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## Greece must default if it wants democracy

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By Wolfgang Münchau

When Wolfgang Schäuble proposed that Greece should postpone its elections as a condition for further help, I knew that the game would soon be up. We are at the point where success is no longer compatible with democracy. The German finance minister wants to prevent a “wrong” democratic choice. Similar to this is the suggestion to let the elections go ahead, but to have a grand coalition irrespective of the outcome. The eurozone wants to impose its choice of government on Greece – the eurozone’s first colony.

I understand Mr Schäuble’s dilemma. He has a fiduciary duty to his parliament and is being asked to sign off on a programme that he doubts will work. Releasing the funds before an election is risky. What is to stop a new Greek government and a new parliament from unilaterally changing the agreement?

Greece has a poor record of implementing policies it has agreed to. The mistrust is understandable. But to overcome this, the eurozone is seeking assurances that are unbelievably extreme.

The provocation of Greece has been escalating for some time. The first was the incendiary proposal, contained in a policy paper, to impose a fiscal *Kommissar* on Athens, with the power to veto economic policy decisions. After that was rejected, officials proposed using an escrow account, which would ensure that the eurozone can withhold funds to Greece at any time without triggering a default. But clearly the most extreme proposal is to suspend the elections and keep the technical government of Lucas Papademos in place for much longer.

It is one thing for creditors to interfere in the management of a recipient country’s policies. It is another to tell them to suspend elections or to put in policies that insulate the government from the outcome of democratic processes.

These demands fail Immanuel Kant’s “categorical imperative” – Germany does not will them to be universally adopted. Nor could they be adopted in Germany – they would be unconstitutional. Only recently the German constitutional court ruled that parliament’s sovereignty was absolute, that parliament must not permanently transfer sovereignty to outside institutions and that one parliament must never constrain the freedoms of its successor. The proposals violate the principles of Germany’s own constitution. In short, they are unethical.

A senior German official has told me that his preference is to force Greece into an immediate default. I can therefore only make sense of Mr Schäuble’s proposal to postpone elections as a targeted provocation intended to illicit an extreme reaction from Athens. If that was the goal, it

seems to be working. Karolos Papoulias, the Greek president, fired back at Mr Schäuble's "insults". Evangelos Venizelos, finance minister, said certain elements wanted to push Greece out of the eurozone. Conspiracy theories abound. Hardly a day passes by without a cartoon in the Greek press of Angela Merkel and Mr Schäuble in Nazi uniforms. German MPs expressed outrage at the Greek outrage. Bild, the German mass-market daily, is calling for Greece to be "kicked out" of the eurozone. I shudder at the thought of an act of violence committed against Germans in Greece or Greeks in Germany. This is the kind of conflict that could easily escalate.

The situation highlights the political vulnerability of the current eurozone rescue strategy. Let us set economic arguments aside for once, and consider the politics. Anybody calling for an increase in the rescue package should remember that solidarity between governments is close to being exhausted. This has happened even before a single cent has crossed a border. It is also the strongest argument for a fiscal union. If you want to shift hundreds of billions of euros around, you simply cannot do this on an inter-government basis, where Germany, the Netherlands and Finland pay for Greece, Portugal and Ireland. For that, you need a federal system. You need it not for reasons of economic efficiency but to prevent a Germany-versus-Greece type conflict. If a fiscal union turns out to be politically unacceptable then we simply have to admit that a transfer insurance system cannot and will not happen.

The reason the current system is breaking down is the loss of mutual trust. It narrows the political options of crisis resolution. Mistrust is the reason why the Greek rescue package has been delayed until the latest possible moment, and why the latest proposals contain so many poison pills: implementation deadlines, the escrow account, and a permanent representation of creditors and the International Monetary Fund. Soon there will be yet more austerity. At some point, somebody will snap.

The German strategy seems to be to make life so unbearable that the Greeks themselves will want to leave the eurozone. Ms Merkel certainly does not want to be caught with a smoking gun in her hand. It is a strategy of assisted suicide, and one that is extremely dangerous and irresponsible.

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