

Memorandum-steamroller for the Greek people

Leonidas Vatikiotis, 24 May 2017



The prerequisites passed by a tiny majority 153 MPs (in an overall number of 300) of the Greek government on May 18th, equivalent to a new super memorandum, as the new measures which further deepen the poverty extend up to 2021, three years after the end of the current 3rd programme, on August of 2018.

The new Memorandum (3rd in a row voted by the MPs of SYRIZA and ANEL, after the agreement of August 2015 and the May 2016 pre-requisites) is sacrificing on the altar of the budget surpluses any potential of GDP growth that may exist. The GDP shrinking by 0.5% in the first quarter of 2017 already cancels the optimistic projections for the reduction of unemployment, which had been incorporated in the budget this year. It is not at all coincidence that the projected GDP growth of 2017 included in the Medium Term is limited to 1.8%, much lower than the 2.7% provided by the state budget

The measures included in the 4th Memorandum, which have been quantified in the Medium-Term Budgetary Objective of the 2018-2021 Program, tantamount to whirlwind and can be divided into four general categories.

Recovery measures

Direct impact on disposable income of citizens, namely deepening poverty, will be brought by seven measures:

1. Reduction in pensions

The so-called personal difference between primary and supplementary pensions came into the government's target, with the reduction reaching even 18% of the paid pension. In absolute numbers the reduction will reach an average of 185 euros per month and in some cases up to 300 euros, while it is expected to affect about 1.35 million pensioners.

In the first line of fire will be thrown the pensioners from the former TEVE (Self-employed Insurance Agency), retired doctors, lawyers, engineers and pharmacists, double-pensioners, etc. The measure will be applied from January 1, 2019. Losses will also suffer the young pensioners who will retire by 31/12/2018.

2. Reduction of the tax-free income

This measure, which according to Minister of Economy, Eykl. Tsakalotos, would be the reason of his resignation, if passed, will be applied on 1 January 2020 and is expected to burden each family with an average of 600 euros per year. The new tax-free income threshold, which will exclusively hit the poor, develops as follows:

- 1,250 euros (from 1.900 euros) for taxpayers with no children
- 1,300 euros (from 1.950 euros) for taxpayers with 1 protected child
- 1,350 euros (from 2.000 euro) for taxpayers with 2 protected children

1,450 euros (from 2,100) for taxpayers with 3 or more protected children

The savings to the State budget or else the cost that the pensioners will pay from the pension cuts in 2019 amount to 2.26 billion EUR and the cost that the taxpayers will pay from the drastic reduction in the tax-free income starting in 2020, is EUR 1.92 billion..

3. Increase in insurance contributions

In article 58 provides that as from 1/1/2018 insurance contributions of freelancers and the self-employed will be calculated on the monthly income, including contributions.

Article 58 stipulates that as of January 1st 2018 the freelancers and the self-employed insurance contributions will be calculated on the monthly income, including insurance contributions. This is an unprecedented robbery - a confession of the failure of EFKA (Single Social Security Institution), as contributions will be calculated on non existent income! According to calculations made by professional parties, the consequent increase, in relation to the current year, may reach up to 37%!

4. Reductions in special wage regimes

Officers of the army, the police, the Fire Brigade and the Coast Guard fiercely reacted, forcing the Government in the last minute to propose allowances in order to close the rift triggered by the reductions caused by the shrinkage of wage levels. On the grounds of rationalisation, the government attempted to remove allowances that led to more sustainable wage levels.

Moreover, according to a statement by POSDEP (Panhellenic Federation Of Faculty Associations & Research Staff), wage cuts were also made in Universities, dismissing the proclamations of the Minister of Education, Mr. Gavroglou ,at the Rectors' Meeting on May 13th, for increases in the salaries of professors of all levels ranging from 2.5% to 7.5%. These increases, even if they had been applied, they would have been absorbed by the tax increases...

5. Reduction of grants to municipalities and Regions

Based on Article 80A, from January 1st 2018 the total amount to be transferred annually from the regular budget to Municipalities and Regions must not exceed € 3.4 billion. The decision is justified as follows: since the municipalities managed to draw up and implement balanced budgets, they do not need the Central Independent Resources! Therefore, it is obvious where this famous " financial independence " of the municipalities leads: to the gradual withdrawal of the State from funding and the transferring the cost on the citizens' backs.

6. Taxation of short-term tenancy of real-estate in the context of sharing economy

This particular request, which is contained in Articles 83 and 84, increases significantly the cost of Airbnb and was a requirement of the hoteliers in order to reduce the gap in prices between hotels and short-term leases from electronic platforms that made hotels unprofitable.

7. Further use of generic medicines.

Article 88 encourages pharmacies to prescribe more and more often cheap generic medicines with the incentive of a compulsory deduction from the pharmaceutical companies if the generics exceed 25% of the medicines included in the prescriptions.

This percentage may be adjusted annually, by decision of the Minister of Health. Moreover, goals incorporated into the e-prescription system may be set for every doctor, as well as penalties! As a result, pharmaceutical expenditure, will be reduced, on the benefit of the State Budget, with unknown however effect on the health of the insured.

The Scientific Committee of the Parliament has already expressed reservations about the constitutionality of the cuts in pension rights and special wages. In a lengthy report, the Committee questioned whether or not a fair balance between the requirements of the general interest, as invoked by the government, and the protection of the fundamental rights of the individual is guaranteed. Of course, SYRIZA, like all the other governments that signed a Memorandum, didn't give a hoot ...

Measures of Real Existing Liberalism

Chapter E, which is entitled "Provisions of competence of the Ministry of Justice", describes all the details of the amendment of the Code of Civil Procedure in order to permit the beginning of electronic auctions. Government and bankers under the fear of popular reactions that culminated in the previous period, set up the institutional framework that will allow the bloodless persecution of thousands of borrowers from their houses, without publicity. The amended Article 959.1 of the Code of Civil Procedure suggestively states that "electronic auction is carried out by the certified electronic auctioneer notary, through the electronic auction systems. Electronic auctions are held on Wednesdays or Thursdays or Fridays from 10.00 to 14.00 or from 14.00 to 18.00."

According to the provisions of the Financial Agreement there will be a tightening of the budgeting procedures. An amendment to Law 4270/2014 provides that the submission of the preliminary draft of the annual State Budget is subject to the Financial Council's observation that it is complied with the provisions of the Financial Agreement (Article 66).

Release of the sale of Non-Prescription Drugs! Confident enough, that the sale of medicines in supermarkets will result in the increase of their prices, the Government is rushing to impose maximum prices for their purchase by the health system, so as not to burden the budget. As for the burden of the citizens, it is left to the mood of the pharmaceutical industry .

As ordered by the Domestic Troika, that is to say, of specific business interests that speak directly with the government, Article 49, provides the operation of stores on Sundays from May to October, with the exception of the second Sunday of August. In fact, paragraph 2 removes all prior restrictions on the landsize, the legal relationship with chain of stores, and so on. This measure is order of the department stores to the executives of SYRIZA and will soon lead to a redistribution of sales shares at the expense of traditional markets such as

Ermou street, and to the benefit of commercial hubs such as the one nearby airport. Indeed, in the explanatory memorandum, in an impeccable neo-liberal dialect that has evolved into the native language of SYRIZA, it is directly stated that the challenge is to enhance competition... And may the stronger survive!

Another "gift" to certain private interests is also the extension of the purpose of the Claims Management Companies, which is contained in Article 48. The 4th Memorandum gives them the extra opportunity to manage real estate that has been

burdened with notices of change or mortgages. This amendment passes houses and commercial roofs that were guarantee in “red loans” to the claws of the predators.

In addition, as facility to the private school owners they offer the opportunity to students participate in classes of foreign languages in private schools.

The imposition of the most primitive liberalism from SYRIZA is further accompanied by the introduction of ‘open access’ of tax authorities in taxpayers data in order to achieve the classification of risk avoidance characteristics (risk profiling) from one hand (ie “big brother state”), and on the other hand the absolute immunity of those who will achieve restructuring or write-offs in order to avoid the risk of persecution (ie “reshuffling of the cards” by people who are above the Law)! Immunity is also given to the members of the Board of Directors of EOPYY (National Agency of Health Services) and other committees, creating in fact a body of state officials - mandarins that operate beyond and above the law.

Article 39 of the new memorandum enables intervention and control by the state on the finances of the political parties. In particular, it states that “the issue of vouchers, the purchase of which is a means of financing, is permitted only if ... there is a mandatory mention of the name and VAT or ID number of the buyer, if the amount of funding is more than fifty euros”.

Anti-labour measures

SYRIZA’s promise to restore collective bargaining had the same fate of the ... torn Memoranda: “From 21.8.2018, the institutional framework of collective bargaining returns to the status laid down in 1876/1990 (A’27),” as mentioned in the explanatory report.

The measures to mitigate the effects of collective redundancies as advertised by SYRIZA (“amounts for coverage of self-insurance, amounts available through corporate social responsibility for training and consultancy”) are indeed contained in Article 17, with the title “Control of collective redundancies”. But these are measures that “the employer may bring into the attention of the employees”. He may, he may not! As they could do in the past, without SYRIZA’s fourth memorandum.

The opinions of the Supreme Labour Council, are not binding. The Explanatory report of the 4th Memorandum states that “the negative reasoned decision of the SLC due to the non-fulfillment of the relevant conditions is a presumption of nullity of the redundancies before the civil courts,” and nothing more. Meaning it does not have a binding character!

The bad news for collective redundancies are apparent from the very first lines of the explanatory report, which states that the proposed provision takes into consideration “the recent judgment of the EU Court, (Heracles General Cement Company -AGET Heracles- against Ministry of Labor, Social Security And Social Solidarity) C- 201/15 of December 21st 2016, which amends the legislative framework for the control of collective redundancies for the purpose of harmonizing national law with EU law”. The decision was interpreted as opening a “window” in order to facilitate the dismissal of 236 workers from the factory of Chalkis, as requested by the French multinational (Lafarge, owner of AGET Heracles), introducing a more flexible interpretation of the Greek law which was clearly much more pro-labour than the European. That is why Lafarge had appealed to the European Court, challenging Greek law.

As far as the lock-out is concerned, what matters is the complaint filed by the Spokesman of the Union of Judges and Prosecutors in the Parliament on May 16th which argues that Article 20 which is contained in Part B (“Work Regulations”) of the Memorandum, brings through the back door the lock-out... which SYRIZA supposedly did not allow to be introduced! Nor the government, or the creditors and their mouthpieces did not breathe a word about this revelation. The retrograde is also confirmed by the amendment of paragraphs 1 and 2 in Article 5 of Law 1264/82, which explicitly and categorically stated that: it is prohibited to recruit strike-breakers and lock-outs are forbidden! These articles were amended. In other words, they ceased to be binding for the employers as it was until May 18th, at least at a typical level.

As regards to the trade union leaves (article 19) they set up a single framework that that uniformly regulates the paid and unpaid leaves.

It is more than obvious that a government that imposes such anti-labour measures cannot be called a leftist government, but the leftovers of a failed capitalism.

Privatizations

In the 4th Memorandum it is provided the disposal “from the date of registration of the statute of the the Public Holding Company to the General Commercial Registry Service, ipso jure and without any compensation, from the State Asset Development Fund (TAIPED), to the Public Holding Company the ownership rights, rights of management and exploitation, acquired financial interests, intangible rights as well as rights of operation, maintenance and exploitation of infrastructure that had been transferred to TAIPED”. Consequently, everything is passed to the Super-fund of sell-out!

In addition, the following twelve legal entities pass immediate to the above mentioned Superfund: OASA (Athens Public Transport Organisation) and its affiliates (OSY SA and STASY SA), OSE SA (Railway Organization), OAKA (Olympic Athletic Center of Athens), ELTA (Hellenic Posts), International Airport, Greek Saltworks, ETVA INDUSTRY CORPORATE COURT, Corinth Canal SA, Central Market And Fisheries Organization, Thessaloniki Central Market, TIF - HELEXPO and Duty Free Shops.

By December 31st, 2017, 66% of DEPA’s (Public Gas Corporation) shares of DESFA’s (Management of National System of Natural Gas) share capital must be sold, through international tender carried out by TAIPED.

SYRIZA’s temperament in the sell-out of public property is accurately reflected on the table included in the Medium-Term, derived from TAIPED, which shows that in 2017 and 2018 record-breaking collections will occur! Apparently, SYRIZA does not only know to how to “sell-out” the people of the Left, but they also know how to sell out the public wealth ...

The 4th Memorandum also foresees the contraction of DEI (Greek Electricity Board) so that in 2017 its share in the retail market of the interconnected system to be limited at 75.24%, while in 2018 at 62.24% and in 2019 at 49.24%. Moreover, another crushing blow to DEI, will also be brought by the increase of the annual electricity auctioned rates in 2017 at 16%, in 2018 at 19% and in 2019 at 22%. The imposition of the contraction of DEI through administrative way, meaning using the state’s power, shows not only how hollow the liberal anti-state beliefs are, but also that the Government along with the Troika legislate in the name of private interests. Nobody doubts, that behind Article 101 there are certain individuals who are active in

the energy market. It is for their sake, that the MPs of SYRIZA and ANEL betray once more the trust of the hard-pressed Greek people!

Countermeasures: sugaring the pill of surpluses

The Government attempted to sweeten the pill of the new memorandum and the bleeding of workers and pensioners by promising a package of measures -the famous countermeasures, which would be applied if and so long as they achieved a surplus of 3.5% of GDP. The countermeasures included reduction in ENFIA (Real Estate Flat Tax) for tax amounts of up to € 700, not exceeding € 70, reduction in the rate of income tax from 22% to 20%, reduction in the special solidarity levy and in corporate tax rate from 29% down to 26%.

The countermeasures also include housing allowance for up to 600,000 households, free health care for a very small proportion of the population with income less than € 1,200, childcare program, school meals, child benefit, work-related measures targeting the registered unemployed of OAED (Greek Manpower Employment Organisation), reduction of pharmaceutical expenditures for taxpayers with income up to € 1,200, etc.

The problem is not on that the countermeasures will be implemented after two years. The problem is how a sine qua non for their implementation is the achievement of outrageous fiscal surpluses through the application of the above mentioned measures, as well as any others that may be necessary until the program is completed, in August 2018.

So, the countermeasures, which are tantamount to breadcrumbs and will only be implemented if and insofar the IMF agrees, work like the carrot that legitimizes the whip of reduced pensions and the lower tax-free income level.

Last but not least, one thing that is being repeated since 2010 with irritating accuracy is the inclusion in the Memorandum of a number of correct and necessary provisions. For instance, in the current Memorandum, among the many others (such as the abolition of the MPs tax-free regime with Article 71, the reduction of VAT on agricultural supplies from 24% to 13% with Article 70, the prohibition of the financing of political parties by legal entities, etc.) is the creation of an electronic register of production factors for public and private projects, studies, technical and other related scientific services. Also, the creation of an electronic healthcare procurement platform and the introduction of annual procurement programming, which if not eliminates, significantly curtails the potential of corruption posed by the decentralization of procurement on the basis of the "hospital and procurement" principle.

In my opinion, the inclusions of such measures of urban modernization by all the Memorandum Governments PASOK, ND, and SYRIZA and their Health Ministers (Loverdos, Adonis, Polakis) is an attempt to embellish the Memorandums themselves and deconstruct those who blame them as a cause of social regression. In fact, all together (PASOK, ND, SYRIZA) prove their inability to manage the commons without having Troika over their head, dictating them even how the medicines supplies will take place.

For this (extra) reason they are dangerous and the quicker they get off the power the better...