

# Do they really want your money back? op-ed in Bild Zeitung

By yanisv

February 2, 2016

**FORMER GREEK FINANCE MINISTER YANIS VAROUFAKIS ASKS IN BILD**

## Do they really want your money back?



Yanis Varoufakis (54), former Greek finance minister

Enten-Daistore



DAS KÖNNTE SIE AUCH INTERESS



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- VON BY YANIS VAROUFAKIS

**Last February, while visiting the federal finance ministry in my capacity as Greece's finance minister, an aide to Dr Schäuble asked me playfully, but not without a strong hint of underlying aggression: „When am I getting my money back?“** I am sure that many readers of Bild Zeitung would be proud of this official and of his impertinent question. This is not the time, nor the newspaper, for me to enter into an argument regarding the nature and causes of Greece's public and private debt to German banks and to the German state. Let's, for now, keep it simple: Greece owes a great deal of money to Germany, and other states, and finds it very hard to meet these repayments given the collapse of Greek national income over the past six years. The interesting question is this: **Does the federal government of Germany genuinely place above other priorities getting its taxpayers' money back from Greece? Was the finance ministry aide, who asked me that question, genuine in his concern? In other words, can German citizens trust their government to prioritise recouping the money that Germany has lent the Greek state? Or does the German government have other, unstated, priorities?** Let's approach this question dispassionately. Greece's economy is badly damaged. Whatever the reasons, Greeks have lost exactly one third of our national income (since 2010), Greek banks are unable to lend even to profitable firms, and investment from abroad has dried up. These are facts

independently of your theory, dear reader, or mine, as to their causes.

Given these facts, suppose that we were to sit down, together, to decide what must be done to ensure that Greece's broken economy can generate the taxes from which the German taxpayers' money will be returned. Would we agree on the measures that are currently being passed through the Greek Parliament as a result of inordinate pressure from the troika and with the blessings of the federal finance ministry?

A quick look at these measures is instructive. I begin with the changes, introduced last August, to business taxation. Corporate tax rate was pushed up from 26% to 29% and, more significantly, businesses were told that, by the end of 2015, they would have to pay in advance 100% of the tax that the Tax Office 'predicts' they would be paying during the whole of... 2016. In a country sharing a common border with Bulgaria (where corporate tax is 10% and where there is no advance payment of next year's taxes), and when the vast majority of Greek businesses have neither cash reserves nor access to bank credit to pre-pay these taxes, this is a measure that guarantees to kill off the private sector cow that must produce the milk, instead of 'milking' more from it. And as if the new business tax were not bad enough, value added tax (VAT) on most goods and services was also pushed up from 11% to 23%, guaranteeing a drop in VAT collection in the long run as (a) consumers cut down further on their purchases and (b) VAT avoidance increases (for example, poor pensioners facing starvation deal under the table with struggling small shopkeepers facing bankruptcy).

Recalling that Greece owes a mountain of money, which will take decades of private sector recovery to pay Germany back, do you, dear reader, think that these measures will help „get“ your „money back“? I do not believe so. If anything, they guarantee more business closures, more talented young Greeks leaving the country (destroying future growth prospects), lower future income for the remaining Greeks, and therefore a lower future income for the remaining Greeks which will lead to a large haircut on Greece's debt to Germany. Greeks have long questioned their governments' handling of their state's finances. It would not be inappropriate if Germans began to mistrust their own government's commitment to „getting“ their „money back“ from Greece. And to suspect there is another, silent, agenda.