Greek Premier Faces Revolt

Fears of Political Chaos Tank Global Markets as Europe's Bailout Plan Teeters

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ATHENS—Greece veered toward political chaos as a dispute over a planned referendum on the country's latest bailout threatened to topple the government and derail Europe's delicate effort to keep the crisis from spreading.

Greek lawmakers rebelled against the idea of a referendum in the highly indebted country, which was floated only a day earlier by Prime Minister George Papandreou as an attempt to shore up support for his drastic austerity policies, but which also risked wrecking Europe's plan for taming the debt crisis in the euro zone.

European leaders fear the shock waves from a Greek default, which could be triggered by a "no" vote in a referendum, could bring down other euro-zone governments and swaths of the Continent's banking system. The U.S. government worries such a financial crash in a key part of the world economy could hurt global growth.

By Tuesday evening, Mr. Papandreou appeared to lack enough support in Parliament to hold a referendum on the rescue package for Greece that European leaders agreed on last week. But while prospects for his high-risk referendum receded, he was also fighting to hold on to power, leaving Europe fretting about the political instability in the country at the heart of the euro-zone crisis.

Indeed, Mr. Papandreou in a statement issued around 1 a.m. Wednesday in Athens insisted that the referendum would go ahead...