

Why Greece deserves debt relief now

Dijsselbloem should take up IMF proposal

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Debt relief for Greece is a necessity. This should be decided not at some indefinite time in the future but within the next few weeks, presupposing that the Greek programme of economic reform and restructuring is broadly on track. This is an urgent task for Jeroen Dijsselbloem, the Dutch finance minister and chairman of the Eurogroup of European finance ministers.

The International Monetary Fund has already taken the initiative, calling on Greece's European creditors to reschedule Greece's debt as a condition for the Fund joining the €86bn bail-out package decided in August. Christine Lagarde, the IMF managing director, has said the creditors increasingly accept the inevitability of debt restructuring, but only if Greece takes ownership of the rescue package by passing tough budget cuts and far-reaching measures to overhaul the economy.

That was the promise made in Brussels in July to his euro counterparts by Alexis Tsipras, the Greek prime minister. After engineering an election victory that confirmed him in office on 20 September, Tsipras won a vote of confidence in the Athens parliament this week. That should be the cue for the creditors to follow the IMF's suggestion and start talking seriously about debt cancellation or restructuring.

Tsipras has pledged to pass the hurdle of the first review of the economic programme, scheduled for later this month. He told parliament: 'We will conclude the big issues of the bank recapitalisation and the debt and we will proceed at a measured pace to change Greece.' If that first review is positive for Tsipras and Greece, debt relief should speedily follow.

Tsipras' Syriza party won more than 35% of the vote on 20 September. In the new Greek parliament, 258 out of 300 members represent parties that support the bail-out programme. Opinion polls indicate that 70% of the population is behind the agreement. We see Tsipras' victory and broad public support for the bail-out – despite all the hardships and risks – as a triumph for democracy.

Greece's public debt is 175% of GDP, much higher than that of the other debtor countries and what the economy can bear. Jürgen Habermas, the German philosopher, has labelled the creditors' demands as imposing neoliberalist concepts and unacceptable austerity on an exhausted Greek population. Critics like Habermas have rightly stated that the Greek economy will continue to stagnate unless the creditors lift the debt millstone.

As long as there is democratic and public support for Greek political decisions, there is hope. But the Greek people cannot live on hope alone. Renewal of Greek growth should be at the forefront of euro area decision-making. This will help the entire European Union. Tsipras is keeping the promises he made in Brussels. Now the Eurogroup and its chairman must demonstrate they are true partners of a new Greece.

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