



Written by [Bob Adelman](#) on July 5, 2011

Greek Austerity to Be Enforced German-Style

Although the average Greek citizen has no interest whatsoever in such austerity measures being imposed on him by outsiders (recent polls show [80 percent opposed](#)), the socialist-controlled parliament, headed by President George Papandreou of the Panhellenic Socialist Movement, has agreed to accept such intervention in order to obtain funds sufficient for the country to avoid default, at least for the time being. Those measures include higher taxes and [much tighter enforcement of tax collection measures](#), as well as selling off major publicly owned properties in order to raise \$8 billion by the end of the year.



In response to the flood of Eurozone “experts” entering Greece to help the government with such privatization, parliament has set up a “privatization” agency to assist with the liquidation of those assets in order to satisfy the requirements being imposed on the country.

Juncker was starkly clear in what he had in mind: "For the forthcoming wave of privatizations they will need, for example, a solution based on a model of Germany's 'Treuhand agency.'"

Treuhand (the Treuhandanstalt trust agency) was set up in June of 1990 following the tearing down of the Berlin wall to privatize East German state-owned assets. By 1994, it had restructured and sold about 8,500 business enterprises that originally employed four million workers. By the end of the process, 2 ½ million of those workers were out of jobs, and the agency itself, which was expected to turn a profit during the process, wound up more than \$400 billion in debt. So outraged were the workers that massive protests were staged in front of the Treuhand agency offices, and the chairman of the Treuhand was murdered.

The heavy-handed control of Greece is the inevitable result of accepting large amounts of low-interest loans offered by German and French banks following Greece's entry into the European Union. Those loans were designed to “smooth the transition” from the drachma to the Euro, and set off the binge of borrowing and spending that drove the Greek government's debt to the current 160 percent of the country's GDP and triggered the current financial crisis.

The “back story” is that all of this is the result of the machinations of the EU to regionalize the members of the union into a single political body run by rulers who are appointed rather than elected. As noted by Andrew Wile at [the Daily Bell](#):

We can see the meme being constructed. It is a simple one. The Greeks impetuously spent money they didn't have, and now the “experts” at the EU must move in and take over....

It doesn't matter of course that the scenario is entirely false. The Greeks were enticed by huge amounts of money to join the Eurozone. At every turn, billions were offered and accepted. The Greeks were laved with euros to ensure that the economy was rebalanced and deficits were



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remedied.

Once the Greeks were part of the EU, banks stepped in to lend to the government and even to the private sector, based on the credibility of the new, enlarged currency. At no time was the average Greek consulted. The money was offered and deals were made at topmost levels. Elites were enormously enriched. The average Greek was unaware of the damage until the bill came due. And now the Greeks are to pay for it.

The austerity measures won't be enough. The funds that will be received from the IMF on July 15 will scarcely be enough to service those banks' loans, buying Greece precious little additional time. By September it is expected that Papandreou will show up at the IMF's front door, hat in hand, asking for Bailout II. He'll be seeking another \$150 billion to keep things afloat. But with the present austerity measures infuriating the Greeks, and slowing the economy, there is simply no conceivable way that Greece can avoid default on those loans. Best estimates are that within a very few years, the country's debt/GDP ratio will exceed 200 percent, and the banks who have been enriched at the expense of the unsuspecting Greek working class will find themselves holding essentially worthless paper. That will be small comfort to the Greeks themselves who are being impoverished in the process.

Photo of Jean-Claude Juncker (front) and George Papandreou: AP Images



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