

Professor Maria Negreponi-Delivanis, the distinguished Member of the Editorial Board of the “Romanian Distribution Committee Magazine” (<http://www.distribution-magazine.eu/maria-negreponi-delivanis-is-joining-the-%e2%80%9eromanian-distribution-committee-magazine-editorial-board/>), allowed us on Tuesday, June 12, 2012, to publish her “Open letter to Mrs. Christine Lagarde, Head of the IMF”. It is worth to remember, within this context, that two years ago, Professor Maria Negreponi-Delivanis posted on July 6, 2010 some comments to James Galbraith’s expressed opinion on the occasion of his appearance, on June 30, 2010, before the US Commission on Deficit Reduction (July 4, 2010, <http://rwer.wordpress.com/2010/07/04/galbriaths-statement-to-the-commission-on-deficit-reduction/>). As Economist-former Rector and Professor in the University of Macedonia Maria Negreponi-Delivanis argued, while agreeing with the analysis made by James Galbraith, that the economic particularities of Greece make awfully dangerous for its future a long term austerity policy ...

Open letter by Maria Negreponi-Delivanis to Mrs. Christine Lagarde, Head of the IMF (in relation to her statement that “Greeks do not pay taxes”)

Dear Mrs. Christine Lagarde,

In spite of your highly offensive attitude towards Greece and the Greek people, inherent in your statement according to which the Greek people, currently going through a terrible ordeal, “do not pay taxes” and consequently “you have no sympathy for them but the children of the Niger”, I would like to think that you are a victim of biased information. The reason is that due to my long-term and very close relationship with France, its Universities and my fellow economists, as well as the deep appreciation, admiration and love which I feel for the French people, its history and civilization, I am desperately trying to find some sort of justification for the fact that, in spite of your official position, you allowed yourself to forget that you are addressing yourself to an equal member of the Eurozone. Let me also add that the moral support Greece receives on a daily basis on the part of numerous French intellectuals and students, writers and Mass Media, as well as the adverse criticism triggered by your statements on the part of the French government, represent a ray of hope and light for us, and a great help in dealing with the economic and social genocide we have been witnessing for the past two and a half years.

I will therefore attempt, addressing myself to a fellow economist, to bring to your attention some evidence indicating that your relevant statements are unfounded and that Greeks do indeed pay taxes and quite heavy and inequitable ones for the matter.

1. On tax evasion

In spite of the fact that tax evasion represents a world-wide and certainly not exclusively Greek phenomenon, it is nevertheless doubtful whether the latter— as well as the underground economy— are more marked in Greece, in comparison to the EU average. If however you did not “dislike” the Greeks -as you confess- you would certainly realize that the high levels of tax evasion prevailing in Greece are not due to the “corrupted Greek people” and can certainly not be eliminated by means of the inhuman and totally ineffective methods enforced on Greece by the Troika.

Given the fact that I am addressing myself to a top-level economist, I believe it is sufficient for me to point out a Greek particularity which is of paramount importance as far as

the problem of tax evasion is concerned. I will therefore refer you to the official Greek data, according to which the percentage of self-employed in total employment is more than double the EU average (40.7% in comparison to 16.6%). This is the primary reason for the low share of tax revenues in Greek GDP (i.e. for 2000: 34.6% compared to 40.4% in EU-27). However, in spite of the low share of tax revenues in Greece, one should point out that the tax burden of wage earners and pensioners is excessive. Indeed, their contribution to the total tax revenue is approximately double compared to the corresponding share of wages and pensions in GDP. On the contrary, the contribution of non-wage earners to the total tax burden is far lower than their income share in GDP. **Because of the fact that the high level of tax evasion in Greece is primarily due to the unorthodox employment structure of the country, I have been arguing for years that, in spite of its drawbacks, Greece should probably be better off adopting a consumption tax, as viewed by Kaldor, combined with elements of progressive taxation.** The high level of tax evasion represents a major problem for Greece. **However, it is impossible to eliminate it through patchy, unprepared and terribly unjust measures, such as those systematically selected and enforced by the Troika. These measures, in spite of the pauperization of wage earners and pensioners resulted –as you well know- in the plummeting and certainly not growth, of tax revenues for 2011 and 2012. It is obvious Mrs Lagarde that you will need to find a different reason for disliking the Greeks, rather than they “do not pay their taxes”.**

I wholeheartedly share your sympathy for the children of the Niger. I would have hoped therefore, that being in such a position of power, would have enabled you to convince the wealthy world economies to raise their inadmissibly small amount of aid towards the Third World. However, I am frankly at a loss to understand in what way the imposition of third world living conditions on a small European economy such as Greece, could alleviate the difficulties faced by the children of the Niger; for you must certainly be aware of the fact that this is where the Memorandums and loan contracts of the Troika have driven Greece. **For the 5th consecutive year, Greece is witnessing a harsh depression which has resulted in a 24% drop of GDP, 22% of unemployment, 7 out of 10 young people declaring that they would like to leave their country and emigrate abroad, 30% drop in wages and pensions, poverty embracing 40% of the people, one in three enterprises closing down, shop tenants unable to pay for their rent, the destruction of the welfare state and patients with terminal illness unable to procure the necessary medicine, soaring of criminality, unprecedented growth of suicides for economic reasons, rough sleepers taking over streets and pavements, people eating garbage and pupils fainting as a result of hunger in many schools.**

I therefore wonder whether this is the kind of Europe I have been fighting for since my student years.

2. Greek myths continued

Mrs. Lagarde, your statement concerning the children of the Niger is not merely spontaneous, but also the source of justified concerns as to the intentions of the IMF which you are heading, and the other members of the Troika. The question is whether, apart from the obvious desire to cruelly punish Greece, there is any perspective for its salvation and an exit from the crisis. In spite of the fact that such a doubt should be dismissed as simplistic and ill-

wishing – under normal circumstances- in the case of Greece it is undoubtedly well founded. Apart from the well known ruinous history of the IMF wherever it intervened, in the case of Greece, the programs imposed by the Troika are founded on a totally erroneous diagnosis of the real problems faced by the economy and it is therefore a priori certain that they will result in disastrous consequences. Apart from the myth that “Greeks do not pay taxes” because they are obviously more corrupt than other people, the programs imposed by the Troika are further based on the totally erroneous assumption that the public sector is oversized. This totally unfounded assumption is at the origin of the decisions concerning the measures imposed. Such an assumption should obviously be dismissed in the case of an economy like the Greek one, with such a high share of self-employment in total employment and such a low share of tax revenues compared to the EU average. Apart from this general ascertainment however, there is concrete statistical evidence – published by the OECD- indicating that the number of Greek civil servants as a share in total employment, is perfectly in line with the EU average and even among the lower ones in Europe . I would agree with you if you advanced the argument that the Greek public sector is not sufficiently efficient and should be improved, in spite of the fact that a number of relevant studies conclude that the average educational level of civil servants is quite satisfactory. I am at a loss to understand however, in what way the carnage involving the laying off 150.000-200.000 of civil servants which the Troika has decided and insists upon, could render the Greek public sector more efficient. As for the degree of corruption characterizing the Greek public sector, the daily announcements concerning widespread phenomena of corruption on both the European and the world level, cannot possibly convince me that Greece enjoys the place of honor. On the contrary, I am led to believe that my country has become the scapegoat for all kinds of insulting and unjust accusations and given the fact that –at least up to today- there has unfortunately been no counterargument, there is no limit to what one may think. Still another myth on which the Troika bases the pogrom directed against Greek workers, relates to the “lazy Greeks”, in spite of official data pointing in exactly the opposite direction: that the weekly working hours of an average Greek worker are more than the EU average (38.5 vs 35). Furthermore, the cornerstone of the policy imposed by the Troika on Greece , that is the internal devaluation brutally enforced on the country during the last two years, did not have the slightest chance of success. This generally unsuccessful policy is based on the assumption that a lower production cost – i.e. wages- will stimulate exports and that their growth might help lead the country out of the crisis. The share of exports in Greek GDP however, is as low as 24% and it would be utopian to believe that it might rise to such an extent as to provide a solution for the problems faced by Greece , especially now when a large part of the country’s productive base has been rendered useless. Furthermore, approximately 50% of Greek exports have to compete with similar products provided by the emerging economies, whose low wages cannot possibly be adopted in Europe . It is true that there has been a slight growth in Greek exports, obviously the result of a drop in domestic consumption, which gave rise to jubilations as to the success of the program imposed by the Troika. It was not long however, before Greek exports dropped again.

There is no need to point out that a policy based on a wrong diagnosis of the problems it is supposed to resolve, is a priori doomed to failure. This is exactly the case: in spite of the huge sacrifices committed by its citizens, the condition of the Greek economy is steadily worsening. The ratio of debt to GDP started out at 115% in 2009 and provided all goes well, is expected to rise to 132% by 2020! However, if we stick to the memorandum, there will be no Greece left by

this point, given the fact that the country will have sold off all of its public property at a derogatory price, in the name of its alleged “exploitation”.

The hopeless management of the Greek debt by the Troika is finally being acknowledged beyond all doubt by all serious economists and every single economic publication worldwide. The Troika however, is blind and deaf, while its leaders endlessly repeat that “ Greece must fulfill its obligations stipulated by the memorandum”. Furthermore, on the eve of national elections, Greece is being cruelly threatened and daily confronted with the dilemma “memorandum or reversion to the drachma”. I feel however, that this is a false dilemma, as everything seems to indicate that forces exogenous to Greece will be the decisive ones.

Indeed Mrs. Lagarde, the very foundations of the EU and the Eurozone are trembling now that Spain is subject to some kind of supervision – certainly more lenient than that imposed on Greece , in spite of the fact that it represents a far more severe case, obviously because it did not attract your dislike. Spain is being closely followed by Italy with France a short way behind...So Mrs. Lagarde, I trust that you will agree that the decryption of the parameters and stipulations related to this dilemma you have presented us with, as well as your true intentions, is a matter of life and death for Greece. The question is, as long as by sticking to this fatal memorandum we are definitely doomed and with no hope left, why do you force us to choose it? If you are indeed preparing, under the utmost secrecy, our exit from the EU-Eurozone, obviously under circumstances that would suit you but not us, why should we remain idle? If Europe will consist of sovereigns and serfs in the future, should we not have the chance to decide whether we would like to remain in the euro, in spite of everything? Even more, if the same Europe which unfortunately did not honor any of its initial promises, is on its way to destruction, under what rationale would you expect us to deal with your likes or dislikes Mrs. Lagarde, instead of fighting with all our might to find the least destructive solution for us?

Finally, I believe that the Greek people owe you their thanks, because as a result of your honest statement, as head of the IMF, you are helping them realize their true position and take the right decisions. You have told us the truth, Mrs. Lagarde: You don't like us and obviously it is not only you...therefore your major concern cannot possibly be our salvation. But in this case, could you please tell us, why exactly are you blackmailing us into sticking to the memorandum?

Please accept my best regards,

Maria Negreponi-Delivanis Thessaloniki, 11 June 2012

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