The Troika Intends to Suffocate Greece. Threaten an "Uncontrollable Crisis"…

By Ariel Noyola Rodríguez
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The Central Bank of Greece surprised everyone with the publication of their monetary politics for 2014-2015. Besides revealing the consequences of the economic suffocation imposed by Brussels, it concluded that in case of not getting to a prompt deal with its European partners, a crisis of great proportions will be detonated.

"A crisis with a manageable debt as we are currently facing with the help of our partners will transform into an uncontrollable crisis, with great risk for the banking system and for the financial stability", it quoted[1]. It was the first time this institution seriously contemplated Greece's separation from the Eurozone.

The mainstream media immediately began to stress that the majority of Greek's population is against abandoning the Monetary Union. Approximately a 70% according to a recent poll published by the GOP. For keeping the "common currency" the norms in the Maastricht Treaty have to be complied, therefore the Western media concludes that Greek citizens are willing to accept the Troika's conditions: Austerity is the price for membership in the Eurozone.

However, the media omit mentioning is that the same majority was opposed to measures that the Troika (formed by the International Monetary Fund, the European Central Bank and the European Commission) intends to impose. That same majority is currently convinced that the original 245 billion euros rescue program has only brought economic affliction. The increase of inequality and poverty, lock of housing, mental illness and suicides, are evidence of the "humanitarian crisis" Greeks are daily suffering[2].

A change regarding to economic matters in urgent. In that sense, the Greek government has insisted in solving the more immediate needs (taxes on investment, creation of employment, a better distribution of income, etc.) and less in questioning terms of the debt. Despite this, Brussels has blocked any agreement that would help Greece's recovery; debt repayments are maximum priority[3].

Alexis Tsipras, prime minister, is practically "hands tied", he can't implement an alternative economic policy, this situation is contrary to his intentions, therefore it slowly diminishes the trust citizens have put into Syriza, his political party.

Disqualifications between the Greek government and the Troika were quite prompt on dates near the meeting with the Eurogroup. Tsipras addressed that the International Monetary Fund (IMF) had "criminal responsibility" for the crisis. He also repeated that his government wouldn't falter before the pressure imposed by the Troika. The objective of this proposal is to "humiliate Greece" and there he committed to reject the adjustment plans at every moment[4].

The finance minister, Yanis Varoufakis, has delivered the same message by declining on presenting proposals that would finally include a list of “credible” commitments for the creditors: raising the primary surplus, additional tax raises, dismantling the pension system, etc[5].

As consequence, the negotiations stalled once again. The Troika remains intransigent in applying its “structural reforms” no matter what, while Tsipras declines on betraying the Greeks. Therefore this dispute is ones more to be adjourned.

Greece has 10 days to liquidate the four monthly maturities of debt to the IMF (1.5 billion euros) and to open a new financing plan for 5.2 billion euros. By next July, Athens will have to pay 3.5 billion euros to the European Central Bank (ECB), 465 million euros to the IMF and 2 billion euros to additional creditors.

Debt and more austerity, in the end impose more debts, this situation puts Greece in a “depressive spiral” that seems not to have an end. How will the resources for complying with these commitments de delivered?

There is no doubt that if Tsipras decides abandoning the Euro, the consequences will be dramatic for Greece’s economy and so for the rest of economies in the region[6], including of course, Germany and France. Berlin fears a massive spread. If Greece collapses, speculators will bet against the most fragile economies: Finland, Spain, Italy, Netherlands, Portugal, etc.

Considerably affected by the weak economic growth and the deflation (price breakdown), the Eurozone would loose even more confidence from international investors. The crescent ‘aversion to risk’ due to Greece’s exit would provoke an increase in the performance of sovereign bonds (currently at minimum levels). Panic would boost interest rates, severely shrinking the financial liquidity between countries.

Uncertainty will increase and the capital flows would be victim of a ‘butterfly effect’: slight increase of volatility in sovereign bond markets, light drops in stock exchanges and any change in the monetary policy, would be enough to detonate huge turbulences in credit circuits.

Nevertheless, the Troika seems decisive on backlashing the left’s economic program. Syriza have inaugurated the electoral failure of neoliberalism in Europe and due to that, it has become the lender’s favorite prey, who are ready to impose their will at any price. However, the Greeks should trust themselves, establish partnership beyond its continental borders and aim for utopia.

Democracy was born in the ancient Greece and there is where the foundations of a new Europe, free from the ‘dictatorship of the creditors’ should be built, if there is any alternative…

The author is an economist, graduated from the Autonomous University of Mexico.

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Notes

[1] «Report on Monetary Policy 2014-2015», *The Bank of Greece*, June 17, 2015.

[2] «Los griegos se alistan para nuevas penurias», Nektaria Stamouli & Marcus Walker, *The Wall Street Journal*, 16 de junio de 2015.

[3] «The Looming Austerity Package», Costas Lapavitsas, *Jacobin*, June 12, 2015.

[4] «Greek exit real prospect as eurozone hardens towards belligerent Athens», Larry Elliott, Ian Traynor & Helena Smith, *The Guardian*, June 16, 2015.

[5] «Greece will not present new reform proposals at Eurogroup: Bild», Michael Nienaber, *Reuters*, June 16, 2015.

[6] «Greek crisis: why policy makers in emerging markets should worry», Alan Beattie, *The Financial Times*, June 18, 2015.

Articles by: Ariel Noyola Rodríguez

About the author:

Ariel Noyola Rodríguez is an economist graduated from the National Autonomous University of Mexico (UNAM). Involved in the Centre for Research on Globalization, Global Research, based in Canada. His reports on World Economy are published in the weekly magazine Contralínea and his opinion columns in the international news chain Russia Today. The Journalists Club of Mexico awarded him the National Journalism Prize in the category of Best Economic and Financial Analysis for his pieces issued in the Voltaire Network during 2015. He can be reached at noyolara@gmail.com. Twitter: @noyola_ariel.