

Alternatives for Greece

By Matthew Drecun, November 18, 2013

Chair: Monica Frassoni, Co-Chair, European Green Party

Keynote: Alexis Tsipras, Leader of the Opposition in Greece

Panel

Landon Thomas, NY Times

Robert Kuttner, The American Prospect

Norman Birnbaum, Georgetown Univ. Law Center

Richard Parker, Harvard Kennedy School, Shorenstein Center

Robert Kuttner was scheduled to attend but was not present.

Alexis Tsipras, Keynote

Tsipras began by noting that it was interesting to discuss the Eurozone crisis in Texas. It would be difficult to do so as freely in Brussels, and it would be seen as impertinent and inoffensive in Frankfurt.

He then laid out his view of the current situation. Any immediate alternatives to the Eurozone in its current form (i.e. exit) would be worse than the status quo and would trigger new problems, namely unstable new money and the flight of people and capital. Such problems would spiral out of control. He said he anticipates a conflict between “the forces of growth and employment” and “the forces of austerity and Merkelism.” His preference is a return to the founding principles of the European common market: an end to war; universal human rights; a robust social contract; and a gradual convergence of living standards.

These principles have been superseded by the neoliberal principles of the Eurozone: privatization; deregulation; price stability; no social compact; monetary union without fiscal union; and responding to crisis with lower wages and higher unemployment. The resulting capital flows have yielded bubbles and instability. Unfortunately, Europe lacked the necessary “shock absorbers” to withstand the bursting of the bubbles. It responded to the crisis by offering its member states loans conditioned on austerity, deepening their debt without reviving growth.

In Greece, these problems have been exacerbated by the fact that the same bankers remained in control of their banks, despite their bankruptcy. The result is a kleptocracy – an oligarchy that doesn’t pay taxes, while the rest of the country struggles under high taxes and tight credit.

Tsipras offered a program with four components. First, the ECB could manage the debts of member states centrally, and it could arrange an international conference on public debt akin to the conference in 1953, when 22 countries accepted the write-off of 5/8’s of Germany’s debt. Second, all banks should be placed under a single authority with a common deposit insurance scheme. Third, the EIB should lead a “pan-European investment-led recovery program.” Fourth, central banks should use their accumulating accounting profits to fund an American-style Food Stamp program and minimum-benefit program to alleviate the most extreme poverty in Europe.

Tsipras then reviewed the platform of his party, Syriza. Its first priority is to address Greece's humanitarian crisis. Then, it is to reengage Germany in negotiations, in an effort to convince Germany that the present course is leading Europe to a dead-end. He proposed a restructuring of Greece's debt obligations – repayment should be tied to the growth rate of the Greek economy. He also proposed that the EIB and the ECB work to increase investment in Greece.

He expressed the hope that America would retain a clear perspective on these issues, pointing approvingly to the US Treasury's recent statement that Germany is "exporting recession" to the rest of Europe. He concluded by stating succinctly the main lesson that the US should draw from the Greek crisis – it is suicidal to deal with national debt through cuts to social protections.

Richard Parker

Parker, previously an adviser to the former Greek Prime Minister, George Papandreou, began by framing the Greek situation as a crisis nested within a set of larger crises. First, there is a crisis of the Eurozone's design, due to its lack of a lender of last resort. Next, there are the vast effects of the deregulation of Anglo-American finance on Europe, which are exacerbated by the lack of a lender of last resort. Next, Europe must contend with the fact that the US is pivoting towards Asia and away from Europe. American business and financial practices are at the center of this global economic integration. Most broadly, there is a global crisis due to the decline of democratic values and the deep intellectual crisis of the world's left-of-center parties.

Parker called for a regeneration of left parties, with compelling explanations of "why we need democracies." He lamented the failure of policy and of imagination that had rendered left parties into slightly more cheerful versions of right parties. He credited Syriza for its efforts to provide Greece's citizens with a larger vision than simply a reconstruction of the Europe that existed immediately before the crisis.

Landon Thomas

Thomas had been covering the Greek banking sector in recent years. He noted that while this sector was powerful before the crisis, its power had only increased. However, the banks were not lending, despite being recapitalized. He asked Tsipras what he would say to these banks. Tsipras said that it was unacceptable for Greece to pay for the banks (i.e. to take on the cost of their bailouts as national debt) but to gain no control over them. Thomas asked if Tsipras worried about deposit flight, if the Greek government wielded more control. Tsipras acknowledged this risk but doubted that it was worse than the current state of affairs.

Parker offered that the Papandreou administration had the idea to provide the banks money in exchange for warrants through which the government could recoup its investment, perhaps through conversion into bank stock. Thomas said that these warrants were instead used for Greek bank managers and investors. These were worth billions but were given away for free.

Norman Birnbaum

Birnbaum picked up the thread from Parker. He asked what it would take for Europe to avoid being seized by the parties of the right, who insist on national, ethnic, or regional definitions of

community. He argued that the disintegration of the socialist tradition represented a gigantic failure of education and purpose. The current era's emphasis on material benefits had led to a neglect of popular participation, education, and social development. He assigned the US major responsibility for the "deformation" of European tradition via the "late, unlamented Third Way" of Bill Clinton.

He ended by noting his sense of discouragement at learning that Obama apparently converses regularly with people like David Ignatius, Charles Krauthammer, and Fred Hiatt, who do not exactly comprise a "Socratic gallery." Birnbaum interpreted Obama's choice to bypass America's academics in favor of Fred Hiatt as a curious and unfortunate indication of his view of the American university.

Q&A

Jan Toporowski began this portion of the panel by expressing doubts about the idea of the EU taking on redistribution. It could lead national governments to "outsource" responsibility. Other questions touched on debt write-downs and the problem of resuscitating lending that is common to financial crises around the world.

Tsipras was the first panelist to speak. He agreed with the concern that democratic processes have been undermined in Europe, where crucial decisions are made at summits by a handful of heads of state or ministers of finance. He pointed out that Merkel is the only political leader to survive the crisis. He began to criticize Papandreou's negotiating approach (i.e. accepting everything his counterparty would say) when Thomas cut in to ask him what leverage Greece had (plainly implying it had little). Tsipras' answer – not entirely convincing to Thomas – centered on the idea that the Eurozone is a chain with 17 links that is threatened if any link breaks.

The remainder of the Q&A consisted of a discussion between Tsipras, Thomas, and Yanis Varoufakis (in the audience) about recapitalization of Greece's banks and the degree of government control that was warranted. For Varoufakis, the question was the incidence of debt after a bailout. If it didn't fall on the Greek government, then the banks' previous owners could retain their position. But if the Greek government would have to repay, then it deserved control. Tsipras concurred. Thomas said that the Troika thought the Greek government was the root of the banking sector's problems, not the banks' owners. While he called this a disingenuous and misleading response, he explained that the Troika did not want to be seen as meddlers. Its primary interest is stability.

The panel concluded with comments from Birnbaum and Frisconi on the importance of preserving democracy (in a fuller sense than simply the electoral procedures of democracy) amid these episodes of crisis.