Well deserved retirement for Theodore and Tess Constantinou

The decision to retire was not an easy one, and it took a lot of persuasion, but once the action was put into motion, it didn't seem that hard anymore. Well, planning holidays, walks on the beach and meeting friends for coffee sounds OK to me.

Go back 56 years, and their only thoughts were to make a better life for themselves and to help their families in any way possible and I'm sure retirement was far from their plans. Like so many migrants and many stories that we have heard before, Theo and Anastasia left their respective homes as young teenagers in the early 1950's and came to Australia, not for a holiday like we all take for granted because we have 4 weeks owing to us annually, but because it was a necessity. This necessity became an adventure when their paths crossed in a milk bar on King Street Newtown, and the adventure has continued ever since.

Mr Theodore and Mrs Tess Constantinou

Most people will know them because of their association with the newspaper, but even if you had only known them for a short while, you would soon find that one had a good joke to tell and wouldn't let anything get in the way of a game of golf, while the other had a diplomatic character that had the opposite effect. Their caring, giving and unpretentious natures have earned them many long term friendships and a strong family unit while they gained the respect of many associates over the years.

"O Kosmos" is an iconic institution that Mr and Mrs Constantinou had the privilege to be associated with and to lead for a period of time, but the time came to hard over the reins to a new guardian.

With their support and most importantly the support from the Greek Community and all Greek businesses, "O Kosmos" along with its passionate team will continue to bring the news from Greece and locally for you to read and enjoy.

Both Mr and Mrs Constantinou would like to thank everyone for their support over the past 8 years, as we also wish them all the best in the future in their well deserved retirement.

Eleni Dales

Was the euro worth it?

For former prime minister Kostas Simitis, Greece's admission to the euro was a "historic achievement", the pinnacle of his two consecutive terms in office from 1996 to 2004.

"The country is now entering the European Union's central nucleus, which is one of the most powerful political and economic poles in the world," an exuberant Simitis told reporters on 19 June 2000 following the EU summit which decided on Greece's accession to Economic and Monetary Union (EMU). The summit also fixed the exchange rate at 240.750 drachmas per euro for the official entry to the eurozone on 1 January 2001.

"This development permits us now to better exploit possibilities provided by European unification and constitutes a qualitative change since it promotes Greece to a higher level, which means greater economic stability, better growth rates, more confidence and prosperity," he added.

After joining the euro, "Greece is not lagging behind in any sector and is stronger at present than it was in the past," Simitis stressed.

The former premier's words ring hollow today, given the dire predicament in which debt-ridden Greece finds itself ten years on.

The ruling parties of the past decade appear to have made a mess of all the challenges and opportunities entailed in euro membership. But this outcome was far from inevitable.

"Greece's entry came as a surprise to many," said Columbia University professor Robert Mundell, the 1999 Nobel laureate in economics, known as the "father of the euro" for his theory that monetary union can go ahead without the premise of political and economic union.

"But we all assumed that the Greek governments would receive enough subsidies from the richer EU countries to finance the development of their public infrastructure and increase the country's productivity."

What they did instead - noted Mundell in a recent interview - was to build few roads or railways linked to the Athens 2004 Olympics and squander the rest of earmarked EU support funds in massive state handouts without a token of "fiscal self-restraint".

Cheap capital

But it wasn't just the squandering of EU funds or neglect of public investment that gradually derailed Greece's public finances and piled up huge deficits on public debt.

Kostas Simitis with Prime Minister George Papandreou

Above all, Greece failed to take advantage of the financial benefits from monetary union - in particular, lower interest rates and the elimination of exchange rate risk.

"For a country like Greece, the accession into a stable, risk-free currency area in the past ten years was a major improvement from the turbulent past of the drachma," said investment consultant Kostas Vergos.

"But the only sectors which benefited from it were construction and real estate," he added.

These advantages could have been used wisely to promote capital investment in high-tech products and export growth as happened with Ireland in the 1990s.

But for Greek consumers and investors - including the state - the irresistible temptation was to use cheap borrowed funds to live beyond their means or invest solely in assets of low risk and higher short-term returns, as in portfolio investment and real estate.

Bubbling bubbles

"In the years preceding the crisis, low financing costs fuelled the misallocation of resources to often low productive uses, feeding unsustainable levels of consumption, housing bubbles and the accumulation of external and internal debt in some member states," said a European Commission communique on May 12 in reference to the weaker eurozone economies of Greece, Portugal, Ireland and Spain. "Consequently, the competitiveness gap in these countries reached an all-time high just before crisis," it said.

In addition, fiscal policy often failed to use higher growth and lower euro interest rates to reduce deficits by boosting tax revenues and reducing external borrowing.

In an economy with rigid or only partly flexible labour market, like that of Greece, all these strong expansionary stimuli furnished by the euro resulted only in accelerated wage increases that were well in excess of productivity growth especially in the public sector.

However, it appears that both Simitis' and Karamanlis' governments believed they could carry on borrowing their way to prosperity so long as the rate of GDP growth remained slightly higher than that of the public debt.

The advent of the global financial crisis in 2008 changed all that by exposing the fragility of the Greek economic model as it paved the way to a pan-European fiscal crisis which threatens the very existence of the euro.

The ups and the downs

Pros

1 Currency stability
2 Low interest rates
3 Market confidence
4 Lower fuel costs
5 Lower import prices
6 Europeanisation
7 Bigger market/less turbulence

Cons

1 High domestic prices
2 Cheap capital/expensive labour
3 Loss of competitiveness
4 Higher consumption/lower savings, investment
5 Euro-scapegoating (blaming unpleasant policies on euro)
6 No common fiscal policy
7 Rigid stability and growth criteria (deficit 3% of GDP)

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