The Revolution of Grexit: The Plan

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“The Revolution of Grexit: The Plan”

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Abstract[1]

On July 5, 2015, Greece held a referendum for deciding on the blackmailing proposal submitted by the Institutions of the Eurogroup on 25th of June 2015. On the threshold of the credit suffocation, the Greek people did not relent and they expressed through their vote (a percentage of 61, 31% and 3.558.450 votes) their objection; one more “NO” in their history, similar to this of 28th October of 1940. However, the Greek leaders flinched to express this “NO” using tangible policies even if the short term consequences would be painful. Instead, the foreign partners, allies and friends to Greece “which belongs to the West”, still follow a strict austerity policy which has resulted in poverty of the majority of the Greek people, and in the stagflation. Igglesis Nikos, in his book “The Revolution of GREXIT: The Plan”, makes an attempt to present in a detailed way what the Greek people decided…an alternative and sustainable solution.

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[1] Written by Mr. Dimitrios Nikolaou Koumparoulis

Book Review[2]

The book "The Revolution of GREXIT: The Plan" delivers an alternative account and perspective on the story of the Greek financial crisis. After years of strict austerity and a worsening crisis, the Greek economy is still in a slump; while the new government SYRIZA-ANEL seems reluctant to negotiate a new deal with the EU institutions that will eventually lead to sustainable economic growth and social welfare. With this book, the author attempts to answer a critical question: "Is there an alternative solution for the Greek crisis?"

Nikos Igglesis makes explicit mention on the necessity to follow an alternative way to overcome the Greek crisis and foster sustainable economic development. Greece cannot create/sustain growth until the economic model of austerity (imposed by the EU institutions and IMF) is dismantled. Returning to the drachma (or creating a new drachma) seems like the only remaining solution for the country. The author suggests that withdrawal from the Eurozone (GREXIT) will enable Greece to seize control of its fate, taking back powerful weapons (i.e. monetary policy) for the "fight" against debt crisis and economic recession.

Targeting to address the lack of information concerning the discussion about economic and monetary integration, Nikos Igglesis presents a well-established framework to facilitate the transition to drachma, highlighting the associated risks and presenting the aftermaths of such a decision. The author sets the economic and social priorities, discussing what should be done to avoid inflation, layoffs, capital flight, shortages of essential commodities, and civil unrest (judging from what happened in Argentina when that country decided to abandon its dollar peg a decade ago).

Returning to drachma requires specific measures to be adopted by Greek authorities to deliver a smooth transition, which range from the establishment of a fixed exchange rate (between the euro and new drachma), the nationalization of the central bank and the setting of restrictions on outward capital flows to the debt haircut till the percentage that the latter can be characterized as sustainable and the return of country's gold and foreign exchange reserves. In a nutshell, the book describes measures and policy interventions in the following areas: a) debt, b) liquidity and banking system, c) capital mobility, d) exchange rate, e) deposits and interest rates and f) competitiveness and productivity.

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[2] Written by Mr. Dionysios Konstantinou Solomos

Overall, there has been a great deal of speculation concerning policies/ideas supporting the adoption of a national currency as a means to overcome the debt crisis. Proponents of drachma have been widely accused of attempting to create a political scene that allows speculators taking advantage from a cheap and weak currency to profit from exchange fluctuations and market failures (e.g. real estate). The book provides a different insight into the Greek debt crisis; attempting to build the case towards the adoption of a national currency that will help Greek economy boost exports, increase its productivity and pave the way for debt restructuring.

Notwithstanding, this approach does not take into account the other side of the coin. It is based on the assumption that lenders (incl. EU institutions, member-states, IMF and private investors) will accept the terms to be suggested by Greek authorities including for example the setting of a fixed exchange rate, debt restructuring and stable trading relationships; something that does not appear very feasible considering the recent history of tough negotiations. What is more, the consequences from the return to drachma are underestimated.

To conclude this book can serve as a useful guide for policy makers to explore the possibility of a national currency for the Greek case; however a more detailed analysis including quantitative estimations concerning the expected impact and consequences is necessary for reaching a final decision that will change the history of Greek people.

In any case, Greek authorities need to draw up a long-term plan for the next day (either staying or leaving the Eurozone) that will turn Greece into a modern European state with a strong economy, liberated from chronic interior pathologies.

References

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