Simmering Greek Financial Crisis Explodes Once Again

Under the terms of its last bailout, Athens was required not only to continue to impose harsh austerity terms (higher taxes, less government spending, better accountability, and increased tax collection enforcement onto Greek citizens) but to inform the unelected "higher" European authorities of any change in those terms by Athens.

Last week Athens unilaterally (the way things used to be before the imposition of the European Union's mandates) shored up a failing pension plan. It announced it would move $600 million to the plan to keep it from defaulting on payments to its more than one million beneficiaries.

This breached sacrosanct agreements tied to the country's latest bailout, or, in the language of the country's financial masters, the pension plan bailout "appears to not be in line" with Greece's commitments. Immediately interest rates demanded by investors buying the country's government bonds soared to seven percent while Athens' benchmark stock index fell 3.5 percent.

This failure to inform caused one senior official with the International Monetary Fund (IMF) to warn, once again, that Greece's debt load is "unsustainable," and that it would be wise to "rethink" key aspects of that agreement.

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What's to rethink? Greece has been in trouble for years, using the onset of the worldwide Great Recession merely as an excuse to run to the EU and the IMF for help. Specifically, in late 2009, it was revealed that the Greek government had been overspending far beyond taxpayers' ability to pay, posting debt levels and deficits that the government was forced to hide.

In exchange for bailouts (in 2010, 2012, and then again in 2015) the government imposed heavy austerity measures on its citizens. Taxes were raised 12 times, and services were cut, while the billions in bailouts paid off the international banks that had enabled Greece to overspend in the first place. Private banks that loaned money to Athens took a 50 percent "haircut," while the international banks came out of the deal whole.

In June 2015, Greece became the first developed country to default on a payment due the IMF.

Last February some 800 farmers descended on Athens to protest austerity measures that included additional tax increases and cuts to the above-mentioned pension system. At one point the protesters overwhelmed the local police, who were sent scurrying down a street in order to escape.

All of this is reviving talk of a Grexit, whereby the tiny nation exits the fatally flawed EU, leaves behind much of its financial obligations, and regains the freedom to start managing (or mismanaging) its own affairs once again.

Given the culture of corruption in Greece, there is little hope that local officials will do much better, but at least those local officials would be accountable to the citizenry.

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