

Extortion

An essay by Gerd Eisenbeiß
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Dear Friend,

You seem to be quite confused about who in the Greek drama "**blackmailed**" whom. Because "blackmail" is the key word with which the Greek Prime Minister distanced himself from the agreement reached last week which, nonetheless, he wants to follow.

As a political defense this **blackmail allegation** seems to work well. The Greeks, who by referendum just a week before rejected by clear majority a continuation of the "austerity policies", are by no means indignant about the futility of their vote and continue to support unchanged with almost 50% Tsipras and his Syriza party.

I put "austerity policies" in asterisk because it explains it is not about an arbitrary savings, but an adaptation of the Greek government spending to revenue. Indeed, in this respect, the Syriza never had different policy alternatives than either having the debts forgiven or to continuously increase the debt..

As Nobel Prize winners like Paul Krugman repeatedly point out that the "rescue policy" of the creditor countries does not trigger growth impulses, I must add, if: Krugman and the other Keynesians would be right, that Greece would have to swim in prosperity because no other country in the World, except perhaps Japan and Puerto Rico, operated under more "deficit spending" than Greece. Why would the continuation of such unsuccessful debt excesses suddenly be helpful?

No, more debt in fact only leads to a dramatic escalation of a situation in which blackmailing pressure is increasing mutually upon everyone.. Yes, it is a situation which blackmails everyone to do things that are neither economically nor legally acceptable.

A game theorists like Varoufakis had to know that he could win only at the expense of contractual laws forming the basis of the EURO community. Also, he could not assume that a treaty change tailored only to Greek needs. with regard to the "bail out" prohibition would be possible. In essence, the aim of his game approach was the general pooling of all sovereign debts, i.e. a gigantic financial redistribution at the expense of EURO states which acted in conformity with the treaty for the benefit of heavily indebted EURO states which mismanaged their affairs. It is interesting to note that, in addition to Greece, other EURO countries would be beneficiaries of such redistribution, particularly Italy and Belgium which were accepted into the EURO community in although they had a debt load then of more than 100% of GDP. On the other hand, not only Germany, but also a

number of small poorer EURO countries would be on the losing side, for example the Portuguese, Balts, Slovaks and Slovenes, and probably also the Spaniards.

In short, the first Syriza strategy was an attempt at a front formation "more indebted" to "less indebted" and not poor against rich!

Let's discuss **extortions**: First, Greece is **blackmailed** by its past. Because at some point is always an end to further life on credit and then you have to live with the consequences, a situational "**blackmail**" to spend less and earn more.

Blackmailed also were the creditors by their fear of a Grexit and their solidarity with a partner in distress.

How come? Anyone who excludes a Grexit due to unclear consequences for the whole of the EURO community, risks **being blackmailed** arbitrarily – and indeed **was o blackmailed**. Proof: Imagine (not unrealistically) that the Greeks do not execute everything what they agreed to do, for example, because parliamentary majorities are missing, social consensus is lacking, or a general strike prevents the implementation of parts of the agreements. Does anyone really believe the creditors would then say, "Well, that's it" and dismiss Greece into bankruptcy and Grexit?

No, the Greeks can now, after a decency pause, do what they want. Their alimentation is no longer in question.

So who then is **blackmailed**?

Our solidarity is the second "**self-blackmail**". Pointing to their self-inflicted misery, the Greeks can blame the creditors again and again. Just look at Tsipras' referendum maneuver which increased the misery of the population at least unintentionally if not intentionally (only 60 € per day etc). So Tsipras made Greek poverty the top theme while Portuguese or Bulgarian poverty has enjoyed no such attention.

Especially game theorists like Varoufakis know that there are winners and losers in every game (a win-win situation here was not in sight) and that the players with the better hand win. These are the rules which losers must accept, especially rules to which Greece contractually agreed to.

After all, Greece has nothing lost; it just does not get as much money as it had demanded, but it receives fresh money, though not as gift as yet.

And this situation will cause further **blackmail** because, with almost certainty, creditors will never get back the credit now additionally granted. This holds true already for the existing debt as the IMF, probably correctly, analyzed; it applies even more so to the further 100 billion to be granted until 2018. The **blackmail**

consists precisely in the fact that the original loan and the 100 billion must eventually largely forgiven.

Since forgiveness of sovereign loans is not possible in the EURO zone (no bail out!), Greece is either "**blackmailed**" to self-exit or the EURO community is "**blackmailed**" to change its agreements.