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# THE EU AND GREECE: EXITING "IMF - EUROPE" RATHER THAN THE EURO

Yves Bertoncini | *director of the Jacques Delors Institute*

The end of the European aid programme to Greece on the 30th June and the organisation of a referendum in this country on 5th July have one point in common: they open up the prospect of ending the "IMF - Europe" era opened under the pressure of the crisis. It is necessary to come out of this on top, for three reasons. Yves Bertoncini takes a stand in this Viewpoint, also published on LeMonde.fr and EurActiv.com.

## 1. To adopt national and European measures that enable Greece to return to the financial markets

Leaving the IMF's European era first and foremost involves countries financing themselves on markets with acceptable rates. Ireland and Portugal have already succeeded in this, and Greece and Cyprus are hoping to follow their lead.

It was not EU's vocation to act like and with the IMF by financing the rescue packages for four countries under programme, after modification of its treaties. This was done as a temporary move, requesting in return that these counties make painful adjustments with a view to recovering their financial solvency and strengthening their economic competitiveness, social cohesion and State efficiency.

Regardless of the outcome of the referendum, the Greeks cannot escape the financial reality requiring them to record a moderate primary budgetary surplus: firstly to convince their current public creditors that their assistance, which is to continue, is not poured into a "Danaides basin" and secondly and primarily to incite private stakeholders to renew their long-term financing of the State and companies in their country.

All these efforts will not give rise to immediate results, particularly if they are restricted to structural adjustments. It is therefore up to the EU to bolster them with a support strategy for Greek growth that includes massive public investments. Structural and cohesion funds, loans from the EIB, contributions from the "Juncker Plan", etc.: these are the tools that are available to an "EU – World Bank" programme acting in the long term, while the "IMF – Europe" programme could only ever be temporary.

## 2. To cease relations based on accounting conditionality and revive political cooperation

Leaving the "IFM – Europe" era must also be an opportunity to resume relations between EU Member States based on political cooperation rather than on accounting conditions.

Even if some economists or ministers seem to aspire to this on occasion, the intrusive conditions put into place with regard to the four "countries under programme" should not become the norm within the "European Federation of Nation States": the sovereignty of EU Member States and the legitimacy of the reforms they adopt are at stake. Such conditionality must be practiced with caution, under the direct supervision of the heads of state and government, who cannot leave the Euro's future in the hands of finance ministers or central bankers, or even worse, their administrations.

The issue is not that these stakeholders have an accounting vision and economist zeal specific to their functions, but that higher authorities are not sufficiently involved in the talks and decisions that have a resolutely political dimension. Continued aid for Greece and/or its possible exit from the Euro area are, much more than a case of moral hazard, difficult decisions with geo-political risks: the EU's leaders must act accordingly, with a clear vision of the situation!

In contrast, the referendum held by Alexis Tsipras seems to be part of a highly political tactical approach, even though the conditions of its organisation are problematic in terms of deadlines and the question asked, as is the underlying desire for confrontation. This appeal to the people cannot under any circumstances conceal a democratic evidence: with all due respect to Pericles' successors, the heads of state or government of the other Euro area countries also have an indisputable legitimacy, as the spokespersons of their people who are as deserving of respect as the Greeks, and with whom an agreement must be found.

As it happens, the majority of all EU peoples wish to leave the "IMF – Europe" era: firstly those who, like the Greeks, have had to endure very painful social and budgetary adjustments, but also those who have had to provide them financial assistance, often grudgingly even if it was in their interest, while wondering if one day they would be repaid, if not thanked. It is up to the heads of state and of government to act upon such democratic convergence by adopting the compromise that will allow for recovery from the current crisis as well as an exit from the "IMF – Europe" era.

## 3. To clear the accounts of the "IMF – Europe" era on the basis of shared responsibilities

If four EU Member States requested aid from the "IMF – Europe", this is mainly due to the bad decisions made by their leaders that left them in a state of virtual bankruptcy, for various reasons (the wayward banking sector, the property bubble, a defaulting State, etc.).

For Greece, it should be easy for Alexis Tsipras and his European counterparts to agree to stress the overwhelming responsibility of the persons and parties who have governed the country over the last forty years. This implies that the Greek citizens and authorities are more accepting of the strictly national dimension of their tragedy (including corruption, tax evasion and nepotism), without reducing it solely to external causes.

The responsibilities of private creditors, who financed Greece poorly between 2002 and 2010, have already been identified and undertaken: they have partly paid the price as in 2012 they had to give up on half of their debts (to the tune of slightly more than €100 billion).

The responsibilities of the EU authorities can be addressed with regard to Greece over the last forty years, as they long tolerated shortcomings of which they were aware. They can be highlighted with regard to the establishment of a monetary system which creates a "de facto solidarity" which lacks concrete mechanisms that allow the costs of this solidarity to be shared between national authorities. But one major area of responsibility is the management of the Greek aid programme over the last few years, as it was based on assumptions and targets that were partly wrong, as the IMF has acknowledged.

It is therefore logical that Greece's public creditors should also accept their responsibilities by "paying the price" for their mistakes: firstly by granting Greece a new aid plan for several dozen billion Euros in support of its economic and social recovery efforts; secondly by massively supporting public investment in Greece and thereby renewed domestic growth, which alone would alleviate its debt/GDP ratio; and lastly by considering reducing the burden of Greek debt and the debts of other countries under programme in a European framework, if the commitments of the reforms are to be upheld.

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The Greek tragedy could become a national drama if the Greeks decide to default on their debts, or even to exit the Euro area. It would then become the tragedy of a European Union unable to end the temporary "IMF – Europe" era and to show its loyalty to its founding principles of cooperation and solidarity.



Europe for Citizens
PREMIER MINISTRE
MACIF
NOTRE EUROPE
JACQUES DELORS INSTITUTE
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19 rue de Milan, F – 75009 Paris
Pariser Platz 6, D – 10117 Berlin
info@delorsinstitute.eu
www.delorsinstitute.eu