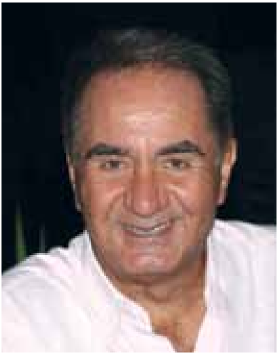
Theodore Katsanevas

Greece Should Exit Euro, Promote Growth



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I send you greetings from Athens, where it is a sunny day, but our whole existence is dark. Allow me to say that every day here in Greece, more than 1,000 people lose their jobs, about 3-5 people every day commit sui-

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Homeless in Athens: the result of the disastrous EU policies that have left Greece in the worst crisis since World War II.

that is hitting the peripheral economies, like Greece. More and more strict measures are imposed upon my country, despite the failure of the initial austerity policies taken after the crisis of 2008-09.

The country is facing an endless depression that creates more depression, leads to huge unemployment, widespread poverty, and kills hopes for a better future. The economy follows a recessionary vortex which leads to further contraction in domestic consumption, reduces the tax base, and extinguishes development possibilities. Imported products from our competitors, who trade internationally with soft currencies, remain cheaper or much cheaper than our own.

cide because of the economic situation; unemployment is rising fast, at levels of 25-30%; enterprises cannot cope with their debts; and millions of people are falling into absolute poverty.

Never, never, *never* in the last 100 years or even more, excluding periods of war, have we seen such a disaster.

A simple question arises: Why did we enter the Eurozone, if not to improve the Greek economy? Yet the opposite happened. Never in the postwar period, living with our own currency, the drachma, did we see a disaster like what we are facing now.

Our entrance to the Eurozone in 2002, together with (I have to admit it) the government's mismanagement of the last 15 years, reduced our economy to ashes. This is because of the government, not the Greek people. Allow me to say that the Greek people work, according to international statistics, *more* than people in other European countries; but I must accept that labor productivity in the public sector is very low.

But there is a deeper problem than this, which is a systemic problem. In my view, it is the Eurozone, its loose existence without a strong central management,

The main focus of the regional Greek economy on tourism and agriculture requires a labor-intensive production process. Labor costs cannot be compressed below a certain level, so total production costs will be lower than or equal to that of our competitors. To speak simply: A room in a Greek hotel costs about double that of countries with soft currencies, such as Turkey, Egypt, Bulgaria, Romania, or Hungary. Greek olives, oranges, lemons, peaches, and cherries, falling from our trees and rotting, are supplanted by cheaper imports from faraway Argentina, Morocco, Egypt, etc.

Is it "the economy, stupid"? Of course not. The "clever" Dutch, and not only they, import agricultural products from outside the Eurozone, baptize them as "European," and re-export them to the "stupid Greeks." The cost of fertilizers produced by oligopoly companies in north Europe is more than double that of Greek fertilizers, with relevant consequences for production costs.

Imported Greek armaments from the West, in the last ten years, cost about EU90 billion—a sum almost equivalent to our original deficit. Turkey, a candidate for entering the European Union, continues to direct threats against the territorial integrity of Greece and Cyprus, and obliges us to spend the largest portion of GNP internationally on armaments, after the U.S.A. The same country bombards us with 200,000 illegal immigrants yearly, while our children are fleeing abroad, with tragic consequences for our economic and national existence.

Who Wants the Euro?

The "suit" of the euro is tailored to the measurements of the northern European countries that produce capital-intensive products of oligopoly, of high technology and innovation. The cost of these products can be compressed significantly, and profit margins are very high. So, the strong euro permits Germany and our other northern allies, to accumulate high foreign-exchange surpluses, and speculate on the huge difference in spreads.

Exploring the impact of the Eurozone upon several countries, we made an impressive finding. The developmental course of the GIPSI (Greece, Italy, Portugal, Spain, Ireland) continued well, before they joined the euro in 1999-2002, but dropped a little later. The same is more or less true for other Eurozone countries, and especially for Cyprus, Slovenia, Slovakia, Estonia, and Belgium. Instead, countries outside the Eurozone, such as Britain, Denmark, Sweden, the Czech Republic, Bulgaria, Hungary, Poland, and Romania, maintained a steady growth trend, with a partial decline with the advent of the crisis of 2009.[1]

Countries outside the EU, such as Norway, Serbia, and Turkey, are withstanding the crisis, as are Russia and others. Argentina, after disconnecting its currency from the hard dollar, developed exponentially, not to mention the impressive economic rise of China, mainly due to the soft yuan.

Let's be realistic. Our partners insist on keeping Greece inside the Eurozone, because they are afraid of the dangerous domino effect of the "Grexit." But maintaining our economy in a state of economic paralysis does not allow hopes for recovery. Our poor competitiveness, our shrinking domestic production and consumption at present, are leading to a vicious cycle of debt defaults and the need for more and more new loans. Over the longer term, this is burdensome to all, even to our lenders. It is true that the exit from the euro will initially be painful for a country like Greece; but now we are also experiencing pain, but without hope for tomorrow.

What We Should Do

As things stand today, a clear solution is a controlled bankruptcy, by cutting about 50% of total debt, with a grace period of two years to start repayment of the remaining 50%, and by extending the repayment period. And above all, exit from the euro, but, of course, without an exit from the European Union. The new drachma may be deflated initially by 50%, and then, a reasonable rate linked with a basket of currencies which will contain the euro, the dollar, and other soft currencies of our competitor countries. Another solution could be the creation of a second euro of the peripheral European countries.

In any case, the tragic rise of unemployment and suicides, the widespread closure of enterprises, the extreme cuts of salaries and pensions, the layoffs of civil servants at the age of 50-55 when they might not find a job in the private sector, the push of millions of people toward absolute poverty, apart from being inhumane, are obviously bad for the economy and politically unacceptable. They lead to a large drop of domestic demand, as well as to broad social uprising, with tragic economic, political, and social consequences.

No doubt, there is an urgent need for modernizing public administration, social insurance, and health care, and combating corruption, impunity, bureaucracy, and reducing tax evasion. As an active development policy, there is also a need to support healthy industrial and manufacturing units, and promote strategic sectors of the economy to alternative energy; exploiting oil, gas, and mineral resources; promoting quality and marine tourism; competitive and/or alternative agricultural crops, aquaculture, food industry and fertilizers; defense products, shipbuilding, pharmaceutical, transportation, financial services, new technologies, research, and innovation.

But for all that, the country should be ruled by a sense of fairness with efficiency, competence, and honesty by the best political human force, and not by the worst. And this is a point where our European friends can provide their useful advice and help.

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1. EU countries within the Eurozone are Austria, Belgium, France, Germany, Greece, Estonia, Ireland, Spain, Italy, Cyprus, Luxembourg, Malta, Holland, Portugal, Slovakia, Slovenia, Finland; those outside it are Bulgaria, Denmark, Lithuania, Great Britain, Hungary, Poland, Romania, Sweden, and the Czech Republic.