

THE POLITICAL PAGE

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Greece A Challenge for the European Union

1. What a difference!

Ireland was the first country of the five PIISG-crisis countries (Portugal-Ireland-Italy-Spain-Greece), which applied for and received financial aid from the European Union with clear conditions. Five years ago, the island republic was practically bankrupt. Today the economy is booming. Of all the five crisis countries, Ireland has the lowest unemployment rate at 9.8% (Greece 25.6%) and the budget deficit is declining. Why is that?

The Greeks also saved, even harder than the Irish. But in Ireland, in addition to saving came economic growth, which is expected to reach about 4% this year. This is twice as high as the average in the Euro Zone.

This kind of growth arises when companies invest. However, investment only takes place where secured planning and other positive on-site conditions, on the part of the government and society as a whole, are given (flexible labor market, protection of property, professionals, honesty, diligence, etc.). Businesses found just that in Dublin - a functional political system and effective management. But, unfortunately, not in Athens. The "Doing Business " index of the World Bank compares these different on-site conditions among the countries. Ireland ranked 13 and Greece ranked 61, just barely behind Jamaica and Tunisia. The requirement, not only to save, but also to invest, is as right as the fact that exhalation and inhalation belong together. However, the Irish example shows Greece's actual deficit. It was not about a lack of money from the outside. It's about a functioning state with reliable economic laws and a public administration that effectively and promptly handles claims and doesn't wait to get things moving until bribes have been paid.

The whole discussion about bailing out Greece does not primarily have to do with money, but with the mentality, the cognitive mindset of the Greeks. Without a government that is deeply convinced of the need for a change in this mentality and that is carried by the hope that it will work, a change in the Greek society will not be possible.

As long as the government conveys that the Europeans are the enemy and they need to defend their country against them; as long as changes only are dictated by the "winners" that are rejected as a government, but perforce must be implemented; as long as a Greek government - whether earlier by the Nea Demokratia or today by the Syriza – conveys this impression domestically, Greece will not get on its feet.

But once the Greeks say, "We are our biggest problem" a jolt will go through society, which, after a time of hardship, will make things change quickly in a positive way. This was the case in Ireland or in Germany, where from 2003-05, under Gerhard Schröder and his Agenda 2010, the social system had to be adapted to the present situation. This cost him the chancellorship and the SPD the government (2005), but the Agenda 2010 was, in part, the basis for Germany's economic strength today.

2. This is also possible in Greece

Thessaloniki is the place and Giannis Boutaris is the man, who has been its Mayor since 2011. At that time Thessaloniki was deeply in debt, but in the spring of 2015 Boutaris transferred the first surplus of funds, which he had generated, to the Central Bank. The Troika calls this man and his city an "Island of Hope" - and they are thrilled: That's the other Greece! But how did this happen?

For one thing: Immediately after he took office the man voluntarily reduced the number of officials. In doing this, he did the exact opposite of what all governments had done in Athens so far: After the elections, they promised and continually created new civil service posts for *their* clientele. That is why the dismissal of many officials is one of the EU's top cost-cutting demands.

But the other measure is more important, in terms of a sustainable reform. It is summed up in his campaign slogan. Boutaris tacked it to the wall of his study: "We're going to believe in honest things again". The success of this premise was manifested after a short time, especially in the area of finances.

This man says what he thinks and what he says can be relied upon.

This is how he expressed himself, very self-critically, as a Greek: "The Greeks not only invented the theater, they also are masters at twisting the reality in their favor". Thus, he tried to dissuade Tsipras from carrying out his referendum because again, Tsipras only found the others guilty and, in addition, split the Greek people - which proved Boutaris right. And in the heated discussions, where everyone was denounced as a traitor who wanted to vote "yes", he posed the question to the opponents: "If the Europeans want our blood, then why do they give us their money?" And continued: "The Germans are not to blame for the crisis in Greece." This is a painful truth.

Of course, he says, Europe also has made mistakes by displaying themselves as an economic community and not as a community of shared values. But still, he says, the Europeans are not to blame that the Greeks lived as though their country is among the richest in the world, while the productivity of their land is no higher than that of a Third World country.

Thus again, Boutaris recognized the crux of the problem. The low productivity of the country remained hidden since, for a long while, euphoric banks and private investors gladly bought Greek bonds because lucrative interest beckoned – until the interest rates were so high that the risks became obvious and the country could no longer finance themselves on the capital market. In May 2010 Greece had to apply for EU loans (1st aid package) and thus, came under supervision of the Troika.

Let's go back again. Greece has good people like Giannis Boutaris, who could give the country a turn for the better. There is hope for Greece. But without a vision and good leaders as role models, the people perish (Prov. 29:18).

3. Alexis Tsipras

Who is this man, who the television audience knows as the always innocently smiling young politician, who Commission's President Juncker very, paternally embraces and where those who have met him often, ask: Who is this man?

Boutaris, the more than 70 yr. old mayor of Thessaloniki, speaks personally quite positively about him. "I liked Tsipras," he said after his first encounter with him. "He was young, ambitious, clever, not a left Hooligan". He was different from the old politicians, all of whom were in league with the leading families in the country or belonged to them themselves. Boutaris rejoiced when Syriza came to power. He characterizes Tsipras as a master of persuasion. He captures the people for himself and can fully convince them of something. Two minutes later he can argue, convincingly, that he meant the exact opposite.

A high degree of flexibility in adapting to the current situation characterizes this man, which is fundamentally beneficial for a politician. But in discussions with the Europeans it caused great irritation because, in Athens, he could convey an agreement found in Brussels in a completely different way. They called this a "total loss of confidence", because they no longer could nor wanted to trust him.

Because Tsipras is fresh, no scandals are attributed to him and the Syriza (so far) is "clean", meaning free from corruption allegations, he has an unbroken popularity: 75% are in favor of him. Since no rival is in sight, Tsipras has a power that, before him, only A. Papandreou possessed.

Although he has not kept the promises he made before the election and those he made at the referendum, no one blames him, but the Europeans, especially the Germans.

In this respect, there is no doubt that no one but Tsipras could take Greece into a new era. At the moment, he is the only political capital that remains for Greece (F.A.Z.)

Therefore, it is very important that this man gets sight of the really necessary changes needed in Greece and then tackles them. Instead of being the rebel, Tsipras could become Greece's reformer. If he soon would just put aside his nationalistic-populist rituals of being aggravated and find his way into the realistic world of what is going wrong in Greece and, out of his own convictions, implement improvements, not simply because European forefathers have impressed it upon him, but because he himself wants it, he could become one of the greatest leaders of his country. Yes, there is hope for Greece! Tsipras has the ability to make the transformation. But whether he has the human maturity to make such a transformation, remains to be seen.

4. Greece

4.1. Areas of necessary changes

a. Pension

- 75% of social expenditure goes to the retirees. This is related to bloated bureaucracy.
 - In 2014 only 41% of the 55-64 year-olds were still employed, the others went into early retirement (in Germany 69% are still employed).
 - Pension cuts adopted in 2012 declared the Constitutional Court as invalid.
 - The list of "stressful professions", in which an early retirement is possible, is to be examined. Included on this list also were occupations such as opera singer, television moderator or hairdressers.
- Due to long interim regulations, reforms in this area will come into effect only in the long term.

b. Cutback of privileges

- The previously exempt ship owners should be taxed.
- 25,000 pensioners of the electricity producer PPC received an additional 2000 Euros monthly from the government (\$600 million), because of the fear of a clash with the PPC union.

c. VAT

VAT was increased from 13% to 23%.

d. The labor market is to be "modernized"

- Approx. 25% unemployment, the highest rate among the crisis states PIISG.
- The high minimum wage already has been lowered in order to encourage businesses to hire new employees.
- There is no protection against layoffs / redundancies, as in Germany and hardly any social protection afterwards, as in Denmark. Needs to be improved.
- According to the OECD there are more than 550 regulations, that hinder economic competition and growth. Compliance to these regulations makes the processing of applications very lengthy.
- Re-establishing "closed" professions, such as pharmacists, taxi drivers, ferry companies, among others.

e. Saving and debt service

- The Greeks are world champions in saving: between 2009-2014 government spending decreased to 40% (minus the expenditure of interest). (In Ireland by 20%, in Germany they rose by 10%). As a result the economic performance decreased by 25%.
- In the future, a large portion of state tax revenues will be required for debt service. It is doubted, even by the IMF, that growth and debt servicing is possible. A haircut would be helpful.
- Angela Merkel, together with the other debtor countries like Portugal, Ireland or Spain, rejects a debt haircut (waiver), in view of their great achievements in recent years, as unfair. In addition, a haircut would take away the pressure to make changes. However, in the Fall talks will take place about longer repayment periods. Thus, the IMF proposes to postpone repayments set to begin in 2020 by 30 years to 2050. At this point, donor countries are not ready to accept this.

f. The Trust Fund

Upon German request, the attempt made in 2011 to sell state assets ("privatization") was again resumed and implemented in the form of a "trust company". Ports, land and company shares could be sold. Half of the planned amount of 50 billion was to be used for the recapitalization of domestic banks and 25% each was to be used for debt repayment and investments in Greece. However, the problem with the current state of the economy is whether investors will be found at all. To avoid renewed corruption scandals, this fund was placed under foreign management.

g. The institutions are returning

Tsipras also had to accept the decisions made on July 13th at the summit in Brussels. The unpopular Troika, made up of the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF), again may check the progress of the promised reforms. The director of the European Stability Mechanism (ESM), Klaus Regling, also is among them.

h. Investment aids

In Brussels, an amount of 35 billion in economic aid is still available to Greece. It has not been accessed because necessary preconditions have not yet been met. Now, these preconditions are to be relaxed in order to provide the best-trained army of tens of thousands of young graduates starting capital to establish their businesses.

In the past, there was often misuse of funds and corruption in European funding. At the summit, a better supervision in this area also was decided.

i. Anti-Corruption

Tsipras' government has appointed an Anticorruption Minister, Panagiotis Nikoloudis. His assignment is to fight corruption and tax evasion in the country, which previous governments have never really fulfilled, because they themselves were involved in it. We're talking about billions.

The minister wants the population to see that the rich and famous are not above the law and that they will be punished accordingly. This will have repercussions automatically on all the people. But, according to the minister, this is not only a question of money but a question of mentality. He also is preparing an agreement with Switzerland to prosecute tax evaders there.

Because of such a man, the Syriza is popular with the people. In fact, such a man is one of the guarantees that Greece will recover. There is hope for Greece.

4.2. What next? Solutions

The question is whether the solution is to be seen under a financial or political point of view and, further, whether Tsipras and the Greek people can be relied upon to make these changes and to what extent.

Fact is, that, in spite of nearly a 2/3 majority in the referendum against the conditions imposed by the donors, nevertheless 80% of the Greeks want to remain in the Euro Zone, meaning they do not want a Grexit, but would rather accept the conditions linked to the 3rd aid package. Those who voted in the referendum "yes", meaning pro Europe, and that these adopted regulations are welcomed, are heard more quietly. These are mainly people from the business community, who are saying that, finally, something is moving forward. These people generate productivity, which now matters. They are the hope of Greece. They clearly understand, that a Grexit, including the introduction of a "new drachma", which would have been worth virtually nothing on the international markets, would have ruined Greece. Also, now the investment climate will improve considerably.

From America, on the other hand, the two Economic Nobel Prize laureates, Paul Krugman and Joseph Stiglitz, who, in the usual American way, according to the Keynesian school of thought - criticize sharply battling an economic crises with a flood of money from new debt. Therefore, they sharply condemn the concept of wanting to continue to make progress by saving. They imply that the Euro Group of 18 States is acting out of "pure vindictiveness" and that Germany intentionally is blocking Greece's recovery. It can only be added to the opposite positive reaction of the Greek economy, that the pragmatist, the successful mayor of Thessaloniki, Boutaris, feels nothing but contempt for the cheap advice from faraway New York. He knows what misery a Grexit would have created for the country.

Fact is, secondly, that Greece now has 240 billion (according to other counts 320 billion) in debt. In a third rescue package, donor countries will provide an additional 82-86 billion. This was decided even though no one believes that Greece will ever be able to repay these amounts.

In this respect, further proposals are dealing with the question of how to handle Greece's mountain of debt.

- Full haircut because the money is lost anyway. Therefore: Grexit, leaving the Euro Zone because it would not be contractually possible to remain. A re-entry after 5 years would not be excluded. (Wolfgang Schaeuble).
- Binding the interest on borrowing to the growth of the Greek economy and a conditional debt moratorium, meaning without growth no payment of principal and interest. (Marcel Fratzscher, among others)
- No Grexit, but a haircut or even a complete cancellation of all loans from the Euro countries; In addition, a vigorous EU-initiated investment program, and if not a waiver, then at least one extension of repayment until 2050 (IMF).
- No Grexit but Euro Bonds, i.e. pooling of debt from all Euro Zone countries, who then can acquire bonds at a common interest rate. Poorer countries can receive more favorable rates.
- Europe as a transfer union with annual revenue sharing between the North and southern countries, as it takes place in the German Federal Republic each year between the federal states.

- The alternative concept outlines the image of one Europe:
- In which two different speeds, on the road to an ever-closer union, are possible: countries that desire a common currency and, therefore, are willing to accept a common financial and economic "ministry". Direction: "federal state".
- The other draft speaks of a core Europe, in which countries with the same economic strength join together for the purpose of mutual economic advancement through clear contracts; Contracts, which then are adhered to, but without closer political ties to one another. Direction: "confederation of states" (Herfried Münkler).
This would mean, for Greece and possibly for others, an exit.
- It would be most gratifying if Tsipras and his people would grasp the final chance and would lead Greece back to a growth path by its own efforts (such as in Ireland).

5. Impact on Europe

The balance of interests by compromise is the hallmark of the European Union. The former means of enforcing national interests through wars, has essentially been ruled out today as a political means. The common goal of all 28 states is to preserve unity. National interests align themselves into this framework.

In the conflict with Greece and the resulting referendum, the country left the line of compromise and went to open confrontation. At this point, the style of negotiations changed: Relentlessness and severity came into the negotiations, which Tsipras experienced as dictation. He later admitted that, with the referendum, in which he himself recommended an anti-European "no", he had crossed the red line, as a country of the Union

At this point, the Euro countries displayed great unity and a unique, unmatched style that was useful as a cautionary example. But the Euro countries emerged stronger from the confrontation with Tsipras.

It also was clear that solidarity among the financiers presupposes apparent solidarity from the recipient and that is why solidarity is not free of charge. The assumption that these parameters were set out of "revenge" or as a "punishment", is an assumption that is not worthy of a Nobel Prize laureate Krugman.

The fact that Wolfgang Schäuble brought the Grexit into the negotiations, not only hypothetically but in reality, gave the meetings the necessary gravity that was needed to make it clear to Tsipras that now is the final "either-or" between a complete crash or verifiable changes in the Greek public and administrative sectors. The far-reaching intervention into the sovereignty of this State is not done with the intention to humiliate or to ruin it, but to give those powers in Greece a chance, who now are cheering: namely the top providers in the economy and society. Only Greece can help itself and all outside help can only have one goal: to help them help themselves!

The sooner Tsipras and the Greek people understand that, the sooner they will be free of patronization. Therein lies my hope for Greece.

The Euro Zone and the entire EU should not become a transfer union from north to south, but should strive to be a union of independent states, in which each one will be able to produce a balanced budget and therefore not be dependent on transfer benefits. That's also the goal for Greece.

Yet another European aspect should be mentioned, namely, once again how crucial it was for the EU that France and Germany took a common approach.

At the forefront, French President Hollande had decisively rejected the proposal of a Grexit, even temporarily. In the meantime, for Angela Merkel, from the German side, it was a conceivable possibility. Many hours of debate were fought for a common Franco-German position. The result: Merkel accepted the decision for Greece to remain in the Euro Zone and Hollande accepted the fact that Greece's remaining in the EU was linked to clear conditions and a timetable.

This is how European policy is made, in a continually new way, with compromises from the balance of interests between France and Germany. In the face of this central EU issue - the continual development of the agreement between France and Germany - Greece is a side issue.

6. Germany's image

Nearly 3 years ago Germany was called upon from all sides (USA, Poland, England) to make its strong economic position visible also in a political leadership role in Europe. Germany should no longer hide behind its history. In May 2013 the BBC determined, per survey in 25 countries, that Germany was the most popular country in the world.

And now this! Merkel and, especially, Schäuble insulted and scorned by Nazi comparisons. Old stereotypes, "the ugly German", were dug up. German leadership was rebuked as being dominant.

Besides, many of the smaller states held even harder stances against yielding to Greece. Germany, as a leader, had to try to "keep things ticking". The persons of Merkel and Schäuble embodied the two extremes of the Union, and thus, were endangered in their own government.

In my opinion: Germany does a good job at it!

But experience shows, that whoever is in leadership can hardly do right by everyone. It's always nicer to be loved by all than to be criticized for one's leadership.

The Americans are in the process of withdrawing more and more from Europe. That is why the question of leadership in Europe suddenly is open again. Would the Europeans really want Germany to take the lead? This is not easy for the others and makes it hard for Germany. Thankfully, Germany is represented by a woman, who is highly objective, making the clichés of "Nazi Germans" seem ridiculous. And we have a handicapped man, reliant on using a wheelchair, who is not especially suited as a person who projects the German militant. Both, in their own way, embody the present day, the new Germany.

The crisis surrounding Greece showed, since its beginning on April 23, 2010, how necessary Angela Merkel's noticeable leadership was. At no time was she ready to release EU funding for Greece without simultaneous reform commitments. In this, she has remained, till this day, true to herself and true to Germany. Had it been up to France or Italy, the conditions would have turned out to be much more lenient, in the interests of their own future needs. Here, Germany takes on its role as fatherland in the European family. It is growing into its role and, ultimately, will reap the respect of the others, also from Greece.

But the Germans really must learn one thing – starting with Merkel and Schäuble: the nature of fatherhood is first and foremost encouragement and investment, both materially and ideologically. Fathers are encouragers.

This Political Page wants to be this kind of encouragement to Greece, "You will make it! Take courage! Get started! Pray and work! !"

PRAYER

1. Thanks for the new Europe since 1950 and its growing together and the peace and prosperity of the peoples of Europe ever since.
2. Thanks for the breakdown of the "Iron Curtain" 25 years ago, which divided Europe and for the unity of East and West in the EU today.
3. Thanks for God's calling over Europe and each and every country. Thanks for God's call to Germany and the prayer to live according to God's will (Merkel, Schäuble, Steinmeier).
4. Intercession for Greece.
 - a. that Alexis Tsipras may develop into a statesman, who recognizes what is right for the country and, who implements it, regardless of political parties;
 - b. for the people and their willingness for change, for a general spirit of optimism; the hope that they can do it;
 - c. for single, concrete areas of change e.g., taxing the rich, etc.
 - d. for consistent protection of the new politicians from corruption. Thanks for the Anti-Corruption Minister Nikoloudis.
5. Prayer for a spiritual awakening in EUROPE, that grace rains down on all countries, a rising up for our Lord, particularly the younger generation, the Lord of Europe: "Europe wants to be saved," Europe will be saved!
6. From the underneath / behind, the quiet intercession of priestly people for the many sins of Europe, the rulers and the people. Blessings on the fathers and mothers of Europe, who sanctify the holy nature of God, who know His love and the power of reconciliation in the blood of the Lamb and who live this and are able to pass it on. Amen.

Ortwin Schweitzer

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