Written by **Bob Adelmann** on June 22, 2015

Greece: Capital Controls Threat Increases as Deadline Approaches

The announcement last week by Greece's central bank that it may be forced to start implementing capital controls — eliminating the ability of Greeks who still have any money in the bank to withdraw it or send it to another country for safekeeping — may just be a ploy to bring more pressure on the Troika (European Central Bank, IMF, and eurozone countries) to release the last batch of funds from Bailout Number Three.

Withdrawals by nervous Greeks began last fall as Bailouts Number One, Two, and Three were only pushing the country further into recession. Withdrawal from the eurozone itself became increasingly likely, with the result that the euro would be replaced in Greece with a new currency with much less purchasing power.

Ever since Greece joined the European Community, later to be called the European Union, it has enjoyed far better credit ratings than it deserved. Assured that default was now no longer an option, central banks and other international financial institutions were more than willing to loan Greece all the funds they wanted, and Greek politicians responded to the largesse with enthusiasm.

When the country's national debt exceeded its total annual economic output, coupled with a series of recessions as the free market tried to eliminate the distortions wrought by easy money, Greece needed help.

In May 2010, the Troika issued Bailout Number One in the amount of $125 billion to keep the country afloat financially until June 2013. Naturally, the bailout came with strings attached: austerity in the form of pension reform and civil servant cutbacks.

A year later Bailout Number Two was implemented as Greece was unable to fulfill its part of the bargain agreed to under Bailout Number One. It received another $200 billion along with a scolding that it must adhere to the austerity measures of Number One that it had just violated.

This time private creditors unlucky enough still to be holding Greek bonds were forced to accept a 50-percent haircut along with extended terms on what was left. Bailout Number Two in effect extended Bailout Number One for a total now owing to Greece's creditors, after the haircuts, of some $275 billion.

By December 2012, Greece had defaulted on so many of its previous promises that the Troika offered Bailout Number Three, adding another $10 billion in loans to the mounting pile of unpayable debt, and extending the theoretical payback deadline to January 2015.

By this time the austerity measures imposed by the Troika were putting the Greek economy into the red: Unemployment soared to 25 percent (more than 50 percent among young people), and checks to civil servants and pension plan beneficiaries were in jeopardy. The Greek parliament called a special election for December 2014, following which the far-left SYRIZA faction took control. Headed up by former communist revolutionary Alexis Tsipras (whose youngest son's middle name is Ernesto, a tribute to Ernesto "Che" Guevara), Tsipras made good on his promises by rehiring some 12,000 government workers who had been laid off and rolling back pension cuts.

This was just too much for the Troika, which withheld its last bit of help until June 30, hoping that Tsipras would relent and reinstall the measures that were destroying Greece.

Some $35 billion has already left Greek banks, with the amount leaving touching $1.8 billion on Friday last week as savings account holders' nervousness about the outcome of Monday's meeting of the Troika and other officials about Greece's future continued to grow.

According to George Will, expressing his exasperation over the matter in the *Washington Post*,

> Voters chose Syriza because it promised to reverse reforms, particularly of pensions and labor laws, demanded by creditors, and to resist new demands for rationality.

Further proof of irrationality appeared when Tsipras claimed that the Troika's unreasonable expectations were designed to "humiliate" Greece. Wrote Will:

> How could one humiliate a nation that chooses governments committed to Rumpelstiltskin economics — the belief that the straw of government largesse can be spun into gold of national wealth?

It's all shadows and chimera, sound and fury signifying nothing, said Will:

> The E.U. has a flag no one salutes, an anthem no one sings, a president no one can name [Martin Schulz], a parliament whose powers subtract from those of national legislatures, and a bureaucracy no one admires or controls and rules of fiscal rectitude that no member is penalized for ignoring.

If the past serves as a direction for the future, Tsipras and the Troika will most likely cobble together yet another bailout, Number Four (or would that be Number Five?). The economic foolishness being promoted as rational by the media is likely, however, to have some good come from it. England has a planned referendum later this year about withdrawing from the European Union altogether.

Anti-austerity protests in Greece: Kotsolis at English Wikipedia

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.*