

**A report by economists at SOAS, University of London, claims that the solution for the Greek public debt crisis ought to include either profound reform of the eurozone, or exit from the euro.**

**The authors link the Greek debt crisis to the persistent current account surplus of the German economy.**

Economists of the group Research on Money and Finance (RMF) at SOAS, University of London, coordinated by Prof. Costas Lapavistas, have produced a report on the current crisis titled "Eurozone Crisis: Beggar Thyself and Thy Neighbour" ([www.researchonmoneyandfinance.org](http://www.researchonmoneyandfinance.org)). The report claims that the current public debt crisis of peripheral eurozone countries (Greece, Ireland, Italy, Portugal and Spain) is related to persistent German current account surpluses. RMF proposes either structural reform of European Monetary Union, or exit from the eurozone.

The report argues that the biased nature of Monetary Union has allowed Germany to gain external competitiveness during the period leading to the international crisis of 2007-9. Competitive gains have arisen primarily because of a squeeze on German workers. The resulting current account surpluses have been matched by corresponding deficits in countries such as Greece, Portugal and Spain. Furthermore, in the course of the crisis of 2007-9, the ECB provided extraordinary volumes of liquidity to European banks, making it possible to repair balance sheets. But in 2009, when various states faced increased funding needs, the ECB took no action. States sought funds at the 'worst moment', becoming exposed to speculative attacks. Pressure was subsequently imposed on peripheral countries to adopt harsh austerity. In effect, peripheral countries have been forced to accept IMF conditionality, but without an IMF loan.

There are two strategic alternatives for peripheral eurozone countries. The first is reform of the eurozone by relaxing fiscal constraints, introducing an enlarged European budget, guaranteeing a minimum wage, and providing unemployment insurance. The second is exit from the eurozone, with national currency devaluation and debt restructuring. Banks would be nationalised, public control extended over key sectors of the economy and industrial policy would be introduced, bringing a decisive policy shift in favour of labour.