

*- Greece paid back its debts to the IMF by end of March, the fiscal surveillance by the EU will end in summer, the country can refinance its liabilities: Is this the point when the Greek debt crisis is finally over and the problem is resolved?*

Not really: Greece today has the highest debt-to-GDP ratio in the EU (206%). We should perhaps remind listeners that Greece entered its debt crisis when debt was 127% of GDP (in 2009), that ratio climbed to 180% in 2014 in spite (or, arguably, because) of austerity, it fluctuated at that level for the next five years, and rose further because of Covid-19.

Now, debt servicing is not a real issue for the next few years, since the country's debt is held by institutional investors, and carries a low interest rate. The key question is not the numerator (debt) but the denominator (GDP): the average standard of living in Greece has declined by 30% over the last fifteen years or so. Unless the national economy finds a way to grow faster, Greece will face a range of pressing problems, of which debt is one.

*- Central piece of all restructuring programs was the fiscal deficit. This was also the starting point of the crisis in 2009. How do you assess the state of the Greek public finances? Have they become more resilient?*

Greek governments have become more sensible with public finances, which is good (even though bad habits have not been entirely uprooted). But resilience does not merely depend on sound tax and spending policies. It crucially depends on a dynamic, competitive economy. We are from that, and the relentless focus on the fiscal deficit has not been very helpful.

*- The bailout programs came with massive structural reforms. To which extent this was successful. Where do you see progress? Where are still weaknesses?*

I have long argued in favour of reforms – in pensions, health and other policy areas. But the structural reforms that went with the bailout programmes were often of the wrong kind, more concerned with fiscal savings than with improving the performance of public administration, the welfare state, the economy in general.

Mind you, I wouldn't like to come across as an opponent of austerity. It is just that I believe Keynes was right when he urged in 1937: "The boom, not the slump, is the right time for austerity at the Treasury." During the Greek boom, pre-crisis, those of us who called for austerity were lone voices. During the slump, excess austerity did lots of lasting damage.

To give you just one example: in 2010-2014, public investment in Greece was reduced by 47% in real terms. Greece was of course an extreme case, but not an isolated one: public investment also fell by around 30% in Portugal (and Ireland), and by around 20% in Spain and Italy. (In Germany it increased by 10%). I let your listeners work out for themselves what this means for the prosperity of future generations of South Europeans. No wonder so many of them have left their country.

*- You criticised the Tsipras government because they did (too) well in meeting the fiscal targets of the lenders, but didn't proceed with the necessary reforms. Did this change with Nea Dimokratia back in power?*

New Democracy is a mixture of centrist reformers and old-style conservatives. The good news is that reformers include the PM and his closest allies. The bad news is that the PM is tolerated, not fully accepted, by the majority of the rank-and-file, and of voters.

*- During the pandemic Greece was launching rescue programs like other European countries, the war in Ukraine will afford additional money. Can the country afford this?*

Well, can we afford our freedom? As Mario Draghi said the other day, we face a choice between lasting peace and air conditioners. Unwillingness to sacrifice even a small part of our prosperity today usually leads to greater losses in freedom tomorrow. In the recent past, we Greeks have proved that we are perfectly capable of making sacrifices to preserve a greater good – in that case, membership of the Euro Area (and the EU). I am sure we can do it again. I hope other Europeans will, too.