

The Butterfly and the Stock Market

*By George C. Bitros, Professor of Political Economy, Emeritus,
Athens University of Economics and Business*

The government and its advisors were surprised last week by the collapse of the Athens Stock Exchange, particularly regarding the sharp decline in the share prices of the systemic banks. We have heard a lot of explanations about the possible reasons behind this development as well as a wide range of thoughts about what could be done to halt the present downtrend, which fuels Greek bond yields and blocks the raising of funds from the international loan markets. Big words, since the people involved in these discussions continue to ignore systematically and with plenty of ideological prejudice the so-called "butterfly effect". According to this, the fluttering of a butterfly in the Amazon, under certain weather conditions, may cause a hurricane in New York, which is thousands of miles away. The technical reason is that small changes in the initial conditions of a non-linear system can bring about devastating consequences. So, let us see how this effect is related to what happened in the Athens Stock Exchange.

Last week, a lot of news passed through the Greek mass communication media without much scrutiny. One of them was the following. The Bodossakis Foundation, one of the country's most important charitable foundations, responding to the profound lack of laboratories in the public schools of Magnesia prefecture, declared their readiness to donate the necessary funds to cover this need. But the regional union of teachers in the public schools called upon the boards of parents and the headmasters of the schools to refuse the grant, because by accepting it they would be opening a door for private enterprises to enter into the system of public education!!!

It was a powerful fluttering of a seemingly unimportant butterfly in the beautiful region of Magnesia, which certainly did not go unnoticed by the centres that collect and feed key pieces of information to governments and fund managers across the international markets. For, in the light of this stance by the teachers' union, it was reasonable for all informed to conclude that, if after eight years of austerity and €350b of public debt, these teachers and their colleagues all over Greece have not appreciated that their salary is paid for by the surplus generated by private companies, then the risk of an open bankruptcy, if not imminent, at least looms quite possible. Therefore, it did not take much hard thinking on their part to decide that the best thing they had to do was to get their money out as fast as possible and leave.

In short, the fluttering of a small butterfly in Magnesia, along with all the other butterflies that shaded the country's sunshine last week, worsened suddenly the outstanding negative climate in the Athens Stock Exchange and explains nicely what happened. And, unfortunately, with the steady flow of government initiatives that are unfriendly to doing business in Greece, the negative investment climate cannot be reversed.

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