

GAME IS OVER FOR GREECE ONCE MORE

Back in 2009 the newly elected PASOK government was in denial regarding the economic situation of the country. Instead of taking immediate remedial action they decided to honour their pre-election promises and started to give hand-outs to various social groups despite the revelation of a sky rocketing deficit. A desperate Jean-Claude Juncker, the chairman of the Eurogroup has said in a press conference the famous words: "Game is over for Greece".

Five and a half years later Mr. Juncker, from a different position, is very close to repeating the famous words. As I have already predicted a few days ago Greece is very close to run out of money while a Cyprus situation is not impossible. Official state reserves are very low and the government will be unable to cover day-to-day obligations very soon. Government proposals to raise short-term finance through Treasury Bills with liquidity provided by the ECB are unlikely to be accepted. The head of the Bruegel think tank has yesterday warned about the lack of progress in negotiating a program (Greece and the euro area need a deal within days, not months - here are the essential elements for a deal by Guntram B. Wolff on 2nd February 2015).

The so-called political negotiation will come soon to an abrupt end. SYRIZA is not in opposition anymore. They have to come up with a credible program including public finance measures and reforms. The issue of the debt is also crucial but whatever restructuring formula is adopted it will not resolve the underlying financing problem. The Finance Minister's European tour and the contradictory statements on debt have fuelled speculation on a SYRIZA turn. However, the government spokesman has publicly declared that there is no turn and they are only exploring different technical scenarios.

The ECB will be in great difficulty tomorrow to extend the ELA for another 15 days as the Minister of Finance and other government officials continue to declare the

current program as dead. Furthermore, the next Eurogroup meeting on the 16th of February must be considered as very crucial for the government as the other members of the club wait for clarifications regarding its intentions.

The markets reaction over the last two days does not correspond to reality and very soon investors will realise that all the difficult issues are ahead as negotiations on a new program will unearth the real underlying problems of a policy shift.

The SYRIZA government must come out soon with a generous reform package and a credible public finance program in order to win over doubters in the EU and kick-start the economy following three months of uncertainty. The persistence of tourist bookings for the summer and the low oil prices are on their side but general declarations do not amount to a consistent and solid basis for the necessary policy shift.

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