

9 myths about the Greek crisis



Finance minister chit-chat at Eurogroup meeting. What are the myths going around on Greece? | EPA

An insider's take on the conventional wisdom to ignore.

The citizens of Greece face a referendum Sunday that could decide the survival of their elected government and the fate of the country in the eurozone and Europe. Narrowly, they're voting on whether to accept or reject the terms dictated by their creditors last week. But what's really at stake? The answers aren't what you'd think.

I have had a close view of the process, both from the U.S. and Athens, after working for the past four years with Yanis Varoufakis, now the Greek finance minister. I've come to realize that there are many myths in circulation about this crisis; here are nine that should be challenged.

1. The referendum is about the euro

As soon as Greek Prime Minister Alexis Tsipras announced the referendum, François Hollande, David Cameron, Matteo Renzi, and the German Deputy Chancellor Sigmar Gabriel told the Greeks that a No vote would amount to Greece leaving the euro. Jean-Claude Juncker, president of the European Commission, went further: he said "No" means leaving the European Union. In fact the Greek government has stated many times that — Yes or No — it is irrevocably committed to the Union and the euro. And legally, according to the treaties, Greece cannot be expelled from either.

2. The IMF has been flexible

IMF Managing Director Christine Lagarde claims that her institution has shown "flexibility" in negotiations with the Greeks. In fact, the IMF has conceded almost nothing over four months: not on taxes, pensions, wages, collective bargaining or the amount of Greece's debt. Greek chief negotiator Euclid Tsakalatos circulated a briefing on the

breakdown that gives details, and concludes: “So what does the Greek government think of the proposed flexibility of the Institutions? It would be a great idea.”

3. The creditors have been generous

German Chancellor Angela Merkel has called the terms offered by the creditors “very generous” to Greece. But in fact the creditors have continued to insist on a crushing austerity program, predicated on a target for a budget surplus that Greece cannot possibly meet, and on the continuation of draconian policies that have already cost the Greeks more than a quarter of their income and plunged the country into depression. Debt restructuring, which is obviously necessary, has also been refused.

4. The European Central Bank has protected Greek financial stability

A central bank is supposed to protect the financial stability of solvent banks. But from early February, the ECB cut off direct financing of Greek banks, instead drip-feeding them expensive liquidity on special “emergency” terms. This promoted a slow run on the banks and paralyzed economic activity. When the negotiations broke down, the ECB capped the assistance, prompting a fast bank run and giving them an excuse to impose capital controls and effectively shut them down.

5. The Greek government is imperiling its American alliance

This is a particular worry of some U.S. conservatives, who see a leftist government in power and assume it is pro-Russian and anti-NATO. It is true that the Greek left has historic complaints against the U.S., notably for CIA support of the military junta that ruled from 1967 to 1974. But in fact, attitudes on the Greek left have changed, thanks partly to experience with the Germans. This government is pro-American and firmly a member of NATO.

6. Alexis Tsipras called the IMF a “criminal” organization

That was, charitably, an overheated headline slapped by Bloomberg onto a very moderate parliamentary speech, which correctly pointed out that the IMF’s economic and debt projections for Greece back when austerity was first imposed in 2010 were catastrophically optimistic. In fact, every letter from Tsipras to the creditors has been couched in formal and respectful language.

7. The Greek government is playing games

Because Varoufakis knows the economic field of game theory, lazy pundits have for months opined that he is playing “chicken” or “poker” or some other game. In Heraklion two weeks ago, Varoufakis denied this, as he has done many times: “We’re not bluffing. We’re not even meta-bluffing.” Indeed there are no hidden cards. The Greek red lines — the points of principle on which this government refuses to budge — on labor rights, against cuts in poverty-level pensions and fire-sale privatizations — have been in plain view from day one.

8. A Yes vote will save Europe

Yes would mean more austerity and social destruction, and the government that implements it cannot last long. The one that follows will not be led by Tsipras and Varoufakis — the last leaders, perhaps anywhere in Europe, of an authentic pro-European left. If they fall, the anti-Europeans will come next, possibly including ultra-right elements such as the Greek Nazi party, Golden Dawn. And the anti-European fire will spread, to France, the U.K. and Spain, among other countries.

9. A No vote will destroy Europe

In fact, only the No can save Greece — and by saving Greece, save Europe. A No means that the Greek people will not bend, that their government will not fall, and that the creditors need, finally, to come to terms with the failures of European policy so far. Negotiations can then resume — or more correctly, proper negotiations can then start. This is vital, if Europe is to be saved. If there ever was a moment when the United States should speak

for decency and democratic values — as well as our national interest — it is right now.

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