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Letters

Private sector role essential to Greek drama

From Prof Grzegorz W. Kolodko.

Sir, It is a waste of time to claim that the private sector – banks and other investors speculating on the Greek drama – can escape its share of responsibility for the crisis. In the grand theatre of international finance and debt trading there is always a risk. And sometimes one must pay for playing it unwisely. The sooner it's admitted, the better. Also for the French and German banks and taxpayers. And for their political leaders who have contributed to the current malaise and deterioration of the situation by their indecisiveness. Hence, Chancellor Angela Merkel and President Nicolas Sarkozy are wrong to say that any private sector

involvement should be voluntary, not compulsory. I call it indispensable. Instead of wasting more time betting on an unrealistic scenario, let's start restructuring of the Greek debt right away. Unquestionably, it must imply writing off a slice of it. Yet how big a slice? That's a good question.

In 1994, when I was Poland's finance minister, I signed an accord with the London Club of private creditors. Under the accord as much as half of non-performing debt had been reduced. However, it was reliant on demanding conditionality, calling for far-reaching structural reforms and progress in building liberal institutions. After hard work, we succeeded. And what about the foreign creditors? Have they lost a

lot of money? I don't think so. They were the winners too, since from their perspective it happened to be a sound long-term investment. Such an agreement continues to pay even today for both sides of the transaction.

So it can be in the case of Greece and its creditors. Yes, it is already a "credit event". The alternatives are not "voluntary" or "compulsory". The choice is between inevitable restructuring by design or by chaos. It goes without saying that the latter will be much dearer.
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The world must act together to halt contagion

From Prof Nick Bosanquet.

Sir, The finance ministers of the euro bloc are about to bring about an economic crash with their dream of a Greek government that can reform its tax system and import foreign capital to buy ghost workers. The finance minister of Belgium may be on the moral high ground in stating that "it is only possible to give more money and more time if we have clarity about the sustainability of the Greek debt", but what if the Greek debt is unsustainable? Almost as unrealistic is the view of President Barack Obama that the eurozone should solve the problem on its own, when dithering has already raised the risk of default from 45 per cent to 80 per cent in the past three months.

The reality is that the economies

ECB prefers debt-fetishism to good macroeconomics

From Dr Andrew Graham.

imposed by the ECB is already

Monetary Fund) should be allowing