

Timothy Geithner reveals Schäuble's plan to kick Greece out of the euro and 'terrify' the rest of Europe

In his new book 'Stress Test' just released in the US, Timothy Geithner has revealed that in 2012 German Finance Minister Wolfgang Schäuble had presented him with a plan to kick Greece out of the eurozone. This, he said, would appease German voters and terrify Europe.

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"Germany will stand by you and the Greek people in the struggle to contend with our shared challenges in Europe and the eurozone." So said German Chancellor Angela Merkel to interim Prime Minister Lucas Papademos in November 2011. However around the time the chancellor was pledging solidarity, her Finance Minister was drawing up plans to kick Greece out of the eurozone.

That has been revealed by former US Treasury Secretary Timothy Geithner in his recently released book 'Stress Test'. According to Geithner who, together with the rest of the Obama administration, had watched with alarm as the Europeans appeared unable to contain the sovereign debt crisis triggered by one of its smallest members, he met with Schäuble on the island of Sylt in the North Sea in July 2012.

Geithner states that during the meeting Schäuble presented him with a plan to kick Greece out of the eurozone. This, according to the German Finance Minister, would allow Germany to provide the financial support necessary to the Eurozone as the German people would no longer perceive the assistance as a bailout of the corrupt and profligate Greeks. Furthermore, according to Schäuble's logic, a Greek exit would scare the rest of Europe enough for them to commit to providing sufficient financial assistance in order prevent the system from collapsing.

Schäuble told his US counterpart that there were many in Europe who considered this reasonable and even a desirable strategy. For his part Geithner called the idea 'frightening' writing that he felt that it would create a crisis of confidence that would be difficult to contain regardless of how much money the Europeans subsequently pledged to shore up bankrupt states. He adds that he could not see why the Germans would feel better about bailing out Spain or Portugal than they would Greece.

In the book Geithner also once again highlights the disagreement between the Americans and Europeans in how the debt crisis should be handled at its outset in 2010. While European lenders remained doggedly committed to austerity and 'rhetoric of the Old Testament' Geithner writes he felt that imposing aggressive austerity too soon in Greece would be counterproductive as it would depress the economy and tax revenue, ultimately increasing the deficit. However the Europeans were not willing to listen to the advice provided by the Americans whom they blamed for causing the crisis in the first place.