«Sell your islands, you bankrupt Greeks»

Headline in German newspaper, BILD, 27.10.2010

20 POPULAR FALLACIES CONCERNING THE DEBT CRISIS

ROSA LUXEMBURG FOUNDATION

PHOTO: MARIOS LOLOS/DPA

TABLE OF CONTENTS

It's that time again! Greece needs more loans and the governments in Europe are arguing about whether it's really necessary and who should foot the bill. There is widespread opinion in Germany that Greece itself is to blame for the problems it now finds itself in. It first of all cheated its way into the Eurozone, then the government spent too much and the governed worked too little, many believe. Latently nationalistic patters of interpretation of this kind have been nourished by German politicians and the media, who have no end of proposals for how to «solve» the crisis. For example, the Greeks should save more, work more and sell their public property – and if all of these measures do not help, then Greece will just have to leave the Eurozone or declare itself bankrupt. The stupid thing is, neither are the causes of the crisis that have been named actually correct, nor will the proposed ways out of the crisis achieve their goal.

1. «GREECE HAS TOO MUCH DEBTS»

The facts: Because of the financial crisis, Greece's national debt grew between 2007 and the end of 2010 from 115 % to 143 % of economic performance (Gross Domestic Product, GDP). This so-called debt ratio will probably climb above the 150 % mark in 2011. By way of comparison: Germany's debt ratio is about 85 %.

Context: The high debt ratio alone does not explain Greece's problems. «There is no adequate debt ratio, neither in theory nor in practice.»[1] Italy has a debt ratio of 120 %, Japan has even reached 200 % of its GDP. Neither of these is seen to be «broke», while Greece is. Why? Because the financial markets are speculating on Greece becoming bankrupt. This has driven the interest rate for new debts to such high levels, that Athens cannot borrow any new money[2]. By comparison: Athens must pay 25 % interest on two year government bonds, Italy only 3 % and Japan a mere 0.2 % (as per end of May 2011).

The problem therefore lies with the interest rate that has been forced upwards by finance market speculations. The Macroeconomic Policy Institute (IMK) has calculated that, if the average rate of interest for Greek state loans would fall to 3 %, then the country's debt ratio would fall to 110 % of GDP by the year 2015.[3] However, if the interest rate remains as high as it is, Athens will not be able to borrow any money on the markets. Whether or not it is then «broke» depends on the willingness of the other Euro-states to help it out by providing loans. Therefore, the question of «bankruptcy» is a question of political decisions by governments.

1 BHF-Bank economic service, 4.6.2011 **2** One simplified example to demonstrate how this works: Greece borrows a loan of 1 million euros at a fixed rate of interest of 5 % p.a. (=50,000 euros). The bond is then traded on the stock exchange and crashes. Its price falls from 1 million euros to 500,000 euros. The interest rate of 5 % (=50.000 euros) however remains unchanged. Ergo, the bond now has a yield for investment for the lender of 10 % (50,000 euros from 500,000 euros). If Athens now wants to take out a new loan, the interest rate that it has to pay is based on the yield for investment of the old loan. If it wants to borrow new money, this means that Greece must offer the lenders an interest rate of 10 %. **3** IMK: Debt cuts bring more disadvantages than advantages, May 2010.

2. «THE FINANCIAL MARKETS ARE SCARED THAT GREECE WILL GO BANKRUPT»

The facts: Greek loans crashed on the financial markets. Inversely, the yield for these loans (see footnote 2) increased.
Context: The financial markets are «scared» of nothing. They are not a human being with feelings and fears. And they are also not an objective entity that analyses the financial situation of a country in a factual manner. The financial market is nothing more than the entirety of the investors who try to earn as much money as possible with financial investments. «Anyone who is really scared that Greece will go bankrupt is not investing in Greek government securities. Everyone else hopes that Hellas will be saved and they will be able to rake in huge interest profits.»[4]

4 Berliner Zeitung newspaper 27.4.2010

3. «THE GREEKS ARE LAZY»

The facts: The Greeks work a great deal. The actual weekly working hours – minus lunch breaks – before the crisis were 44.3 hours according to Eurostat. In Germany, this figure was 41 hours and the EU average was 41.7 hours.[5] The French bank Natixis arrived at total average working hours per annum in Germany of 1,390 hours, while the Greeks work an average of 2,119 hours per annum.[6]
Context: «Germany also has high debts – but we can pay them off, because we get up pretty early and work all day.»[7] Apart from the fact that the Greeks work a lot and apart from the fact that leisure time is not necessarily something bad and work is not necessarily something good – it is fundamentally wrong to seek the causes of a crisis in a country by citing the lack of hard work among its population. The Greeks do not have the option of just working longer hours to end the crisis. The opposite is true – because of the crisis, many Greeks have been forced to not work at all. The official unemployment rate was 16.5% in April 2011, and a third of young people were without a paid job at the end of 2010. The number of civil servants has been reduced by 83,000 in the last months. And so it is clear, it is not «laziness» that creates crises, but crises destroy jobs. This mechanism worked the other way around in Germany: The upswing reduced the unemployment rate to 6,0% in April 2011.

5 Handelsblatt newspaper, 2.5.2005 **6** Natixis, Flash Economie, 30.5.2011 **7** BILD newspaper 5.3.2010

4. «THE GREEKS ARE CONSTANTLY ON HOLIDAY»

The facts: According to the EU agency Eurofound, Greek employees have a right to 23 days holiday leave on average per year. The Germans are in the lucky position of being able to enjoy 30 days holiday leave – a figure that is right at the top in Europe. And the Germans «are still right up there even if you include the number of public holidays they have.»[8]
Context: «We cannot have one currency, when some have a great deal of holiday leave and others very little», said German Chancellor Angela Merkel in the middle of May 2011. This is another version of the «laziness» accusation. It is another attempt to blame the crisis on the individual supposedly false conduct of the Greeks. Conversely the Chancellor praises her own people, stating that, the fact that «we» are in a good economic position is because «we» are so hard-working.

5. «WE ARE PAYING LUXURY PENSIONS TO THE GREEKS»[9]

The facts: According to the OECD, men in Germany retire on average at 61.5 years of age, while in Greece it is 61.9. And we cannot in any sense talk about «luxury pensions»: the average pension in Greece is about 55% of the Eurozone average, that amounted to 617 euros in 2007. Two-thirds of Greek pensioners had to survive on less than 600 euros per month.
Context: «It is important that, in countries like Greece, Spain and Portugal, people should not be able to retire earlier than in Germany», Chancellor Merkel said in the middle of May 2011. And yet the BILD newspaper and the Chancellor must be aware of the real situation facing Greek pensioners. However, they obviously do not care about facts. According to their way of thinking, every year of retirement and every euro for pensions is a pure luxury in a country that is in the middle of a crisis.

8 Spiegel-Online, 18.5.2011 **9** BILD newspaper, 27.4.2010

6. «THE GREEKS HAVE BEEN FEATHERING THEIR OWN NEST WELL»

The facts: The wage level in Greece is only 73% of the Eurozone average. «According to information provided by the German Institute for Labour, which is closely associated with the trade unions, a quarter of all Greek employees earn less than 750 euros per month.»[10] Teachers, for example, after 15 years in service, earn about 40% less than in Germany[11] – and that was before the crisis. According to Eurostat, before the crisis a fifth of all Greeks were threatened by poverty and 25% of Greeks lived in apartments that were too small for the number of people living in them (in Germany: 7%).

Context: Here, what we are looking at is a crisis «explanation» that adds the accusation of «gluttony» to the one of laziness. As was the case with allegations of «laziness» and «luxury pensions», an attempt is being made to apply seemingly plausible common sense to the economy as a whole. The implication is, we just have to work hard and save hard and everything will be fine. Both small and large crises can be explained in this way. «‹We should have just asked any housewife who has to budget her household›, Merkel advised. ‹She would have given us some words of wisdom: One cannot live above one's means for ever.› That is what lies at the heart of the international crisis.»[12] And yet the difference between platitudes and the reality is clear enough. «Working hard» will not bring about a boom, rather the converse is true – a boom brings about new jobs. «Frugality» can lead to ruin (see Greece) and new debts, by comparison, can help one to get by in difficult times (as in Germany during the most recent crisis).

10 Frankfurter Rundschau newspaper, 25.7.2010 **11** Ifo service 5/2007 **12** Focus-online, 1.12.2008

7. «THE GREEKS HAVE BEEN LIVING ABOVE THEIR MEANS»

The facts: For years, the government in Athens has been spending more than it has been bringing in. Between 2000 and 2007, its budget deficit lay between four and seven percent of GDP.

Context: Almost every government «lives above its means», that is, spends more than it brings in. As such, the budget deficit of the German government between 2000 and 2007 was between 1.6% and 4.0% of economic performance. The problem with Greece was not so much the new debt, but the fact that the financial markets started to speculate against Athens at some point, pushing the interest rates for new loans to an unaffordable level in the process (see above). This can also happen to a country without a large deficit, which is shown in the example of Ireland, which did not have deficits but mostly surpluses in its budgets of the past decade – and yet it still fell victim to the financial markets and had to be rescued by the EU and the IMF to the tune of 85 billion euros.

«Germany also has high debts, but we are able to pay them off … because we always save part of our income for a rainy day», the BILD newspaper wrote.[13] The BILD is mistaken if it wants to apply this argument to the level of the state. The German government has also run up a net debt situation and has not «saved» in the past. If we look at the economy as a whole, however, there is some truth in it: The German national debt of around 2,000 billion euros is balanced by total assets of around 7,400 billion euros.[14] However, these are not «our» assets, but are mainly concentrated in the hands of a few rich people. This would only be of some use to the state, if it had access to these funds – that is, if it taxed them. However, this is not going to happen, as property tax was abolished in 1997.

13 BILD newspaper, 5.3.2010 **14** DIW weekly report, 50/2010

8. «THE GREEK STATE IS OVER-INFLATED»

The facts: Greek public spending in relation to the gross domestic product, the so-called public spending-to-GDP ratio, was 48 % in 2008, while this figure was only 44 % in Germany.
Context: Before the crisis, the situation was very different. The Greek public spending-to-GDP ratio sank between 2000 and 2006 from 47 % to 43 % and remained during this period below the low German rate[15]. This did not change until the economy slumped during the financial crisis. And so, it was the recession that was to blame for the «over-inflated» nature of Greek public spending, and not Hellenic extravagance. And besides this, Sweden has had a public spending-to-GDP ratio of between 51 % and 55 % for ten years now and is not bankrupt.

9. «GREECE IS NOT COMPETITIVE»

The facts: Actually Greece's exports rose by 200 % between 1990 and 2008. So the country was successful on the world market. On the other hand, Greece had a high trade deficit for years, reaching 14 % of GDP in 2009. This means that Greece imports more than it exports. The main reason given for this was high wage increases, which is why the Greek wage level should fall now, in order to render the country competitive again.
Context: Being competitive is not a feature of a national economy – it's nothing that it «is». This term merely describes a ratio. The unit labour costs in Greece indeed did increase between 2000 and 2010 by almost 40 %[16]. This was only a problem, however, because the unit labour costs in other countries increased to a lesser extent and the businesses in these countries therefore had a cost advantage on the world market. The European expert at wage savings was Germany, where the unit labour costs only rose by 5 % thanks to lower increases achieved in collective bargaining. The result was high export surpluses for Germany and import surpluses for countries like Greece, Portugal, Ireland

15 Michael Schlecht: The Euro is burning. Position paper 21.5.2010 **16** Commerzbank Research Note: Euro periphery facing a wage revolution? 1.4.2011 or Spain. The German success was therefore merely the inverse image of the failure in the Euro periphery, because Germany would not have gained surpluses if it had not been for the deficits in Greece, Spain and Portugal. And so, Germany's export offensive allowed it to fill its coffers at the expense of its neighbours. Germany has «healthy companies whose products are in demand around the globe», the BILD newspaper triumphed[17]. The mouthpiece of the «man on the street» should not forget, despite its elation, that Germany's export successes were financed by the sacrifices of the workers. As wages sank or only increased slightly, private consumption within Germany has hardly moved an inch in the last ten years[18]. And one more thing: The World Economic Forum defined competitiveness «as a combination of institutions, policies and factors that determine the productivity level of a country … The productivity level also determines the returns on investment»[19]. That is what all states measure themselves by: Where can the best returns on investment be gained? The question is, however, whether this is an appropriate unit of measurement for enabling people worldwide a good life.

10. «THE GREEKS ARE CORRUPT»

The facts: It is true that tax fraud and tax avoidance are more prevalent in Greece than in other countries and that «corruption is everywhere»[20]. The shadow economy is estimated to be about 25% of the economy (by comparison: in Germany this figure is approx. 15%[21]) and total tax fraud amounts to 20 billion euros per year.[22]

Context: Tax fraud and corruption really are a great problem for Greece. Three things must be said in this respect: tax fraud is a kind of redistribution of wealth from the state to the private sector. Therefore, the money is not «gone» as such. And so, this argument does not help us to explain the Greek crisis. Secondly, «the former Prime Minister Kostas Karamanlis was responsible for the Greek mess. He was a close ally of Chancellor Merkel in the EU. With the help of the willing Greek,

17 BILD newspaper, 5.3.2011 **18** See in more detail in: Michael Schlecht: The Euro is burning. Position paper 21.5.2010 **19** WEF Competitiveness Report 2010 **20** Spiegel-online, 10.3.2010 **21** IAW press release, 26.1.2010 **22** The Standard, 11.2.2010

Merkel managed on various occasions to penetrate the front of the southern nations in important EU decisions. Karamanlis was always there to make deals. In return, the Greek did not have to worry about any over-critical questions concerning his sloppy financial policies.› This quote comes from the former Editor-in-Chief of German economic magazine, the Handelsblatt.»[23] Thirdly, large German companies also profited from the backhander culture in the Greek economy. «Since 2008, several legal disputes have documented that the German companies Siemens, Ferrostaal-MAN and Deutsche Bahn AG bought Greek politicians in great style and ‹financed› political decisions in their favour. In this way, the Siemens Group alone ‹invested› almost 15 million euros per year in Greece over a period of ten years from the middle of the 1990s in order to win over and influence politicians from the two important parties, Nea Dimokratia and PASOK.»[24] And fourthly: Measured by the corruption-index of Transparency International Greece is indeed much more corrupt that Germany. But at the same time, there is much less corruption in Greece than in countries like Indonesia or China, which are economically very successful.

23 Michael Schlecht: The Euro is burning. Position paper 21.5.2010 **24** Greece, the IMF and EU dictate and German responsibility, position paper issued by the scientific advisory board of Attac Germany.

11. «THE GREEKS SHOULD START SAVING BEFORE WE HELP THEM AGAIN»

The facts: In 2010, Greece's budget deficit was about 10.5% of economic performance. Athens promised to bring this deficit down to 7.5% in 2011. This will unlikely succeed, and the consequence is that the interest rate for loans on the capital market will not sink, Greece will remain cut off from the capital market and unable to borrow new funds as planned in 2012. That is why new state support is being taken into consideration to help Athens avoid being illiquid.
Context: It is not right to deduce that Greece does not save, just because of the high deficit in 2011. Greece is not only saving, but is doing so at an extreme level. Because of the austerity measures, the Greeks have lost almost 20% of their income on average since the beginning of 2010[25]. «No other industrial nation has reduced its structural deficit by so much within one year in the last 25 years», rating agency Fitch has even admitted[26]. And the Berenberg Bank sees Athens' programme of austerity measures as «probably the hardest fiscal adjustment ever to have been made by a Western country».[27]
The fact that the deficit will likely be higher than planned in 2011 does not have to do with extravagance in Athens. Spending is not too high – income is too low. This, in turn, has to do with the harsh austerity measures. As the state is saving, and reducing wages and pensions, economic performance is suffering. Private consumption, for example, was 18% lower in March 2011 than one year before and, in the same period, 65,000 companies went bankrupt. A reduction in gross national product of almost 4% is expected for the year as a whole. The result of this is that less tax is being paid. Between January and April 2011, revenue from taxes was 7% below the previous year's figure for the same period. All in all, the Greek tax authorities have taken in 1.2 billion euros less than expected. And so, it is not excessive spending

25 FAZ newspaper, 25.5.2011 **26** Financial Times Germany, 26.5.2011 **27** Berenberg Bank, Macro Views, 20.5.2011 that is the problem in Athens, but the austerity measures themselves. «We doubt that the Greek economy can withstand an aggressive and prolonged fiscal adjustment.»[28]

12. «SELL YOUR ISLANDS YOU BANKRUPT GREEKS!»[29]

The facts: The Greek state owns property with an estimated value of 270 to 300 billion euros. These are mainly real estate properties, also on the islands.

Context: The government in Athens is not just sitting on its fortune. It has already started off a broad programme of privatisation, with telecommunications companies, electricity suppliers, ports and a large quantity of real estate properties on offer. By doing this, Athens aims to bring in 50 billion euros by the year 2015. However, there are many snags in this programme. As Greece is being forced to sell, it will only receive bad prices for its property. The buyers – international corporations – will try to exploit the emergency situation in Greece. Secondly, if the state sells profitable companies, then the income from these will be gone. The result: «The experience gained by the International Monetary Fund (IMF) in countless stabilisation programmes has shown that (privatisation) is an extremely risky strategy … It takes a very long time to make sure that such procedures are carried out in an orderly fashion, and time is something that Greece does not have at present. Privatisations are therefore not very well suited as emergency measures.»[30]

28 Societé Generale, The Economic News, 5.4.2011 **29** BILD newspaper, 27.10.2010 **30** VP Bank, Investment News, 1.6.2011

13. «THE CREDITORS SHOULD FOOT THE BILL!»

The facts: The Greek state has around 350 billion euros in debt. The creditors are: Greek banks (23 %), other Greek creditors (20 %), governments in the Eurozone (12 %), the European Central Bank (18 %), the International Monetary Fund (4 %), other foreign creditors/banks (23 %).[31] The moneylenders could waive some of the loans issued in order to save Greece.

Context: That sounds fair, because if this happened the financial investors would then play a role in reducing Greece's debt. At the same time, it involves serious risks. First of all, it would lead to significant losses for the banks. «If debts were cut by 50 percent in Greece, this would mean a burden of 25 billion euros for the German banks alone» (IMK: debt cuts bring more disadvantages than advantages, May 2010). Secondly, this would be the ruin of the main creditors, the Greek banks. Thirdly, if the Eurozone allows a country to go bankrupt in its midst, other states would also lose their credit standing. «The worry about Greece could flow over to other periphery states and lead to a sell-out of their bonds» (DZ Bank, Interest markets, 9.5.2011). The problem could then spread to states like Spain, and its economy is more than twice the size of the economies of Greece, Portugal and Ireland put together[32]. This would certainly be the end of the Eurozone, which is the backbone of the German economy. As we can see, as long as Europe is dependent on the good will of financial investors, it will remain difficult to make these investors pay to get Greece out of its debt situation. One more comment: The Greek national debt is not a major problem for the Eurozone. At a total of 350 billion euros, it is a mere 3.7 % of the Eurozone's GDP.

31 VP Bank, Investment News, 1.6.2011 **32** This would mean further risks for the banks. According to the Bank for International Settlements, Greece, Portugal, Ireland and Spain owed the European banks 1,340 billion euros at the end of 2010. A quarter of these were German banks (http://bis.org/publ/qtrpdf/r_qa1106.pdf#page=100)

14. «GREECE SHOULD GET OUT OF THE EUROZONE»

The facts: The Eurozone could attempt to get rid of the Greek problem by excluding/discharging Greece from the Euroregion and so protect the problem from spreading to other countries. Greece, on the other hand, could re-introduce the Drachma and devalue its currency. This would make Greek exports cheaper and the country could try to export itself out of the crisis.

Context: This would have two serious disadvantages. Firstly, if Athens re-introduces the Drachma, this would devalue drastically against the Euro. However, the government (as well as the Greek banks, companies and private households) would continue to have their debt in euros. As a result, the debts would increase rapidly in value and the debt situation would explode. This would mean the financial ruin of Greece and «the banking system would almost certainly collapse».[33] In this case, Greece's foreign creditors – above all, German and French banks – would have to write off the debts they have issued. Secondly, excluding Greece would mean giving up the implicit guarantee of continuance of the Eurozone and would open up the floodgates for speculation against the Euro. «The plan of creating – in the Euro – a world currency that can compete with the US Dollar would then have failed.»[34]

33 DZ Bank, Interest markets, 9.5.2011 **34** Berliner Zeitung 27.4.2010. Concerning the advantages in the status of a leading world currency, see AK 561, 20.5.2011. http://www.akweb.de/ak_s/ak561/23.htm

15. «GREECE HAS TO WIN BACK THE TRUST OF THE FINANCIAL MARKETS»

The facts: To regain access to loans and become independent of EU aid, Athens must receive money from the financial markets at affordable interest rates. To do so, the investors must again believe that their money is safe and profitable in Greece, that is, that they can earn good money there.

Context: What has been outlined above is pretty much the case – and clearly demonstrates the power balance three years after the financial crisis. Today, all industrial nations are attempting to regain the «trust of the financial markets» by implementing austerity measures, wage reductions, tax increases and an increase in «competitiveness». This shows that the power of the markets is intact. While, at the beginning of the financial crisis, it was said that the «financial markets would have to be restrained» or «placed in chains», now the demands made by the financial investors with respect to the profitability and stability of states is once again the measuring stick which the countries themselves go by. The markets rule and politics bends to meet their demands.

16. «WE WANT TO BE FRIENDS WITH THE GREEKS»[35]

Friendship is a feeling between people, not a defining factor in the relationship between political apparatuses. Of course, one often speaks figuratively of «befriended» states. However, this refers less to bonds of friendship and has more to do with the shared interests pursued by some states. The interest that Greece and Germany share in this case can be found pretty fast: it is the joint currency, the Euro. However, while Athens has to prevent its economy from collapsing, the German government is trying to get out of the Greek problem as inexpensively as possible. When it comes to money, friendship goes out the window.

17. «YOU SHOULD HELP YOUR FRIENDS – BUT NOT BAIL THEM OUT»

The facts: 15 May 2011, Sunday evening, talk show on German television with Anne Will, the subject: «Billions for the poor Euro wretches – is the government risking our money?». The programme starts of by questioning people on the street. The following questions are asked: «Would you help your neighbours or friends if they were in a financial mess?» Most of those questioned answered: «Yes». The answer to the next question «Would you also offer them collateral for a loan?» however is mostly «No». This takes the viewers to the evening's main question: «Should politicians be allowed to do something we would never do in our private life, that is, provide large-scale collateral for loans taken out by others?» From 2013, Germany will provide almost 168 billion euros in guarantees and almost 22 billion in cash injections as part of the long-term European Stability Mechanism (ESM); the sums are to be paid in gradually between 2013 and 2017.

35 BILD newspaper, 5.3.2010

Context: «We» Germans should therefore not give guarantees for the Greeks. And yet «we» are constantly giving guarantees, without anyone asking us if we want to. For example, for the domestic financial institutions. This was shown by the last financial crisis: when the credit rating of the German banks was in danger, the public authorities jumped in with aid and guarantees. While the German share in the financial aid to Greece has been approx. 22.4 billion euros to date, the aid given to the German banks was significantly higher. According to the German Bundesbank, the support given to the financial sector alone in 2010 increased the national debt by 241 billion euros.[36]

18. «NO GERMAN TAX EUROS FOR GREECE!»[37]

The facts: The first aid package for Greece from the year 2010 contained a German share of around 22 billion euros.
Context: Dobrindt is right. It is not the much-quoted taxpayer who is «helping» Greece. The German government does not take the money for Athens from the national budget or from tax income, but borrows this money at interest rates of 1% to 3% and lends it further to countries in a state of crisis – including penalty interest. Athens must pay 4.2% for this «aid», while Ireland pays 5.8% and Portugal between 5.5% and 6%. This is a good business proposition for the German «taxpayer». The difference in interest means that an estimated 500 million euros will flow into the country[38] – under the proviso, however, that the crisis states can pay back their debts. As such, the BILD newspaper is right when it headlines with «You Greeks are getting nothing from us!»[39]. It's the other way round – it is actually Greece who will foot the bill in the end.

36 Bundesbank press release, 13.4.2011 **37** Alexander Dobrindt, CSU, in BILD newspaper, 5.3.2010 **38** Financial Times Germany, 20.5.2011 **39** BILD newspaper, 5.3.2010

19. «WE ARE THE PAYMASTERS OF EUROPE»[40]

The facts: See items 17 and 18

Context: As the German government grants Greece aid in the form of loans, this money has not been «given away». It will come back again plus interest. However, the debt crisis facing some periphery states has more advantages for Germany, because German government bonds are seen as «safe havens» among investors. The result is that all investors are eager to buy up German government bonds. Which is why the German government has no problem finding financial backers, if it wants to borrow money. The result of this is that the interest the German government has to pay to its creditors is very low. In earlier phases where there was an economic upswing, the German government had to pay its creditors significantly higher interest. Now, however, the Euro crisis is making German government bonds attractive, which reduces the rate of interest and saves the German Minister of Finance money. The estimated annual savings from this are 3.5 billion euros.[41] The «aid» for states like Greece, Ireland or Portugal, by the way, is not a donation and not an act of friendship. In reality, the money is not flowing in order to help the Greeks, but in order to prevent other countries from damage. The Euro Group formulated this explicitly in the resolution of the ESM, the Euro's permanent protector, in March 2011: «The member states that have the Euro as their currency shall establish a stability mechanism, which will be activated when this is unavoidable to secure the stability of the Eurozone as a whole.» This means that the loans given as aid to countries in a state of crisis are not there to help the overindebted country, but to protect the rest of the Eurozone from the consequences of this overindebtedness. It is there to protect the creditors from the debtors.

40 BILD newspaper, 25.2.2011 **41** Financial Times Germany, 20.5.2011

20. «GREECE CHEATED ITS WAY INTO THE EUROZONE – ‹WE ARE NOW PAYING THE PRICE FOR OUR INDULGENCE›»[42]

The facts: The Greek deficit has actually been continuously above the EU upper limit of three percent of gross domestic product since 1997 – even during the years 1997 to 1999, which were decisive for entry to the Eurozone.

Context: The «cheating» of the Greeks was already known about and official in 2004. However, the country was not excluded from the currency union nor were any treaty violation proceedings or sanctions undertaken, such as cuts in EU aid. Why not? This is something we can only postulate on. Greece was governed by Kostas Karamanlis from 2004 onwards, and he is a close ally of German Chancellor Angela Merkel (see item 10 «The Greeks are corrupt»). What is more, it was the goal of the main powers within the Eurozone such as Germany and France, in principle, to accept as many countries as possible, in order to lend the currency union more economic clout – after all, the Euro is a competitive project against the dollar, behind which there are the USA and a quarter of the world economy. In addition, with Greece's entry, the Eurozone spread geopolitically towards the important Middle East region. This may be why the IMF and the EU excluded Greece's military budget to a great extent from the austerity measures in 2010. Despite the fact that this «(as a percentage of the entire budget) is two-and-a-half times higher than the German and twice as high as the EU average. French and German weapons manufacturers in particular as well as the governments in Paris and in Bonn, or later Berlin, have been supporting a systematic arms build-up in Turkey and Greece since the 1980s.»[43]

42 Börse online, 7.1.2010 **43** Greece, the IMF and EU dictate and German responsibility, position paper issued by the scientific advisory board of Attac Germany

AUTHOR
Stephan Kaufmann

ILLUSTRATION OF FRONT PAGE
Lutz Kübelbäck

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CONTACT
Rosa-Luxemburg-Stiftung
Dr. Sabine Nuss, Dr. Lutz Brangsch
Franz-Mehring-Platz 1, 10243 Berlin
Phone 030 44310-448, www.rosalux.de