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AFRICANIZATION OF GREECE

In the early 1990s – during the infamous shock without therapy, which resulted in Poland's national income fall by nearly 20 percent, over 3-million unemployment and budget deficit 6.9 percent of GDP in 1992 – there was a talk about “Latinization” of my country, pointing to the increasing similarities with the then dysfunctional economies of South America. One prominent newspaper article wore eloquent title "In a moment like in Chile". Now you can talk about the danger of “Africanization” of Greece. The country has been placed in an extremely difficult situation, *de facto* without the possibility of getting out of the escalating crisis by itself. Since 2010 GDP fell by over 25 percent, more than 25 percent of population lives below the poverty line, unemployment exceeds 25 percent, and among the younger generation alarming 50 percent. In addition alone this year more refugees from the Middle East and Africa have arrived to Greece than to Italy. They will soon may feel there like in their own home...

Backchat

In the face of the inability to communicate with the so-called 'troika' (European Union, European Central Bank and International Monetary Fund), Greece has not regulated its obligations to the IMF. Although the amount is modest, just €1.6 billion, thus negligible 0.5 percent of total debt of Greece, the matter is significant. In this way Greece joined just three other states that are considered by the IMF to be insolvent. This are three African countries: Somalia, Sudan and Zimbabwe. Apart from the former failed country, in two other they cling to authoritarian regimes, while the economy is still somehow functioning due to the increasing presence of China. I've been there, I've seen it...

It's already very bad, and will be even much worse. The recriminations who bears the responsibility for this nightmare exacerbates. In the initial phase of the crisis, when Greece's public debt approached 100 percent of GDP, essentially the Greeks were to be blamed, because they had been living beyond their means. For the subsequent explosion of the crisis and its present culmination far more than the Greeks themselves responsible is the rich West, with its banks and financiers, with its incompetent politicians and biased technocrats.

At my profile www.facebook.com/kolodko a surfer asks: "Why EU leaders, the President of France, Chancellor of Germany, head of the IMF, etc., still insist on their position of wishful thinking and want Greece fully repaid its debt? I assume one must be aware that in the current state the debt is unpayable, and policy being enforced on Greece calls into question the possibility of repaying even half of the obligations." Isn't it bizarre that what an internet surfer firmly understands the leaders of troika are not able to comprehend? Or they don't want to do so?

Why such irrationality?

The troika politicians behave irrationally because they are fivefold slaves of: (1) their reckless earlier announcements that they will not give up to Greece; (2) caring for their own interests and special interest groups, especially speculating financiers, which are corrupting politics; (3) surrounding media, which are stupefying public opinion and painting a negative stereotypes of “lazy and profligate” Greeks; (4) technocrats of the European Commission, and in particular the IMF, nominated in non-democratic manner and thus politically irresponsibility; (5) their advisers, supposedly knowledgeable on the technical side of the public finances and monetary

policy, but understanding not much of the relationship of these policies with cultural and social spheres.

This does not mean that all major politicians of "troika" behave identically. A greater sense and the ability to seek a pragmatic compromise shows president of France, Francois Hollande, when he says "Let's be clear. The solution can be found right now, it does not have to wait" than his compatriot, doctrinaire head of the IMF, Christine Lagarde, when she says that "... it is not clear what are the latest proposals" of Greece. Everybody knows but the IMF does not know? Somehow wiser behaves Italian Prime Minister, Matteo Renzi – who seems to understand that if Greece falls, then his country, with public debt exceeding 120 percent of GDP and with stagnant economy, can quickly find itself in the grip of devastating wave of crisis – than the German Chancellor, Angela Merkel, who is sitting on a barricade until that moment when it will be clear what prevails. Such "pragmatism" is quite peculiar, though it must be remembered that Greece owes Germany (indirectly, through the European institutions) over €62 billion. I would advise to recover in a civilized manner rather €30 billion than chaotically no more than €20 billion.

A request of Greece Prime Minister Alexis Tsipras for another bailout of € 29.1 billion for next two years, is not considered because the political situation is extremely dynamic; as in a war, not in times of peace. Syriza government may soon fall. The situation is complicated immeasurably due to convened *ad hoc* referendum, after which the controversies what its outcome implies will only multiply.

Someone may say again that this madness is a method, but is it? The Greek society is increasingly divided into the "for" and "against" camps, but the curiosity of situation lies in the fact that different people differently interpret "for" and "against". No matter which answer will take over on Sunday, July 5th referendum, "Yes" or "No", there will be plenty of interpretations what that means. Politicians will argue, the media will prey, and the Greek people will increasingly suffer. If only there were no tanks under the Acropolis in Athens and at the Sparta's market; one can't be sure will it be possible to maintain public order by democratic methods. In the eyes of the world the great idea of European integration is being discredited...

How to cut the Greek debt?

The Greek syndrome is becoming more and more rather political than economic challenge. The cradle of democracy is shattering; in Europe, in the country that the history of civilization owes so much. But let's leave the ancient Greek history where it belongs – at the spotlight of history – and let's concentrate at the present and a lack of vision for the future. As for the economic aspect of the case, the matter should be clear for every enlightened economist. Greece is insolvent and hence there is the pragmatic question how to reduce its still growing debt and how to reverse the falling output trend. In another words, how to raise the output and cut the debt.

What has led us to the current state of affairs, has been the ineffectiveness of adjustment policy imposed by troika, which assumed unrealistically that such policy is able to bring debt to 120 percent of GDP by 2020 on the a path of economic growth. It was troika illusory as it soon turned out, because the policies enforced upon Athens instead have led to a rapid increase in debt as a result of the cumulative economic recession. The years 2010-16 are indeed seven very lean years for the Greeks.

Thus the Greek debt must be reduced to sustainable level. There is no other realistic way out from the current mess. The debt consists in almost 80 percent of commitments to troika's public institutions, such as the European Union's financial vehicles, European Central Bank and International Monetary Fund. It is so, because the troika subsequent "assistance" packets for Greece were mainly provided for the purpose to enable Greece to repay the debts to private

banks of the rich West. It is true that in the meantime part of Greek obligations to these banks have already been reduced, but too little, too late.

Now we are faced with the alternative: reduce the Greece debt, currently amounting to €323 billion, by at least half, that is to less than 90 percent of GDP, in an organized manner in return for agreed, economically viable and socially acceptable adaptation on the side of Greek public finances, or let's face a chaos. In the latter case, the Greeks will pay at the end of the day up to one-third of their obligations, if not even less than that. One more bail-out wouldn't change much, because the debt is simply in default and must be cut, provided that the Greeks will go a bit further in disciplining their finances and to pro-growth economic regulation.

What's next? Russia and China?

The national income of getting poorer and poorer Greeks makes just 0,25 percent of global output. In other words, the world produces 400 times more than 10 million Greeks. And now this world, already plagued by enormous difficulties, has one more trouble, because the syndrome of Greece is not only a problem at local and regional level; it is a global case. Thus it is understandable that President Barack Obama has urged the ineffective politicians-bureaucrats from Brussels and major European capitals to find a solution, because the US have enough troubles and by all means do not need a greater turmoil in the euro zone, the second reserve currency of the world. To prudence urged Chinese Premier Li Keqiang, with whom I met last week in Beijing, while saying: "Is Greece remaining in the euro, it is not a matter which concerns only Europe, but also it concerns China (...) [and] the stability of global finance and economic growth."

I do not think Chinese are passively watching the Greek disaster. If there is a chaotic and fatal Grexit, then China has more than enough funds to help Greece, for example by investing tens of billions of dollars in the Greek tourism sector, and significant segments of the logistics infrastructure. To the Chinese ports the Chinese ships will call, and we will rest in Chinese hotels. And as someone likes, he or she might even be eating at the island of Crete with chopsticks...

Either way, the Chinese, with their far-reaching policies, already invest in Greece. But China won't save the day. If the European Union can't do it, then there still is Russia. Recently, not without a reason, the elements of the cultural kinship, in the form of the Orthodox religion in both countries, has been emphasized. But this is of little importance. Politicians devoid of imagination – in Brussels and Berlin, in Paris and Warsaw – ought to realize that if their continuing mistakes will force Greece to exit the euro zone, it becomes probable that Greece vacates the European Union too. Further, the price of obtaining a hefty financial aid, of which Russia despite its economic problems is capable, Greece may turn its back against the West which indeed deprives Greeks from social and economic security.

What next, thus? Now all the scenarios looks black. One must escape forward from the darkest shade of blackness: from far-right fascist government or military dictatorship and Africanization of the Greek economy.