

# Greece

## Introduction

Greece today is frequently described as a society in shock and despair. Austerity has been brutal and, in an alarmingly short space of time, large numbers of people have found themselves without enough money to pay for proper food, medical expenses or household bills. Pensioners can be found raking through garbage to survive and many are homeless. Suicides have increased and unemployment has rocketed, particularly among the young. Many people are now looking for a way out of Greece.

## Origin of debt crisis

In the mid-1990s the economy began to boom as large amounts were lent by European banks so Greece could buy imports from countries such as Germany. This process intensified with the adoption of the Euro in 2001.

Unlike other European countries in crisis, in Greece the main borrower was the government. One key area was military spending, which reached 3% of GDP between 2000 and 2007 – the highest in Europe.<sup>12</sup> This included buying German warships which never functioned because they had a dangerous slope. In 2013, two

warships were leased from a French company after President Hollande had gone on a sales trip to Greece, which also included the French President pushing for more austerity. Extensive borrowing was also undertaken to fund the 2004 Athens Olympics.

The Greek government hid the true scale of its debt. In one infamous case, US bank Goldman Sachs created specific derivatives to keep debt concealed from the people, in order for Greece to enter the Euro.<sup>13</sup>

When the global financial crisis began in 2008, lending to Greece increased to help the country cope with the impact of lower tax revenues and the need for higher government spending. Foreign banks were particularly keen to lend to governments such as Greece, because they were now seen as safe compared with the banks. By the beginning of 2010 more than \$100 billion had been lent to Greece by French, German and British banks.<sup>14</sup>

In the spring of 2010, lenders finally began to lose confidence in the ability of the Greek government to pay its debts. The interest rate at which the Greek government could borrow shot up. The government admitted that it could no longer afford to make debt payments but, rather than defaulting, it took bailout loans from the IMF and EU. These new loans were used to pay off the reckless banks, while increasing the Greek debt. By early 2013, the EU and IMF had lent \$290 billion, amounting to 65% of the Greek government's foreign-owed debt.<sup>15</sup>

IMF and EU loans were conditional on the introduction of harsh austerity measures and other economic changes, such as widespread privatisation. As a result the economy has continued to crash, falling by more than 20% since 2007. By 2012, the economy was 12% smaller than the IMF said it would be at the start of the bailout and austerity programme, and unemployment was 25% rather than the predicted 15%.<sup>16</sup>

In 2011 the IMF, EU and lenders accepted that the debt was too big, and negotiations began to reduce the debt. A deal was finally reached in March 2012, which reduced the amount of debt owed to private creditors. However, this did not cover any of the debt owed to the IMF and EU. It treated Greek and foreign creditors the same, making big cuts to Greek pension funds and banks, necessitating more bailouts and thereby more loans for the Greek government. And the deal still meant that lenders got back more money than if they had sold their debt on the private market.

### Government external debt:

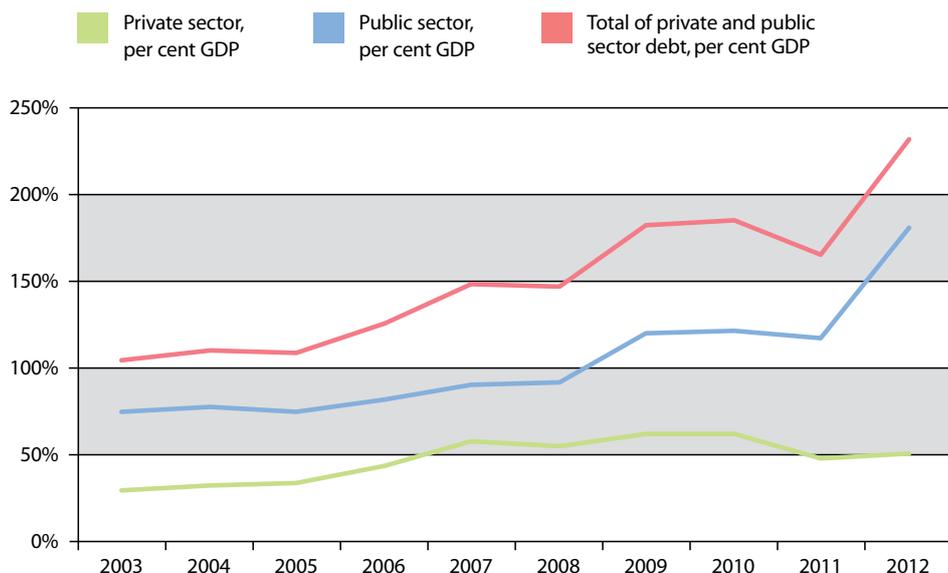
- \$450 billion
- 180% of GDP<sup>11</sup>

### Private external debt:

- \$127 billion
- 50% of GDP

### Government external annual debt payments:

- \$31 billion
- 29% of revenue
- 42% of exports



**Because the 2012 restructuring of Greek debt hit both domestic and external creditors, Greek government external debt actually increased. The Greek government took on more loans to bailout the domestic banks which lost out.**

Figure C1: Greece total external debt (public and private sector, per cent of GDP)<sup>17</sup>

Among the conditions of the bailout loans was a widespread fire sale of government assets, including the privatisation of the Greek national lottery, despite it being one of the most profitable in the world.<sup>18</sup>

## Life and debt in Greece

Eleven percent of Greeks are now classed as living in extreme **poverty** – with far more living close to the breadline or with the threat of joblessness, wage cuts and increased costs hanging over them. **Jobs** are being axed as companies make cuts or close down. More than one-in-four people are unemployed, with nearly two in three young people out of work.<sup>19</sup>

Many young people, often the brightest, are seeking work abroad. Emigration from Greece to Germany rose by 40% in 2012. A survey conducted by Thessaloniki University indicated that 76% of Greeks would like to emigrate. More than 120,000 professionals – including doctors, engineers and scientists – have left the country since 2010.<sup>20</sup>

In July 2013 the Greek parliament voted to back a public sector reform bill that will see thousands more workers lose their jobs in order to pay off the latest €6.8 billion of bailout loans. More than 4,000 state employees will be sacked in 2013. A further 25,000 will be put into a “mobility pool” and be paid 75% of their salaries for eight months, during which time they have to be redeployed or accept redundancy.

**Unemployment benefits** have not escaped the austerity plan, with the monthly allowance reduced by 22%. The benefit is now only payable for up to

one year, after which recipients also lose access to free healthcare. Many young people are ineligible for support because they have never had a job and have not paid the required national insurance contributions.

With so many suffering their own individual free-fall, the traditional **family support network** has suffered, leaving more older people to fend for themselves. The elderly have been particularly hard hit by huge cuts to **pensions**, of up to 40% so far, as well as cuts to **social services benefits, healthcare services, rocketing utility bills** and the imposition of **extra taxes**, such as a large rise in VAT. Older people rummaging through bins in the street is no longer an uncommon sight, and many have been driven into **homelessness**.

There have been marked increases in **depression and suicide**, with an increase in suicides of around 40% across the country in the last two years.

In one high profile suicide case, retired pharmacist Dimitris Christoulas, 77, shot himself outside the Greek parliament after his pension was slashed. His suicide note said the government had “*annihilated all traces for my survival, which was based on a very dignified pension that I alone paid for 35 years... I see no other solution than this dignified end to my life, so I don’t find myself fishing through garbage cans for my sustenance*”.

Meanwhile more children are reported to be **fainting at school** due to a lack of calories and churches and charities are increasingly pitching in with daily **rations** of food to help sustain people.

It is the **decimation of the health system** that has affected so many. Facility closures, huge cuts in central

health budgets, a rising demand and increased charges – such as a €25 entry fee into public hospitals – have created a dire situation where many people now go untreated, children go unvaccinated because it is no longer free and health problems worsen. In particular, there is a serious lack of drugs for cancer patients.

Head of the country's largest oncology department, Kostas Syrigos, told the *New York Times* one of their most distressing cases was of an unemployed woman who had been diagnosed with breast cancer a year earlier but could not afford treatment. By the time she sought help her tumour was as big as an orange and had broken through the skin. *"Everyone was crying,"* he said. *"Things like that are described in textbooks but you never see them because, until now, anybody who got sick in this country could always get help."*

There has also been a rise in **hate crime** and xenophobia against Greece's immigrant community, targeted in large part due to a search for scapegoats in a time of crisis. Many immigrants are trapped because they have no papers and cannot obtain them there. Illegal immigrants have been rounded up by police, with critics calling the crackdowns stunts to divert attention from the economic crisis.

Greece has become a country staring into an abyss. Many people talk of their lack of ability to envisage a future, and chunks of a generation are delaying having children for financial reasons. Despina Koutsoumpa has barely enough money to keep her child healthy, so cannot consider having the second child she would like. Her future is being dictated by economists

intent on using Greece as a guinea pig. *"I am not an experiment – I am a person,"* she said.

## Resistance and the demands of activists

Many have responded to the despair and hardship in Greece with a wave of activity that aims to resist the policies destroying lives and livelihoods.

This has been coupled with inspiring solidarity work to protect the vulnerable, to create alternative social systems and – in many cases – to save lives that would otherwise have been lost to austerity policies that show no regard for their impact on the population.

Thousands have mobilised around a **citizens debt audit**, exposing the countless ways banks and governments had created the crisis. Two groups – the Greek Debt Audit Campaign (ELE) and No Debt No Euro – work to analyse and spread awareness of Greece's debt and help activists understand the social implications of paying that debt. They campaign for debt cancellation and a public audit committee so Greek society can understand where their debt has come from, take democratic decisions about what to do with it, and hold those responsible to account.

**Strikes, protests and occupations** have been a regular feature of crisis-hit Greece, including several stoppages against public sector job cuts, rallies against the destruction of pensions, and dozens of



Photo: Flickr/Julien Lagarde

Protest in solidarity with the people of Greece, Barcelona, February 2012  
'We are all Greeks' 'Hold citizens audit of debt now!'.

general strikes. In one famous case, workers at Vio.Me took over their abandoned factory and decided to run it themselves (see box right).

At a local level public sector unions have been involved in **solidarity actions**, like organising free entry into hospitals, holding summer schools for the children of workers who have had their pay cut, running a voluntary restaurant with cheap or free food, and maintaining free entry days into cultural sites.

Throughout Greece **solidarity networks** have been gradually growing, with an estimated 2,000-plus initiatives now operating – covering health services, food supply, education, legal advice, social economy and cultural activities. The collective **Solidarity for All** was formed with the aim of tracking and co-ordinating the initiatives, helping them share experiences, plus campaigning and mobilising international solidarity.

For example, **solidarity social clinics** are increasingly serving a population unable to afford health insurance, nor pay for treatments and medicine. Initially set up to help immigrant communities, more and more Greek nationals are turning to the free-of-charge clinics, staffed by volunteer doctors and nurses and functioning on donated premises, equipment and drugs. Likewise, **solidarity pharmacies** have been opening to distribute medicine to those who cannot afford it.

The growing movement – inspired by the creator of the first clinic, cardiologist Dr Giorgos Vichas – is adamant that it is not devising an alternative to proper state provision of healthcare, and continues to demand that the state does its job. Dr Vichas's clinic, serving nearly 10,000 patients in Athens, operates as a model for other clinics, which now number around 40.

Women Against Debt was established by health and social workers to provide support to low income women affected by the austerity measures, including vaccinations for their children.

## Abandoned and unpaid – the day the workers took control

The action of workers at the Vio.Me building materials factory has become an international symbol of workers' self-management. The factory, in Thessaloniki, was abandoned by its owners, leaving the workers without pay since May 2011.

They refused to lie down and accept unemployment. Instead they voted to occupy the factory and operate it under direct democratic workers control and, after a long struggle, production began on 12 February 2013. A triumphant three days of rallying, marching and mobilising support culminated in a benefit concert before a packed stadium of 5,000 people.

The 40 workers of Vio.Me – who will use any profits to help those in need – face a long road ahead. They have to struggle against high production costs, a lack of access to credit and trying to maintain a share of the market during the recession.

*“Now more than ever we need to be united and strong, determined to build a new world based on solidarity, justice and self-management,”* they said.<sup>21</sup>

**Small-scale co-operatives** have also been evolving in response to the crisis, in many cases established as agricultural co-operatives of unemployed women. Other examples include coffee shops, taverns and book stores.

**Social kitchens** operate to provide food mostly to the unemployed and homeless, and in some cases cooking for workers on strike.

Meanwhile citizens of Thessaloniki, through their *Initiative 136* campaign, are opposing the **privatisation of water** – with an aim to gather money (€136 per citizen) to bid for a takeover of the water management in their city.

### References – Case study one

- 11 These figures and debt figures throughout the report are calculated from World Bank. World Development Indicators. And IMF. World Economic Outlook database. For Greece and Portugal external debt figures do not exist in these databases. Instead they are calculated from World Bank External Debt database, IMF World Economic Outlook database, OECD Central Government Debt database, IMF Article IV Consultation and Programme documents with individual countries.
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- 21 Donations and solidarity messages are welcome at <http://www.viome.org/>