

Suspend debt repayment: What if the Greek government had heeded the Truth Committee's recommendations?

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During a press conference held by the Truth Committee on the Greek Public Debt at the Greek Parliament on 25 September 2015, Éric Toussaint, the Committee's scientific coordinator, provided a detailed answer to a question from a journalist who asked what would have happened if the Greek government had heeded the Committee's recommendations and suspended debt repayment. Toussaint explained that, far from resulting in a catastrophe, a suspension of payment combined with other measures would have made it possible for Greece to find a much better outcome to the crisis than the current implementation of a third memorandum.

Éric Toussaint: Thank you for this question which brings up the main objection raised by those who claim that there was no other solution. The question is saying: if the government had taken the findings in the report into account, it would have had to suspend debt repayment and this would have resulted in disaster and chaos that would have been highly detrimental to the country as a whole.

Up to the referendum, Greece did not receive any help whatsoever.

In order to provide an answer we have to review what actually occurred. Between the elections on 25 January and the referendum on 5 July 2015 Greece reimbursed close to €7 billion while it did not receive any help whatsoever, although at least €7.2 billion was due from the programme that had been extended until the end of June. [\[1\]](#)

Other amounts should also have been available from the European Financial Stability Facility (EFSF) and from the ECB that collects high interest on Greek securities. But the creditors, who wanted to strangle the Tsipras government, refused to release the least penny.

Let us then ask ourselves the following question: if, on 20 February, instead of committing itself to repaying the debt the Greek government had said "We apply Paragraph 9 of Article 7 in Regulation n° 472/2013 adopted by the European Parliament on 21 May 2013 that says 'A Member State subject to a macroeconomic adjustment programme shall carry out a comprehensive audit of its public finances in order, inter alia, to assess the reasons that led to the building up of excessive levels of debt as well as to track any possible irregularity,'" [\[2\]](#) if the negotiators had said "We enforce the regulation and since we are auditing the debt to track possible irregularities, we provisionally suspend repayment without anticipating on further developments", and if concomitantly the Greek government had taken the necessary measures to solve the banking crisis

while protecting savers' deposits, would not the situation have been much better than what did happen between February and June 2015?

Let's go further. If the government had used our Committee's findings, what would have happened? Remember that our Committee was set up some time after the 20th of February, on the 4th of April and in view of Regulation n° 472. If, on the basis of the preliminary findings that were made public on 17 and 18 June and of the result of the 5 July referendum, the Greek government had said, "We have continued repaying for these last six months. This has cost us €7 billion. The state coffers are now empty. We have made huge concessions to our creditors and have received none in return; they have even increased their demands." So if, on the basis of the referendum results and of our findings, the government had stopped paying the debt from 5 July, it would have kept the €7 billion that was eventually paid to the ECB between July and September 2015.

Strong measures had to be taken

It was thus perfectly possible for the Greek government to use both the results of the referendum (namely the rejection of the creditors' proposals) and our findings to suspend debt repayment and take strong and urgent measures in the banking sector, since the banks had been closed by the ECB and the Central Bank of Greece. Strong measures had to be taken to protect savers' deposits while socializing the banks and setting up a parallel currency; strong measures also had to be taken in terms of tax collection. [3] If this plan B had been implemented, I am convinced that it would not have resulted in disaster. I am convinced that creditors would have been compelled to start negotiating in earnest.

Under pressure of creditors the Tsipras government chose another road. When it signed the third memorandum without any possibility of there being a genuine debate or amendments in parliament and without the least respect for the result of the referendum, it committed itself to a third 'bailout' programme involving additional loans for an amount of €86 billion to be used to repay former debts that we had identified as illegitimate, illegal and unsustainable, and included €25 billion to recapitalize Greek banks that have already received €48 billion since 2010.

And we know full well that €25 billion is not enough to turn the situation of the Greek banks around. It will not be enough because what are called 'non performing loans', i.e. bank loans that will probably never be repaid, exceed Greek banks' equities. Greek banks are insolvent. This is the real situation. The truth must be told. Within six or nine months, deposits above €100,000 may be encroached upon to save the Greek banks.

And as my colleague Michel Husson explains, austerity measures will prevent Greece from meeting the objectives set by the EU for the coming years. European creditors will continue to demand more efforts from those who have already been squeezed dry.

It is wrong to claim that if Greece had suspended payment and heeded the committee's preliminary findings the situation would have been disastrous.

I will end by saying that it is wrong to claim that if Greece had suspended payment and heeded the committee's preliminary findings the situation would have been disastrous. In short, we consider firstly, that it is not right to continue borrowing under illegitimate and illegal conditions - indeed the third memorandum is just as illegal and illegitimate; and secondly, that, as explained by Michel Husson, the country's economic situation is not going to recover.

We shall shortly be publishing a text the Committee has adopted and that is being finalized on the

situation of Greek banks. It should show to what extent this situation is still deeply worrying for Greece. We draw attention to the fact that the €25 billion of additional debt contracted to recapitalize the banks has fallen into the hands of private shareholders. While the Hellenic Financial Stability Fund and the Greek government are the banks' principal shareholders, they do not act upon their responsibility as shareholders because they accepted so-called preferential shares that do not hold voting rights; thus the fate of Greek banks is left in the hands of private shareholders.

This Financial Stability fund is run by Pierre Mariani, [4] who is responsible for the failure of the bank Dexia, a bank I know a lot about since it is a Belgian-French institution that has had to be bailed out three times by the Belgian, French and Luxembourg governments.

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Is it really conceivable that the direction of a body whose mission is to manage the recapitalisation of Greek banks be entrusted to someone who played a major role in a financial disaster with major consequences on public finances in Belgium, France and Luxembourg, and who sold toxic loans to local communities? How can Mariani be trusted at all? When Dexia was bailed out by the Belgian government, Pierre Mariani was dismissed because of his disastrous management, though not without a golden handshake of one million euros. For 2012, Dexia paid him €1,700,000. [5] Then he came over here to manage Greek banks. Is it right that the interests of Greek citizens and of the country as a whole be in the hands of such people? Isn't this in fact a major scandal and contradiction, if we consider the interests of the nation?

If the Committee's recommendations had been heeded, a solution to the Greek issue could have been found. Our findings were not taken into account. The road taken is that of austerity with a third memorandum. The problems of Greece are far from being solved and debt will still be an unbearable burden on the back of a population that has already had to face five years of austerity enforced by creditors.

Creditors might then, in exchange for capitulation, consider some debt relief in the guise of longer maturities. But you know as well as I do that in the agreement signed by Greece there is no commitment to any debt relief, merely the possibility of doing something about the debt, provided the Greek government complies with creditors' demands, but no more than that.

You know as well as I do that the IMF anticipates that Greek debt will rocket to 200% of GDP, while also stating that it will not reduce its own claims. The IMF calls for a reduction of the debt but will not itself participate. Can you imagine that the IMF will convince the Europeans to reduce the Greek debt by saying, "the debt is unsustainable but we won't give up any of the money owed to us. You Europeans should make the sacrifices."?

Do you really believe that accepting the logic of a third memorandum can save the country? We do not think so; we think that the issue of Greek debt will remain central in the coming years. Auditing the Greek debt started in 2011, when a citizen's audit committee for Greek debt was set up including a number of people who would later become members of the current committee created in April 2015. The first committee was resurrected thanks to the President of the Greek Parliament, who received at the time the support of the Prime Minister and of the President of the Republic. Remember: they were present on 4 April.

Our determination to help Greece is unruffled.

Unfortunately, the government did not heed our recommendations. We don't know what our status will be once the parliament has a new President, [6] but no matter, we shall continue working. As we were not paid, nothing will change. Our determination to help Greece is unruffled. If we have to pay for our flights ourselves and find accommodation with Greek families, we will.

And I hope that one day there will be a Greek government that will take our findings into account in the interests of the Greek people. I swear to you that our sole objective has been to stand up for the Greek people, and for all peoples in Europe and in the World, to find a just solution to the issue of illegitimate debt.

Éric Toussaint

P.S.

* Transcript by Mariella Caponetto and Éric Toussaint.

Translation: Christine Pagnouille, Mike Krolikowski & Vicki Briault.

Footnotes

[1] The programme of the second memorandum was to terminate on 28 February 2015 but was extended for four more months with the agreement reached on 20 February between the Tsipras government and the Eurogroup.

[2] REGULATION (EU) No 472/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability <http://eur-lex.europa.eu/legal-cont...>

[3] [Here](#) in French.

[4] <https://fr.wikipedia.org/wiki/Pierr...> (in French)

[5] <http://www.rtf.be/info/economie/de...>

[6] On 4 October 2015, Nikos Voutsis, former minister of home affairs in the Tsipras government, was elected president of the parliament. Zoe Konstantopoulou, handed over [the Committee's report on the third memorandum](#) and asserted that she would continue in her support of the committee's mission