

# **Greece: Time for Plan B? - “If the left truly cares about ending austerity, it should start preparing for unilateral default and Grexit”**

Sunday 1 March 2015, by [ROOS Jerome](#) (Date first published: 25 February 2015).

**Syriza’s “head-long retreat” in the standoff with its creditors hails the failure of Tsipras’ pro-euro strategy. It’s time to start preparing for Grexit.**

When the Eurogroup accepted Greece’s reform proposals on Tuesday [1], investors and EU leaders let out a collective sigh of relief: it appears that the bombshell of a disorderly Greek exit from the Eurozone has been diffused, at least until the start of the summer. In return for a significant roll-back of its campaign pledges, Greece’s freshly inaugurated government secured a four-month extension of its current bailout program and thereby managed to avert a potentially catastrophic bank run that would likely have resulted in Grexit.

But while Greece’s creditors seemed content, the agreement immediately unleashed a bitter debate within the governing leftist party Syriza. Prime Minister Tsipras may have declared a tentative victory for his anti-austerity coalition, but some influential party members strongly criticized what they perceived to be an unacceptable climbdown. Costas Lapavistas, the SOAS economist and Syriza MP, wrote a scathing letter expressing his serious concerns about the government’s ability to stick to its promises [2], while Stathis Kouvelakis of Syriza’s central committee dubbed the agreement a “head-long retreat.” [3]

Manolis Glezos, the 94-year-old war hero and Syriza MEP, even went so far as to apologize to the Greek people for having participated in “this illusion,” [4] while the legendary composer Mikis Theodorakis urged the government to resist the “fatal embrace” of its creditors [5]. Paul Mason reports [6] that “there is a sea change going on within Syriza. In the past 48 hours I’ve heard people who were staunch believers in the ‘good euro’ — a euro that can accommodate by negotiation a radical left government — say, effectively, they were wrong.”

How are we to respond to all this? The first thing to observe is Spinoza’s dictum: *non ridere, non lugere, neque detestari, sed intelligere* — not to ridicule, lament or condemn, but to understand. If we really want to understand Syriza’s rapid retreat over the past week and engage in constructive criticism to end austerity, we’ll have to start, first of all, with the strategy chosen by its party leadership, particularly in relation to the euro; and secondly with the way in which the single currency serves as an amplifier of structural power relations between creditors and debtors — core and periphery — in the European political economy.

On the first point, it is clear that the so-called “good euro” strategy proposed by the party leadership and Finance Minister Yanis Varoufakis, whose “modest proposal” for resolving the crisis fundamentally revolves around a wholesale restructuring of the Eurozone along Keynesian lines [7], has run headlong into the opposition of virtually everyone else involved. In the negotiations, Greece found itself isolated not only by the 18 other Eurozone finance ministers (including the center-left

French and Italians and the other heavily indebted countries), but also by the ECB and the European Commission.

Moreover, going into the negotiations, Greece suffered from two structural weaknesses: the near-total depletion of its public finances and the extremely parlous state of its domestic banking system. With its reserves running on empty, the government would have run out of financing by February 24 and would have been forced to default on its IMF obligations by March. At the same time, increasing uncertainty about Greece's place in the Eurozone produced sustained deposit flight, bringing the Greek banks to the brink of collapse.

Strategically speaking, the government could have wielded these weaknesses as a bargaining chip. Had it been willing to put its euro membership on the line, Greece might have been able to extract greater concessions from its risk-averse "partners" by threatening unilateral action if the creditors refused to give in. But default and Grexit were ruled out a priori by Syriza's moderate leadership, which repeatedly declared its unwavering commitment to the single currency. Knowing this, Germany and its allies pushed for total surrender: with Greece weak and dependent on external loans, the Eurozone could enforce strict conditions in return for continued membership.

This first observation is connected to the second point: the highly asymmetric power relations at the heart of the monetary union. In previous columns, I have repeatedly argued that Germany — as the dominant force inside the Eurozone — would never accept a restructuring of the Greek debt, that the Eurozone would never accommodate a social democratic alternative in its midst, and that as a result Greece's leftist government would find it impossible to pursue a socially progressive alternative (let alone a radical program) inside the fundamentally regressive, anti-social and anti-democratic straitjacket of the Eurozone.

These predictions — which are very similar to those made by Costas Lapavistas and others inside Syriza's Left Platform — have now been proven correct. Continued Eurozone membership keeps Greece stuck within a web of structural constraints from which it cannot escape without its creditors' approval. And since these creditors are loathe to set a precedent of successful debtor defiance, they will do anything to prevent Greece from upending the neoliberal austerity doctrine. There can be only one conclusion from this: to truly end austerity, Greece will have to leave the euro.

To be sure, Grexit is not a panacea. Readjustment will be extremely painful in the short term, and even in the long-run it is clear that restoring fiscal and monetary policy autonomy will never be enough to overcome the structural dependence of the Greek economy on foreign investment or to insulate the Greek state from the systemic pressures of global finance. The point of Grexit, however, is not to fetishize national sovereignty but simply to reclaim the essential monetary and fiscal policy tools that the government now lacks — and without which it is materially impossible to determine socioeconomic priorities and pursue a progressive economic program.

The most important challenge, in this respect, will not necessarily be economic in nature but rather social, political and psychological. Before Greece can ever be liberated from its state of debt servitude and its plight of permanent austerity, its government will first need to be in a position to default on its European creditors and "print" its own currency. This will in turn require three things:

First, mass mobilization from below will be essential, both to put pressure on Syriza's leadership and to empower the pro-Grexit faction inside the party, which is now steadily growing in the wake of last week's dramatic retreat. Second, voters will have to abandon their aversion towards Grexit and public opinion will have to sway behind a much more confrontational approach. To get there, the left and the movements will have to embark on a concerted campaign of "popular education" to inform

the Greek public of the only real options available to their country: progressive exit or endless austerity.

Finally, and most importantly, the government would have to be meticulously prepared to manage the extremely difficult transition period, in which the price of imported goods will skyrocket following a sharp devaluation; key commodities like food, petroleum and medicine will have to be rationed to deal with sudden scarcity; capital controls and border controls will have to be reintroduced to prevent catastrophic capital flight; deposits and loan contracts will need to be re-denominated into drachma; and the banks will have to be nationalized to prevent a complete collapse of the financial system.

All of this will require a degree of radicalization and preparation that currently seems both utterly irresponsible and completely unrealistic. Yet this is precisely where the brutally anti-democratic methods of the Eurozone are pushing Greece today. For five years, Greeks have been living in total despair. Desperate times call for desperate measures — and the time for unilateral default and Grexit may be approaching faster than most people are willing or able to recognize. If the left truly cares about ending austerity, it should start preparing for Plan B.

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**P.S.**

\* <http://www.telesur.tv/english/opinion/Greece-Time-for-Plan-B-20150225-0034.html>

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## Footnotes

[1] <http://im.ft-static.com/content/images/e401fa8c-bc13-11e4-b6ec-00144feab7de.pdf>

[2] Available on ESSF (article 34454), [Negotiations EU/Greece: Five questions that demand an answer](#).

[3] Available on ESSF (article 34413), [The Alternative in Greece - "Syriza's leadership's failed, but it's not too late to avert defeat"](#).

[4] <http://roarmag.org/2015/02/glezos-greek-bailout-illusion/>

[5] <http://greece.greekreporter.com/2015/02/23/mikis-theodorakis-to-greek-pm-tsipras-say-no-to-schaeubles-nein/>

[6] <http://blogs.channel4.com/paul-mason-blog/greece-debt-colony-bit-home-rule/3419>

[7] <https://varoufakis.files.wordpress.com/2013/07/a-modest-proposal-for-resolving-the-eurozone-crisis-version-4-0-final1.pdf>