United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100
TELEPHONE: (202) 224–0642 FAX: (202) 224–4835

January 29, 2015

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

Dear Ms. Lagarde,

This week, the Greek people elected a new government and invested that government with a mandate to reverse the failed austerity policies of the last six years. It is an important election, not just for people in Greece but for people all over the world struggling with declining spending on their own human needs even as they see rising profits for the financial sector.

Nowhere is this contrast more clear than in Greece. The costs of austerity in humanitarian terms are clear. One in four workers is unemployed, and the health system has been cut by 40%. Homelessness has spiked by a quarter, and HIV cases have increased by 200%. Hospitals are missing basic equipment such as surgical gloves, and pharmacies are running out of medicines. Malaria, once under control, is returning because Greek cities cannot pay for mosquito spray.

The humanitarian cost is severe, but it is important to note that these cuts have failed to address Greece's debt problems. Despite these cuts, or rather because of them, the Greek economy is smaller than it was just a few years ago, and the debt to GDP ratio is higher than it was when austerity measures were first implemented. As a result, failed austerity policies are leading to a heightened risk of financial contagion, which should be a key concern of the Fund. Should failed austerity policies continue in Greece, Spain, and Italy, the international banking system will have its resilience severely tested.

Finally, the most significant cost is political. The severity of these austerity measures has created a dangerous political vacuum. The neo-Nazi party Golden Dawn has gained seats in the Greek Parliament, and is waiting in the wings should the current government fail. The resurgence of the anti-democractic right is not isolated to Greece. Extremist parties all over Europe are gaining as austerity measures are imposed on nation after nation.

With a new Greek government in place, we have an opportunity to stop the slide of Greece, the Eurozone, and the global financial system into chaos. The people of Spain, Italy, and Portugal are watching to see if this situation can be addressed in a manner that can point toward a pathway to broad based economic recovery in their countries. The International Monetary Fund, as a multi-lateral institution and one member of the "Troika" negotiating with this Greek government, has an important role to play. As ranking member of the Budget Committee, I am concerned about the IMF using United States government resources to impose austerity on a people that cannot take any more of it and risking severe financial contagion and political instability in doing so. I also believe that with the right leadership and choices, the IMF can help resolve this painful situation in a way that recognizes reasonable losses to creditors while aiding the Greek government in reducing tax evasion and corruption.

There is substantial debate over whether the American government should increase the amount of U.S. resources available to the IMF for lending to foreign countries. Without wading into this debate for the moment, I would like to understand how our commitments are being used in this case, and whether those commitments are being used to induce financial contagion and right-wing political extremism through excessive austerity or to aid in helping Greece and the rest of Europe achieve a manageable debt load and a sustainable economy.

With this in mind, I would appreciate a meeting with you and a briefing by the team at the Fund that is handling the Greek situation. My senior policy advisor, Matt Stoller, will be in contact with your office to follow up and arrange a briefing.

Sincerely,

Bernard Sanders
United States Senator