

[The Truth On Greek Debt Is Not So Simple](#)

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Against the background of the escalating showdown at the Eurogroup, the Greek Debt Truth Commission has issued, in English, the [executive summary of its concluding report](#). The [Committee](#), consisting of national and international experts, was set up to examine the causes of the increase in Greek debt and investigate its legitimacy.



I had always been highly sceptical of this approach. It might be reasonable in some failed states and dictatorships to argue that debt incurred by a kleptocratic ruling family, but then borne by the people as a whole, is illegal, illegitimate and/or odious (so the three most important concepts established in this international discourse, and defined at the end of the report). But it had always seemed to me a big stretch to apply those concepts to what has for a half a lifetime been, whatever its blemishes, a functioning parliamentary democracy within the EU.

Year in year out, Greeks voted for governments of left and right that spent the highest proportion of GDP on defence in Europe. There was something of a national consensus on this. Fair enough. But what is one to make of the argument, advanced years later, that the debt incurred to finance such spending, because those same parties could or would not generate the necessary tax revenue, should not be repaid? That it is illegal (or at least illegitimate, or if not odious).

It is one thing to argue that Greece is economically not, or no longer, able to repay its debts, or some of them. (In [my view](#), now a little dated, this is not a given depending on the prevailing and imposed conditions.) It brings in a very, let us say, unpredictable moral dimension to debt. Economically this approach is worrying, because it basically says that government bonds are no longer safe assets; they can ex post be declared illegal by a committee of academic experts put together by the parliament of a country aching under an oppressive debt load. Of course, going forward this will raise the cost of government finance, the interest rate demanded, at the expense of taxpayers and to the benefit of the very speculators and banks that the people behind this report are keen to see punished.

Judging by the executive summary of the report, my *ex ante* scepticism seems more than justified. After weighing the evidence, the Commission comes to the conclusion (ch. 8) that:

- Greece's IMF debt is illegal, illegitimate and odious
- its ECB debt is illegal, illegitimate and odious
- its EFSF debt is illegal, illegitimate and odious
- the bilateral loans are illegal, illegitimate and odious
- and, you will no doubt be surprised to hear, its debt to private creditors is also illegal, illegitimate and odious.

The policy recommendation (see the very brief summary of ch 9) appears, logically given the findings, to be that all of Greece's debt, no matter who is holding it, should be unilaterally repudiated, or at least that such a step would be justified. And voila, Greece's debt problem is solved!

Seriously, this is not helpful. It is a gift to those in the creditor countries and institutions who basically say – or at least secretly believe – that the Greeks cannot be trusted and we are better off kicking them out of monetary union, if not the EU altogether. It remains to be hoped that, by some miracle, the finance ministers will come to an arrangement at the Eurogroup today, before they get home and journalists start asking them for their views on this report.