
Letter

'Unsustainable debt' has proved to be a fiction

From Ian Ball, London, UK

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Sir, The implications of Klaus Regling's Comment (February 10), in which he asserts that "[Greece's debt situation does not have to be cause for alarm \(http://next.ft.com/content/c342c624-eebo-11e6-ba01-119a44939bb6\)](http://next.ft.com/content/c342c624-eebo-11e6-ba01-119a44939bb6)", are profound and shocking.

By recognising that Greece has already received massive debt relief, and that "as a result, the actual cost to Greece of servicing its debt is among the lowest in Europe and will remain so for a long time", Mr Regling exposes as being completely false the notion that Greece has a major problem of debt sustainability. Yet debt sustainability has been at the centre of the Greek storm for years, with elections and referendums being fought on the basis of the debt not being sustainable. What is especially shocking is that Greek government policy, which has caused huge suffering, has also been predicated on the fiction of its unsustainable debt. People have died as a result of these policies.

Mr Regling's position is fully supported by international standards on the measurement of debt, which recognise the time value of money and the impact of concessional interest rates. Yet, literally for years, the European institutions, the IMF and the Greek government have negotiated as if the [Greek debt problem \(http://next.ft.com/content/dc636b6a-eed1-11e6-ba01-119a44939bb6\)](http://next.ft.com/content/dc636b6a-eed1-11e6-ba01-119a44939bb6) is real, notwithstanding that Mr Regling and others have in the past pointed out that the commonly cited number for debt to GDP is "meaningless".

It makes a profound difference whether Greece has unsustainable debt or debt costs "among the lowest in Europe". And this is a measurement issue — pointing to the need for all governments to report in line with International Public Sector

Accounting Standards. The facts of Greece's position would then be clear, and official effort could go into solving real problems.

Ian Ball

Chairman, CIPFA International

London E1, UK

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