TROIKA, MOU AND BAIL-IN: ECONOMIC FOLLY AND AN ILLEGAL CRIME AGAINST THE CYPRIOT PEOPLE - THE "VORACITY EFFECT" AS A CAUSE OF CYPRUS STATE FAILURE

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In March 2013, uniquely discriminating against Cyprus, Eurogroup/Troika imposed an illegal "bail-in" prior to offering a conditional "bail-out" in contrast to what it had done in other member-states, forcing the country to "participate" in its rescue effort. The illegality of the "bail-in" is not a matter of opinion or arbitrary evaluation. It is an acknowledged objective fact. There is no law in the Republic of Cyprus which allows such a preposterous deed. Part II of the Cyprus constitution protects fundamental rights and liberties, which are explicitly to be respected, including those of possessing, enjoying or disposing of any movable or immovable property (Article 23). Furthermore, there was no EU "bail-in" Bank Recovery and Resolution Directive in March 2013 when the "bail-in" along with other draconian measures were imposed on Cyprus. There was no harmonization of the procedures for resolving institutions at Union level.

Hence, "bail-in" lacked any legal basis. It was a shameful and discriminatory political decision. European officials tried to justify this perpetration in the name of the "taxpayers", who "should never again face losses from a bank failure" in a flimsy effort to cover up their criminal machinations and expedients to destroy the Cyprus banking system out of self-interest in addition to the political objectives of kicking out the Russians and weakening the people's resistance to an unjust solution of the Cyprus problem. In fact, it was these very "taxpayers", who were fleeced in three ways: First, taxes, rose from 25.9% of GDP in 2011 to 40.4% of GDP in 2014. Second, a large number of "taxpayers" saw their lifetime savings seized by the illegal "haircut". Third, as the credit rating agencies had been warning prior to Cyprus's exclusion from the money markets in May 2011, the state was eventually forced to take onto its balance sheet the liabilities of the banking system, compelling the "taxpayers" to repay more public debt: The €1,9 bn bond granted to Laiki Bank in June 2012, which has cost the "taxpayers" about €2,3 bn when the interest is included, was followed by the €1,5 bn lent to the Cooperative Central Bank, that will soon rise by another €200 mn.

EU hypocrisy was exposed in no uncertain terms in the case of Portugal's Banco Espirito Santo, which was rescued/recapitalized in July 2014 in order "to guarantee deposits and safeguard the financial system". These very arguments applied in the case of Cyprus, yet Portugal was spared despite the infamous bail-in recipe/template being in place and a declared EU policy line to the contrary.

Yet another proof of the malevolent discrimination against Cyprus is the statement by Mario Draghi, President of the ECB on 3.9.2015 that the ECB informed the Eurogroup that "a haircut in the case of Greece would be counter-productive for economic recovery as it would not only hurt bank depositors but also the SMEs". There could not be a more cynical yet official and resounding admission that these officials imposed the bail-in theft on the Cypriot people, stealing the lifetime savings of families and the working capital of Cypriot SMEs, fully aware of the catastrophic effect that this would exert on the economy and bank trust.

The unjust/ prejudiced/biased treatment of Cyprus both ex-ante and ex-post is evident and proven beyond any doubt. Any fair judge would reasonably concede such a verdict. Portugal, Ireland, Spain and Greece for the third time were rescued with a bail-out, not a bail-in. In Greece the national debt was haircut, not the depositors, the bank security holders and shareholders, with the so-called PSI of October 2011 that was so incompetently accepted by the Cyprus government without a quid pro quo, given its devastating effect on the balance sheets of the two major banks (€4,5 bn or a staggering 25% of the GDP). This is revealing of the lack of a visionary and competent leadership in Cyprus and a convincing narrative.

Capitalism in its political economy and not its ideological sense, as an economic system with its pros and cons holds the respect of property rights at the very crux of its philosophy. Private property and assets are its very essence and quintessence. In fact, private property rights are a pre-condition for capitalism which thrives on the trading of private goods, services and assets in competitive free markets. Yet this sacrosanct principle was savagely violated with the theft of Cypriot people's property and its illegal transfer to predators both in Cyprus and in Greece. Historically, the illegal transfer of property takes place only through wars, as the Cypriot people bitterly know from the 1974 Turkish invasion. The Eurogroup/Troika literally stabbed the Cypriot people in the back.

The "Voracity Effect" prevailed in Cyprus causing its state failure and the collapse of its economy. This happens in economies that lack a strong legal-political institutional infrastructure and are populated by multiple powerful groups. These Kleptocratic political, business and financial groups dynamically interact and impinge on the fiscal-financial-political process using fraudulent methods. They use clientelism, nepotism, favouritism, patronage and corruption as underhand tactics to enrich themselves. Through lack of meritocracy and favoritism the Kleptocrats kept planting mediocrities as leaders in business and politics. Incompetent leadership caused state failure. The vicious circle starts from the lack of meritocracy, a nepotism that spawns a clientelistic system, which in its turn breeds corruption. Corruption leads to system exploitation, failure and systemic collapse.

The Kleptocrats impose a non-cooperative, win-lose prisoner's dilemma reducing the social welfare function and inflicting heavy losses on society. In equilibrium, the "Voracity Effect" conditions lead to inefficiencies, slow economic growth and perverse windfall gains for the Kleptocrats via fiscal redistribution and the increase of national debt. Literally, the Kleptocratic drones devour the body politic / state and society, which become their prey. A myopic and self-destructive irrationality prevailed over Reason, Fairness and Justice. Cyprus Airways is an example of the plundering of a strategic asset of the state, which was treated as a political-party loot by incumbent governments like all semi-government organisations until it was bled to death and closed down in January 2015.

The Troika has not treated Program countries, especially Cyprus, with the respect and the spirit of solidarity required by a "Union". It has followed similar recipes in all program countries including Cyprus and Greece with similar results: Consecutive years of economic recession, higher unemployment, reduction of wages, increased taxes, reduced social benefits, the shrinking of the welfare state, demographic outflows and extraordinary loss of wealth, specifically in the case of Cyprus. The MoU austerity packages entrapped Program countries in a deep recession that Troika euphemistically calls stabilization. The negative repercussions in Cyprus included growing indebtedness of households and businesses, likely to lead to property divestment, inevitable non-performing loans (NPLs) that have exceeded 60% of total loans, human misery, the rise of poverty and inequality as testified by the Gini coefficient and social disintegration. The high percentage of NPLs is due not only to the destruction of the economy and the consequential high unemployment, but also due to the MoU emphasis on excessive taxation, which reduced disposable incomes and above all to the bail-in robbery, which destroyed the ability to pay. In sum, a diseased banking system caused a diseased economy, entailing a vicious feedback.

The bail-in looted the lifetime savings/wealth of ordinary citizens and placed them directly into the private pockets of corrupt and deceptive Kleptocratic groups and individuals in both Greece and Cyprus. The bail-in will continue to exert a deleterious effect on the savings-investment balance of the economy for the next generation, affecting future potential growth rates. The MoUs caused social, economic and, specifically in Greece, a shift to political radicalisation. Economic indicators worsened and prove that misguided austerity is not a growth-conducive model.

Troika is the manifest tool used by the ruling "elites" to safeguard their plutocratic / oligarchic interests via the façade of representative, in fact, spectator democracy. For Troika, reasonable wages and the social welfare state restrict the accumulation of capital and therefore should be dismantled. This is why aggressive Troika policies have caused Europe to regress to social conditions prevailing prior to WW2. Troika, an illegal and illegitimate contraption, treats economics as an ideology instead of the useful tool it can be, based on prevailing economic conditions. It enforces a neo-liberal technocratic-automaticity philosophy, permeated with sheer economic paralogism. The MoUs enact a predatory and inhuman neoliberal model in which the poor and the middle class (which used to be the Cypriot society) bear the brunt of the economic crisis. They activate a naively arithmetic, undemocratic and dogmatic approach to economics, as expressed by George Orwell's "Two and two makes five", in his depiction of the "1984" totalitarian state. The democratic deficit exploded instead of being contained. The neoliberal MoUs cannot be abolished democratically as the Greek Referendum of 5.7.2015 and the elections of 20.9.2015 proved. The will of the people cannot affect the political agenda, while the the gulf between politics and policy continues. Europe does not need monsters like the Troika to devour people and weaken nations by forfeiting their sovereignty. The German-inspired "rules" approach has failed to resolve the continuing Eurozone crisis, as it lacks the vision for cohesion and the spirit of a true "Union".

Troika calls the treatment it delivers on program countries "fiscal consolidation" which is a euphemism for internal devaluation based on a concoction of neoliberal monetarist, rational expectations and supply side economics. In fact, internal devaluation plunders the national income and redistributes it away from labour (as a factor of production) and the poor towards capital and the rich, both domestically and abroad. Over taxation of the Cypriot citizens in an attempt to distribute the losses caused by the rapacious Kleptocrats and in effect finance them, over and above the wealth stolen by the bail-in, has been hurting the economy, while defying efficient taxation principles (Laffer curve) and the principle of Social Justice.

The Cyprus banking scandal should not go unpunished like the stock exchange scandal of 1999-2000, which fuelled the construction sector bubble that ensued. The lack of due punishment allowed the continuation of the pillage since the rule of law did not prevail. Moreover, the stock exchange scandal marked a headlong decline in moral standards, economic and political ethics, whose lack of punishment fed the greed, rapacity and hubris/arrogance of the Kleptocrats.

A Special Compensation Fund should be set up by law (as practiced in the USA, where heavy compensatory damages fines are imposed on companies for dereliction of duty, negligence and professional misconduct) to compensate gradually but fully the bailed-in innocent victims, that is, the robbed depositors, bank security holders and shareholders, who constitute in fact a large number of ordinary Cypriot people. The negligent/unscrupulous/ predatory/fraudulent/corrupt bankers, acting without due diligence and the required professionalism, amassed high-concentration risks and exposure in Greece. Not only did they lend inordinately to the extremely-risky Greek market, but they kept buying worthless Greek sovereign bonds, that the German and French banks were offloading. Domestically, the bankers revelled in embezzling funds through kickbacks, backhanders, huge salaries, perks and inflated fees, as well as in exploiting moral hazard and asymmetric information.

The damages caused by the bankers remain legitimate claims of the depositors, the bank security holders and shareholders on the perpetrating banks, which should primarily contribute to the Compensation Fund together with the Central Bank of Cyprus (CBC). The CBC like the ECB failed in its supervisory role, across the board, including the amassing of €9,5 bn ELA by the insolvent (not illiquid) Laiki/Popular bank, which was essentially transferred onto the shoulders of the bailed-in victims. The government, which legitimised the illegal Eurogroup bail-in by its signature, thus accepting the enforced theft and dispossession of its citizens and their children, is also morally bound to contribute by fighting tax evasion effectively and from future natural resource revenues. Wealth does not just disappear: Every balance sheet has two sides-the money grabbed/debited to the haircut victims was credited to the dishonest embezzlers, who abused their power for self-enrichment without any scruples that they were causing the downfall/failure of the state at the same time. Stolen wealth should be returned/reclaimed to the last cent, with interest. The law should be merciless against the criminal traitors who facilitated the Eurogroup/Troika coup d’ état and the economic invasion of Cyprus, otherwise state failure will continue until there is no state any more. So far, despite the overwhelming failure, there is unfortunately no observable paradigm shift in institutional or political culture. This does not bode well for the future.