Congress of the United States
Washington, DC 20515

July 2, 2015

Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, D.C. 20431

Dear Ms. Lagarde:

We are writing to you out of concern for the course of the current negotiations between the government of Greece and European officials, of which the IMF is a major party. We are worried that if the parties cannot reach an agreement, there is a risk of a serious financial crisis that would not only seriously damage the Greek economy, but could also cause further harm to Europe and the global economy.

The prolonged negotiations, as well as the restrictions on credit to the Greek government and banking system as the European Central Bank tries to force more concessions from Greece, have already pushed Greece back into recession and make its recovery more difficult with each passing week.

We are particularly concerned with recent statements from the IMF and European officials, as well as press reports, indicating that the Fund is taking a hard line with respect to demands that Greece implement further reforms. The Greek people have already suffered through a very painful adjustment over the past six years, losing more than a quarter of their national output, and with 26 percent of their labor force and more than half of young workers falling into unemployment.

This year, the economy was projected to grow by 2.5 percent, and recovery was to take hold. A primary budget surplus of 3 percent of GDP was projected by the IMF. But the economic turmoil caused by the standoff between the new Greek government and its creditors, including the ECB's restriction of liquidity at the same time that deposits were leaving the banking system, has been a huge blow to the economy and to Greece's debt sustainability. The human costs of the current severe cash crunch are also increasing: the *New York Times* reports: "The 140 or so public hospitals in Greece received just €43 million from the state — down from €650 million during the same period last year."

Greece has already reduced its national public sector work force by 19 percent and carried out many of the reforms demanded by the IMF and its creditors. It has gone through an enormous fiscal adjustment, achieving the largest cyclically adjusted primary budget surplus in the euro area last year; and a very large current account adjustment (with a 36 percent reduction in imports). At the same time, as even the IMF has acknowledged in its own research, the austerity imposed by Greece's creditors over the past five years turned out to be far more devastating to the economy than they had predicted.

The IMF's insistence – stated last year in its Fifth Review of the current loan agreement – that Greece run primary budget surpluses of more than 4 percent of GDP – for "many years to come," in order to pay off debt – is now widely recognized as a mistake. Greece needs a solution that makes economic recovery a priority – otherwise it will continue falling back into the same trap of austerity, recession, and increasingly unsustainable debt.

The Greek government has demonstrated its willingness to compromise, but as the IMF's European Director Poul Thomsen – who has been very much involved in the Greek bailout since 2010 -- noted last month, there must be flexibility on both sides: "Clearly, the new government has been elected with a strong public mandate to change the program, no doubt about that, and no doubt that, of course, we fully accept this. As always, we will be flexible."

As members of the U.S. Congress, we must also note the unprecedented difficulty that the IMF's proposed quota and governance reform has faced in the U.S. Congress since 2010. As you know, this also has global implications, as some governments in developing countries have begun to lose confidence in this effort to make the IMF's voting structure more representative of its member countries in the twenty-first century, and are seeking institutional alternatives. It will be difficult to get a majority of the U.S. Congress on board for these important reforms if the IMF is seen as responsible for further damage to the Greek economy, as well as the currently unforeseeable consequences of any financial collapse.

We urge you to show the promised flexibility as soon as possible, in order to avoid a default situation or other unintended consequences.

Sincerely,

Alan Grayson
Member of Congress

Bernard Sanders
United States Senator

John Conyers, Jr.
Member of Congress

Raúl Grijalva
Member of Congress

Keith Ellison
Member of Congress

Henry C. "Hank" Johnson, Jr.
Member of Congress

Jan Schakowsky
Member of Congress

John Lewis
Member of Congress

Jerrold Nadler
Member of Congress

Rosa DeLauro
Member of Congress