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Europe's collective aversion to Grexit is baffling

Wolfgang Schäuble – who is so often portrayed as a pantomime villain – may be the only European politician who emerges from the current farrago with his reputation enhanced

By [Ben Wright](#)

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The **Greek crisis** has become a kind of political Rorschach ink-blot test – you see blame where you want to.

Depending on your point of view, Greece is either a feckless nation of scroungers holding referendums on whether the rest of Europe should be sending more money to pay for overly-generous pensions, or a semi-serf state struggling under the indentured yoke of its neo-colonial paymasters.

Similarly, Germany is either a generous benefactor obeying the rules of the eurozone and pushing for necessary structural reforms to the Greek economy, or it is a jack-booted bully trampling democracy in the only nation that has had the temerity to question the transparently self-defeating doctrine of austerity *pour encourager les autres*.

Impartial observers, if there are any left at this stage, must find themselves hopelessly oscillating between multiple points of view depending on how the facts are framed.

Yes, Greece has one of the highest debt to GDP ratios in the world. But, thanks to various past restructurings, it also has one of the lowest interest payments to GDP ratios in the eurozone.

Yes, some of the bail-out money that Greece received has flowed straight out of the country and into the coffers of foreign banks. But Greece was running a deficit of more than 10pc of GDP even when the financial crisis hit and would be in an even deeper hole without the eurozone's largesse. Yes, the latest deal is an amaroidal defeat for Alexis Tsipras, the Greek prime minister. But it is also a colossal political gamble for the creditor nations (Mark Rutte, the Dutch prime minister, frankly admitted on Monday that he will break his electoral promises when contributing to a new aid package of €86bn [£60bn] over the next three years).



Alexis Tsipras, Greece's prime minister

Yes, the transfer of state-owned assets into a special fund for future sales is a humiliating affront to Greek sovereignty. But it is also a necessary precaution against Greek clientelism, Tsipras's serial bluff tactics and Syriza's ideological opposition to privatisation.

And so on and so on and round and round we go. It is human nature to start doling out the blame when fate bowls a well-disguised doosra. But in this instance, perhaps none exists. Or, more likely, it is evenly spread. The driving motivations are hard to fault.

You can see why the Greeks believe that they are labouring under too much debt and austerity foisted on them by a 2010 bail-out designed to prevent financial contagion spreading to other countries lapped by the Mediterranean. It makes sense that they have stopped their ears to the twin sirens of euroscepticism and anti-austerity Keynesianism urging them, from afar and for self-interested reasons, on to the rocks of Grexit. Sure, there are plausible academic arguments why a return to the drachma and subsequent devaluation could make their economy more competitive in time. But that requires a world record-breaking leap of faith into the unknown.

Greece faces the dreadful choice between being slowly crushed or quickly ripped apart. Even those with few sympathies for Tsipras must concede he arrived late to this fiasco; it is hard to argue that inept diplomacy did anything other than catalyse the crisis – those who disagree must ask why the conditions were ripe for the electoral rise of Syriza and its irreconcilable promises to end austerity and remain part of the eurozone.

The creditor nations are similarly torn. They also answer to electorates, many of which don't appear overly keen for their taxes to be spent on a bloated Greek public sector. They believe, correctly, that Greece's best hope is to remodel its economy and are right to question whether a Marxist and openly anti-capitalist government is up to the job.



All of these contradictory and confrontational impulses make sense. Bar one. Who can fully understand why the rest of the eurozone still remains so keen to hang on to Greece? At this point the collective aversion to Grexit amounts to a quasi-religious faith in the benefits and "irreversibility" of the euro project. It certainly defies all secular evidence. It can't be based on economics and the hope of shared prosperity – Greece's parlous state is the most obvious rebuttal to that argument. It can't be about solidarity, not when Greek cartoonists are outfitting Angela Merkel in fully Nazi regalia.

The risk of financial contagion appears to be contained and the eurozone now has the wherewithal (in the form of bail-out funds and bank resolution mechanisms) to fight its spread. The geopolitical threat was always over-egged, especially if Greece's ejection from the euro was handled with care and compassion and the country remained a valued member of the European Union and Nato.

The last remaining reason is that no European politician wants history to remember theirs as the hand which shoved the first member from the club. This has left the eurozone devoid of leadership.

Which is why **Wolfgang Schäuble** – the German finance minister who is so often portrayed as a pantomime villain – may end up being the only European politician to emerge from the current farrago with his reputation enhanced.

Back in May, Schäuble first floated the idea that Greece should hold a referendum on euro membership. He said: "That might even be a helpful measure for the Greek people to decide whether it is ready to accept what is necessary, or whether it wants something different." Hardly the words of an imperialistic thug. More recently the German finance minister has floated the idea of a "velvet divorce" with Greece's exit from the euro eased by debt relief and humanitarian aid.

Greece chose not to take this route – as is its perfect right – and therefore remains stuck in an intractable debt trap. However, it was a solution – one that was far from perfect but at least made

sense and could have worked – and Schäuble has been the only politician brave enough to come up with one of those.