Greece: Exit From the Eurozone

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The elephant in the room or why we cannot have socialism based upon EFSF recapitalization

The report by Heiner Flassbeck and Costas Lapavitsas on the crisis of the Eurozone has been an important step in re-opening the euro debate within the European Left. The political significance of the report was made even more evident by the fact that it was published by the Rosa Luxemburg Stiftung, and was endorsed by the leadership of Die Linke, especially after Oskar Lafontaine had also recently insisted on the need to consider the exit from the Eurozone as a potential solution for countries of the European South such as Greece. It follows the decision by AKEL the Cypriote left-wing party to propose Cyprus' exit from the Eurozone, a proposition based upon scientific advice offered by amongst others Lapavitsas and Flassbeck.

Greek workers walk out to protest ban on teachers' strike.

The report itself is not a radical or Marxist manifesto. Although Lapavitsas has a strong Marxist background, the report is marked by Flassbeck's much more Keynesian approach. Moreover, it is not a report with an a priori hostility toward monetary union or currency coordination for Europe, nor is it filled with anticapitalist references. On the contrary it seems to take the internationalization of trade and capital flows as granted. However, it is exactly this kind of critique from within aspects of the dominant economic paradigm that makes it even more interesting.

This does not mean that it is not a radical critique of the dominant economic policies within the Eurozone. Rather, it is a devastating deconstruction of the contradictions, fallacies, and shortcomings of the economic and financial architecture of the Eurozone. Particularly important is the emphasis on the inability of inflation targets without real wage convergence to create a balanced common currency area. Moreover, the two writers highlight the direct causal connection between the imbalances in the Eurozone and trade deficits and also with increased public debt. This makes evident the fact that European leaders insist on denying: the euro itself as common currency is part of the problem of the economic crisis in the European South.

It is also interesting that the position the two writers take in regard to potential solutions within the Eurozone. They show convincingly that given the obvious inability to reach an actual political union in the EU it is not possible to have that kind of redistributive mechanisms that could tackle the problem of productivity and competitiveness divergence. At the same time they remind us that there is no point in thinking in terms of transfers between countries because this could lead in a certain form of dependence of the countries receiving this kind of transfer funding.

On the basis of these assumptions the two writers insist on the need for an orderly and prepared exit from the Eurozone and in this sense a dismantling of the current financial and monetary architecture of the Eurozone. To this end they also deconstruct the argument that such a move, which would necessarily include measures such as capital controls and restrictions to bank transactions, is not possible, by pointing to the developments in Cyprus where the EU accepted the imposition of capital controls as a means to avoid the complete implosion of the Cypriot banking system. In this sense the taboo has already been broken.

In light of the above it is really interesting to see the reactions of the Greek Left and especially SYRIZA regarding these positions. As with the case of the change of AKEL's adoption of the exit from the Eurozone strategy, SYRIZA leadership chose to politely refuse such proposals, despite the appeal of this position in the large segments of the electorate of the Greek Left. In many instances representatives of the leadership's position within SYRIZA have criticized the exit from the Eurozone as being nationalist and in opposition to class politics.

However, the problem is that the dominant narrative of SYRIZA leadership that the main target must be pan-European cooperation of the Left and social movements aiming at a break of austerity while remaining within the Eurozone, comes in contrast with the decision of other parties of the European Left to discuss the possibility of an exit from the Eurozone.

The argument from the part of SYRIZA leadership that opening the debate on the exit of the Eurozone would offer pro-austerity forces the chance to put pressure on SYRIZA, alienate segments of the electorate (who remain ideologically attached to the euro), and consequently jeopardize a possible election victory, misses the main point. As long as the Greek Left does not challenge the euro as the central node for the current particularly European version of the neoliberal "There Is No Alternative," the political debate will remain cornered in a discursive terrain that is much more suitable to systemic pro-austerity forces than to social movements. This helps pro-austerity forces, both politically and electorally. In contrast, working toward the break with the Eurozone opens up the political space to work and experiment with radical economic and social alternatives that go beyond the limits of neoliberal capitalism and can help the Left emerge as an actual political alternative and not just an electoral outlet for protest. Moreover, it is not possible to have radical changes without some form of rupture with the current financial, monetary and institutional framework of the Eurozone and the dominant strategy within the EU.

In the long run, everyone would agree that we cannot have socialism based upon EFSF and ECB recapitalization. •

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