

Greece: An Alternative Economic Project. A Proposal for Meaningful Policy Change

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In August-September 2013, I drafted a course of measures to be implemented in Greece in case the radical left won the election. On 10 September, 2013 I sent this draft to the activists of Greece and elsewhere to 'gather critical comments and proposals for further improvement', as I put it at the time.

Taking feedback into account I have slightly amended my proposal. I had presented this proposal on 29 March 2014 in Athens during a working meeting with DEA activists [|1|](#) and participants from other countries (France, USA, Switzerland, Belgium, Portugal, Italy, Germany ...). I also presented a summary of this proposal at a public conference on 30 March 2014 where Panagiotis Lafazanis, presently the leader of the new Popular Unity party launched in Greece on 21 August 2015, also spoke.

This proposal has not been published so far. In fact, I thought that the responses to my repeated requests for comments and improvements were insufficient to make it public. I was also aware of my limited knowledge of the Greek reality and of the need for a collective proposal essentially developed by the Greeks involved in their national reality. Despite these reservations, following the capitulation of July 2015, I have decided to make public the proposal written two years ago.

The present paper includes large chunks of the proposals I drafted in July 2015 (see <http://cadtm.org/Greece-Alternatives-to-the>).

In this draft, I proposed an exit from the Eurozone at an appropriate time, which I could not specify. In fact, as a witness to the Greek people's level of consciousness I am convinced that a number of priority measures could and should have been taken without having to leave the Eurozone. To talk the majority of the population into accepting the exit, they need to be told why this option has become a necessity (evidently this is what has been happening since July 2015). Finally, an exit from the Eurozone entails other measures, so that the exit eventually favours the interests of the majority of the population. Otherwise the exit becomes a right-wing measure, which has to be avoided.



Dr. Eric Toussaint (right)

In a country such as Greece, a popular government should:

- 1.** Repeal the anti-popular measures imposed in the memoranda signed with the Troika after May 2010. This particularly refers to the reinstatement of dismissed workers following the imposition of these memoranda.
- 2.** Suspend debt payment, organize an audit and radically reduce the debt and its repayment by an act of repudiation (which will necessarily be unilateral), adopt discriminatory measures to protect the people's savings invested in debt.

Adopt a specific measure on the bilateral debt owed to Germany. It amounts to €15 billion contracted in the May 2010 memorandum: the repudiation of this debt should **partially** compensate Germany's historic debt to Greece (World War II).

3. Socialize the banking and insurance sectors. Their own choices have now led most banks to a situation of insolvency and not just a temporary liquidity crisis. The decision of the European Central Bank and the Bank of Greece to protect the interests of large private shareholders only makes the situation worse.

We must return to basics. The banks should be regarded as a public service, precisely because they are significant entities and their poor management can have a disastrous impact on the economy. The banking business is too serious to be entrusted to private bankers. Since it handles public money, enjoys the State's guarantees and provides a basic service to society, the bank must be treated as a public service.

The government needs to retrieve its ability to control and manage economic and financial activities. It must also have the means to make investments and finance public expenditure by drastically curtailing the loans from private institutions. For this, **it must regain authority over the banks to socialize them, by transferring them to the public sector under citizens' control, without compensating the major private shareholders.** In some cases, despite the lack of compensation, the expropriation of private banks can be quite expensive for the State, due to their accumulated debts and the reserve of toxic assets. The cost in question must be recovered as much as possible from the global assets of large shareholders. In fact, private companies that are shareholders of the banks are the ones that caused this dismal state of the banking sector. All along they have been making substantial profits while holding a portion of their assets in other sectors of the economy. Now it's time to seize some of their global assets.

Public banks with public service status (under citizens' control) can coexist with cooperative banks of moderate size (the cooperative nature of these banks should be strictly controlled with the provision to penalize by withdrawing the business permit).

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“The Greek State is by far the main shareholder of the four major Greek banks (representing more than 80% of the Greek banking sector) and it should therefore take full control of the banks in order to protect citizens’ savings and boost domestic loans to support consumption. First, the State should assume its majority stake in the banks and turn them into public-sector companies. Then, the State should organize the orderly liquidation of these banks whilst ensuring the protection of small shareholders and savers. The State should recover the cost of cleansing the banks from major private shareholders who have caused the crisis and then abused public support. A ‘bad bank’ should be created to isolate and hold toxic assets with a view to their liquidation. Those responsible for the banking crisis should be sued and made to pay once and for all. The financial sector must be thoroughly cleaned up and made to serve the people and the real economy.”

Private insurance companies should also be socialized. Although the situation of the insurance sector is less publicized, it is also bearing the full brunt of the current crisis. Large insurance groups conducted risky operations just as private banks did, since they move in the same circles. The major chunk of their assets consists of sovereign debt securities and derivatives. In search of maximum immediate profit, they speculated dangerously on premiums paid by policyholders, on their savings invested in life insurance or voluntary contributions for a supplementary pension. Expropriating the insurance sector will prevent a disaster and protect depositors and policyholders. This expropriation should function in tandem with the consolidation of capitalized retirement schemes.

4. Regain control over the Central Bank. Yannis Stournaras, the current CEO (appointed by Antonis Samaras’ government) invests all his energy in preventing the changes that the people are calling for. He is a Trojan Horse, serving the interests of large private banks and the neoliberal European authorities. The Central Bank of Greece should be made to serve the interests of the Greek population.

5. Create an electronic currency (denominated in euros) for internal use in the country. The public authorities could raise pensions and salaries in the public services and grant humanitarian aid to people by opening credit accounts for them in electronic currency that could be used for several kinds of payment: electricity and water bills, payment for transport and taxes, purchases of food and basic goods, etc. Contrary to a baseless prejudice, even private businesses would do well to voluntarily accept the electronic method of payment as it would allow them both to sell their goods and settle payments to the government (payment of taxes and for the various public services they use). The creation of this additional electronic currency would reduce the country’s needs in hard euros. Transactions in this complementary electronic currency could be made by mobile phone, as is the case today in Ecuador.

6. Dissolve the privatization agency and replace it with a national asset management agency (with an immediate halt to privatizations) which will be responsible for protecting public assets while generating revenue.

7. Impose a strict control on capital movements and retail prices.

8. Adopt a tax reform with:

- a) Higher taxation rates on the highest income bracket.
- b) An increase of the tax on immovable property (with exemption for the principal residence below a threshold to be defined **according to the number of people living in that residence**).
- c) Abolition of the tax privileges enjoyed by ship-owners, the Orthodox Church and other capitalist sectors.
- d) Radical reduction or abolition of VAT on essential goods and services; imposition of hefty taxes on the wealth of the richest.
- e) Strict control of the massive tax evasion which deprives the community of considerable means and employment. Substantial public resources should be allocated to the financial services to effectively fight against the fraudulent activities of major corporations and the wealthiest households. The results should be made public and the perpetrators severely punished.

9. Adopt a policy for internal public borrowing from the Central Bank through the monetization of debt. Additional public domestic borrowing measures may be adopted by issuing public debt securities within national borders.

In fact, the State must be able to borrow to improve the living conditions of the population, for example by carrying out public utility works. Some of this work can be financed by the current budget through assertive policy choices, but government borrowing could also enable other more ambitious projects — for example the massive development of public transport to replace private cars; developing the use of renewable energy; creating or reopening local railway services throughout the urban and semi-urban sectors of the country; renovating, rehabilitating or constructing public buildings and social housing while reducing energy consumption and providing quality amenities.

A transparent policy of public borrowing must be defined urgently. Public borrowing should aim at guaranteeing an improvement in living conditions, discarding the logic of environmental destruction. It must contribute to a redistribution of wealth and to reducing inequalities. That is why we propose that financial institutions, large private corporations and wealthy households be legally bound to purchase – commensurate with their wealth and income – non-indexed government bonds at 0% interest. The rest of the population can voluntarily acquire government bonds at an interest rate above inflation that will ensure a genuine and positive return (e.g. 3%). So if annual inflation is 3%, the interest rate actually paid by the State for the corresponding year will be 6%. Such a policy of positive discrimination (similar to those adopted against racial oppression in the US, the caste system in India, or gender inequality) will result in tax justice and less inequality in wealth distribution.

10. Contract a public loan from alternative sources (that is to say, excluding the Troika and the foreign financial markets) without accepting any conditionalities.

11. Apply the following golden rule: the amount allocated to the repayment of public debt cannot exceed 5% of government revenues. Rule out the socialization of private debt. Make it obligatory to organize a permanent audit of public debt with citizen participation. Withdraw statutory limitations to crimes related to illegitimate debt; treat illegitimate debt

as invalid; adopt a second golden rule which stipulates that public expenditure guaranteeing fundamental human rights is irreducible and takes precedence over debt repayment.

12. It is also important for Greece to launch a process of structural democratic changes with active citizen participation. To achieve this constituent process, Greece must convene the election of a Constituent Assembly through popular vote to draft a new democratically chosen Constitution. Once the Constituent Assembly – which should operate on the basis of grievances and proposals received from the people – has adopted the draft, it will be submitted to popular vote.

13. Establish a register of assets.

14. Reduce working hours and restore pre-2010 salaries. Then increase wages and low pensions to a level yet to be fixed.

15. Increase the legal minimum wage; establish an index for wages and social benefits commensurate with the cost of living.

16. Withdraw the parliamentary immunity enjoyed by elected officials involved in the crisis and bring them to justice.

17. Ban organizations which promote racism and / or racial hatred.

18. Implement a comprehensive programme to stimulate the economy:

- Support local agricultural production: create a public service for training farmers in peasant agriculture and agro-ecology, prioritize the access of local products to the market, reschedule CAP subsidies so that they go to small farms, improve the supply line for local seeds, support new agricultural cooperatives, relocate agriculture and support facilities for food sovereignty;
- Support small and medium enterprises;
- Support small businesses;
- Support traditional fishery;
- Create jobs in the public services sector giving priority to health, public education and the environment;
- Restore companies that had been privatized to public status and support workers' takeover of companies;
- Develop renewable energies to meet local needs, support heating insulation projects for buildings, develop public transport, reject large and unnecessary projects and turn away from extractivism;
- Start ambitious projects for environmental conservation and consolidate the corresponding national laws: natural parks, biodiversity of terrestrial and marine wildlife;
- Support small scale tourism (against the big tourist resorts);
- Organize public, local and ecological administration of water and waste.

19. Exit the Eurozone by applying a redistributive monetary reform, by reducing the liquid assets of the wealthiest households.

Here's an example (of course, **the rates indicated may be modified after a thorough examination of how liquid household savings are distributed** and the adoption of stringent criteria):

€1 would be exchanged against one new drachma (n.D) up to € 200,000

€1 = 0.7 n. D. between € 200,000 and 250,000

€1 = 0.6 n. D. between € 250,000 and 350,000

€1 = 0.5 n. D. between € 350,000 and 500,000

€1 = 0.4 n. D. between € 500,000 and 600,000

€1 = 0.2 n. D. above € 600,000

€1 = 0.1 n D. over € 1 million

If a household owns € 200,000 **in cash**, it gets 200,000 n.D in exchange

For € 250,000, it gets 200,000 + 35,000 = 235,000 n.D

For € 350,000, it gets 200,000 + 35,000 + 60,000 = 295,000 n.D

For € 500,000, it gets 200,000 + 35,000 + 60,000 + 75,000 = 370,000 n.D

For € 600,000, it gets 200,000 + 35,000 + 60,000 + 75,000 + 40,000 = 410,000 n.D

For € 1 million, it gets 410,000 + 80,000 = 490,000 n.D

For € 2 million, it gets 410,000 + 80,000 + 100,000 = 590,000 n.D

20. Withdraw Greece from NATO, discontinue the foreign bases on Greek territory and reduce military expenditure. Start negotiations with neighbouring countries so that a concerted process of demilitarization can be launched. It is essential to cancel the military cooperation agreement with Israel.

Conclusion:

The change after the capitulation of July 2015 has been radical and there will be numerous disastrous consequences. If we look at the causes of the current turn of events, there is of course the stubbornness of the creditors, but there is also the strategy chosen by the Syriza leadership and the government of Alexis Tsipras (see <http://cadtm.org/Greece-Why-Capitulate-Another-Way>): the refusal to clearly and explicitly question the legitimacy and legality of the debt, the continued repayment of debt, the failure to recognize the importance of a citizens' audit (even though Tsipras officially supported the audit), the refusal to ruffle the feathers of the big shareholders in the Greek banks that are responsible for the banking crisis, the refusal to defend the country against the creditors' aggressive inflexibility, the refusal to have an alternative plan ready, which could have included the exit from the euro, and to provide public explanations of the reasons why that might be necessary, the illusion that negotiations could prevail on the creditors to make enough concessions to allow SYRIZA and Greece to escape from austerity, the refusal to start a constituent process in order to democratically change the Greek constitution, the failure to understand the pivotal role of popular demonstrations that should have received encouragement, and so on. The most urgent choice was not whether or not to remain in the Eurozone, but rather whether to negotiate while in a weak position or to give priority to the following five steps based on the strength of popular mobilization:

1. Suspend debt repayments while continuing to audit the debt, which means getting into direct conflict with the Troika;
2. Resolve the banking crisis, which means confronting the major private shareholders who caused the crisis;
3. Create a complementary parallel currency;
4. Increase measures to address the humanitarian crisis, in addition to the significant ones already taken by the government since February 2015;
5. Stop privatizations and create new resources for the public treasuries by adopting strong measures at the expense of the privileged sectors, starting with

the richest 1%, the large corporations and the major tax evaders.

Translated by Suchandra De Sarkar in collaboration with Christine Pagnouille

Eric Toussaint is a historian and political scientist who completed his Ph.D. at the universities of Paris VIII and Liège, is the spokesperson of the CADTM International, and sits on the Scientific Council of ATTAC France. He is the co-author, with Damien Millet of [Debt, the IMF, and the World Bank: Sixty Questions, Sixty Answers](#), Monthly Review Books, New York, 2010. He is the author of many essays including one on Jacques de Groot entitled *Procès d'un homme exemplaire (The Trial of an Exemplary Man)*, Al Dante, Marseille, 2013, and wrote with Damien Millet, *AAA. Audit Annulation Autre politique (Audit, Abolition, Alternative Politics)*, Le Seuil, Paris, 2012. See his Series "[Banks versus the People: the Underside of a Rigged Game!](#)" Next publication : [Bankocracy](#) Merlin Press, Londres, May 2015 (English version).

Since the 4th April 2015 he is coordinator of the [Truth Commission on Public Debt](#).

Notes:

[1] The DEA (Internationalist Workers' Left) is a revolutionary Marxist organization and Syriza's co-founder. With Kokkino and APO (anti-capitalist political group), two other revolutionary Marxist organizations, and with other independent activists, the DEA has created the Red Network group within Syriza. Kokkino and DEA merged in December 2014. The Red Network and the left-wing group inside Synapismos (Panagiotis Lafazanis being its most famous member) formed the Left Platform within Syriza. About 25 Syriza MPs (out of 149) directly participate in this platform (two of whom are from the Red Network). Approximately 30% of Syriza's delegates supported this Platform during the convention held in 2013. During the July/August 2015 voting on the new Memorandum imposed by the Eurogroup, the MPs Elena Psarrou (DEA) and Ioanna Gaïtani (APO) as well as 23 members of the left and other Syriza MPs such as Zoe Konstantopoulou voted against. On 16 July, 32 Syriza MPs voted against the 13 July agreement. On 23 July, 31 voted against and on 14 August, 32 voted against. Now the Red Network is part of Popular Unity which didn't succeed in electing members of the parliament in the anticipated general elections of 20th September 2015.

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