Global Institute for Sustainable Prosperity

Policy Note No. 106
June 2015

Exiting Austerity, Entering Transition Nation:

A Solution to the Greek Crisis

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Fiscal austerity in the eurozone has damaged the capacity of many private sector firms and households to survive - never mind thrive – over the past several years. In the extreme, countries like Greece have experienced a contraction worse than that experienced by the U.S. during the Great Depression.

To break the stranglehold of austerity, countries can abandon the euro and exit the eurozone. This, however, requires the political will to endure what is likely to be an even deeper round of austerity. Why? Financial systems and trade arrangements tend to be severely disrupted when a new currency is introduced. Foreign investors are likely to avoid investments in any defecting nation, domestic savers may try to move assets out of the country in advance of a new currency through capital flight, and the prices of imported goods are likely to surge, as any newly introduced currency is likely to have a lower foreign exchange value.

In nations such as Greece, essential goods like fossil fuels, food, and pharmaceutical products make up a large share of imported goods, which present serious obstacles to opting out of the eurozone. Polls also suggest it is not the will of the majority of Greek citizens to opt out either. So is there a way for nations to exit austerity without having to exit the eurozone? And can they do so while building a regenerative, locally based economy at the same time? We believe there is, if citizens can persuade their policy makers to take a few lessons from the Transition Town Movement, and begin to build Transition Nations, or even Transition Regions.

As part of the Transition Town Movement, local alternative currencies have spread in a number of communities in order to achieve more control over money creation, and to use it as a tool for improving local economies. We believe it is possible to take these living experiments in alternative means of settling transactions and financing socially useful tasks, modify them for the nation state, and marry them to initiatives designed to not only put people back to work, but also put nations on a more sustainable economic trajectory.

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In fact, innovation in financing along these lines goes way back before the Transition Town Movement. History provides plenty of examples of nations creating alternative currencies as a complement to their national currency in periods when money and finance severely hampered economic activity. In 1100 AD, for example, King Henry I introduced a unique form of government-issued money called tally sticks to supplement the gold money in circulation, which was limited, and hampering commerce. Tally sticks did not represent any quantity of gold or any other commodity. They were simply polished sticks of wood issued by the king, and these sticks were accepted for the payment of taxes. Tally sticks continued to be created and circulated in the UK for the following 700 years, and as late as the 1700s, they accounted for more than 50% of the total money supply.

More recently, a complementary currency was introduced in Austria, the home of the Austrian School of economics— a school of thought that is often used to justify fiscal austerity measures. During the Great Depression, the mayor of Worgl devised a complementary currency of the same name in 1932. Taking the form of stamp scrip, the worgl was issued in order to put citizens back to work in municipal repair and construction projects, including tree planting along the streets, at a time when tax revenues were sinking. The worgl was also acceptable as a means of payment for local taxes. As some 200 townships prepared to replicate the successful worgl experiment, the Austrian Central Bank declared it held a monopoly on the issuance of currency, and the worgl was subsequently ruled illegal in 1933, leaving Austria's economy to dive further into depression. In contrast, only one year later, two businessmen introduced the WIR as a complementary currency in Switzerland, which is still in circulation today.

If nations in the eurozone are going to break out of fiscal austerity without leaving the euro, they will need to be equally innovative with their financing tools. Let's take the case of Greece, which has recently elected the Syriza party into power on a firmly anti-austerity, but pro-eurozone platform as an example of how an alternative government financing mechanism might be designed on the basis of Transition Town experiences.

The Greek government could announce early on that it will issue G-TANs, or Greek Tax Anticipation Notes, as payment to its public sector employees, its domestic suppliers, its domestic creditors, and any Greek citizens receiving transfer payments from the government. These G-TANs would be denominated in euros with one G-TAN equal to one euro, and would be wired electronically into citizen accounts with encryption and authentication technology similar to that used by Bitcoin. The G-TANs would also be accepted as a means of settling taxes at the national level, making them essentially tax credits. Specifically, G-TANs would take the form of perpetual, transferable, zero interest rate, tax anticipation notes of the Greek government.

What does this mean in plain English? Because the G-TANs are perpetual, they will never come due for repayment, and so they would not add to public debt calculations. Because G-TANs are zero interest notes, they would not increase the government's debt servicing burden. Because G-TANs are a transferable asset (as a tax credit) held by the recipients of government spending and denominated in euros, they could be used as a means of settling other household and business transactions, and as collateral for borrowing by the private sector. G-TANs would thereby immediately provide an alternative financing instrument to the Greek government, even though by design, G-TANs would behave much like an electronic fiat currency. In this fashion, the various Transition Town experiments with alternative financing instruments and complementary currencies could be scaled up and deployed at the national level.

With the introduction of G-TANs, the Greek government could immediately regain control over its fiscal policy. The economic crisis in Greece could become the occasion for a systemic conversion of the economy to one more environmentally sustainable, and one more capable of meeting the basic needs of its population. Such a systemic transition requires not only refocusing the economy on import substitution for the basic needs of the population – food, energy and medicines - but also the re-localization of economic ownership and decision-making.

Worker-owned cooperatives or community-owned enterprises are examples of economic activity under democratic community control and ownership. Greece, could take inspiration from Italy's Marcora law, which gives unemployed people an alternative option to receiving monthly unemployment benefits. Unemployed workers also have the option of teaming up to receive the entire amount of prospective unemployment benefits *up front* as capital that can be used to establish a worker-owned cooperative. Projects must be plausible and vetted by the government in advance. The government can also provide technical assistance as a further means to lift the success rate of the new worker owned and managed ventures.

With these G-TANs as an alternative financing mechanism, the Greek government could also pursue projects to train unemployed youth to install solar panels, grey water systems, and rain catchment systems in government buildings and apartment complexes. This would reduce Greece's import dependency on petroleum products, and thereby free up more euros for the servicing of the existing government debt still held by foreign investors. The Greek government could also become an employer of last resort at some living wage level, with prioritization of soil rebuilding, urban edible gardens, and food forests on public lands as a way to rebuild local food systems, and further reduce imports.

The newly elected Greek government could, in other words, revive the private sector, reorient the economy to a more regenerative path, and return the labor force of Greece to full employment, all without having to exit the euro. It is even likely that the economic growth set in motion by G-TAN financing would raise tax revenues, reduce realized fiscal deficits, and reduce the public debt to GDP ratio over time - goals which the European Commission views as high priorities.

The recent experience in the eurozone reveals that policy induced austerity is a self-inflicted, festering wound. Fiscal consolidation, which is the polite phrase for austerity policies, has not proven expansionary, as policy makers originally advertised it. Economies and societies are fracturing under the weight of austerity programs, and political parties are polarizing in a fashion antithetical to the original intention of the eurozone project. This dynamic is all too similar to the horrific results of Bruning's austerity policies in pre-Hitler Germany, as the Great Depression was spreading. It is surprising that the lesson from this period has been so easily forgotten. Using the alternative financing mechanism sketched above, eurozone nations can exit austerity without exiting the euro, while at the same time creating the means to finance and build Transition Nations, not just Transition Towns.

Another world is possible – indeed, it is absolutely necessary - but we will need the imagination, the will, and the collaboration required to realize it within our lifetimes. We must move beyond simply criticizing and rejecting the suicidal economics of the past, and instead find our way forward to a new, local, regenerative economics. We must find a way of organizing economic activity that replenishes rather than depletes social capital and natural capital. The future is in our hands, if we are bold enough to recognize the lessons that have already been learned across various Transition Town initiatives, and if we are wise enough to apply them on even more ambitious and inspiring scales. By adopting innovative financing instruments like G-TANs, Greece’s new government could lead the way for other eurozone countries to the build Transition Nations from the rubble left behind by a half decade of misguided and malignant austerity policies.