

# Greece's Perpetual Crisis

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ATHENS – Since the summer of 2015, Greece has (mostly) dropped out of the news, but not because its economic condition has stabilized. A prison is not newsworthy as long as the inmates suffer quietly. It is only when they stage a rebellion, and the authorities crack down, that the satellite trucks appear.

The last rebellion occurred in the first half of 2015, when [Greek voters rejected](#) piling new loans upon mountains of already-unsustainable debt, a move that would extend Greece's bankruptcy into the future by pretending to have overcome it. And it was at this point that the European Union and the International Monetary Fund – with their “extend and pretend” approach in jeopardy – crushed the “Greek Spring” and forced yet another unpayable loan on a bankrupted country. So it was only a matter of time before the problem resurfaced.

In the interim, the focus in Europe has shifted to [Brexit](#), xenophobic [right-wing populism](#) in Austria and Germany, and Italy's constitutional referendum, which brought down Matteo Renzi's government. Soon, attention will shift again, this time to France's crumbling political center. But, lest we forget, the inane management of Europe's debt crisis began in Greece. A minor country in the grand scheme of things in Europe became a test case for a strategy that could be likened to rolling a snowball uphill. The resulting avalanches have been undermining the EU's legitimacy ever since.



The problem with Greece is that everyone is lying. The European Commission and the European Central Bank are lying when they claim that the Greek “program” can work as long as Greece's government does as it is told. Germany is lying when it insists that Greece can recover without substantial debt relief through more austerity and structural reforms. The current Syriza government is lying when it insists that it has never consented to impossible fiscal targets. And, last but not least, the IMF is lying when its functionaries pretend that they are not responsible for imposing those targets on Greece.

When so many lies – with so much political capital invested in their perpetuation – coalesce, disentangling them requires a swift coup, akin to Alexander cutting the Gordian knot. But who will wield the sword?

Tragically, the problem is both obvious and extremely simple to solve. The Greek state became insolvent a year or so after the eruption of the 2008 global financial crisis. Against all logic, the European establishment, including successive Greek governments, and the IMF extended the largest loan in history to Greece on conditions that guaranteed a reduction in national income unseen since the Great Depression. To mask the absurdity of that decision, new loans – conditioned on more income-sapping austerity – were added.

When one finds oneself in a hole, the simplest solution is to stop digging. Instead, Europe's powers-that-be, the Greek government, and the IMF blame one another for driving Greece's people into an abyss.

Recently, Poul Thomsen, the director of the IMF's European Department, and Maurice Obstfeld, its chief economist, protested in a jointly authored [blog post](#), that “it is not the IMF that is demanding more austerity.” The blame lay elsewhere. “[I]f Greece agrees with its European partners on ambitious fiscal targets,” they argued, “don't criticize the IMF for being the ones insisting on austerity when we ask to see the measures required to make such targets credible.”

Thomsen and Obstfeld are partly right. Greek Prime Minister Alexis Tsipras had no business agreeing to the crushing fiscal targets demanded by Germany and the EU when I was the finance minister. My successor's [claims](#) that the government never accepted the targets are disingenuous. As he well knows, I resigned chiefly because in April 2015 Tsipras agreed to them behind my back. My former colleagues are shooting the

messenger, the IMF in this case, for relaying the bad news that the targets they agreed to require even more austerity.

It is also true that the IMF consistently, and correctly, criticized the targets. But what Thomsen neglects to mention is that, without his and IMF Managing Director Christine Lagarde's personal connivance, the European Commission would not have been able to impose those targets. And I should know: I represented Greece in the meetings of the Eurogroup (comprising the eurozone countries' finance ministers) where it happened.

Thomsen seems to be aware of his responsibility to stop legitimizing the German-led asphyxiation of Greece's economy. In a telephone conversation in March with Delia Velculescu, the IMF's Greek mission chief, Thomsen explained what should happen if Germany insisted on crushing Greece by not granting debt relief. According to the [transcript of the call](#) (released by WikiLeaks), Thomsen thought European leaders would leave the issue until after the United Kingdom's Brexit referendum.

According to Thomsen: "[W]e at that time say, 'Look, you Mrs. Merkel you face a question, you have to think about what is more costly: to go ahead without the IMF, would the Bundestag say 'The IMF is not on board?' Or to pick the debt relief that we think that Greece needs in order to keep us on board?' Right? That is really the issue."

Velculescu responded that, "for the sake of the Greeks and everyone else, I would like it to happen sooner rather than later." But it did not happen, because Thomsen and Lagarde never dared to put Merkel on the spot. Instead, the IMF continues to blame others while providing Germany with political cover to maintain its chokehold on Greece.

But, as Velculescu astutely pointed out, the repercussions affect "everyone else." The troubling developments in Italy, France, and even Germany are a direct consequence of the Greek debacle. But Greece is the immediate victim, and it is therefore the Greek government's responsibility to cut the Gordian knot, by declaring a unilateral moratorium on all repayments until substantial debt restructuring and reasonable fiscal targets are agreed.

Greece's voters twice gave their leaders a mandate to do just that: once when they elected the Syriza government in January 2015, and again that July in a referendum. For the sake of Greece – and of Europe – the authorities need to call a spade a spade.