

## **Why Greece and the Eurozone still need a Grexit, and a 90 Bn€ debt forgiveness**

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The so-called agreement negotiated at length between Greece and its creditors last week-end is not only humiliating for Greece and for its European partners, but it is completely ineffective. The proposed bailout is humiliating for Greece because its terms are even more strict than those of the plan that the country overwhelmingly rejected by referendum only one week ago. What does it say about the EU's standards for democracy? Do we really want to propel the scores of "Europhobic" parties across Europe, from the Golden Dawn and Syriza in Greece to the Front National and the Front de Gauche in France?

This deal is also humiliating for Greece's European partners for two reasons. First, because it suggests that Greece will suddenly transform itself into a virtuous and responsible economic actor. Who can believe for even one minute that the current Greek government, which has not hesitated to use theatrics or lie to its partners, will magically respect the agreement to which it reluctantly conceded on Monday morning, after more than 30 hours of negotiations?

Secondly, this agreement is particularly humiliating for the countries in the Eurozone – Spain, Portugal and Ireland, in particular – who, when faced with similar economic troubles, made real commitments, implemented the necessary savings plans, and are now benefiting from increased growth and job creation. The amount of rescue funds for these three bailout plans combined is less than half the amount of proposed aid to Greece. What is to be said of a Union that grants resources only sparingly to its most virtuous members, then lavishly aids its worst offenders who cheated on their public accounts, manipulated the public opinion, and blackmailed their creditors?

Finally, this deal is ineffective because it does not permit Greece to pull its head above water. The proposed measures will be deflationary and will aggravate an already unsustainable debt amounting to 175% of the total national GDP. Additionally, Greece's creditors are unlikely to ever be repaid. Certain measures are interesting on paper (notably the proposition that 50 Billion euros worth of funds be privatized, with assets provided as collateral). But they pay little attention to the history and economic culture of Greece, in which the avoidance of any kind of tax (taxes are historically associated with the "occupier", be that Ottoman or European) is seen as a sort of national sport. The VAT tax hike proposal is one example among many. This summer, like all summers, European tourists in Greece will be faced with the same "machine broken" epidemic - the name for the ailment that mysteriously befalls almost all hotels, rental car companies and restaurants in Greece each tourist season: credit card machines are "broken", perhaps a symbol for the country as a whole, and one must pay exclusively in cash.

The rescue of Greece - and the durability of the European political and monetary unit – calls for the opposite of the policies of subterfuge currently in place. What is necessary is a simple and absolute cancellation of part of the nation's debt. I propose forgiveness of 50% of its GDP, or 90 Billion euros, which would reduce the country's debt to 125% of its GDP, a level below that of Italy's. The IMF and Greece's European creditors already know they will never recoup these funds. There is no reason they should not enact such a plan now. Morally, this debt forgiveness is the price Eurozone governments must pay for having integrated into their ranks, 14 years ago, a country which should never have become part of this group. For the record, this decision was made in France by the government of Lionel Jospin, with Dominique Strauss-Kahn as Finance Minister. The IMF, then under the direction of the latter, recently recognized that it had made wrong recommendations for Greece, and should thus also accept its share of the responsibility.

In return for this exceptional forgiveness of debt, Greece should - as was proposed by Alain Juppé in France and the CDU-CSU in Germany - temporarily, and in an organized manner, leave the Eurozone. It should use this time to put in place, sovereignly and without outside dictation, the conditions for a new sustainable economic development. It is up to Greece, and not us, to organize, whether by incitement or coercion, the repatriation to the nation's public treasury of the tens of billions of euros that its ship-owners and its Orthodox Church - the second largest landowner in the country and an organization exempt from all taxes - have concealed or put aside. It is surprising that a government that claims to be part of the radical left has yet to suggest anything of the kind.

When Greece has completed, freely and of its own volition, this demonstration of its capacity to develop an equitable and prosperous economy, it will then regain the privileges of belonging to the Eurozone, beginning with access to the ECB. Then, and only then.

Partial reduction of its debt and a temporary Grexit: this is the reasonable plan to rescue Greece and the Eurozone, which takes into account the reality of the situation rather than only pretending to do so. It is not too late to put it in action.

*Edouard Tétreau is Managing Director at Mediafin ([www.edouardtetreau.com](http://www.edouardtetreau.com))*