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Greece's financial position is widely misreported

Sir, As Greece and its lenders reach a new bailout deal, it is of vital importance that Greece's real debt position is accurately reported.

There has been a widespread misunderstanding of Greek finances which has resulted in policies and agreements that may only exacerbate the fiscal and economic problems Greece faces. While the debt burden is commonly cited as being between 175 and 180 per cent of gross domestic product, this number is incorrect and indefensible because it is based on the face value of Greece's debt that doesn't take into account long maturities and concessional interest rates, as well as grace periods.

Greek debt, calculated on an International Public Sector Accounting Standards (IPSAS) basis, is significantly lower, and at the end of 2013 was 68 per cent of GDP. If this is not an appropriate method for measuring debt, then every company on major stock exchanges around the world has got its debt measurement wrong. In neither accounting standards nor economic principle is debt measured at face value. This pervasive misunderstanding of Greece's real fiscal position has seen agreements reached between Greece and its creditors that do not address the real problem and instead may actually intensify it.

Confronting the actual position faced by Greece, and the losses already incurred by the creditors, would give both Greece and its creditors a fresh start in addressing the very real issues facing the Greek economy and would help prevent the situation from worsening.

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