Why the Troika Fears Greek Opposition

*DEAN ANDROMIDAS**

For the last four years the true rulers of Greece have been the notorious Troika, the three horsemen of the apocalypse, better known as the European Central Bank, the European Union and the International Monetary Fund. Their rule over Greece could very well come to an end if SYRIZA wins the election and forms national unity government with the Independent Greeks if the latter also enters the parliament.

The Troika has good reason to fear this outcome. Both the 40 year-old Alexis Tsipras of SYRIZA and Panos Kammenos, leader of the Independent Greeks are committed to overthrowing the hated EU memorandum and to implement emergency measures to deal with the massive unemployment, and financial ruin of the population and economy. Their most significant proposal is convening a European debt conference similar to the one that led to the London Debt Agreement of 1953 that settled the foreign debts of Germany

In an interview with Britain's *BBC4,* Tsipras said: “What we are asking for is a European conference in order for all us united to address this European problem. There is no other solution to the problem but to delete a big part of the debt, a new memorandum on the repayment and a new development clause”. Further, he added: “In reality we are not asking of any more money or loans in order to repay the old debts. Obviously we will negotiate with our partners in order for all of us united to address the Greek debt issue.”

In a major campaign speech on January 22, Kammenos also called for such a conference.

Not only the Greek debt would be considered, but that of other bailed out countries including, Ireland, Portugual, Cyprus etc., and Europe as a whole.

The convening of such a conference could present an excellent opportunity not only to settle the Greek debt crisis but to reorganize and reform the entire European financial system. Indeed, the real issue is not the Greek debt, but the needed bankruptcy reorganization of the entire Eurozone and, more broadly, of the transatlantic financial system.

A brief look at the principles upon which the London Debt Conference were based is warranted. It settled the pre World Wat II German public and private foreign debt, as well as the post-war Marshall Plan concessionary loans debt. Among the principles laid out:

- ✓ The very purpose of the negotiation was to settle the debt question so as to facilitate the most rapid recovery and expansion of the German economy, which was seen as crucial for the recovery of the Western Europe as a whole.
- ✓ All the foreign debt, public and private debt was to be settled in a comprehensive manor. There were no exceptions, such as special treatment for hedge funds or vulture funds. The agreement was in the form of a treaty between the respective states, and therefore final and not subject to foreign court actions, such as in the case of Argentina today.
- ✓ An average 50% cut in the principal of the debt was implemented, with low interest rates. Payments were made through the surplus export earnings. Therefore, if Germany had a deficit, and hence no foreign exchange, no payments would be made. As part of this formula, the country was encouraged to implement a policy of import substitution, something that has been banned under neo-liberal radical free trade dogma.
- ✓ Absolutely no conditionalities were attached – no demands for budget cuts or currency devaluation, and no “structural reforms”. Hence no austerity measures were demanded.

Most important of all, this occurred under a financial system that was on a Glass-Steagall standard of separation between commercial and investment banking, where the former were prohibited by law from engaging in the trading of derivatives and other forms of exotic “financial instruments”. At the same time, there were powerful credit institutions, most notably the Kreditanstalt für Wiederaufbau, which served to finance industry and infrastructure, which, in turn, rapidly led to full employment.

There has never been such a debt restructuring since, although it spawned the famous German “economic miracle”.

Under the current system, such a restructuring could never be done, primarily because the debt is part of a system of casino banking, where “sovereign bonds” are linked to a labyrinth of derivatives and speculative securities. Therefore, the entire banking and credit system has to be reorganized in an orderly manner as was done in the U.S. under FDR, with the Glass-Steagall Act and the creation of a national credit institution in the form of the Reconstruction Finance Corporation.

It should be noted that both the Independent Greeks and SYRIZA both call for Glass Steagall type separation of commercial and investment banking in their party programs.

Such action, taken by all EU nations at a conference table, would allow Europe as a whole to craft a productive solution to the debt crises in Greece, Ireland, Portugal, Cyprus etc.

The best solution would be to create a European Infrastructure Investment Bank (EIIB). It could cooperate with the newly formed Asian Infrastructure and Investment Bank (AIIB) initiated last year by China and now included 22 countries. Both banks could cooperate on investments in Eurasian infrastructure and ``connectivity.'' China's government has made very clear that its policy is to make, and share, new infrastructure investments outside China, through its new AIIB, Silk Road Fund, Maritime Silk Road Fund, and its state banks. China is already making such investments in Europe through cooperation with the Council of Eastern and Southern European Governments (CEE), including in Greece. The EIIB would be a natural partner for China's overseas direct investments, increasing its capacity to invest in new infrastructure across Europe. One such project would include rebuilding and expanding all the railways in Eastern Europe, including finishing the new Greek double tracked rail line that connects the port of Piraeus, where China is leasing the container terminal and Thessaloniki and on through Budapest, and on to Western Europe.

A new development bank could have a very powerful mandate to extend credits to infrastructure projects that would integrate Europe into the emerging economic developments now being pursued by the so called BRICS, Brazil, Russia, India, China and South Africa which have move to closer economic cooperation in the last six months.

Once the nations of the EU begin negotiating, in the spirit of good will, it would soon become manifest that the most efficient way to proceed would involve returning power to the sovereign states. With a return to national banking, and the creation of the EIIB a real New Deal could be launched.

** Editor EIR Strategic Alert*