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Greece Reflects Growing Economic Turmoil

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Straightjacket Eurozone rules trap 17 dissimilar countries. Greece proved most vulnerable. It's cratering under imposed austerity.

It's the epicenter of Europe's deepening economic crisis. Fed up Greeks want change. May 6 parliamentary elections favored anti-austerity candidates.

Coalition talks failed. On June 17, new elections may or may not settle things. Round one runner-up SYRIZA (the Coalition of the Radical Left) campaigned on "tear(ing) up the barbaric accord."

On Greece's NET TV, its leader Alexis Tsipras said:

"We are being asked to agree to the destruction of Greek society. SYRIZA won't betray the Greek people."

It's expected to emerge first and gain an automatic extra 50 parliamentary seats. Polls show it's gaining strength. With or without enough support, forming an anti-austerity coalition looks problematic.

How far an eventual government will go remains to be seen. Policies usually belie campaign rhetoric. Beleaguered Greeks want promises made fulfilled. Getting relief is another matter entirely.

According to Michael Hudson:

Across Europe, "(l)eft-wing parties, socialist parties, labor parties all say that they're going to preserve the social contract, and as soon as they get into power, they sell out to their financial backers, they double cross labor."

Preserving Europe and saving banks comes first. People needs don't matter. Sacrifice demands deep social cuts, unemployment, and poverty. Few have the political will to refuse. So far, no Eurozone country dared.

Expect hard times to get harder unless public rage forces revolutionary change. That's a bridge not yet crossed.

On May 11, the Financial Times headlined "Greece is falling out of Europe," saying:

Greeks reject austerity. "You can scarcely blame them for throwing out a corrupt political establishment. It is also indisputable that the economic prescription written by its international creditors is astonishingly harsh."

Nonetheless, the FT claims:

"Greece is sailing between the Scylla of creditor-imposed depression and the Charybdis of the chaos of unilateral debt repudiation and exit from the euro."

Breaking up is hard to do. So is major surgery. Healing and recovery take time. It's done because the alternative is unacceptable. Greece faced that choice long ago. It kicked the can down the road and did nothing. It agreed to impoverish its people to pay bankers.

It delayed, equivocated, sacked an elected prime minister, and replaced him with a Goldman Sachs connected unelected one. Temporary government will serve until elections produce a new one.

Council of State (the Supreme Administrative Court of Greece) head Panagiotis Pikramemos serves as interim premier. President Karolos Papoulias appointed him. Technocrats are in charge until post-election. It's main task is to prepare for June 17. According to Greece's constitution, it can't enact new laws.

Earlier Pikramemos ruled that bailout conditions and IMF mandates don't violate Greece's constitution. Austerity remains policy. A SYRIZA-led government may be too weak to change it.

Elections rarely settle things. Whether public rage shifts the balance isn't known. It's close to exploding. People don't want new bums replacing old ones. They won't likely get what they want.

Likely coalition partners SYRIZA and the Democratic Left (DIMAR), its spinoff, oppose austerity. They also insist Greece must maintain the euro "at all costs." Tsipras said leaving would be "disastrous." He'll "do all (he) can" to prevent it.

To form a new government, he'll need one or more conservative partners unless SYRIZA's popularity soars well above its 28% level. DIMAR has around 5%.

Keeping the euro requires following Troika (EU, ECB and IMF) diktats. Otherwise expect Eurozone expulsion. Bailout funds going mostly to bankers end. SYRIZA faces heavy pressure to yield.

Tsipras wants bailout terms renegotiated. He pledged to cancel "austerity measures and (rebuild Greece) from the ruins left behind by the parties of the cuts."

No concrete demands were made. Troika leaders won't renegotiate. A SYRIZA-led government won't get much choice. In the end, expect business as usual to continue. At most, Troika rules may be modestly softened. It'll be too little to matter. What's next is anyone's guess.

Opinions vary on Greece leaving the euro. Some analysts ask if it's ready to go it alone? Others say it's inevitable. Will exiting trigger other departures? Other troubled economies could follow. Ireland, Spain and Portugal are especially vulnerable.

Falling euro currency valuations suggest uncertainty. Even before exiting, Greek banks could collapse. From January 2010 through March 2012, nearly one-third of deposits were withdrawn. In recent days, nearly another $1 billion sought safety. More does daily to avoid devaluation if the drachma's restored.

Greek bankers told President Papoulias they're worried about surviving if depositors shift funds abroad. According to economist Yannis Loannides, it's a "very serious problem." The only way to stop a bank run is for the ECB to guarantee deposits held by regional lenders to guard against contagion.

In March, commercial and personal deposits in Greek banks totaled 165.4 billion euros. Greece's government has enough cash for another six weeks. Without help, bankruptcy and default loom. Restructuring is long overdue.

In the 1990s, Argentina swore never to abandon its currency board. In 2001, it yielded under severe pressure. Deep recession and severe pain ensued. Strong growth followed restructuring. Creditors had no choice.

Greece can go the same way. Restructuring will leave it debt free. Exiting euro straightjacket rules means regaining control of its monetary and fiscal policy. Once crisis conditions pass, growth can follow.

Like Argentina, Greece has sovereign rights. It's high time it reclaimed them. Moreover, it'll set a long overdue precedent for other troubled Eurozone countries to follow.

Creditors and banksters should eat losses, not ordinary people who had nothing to do with creating them and current crisis conditions. Having things turn out that way faces long odds.

An unwritten contract endows banking giants with an inalienable right to plunder taxpayers for their own self-interest. Elected officials are bribed, bullied and pressured to go along.

Tactics used work. An occasional "flash crash" and mountains of ready campaign crash gain supporters. Unknown under the table amounts sweeten deals and seal them with some on the fence.

More of the same assures harder than ever hard times. Crisis conditions across Europe build. Greece is the canary in the coal mine. Spain, Portugal, Ireland, and Italy aren't far behind.

On May 31, Irish citizens face a choice, or do they? They'll vote in a national referendum on EU fiscal policy. Many oppose renewing the current treaty. Others favor it. Some aren't sure either way.

The governing Labour-Fine Gael coalition and opposition Fianna Fail support austerity and banker bailouts. Tactics include intimidating voters to expect economic collapse unless continue.

Finance Minister Michael Noonan said deeper social cuts will follow a no vote. Large investors warn they'll shift funds elsewhere. At the same time, cuts assure deeper ones and greater crisis conditions.

Unemployment and poverty grow. How much people will take remains to be seen. Parties on both sides and union bosses offer no fundamental change. Instead of repudiating a corrupted system, they support it.

In Ireland and across Europe, ordinary people are alone in the fight for change. Getting it won't be easy. One referendum up or down barely scratches the greater problem.

Perhaps Greece or another country declaring bankruptcy will send a message too resonant to ignore. Eventually it looms. What can't go on forever, won't.

A Final Comment

What's hitting Europe affects America. Data releases show it. Most recent ones fell below expectations. Household survey employment dropped two consecutive months.

Labor force participation plunged to a 30-year low. Minus Q I mild weather, real GDP stagnated. Nonresidential construction contracted. So did business spending and durable goods orders.

Production is softening. The May Philadelphia Fed May manufacturing index plunged. From April's +8.5, it dropped to -5.8. Economists expected an increase to 10.0. New orders and hiring expectations also contracted. The March production diffusion index dropped from 62.8 to 44.6. It's the lowest level since mid-2009.

The Conference Board reported its index of leading economic indicators fell 0.1% in April. Economists expected a gain. Real final sales fell at an annual 1% rate. Real wage-based incomes fell for the past two months as well as four of the last five.

Households on food stamps, receiving disability benefits, and having withdrawn from the labor force are at record highs. Consumer confidence reflects recession, not growth.

Near-zero interest rates punish savers and retirees. Approaching retirement for many reflects uncertain darkness at the end of the tunnel.

A new University of Michigan study found one-fifth of outstanding household credit card balances, student loans, medical bills, and other unsecured debts exceed savings.

The percent of household with no savings or negative net worth approaches 25%. Things aren't improving. They're worsening. Growth is nowhere in sight.

Since 2009, Obama's $1.5 trillion fiscal stimulus went largely to corporate favorites and America's super-rich already with too much. Less than $100 billion targeted infrastructure spending, and much of that hasn't been spent.

Less than $50 billion went to beleaguered homeowners and other ways to resurrect housing. At the same time, trillions were provided for banker bailouts. Totals are unknown. Official ones top $9 trillion.

Tax cuts for the rich and bailing out banks at the expense of the economy assure protracted hard times. Job creation has been largely moribund. Good ones are are hard to find.

Nothing done since 2008 turned a sick economy into a healthy one. Severe problems remain. They fester. Unemployment and poverty are at Depression levels. Hiring plans are down, not up. Layoffs continue. Government payrolls declined by nearly half a million.

A housing crisis continues. Wages for most workers are flat. Adjusted for inflation, they're down. Over the past decade, they declined over 10%. In Q IV 2011, federal spending dropped 6.9%. State and local levels fell 2.2%.

They reflect major protracted economic drags. In Q I 2012, manufacturing exports slowed. Q II continues to look weak. In an election year when incumbents need growth to attract votes, a downward trajectory spells trouble. Expect worse results ahead.

Mainstream economists expected US growth to stimulate EU recovery and sustain emerging market strength. Evidence grows Europe is in deep trouble and BRIC countries are heading for hard, not soft, landings.

Decoupling from the global economy doesn't work. What affects Europe hits America. As they go, so does the world.

Today's downward trajectory is steepening. Months from now expect worse, and post-election worst of all when bipartisan agreement to slash another $4 trillion in mostly social spending over the next decade kicks in.

How long will growing millions put up with what's intolerable? How long before they explode? Expect it when they're broke, out of luck, on their own, and know federal, state and local help won't come.

Expect it when rent payments can't be made and families can't be fed. That's when push comes to shove. Will it make a difference? Only the fullness of time will tell.

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