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GREECE AND THE GLOBAL DEBT CRISIS

Thomas H. Greco, Jr.

ABSTRACT: *The Greek debt crisis is emblematic of a more general, decades-long pattern of economic exploitation and reactionary politics that threatens not only the European Union but the stability of the global financial infrastructure and Western democratic civilization. The situation calls for a different form of globalization, not one that is dominated by transnational banks and corporations, but one that is built upon local self-determination and self-reliance, and based on local and domestic control of money, credit, and finance. Greece (and other debtor countries) can recover a measure of sovereignty and rebuild its economy by combining "debt triage" with public and private actions for creating domestic liquidity.*

IN THE SUMMER OF 1977, I first ventured abroad from North America on a journey to explore ancient civilizations, cultures, and religions, and to experience contemporary life in Egypt, Israel, and Greece. During my six-week odyssey, I was able to visit the Pyramids, amble over the Holy Land, and visit the temple ruins of Athens and Delphi.

At one point while in Cairo I came upon a scene that greatly troubled me. There was a small burro hitched to an enormous cart that was laden to the hilt with onions. I felt nauseous as I watched the poor animal lying on its side being flogged by a man in a vain effort to rouse it to the task of moving what seemed to be an impossible load. As a stranger in a strange land, I felt helpless to intervene and quickly moved away. I often wonder what might have been the ultimate outcome, but in my imagination I see the man with the whip standing over the lifeless body of that animal lying in the street, and weeping in worry and frustration.

THE GREEK PREDICAMENT

Now, when I contemplate Greece's current predicament, that image comes to mind. I see Greece as that beaten and dying animal, overburdened with debt that is beyond its capacity to service, and being flogged by its creditors in a vain attempt to get it to pay up. In my mind's eye I see a future in which the dead carcass of Greece is being carved up and distributed amongst the creditor institutions. In actuality, Greece will survive, but under new (foreign) management, as she is forced to sell off her assets at fire-sale prices.

In the eyes of the Germans and other creditors, represented by the so-called "troika" institutions (the European Commission, the European Central Bank, and the International Monetary Fund), the Greek people are lazy freeloaders who have been living "high on the hog" at their expense, and who now balk at repaying what they borrowed. But there is another side to the story that paints a different picture, and even if there is a bit of truth in that characterization, what is there to be gained by creditors insisting upon their "pound of flesh"? As civilization has advanced, debtor prisons have been eliminated and bankruptcy laws have been instituted to protect people and companies from creditors who insist upon collecting more than debtors, for whatever reason, are able to pay. Why can't nations be afforded the same considerations?

First of all, it was not the Greek people who did the borrowing, it was a series of Greek governments that were either corrupted, coerced, or seduced into taking on a series of debts that were increasingly burdensome. Greece was lured into the debt trap from which it seems impossible to escape. Ellen Brown has summarized in her article, *The Greek Coup: Liquidity as a Weapon of Coercion*, some of the many moves that were made to ensnare the Greek government, and by extension, the Greek people.[1]

- The 2001 Goldman Sachs derivatives scheme, which doubled the nation's debt by 2005.
- The 2008 bank-induced credit crisis; in which the Greek government was forced by the ECB to bail out its insolvent private banks.
- The 2009 intentional criminal overstatement of Greece's debt by a Eurostat, which triggered the first bailout and accompanying austerity measures.
- The Greek prime minister replaced with an unelected technocrat, former governor of the Bank of Greece and later vice president of the ECB, who refused a debt restructuring and oversaw a second massive bailout (90% of which went to the banks) plus further austerity measures.
- December 2014, Goldman Sachs warns that central bank liquidity could be cut off if the Syriza Party were elected.
- When it was elected in January, the ECB made good on the threat, cutting bank liquidity to a trickle.
- When Prime Minister Tsipras called a public referendum in July at which the voters rejected the brutal austerity being imposed on them, the ECB shuttered the banks.
- The new bailout agreement being worked out forces the Greek government to surrender its public assets to the same private interests that caused the crisis.

And where has all the bailout money gone? A recent academic study from the European School of Management and Technology highlights the utter futility of the bailout programs in pulling Greece out of the quagmire of debt bondage and economic depression. The report concludes:

> This paper provides a descriptive analysis of where the Greek bailout money went since 2010 and finds that, contrary to widely held beliefs, less than €10 billion or a fraction of less than 5% of the overall programme went to the Greek fiscal budget. In contrast, the vast majority of the money went to existing creditors in the form of debt repayments and interest payments. The resulting risk transfer from the private to the public sector and the subsequent risk transfer within the public sector from international organizations such as the ECB and the IMF to European rescue mechanisms such as the ESM still constitute the most important challenge for the goal to achieve a sustainable fiscal situation in Greece.[2]

Much of the early Goldman Sachs involvement was aimed at helping Greece to appear qualified, when it was not, to enter the Euro currency union. Strong eurocentric sentiments and frustration over inflation of the drachma made adoption of the euro currency popular amongst the Greek people. But investigative reporter Greg Palast, with Michael Nevradakis,has made some compelling arguments that, "the euro itself . . . is the virus responsible for Greece's economic ills," and that "The imposition of the euro had one true goal: To end the European welfare state."[3]

If that be the case, then it is not Greece alone that has been a target. Palast and Nevradakis continue, pointing out, "Each Eurozone nation, unable to control neither the value of its own currency, nor its own budget, nor its own fiscal policy, could only compete for business by slashing regulations and taxes."

Whether that was the intention or not, Greece's participation in the euro currency union makes it almost impossible for it to correct its trade deficits vis-à-vis the other countries in the eurozone. It can be argued that, in real terms, Germany and other eurozone countries have been able to buy Greek goods and services at bargain prices, while selling their own products to Greeks at a premium.

But the crisis in Greece is only a symptom of a far more pervasive illness, one that is global and affects every nation and every individual in the world. We are presently experiencing a contest for sovereignty between the advocates of "government by the people" on one side, and on the other the elite global cabal that has for a long time been driving the world toward a neo-feudal "new world order," a cabal whose power is based on their control of the machinery of money, banking, and finance (Figure 1). They have created an interest-based, debt-money system in which debts will always increase faster than the supply of money that is available to pay them. This *debt-growth imperative* puts debtors collectively in an impossible situation. This system is therefore illegitimate, immoral, and illegal.

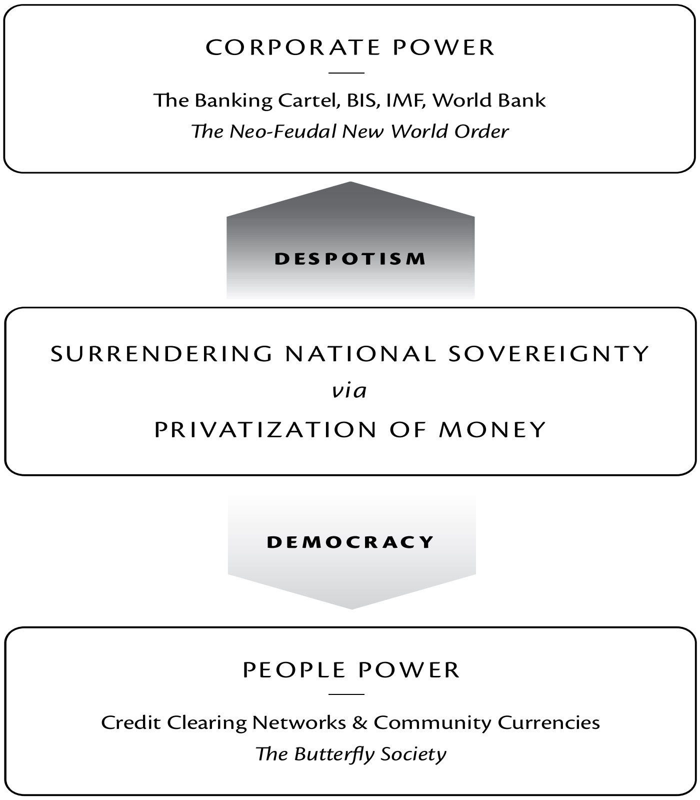

Figure 1: Surrendering National Sovereignty via Privatization of Money, Thomas H. Greco

Their control over the creation of money and the allocation of credit has enabled those few at the top of the banking/corporate pyramid to control politics worldwide and to push through a succession of tax cuts and treaties that, in the name of economic growth and "free trade," have caused governments to cede ever more power into the hands of this banking and corporate elite. In light of that, it is clear that democratic government is in grave danger, not only in Greece, but everywhere in the world.

In sum, the dimensions of the current predicament of Greece (and other debtor countries) include a staggering debt burden, declining economic output, high unemployment, an adverse balance of trade, imposed austerity, and loss of sovereignty. Greece has, in effect, with the help of the IMF, become an internal colony of the European Commission and banking establishment.

THE GREEK MILIEU

Over the past few years I have visited Greece several times, worked with some innovative grassroots initiatives, and consulted a number of different authors in an effort to understand not only the genesis and dimensions of the Greek debt crisis, but also the Greek culture and mentality. As is usually the case, the views of different authors often conflict. The best I can do is to list some of their assertions and advise the reader to draw their own conclusions. A comprehensive SWOT[4] analysis is beyond the scope of the chapter but I will highlight a few of the factors that appear to be significant.

According to Aristos Doxiadis,[5] Greeks tend to be individualistic or *familistic*, "neither obedient nor cooperative, possess a zero-sum mentality, and have a sense of entitlement." He argues that rebuilding the Greek economy will require creative interaction with the underlying realities of Greek society: the family, the small business, the habits of rentocracy and of low-trust opportunism.

Nikos Tsafos, who according to some of my Greek friends is overly critical and not up to date, lists the following as problems in his book, *Beyond Debt.*[6]

- An inefficient civil service
- Pension inequities
- Corruption and cronyism
- Tax evasion
- Inhospitable business environment
- Over-regulation of small business sector
- Inflexible employment
- Lack of competitiveness
- Unreliable statistics

But it seems to me that some of what these authors see as disadvantages are actually strengths. The Greeks have a number of advantages that make them resilient and will enable them to resist exploitation and eventually reclaim their sovereignty. Here are some of them:

- Small, family-owned business is still the mode in Greece.
- Small-scale, dispersed ownership of land and business, especially in agriculture and tourism.
- 57% of employed Greeks are either self-employed or employed in firms of under 10 workers.
- Self-employment, micro-employment, and family business are stable and fundamental institutions that provide multiple sources of income and a fallback occupation even for highly educated Greeks.
- Family solidarity provides for income sharing.
- Families invest heavily in real estate and education.
- There has been a low level of foreign investment, which means that absentee ownership has been minimal. (Unfortunately this is changing as the government is forced to sell off its assets to

satisfy the conditions of the bailout, and banks restrict the flow of credit to small enterprises).

PRESCRIPTIONS FOR GREECE AND OTHER DEBTOR COUNTRIES

Now that we recognize the elite agenda and the true nature of the political currencies that are being used to beat governments and peoples into submission, it is clear that we must find ways to:

1. disencumber ourselves of obligations that have been fraudulently imposed on us,
2. reduce our dependence on those systems and structures that disempower and exploit us, and
3. build functional alternatives that serve the common good.

Here are the steps that will eventually need to be taken by Greece and others that find themselves in a similar predicament.

1. *Respite*

   Delay debt repayment and freeze the amount owed (no further accrual of interest).

2. *Reduction*

   Renegotiate the amount to be paid to creditors. Select which creditors to be paid in full and which to be paid in part or not at all.

3. *Recovery and Restructuring*

   Develop a long-term strategy for rebuilding the local and domestic economies and democratic governments.

Greece and its creditors need to recognize the fact that *the Greek government is insolvent* and needs to be relieved of its crushing debt burden, while at the same time the Greek leadership needs to develop a long-range plan for rebuilding the Greek economy and stabilizing and balancing its budget in a way that assures it will not again fall into the same morass of problems. What might that plan look like?

First, the Greek government must push its creditors to relieve it of a big portion of its debt burden to stabilize the situation and give the Greek economy a chance to recover; second, the economy must be rebuilt from the bottom up in a way that will make it more robust, sustainable, and even "anti-fragile."[7] That means reducing dependence upon foreign capital and export markets, and increasing reliance upon internal resources.

Such a plan must be worked out with input and participation from the widest possible range of interests, including municipal governments, small and medium sized businesses, labor organizations, and the nonprofit sector, as well as corporate business, but the national government should make a commitment to do the following:

1. Eliminate impediments to self-help initiatives and local community self-reliance, giving municipalities greater autonomy.
2. Support entrepreneurship and small business. This may take the form of small business incubators and co-working spaces, plus reducing or eliminating burdensome regulations and taxes.
3. Encourage investment in domestic enterprises and infrastructure.
4. And most importantly, support the emergence of supplemental sources of home-grown liquidity, i.e., credit clearing exchanges and private and community currencies that are spent into circulation by trusted domestic producers of goods and services that are in everyday demand.

DEBT TRIAGE

With regard to its debts, the government needs to find respite and relief. As in a corporate bankruptcy, all debts must be frozen with no further accrual of interest until its finances can be restructured, then, decisions must be made about which obligations will be honored and which will be repudiated. Government obligations should be divided into three categories.

1. Obligations to pension funds, municipalities, schools, employees, and contractors. Except in cases where there was fraud or corruption, these must be fully honored.
2. Obligations to banks that have loaned money that they created "out of thin air," and obligations to supra-bank entities like the IMF, World Bank, ECB, etc. Much of this debt should be repudiated as illegitimate, immoral, and even illegal.
3. Legitimate obligations to non-bank corporations and certain other entities should be honored but the period of repayment should be stretched out with annual repayments being capped at a reasonable percentage of total output (GDP) so as not to impede capital formation or impose undue hardship on the people.

In all cases, any interest that has been paid on loans in the past should be considered as principal repayment.

CREATE DOMESTIC LIQUIDITY

The fundamental need of any developed economy is for a means of payment (liquidity) to facilitate exchange of real goods and services. As described above, the ECB cannot be relied upon to provide an adequate supply of euro currency, nor is the euro a "friendly" instrument for enabling domestic trade. The provision of domestic liquidity, in turn, enables higher levels of domestic trade and fosters domestic economic development. Initiatives can originate from the government, from communities, or the business sector. Here are some examples:

- Tax Anticipation Warrants

Tax revenues provide a solid foundation for the issuance of a government currency. There is plenty of historical precedent for Tax Anticipation Warrants or notes, and many contemporary writers have put forth proposals of that kind for Greece. But there are limits to everything, and if this Greek currency is to be both interest-free and inflation-free, the government must, along with balancing its budget, limit the amount of warrants it issues to some reasonable proportion of its annual revenues. They also must not be favored with legal tender status beyond the government's own promise to receive them back, at face value, in payment for taxes and dues. But, tax anticipation notes will not provide enough liquidity for the economy to thrive as it should. So what else needs to happen?

- Reemployment Notes

There is also precedent for "development loans" to be made by government agencies to support domestic business and industry and thus get the wheels of commerce turning again and put unemployed people back to work. The government should therefore establish a national Development Bank to allocate, especially to small and medium-sized domestic businesses, what might be called *Reemployment notes* (or *credits*). These should be interest-free and repayable within a relatively short period of time, say one or two years, but they should be issued in a steady stream to maintain liquidity at an optimal level. These loans should go first to businesses that have a ready supply of goods and services that can immediately be sold. As the Reemployment notes are used to pay employees and suppliers, they begin to circulate throughout the domestic economy enabling numerous transactions to occur prior to their repayment. By the simultaneous injection of currency and goods into the market, inflation and debasement of this currency will be avoided.

- Private Currencies and Credit Clearing Exchanges

A further step should be to encourage and support the emergence of non-governmental payment media. Private and

> community currencies have a long history and they have again been popping up around the world over the past 30 years. Most of these have had very little impact, but if properly done, such currencies have enormous potential for revitalizing local economies and promoting resilience and self-reliance. Private currencies that are spent into circulation by trusted producers of desired goods and services can provide "home grown liquidity" that is readily available and interest-free. By monetizing the value of goods and services that are already in the market and waiting to be bought, private currencies can also be inflation-free. Like tax anticipation warrants, these too have the power to put people back to work and connect unmet needs with available supplies. Railway notes that were issued during the 19th century are one example of how valued services can be monetized to provide a sound circulating medium of exchange.[8]

An even better way of achieving the same results is by organizing *Mutual Credit Clearing associations* to enable reciprocity amongst businesses that exchange goods and services with one another. The 80-year-old Swiss WIR cooperative business circle is a good example of the successful application of the clearing process, as are the scores of commercial trade exchanges (sometimes called "barter exchanges") that have been operating successfully for the past several decades all over the world. One such successful exchange that I recently visited, called Sardex, has for the past five years been providing domestic liquidity on the island of Sardinia through the credit clearing services it provides for its 3,000 business members.

Meanwhile, at the grassroots level, systems like LETS[9], and the Greek version called TEM, are struggling to find the proper procedures needed to achieve effective scale and scope of operation. They, too, have enormous potential benefits, especially if ways can be found to harmonize their structures and operations with those of the commercial trade exchanges.

- Solidarity Loans

> We are all together in this battle for freedom, sovereignty, and a humane world order. People everywhere need to stand in solidarity with the people on the front lines, and right now the front lines are in Greece. It has been suggested that supporters might help cash-starved small businesses operating in places like Greece by making small euro loans to them through crowdfunding or crowdsourcing campaigns. Such a program might help some businesses to hang on a bit longer, but liquidity added to the Greek economy in this way would only provide a small amount of short-term relief because the euro currency will quickly be drained away from the domestic economy as payments are made on external debts, or to pay for imports, or as people hoard physical cash. However, there is a way that euro loans can provide longer term liquidity that will not leak out of the country or be hoarded.

The government can provide "home grown liquidity" (payment media) by issuing its own national currency that could circulate alongside the euro, but that must be done in ways that are non-inflationary and maintain parity with the euro. Any currency issued by the government therefore must not be forced to circulate by making it a general legal tender. Only the government should be required to accept its own currencies as payment of taxes and other dues; everyone else should be free to refuse it or discount it. However, when issued in proper proportion to its anticipated revenues, government-issued currencies will be acceptable in the marketplace at par with the euro.

HOW DOES IT WORK?

Crowdfunders or peer-to-peer lenders can provide euros or other political currencies to a nonprofit entity that would act as trustee that would then make loans to selected businesses, not in euros but in the form of Solidarity Notes (SOL). Each SOL note would be 100% backed by euro or other currency deposits like Swiss francs, or, better yet, by real assets that will hold their value despite bank failures, deposit confiscation, or debasement of political currencies by the monetary authorities.

SOL currency can then be used by the selected businesses to pay their employees and suppliers who can, in turn, use them to make purchases from shops or other providers of desired goods and services. SOL currency will change hands many times prior to repayment of the loans, circulating throughout the Greek economy, in parallel with euro currency for the duration of the loan, which might be two or three years, or even longer. As the business borrowers earn back the SOL, they will repay their loans at maturity. The trustee will then return to the original lenders the political currency that they provided as backing for the SOL. Whatever income is derived from the political currency investments can be used to cover the costs incurred by the trustee organization in administering the program, and any residual income might be paid out as dividends to the people who provided the capital.

The key to success of this program is to provide the SOL loans to established businesses that have desired goods and services that are already available and waiting for buyers. The goods and services could be food, medicines, clothing, housewares, building supplies, energy, or any other necessities, plus essential services like transport and medical care. In each case SOL provides the payment media needed to connect available supplies with unmet needs.

In summary, this is the process:

- Supporters provide a trustee organization with deposits of euros, dollars, pounds, or other political currency that the trustee invests in various financial and real assets (just as retirement funds do).
- Using those assets as backing, the trustee then issues a private currency, called SOL, by making interest-free, short-term loans to qualified domestic producers and sellers of essential consumer goods and services.

- This enables the reemployment of idle workers and the sale of available goods and excess capacity,
- while at the same time satisfying basic needs, without inflation.
- SOL loans are then repaid to the trustee and that amount of SOL is extinguished.
- The assets that backed that amount of SOL are liquidated and deposits are returned to the original donors.
- The process is continuous as new deposits enable new SOL loans to be made.

Although we have been speaking about issuing domestic currencies in the form of printed notes, they might also be issued in digital form as account balances that are accessed by means of credit or debit cards or transferred using the newer mobile phone technologies. Each of these forms of manifestation has its own particular advantages and disadvantages, so the choice must be tailored to the local situation.

This approach to *sanitizing and domesticating* political currencies can also be applied to improve the performance of the many community currencies that are sold into circulation, such as Bristol and Brixton Pounds in the U.K., Toronto and Salt Sprig Island Dollars in Canada, and Berkshares in the U.S.

Besides the actions outlined above, the Greek government must also take bold action to correct the internal errors and imbalances that have plagued it for a long time. Corruption, cronyism, tax evasion, and over-regulation of small business are but a few of the problems that need to be addressed. And finally, the Greek people must embrace the spirit of solidarity and cooperation if they are to reclaim their dignity, survive as a nation, and maintain the quality of life that so many visitors flock to Greece to experience. If all that can be achieved, then Greece, the historical "cradle of democracy" can blaze a trail for others to follow toward a new c*onvivial* world order of peace, freedom, and a dignified life for all.

ADDITIONAL RESOURCES

Yannis Palaiologos, *The Thirteenth Labour of Hercules* (London: Portobello Books, 2014). The author is a reporter for Kathimerini newspaper. This book provides his views about the Greek crisis. See also Yannis Palaiologos @yanpal7.

Michael Lewis, *Boomerang: Travels in the New Third World* (New York: W. W. Norton & Company, 2011).

Yanis Varoufakis, "A New Deal for Greece—a Project Syndicate Op-Ed" at https://www.project-syndicate.org/commentary/greece-debt-deal-by-yanis-varoufakis-2015-04?barrier=true; blog: http://yanisvaroufakis.eu/.

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ENDNOTES

1 http://www.commondreams.org/views/2015/07/31/greek-coup-liquidity-weapon-coercion. Accessed 11 April, 2016.

2 J. Rocholl and A. Stahmer, "Where did the Greek bailout money go?" ESMT White Paper No. WP–16–02, http://static.esmt.org/publications/whitepapers/WP-16-02.pdf.

3 http://www.opednews.com/articles/GREECE-D-We-Voted-No-to-by-Greg-Palast-Austerity_Euro_European-Union_European-Union-150706-62.html, accessed 8 July 2015.

4 SWOT stands for strengths, weaknesses, opportunities, and threats.

5 Aristos Doxiadis, "The real Greek economy: owners, rentiers and opportunists," https://www.opendemocracy.net/aristos-doxiadis/owners-rentiers-opportunists, accessed 4 April 2015.

6 Nikos Tsafos, *Beyond Debt: The Greek Crisis in Context* (North Charleston, SC: CreateSpace, 2013).

7 The idea of anti-fragile has best been articulated by Nassim Nicholas Taleb in his book, *Antifragile: Things That Gain from Disorder*

(New York: Random House, 2012).

8 See, for example ,Walter Zander, *Railway Money and Unemployment*, 1933; available at http://www.walterzander.info/acrobat/Railway%20 Money.pdf.

9 LETS (Local Exchange Trading System) is a credit clearing circle process that was originated in 1983 by Micheal Linton and has since spread around the world. For more information see https://en.wikipedia.org/wiki/Local_exchange_trading_system.