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Greek debate

# Austerity and the drachma

- Debate - Perspectives in Greece -

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**The Greek left is organizing an opposition to the betrayals of Prime Minister Alexis Tsipras, who capitulated to the demands of the European blackmailers and agreed to a new Memorandum of harsh austerity measures in return for a further bailout of the financial system—exactly what his party SYRIZA came to power in January vowing to challenge. Ahead of new elections in September, the left wing of the party, organized around the Left Platform, broke from SYRIZA to work with other organizations in forming Popular Unity, a new alliance of left organizations that won 2.86 percent of the vote in September, falling just short of the 3 percent threshold to qualify for representation in parliament.**

Since the election, the left has been debating crucial questions about how to go forward—including how those who want to continue the struggle against austerity should approach the issue of the euro and whether they should welcome a "Grexit" from the eurozone.

Sotiris Martalis is a leading member of the Greek socialist group Internationalist Workers Left, a former Central Committee member of SYRIZA and now a leading voice of Popular Unity. Here, he examines the views put forward by socialist economist and fellow Popular Unity supporter Costas Lapavitsas about "Grexit" and a national currency. [[1](#)]

In any clear transition program, which could only be put into practice by a massive radical left force, exiting the euro will be, at a certain stage, a necessary step; but it is not sufficient on its own. Separating any exit from its wider context only allows for the growth of dangerous illusions regarding the supposed liberating role of national currency as such.

Seven months of the Tsipras government clearly demonstrated that any anti-austerity policy that aims to benefit the subaltern classes, but which is not willing to risk a rupture with the European authorities (European Commission, Eurogroup, European Central Bank, etc.) and the euro is condemned to be transformed into its opposite—that is, a pro-Memorandum policy.

Such a willingness was, in fact, contained in SYRIZA's founding program with its anticipatory formula: "No sacrifice for the euro." In other words, if we are forced to choose between sticking with the euro and its institutional architecture or defending the people, we will defend the people.

After the experience of Cyprus [which was forced into a new round of austerity by the EU in March 2013], SYRIZA's Left Platform as a whole and the Red Network in particular further developed this position in the process of internal conflicts and debates about SYRIZA's orientation. The "no sacrifice for the euro" slogan was no longer adequate by itself—it was necessary to prepare for an inevitable conflict with the Eurocracy and an exit from the euro as a necessary condition of implementing a policy against brutal austerity.

But is a rupture with the euro sufficient on its own?

A number of comrades have responded affirmatively to this question. Indeed, some claim to have a technically worked-out solution—a "road map" for resolving the crisis that benefits the popular classes by means of a "transition to a national currency," meaning the drachma.

Dimitris Belandis, a former member of SYRIZA's Central Committee and now a member of Popular Unity, argued that Popular Unity's electoral defeat could be explained by the fact that the party "did not provide a technically prepared solution for the problem of exiting the euro." He added that "some political forces (some inside ANTARSYA, or Alekos Alavanos, who created the 'Plan B' group in 2013, etc.) had already developed such an approach, but the Left Platform and Popular Unity did not use it."

In fact, there have been various elaborations in this respect. The most advanced of these has been [put forward by Costas Lapavitsas and Heiner Flassbeck](#) in their "Program of Social and National Rescue for Greece." Their plans certainly are "technically prepared." But it is not at all clear that their response addresses the question of how to get ready for a class battle which can lead to a victory against austerity.

Basically, their proposals bank on the likelihood of a rapid recovery from the crisis in the national economy by means of transitioning from a "strong" currency, the euro, to a "weak" currency, the drachma. However, the history of capitalism, including its recent history, tells us that these two questions are not necessarily connected.

Let's examine in more detail Lapavitsas' perspective in order to see if it can work as a guide to action for Popular Unity or, more generally, for the radical left.

## What Is the Goal?

[In their proposed program](#), Lapavitsas and Flassbeck argue that a) "restoring national sovereignty over monetary policy" can establish the basis for b) a "strong policy of public investment to improve its infrastructure and to give a boost to private investment"; a plan that will be accelerated to c) "recapture the domestic market" since it would act as barrier to imports and to expand exports." Notably, he provides a particularly optimistic forecast for ending the crisis based on exiting euro because d) "it is reasonable to expect strong growth rates soon after the exit shock."

What will serve as the "motor" for the dynamic takeoff of the national economy? Lapavitsas has no doubts: the devaluation of a new currency. In [an article from his blog titled "The necessity of a national currency,"](#) he writes: "The devaluation of the national currency would contribute to the recovery in the Greek economy by stimulating domestic production and exports. According to the best estimates, the effects of inflation [linked to devaluation] would stay around 10 percent during the first year and then fall afterward."

It is clear that Lapavitsas is talking about an ambitious plan to escape Greek capitalism's crisis—a crisis which has been shaking international capitalism as a whole since 2007-08. Against this point of view, we could point to the international discussion among Marxists emphasizing the conclusion that there is no peaceful or "easy" exit from the current crisis. We can note that the large majority of economists who make these sorts of forecasts believe that if the relation of forces between capital and labor established during the period of neoliberalism is not reversed by major sociopolitical upheavals, any exit from the crisis (whenever it may come...) will have bitter effects for the exploited and oppressed classes. But we do not wish to engage in this Byzantine debate.

Lapavitsas' position poses a very simple question: If there is such a simple and rapid exit available to Greek capitalism's crisis, why has no minority fraction of the ruling class (one that has the slightest influence) oriented itself towards such a solution? Why have the capitalists—who presumably know their interests better than the rest of us—remained united in their orientation? That is, stick with the euro "at all costs."

One way to answer this question is to insist that the decisive elements of the ruling class are "sellouts" to the

European rulers, thus crudely reproducing dependency theories. A different response would be to recall that capitalists only understand protectionism and currency devaluations as weapons to be used for competitive purposes. Clearly, in this sense, we are talking about well-known instruments here, but ones that can only be used for certain purposes and for a limited amount of time because competitive devaluations are rapidly copied by other "national economies" (and so on). Thus, the crisis only becomes deeper and more dangerous for the system as a whole.

## What Means Can Be Used?

The purpose that one is fighting for may become clearer if we consider the means that one turns to in order to achieve it.

[Lapavitsas and Flassbeck emphasize](#) that "if it is to be handled successfully by a government of the left..., the most important factor in confronting the difficulties of exit [from the euro] is popular determination and will." Here, we see a repetition of a basic assumption of the Tsipras leadership team—that is, the engine of historical change is located principally in government. Moreover, the government isn't clearly characterized as a genuine government of the left or as a "workers' government" or some other sort.

Nevertheless, in order to avoid mischaracterizing his position, let us examine the lengths to which such an orientation must go in order to combine the will of the government with the necessary popular determination.

We know that the working class and popular masses, in their great majority, mobilize around various proposals based on concrete material conditions. SYRIZA's initial promise to restore the minimum wage of 751 euros per month meant a) a commitment to raising working-class purchasing power, relatively quickly, after the losses suffered during the period governed by the two Memorandums and b) the general working class orientation of SYRIZA's program. Yet it was precisely the complete abandonment of these points that was openly proclaimed, in the clearest possible manner, by the betrayal of Tsipras' government when he signed the agreement for a Third Memorandum in Brussels on July 13.

In "[The necessity of a national currency](#)," there is a reference to a "definite, gradual increase in the minimum wage." The plan does not specify the amount of the increase, nor does it provide criteria for what constitutes "gradual."

Likewise, Lapavitsas states that "it is important to increase the minimum wage, but it is also necessary for the organized workers movement to support the transition effort to put the country on a more solid footing." This statement can only lead to the presumption that the needs of the workers will be subordinated to the priorities of the national economy.

Trade union experts (including most clearly and recently by Elias Ioakeimoglou, a leading economic advisor with the INE/GSEE Labor Institute for the General Confederation of Greek Workers) have shown that a substantial increase in wages is a necessary condition for any reduction of unemployment, thus contradicting the views of those who relegate solving the problem of joblessness to a future economic recovery.

I do not know where Lapavitsas' certainty comes from about his forecast that the new currency's devaluation would be limited to 10 percent. But whoever makes proposals such as these must also propose an equivalent increase (at least) in wages, which must be carried out in parallel and simultaneously. Carrying out such a simultaneous increase is improbable in conditions of rapid inflation, even if an automatic wages-to-inflation index is established. If this is not

done, then what is being proposed, in fact, is that the recovery of the "national economy" should be financed through a transfer of wealth out of the income of wage workers.

This plan, which takes as given a significant increase in tourism, exports and so on, is based on the illusion of a "negotiated" exit from the euro with the Greek "elites." [In his article](#), Lapavitsas counts on the "possibility of remaining in the European Union," even while leaving the eurozone. "As such, Greece would not become isolated, but would pursue a different orientation from those countries at the heart of the EU." This plan is based on the illusion of an "agreeable" exit from the euro with the European institutions.

Recently, comrade Dimitris Belandis, a former member of the SYRIZA Central Committee and now a member of Popular Unity, criticized the Red Network, attributing to us an underestimation of the inevitable conflict with imperialism. However, from our point of view, it is actually the idea of a "negotiated" exit with the main imperialist forces that fails to take this conflict into account. It constitutes a sort of parallel illusion—different, but analogous to the one that the Tripras team adopted when they hoped for an "honest compromise" with the Eurocracy.

The value of Lapavitsas' work consists in demonstrating the need for cancelling the debt, proving the necessity of nationalizing/socializing the banks, and giving absolute priority to the question of unemployment. It also has the merit of attempting to organize all these objectives under one coherent, socio-political plan.

These critical elements of his contribution must find their way into a clear transitional program, starting from where the real conflicts are felt most sharply: over austerity and the Memorandums' concrete and cumulative effects. And this must include a socialist perspective for the complete emancipation of society.

Asserting the need to exit the euro cannot be the point of departure for such a campaign. As part of such a program and its implementation—which can only be undertaken by the large forces of the radical left, and only in the context of renewed social mobilization—exiting the euro remains a necessary step, but not a sufficient one on its own.

If that goal becomes detached from the overall framework and disassociated from the suffering of the popular classes, it may leave room for the growth of dangerous illusions as to the allegedly liberating role a national currency can play. And illusions such as these carry consequences in terms of the social bloc that remains to be constructed.

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[Socialist Worker](#)

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[1] The article was published in Greek at the Red Network website and was translated into English from a French translation at A l'encontre and a Spanish translation at Viento Sur by Todd Chretien.