ladies College*? The common denominator is Antigone Loudiadis. Miss Loudiadis, 52, was a pupil at the famous Gloucestershire public school back in the Seventies (other old girls include the actress Kristin Scott Thomas and fashion designer Katherine Hamnett) before going on to study maths at *Oxford University* and pursuing a stellar career in banking.

Today, Miss Loudiadis - who is known as Addy - lives in a five-storey stucco-fronted house in West London with her partner and two children and is listed as a financial supporter of *Sadler's Wells* dance theatre. She has many admirers in the *City*. 'Addy is a consummate professional,' said a colleague. 'She is smart, thoughtful and highly valued.' The colleague could have also used another adjective: controversial. Just how controversial has become apparent over these past few days.

Her lifetime association with *Goldman Sachs* alone - she now heads up the bank's insurance arm - would be enough I the eyes of some at least, to justify her reputation. For while Goldman Sachs is universally known as one of the world's leading financial powerhouses, it is also one of the most derided, awarded the infamous nickname the 'Vampire Squid' by *Rolling Stone* magazine for its ability to suck money out of deals. The New York-based bank, in fact, has been embroiled in some of the most shocking financial scandals of recent times. For example, it played a key part in the US sub-prime mortgage disaster - when vast quantities of loans were made to American home-owners who could never pay them back - which triggered the global financial crash.

Less well documented outside the financial pages, however, was the investment behemoth's role in assisting Greece in joining the eurozone back in 2001. Greece managed to keep within the *EU's* strict Maastricht rules for membership (including a limit on inflation and national budget deficit) largely because of the complex financial deals created by the bank, which critics say disguised the extent of the country's outstanding debts. Indeed, the *Financial Times* delicately called it 'an optical illusion'. Goldman Sachs is said to have made as much as $500 million (£322m) from these transactions.

For Greece, membership of the single currency gave it access to billions of easy credit. But - as everyone now knows - the Athens government was incapable of repaying that money because the economy was far less healthy than lenders realized. That, in layman's terms, is the reason for the current crisis. All this is a matter of public record. Goldman Sachs now faces the prospect of potential legal action from the Greek government.

We now know something else, though: the role of the *Goldman Sachs* executive who brokered the Greece deals – the *Cheltenham Ladies College* old girl Addy Loudiadis. Although born in Nigeria to Greek parents, Miss Loudiadis has spent most of her life in Britain. She joined *Goldman Sachs* from the American multinational banking and financial services firm *JP Morgan* in 1994, and quickly rose through the ranks. In an interview with the *Wall Street Journal*, she described herself 'a workaholic smoker' with a stressful schedule. Some of those who worked under Miss Loudiadis, it is said, would pretend to be on the phone when she walked past their desks at the bank's London headquarters to avoid her infamous dressing downs.

Her fluency in Greek and strong connections in the country were instrumental in Goldman Sachs being chosen as unofficial advisers to the Greek government. 'Addy was slightly eccentric,' said one former Goldman executive. 'It was strange to think of her as the person who was out there representing the bank in front of national governments, leading these huge trades.' Another revealed: 'It was not normal for partners at *Goldman Sachs* to chit-chat about how much money the firm made on a trade. 'In this instance, however, the rumored profits were so big, and had come from such a small country when not much was going the bank's way, that everybody knew about it.' Not surprisingly, Miss Loudiadis was richly rewarded. Reports suggest she was paid up to $12 million (£7.7m) a year by the time she was named co-head of the investment banking group.

Goldman Sachs later mover her to head insurance firm *Rothesay Life*, set up in 2007 to buy big firms' pension funds. Mis Loudiadis is likely to get a multi-million-pound payday, when, as is expected, *Rothesay* floats next year with a potential value of £3billion. Such deals, it should be stressed, were not uncommon among small countries attempting to enter the eurozone club, but they were stopped by the *EU* economics statistics agency *Eurostat* in 2008. *Eurostat* has said that Greece did not report the *Goldman Sachs* transaction in 2008, when it and other countries were told to restate their accounts. *Goldman Sachs* insists its transactions were in accordance with *Eurostat* rules. The company said it helped to reduce Greece's foreign debts by 1.6 percent, adding that the company had a 'minimal effect' on the country's overall fiscal situation.

Miss Loudiadis's first name, Antigone, of course, has origins in Greek mythology (Antigone was one of Oedipus' four children). Only time will tell if the deal that cemented her reputation as one of the brightest stars of *Goldman's* London operation will also prove to involve all the elements of a Greek tragedy for the controversial bank.

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The Timons of Athens
Friday 24 July 2015BC

PROMETHEUS ACCEPTS PUNITIVE TERMS

BY OUR GREEK STAFF
HARRY STOTTLE & HUGH CYDIDES

AT the eleventh hour, a tired Prometheus reluctantly accepted the terms of his deal with the father of the Gods, zEUs.

Under the new agreement, Prometheus will have his liver pecked out once a day for eternity.

"I thought I was just borrowing fire from the Gods," he said, "but they're treating me as if I've stolen it."

He continued, "This deal is not as bad as it looks, despite the eternal torment that is now guaranteed.

The original offer on the table was to have my heart, lungs and testicles pecked out on an hourly basis. So in fact I think I've got off quite lightly."

Heracles and the twelve conditions

THE popular Greek hero Heracles was given an impossible task when yesterday he was handed a list of things he had to achieve by King EUrystEUs, in order to make up for his crimes of borrowing money from the Gods.

The labours are obviously designed to be impossible, but Heracles remained confident that he was capable of completing them all. The tasks he has been set include:

- Slay the many-headed Troika – you pay back one debt and immediately two more appear.
- Privatise the Golden Apples of the Hesperides.
- Obtain the girdle of Merkelyta, Queen of the Teutons.
- Capture the Luxembourgian Bore – (Jean-Claude Juncker)
- Deliver the Cretan Bull that everything's going to be fine.
- Clean out the unstable parliament's toilets after the latest budget cuts are announced.

We've got the idea. Ed.

Euclid comes up with new theorem

BRILLIANT Mathematician and new ancient Greek Finance Minister, Euclid Tsakalotos, denied he'd been chosen in order to sack-a-lot-of-people just because of his second name. Nor has he been given the post because his first name, EUclid, echoes that of the Gods.

No, Euclid has been appointed because he is a master of geometry, and is perhaps the only man capable of "squaring the circle".

Mathematicians had previously thought it was impossible, but Euclid has come up with a formula for creating a booming economy whilst simultaneously paying back 200% of GDP in debt.

"It's simple," he said, "you just multiply the circumference of the circle by the area of the square and then run away."

Tsipras's following the only path open by Ben Wright
first published in the Daily Telegraph on 22 August 2015

Alexis Tsipras, the Greek prime minister until Thursday night, is not one to shirk a gamble. But will his decision to call a snap election pay off? August 20 had long loomed large in the calendar of Greek deadlines; and yet it looked likely to pass smoothly until Tsipras's surprise resignation caused European markets to tank first thing of Friday.

The Greek debt crisis has calmed down in recent weeks, with the country having just secured €23bn funding and made a large and psychologically important payment to the European Central Bank. So what is the Greek politician, who is reputed to be a big fan of House of cards, up to?

The answer to that needs to be traced back to January when Syriza was elected on its promise to tear up the memorandum of understanding between Greece and its creditors. Tsipras then spent the subsequent months in a long stand-off with the rest of the eurozone before, just six weeks ago, calling a referendum in which he urged the Greek people to reject the country's previous ball-out programmes. And yet, barely a month later, the Greek parliament was voting on whether to accept the terms of a third bail-out. This would have to go down as the most stunning about-turn in Greek politics since, well, the last one. There was bound to be fallout.

Tsipras won the Greek parliamentary vote because the majority of MPs voted in favour of reforms. But this was only achieved with the support of opposition parties. Only a minority of Syriza's MPs voted in favour of the motion, leaving the prime minister adrift from the majority of his party. Rumour of an impending confidence vote were soon swirling, with the opposition parties clearly stating that they wouldn't come to Tsipras's aid again. Partisanship could be laid aside for the sake of keeping Greece in the euro, but not to save the neck of a political foe. So really, Tsipras had little choice but to resign and call an election.

If Tsipras was having trouble with his party now, it was only going to get worse as the long, hard trudge to implement reforms dragged on. And, if the ex-prime insisted called the election in order to rid himself of Syriza's troublesome Left Platform, then the gambit has already worked. Some 25 MPs split from Syriza to form a new party called Popular Unity (full marks for irony on that one), which is now the third largest in parliament.

The chances are that Syriza will still win the elections set for September with a renewed mandate from the population to roll up its sleeves and get on with enacting reforms to ensure that each fresh tranche of bail-out money is paid out. That's why the German Chancellor, Angela Merkel, on a diplomatic trip in Brazil, said last night that Tsipras's resignation is part of the solution, not part of the crisis. Others have suggested that Tsipras's split with the Left Platform is the best news to come out of Greece in months, the ail-out accord included.

However, the move is not without risks. The Greek constitution allows the opposition, New Democracy, to try to form a minority government. It won't be easy because the party is hugely unpopular, is headed by an interim leader, only holds 76 out of 300 seats in parliament and would therefore have to pull together a rag-tag coalition to win a vote of confidence. But it's a possibility.

More troublesome is that the legislative process is likely to grind to a halt as the election campaign kicks off. That will make it harder - if not impossible - for Greece to enact meaningful reforms before the fist review of the bail-out programme in October. One would assume, however, that if Greece's creditors believe that Tsipras has emerged from the election with a strengthened hand and greater resolve to shake up the economy, they'll cut him some slack. But with Greece already bearing the trauma from seven months of inaction, further delay will add to the cost.

Then there's the question of what kind of coalition Tsipras will lead even if he does win the election and whether it will be up to the challenges ahead. At best, the previous bail-outs merely allowed Greece to tread water. Things are unlikely to get any easier for the next Greek prime minister, whoever that might be.

Cameron is learning from Greece how to negotiate with the EU

Step One
You win popularity at home by saying that you will go to Brussels and win all sorts of huge concessions for your country.

Step Two
You go to Brussels only to be told that no concessions are on offer.

Step Three
You stage a national referendum saying that in return for concessions you haven't been given, you will stay in the EU.

Step Four
After winning the referendum, you return to Brussels to be told to get totally stuffed on all points by irritated EU leaders.

Step Five
You return home and tell Parliament that you have secured a great deal for your country.

Step Six
Er... That's it.

EU Leaders Reach Historic Deal Over Greece

by Our Political Staff
Andrew Marrbles

AFTER 48 hours of continuous negotiation, the EU's heads of government and finance ministers emerged triumphantly this morning to announce that they had finally resolved the long-running crisis over Greece and the rest of the eurozone.

The agreement, reached at 4.30 this morning, after some of the "toughest talking the EU has ever known", was hailed by Mrs Angela Merkel as "a great day for Europe".

"We have agreed to destroy Greece," she said. "We have persuaded the Greeks to allow their country to be destroyed, which was their original objection to our bail-out terms.

"The terms were previously 'callous', 'unforgiving', and 'impossible', but after negotiations, we have amended them to 'impossible', 'unforgiving' and 'callous'."

Mrs Merkel continued, "The Greeks finally saw sense and agreed that there was no alternative to seeing their economy obliterated, their assets confiscated, their population reduced to penury and starvation, and their sovereignty transferred to Berlin, along with the Parthenon.

"It is a win-win situation for us," said Mrs Merkel. "We win, and then we win again. We have got everything we wanted going into the deal, which was to save the euro and Europe's banks."

An exhausted Mr Tsipras said, "It's a great deal, although obviously not for Greece. But I can proudly tell my fellow countrymen that we haven't lost everything. At least we won the referendum and that's something we can tell our grandchildren about on Skype, when they have moved to Melbourne or Toronto."

Athens update

● There have been calls in Athens today for a fresh referendum to be held on the last referendum. The proposed ballot paper would offer the Greek electorate the choice of "Yes, that was a waste of time" or "No, there is no way that that wasn't a complete waste of time".

Greek Finance Minister Euclid Tsakalotos