

19th February 2015

Dear Mustafa

As I was heading to Greece this week the universal comment received was the same - "Oh you will be careful, won't you?". As touching as this concern was I have been travelling to Greece for 5 years now and think the time of anger and black humour has passed.

The Greeks I know have re-calibrated their lives to live on lower pensions, pay higher taxes (yes they do!) and earn, if employed, reduced wages. This proud nation is sadly reconciled to being the butt of financial jokes and the testing ground for economic theory.

Athens is cold, subdued and fearful. Everyone is watching the events in Brussels where an immovable object of the Troika is meeting an irresistible force of Greek Democracy. Greece is the land of legends and reformed heroes; enter stage left Yanis Varoufakis, professor of political economics, Finance Minister and author of 'The Global Minotaur,' (any Theseus complex here?). In this book Professor Varoufakis outlines that surplus flows of capital from one region to another need to balance, the way they do in the USA, but are failing in Europe. This is the fundamental crux of any continuing European Union, both financial and political.

Mustafa Zaidi
Clarmond House
1 Holbein Place
London, SW1W 8NS



Germany want to retain the Euro; they have been its main beneficiary. What they need is the ability to devalue a Greek Euro, or a southern Euro in general. Therefore capital controls for Greece would be the first step, along with the ability to run the domestic economy on 'Greek Euro' basis; a two currency situation - it is not unknown.

When we wrote about Greece 18 months ago we concluded that, if we had to place our bets, capital controls were a more likely outcome than a 'Grexit'. People thought we were mad, that it could not be done, but now on CNBC and Bloomberg it seems to be in every second sentence.

As I leave Athens there is a feeling that events of the next month will change things for a generation, there is a collective holding of breath. I am returning here at the end of March and expect to arrive in a very different city.

See you soon - Chris