

Insolvent Greece goes to market 2.0

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Why do I refuse to be impressed by the news of Greece's return to the markets?

“It is because the Greek state and the Greek banks remain deeply insolvent. And, their return to the money markets is a harbinger of the next terrible phase of Greece's crisis, rather than a cause for celebration”.

The above was [my answer in a BBC interview](#) on 9th April... 2014! It is also the only answer that fits today's announcement of Greece's new bond issue.



Indeed, why script a new article, when that [old post](#) offers a most helpful response to the question: **“What should the world think of Greece's new bond issue?”** (See also [this](#) article on the 2014 bond issue plus [this](#) tv interview from 16th April 2014.)

The only thing I need to add to these circa 2014 posts is this:

- The Tsipras government today is simply rolling over precisely the same bond that the Samaras-Venizelos-Stournaras government issued in 2014 – the subject matter of my criticism above. This is a remarkable U-turn by Mr Tsipras and his ministers.
- In 2014 they had sided entirely with my criticism of the then government's argument that Greece's return to the markets, with the issue of that one bond, was a sign the country was achieving escape velocity from the gravitational pull of its debt-deflationary crisis. Now, they are not only parroting the same arguments as Samaras-Venizelos-Stournaras but they are, lo and behold, rolling over the same bond!

I rest my case.

Postscript

A good Canadian friend with decades of experience in the money markets sent me the following email just now upon reading the news of the bond issue. I copy it here without comment:

“They could barely get the ink dry on the prospectus and Greece is issuing new paper. Of course, this is being hailed in the press as a sign that Greece is ‘normalising’. Nothing of the sort... Optics. It's a switch offer, only works if people tender the 2019s. So it will be paying a decent premium to lengthen by 3 years, with undoubtedly some special wording. BUT, the world press will report that Greece has accessed the market successfully, and perception -> reality. If you own 2yr Greece, you might as well own 5year Greece at a premium with better terms. But let's not forget that this is smoke and mirrors. They audience will be in awe, but some of us know how the trick works...”