



Written by [Raven Clabough](#) on July 1, 2011

Greece Passes Austerity Bills in Spite of Massive Protests

The second austerity measure passed the Greek Parliament by a vote of 155 to 136, just one day after the main [austerity](#) bill was approved. During the vote yesterday, rioters clashed with police just outside Parliament.

Pleased with the passage of the austerity bills, European Commission President José Manuel Barroso and European Council President Herman Van Rompuy remarked that it was the “decisive step Greece needed to take in order to return to a sustainable path. In very difficult circumstances, it was another act of national responsibility.”



Fox News explains:

The European Union and International Monetary Fund had demanded Parliament pass two bills — an austerity law and a second bill detailing how it will be implemented — by June 30 before they approve a \$17.3 billion installment from the country's \$159 billion package.

The austerity measures passed by Parliament include tax increases to even the lowest-income families.

Investors had feared that a Greek default could bring about a major banking crisis and have a substantial impact on the global market.

The bailout funds are expected to hold Greece over through September. “Greece has bought more time,” said economist Vagelis Agapitos. “This time, however, will start running out rather quickly unless Greece starts to deliver on its promises.”

By September, Greece will once again have to prove that it has implemented austerity measures it promised in order to qualify for further bailout funds.

Finance Ministers from the eurozone have already planned talks regarding the terms for the release of the second bailout. The IMF will also be clearing funds for release next week. Finance Minister Evangelos Venizelos commented:

Of course we have major difficulties ahead of us. It is not just that we must negotiate with the EU, the eurozone countries, our institutional partners and the IMF. The point is that in the turbulence of the global markets and banking system, we are victims for a large part and a test case for the strength of our institutions.

Still, even with the overarching threat of default and economic catastrophe, many Greeks remained angrily opposed to austerity of any kind, resorting to violence in order to get their point across.

According to Fox News,

A 48-hour general strike and outbreaks of violence on the streets of Athens brought much of Greece to a standstill in the run up to Wednesday's vote on \$40.5 billion worth of spending cuts and tax hikes and a euro50 billion privatization program.

More than 300 people were injured during the two-day protest, which also resulted in flight



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cancellations, a disruption in public ground transportation, and much property damage.

Continued union opposition will make it difficult for Greece to move toward privatization, of which no area is immune.

Despite the endeavors, most analysts assert that the bailouts and austerity measures are only short-term solutions. Fox News explains:

Even if Greece gets through the next hurdle in September, there are still real worries that the country will end up eventually having to restructure its debts — negotiating longer repayment times or giving creditors less than the full amount owed. Many economists believe Greece will ultimately have to default on its debts at some point as the scale of the debt at euro340 billion is just too big for a country of only 11 million people to service.

Some contend that the plight of Greece and other European nations should prompt European countries to rethink the euro. Daniel Hannan of the *Daily Mail* asks, “Why won’t the EU’s leaders accept the euro is fatally flawed — and allow Greece to go bust?” He [continues](#):

Greece’s debt is now growing faster than its economy, making it a mathematical certainty that it will not pay its creditors. The international markets know it: Long-term Greek government debt is trading at around two-thirds of its nominal value.

Indeed, the only people who still believe (or pretend to believe) that Greece can remain solvent are the eurozone finance ministers, who have just agreed [to] another bailout.

While some view the passage of the austerity bills and issuance of further bailouts as Greece’s saving grace, Hannan sees the issue more clearly: “Such bailouts are not useful, but actively harmful: The last thing an over-indebted country needs is more loans.”

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