

"GREECE is A+"

An open letter and call-to-action for public policy makers in Athens, Brussels, Frankfurt, and Washington, D.C.

November 2013

Call-to-action: It is an irrefutable fact that Greece has accomplished one of history's most extraordinary sovereign fiscal rejuvenations, an A+ performance. Now is the time to progress beyond the current economically irrational and anachronistic accounting that obfuscates that Greece merits an A+ credit rating and government bond interest costs below 5%. Now is the time to recognize that this accounting is the single biggest and most easily removed obstacle to extraordinary growth in Greece. And, now is the time for public policy makers to expeditiously advocate accounting as well as presentation that reflects economic reality, improves decision-making, and increases accountability.

Greece has advanced to 1st place from last place in only five years on two of the most important fiscal performance indicators, an accomplishment that most believed was impossible. Greece is now ready to repeat its extraordinary performance with extraordinary growth.

Greece is ranked 1st place among the European Union's 27 reporting members on the European Commission structural balance as a percent of GDP for 2013 from last place in 2009. To put this in perspective, Greece is moving ahead of world-class Sweden with a 2013 structural surplus of 1.2% of GDP compared to Sweden's 0.5% of GDP.

Greece is also ranked 1st place among the world's 30 advanced economies on the International Monetary Fund primary balance (cyclically adjusted) as a percent of GDP for 2014 from last place in 2009. To put this in perspective, Greece is moving ahead of world-class Singapore with a 2014 primary surplus (cyclically adjusted) of 5.4% of GDP compared to Singapore's 3.3% of GDP.

Greece Fiscal Performance vs. World-Class Countries

Structural Balance - EC Data (% of Potential GDP)				Primary Balance - IMF Data (Cyclically Adjusted, % of Potential GDP)					
		2014	2013	2009			2014	2013	2009
		Rank					Rank		
Greece		1st	1st	27th	Greece		1st	2nd	30th
Sweden		5th	2nd	1st	Singapore		3rd	3rd	6th
		Fiscal Performance Indicator					Fiscal Performance Indicator		
Greece		1.0%	1.2%	-14.8%	Greece		5.4%	4.2%	-13.6%
Sweden		-0.2%	0.5%	2.7%	Singapore		3.3%	3.6%	-0.4%

The importance of these fiscal performance indicators is illustrated by the following comments:

- "In high-debt advanced economies, consolidation should be anchored in credible medium-term plans, defined in cyclically adjusted terms..." (*IMF Fiscal Monitor*)
- "The only number that really matters is the structural deficit." (*International New York Times*)
- "The aim for fiscal policy should be a sustainable cyclically adjusted balance..." (*Financial Times*)

Now is the time to progress beyond the current economically irrational and anachronistic accounting that obfuscates that Greece merits an A+ credit rating and government bond interest costs below 5%. Now is the time to recognize that this accounting is the single biggest and most easily removed obstacle to extraordinary growth in Greece. And, now is the time for public policy makers to expeditiously advocate accounting as well as presentation that reflects economic reality, improves decision-making, and increases accountability.

We will contribute the resources necessary to change this unacceptable accounting status quo, now.

JAPONICA PARTNERS

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Data: EC European Economic Forecast, Autumn 2013. IMF Fiscal Monitor (October 2013).

Disclosure: Japonica Partners owns Greece government bonds.

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