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THE GREEK CRISIS AND THE RISK OF EUROPE'S DISINTEGRATION

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Starting from 2005, when France blocked the constitutional process of the European Union (EU), despite a common currency circulating in the Euro area the EU has progressively accentuated its intergovernmental character.

In the most important decisions, the Member States – through the European Council – have gradually ousted the European institutions (despite the courageous resistance of the European Parliament and the Juncker Commission), centralising the responsibilities and prerogatives of governing.

The EU is becoming organised as a confederacy in which political choices are significantly influenced by the strongest country – the Germany of Merkel and Schaeuble – which has imposed on economic policies the ordo-liberal principles and the ideal of austerity in which it believes as the remedy for all ills.

Also the Greek crisis has been handled directly by the Council of Member States of the Eurozone (Euro Summit) by means of the Troika, an advisory, negotiation and control body, in which the International Monetary Fund plays an important role alongside the Commission and the ECB.

In 2010 at the time of the "rescue plan" for Greece, the Eurozone Council and the Troika were unable to realise that Greece was already, in many ways, a failed state burdened by debt of €300 billion amounting to 130% of its GDP, and an annual deficit of 15.5% of its GDP, while its borrowing requirements were growing by 12% per year.

Corruption, tax evasion, favouritism, an oligarchic system and privilege were and still are stifling any chance for economic recovery, lowering the very high unemployment rate and the possibility to repay the accumulated debt.

Since then the situation has only become worse. It was and is not just the result of the ordo-liberal fiscal policies imposed by the Troika but the consequence of the prolonged economic and civil decline allowed by the various Greek governments over the years.

The Troika should have already acknowledged the situation at the time (2010), deferring payment of the debt for 60 years after a reasonable grace period at favourable interest rates (as is only now being proposed by the IMF's chief economist Olivier Blanchard) and, at the same time, allocated significant new resources to fund an Investment Plan to boost economic productivity, reduce unemployment and implement a plan of reforms to turn Greece into a serious and modern country.

The proposal <u>now</u> being put forward by Thomas Piketty, of launching a kind of Marshall Plan for countries in the Eurozone burdened by unsustainable debts, should have been aimed at Greece <u>then</u>, to kick-start the Greek economy based on the strong conditions (in terms of efficiency of public administration, a fair tax system and open economy) found in the same strategic model evoked by the Marshall Plan.

This policy – not exceptionally onerous to the Eurozone since the size of the Greek economy amounts to just 2% of Europe's GDP and 3% of the Eurozone's debt – still remains the solution to adopt in the current, even more deteriorated (compared to 2010), Greek economic situation.

This policy would allow (as it would have allowed before) the selecting of a political class more up to the job of reshaping the Greek State in the framework of an effective European cooperation, consistent with the spirit and the letter of the Treaties.

The inflexible austerity policies imposed on Greece by the Eurozone Council, with its obsession to get outstanding debt paid, have heavily fuelled nationalist resentment and patriotic pride in the poor and small country, humiliated by rich and large countries, and led to a large number of decidedly pro-European Greeks who wanted to stay in the Eurozone to vote NO in the recent referendum, a fact that even Tsipras acknowledged.

Despite everything, we must continue to hope that Greece can stay in the Eurozone because the wave of resurgent nationalism and populism that would result from its exit would infect all European countries, turning an incident into a tragedy: it is clear that Greece's exit from the Euro would inevitably be followed by the slow dissolution of the single currency and of the EU itself.

The compromise reached yesterday between the Euro Summit and Greece (better than had been imagined from the pre-summit agreement of the Eurogroup, also thanks to negotiations by the Italian government) contains encouraging signs on the revival of investment, the result of the persistent efforts by the Juncker Commission. But unless more is done soon this agreement could quickly run out of steam, coming up against the same difficulties found from 2010 to the present time.

Concurrently with this compromise, the EU should therefore immediately deal with a new challenge of vital importance: that of strengthening its institutions. It is not possible to have a common currency in 19 countries that implement independent and only weakly coordinated policies and which have significantly different economic performances. The Eurozone must avail itself of a common government controlled by the European Parliament, given an autonomous budget, supplementary to that of the EU, based on own resources and its own borrowing capacity.

Lastly, by the end of the legislature, it is necessary to adapt the existing Treaties so that European institutions can be assured greater democracy and capacity for action. In other words, it is necessary to pick up the thread of the interrupted European construction which will lead to a new Constitution between those countries that so wish.

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(The opinions expressed here do not necessarily reflect those of the CSF)

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