

## **THE GREEK NO IS A RUSE OF HISTORY**

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THE GREEK REFERENDUM can be interpreted as the genesis of a nationalist political contagion that will destroy the European dream, or as a ruse of history to revive the common project. It is the responsibility of European leaders, gathered today for the Eurosummit, to enhance its positive potential.

The Greek “No” came only two weeks after the presidents of the European institutions had published a bloodless report on the future of the monetary union. Now that we have plunged into *terra incognita*, the document seems an anachronistic witness devoid of any ambition. The report predicts that over the next few years, very little will change in the euro area. Only existing economic policy instruments will be used. In this shortsighted vision, reviving growth, employment and investment is the only desired consequence of structural reforms that each country should conduct by itself. Seven years of crisis show that this diminutive strategy is not at all sufficient for the governing of a complex and heterogeneous economy.

Each of us can judge Tsipras’ gambit in our own fashion. But everyone probably understands that the opinion of a people, so harshly expressed, is never irrelevant. In fact, it is a response to a question that, though never explicitly cited, lingers not only in Greece, but everywhere: Is the management of the euro area, as it currently stands, consistent with the consensus of its citizens? The victory of “Yes” in the referendum would have justified the “nothing new” approach endorsed by the document of the European presidents. The “No” instead calls for a much more ambitious answer. Despite the chaos that it is causing, Europe must grasp the institutional opportunity offered by this pronouncement of the people before the temptation of nationalism extends to other countries.

The first step is to immediately reopen a dialogue with Athens. This does not mean giving up on negotiating principles. But rather, it would show respect for the involvement of citizens and lend credibility when we foreshadow a political union that is the culmination of a reform of the euro area. In addition, sitting at the negotiating table gives the ECB an excuse to sustain the Greek banking system until a deal is possible, avoiding humanitarian consequences to its citizens. Those who fear Tsipras’ moral hazard know little of the serious situation to which Greece has been reduced by this reckless showdown. The country will remain reliant on partners for many years. By sacrificing Iphigenia-Varoufakis, Tsipras has finally opened the door to pragmatic language. The hostile rhetoric that gave birth to the logic of to each his own must be abandoned by the European Union as well. In fact, the political victory Tsipras obtained engages him more than before in

fulfilling his part of the contract. Tsipras has no more excuses: he can and must change his country, bring her institutions to a European level, and finally inspire political practices based on principles of fairness and effectiveness, from which he has thus far escaped.

The second step that Heads of Government must take is to recognize that, since its inception, the European crisis has been a crisis of national policies. National governments have not been able to understand the challenge of the euro and have held back European integration. Only a year ago, Greek GDP was growing at a rate of almost 2%. In 2015, it was expected to grow by 3%. The Samaras government, taking advantage of the recovery, suspended the reforms to which it had heretofore been committed. Facing wavering public opinion and with early elections on the horizon, it allowed the deficit to grow. The winner turned out to be Syriza. Hostile to cooperation with the European institutions, they made the future of the country so uncertain, it plunged the economy into a recession so deep the liquidity crisis is now worsening by the hour.

Before the euro, opportunistic or hostile political behaviors such as those of Samaras and Tsipras were hidden from public awareness through one currency devaluation after another. Now, such behaviors have become incompatible with the euro. The purpose of the single currency was to induce governments to be consistent with economies challenged by the difficult global environment. According to an estimate published on our website and based on CompNet data, countries which had neglected the global challenge since 2000, thus losing their positions in the value chains, are the same countries that later required financial assistance.

However, the third step is to admit that politics is not only a matter of becoming competitive. Each time we make a political choice, we primarily take into consideration what we think is right and what is not. In their vote, the Greeks have reacted to the injustices caused by the crisis in their country. Europeans would rather consider Greek governments as unreliable teams, ones that lie in negotiations and tolerate cronyism, oligarchies, and ineffectiveness. These are two different ways to ask for a more just political conduct, but they are by no means incompatible. The Greek problems originate in weak institutions—just like in Italy—and European interference could be useful for resolving them. Tsipras must prove that he shares the fundamentals of European civilization, and involve European institutions in the joint endeavor to change his country. He cannot ask for financial aid without institutional control.

As for European leaders, an equal dose of humility is required. The exit of Greece from the euro would be a dramatic blow to the project. Once possible, the option of leaving the euro would establish a financial hierarchy between strong and weak countries, one even more unbalanced than what already exists. The latter would fall back into the spiral of sovereign debt and banking debt that has crippled their economy. The hierarchy, already conspicuous in the years of the “spread,” would become the permanent power structure. One after the other, the troubled countries would see nationalist opposition to European “subordination” grow out of control.

There is therefore a crucial final step: to recognize that the European institutional weakness must be resolved in parallel with that of Greece. The euro-area is not an arena in which countries are fighting each other for the survival of the fittest, but a complementary economic space in which different economies can benefit from their interdependence. Let’s open the debate on political union in the euro area, not behind closed doors in the Federal Chancellery or the Elysée, and not with documents made to buy time, but with the involvement of citizens in a project that affects them, before they all say “No.”