ZURICH – The International Monetary Fund has resurrected an old technique – commonly used in the 1980s during the Latin American debt crisis – that would allow Greece to avoid a payment default next month on debt owed to European creditors. The reprieve also gives the IMF and its European partners time to sort out their technical differences on the struggling country’s growth and budget outlook. But the Fund’s elegant compromise still leaves Greece under the shadow of an enormous debt overhang; reducing it requires that Europe find a way to set aside national politics and act on the basis of economic logic and necessity.

Europe and the IMF have been unable to reconcile two views of Greece’s debt sustainability, with the two sides’ differences spilling over into the public domain. Guided mainly by a cash-flow analysis, European authorities argue that low interest rates and long maturities have made the nation’s debt sustainable. But the Fund notes that, at almost 200% of GDP, Greece’s stock of debt deters investment and capital inflows. For the IMF, meaningful debt reduction is critical for generating the confidence and credibility needed to break Greece out of a prolonged period of impoverishment.

This is not the only area of disagreement between Greece’s two major creditors. They also differ on the realism of some key economic projections, including the important nexus between growth and the government budget, with Europe adopting a much more optimistic perspective.

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