

Greece's madmen at work

Oliver Hartwich | The New Zealand Initiative | 23 March 2015

When the new Greek government took office in late January, I wondered whether they might be trying to play the 'madman strategy' in a game of chicken (<u>The euro crisis has become a</u> <u>game of chicken, 29 January</u>). Behaving erratically and seemingly irrationally, so I wrote, Prime Minister Alexis Tsipras and his finance minister Yanis Varoufakis might just drive the other Europeans to insanity and force them to surrender to prevent the worst.

The longer we are watching the conflict between Athens and Berlin escalate, the more it looks as if the madman strategy is precisely what the Greeks are playing. The only other possible explanation is, of course, that Tsipras & Co. are indeed barking mad.

It was bad enough when Greek defence minister Panos Kammenos recently threatened to equip Islamic State terrorists with visas and send them to Germany. It was also Kammenos who attacked the German finance minister as corrupt for his involvement in a political donations affair dating back to the late 1990s.

Kammenos is the only minister of the populist Independent Greeks party in Tsipras' cabinet and might be discarded as a lone voice. But the attacks on Germany are not just to the left to this firebrand nationalist. Justice minister Nikos Paraskevopoulos also joined in the anti– German choir by proposing to confiscate German property in Greece as war reparations. This could affect cultural institutions like the German school, the Goethe Institute or the German Archaeological Institute.

Whether Greece has any legal claims on war reparations is doubtful. However, it is clear that mixing this question with the ongoing debate about the Greek euro bailout is not just tasteless for the victims of the war. It is also unhelpful in the context of solving Greece's financial crisis since it will not gain Athens any sympathies in Berlin when it needs them most. After all, it is just a form of blackmail.

The Germans, meanwhile, are struggling to make sense of the cacophony of official statements coming from Greece. Especially Finance Minister Schäuble, usually well versed in the art of international diplomacy, is finding it increasingly difficult to hide his frustration.

At a media conference, Schäuble expressed his anger with his Greek counterpart by saying that he would not have thought that Varoufakis was naïve when it came to public relations. This was enough for Varoufakis to make the Greek ambassador in Berlin deliver a formal protest note to the German government with a complaint about Schäuble's tone and behaviour, a highly unusual action between supposedly friendly nations.



Varoufakis then tried to gloss over these differences by appearing on German primetime TV last Sunday. On the country's top-rated political discussion program, he delivered his views on the euro crisis for an hour.

At first it looked as if Varoufakis was eating humble pie. He talked in great abstraction about his passion for Europe, building a united continent of friendly nations dealing respectfully with one another. Varoufakis even expressed his admiration for 'Herr Dr Schäuble', whose career he claims to have followed for decades and whose very early publications on European integration in the 1990s he said had inspired him.

The Greek finance minister was so glowing in his accounts of the great achievements of Herr Dr Schäuble (never referred to without the doctorate) that unsuspecting members of the audience might have expected Varoufakis to reveal himself as the head of the Hellenic Wolfgang Schäuble fan club.

The only problem with Varoufakis' performance on German TV was that he managed to damage his own credibility several times during the interview.

After his first long monologue about the beauty of European integration, Varoufakis argued that one should not throw out the great European dream just because of some minor problems in Greece. "Small, insignificant problems of liquidity should not divide Europe," he said to the bewilderment of his German interviewer. To anyone who may have wondered how Greece could be able to service its debt, Varoufakis effectively responded not to worry and that everything was under control. It was not very believable, to say the least.

It got worse for Varoufakis. Just as he had explained how well he works together with the German government, he was reminded of a speech he delivered a couple of years ago at a conference in Zagreb. Back then, he said: "Greece should announce it is defaulting within the euro and stick the finger to Germany and say, well you can solve this problem yourself". A video (available on YouTube) clearly shows him raising his middle finger while he was saying those words, but on Sunday night Varoufakis called the video a fake.

Rather bizarrely, the question of the Greek finance minister's credibility no longer depends on the difference between Greece being bankrupt or having a small, insignificant liquidity problem. It is all about whether Varoufakis gave Germany the finger. He appears to be losing this battle; no evidence of doctoring the video have emerged yet.

Hardly a day passes that a Greek government official does not add a needless provocation to the bailout debate. Which brings me back to my opening question: Is this just madness? Or is there method in it?

If the Greek government seriously wanted to change course on the bailout and austerity policies, perhaps behaving in this manner is the best way of achieving it. Acting respectfully and diplomatically may not have isolated them in Europe, but it would not have won them any concessions either.



The constant provocations from Athens, however, might just as well have the effect of annoying the other Europeans just enough to be more accommodative to Greek demands in order to just stop the circus.

There is a risk, of course. By behaving like a herd of bulls in a China shop, the Greeks could ruin not only their political capital and their international standing. They could also, almost by accident, trigger a bank run, a sovereign default and a total economic collapse of their small country.

As I said at the start, it is hard to determine whether we are dealing with a mad government or with a government that tries its best to appear mad.

Either way, it is not a pretty sight - and it could well end in tears.



Dr Oliver Hartwich is Executive Director of The New Zealand Initiative, the Wellington-based think tank formed by the merger of The New Zealand Business Roundtable and The New Zealand Institute. <u>www.nzinitiative.org.nz.</u> Dr Hartwich is a member of <u>PortfolioConstruction Forum's core faculty</u> of leading investment professionals.

This article was first published in Business Spectator and is reproduced with permission.