

## Explaining Greece's Debt Crisis

By THE NEW YORK TIMES JUNE 17, 2016

### What's the latest?

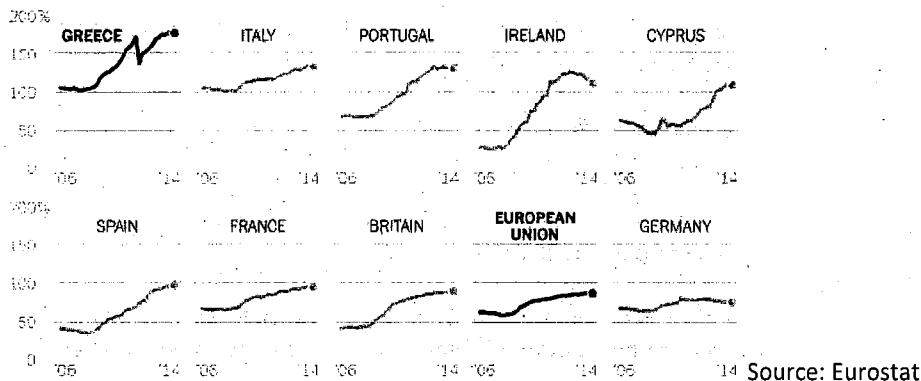
European authorities have authorized handing 7.5 billion euros in bailout aid to Greece, which will allow the country to keep paying its bills in the coming months. It has also won additional pledges of debt relief, helping to ease concerns about another crisis in Greece at a time when Europe is dealing with an influx of migrants and a continuing terrorist threat. Debt relief has been a contentious issue for creditors, with the International Monetary Fund and Germany lining up on opposite sides. The I.M.F. has insisted that Greece cannot meet its budget goals without easing its debts, while Germany remains skeptical of cutting Athens more slack. They have reached a compromise, of sorts. Greece's creditors committed to debt relief, although not until 2018 at the earliest, provided the country continues to carry out painful changes.

### How does the crisis affect the global financial system?

In the European Union, most real decision-making power on things like money and migrants, rests with 28 national governments, each one beholden to its voters and taxpayers. This tension has grown only more acute since the January 1999 introduction of the euro, which binds 19 nations into a single currency zone watched over by the European Central Bank but leaves budget and tax policy in the hands of each country, an arrangement that some economists believe was doomed from the start. Since Greece's debt crisis began in 2010, most international banks and foreign investors have sold their Greek bonds and other holdings, so they are no longer vulnerable to what happens in Greece.

### Debt in the European Union

Gross government debt as a percentage of gross domestic product plotted through the fourth quarter of 2014.



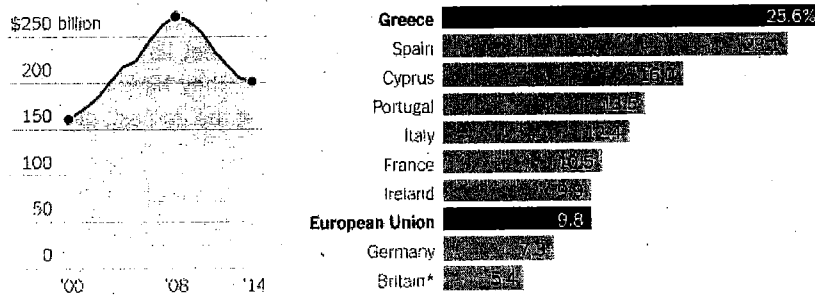
### What if Greece left the eurozone?

At the height of the debt crisis a few years ago, many experts worried that Greece's problems would spill over to the rest of the world. If Greece defaulted on its debt and exited the eurozone, they argued, it might create global financial shocks bigger than the collapse of Lehman Brothers did. Now, however, some people believe that if Greece were to leave the currency union, in what is known as a "Grexit," it would not be such a catastrophe. Europe has put up safeguards to limit the so-called financial contagion, in an effort to keep the problems from spreading to other countries. Greece, just a tiny part of the eurozone economy, could regain financial autonomy by leaving, these people contend — and the eurozone would actually be better off without a country that seems to constantly need its neighbors' support.

Greece does hold some leverage, however. European leaders are keen to avoid a new Greek crisis and will most likely need Greece's help in tackling the Continent's continuing migration crisis, which has been concentrated in the Aegean Sea.

### Greece's G.D.P. and Unemployment Rates in Europe

First quarter 2015 average; \*Britain is the three-month average through February.



Source: Eurostat

### How did Greece get to this point?

Greece became the center of Europe's debt crisis after Wall Street imploded in 2008. With global financial markets still reeling, Greece announced in October 2009 that it had been understating its deficit figures for years, raising alarms about the soundness of Greek finances. Suddenly, Greece was shut out from borrowing in the financial markets. By the spring of 2010, it was veering toward bankruptcy, which threatened to set off a new financial crisis.

To avert calamity — the International Monetary Fund, the European Central Bank and the European Commission — issued the first of two international bailouts for Greece, which would eventually total more than €240 billion. The bailouts came with conditions. Lenders imposed harsh austerity terms, requiring deep budget cuts and steep tax increases. They also required Greece to overhaul its economy by streamlining the government, ending tax evasion and making Greece an easier place to do business.

### If Greece has received billions in bailouts, why has there still been a crisis?

The money was supposed to buy Greece time to stabilize its finances and quell market fears that the euro union itself could break up. While it has helped, Greece's economic problems have not gone away. The economy has shrunk by a quarter in five years, and unemployment is about 25 percent.

The bailout money mainly goes toward paying off Greece's international loans, rather than making its way into the economy. And the government still has a staggering debt load that it cannot begin to pay down unless a recovery takes hold.

The government will now need to continue putting in place deep economic overhauls required by the bailout deal Prime Minister Alexis Tsipras brokered in August 2015, as well as the unwinding of capital controls introduced after political upheaval prompted a run on Greek banks.

Greece's relations with Europe are in a fragile state, and several of its leaders are showing impatience, unlikely to tolerate the foot-dragging of past Greek leaders. Under the terms of the bailout, Greece must continue to pass deep-reaching overhauls, many of them measures that were supposed to have been passed years ago.

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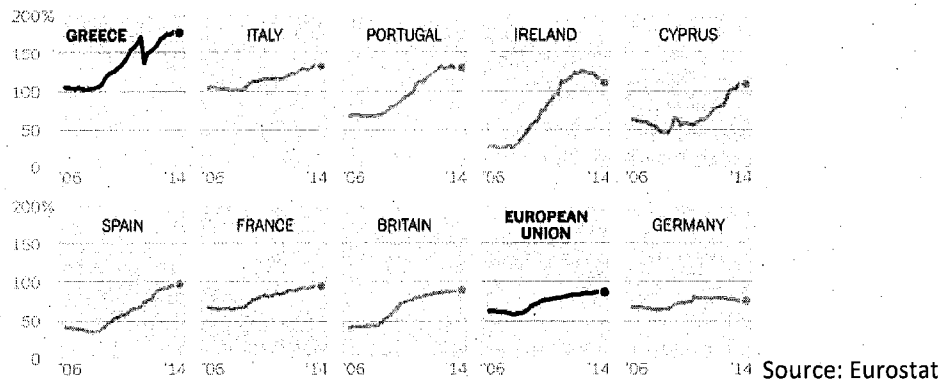
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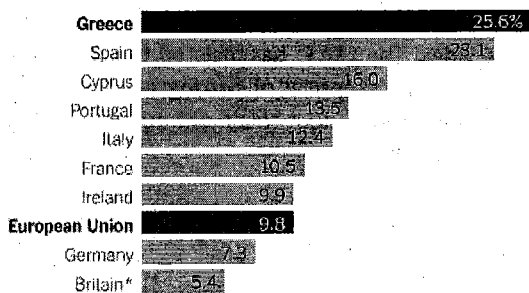
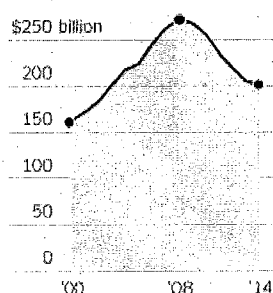
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This Is The Terrible State Of Greece's Austerity Economy, And Now Things May Get Even Worse

Greece's grueling austerity program lies at the heart of disagreements between the country's left-wing government and international creditors over bailout funds. The IMF, European Central Bank and European Commission are pushing the Greek government to implement budget reforms in exchange for extending more funds. But Greek Prime Minister Alexis Tsipras' Syriza party won Greek elections in January after pledging to roll back such austerity measures, which have taken a heavy toll on the country's economy and social safety net. Greece now faces another bruising period of financial chaos and uncertainty, after long years of economic crisis in the wake of the 2008 financial crash and European debt crisis. Last month, the Greek economy fell back into recession yet again. As Greece heads toward another crisis, this is what the country has already been through in recent years:

- The economy shrunk by a quarter.
- 1 million jobs vanished.
- One in four people are unemployed.
- Half of young people are unemployed.
- Massive tax increases have been implemented.
- Greece's social safety net has been gutted.
- Over 200,000 Greeks have left the country.
- The only European country where the minimum wage has *dropped*.
- Thousands took early retirement, even as pensions are plunging.
- Homelessness is soaring.

CBC The Current Podcast

Monday May 02, 2016

### **Former Greek finance minister says Greece was fiscally waterboarded by creditors**

Years of harsh austerity had already gutted Greek government services, and left the country's social safety net in tatters. And in the end, 60 per cent of Greek voters had rejected the austerity demands.

"We didn't ask for a bailout. It was enforced upon us. What you have to realize is that these are predatory loans and they are not loans for Greece."

Former Greek Finance Minister Yanis Varoufakis

The Current

Varoufakis wants to set the record straight. His book is called, *And the Weak Suffer What They Must?: Europe's Crisis and America's Economic Future*.

"Instead of oxygen, what is deprived is liquidity and this cycle continues and continues, until in the end Greece is turned into a desert and declared to be peaceful."

Former Finance Minister Yanis Varoufakis on what he calls 'Greece's fiscal waterboarding'

The Current

**YANIS VAROUFAKIS:** Well, I think that most Europeans, or the majority of Europeans, we're particularly impressed and extremely supportive of us. The governments were not. We must not conflate the people in the street with government. And even some of the governments, or at least the finance ministers that I was speaking to in private, were expressing completely different view to what they were expressing in public. But that I suspect simply speaks to the deep anti-democratic nature of the European Union.

**CBC HOST:** And you basically call it a moment when a small European nation rose up against debt bondage.

**YANIS VAROUFAKIS:** Indeed, because this is precisely what it was. Our Canadian audience must understand that the Greeks were not voting against the bitter medicine administered by a tough but efficient doctor. Our people have had enough of being pointed out as corrupt, as lazy, as people who didn't want to reform, to modernize, to shape up. They were perfectly prepared to go through painful reform, to take the bitter medicine and all that. But what has been happening over the last six, seven years is not that bitter medicine has been administered, poison has been administered. And the Greek economy is just dying. And we are in the clasp of a great depression without the prospects of a new deal or any kind of recovery. And these austerity measures, they're simply perpetuating debt inflationary spiral through nothing good can come out. That is what the whole issue was.

October 18, 2017 Independent

Capitalism is ending because it has made itself obsolete, former Greek finance minister Yannis

Varoufakis says

Exclusive: Former economics professor says rise of artificial intelligence will spell end of neoliberal system

Yanis Varoufakis warns Karl Marx 'will have his revenge'

Former Greek finance minister Yanis Varoufakis has claimed capitalism is coming to an end because it is making itself obsolete.

The former economics professor told an audience at University College London that the rise of giant technology corporations and artificial intelligence will cause the current economic system to undermine itself.

Mr Varoufakis, who took on EU institutions over Greek debt repayments in 2015, said companies such as Google and Facebook, for the first time ever, are having their capital bought and produced by consumers.

"Firstly the technologies were funded by some government grant; secondly every time you search for something on Google, you contribute to Google's capital," he said. "And who gets the returns from capital? Google, not you."

*Humans are the commodity / the means of production*

"So now there is no doubt capital is being socially produced, and the returns are being privatised. This with artificial intelligence is going to be the end of capitalism."

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Mr Varoufakis came to prominence during the Greek sovereign debt crisis when he led Greece's negotiating team seeking a resolution with its international creditors.

Describing the event as a "complete failure" on his part, he resigned as finance minister in 2015 after Greek Prime Minister Alexis Tsipras agreed to the terms of the EU's debt repayment plan.