After the Greek vote, no quick solutions

The Greek government’s resounding victory in Sunday’s referendum has made an already confusing situation in the cash-strapped country even more so. Many Greeks felt they had nothing to lose by casting their vote in support of Greek Prime Minister Alexis Tsipras.

"It remains to be seen what he can deliver and how quickly that support might evaporate when, for instance, public servants can’t be paid their salary in a few days," said Elaine Papoulias, executive director of Harvard University’s Minda de Gunzburg Center for European Studies, in an interview.

In an email to CBS MoneyWatch, Roberto Rigobon, a professor of applied economics at MIT’s Sloan School of Management, argued that the Greek referendum was a mistake, calling it “a tantrum from an immature democracy.”

What happens next is the great unknown.

Allowing Greece to leave the eurozone would be more expensive than allowing it to keep using the European currency, according to many economists. Moreover, the European Union has no procedures to kick a country out of the euro. It’s possible, however, that Greece may be forced to abandon the currency on a temporary basis with the government issuing IOUs.

Bringing back Greece’s former currency, the drachma, would exacerbate the chaos in the country where banks remain closed and unemployment tops 25 percent. The Greek government has long argued that its debt level of about 180 percent of its GDP is unaffordable, a view many economists back.

"The only hitch is that Greece cannot remain in the euro acting alone," wrote Erik Jones, director of European and Eurasian Studies at Johns Hopkins’ School of Advanced International Studies, in an email to CBS MoneyWatch. "It has to be a collaborative decision that trades commitment to reform on the part of the Greeks for debt reduction on the part of the creditor countries."

That view is backed by economists tied to financial institutions such as Societe Generale, which has argued that a Grexit is "not a foregone conclusion." However, the French bank added that Greece likely would default on the June payment that’s due to the International Monetary Fund. It has already missed a 1.5 billion ($1.7 billion) payment due to the IMF last Tuesday when the country’s bailout also expired.
"This missing of the IMF payment was a political choice," said Campbell Harvey, a professor of finance at Duke University's Fuqua School of Business, in an interview. He added that the Greek government has 112.5 metric tons of gold, worth $4.2 billion. "They could have used that gold to pay the IMF," Harvey said.

U.S. investors haven't hit the panic button, for now. The main stock indexes closed lower Monday afternoon, though they largely recovered from a more dramatic sell-off at the start of trading.

Germany's Angela Merkel and France's Francois Hollande discussed the situation today. Merkel, whose country is Greece's largest creditor, also spoke with Tsipris. In comments to the press, Hollande said "the door is open for discussion." The European Central Bank has increased the collateral needed for Greek banks to obtain any loans, adding more pressure to a banking system on the edge of collapse.

Greece's economy is in a shambles, likened to the Great Depression in the U.S. Banks remain shuttered for a second week though they have been opened occasionally to assist pensioners. Otherwise, Greeks can withdraw only 60 euros at a time from ATMs. As access to capital dwindles, business activity is grinding to a halt, giving the Greek government few options to extricate itself from its predicament.

"To recover at a decent rate while staying in the euro," he said, "Greece would need a kind of eurozone Marshall Plan, which is not going to happen."

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