

VOLUNTARISM IS THE PERENNIAL SICKNESS OF THE LEFT

Political negotiation and technocratic incompetence

Mr. A. Tsipras has decided to take over negotiations several weeks ago and still keep in his place the Minister of Finance Mr. Y. Varoufakis who not only alienated the creditors and European allies but also flooded the media with absurd economic proposals ranging from combating tax evasion by hiring tourists as "spies" on the spot to imposing new taxes on the tourists staying on 4 and 5 star hotels. This is the only country in the world that preserves a failed minister for metaphysical reasons. So Greece at the verge of financial collapse has a titular Minister of Finance, because the Prime minister cannot replace him.

"The realistic proposals on the table are the proposals of the Greek government". That is what Mr. A. Tsipras believes and he has stated on camera just before meeting with Mr. Junker several weeks ago. The 47 pages of the proposal have last weekend been complemented with a table containing two sets of measures. The first set includes a flood of new taxes on business and individuals which if implemented will send the real economy spinning down to a new recession. The main business tax rate is raised from 26% to 29%, an extraordinary tax of 12% is imposed on profits for the 2014 accounting year and increased solidarity taxes are imposed on all incomes exceeding 30.000 euro.

The second set involves a number of reform-based measures most of which are impossible to produce the stated revenue results. According to the Greek side 300 million will be raised by combating fuel tax evasion, 340 million will be raised through a tender for TV permits for the commercial channels and another 100 million from taxes on advertising. Successive governments have failed to tackle fuel piracy despite concerted efforts and extreme measures such as the equalization of tax rates on heating fuel with transport fuel. There is no explanation how this government will raise 300 within the year. The most likely effect of imposing more controls in the grey economy is not 'internalisation' but 'evaporation' as the market moves elsewhere where conditions are right for the continuation of illegal activities. The TV permits expected revenues are beyond any realistic and reasonable estimate taking into consideration the financial state of the existing TV channels. Furthermore, raising 100 million from an advertising market of 170 million is also inconceivable.

The economy is now in the worst situation since 2011 as confidence has evaporated, state reserves dwindled and over 35 Bn. Euro of deposits fled from the banks. The government has been completely cornered. Last year's estimates for GDP growth of 2.5% in 2015 have been replaced with 0% growth forecasts and many analysts in Athens believe that Greece will end up in deep recession even if the government concludes the negotiations with the creditors.



Max Ernst (1937), *The Barbarians*

Looking for barbarians

SYRIZA is thriving in confrontation. The lack of substantiated policies the collapse of pre-election promises the absence of political coherence is covered by an all out attack on creditors the opposition and other institutions in Greece. This is the only way to react for a political party that came to power unprepared to tackle the chronic problems of Greece and based its program on wishful thinking.

In the past 5 months the Germans took the bulk of the blame then the IMF became the villain for the Greek side. Even Mr. Younker, who was considered a close friend of Greece, has attracted the wrath of SYRIZA when his water down proposal mentioned the need for some savings in the bankrupt pension system. Over the last week attacks have taken a

personal tone to the point that the President of the Commission decided to come into the open and accuse the government of lies and inaccuracies in their briefing on negotiations. As a result the President of the Republic Mr. Pavlopoulos undertook a reconciliation mission today and called Mr. Younker in order to express his appreciation for his efforts.

In the home front SYRIZA is regularly attacking the governor of the Bank of Greece as he was one of the architects of euro entry in the late '90s and Minister of Finance in the previous Samaras led coalition government. He is above all a sound technocrat with an extensive network of contacts throughout Europe and the USA and he has an in depth understanding of the workings of the international diplomatic negotiation and decision-making process. SYRIZA believes that Mr. Stournaras is the only person in Greece that can possibly become a real threat to them both at the economic policy level and more importantly as a political adversary in the not so distant future. However, by attacking him they have made Mr. Stournaras stronger as dissatisfied people increasingly see him as the only credible alternative to the upcoming chaos.

What is more worrying is that an atmosphere of intolerance is emerging and a police state is gradually developing. Different critical opinions are castigated. The new state TV channel has become a propaganda machine for the government. Newspapers and commercial TV channels are coerced to follow the government line. The speaker of the Parliament, Ms. Konstandopoulou, is personally interrogating people that will be appointed to public bodies. The new CEO of the state TV had to endure a nine-hour ordeal in the Committee chaired by her and answer personal and political questions that only in N. Korea you would expect to hear. Her mother has been appointed chairwoman of the Radio Television Council, which is supervising the electronic media market including TV channels! Her father used to be the ex president of SYRIZA and now is an active lawyer with high profile clients from the business elite who are involved in shady dealings with the state and the banks and face serious accusations for the violation of the penal code.

The financial police (SDOE) have asked the banks for all personal transactions with other countries exceeding 100 thousand euro since the year 2000. The number of accounts involved exceeds one and a quarter million and it is apparently impossible to process this

information. However, this data bank will be used in a selective way to attack certain individuals in the future. Latest decisions by the administrative appellate court in Athens have put a break in the arbitrariness of SDOE actions in pursuing tax cases for a number of reasons including time lapsed, illegal inquiries and penalties, violation of rights, violation of previous laws etc. But the current leadership of SDOE seems to overlook these decisions. At the same time some high profile cases involving persons close to the government have been dealt with in secrecy and with disregard to the rule of law.

A number of extremist politicians in key places are creating problems for Mr. Tsipras and undermine any credibility left to Greece. The so called Committee on Debt chaired by the Speaker of parliament Ms. Konstandopoulou has concluded that:

"The debt to the International Monetary Fund should be called illegal unfair shameful (abomination).

The debt to the European Central Bank should be called illegal, it is also unfair and shameful."

The European Financial Stability Fund provides loans without cash (cash-less loans), which should be considered illegal. These debts are unfair and shameful.

The bilateral loans should be considered illegal, unfair and shameful.

The debt to private creditors should be considered illegal. Part of the debt to private banks and hedge funds is unfair. Finally, the debt to private banks and hedge funds is shameful".

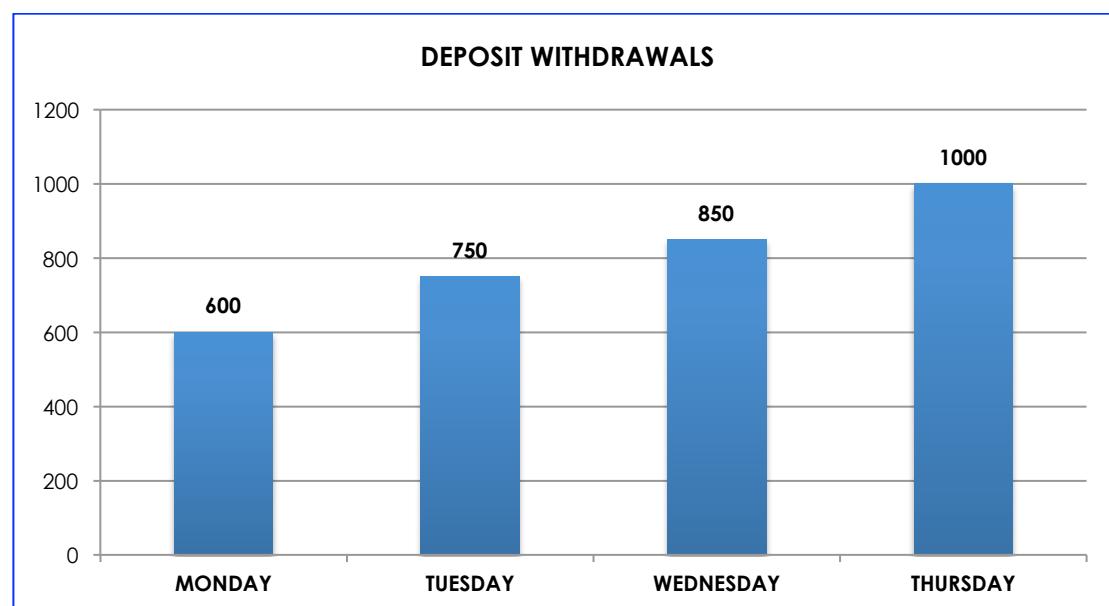
The Committee makes also a reference to the possibility of "bankruptcy as a simple choice, in the exercise of sovereign rights".

It is difficult to understand current Greek politics. How is possible the government to engage in serious negotiations with creditors while the Speaker of Parliament is asking for massive debt cancellation and bankruptcy? People have increasingly in their mind: images of Latin America, Chaves mentality in the middle of the Mediterranean, 1970s attitudes in the 21st century.

The end is near one way or another

Greece is facing a major disaster. Failure to reach an agreement by next week will lead to a cut off of liquidity from ECB, inability to repay the IMF and default. This remains the dominant scenario, as the government has not presented any new proposals in the Eurogroup. What happens next is not clear.

At some stage the Europeans will ask Greece to introduce capital controls and as the State Treasury is empty having consumed all the reserves even those of the pension funds and the municipalities the Government will try to tap the reserves of the private sector. A hair cut on the depleted deposits seems inevitable.



The government has issued today one of the usual non-papers claiming that various quarters try to destabilize Greece and they push people to make deposit withdrawals. The destabilizing force is off course the government.

Today a large crowd has gathered outside Parliament in favour of remaining in the Eurozone under the slogan "Stay in Europe". The demonstration was several times larger than to yesterday's gathering of SYRIZA sympathisers demonstrating against the creditors. It is a new parameter in the fight of Greece to remain within the Eurozone. Although the government retains a strong following in the opinion polls, the divide within society is deepening and a social opposition to SYRIZA's incoherent and reactionary position is gaining ground.



The European Council on Monday seems to be the last chance for Greece to find accommodation with the creditors. However, the psychology of this government and especially Tsipras is unpredictable. They probably want some more drama so to hide behind the usual 'victimisation' rhetoric of small Greece been strangled by the creditors. I cannot rule out that Greece will take another step closer to the abyss before turning back from the dead. If it turns back at all.

S.T. 18/06/2015