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Από: Κωστής Παπαδημητρίου [|
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Θέμα: άρθρο Κωστή Παπαδημητρίου στο Eurointelligence

Αξιότιμε κε Σημίτη,

Σε συνέχεια του άρθρου που σας είχα στείλει πρόσφατα μέσω της Φιόνας σχετικά με την πρότασή μου για τη διαχείριση της κρίσης χρέους στο ευρώ, παίρνω το θάρρος να σας στείλω μια επικαιροποιημένη και συντομευμένη εκδοχή που δημοσιεύθηκε στο syndicated column του σημαντικού site **Eurointelligence** (www.eurointelligence.com). του γνωστού αρθρογράφου των Financial Times κ. Wolfgang Muenchau.
Ευχαριστώ προκαταβολικά για το χρόνο σας και ελπίζω να το βρείτε ενδιαφέρον. Στη διάθεσή σας για οποιαδήποτε διευκρίνηση.

Με βαθιά εκτίμηση,

Κωστής Παπαδημητρίου
Δημοσιογράφος

Ακολουθεί το άρθρο και ο απευθείας σύνδεσμος στο Eurointelligence (http://www.eurointelligence.com/article/article/how-to-force-fiscal-discipline-through-amortizing-bonds.html?tx_ttnews[backPid]=901&cHash=5e4da22e550cdf5cfa77b476ae82ec77).

How to force fiscal discipline through amortizing bonds

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By: Kostis Papadimitriou

In the low interest rates environment of the early 2000's, non-prudent governments had a greater incentive to increase rather than to reduce their deficits. With neither currency nor default risk, investors have no reason to differentiate the price they charge to lend Greece and Germany, for example. Indeed, until early 2008 when the world was already deep in the current financial crisis, i.e. until just after the Northern Rock and the Bear Stearns episodes, Greece was still enjoying a yield spread very close to zero (20-30 basis points), meaning that its government could borrow paying just 0,20-0,30 percentage points more compared to "risk-free" Germany.

The result was an over-accumulation of debt in countries like Greece or Ireland, which culminated in a sovereign bond crisis.

Germany pushes hard to introduce an orderly default procedure for euro zone sovereigns believing that the sheer possibility of an orderly default would induce markets to charge higher spreads, making higher deficits more costly and therefore unattractive. Such a threat, the rationale goes, would convince private investors to charge a risk premium for non-prudent countries compared to fiscal prudent ones. It also suggests that a virtuous spread is in the area of 300 basis points as Germany borrows at around 2.8% through 10-year bonds, while the rate charged for the bail-out funds for Greece and Ireland is currently at around 5.8%.

I doubt that fiscal prudence can be imposed that way. Sovereign defaults are rare but if they occur they are large impact events. The market will tend to charge either close to zero spreads if there was no problem for some time, or - when a default event becomes even remotely likely - to levels so high that it could trigger a default itself. By contrast, an orderly default procedure would require an eventual materialization of such default risk in order to be credible.

Moreover, even if things would work as planned, the peripheral countries might soon reconsider the costs of their political commitment to the eurozone. Lower rates were one of the basic incentives for these countries to join the eurozone in the first place. They gave up monetary and foreign exchange policy to a supranational authority in order to rip the benefits of cheaper borrowing not only for the sovereigns but eventually for the private sector, too. There is little reason for the peripheral euro nations to remain in the monetary union if they have to consistently pay higher yields.

Is there any way to bridge, the German demand for fiscal prudence with the euro zone periphery members demand for fair interest rates? I suggest that a change in the structure of sovereign debt, as an amortizing loan, would serve this purpose. In an amortizing loan the principal – the amount borrowed - is paid down over the life of the loan. A typical example of such an instrument is a home mortgage loan. The borrower pays interest plus principal for a given period. At the end of this period the loan is fully re-paid. In a conventional loan, only interest is paid until maturity when the principal has to be paid back to the lender. The borrower has the option to roll over the debt, which means to borrow again the same amount, from the same or another lender, and continue to pay interest only. Assuming the same interest rate charged, payments for an amortizing loan would be much higher compared to those of an interest-only one as they include the repayment of principal. So, amortization, in a way, is a forced savings procedure.

In the light of recent events, the idea is that, with the European Financial Stability Facility (EFSF) borrowing at 2.8-2.9% and lending Ireland or for that matter Greece (although there is another ad hoc mechanism for Greece) at 5.8%, the difference of 300 basis points should diminish the principal owed. In other words, Germany would 'lend' to the periphery its low rates but in a way that ensures that these countries will not abandon austerity. Of course, the devil lies in details. The percentage of amortization and the duration of loans should be at macroeconomically and politically viable levels for both sides.

Euro zone sovereigns should be required to borrow only through amortizing bonds in the future. Provided that fixed and not floating interest rates are used, future changes of the yield level will affect only new debt and not the stock of old debt which, under an amortizing structure will be paid by the end of its maturity. A future rise of interest rates will deter a future government to borrow more but will not penalize it for decisions taken under different market circumstances.

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