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Note to the members of the party board of the German Greens- A contribution to the discussion (translated from German)

"Greek sickness" or European crisis?

- The EU collectively is affected by the Greek crisis: The situation in Greece is dramatic and urgent. The problems which result from it do not confine themselves to Greece alone, rather they are threatening to the EU and, in particular, the Euro Zone. Portugal and Spain as well as Italy and Ireland are confronted with similar problems, although not as severe. We cannot take this crisis lightly. Because of it the EU could break down economically and politically.

- There are not only economic but also direct political reasons which require immediate and effective action. The dispute surrounding the handling of the crisis has revitalized and strengthened national reservations. It threatens the EU drifting apart politically. The Greek public and even the Greek deputy Prime Minister, Theodoros Pangalos, feel abandoned by strong countries. There are isolated calls to boycott German products. References to reparations from the Second World War which allegedly have not been fulfilled by Germany make the mood more heated, while the German public is fed with tales of supposed ineradicable Greek negligence.

- It is clear to us that the problems point equally to dramatic needs for reform at two levels: both in Greece and in the inadequate integration of economic policy in the EU. We reject renationalization as an answer to the present difficulties as backwards-looking and unrealistic. We want much more to answer this double challenge with a decisive commitment to Europe's growing together, to which a common market belongs as much as intra-European solidarity and the common international representation of values like social justice and the protection of environment, peace, and human rights in a globalizing world.

- No departure from the Euro Zone: In our view it is neither politically nor economically an option for Greece to leave the Euro Zone. We have to keep in mind that this path would open Greece up to the possibility of depreciation vis-à-vis the Euro and with it would produce an improvement of its competitive position vis-à-vis the Euro members and all other countries. However, the real value of all foreign debts would rise, so a deficit in payment by the Greek state would be more likely. If this scenario should be avoided, then the causes of the crisis must be dealt with by the roots.

- What the Treaty allows: In Article 125 of the EU Treaty it is indeed regulated that the Union takes no responsibility for the debts of individual Member

States and does not step in for such debts. That is the "no-bail-out-clause" often cited in the past days. Politically, however, one should question this position after the "bail-outs" of private banks. In particular Article 122 of the EU Treaty, when so interpreted, for all intents and purposes opens the possibility "in the spirit of solidarity among Member States..." to enact "certain measures" when economic problems exist. The use of "emergency funds" of the European Commission should be tested. This fund is actually intended for overcoming currency problems of EU Member States which do not belong to the Euro Zone. Recently Hungary and Latvia were helped by it.

- Way out of the crisis through mutually responsible solidarity: Our core demand to overcome the crisis in Greece and the other Euro countries is to aim for decisive action and mutual solidarity. In Athens the necessary reforms and changes must be pushed. In Brussels it can and must be negotiated based on this.

- In the short term the members of the Euro Zone must make sure that the interest level for Greek state securities falls (reduction of the spread vis-à-vis German bonds presently by ca. 3 percentage points), so that Greece is not robbed of every chance to overcome the crisis because of an escalating burden of interest payments on its high level of debt. To this end Eurobonds could be a possibility or, as long as the legal requirements for this are not met, common guarentees for Greek state securities.

- As an immediate measure trade with products on the financial market, which at present are used with massive speculation against the coherence of the Euro Zone, should be suspended. Germany should take the lead here.

- Control accompanies solidarity assistance: Close oversight of appropriate Greek budgetary and structural measures by the EU/Eurogroup is justified and necessary, including the threat of penalties (for example withholding the payment of structural funds) in case of violations. But it is important that the correct measures are understood and implemented.

- A reduction of the present state deficit in Greece from nearly 13% to 3% of the GDP in 2012/2013 in the EU stabilization program is extremely ambitious. Its effects must be tested for the retention of private and public demand. It is clear that reduced expenditures in salaries and social areas -- as necessary as they are individually -- do not make such a reduction possible. What is necessary are economically effective and politically expedient measures which aim for an increase in state revenue, like by fighting tax evasion and tax fraud, by higher efficiency in the public sector, by reducing wage costs of well paid employees in the public sector e.g. high extra payments, and the introduction of a special crisis capital tax on the wealthy. Raising environmentally-based taxes can, moreover, be an incentive for restructuring the economy.

- Budgetary and structural measures, which allow for a reduction of the extreme deficit, should include reductions of high military expenditures of 4.1 percent of GDP.

- The Greek state can help overcome its chronic current account deficit through an economic restructuring programme, which increases labour productivity in the industrial and the dominating services sectors and includes the fight against tax avoidance, tax evasion, corruption and an shadow economy. At this point in time more than 60 percent of Greeks support the austerity measures announced by the government. It is in the interest of the EU, as well as its responsibility, to not lose those sympathies. As such, the policy measures should not be anti-social or ring hollow. An increase of traditional mass-taxation should be avoided. Greece's stabilisation programme, which the country must support by virtue of its implementation and control, must be economically efficient and correspond to the EU's social and ecological values.

- Due to the massive current account deficit, which represents approximately 10 percent of GDP annually, a reduction of unit labour costs will be unavoidable. As a result of widespread low-wage earners in parts of the Greek service sector, a wage policy that is social and acts in solidarity must be central.

- Eurozone countries with chronic surpluses in their current account, such as Germany, Austria or the Netherlands, also have to act and reduce those surpluses, which are not based on a development of wages following labour productivity. Germany, as an important trade partner of Greece and the other southern Eurozone countries, bears an important responsibility in this case. This is particularly the case since surpluses are also gained with most trading partners outside of the Eurozone. Germany faces a significant deficit in its trade balance only with China. However, it would not be constructive to respond to the devalued Chinese currency with areduction of unit labour costs which would endanger the cohesion of the eurozone.

- Judging by the necessary measures, the Greek economy is in danger to fall into a protracted deflation. In this context, Nobel Prize-winning economist Stiglitz has suggested to use the expenditure of EU structural funds in an anti-cyclical manner. These funds should be invested in the context of a Green New Deal, leading to an ecological restructuring of the Greek economy.

- Going beyond the concrete measures, it should also be investigated who bears responsibility for the Greek crisis. Who knew about Greece's creative accounting? Who impeded the introduction of necessary policies? What role did banks, such as Goldman Sachs, play in the cover-up? Who stands behind the current speculations against the cohesion of the eurozone? We want the European Parliament to lead those investigations.

- Monetary union and economic government: The current crisis in Greece demonstrates on one hand the birth defect of the common European currency and on the other the missed European opportunity since 1999, which is only loosely related to the delivery of false statistical data, done in order to adhere to the Maastricht criteria, by Greece. The main problem, however, is that a monetary union was installed without a common economic policy, under the wrong assumption that imbalances would be self-corrected by markets or that at least a monetary union would be followed by a political union. What we are seeing now is that the consequences of this birth defect are going against European integration in general. That is why the European Commission must urgently develop policy recommendations on how a European economic governance structure can look like and if the European Council, which with the new Lisbon Treaty has become an institution of the EU, can be further developed in order to take this on board. A European economic governance structure includes amongst others an effective, co-ordinated, anti-cyclical fiscal policy of the member-states, the transition from tax-competition towards tax-cooperation and an increased EU budget based on its own income, which promotes the balancing of uneven regional development. Furthermore, Eurostat needs the right to collect data on its own and to inspect transmitted data in addition to possibly making those inspections public.

- Mid-term we want an insolvency law for states to make sure that the sharing of expenses for public debt overload is regulated in advance. Even the creditors of the public authorities should carry their part of the burden. However the initiative for an insolvency code can only be grasped once the situation in the financial markets has calmed. Otherwise the interest burdens of states in difficulty during the current crisis rise considerably.