# Clash of the Ignobles: The IMF, the European Commission and the Greek Bailout Saga

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*The International Monetary Fund has been at odds with other partners in the Greek bailout saga. Its economists have wondered whether strangling a state with the noose of austerity is a decent way of either eliminating debt, let alone stimulating growth. Not that the body has gone entirely anti-austerity.*

*The European Commission, and the European Central Bank, have enjoyed taking the high road on trimming the Greek state while seeking debt repayments. Their obsession with credit, and their reduction of states and their citizens to bank balances, has betrayed a mania for debt hood over sovereignty. The point was amply illustrated by the financial occupation engineered in July, when Greece accepted a three-year, 86 billion-euro European Union bailout. The Syriza dream of financial independence and a comprehensive renegotiation of terms was at an end.*


The clash of positions within the Troika, and the IMF itself, has perpetuated something of an institutional, undermining perversion. Athens has been effectively receiving funding from an organisation which has, as its main directive, an obligation not to fund insolvent states. This has caused a degree of dissatisfaction in the ranks of the organisation, one demonstrated by a conversation leaked by WikiLeaks that supposedly took place on March 19.[1]

The dialogue between Delia Velculescu, the IMF's Greek mission chief, and Peter Thomsen, the same organisation's European head, became something of a bomb shell between Athens, its European counterparts, and the IMF. It hardly demonstrated a new won sweetness on the part of the IMF to be more generous. More accurately, it demonstrated the political haggling over how an oppressive debt-austerity regime could be handled for the next crisis.

For one, the transcript notes how the IMF was keen to factor "debt relief" for Greece in Troika negotiations. The organisation, however, was worried about EU paralysis given the prospects of a "looming Brexit". To that end, some arm twisting of the German Chancellor

Angela Merkel was suggested.   Should the IMF leave the Troika, things would "look bad and [would] lead to discomforting questions in the Bundestag."

In Thomsen's near conspiratorial words, "In the past there has been only one time when the decision has been made and then that was when (the Greeks) were about to run out of money seriously and then to default."  Velculescu responds somewhat later with agreement, claiming that "we need an event, but I don't know what that will be."

This revelation riled Greek Prime Minister Alexis Tsipras sufficiently to make him shoot a letter to IMF Chief Christine Lagarde (image left).   Her response on Sunday was that, "Any speculation that IMF staff would consider using a credit event as a negotiating tactic is simply nonsense."[2]


Having dismissed it as nonsense, Lagarde proceeded to reproach Tsipras for not guarding against such leaks.  It was "critical" that the Greek authorities respect the "privacy of their internal discussions and take all necessary steps to guarantee their personal safety."

The further disagreement here suggests that an irritation on the part of the IMF regarding the Commission's figures.  The latter insist on a Primary Government Budget Surplus of 3.5 per cent, while the former, as stated by Thomsen, put it at 1.5 per cent.  This comes down to whether Athens intends being compliant by accepting a revised austerity package plan.

This has made the negotiating stance of the Tsipras government difficult: does it hold out for a softer beating in terms of the next austerity package, or will the chop be even more severe?  The tipping point will be that calamitous "event", no doubt a default to one of the Troika members.  Like disagreeable vultures, they fight over their quarry.

Greece's former finance minister, Yanis Varoufakis (image right), has his interpretation about IMF attitudes and the state of mind revealed by the Thomsen-Velculescu meeting.  Thomsen, recalled Varoufakis, met him in a Paris hotel in February 2014 keen to press for a debt write-off.  "At a minimum," Thomsen is supposed to have said, "54 billion euros of Greece's debt left over from the first 'bailout' should be written off immediately in exchange for serious reforms."[3]

From the start, Varoufakis had been insisting on genuine reforms to combat the debt impasse. The credit hungry rapacity of the German finance minister, however, intervened to make any such discussion impossible. “It was a discussion that never got formally off the ground as Germany’s finance minister vetoed all discussion on debt relief, debt swaps (which were my compromise proposal), indeed any significant change to the failed program.”

As Varoufakis rather colourfully summed up, the revelations from WikiLeaks reveal “an attrition war between a reasonably numerate villain (the IMF) and a chronic procrastinator (Berlin).”

Another crisis event is brewing, bred with part malice, and part confusion. But without a comprehensive program of debt relief that encourages, rather than quashes, actual growth, the shackles will remain in place, and reform for Greece, and Europe in general, will be a just another superfluous word.

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Notes:

[ 1 ]
https://wikileaks.org/imf-internal-20160319/transcript/IMF%20Anticipates%20Greek%20Disaster.pdf
[ 2 ]
http://www.ekathimerini.com/207610/article/ekathimerini/news/creditor-talks-resume-in-greece-amid-wikileaks-row
[ 3 ]
http://www.spiegel.de/international/europe/op-ed-yanis-varoufakis-imf-eu-quarrel-over-greece-s-debt-a-1085203.html