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"To be in or out": That is the question before Greece!

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Last week we discussed Zimbabwe ditching its own 35-year old currency and embracing the US dollar, after 20 years of mismanagement of the economy.

This week, we will discuss just the reverse. It is about Greece, a member of eurozone saying good bye to the euro and returning to its own currency: the drachma, introduced in 1832 and abandoned in 2001, all for the fancy but stressful membership of rich nations' club: eurozone.

Returning to own currency is not easy. Not a cakewalk as it was for the Biblical prodigal son. No fatted calf would be ready. The drachma would be a much thinner, emaciated and devalued currency.

Origin of the Greek crisis

Greece is a member of European Union (EU) since 1981. The eurozone with original 11 members was born on 1 January 1999. Greece, with high unemployment and poor growth, was itching to join the eurozone. However, every aspiring member had to fulfill a very tough set of criteria, known as Maastricht criteria. Among the five, three critical ones are: (i) inflation of no more than 1.5 percentage points above the average rate of the three EU member states; (ii) a national budget deficit of 3 percent of GDP; (iii) public debt below 60 percent of GDP.

Greece was admitted as the 12th member on 1 January 2001.

The next six years was the happiest period, with Greece receiving large amount of funds from overseas investors. They believed that their loans would be underwritten by European Central Bank. Budget deficits grew big. Public debt soared to more than 100 percent of GDP. Misery started sooner than expected. Rumours spread about the inability of government to service debt payment obligations.

Shocking admission

Greece publicly admitted that it fudged the budget figures to gain admission to Eurozone. No sanctions were imposed. The European Commission(EC) had to keep quiet since the bigwigs, France and Germany were themselves exceeding the budget deficit limits of 3 percent of GDP. So, EC issued a warning.

Feeble attempts to control public spending failed, only public anger was aroused. The 2008 global economic downturn and Greece's own €300 billion debt plunged the country into crisis in 2009. Public debt as percent of GDP rose to 146 percent in 2010. Greece announced two rounds of tough austerity measures. In April, Eurozone countries approved €110 billion euros rescue package.

As crisis deepened, rating agencies cut credit rating to signify a substantial risk of default. In October 2011, Eurozone leaders agreed to a 50 percent debt write-off for Greece in return for more belt tightening measures. The government announced a referendum on the rescue package. Unable to push a program, the government resigned.

Rescue package

In February 2012, the new government got parliament's approval of a new package of austerity measures for a €130 billion bailout. Government was successful in getting a debt swap deal with its private-sector lenders, enabling it to halve its massive debt load. October 2012 saw another €13.5 billion austerity plan agreed to by parliament for securing the next round of EU and IMF bailout loans, a fourth package in three years in return of tax increases and pension cuts.

In the next two years, anti-euro sentiments were whipped up with unemployment hitting a record high at 28 percent in 2014. Fearing the radical leftists coming to power, Eurozone finance ministers assured further bailout funds of €8 billion. As Greece was able to raise US $4 billion by selling its long term bonds for the first time in four years, there were hopes of normalcy.

In early 2015, the leftist won the election, dashing hopes. They agreed to a four-month's extension to bailout only on the condition of dropping key anti-austerity measures. Greece has to repay €1.6 billion to IMF by June 30.

The IMF, Greece and Eurozone leaders are continuing their talks, as I write.

Only if IMF loan repayment is settled and reform proposals are agreed, the final tranche of €7.2bn of bailout funds will be released. Greece refuses new taxes and reductions in public sector wages and pensions.

Greece knows the Eurozone will not allow Greece to exit. If Greece leaves, there will be more departures: Portugal and Italy.

If Greece exits the euro, that is the price Greece has to pay for mismanaging the economy. If Greece is allowed to stay in Eurozone, that is the price the EU has to pay.

Eventually, it would only hasten the end of a grand dream of Jean Monnet and Robert Schuman, the founding fathers for single economic space in Europe.

So sad, a Greek tragedy ending in European tragedy as well!