

Greece Needs To Focus On The Longer Term.

If the Greek's were hoping for a bailout, their approach to obtaining one is novel. One would have expected a more conciliatory approach. Their current approach suggests that they are unwilling or unable, probably the latter, to comply with the creditors plan. It seems therefore that the choice before the Greeks is austerity in Euros or austerity in Drachmas.

The choice for the creditors is receiving fewer Euros or more Drachmas.

You can't lend a debtor into solvency. Greece needs to find a long term solution and to do that it needs to decide what it wants to be, not simply what it wants to do. I think that it may be in Greece's interest to exit the Euro and face the austerity that it will face in any case, in Drachmas, where it will at least have freedom over its monetary policy, although it will be constrained in the international capital markets. As it is, it has no control over monetary policy and it is constrained in the debt markets.

Varoufakis' game theory experience must advise him that Greece needs to leave the Euro before it is ejected, just as the best strategy for the Eurozone is to eject Greece before it leaves lest other members see exit as painless. The fact is that the pain is not because it is the Eurozone that Greece is leaving but that it is Greece that is leaving the Eurozone. The Eurozone will want to preserve the former myth and the Greeks will probably want to avoid the latter inference. So everyone is served in some way.

The only legitimate complaint the Greeks might have is that the Eurozone suppressed their cost of debt, an analgesic that

allowed the country's deficiencies to persist and accumulate without symptoms for so long. Only the return of country risk in the wake of 2008 awoke the various countries to their conditions as sovereign spreads diverged to reflect individual members' default risk.