

Greek debt restructuring would result in a 'huge mess', says EC head

by Angus Foote on Sep 14, 2011 at 10:05



ISEO, ITALY: Debt restructuring in Greece would result in a 'huge mess' and the threat of contagion would also be increased, said EC Commissioner Marco Buti today.

Buti, director general for economic and financial affairs at the European Commission, was speaking at Pioneer's European Colloquia investment conference in Italy.

While a lot has been done in Greece to overcome the many structural challenges, the problem was not just about debt, he said.

'It's a broader issue of the basic functioning of the public finances.'

Debt restructuring could not be envisaged without a 'huge mess', he said. 'But it's an illusion that we can surgically cap around Greece. The threat of contagion is huge.'

For the long term, closer fiscal integration is the key to future stability, he said - but greater fiscal rigour was also vital.

While Buti called for further financial integration within Europe as a precondition for a successful growth plan, he warned that it would be wrong to aim for integration by stealth. 'We need to build a new consensus about a commonly shared vision of Europe's destination,' he said. 'We need to carry the public with us.'

Reports that public opinion in key European countries had shifted to become more Eurosceptic were, he said, basically wrong.

But he warned: 'Nothing is possible without men and women; nothing is lasting without institutions.'

Brussels, he said, would insist on member states focusing on fiscal rigour but also focusing on growth issues.

'We have to provide a backstop, but also a way of generating growth. A lot has been done but we always seem to be behind the curve. The challenge is to get ahead of the curve.'