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YANIS VAROUFAKIS
Yanis Varoufakis is Greece's finance minister.

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Where is the word "trust"?

Do these words build trust and confidence?

A Blueprint for Greece's Recovery

ATHENS – Months of negotiations between our government and the International Monetary Fund, the European Union, and the European Central Bank have produced little progress. One reason is that all sides are focusing too much on the strings to be attached to the next liquidity injection and not enough on a vision of how Greece can recover and develop sustainably. If we are to break the current impasse, we must envisage a healthy Greek economy.

Sustainable recovery requires synergistic reforms that unleash the country's considerable potential by removing bottlenecks in several areas: productive investment, credit provision, innovation, competition, social security, public administration, the judiciary, the labor market, cultural production, and, last but not least, democratic governance.

Seven years of debt deflation, reinforced by the expectation of everlasting austerity, have decimated private and public investment and forced anxious, fragile banks to stop lending. With the government lacking fiscal room, and Greek banks burdened by non-performing loans, it is important to mobilize the state's remaining assets and unclog the flow of bank credit to healthy parts of the private sector.

To restore investment and credit to levels consistent with economic escape velocity, a recovering Greece will require two new public institutions that work side by side with the private sector and with European institutions: A development bank that harnesses public assets and a "bad bank" that enables the banking system to get out from under their non-performing assets and restore the flow of credit to profitable, export-oriented firms.

Imagine a development bank levering up collateral that comprises post-privatization equity retained by the state and other assets (for example, real estate) that could easily be made more valuable (and collateralized) by reforming their property rights. Imagine that it links the European Investment Bank and the European Commission President Jean-Claude Juncker's €315 billion ($350 billion) investment plan with Greece's private sector. Instead of being viewed as a fire sale to fill fiscal holes, privatization would be part of a grand public-private partnership for development.

Imagine further that the "bad bank" helps the financial sector, which was recapitalized generously by strained Greek taxpayers in the midst of the crisis, to shed their legacy of non-performing loans and unclog their financial plumbing. In concert with the development bank's virtuous impact, credit and investment flows would flood the Greek economy's hitherto arid realms, eventually helping the bad bank turn a profit and become "good."

Finally, imagine the effect of all of this on Greece's financial, fiscal, and social-security ecosystem: With bank shares skyrocketing, our state's losses from their recapitalization would be extinguished as its equity in them appreciates. Meanwhile, the development bank's dividends would be channeled into the long-suffering pension funds, which were abruptly de-capitalized in 2012 (owing to the "haircut" on their holdings of Greek government bonds).

In this scenario, the task of bolstering social security would be completed with the unification of pension funds; the surge of contributions following the pickup in employment; and the return to formal employment of workers banished into informality by the brutal deregulation of the labor market during the dark years of the recent past.
One can easily imagine Greece recovering strongly as a result of this strategy. In a world of ultra-low returns, Greece would be seen as a splendid opportunity, sustaining a steady stream of inward foreign direct investment. But why would this be different from the pre-2008 capital inflows that fueled debt-financed growth? Could another macroeconomic Ponzi scheme really be avoided?

During the era of Ponzi-style growth, capital flows were channeled by commercial banks into a frenzy of consumption and by the state into an orgy of suspect procurement and outright profligacy. To ensure that this time is different, Greece will need to reform its social economy and political system. Creating new bubbles is not our government's idea of development.

This time, by contrast, the new development bank would take the lead in channeling scarce homegrown resources into selected productive investment. These include startups, IT companies that use local talent, organic-agro small and medium-size enterprises, export-oriented pharmaceutical companies, efforts to attract the international film industry to Greek locations, and educational programs that take advantage of Greek intellectual output and unrivaled historic sites.

In the meantime, Greece's regulatory authorities would be keeping a watchful eye over commercial lending practices, while a debt brake would prevent our government from indulging in old, bad habits, ensuring that our state never again slips into primary deficits. Cartels, anti-competitive invoicing practices, senselessly closed professions, and a bureaucracy that has traditionally turned the state into a public menace would soon discover that our government is their worst foe.

The barriers to growth in the past were an unholy alliance among oligarchic interests and political parties, scandalous procurement, clientelism, the permanently broken media, overly accommodating banks, weak tax authorities, and a weighed-down, fearful judiciary. Only the bright light of democratic transparency can remove such impediments; our government is determined to help it shine through.

Read more at http://www.project-syndicate.org/commentary/greek-recovery-strategy-by-yanis-varoufakis-2015-05#kv9hbzRXmLgjoK5Y.99