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FROM DUST WE ARE AND TO DUST WE WILL RETURN: EU'S UTOPIA, GREECE'S BANKRUPTCY

Carolina Kripinski[*]

Like in a long-distance race, on April 21, 2009, a fire that started in a municipality of Marathon, Greece, rapidly spread towards Athens.[1] The fire not only threatened to destroy the nearly 2,500-year-old Parthenon constructed at the Acropolis of Athens,[2] but also the great minotaur of the century, the European Union (EU).[3] In Prime Minister Kostas Karamanlis's words, what Greeks were "facing [was] a huge ordeal."[4] Just when world markets were envisioning a tentative recovery after the financial crisis of 2008, the failures of the Greek government to respond to the wildfires, in addition to several years of neglecting the firefighting system, focused the public attention on the government. This ended with the ouster of Greece's sitting center-right New Democracy Party,[5] and this political tumult, followed by the Greek legislative election in October 2009, "set in motion the events of what has since become known as the Euro crisis."

Once the new center-left Greek government took office, it provided evidence that Greece's deficit was colossal; more distressingly, it demonstrated that this deficit had been hidden from the EU. Indeed, in April 2009, Greece's deficit figures went from a previous 3.7% of GDP to almost 13%.[6] A country's deficit is no novelty in our current DNA; however, one cannot understand how a country of nearly 11 million people had acquired a debt equivalent to €31,000 per man, woman and child.[7] In other words, how eight years after joining the Eurozone, Greece was on the verge of bankruptcy.[8]

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1. Anthee Carassava, *Thousands Flee Athens Fires*, N.Y. TIMES (Aug. 23, 2009), http://www.nytimes.com/2009/08/24/world/europe/24greece.html?_r=0.

2. THE PARTHENON, http://www.ancientgreece.com/s/Parthenon/ (last visited Feb. 29, 2016).

3. ROBERT GODBY, THE EUROPEAN FINANCIAL CRISIS: DEBT, GROWTH, AND ECONOMIC POLICY 5 (2014).

4. Helena Smith, *Greece Declares State of Emergency as Forest Fires Reach Athens*, THE GUARDIAN (Aug. 23, 2009), http://www.theguardian.com/world/2009/aug/23/athens-greece-forest-fires.

5. GODBY, *supra* note 3, at 3.

6. EUROPEAN COMMISSION, REPORT ON GREEK GOVERNMENT DEFICIT AND DEBT STATISTICS 3 (2010). Eventually the deficit would be re-estimated to be 15.6% of GDP. GODBY, *supra* note 3, at 197 n.3.

7. *The Great Euro Crisis* (BBC 2012), https://www.youtube.com/watch?v=Z1LCBp0twLE.

8. Greece has been a Eurozone member since January 1, 2001. *See EUROPA – Greece in the EU*, EUROPEAN UNION, http://europa.eu/about-eu/countries/member-countries/greece/index_en.htm (last visited Feb. 29, 2016).

To understand the Euro crisis, one has to identify the structure of the EU, its history, and the relationship between the leader countries and the periphery countries, derisively called PIIGS or GIPSI.[9]

One must keep in mind both the 2008 financial crisis and the U.S. housing collapse, which were created from dust and, sadly, returned to dust.[10] Indeed, after the investment bank Lehman Brothers failed in September 2008,[11] credit markets abruptly stopped lending. To avoid a global financial collapse, certain countries, as a rescue measure, took money from taxpayers and lent it to the financial institutions that had originally created the crisis through a betting system known as "securitization."[12] Saving the financial institutions from drowning assured that those countries would "backstop their economies and financial systems using their own good credit."[13] Thus, in those days, the only asset considered to have any value was the sovereign debt.[14] Unfortunately, the financial crisis went fiscal;[15] this is why Greece's economic situation caused such a great wave of uproar around the world. For the first time, the sovereign debt stopped being safe!

I. EDEN: THE EUROPEAN UTOPIA

"*They will say, ''This desolate land has become like the garden of Eden; and the waste, desolate and ruined cities are fortified and inhabited.''*"
—*Ezekiel* 36:35[16]

In the aftermath of World War II, when most of Europe had been reduced to dust, the idea to create a union among European countries "to make war not merely unthinkable, but materially impossible"[17] was the pillar of today's EU. On September 19, 1946, almost a year following the end of the World War II, the Prime Minister of the United Kingdom, Winston Churchill, in his speech to the Academy of Youth at the University of Zurich, called for the formation of a United States of Europe:[18]

9. Acronyms for Portugal, Ireland, Italy, Greece, and Spain; the EU countries with the weakest economies. *See The PIIGS That Won't Fly*, THE ECONOMIST, May 18, 2010, http://www.economist.com/node/15838029; Paul Krugman, *European Crisis Realities*, N.Y. TIMES (Feb. 25, 2012), http://krugman.blogs.nytimes.com/2012/02/25/european-crisis-realities/?_r=0.

10. *See, e.g.*, INSIDE JOB (Sony Pictures Classics 2010), http://documentarylovers.com/film/inside-job/. Prime Minister of Singapore, Lee Hsien Loon, referring to the bursting of the housing bubble and the global financial crisis of 2008, said, "Once you start thinking that you can create something out of nothing, is very difficult to resist." *Id.*

11. *Id.*

12. *Id.*

13. GODBY, *supra* note 3, at 6

14. *Id.*

15. DEBTOCRACY (BitsnBytes 2011), https://www.youtube.com/watch?v=qKpxPo-lInk.

16. *Ezekiel* 36:35.

17. GODBY, *supra* note 3, at 19 (citing *Declaration of 9 May*, ROBERT SCHUMAN FOUND., http://www.robert-schuman.eu/en/declaration-of-9-may-1950 (last accessed Feb. 29, 2016)).

18. Winston Churchill, Former Prime Minister of the United Kingdom, Speech Delivered at the University of Zurich (Sep. 19, 1946), https://www.coe.int/t/dgal/dit/ilcd/Archives/selection/Churchill/ZurichSpeech_en.asp.

> We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living. . . .We must all turn our backs upon the horrors of the past. We must look to the future. We cannot afford to drag forward across the years that are to come the hatreds and revenges which have sprung from the injuries of the past. If Europe is to be saved from infinite misery, and indeed from final doom, there must be this act of faith in the European Family and this act of oblivion against all the crimes and follies of the past. Can the free peoples of Europe rise to the height of these resolves of the soul and of the instincts of the spirit of man? If they can, the wrongs and injuries which have been inflicted will have been washed away on all sides by the miseries which have been endured. Is there any need for further floods of agony? Is the only lesson of history to be that mankind is unreachable? Let there be justice, mercy and freedom. The peoples have only to will it, and all will achieve their hearts' desire. . . . The structure of the United States of Europe, if well and truly built, will be such as to make the material strength of a single state less important. Small nations will count as much as large ones and gain their honor by their contribution to the common cause.[19]

Such a union was attained through the consolidation of an economic and political integration. The first step was the creation of the European Coal and Steel Company in April 1951 among France, Germany, Italy, and the Benelux countries (Belgium, Netherlands, and Luxembourg).[20] That first alliance evolved into the European Economic Community (EEC), which in turn became the European Union in 1992. That year, the Maastricht Treaty outlined the pillars under which the EU would be based:[21] the European Community pillar, the Common Foreign and Security Policy pillar, and the Justice and Home Affairs pillar.

Similar to any common democratic government structure, executive, legislative, and judicial branches compose the EU. The European Commission, head of the executive branch, is designed to govern the decision-making. Its accountability derives from the European Council composed of member heads of state. The Council of the EU (a.k.a. Council of Ministers) and the European Parliament, which is a directly elected body by voters in all Member States,[22] are the heads of the

19. *Id.*
20. GODBY, *supra* note 3, at 19. These countries are commonly known as the "inner six." *Id.* at 21.
21. *Id.* at 22.
22. *Organisation*, EUROPEAN PARLIAMENT, http://www.europarl.europa.eu/aboutparliament/en/20150201PVL00010/Organisation-and-rules (last visited Feb. 29, 2016).

The European Parliament is made up of 751 Members elected in the 28 Member States of the enlarged European Union. Since 1979, MEPs have been elected by direct universal suffrage for a five-year period. Each country decides on the form its election will take, but must guarantee equality of the sexes and a secret ballot. EU elections are by proportional representation.

Legislative branch. The European Commission, regarding matters of national interest, proposes legislative action which requires approval from the two arms of the legislative branch: the EU Parliament and Council of Ministers.[23] Finally, the European Court of Justice administers the judicial branch.[24]

European-wide interests are always constrained by the structure of the EU's decision-making, which requires unanimity in both councils' decisions (the European Council's accord—through unanimous national consent to proceed—followed by the Council of Ministers' approval).[25]

Such structure challenges the EU's ability to formulate an immediate response when facing a major crisis. On one hand, we have a Council of Ministers that advocates for national interests of each state member, and on the other hand, a parliamentary body that represents the greater interest of Europe. In sum, the EU does not have a single body that could make the general interest of the Union prevail over the interest of the individual members.

The EU system, size, and number of state members permit, *mutatis mutandis*, a natural comparison with the United States where fifty states share the same currency, and for the most part, have free trade among them.[26] Each state has a comparable population and GDP.[27] However, while the U.S. has strong federal governance, where the federal interest prevails regardless of the interest of each state, the EU is still a "coalition" that slowly makes decisions based on the consensus of the member nations.[28] European-wide interests have not yet risen over local ones.[29] On the contrary, in furtherance of its economic interests, the governance of the EU is lead by the healthier and wealthier economies (i.e., France and Germany) that determine which policies apply if their resources are needed.[30]

A. Formation of the Euro

The Maastricht Treaty established the EU rules and also determined that a new single currency would be adopted: the euro.[31] In the evolution and consolidation of the euro, the Maastricht Treaty founded the European Central Bank (ECB) and transferred all responsibility for monetary policy from individual national central

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Id.

23. GODBY, *supra* note 3, at 23.

24. *See EUROPA – Court of Justice*, EUROPEAN UNION, http://europa.eu/about-eu/institutions-bodies/court-justice/index_en.htm (last visited Feb. 29, 2016).

25. GODBY, *supra* note 3, at 23, 25.

26. *See* Grégoire Henning, *Differences Between the United States of America and the European Union?*, THE NEW FEDERALIST (Mar. 4, 2010), http://www.thenewfederalist.eu/Differences-between-the-United-States-of-America-and-the-European; GODBY, *supra* note 3, at 25.

27. GODBY, *supra* note 3, at 25. "In 2012 the Eurozone had a population of 331 million people, while the United States had a population of 312 million. U.S. GDP at current prices in 2012 was $15.1 trillion and Eurozone GDP across countries at current prices converted to U.S. dollars was $12.2 trillion." *Id.* at 199 n.13.

28. *Id.* at 25.

29. *Id.*

30. *Id.*

31. *Id.* at 27.

banks to the ECB.[32] The ECB would control the supply of euros along with setting the short-term euro interest rates.[33]

The creation of the ECB mimics the German Bundesbank, which was established in 1957 as the first central bank to be given full independence from political control.[34] The priority of the Bundesbank was "to keep the price of the German deutsche mark stable by limiting inflation."[35] Like the German Bundesbank, the ECB's priority is price stability—which in turn reflects not only Germany's historical fear of inflation, but also determines *ab initio,* which is the dominant role of Germany over the economic future of the EU.[36] Additionally, the ECB is given total political independence as a necessary feature to achieve its main goal.[37]

Like in any large and complex economical-political system, inside the EU there is a hierarchical relationship between the Core countries (the strongest economies) and the Periphery (the weakest economies).[38] Core economies—among which France, Germany; but also the UK and Netherlands, Belgium, and Luxembourg—would make and impose their decisions to the Periphery—Southern and Eastern European countries.[39] The decision-making process and policies adopted at the heart of the EU would impact its members differently, depending on whether they are located at the Core or the Periphery of the Union.[40]

Maastricht aimed for a political union among the members of the EU, and sharing a single currency—the Euro—undoubtedly targets this goal.[41] When the Eurozone was created, it was believed that its members would obtain great economic benefits.[42] In Germany and northern Europe, it was thought that the Euro would prevent inflation through the application of Bundesbank-type policies across the European continent; other countries—Ireland and especially countries from the south like Greece and Spain—saw the Euro as the great achiever of economic prosperity.[43] Collectively, the *majority* of the EU members looked at the Euro as a great opportunity to "create the conditions for 'economic convergence,' the condition in which all member economies' standards of living converge to a common

32. Martin Feldstein, *EMU and International Conflict*, 76 FOREIGN AFF. 60, 60 (1997).
33. *Id.* at 62.
34. *Id.*; Christopher Alessi, *Germany's Central Bank and the Eurozone*, COUNCIL ON FOREIGN REL. (Feb. 7, 2013), http://www.cfr.org/world/germanys-central-bank-eurozone/p29934.
35. Alessi, *supra* note 34.
36. Feldstein, *supra* note 32, at 62; *see* Michael J. Baun, *The Maastricht Treaty as High Politics: Germany, France, and European Integration*, 110 POL. SCI. Q. 605, 621–22 (1996) ([T]he Maastricht Treaty . . . represented a major victory for those countries concerned about the future strength and orientation of Germany. In the final analysis, they got what they wanted, which was a firm German commitment to monetary union with a definite timetable and a certain amount of automaticity . . . . The German government could also claim victory, however, since it was able to ensure that a future European monetary regime would essentially replicate the German model; as a result, it could claim that EMU entailed little risk of a loss of monetary stability.)
37. Feldstein, *supra* note 32, at 62.
38. Éric Toussaint, *Core vs Periphery in the EU*, INT'L VIEW POINT, http://www.internationalviewpoint.org/spip.php?article2192 (last visited Mar. 1, 2016).
39. *Id.*
40. *Id.*
41. Feldstein, *supra* note 32, at 60–61.
42. GODBY, *supra* note 3, at 28.
43. *Id.* at 28–29.

outcome, bringing greater prosperity to the entire union."[44] Citizens of Spain, Greece, and Portugal "regarded their countries participation in the European integration both as a guarantee of democratic stability . . . and as a real opportunity to improve living conditions."[45]

Perhaps these beliefs were based on the *Keynesian multiplier*.[46] According to this theory, once the government pumps money into the economy, that money gets into people's hands and those people, in turn, spend at least a fraction of the money (known as the marginal propensity to consume—MPC).[47] The government's incentive is the first round; the second round is when people spend a fraction (in an amount equal to the MPC dollars), and this expenditure becomes the income of even more people; this process continues to move on until it reaches a quantity called the *Keynesian multiplier*.[48]

Applying this economic theory to the EU, the strong economies of Europe, mainly Germany and France, would inject money into weaker economies, i.e., Greece and Spain.[49] This stimulus would be the first round. Following this theory, these countries would spend a fraction, and the process would keep going until reaching the *Keynesian multiplier*. If there was a continued spending tendency, the result would be prosperous economies with sustained growth. This cycle would necessarily increase employment and prosperity, no matter which expenditure fashion is used. However, if there is a small economic regression, negative results would be exponentially multiplied as well. Thus, "[f]or each dollar that people cut their consumption, there would be another round of expenditure cuts, then another, and then another, resulting in a much larger decline in economic activity than would be attributable to the initial shock."[50]

Another factor that has considerable effects for multipliers is the *confidence* in the economy.[51] If lenders trust that they will be paid back they will continue to lend money, and investment and consumption would be kept in balance. Conversely, if lenders stop trusting in the system, spending would stop and the expenditure cuts would result in stagnation and even recession.[52]

If one of the weak economies in the EU experiences a downturn in its economy and declines in its expenditure, it would probably take large amounts of government expenditures or tax deductions to reach full employment. Further, if the stronger EU economies have a low state of confidence in the weaker economies, they would either stop lending money, or drastically reduce the amount of money, or continue to

44. *Id.* at 29.
45. Toussaint, *supra* note 38.
46. GODBY, *supra* note 3, at 153.
47. GEORGE A. AKERLOF & ROBERT J. SHILLER, ANIMAL SPIRITS: HOW HUMAN PSYCHOLOGY DRIVES THE ECONOMY, AND WHY IT MATTERS FOR GLOBAL CAPITALISM 14 (2009).
48. *Id.* at 14–15.
49. *See* Toussaint, *supra* note 38. During the first years of their adhesion, core countries would transfer significant amounts of money to the new members. In theory, this stimulus would allow homogeneity among the EU members. *See id.*
50. AKERLOF & SHILLER, *supra* note 47, at 15.
51. *Id.* at 17.
52. *Id.*

provide some stimulus in exchange for more stringent conditions on the debtor country.

In addition to the economic dependency on the Periphery and the Core, sharing the Euro also attacks the sovereignty of EU members. Before Maastricht, there was no country in the world that did not have its own currency.[53] Whether good, bad, or both, a nation's political and economic decisions would reflect on the value of its currency.[54] This control over its own currency is equivalent to exercising a nation's own sovereignty.[55]

When European countries started sharing a single currency, the main economic decisions were no longer made by those countries as individual nations exercising powers that stem from their sovereignty, but rather from another new entity, i.e., the EU.[56] Moreover, a single currency means that the ECB is in charge of the valuation of the euro.[57] If there is a currency union, like the Euro, a country's ability to apply monetary policies that allow its economy to overcome an economic crisis is lost.[58] If this ability is lost, expansionary monetary policies cannot be used to help manage an economic shock. For example, reduce the exchange rate to generate employment.[59] If a recessionary shock were to occur to a country, in the absence of a currency union, a country's exchange rate can be sacrificed to allow expansionary monetary policy to be used to increase employment.[60]

In other words, the Euro challenges the sovereignty of EU members; this vast political impact would, more likely than not, have repercussions into the Eurozone country members. In the words of the President of the Bundesbank (1993–1999), Hans Tietmeyer, "[a] European currency will lead to member nations transferring their sovereignty over financial and wage policy as well as monetary affairs. It is an illusion to think that states can hold on to their autonomy over taxation policies."[61]

II. TOWER OF BABEL: GREECE'S BANKRUPTCY

And they said, "Come, let us build ourselves a city,
and a tower whose top is in the heavens; let us make a name for ourselves,
lest we be scattered abroad over the face of the whole earth."
. . .Therefore its name is called Babel,
because there the Lord confused the language of all the earth;
and from there the Lord scattered them abroad over the face of all the earth.
—Genesis 11:4 & 9[62]

53. *See* GEORGE FRIEDMAN, FLASHPOINTS THE EMERGING CRISIS IN EUROPE 111 (2015).
54. *See id.*
55. *See id.*
56. *Id.*
57. *Id.*
58. GODBY, *supra* note 3, at 32.
59. *Id.* at 32–33.
60. *Id.*
61. *Id.* at 31.
62. *Genesis* 11:4, 9.

Although there was a common currency, internal economic policies of each member of the EU were divergent if compared to each other.[63] For example, during the first decade of the Euro, countries like Germany, Netherlands, and Austria increased their exports—mostly within the EU and Eurozone by declaring *war* against their own workforce with a reduction in salaries.[64] In Germany, the nominal increase in salaries was 7%, while in the Eurozone it was 27%.[65] One of the justifications of the Euro was the "high degree of trade openness already present on the continent, and the idea that reducing the costs of this trade would greatly expand it among the members of the union."[66] However, if there is a 20% difference between the salaries of the EU members, this gap logically results in loss of competitiveness for some countries and a gain for others. While in one country with low salaries the production of X goods would cost €10, the production price of the same product in a country with salaries 20% higher would be €12. When salaries go up in one country and down in the other, the latter would be unable to follow the former.

In Greece, the loss of competiveness manifested in two different ways: first, in deficit.[67] If an already weak economy is unable to compete with an already strong economy, there is going to be a deficit in current transactions.[68] The deficit of Greece with Germany went from under €3 billion to over €8 billion in only six years.[69] This deficit needed to be balanced through the acquisition of debt, which occurred both in the private and public sectors.[70]

In order to integrate countries like Greece into the EU, or stated differently, to allow Periphery countries to "catch up" with the Core countries, the Peripheral members were bound to accrue national debt.[71] Mainly Germany and France borrowed money for Greece to invest in technology and welfare. Much of this technology came directly from the German and French industries.[72] Thus, great percentages of the money lent had been returned to the economies from which Greece had borrowed it in the first place.[73] Once the private sector realized it was unable to compete with the Core, it acquired credit with both national and European banks.[74] In those days, like today, Greece was not catching up with the Core; its competitiveness was falling steadily and systematically behind.[75] Yet, debt kept

63. *See* DEBTOCRACY (BitsnBytes 2011).
64. Toussaint, *supra* note 38. "In September 2010 in Germany 7.3 million wage earners only had a small part-time job paid 400 (four hundred) euros a month." *Id.* (citation omitted).
65. DEBTOCRACY (BitsnBytes 2011).
66. GODBY, *supra* note 3, at 36.
67. *Id.* at 64–65; DEBTOCRACY (BitsnBytes 2011).
68. GODBY, *supra* note 3, at 64–65.
69. THE GREAT EURO CRISIS (BBC 2012).
70. DEBTOCRACY (BitsnBytes 2011).
71. *See id.*; THE GREAT EURO CRISIS (BBC 2012).
72. DEBTOCRACY (BitsnBytes 2011).
73. *See* GODBY, *supra* note 3, at 76.
74. *Understanding. . .Banking Union*, EUROPEAN COMM'N (Feb. 27, 2015), http://ec.europa.eu/information_society/newsroom/cf/fisma/item-detail.cfm?item_id=20758&newsletter_id=166&lang=en. One of the consequences of being a member of the Eurozone is that National banks of peripheral countries are controlled by the Eurozone's financial sector. *Id.*
75. DEBTOCRACY (BitsnBytes 2011).

spreading and infecting every field of Greece's economy; this tendency was possible due to the availability of cheap credit.[76]

Instead of looking at deficit and debt as the Achilles' heel of Greece, people perceived the first decade in the Eurozone as a period of great prosperity.[77] Author of *Greece's Odious Debt*, Jason Manolopoulos, relates how being a member of the EU provided Greeks with a style of life never thought possible.[78] In his words, there was "a huge sense of euphoria."[79] Greeks stopped visiting their native villages to go to Paris during the weekends.[80] The automobile sector mirrors such ecstasy: in 2010, there were eight billion in car loans in Greece.[81] This amount was 3.5% of the GDP compared to zero in the previous ten years.[82] Interestingly enough, the majority of these loans were for luxurious German cars like Porsche, BMW, and Mercedes.[83] In contrast, during the 1980s, French, Italian and Japanese cars—designed for middle-income families—abounded in the streets of the distant Agora.[84]

Another hole in Greece's pocket was the hosting of the 2004 Olympic games, which represented a public expenditure bonanza that cost Greece €12 billion.[85] Since the first ancient Olympic Games took place in 776 BC in Olympia, a Greek island,[86] it was predictable that Greece, more than any country in the world, desired to have the greatest commemoration of the leading sporting international event.[87] However, it is incomprehensible that facilities built for this athletic tradition have a post-Olympic use equal to zero. In the meantime, Greece continues paying interest on the money borrowed for the Olympic Games.[88]

The major component of Greece's record debt is taxes.[89] The certainty that Benjamin Franklin attributed to taxes never came to fruition in Greece.[90] Greeks have notoriously failed to pay taxes.[91] An estimated one-third of the money made in the country is hidden for purposes of taxation.[92] This represents approximately €20 billion per year.[93] For example, in one of the wealthier districts of Athens, only 324 residents declared owning a swimming pool.[94] Analysis of satellite photographs of

76. *See* GODBY, *supra* note 3, at 70; DEBTOCRACY (BitsnBytes 2011).
77. GODBY, *supra* note 3, at 68; DEBTOCRACY (BitsnBytes 2011); THE GREAT EURO CRISIS (BBC 2012).
78. THE GREAT EURO CRISIS (BBC 2012).
79. *Id.*
80. *Id.*
81. *Id.*
82. *Id.*
83. *Id.*
84. THE GREAT EURO CRISIS (BBC 2012).
85. *Id.*
86. *History of the First Ancient Olympic Games*, OLYMPIC.ORG, http://www.olympic.org/content/olympic-games/ancient-olympic-games/history/ (last visited Mar. 3, 2016).
87. *See* Jere Longman, *Athens Wins a Vote for Tradition, and the 2004 Olympics*, N.Y. TIMES (Sept. 6, 1997), http://www.nytimes.com/1997/09/06/sports/athens-wins-a-vote-for-tradition-and-the-2004-olympics.html.
88. THE GREAT EURO CRISIS (BBC 2012).
89. *Id.;* Suzanne Daley, *Greek Wealth is Everywhere but Tax Forms*, N.Y. TIMES, May 1, 2010, at A1, http://www.nytimes.com/2010/05/02/world/europe/02evasion.html.
90. THE GREAT EURO CRISIS (BBC 2012).
91. *Id.*
92. STEVEN DOVE, WHAT THE HELL IS GOING ON WITH…THE GREEK FINANCIAL CRISIS loc. 139 (2011) (ebook).
93. *Id.*
94. *Id.*

that district counted 16,974 pools.[95] Some people see tax evasion as an element that is part of the culture; others ascribe it to weak institutions unable to produce a fair taxation system.[96] Indeed, taxation in Greece lacks crosschecking and efficiency; instead, everything is made manually.[97]

If it is assumed that during the first ten years of splendor enjoyed immediately after joining the Eurozone, economic theories like the *Keynesian multiplier* were developing in their most optimistic terms and confidence in the euro were at its fullest capacity, the lack of preventive measures to face a potential financial crisis in Greece would be, if not justifiable, at least understandable. Unfortunately, the global economic crash in 2008 and, less than a year later, the worst economic crisis in Greece's history touched its land.[98] The bubbles of debt, deficit, tax evasion, and great public expenditures finally burst. The greatest problem, aside from the internal situation, was that Greeks owed money to banks located outside of the country.[99] If those banks were not paid, people that provided these banks with money were not going to be paid either. Furthermore, the real deficit numbers, hidden from the EU, came under public scrutiny; the confidence of lenders disappeared, and the financial sector was suddenly paralyzed.[100] What is worse, the government was now broke and this cascaded into a humanitarian crisis: people lost their jobs, and people were hungry and homeless without access to medication and health care.[101] The public purse was empty, and Greece's sovereign debt was no longer safe.[102] Greece was on the edge of bankruptcy, and its fall reflected what was unimaginable only a year prior: An EU member was almost in national default.[103] Could this be interpreted as a failure of the EU?

III. APOCALYPSE: NOW WHAT?

The beast that thou sawest was, and is not;
and shall ascend out of the bottomless pit,
and go into perdition: and they that dwell on the earth shall wonder,
whose names were not written in the book of life from the foundation of the world,
when they behold the beast that was, and is not, and yet is.

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95. *Id.;* Daley, *supra* note 89.
96. THE GREAT EURO CRISIS (BBC 2012); Daley, *supra* note 89.
97. THE GREAT EURO CRISIS (BBC 2012).
98. Liz Alderman et al., *Greece's Debt Crisis Explained*, N.Y. TIMES, Nov. 9, 2015, http://www.nytimes.com/interactive/2015/business/international/greece-debt-crisis-euro.html; *The Misery of Everyday Life in Greece*, THE WEEK, Aug. 1, 2015, http://theweek.com/articles/569124/misery-everyday-life-greece.
99. Paul Taylor, *How Much Greece Owes to International Creditors*, REUTERS (June 28, 2015, 3:02 PM), http://www.reuters.com/article/us-eurozone-greece-debt-factbox-idUSKCN0P80XW20150628.
100. Alderman et al., *supra* note 98.
101. THE GREAT EURO CRISIS (BBC 2012) (N. Kanakis, President of Doctors of the World, explains how the current situation in Greece has all the elements proper of a humanitarian crisis); *The Misery of Everyday Life in Greece*, *supra* note 98.
102. Landon Thomas, *Pain Builds in Europe's Sovereign Debt Risk*, N.Y. TIMES, July 17, 2011, at B1, http://www.nytimes.com/2011/07/18/business/sovereign-debt-weakens-european-banks.html.
103. Franco Pavoncello, *One for All, All for One: The Euro in Crisis*, WORLD AFF., May/June 2011, http://www.worldaffairsjournal.org/article/one-all-all-one-euro-crisis.

—Revelation 17:8[104]

If Greece does not meet its impending repayments, it "would join an ignominious list of international pariahs and war-torn failed states, and become the only developed economy to renege on its commitments to the [IMF] in 70 years."[105]

During Spring 2010, the Greek government admitted defeat and asked the International Monetary Fund (IMF) for a bailout of €110 billion.[106] This bailout was administered by what was going to be known as "the Troika"[107] and came with strong conditions.[108] Indeed, Greece had to compromise and implement austerity policies (e.g., decrease the amount of government pensions, reduction in government jobs, and strong policies against tax evasion).[109] In May 2010, Athenians' anger against austerity measures burst into demonstrations that took place at the Athens's Constitution Square.[110] Greek's interests were at stake: on one hand, one out of four people worked for the government; on the other hand, one-third of the money made in Greece is hidden from taxation.[111] The bailouts that Greece received were aimed at helping the country recoup the economy.[112] However, the "economy has shrunk by a quarter in five years, and unemployment is above 25 percent."[113]

Riots and street demonstrations in Greece depicted German flags being burned.[114] Greeks viewed the Troika's conditions as impositions made directly by Germany.[115] An old memory from the Nazi's domination transpired in the air.[116] It was evident that Sir Winston Churchill's dream where "the small nations would count as much as large,"[117] was just that, a dream that was too good to be true.

In 2012, the ECB was stood up by the EU countries and announced that potential unlimited liquidity would be provided to support its members and their sovereign debts.[118] After four years of continuing financial crisis, additional bailouts have been granted in Europe: Ireland in 2010, Portugal in 2011, Spain in 2012, Greece—again, in 2012 and Cyprus in 2013.[119]

In July 2015, despite two prior "bailout" packages by the IMF along with the Eurozone, the continued membership of Greece in the EU was in question.[120] While

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104. *Revelation* 17:8.
105. Mehreen Khan, *Can Greece Avoid Going Bankrupt This Month?*, THE TELEGRAPH, Mar. 4, 2015, http://www.telegraph.co.uk/finance/economics/11434061/Can-Greece-avoid-going-bankrupt-this-month.html.
106. Alderman et al., *supra* note 98.
107. *Id.*; GODBY, *supra* note 3, at 7.
108. Alderman et al., *supra* note 98.
109. *Id.*
110. THE GREAT EURO CRISIS (BBC 2012).
111. DOVE, *supra* note 92.
112. Alderman et al., *supra* note 98.
113. *Id.*
114. THE GREAT EURO CRISIS (BBC 2012).
115. *Id.*
116. *Id.*
117. Winston Churchill, Speech to the Academic Youth (Sept. 19, 1946), http://www.whale.to/b/winston__churchill.html.
118. GODBY, *supra* note 3, at 8.
119. *Id.*
120. *A Third Bailout Gets the Green Light*, ECONOMIST, (Aug. 15, 2015, 12:51 PM), http://www.economist.com/blogs/freeexchange/2015/08/greece-and-euro .

many campaigned for a separation of Greece from the EU, the repercussions of that development would certainly lead to significant caustic implications felt throughout the EU community.[121] To shore up their continued membership, EU leaders agreed to yet a third monetary "bailout".[122] This latest action levied further stringent and challenging requirements in fiscal policy by the Greek government.[123] Despite the billions in Euros loaned to Greece, little of that money is being distributed to the population and instead is being used to pay off government debts and infusing capital into banks and the financial infrastructure.[124]

During the negotiation of the third bailout terms and conditions, the Prime Minister's opposition parties fervently argued against the bailout and favored a separation from the EU.[125] In the wake of this fierce opposition, in late August 2015, the Greek Prime Minister Alexis Tsipras resigned during a "cooling off" period but was sworn back into office in late September 2015 after a convincing reelection.[126] With his return, he garnered further political support for the austerity measures necessary in negotiations with the EU leadership.[127] This third bailout, while highly contentious in both Greece and the EU, was determined to be a "necessary evil" because the integrity of the entire EU community was at stake.[128] One primary concern is that EU membership is irrevocable and having a member state secede from the EU would challenge that permanency of State and could create a portal for other countries to exercise similar action should they decide membership is no longer in their best interest.[129] This was obviously a paramount concern of the EU leadership with the integrity of the greater community at stake.[130] An additional consideration for secession transcended membership to a concern for a likely alignment of Greece with non-EU member states, such as Russia, should they separate.[131]

On the other hand, Greece's austerity measures are a messy business. The strict new economic and finance policies emplaced by the Greek government were designed to help rebuild an economy, an economy that took centuries to build.[132] It's not fast, and it's not easy. To illustrate, one such policy targeted the private education

121. *Id.*
122. *Id.*
123. *Id.*
124. *Id.*
125. Mathew Chance, *Will Indebted Greece Turn to Sanctioned Russia?*, CNN MONEY (June 16, 2015, 10:44 AM), http://money.cnn.com/2015/06/16/news/greece-russia-sanctions/.
126. Renee Maltezou & Lefteris Papadimas, *Triumphant Tsipras Returns to Fight for Greek Economy, Debt Relief*, REUTERS (Sept. 21, 2015, 6:57 PM), http://www.reuters.com/article/us-eurozone-greece-election-idUSKCN0RJ0US20150921.
127. *Id.*
128. *Third Bailout Gives Creditors Unprecedented Say in Greece*, OMAN DAILY OBSERVER, Aug. 14, 2015, http://omanobserver.om/third-bailout-gives-creditors-unprecedented-say-in-greece/.
129. *A Third Bailout Gets the Green Light*, *supra* note 120.
130. Alissa J. Rubin, *Deal is Seen as Reaffirming French-German Partnership*, N.Y. TIMES, July 13, 2015, http://www.nytimes.com/live/greek-debt-crisis-live-updates/in-letter-tsipras-signals-greece-may-accept-bailout-terms/.
131. Szu Ping Chan, *Greek Exit 'Would Leave Western Alliance in Chaos'*, THE TELEGRAPH, May 2, 2015, http://www.telegraph.co.uk/finance/economics/11578642/Greek-exit-would-leave-western-alliance-in-chaos.html.
132. Maltezou & Papadimas, *supra* note 126.

system.[133] The policy dramatically increased taxes on those attending private education venues.[134] Unfortunately, private education includes: language courses, music, dance, theatre, arts, and traditional private primary and secondary education.[135] The Greek culture has historically attended evening classes; however, those were implicated under the tax increase.[136] The taxation further impacted teacher salaries where extra income was earned by instructing evening classes, now with severely reduced admissions.[137] The 23% value added tax was designed to avoid a tax on beef so the lower income population would not be as significantly impacted as the more affluent population.[138] The Greek government also hoped to champion this taxation on private education as a demonstration of its resolve to invoke tough measures on spending.[139] The results of this policy were unfortunate to say the least.[140] Because few could afford private education in the wake of this tax, the national education system ballooned with students, further burdening an already unhealthy state education system.[141] It is estimated that the state education system is short of 12,000 teachers for the Fall 2015 semester.[142] That number could rise to a teacher deficit of 20,000 in the near future.[143] While the Greek leadership, seeing the unfortunate results, had considered a repeal of the policy, it acted too slowly to retract the value added tax.

In a continuing hemorrhage of the Greek banking system, the European Central Bank assessed that an additional 14 billion euros would need to be infused into the banking system.[144] Like Oliver asks in David Lean's film adaptation of the Charles Dickens Novel, "Oliver Twist," "Please sir, I want some more."[145] The funds necessary will stem from previously negotiated bailout programs where funding earmarked for the banking system had been committed.[146] In observance of those bailout terms and conditions, the Greek banks have infused their own capital to stave off an even greater financial consequence.[147] The fourteen-billion euros is part of a total amount of twenty-five billion designated specifically to support the banking system through the recovery action.[148]

133. *Greece Reconsiders a Tax on Private Education*, ECONOMIST, Oct. 30, 2015, http://www.economist.com/news/europe/21677382-left-wing-government-aimed-new-tax-rich-it-hit-poor-instead-greece-reconsiders.
134. *Id.*
135. *Id.*
136. *Id.*
137. *Id.*
138. *Id.*
139. *Greece Reconsiders a Tax on Private Education*, *supra* note 133.
140. *Id.*
141. *Id.*
142. *Id.*
143. *Id.*
144. Martin Arnold et al., *ECB Says Greece's Banks Need More Than €14bn in Fresh Capital*, FIN. TIMES, Oct. 31, 2015, http://www.ft.com/cms/s/0/32f28a98-7fb5-11e5-8095-ed1a37d1e096.html.
145. OLIVER TWIST (Rank Org. 1948).
146. Arnold et al., *supra* note 144.
147. *Id.*
148. *Id.*

Discontent and pessimism characterize the Greeks' mood.[149] The country is bleeding; and short remedies, like meeting a deadline, do not seem to ameliorate the illness. The cancer is still there: debt, deficit, tax evasion, and unemployment, are among other fatal symptoms ailing the economy. To add oil to the grease fire, Greece has become the primary conduit for the current humanitarian crisis of escaping Syrian, Afghan, and Iraqi citizens fleeing the fighting in their countries.[150] Due to the overwhelming numbers, Greece was unable to properly document arriving refugees.[151] This inability was contrary to EU stringent documentation requirements.[152] Initially opposing any outside assistance, the EU warned Greece of its alien-documentation responsibility and strongly encouraged the country to accept EU assistance with the refugees or risk its membership in the Schengen community along with its borders being forcibly sealed.[153] In the wake of stiff EU pressure, the Greek government finally capitulated and accepted the EU offer of border patrol protection to better facilitate the massive influx of refugees.[154]

Since the inception of the first austerity measures in 2010, life in Greece has gone from barely tolerable to absolute horror.[155] Government pensions have been halved, and 30% of the Greek population lives in poverty.[156] Soup kitchens, a historic staple for the underprivileged and destitute, are now a common setting for former middle-class citizens.[157] Even more disturbing is the rate of unemployment, especially among the Greek youth, where nearly half of the population is unable to find work.[158] Being homeless is a common existence for families in Greece today.[159] The negative implications are staggering with suicide rates climbing dramatically. Air pollution is choking its citizens, and many Greeks have simply fled the country in search of a better life.[160] The honeymoon period after becoming a member of the EU in 1981 has evolved into a cataclysmic, economic tailspin that is wreaking havoc on its citizens, infrastructure financial markets and, not to mention, national pride. Many well-educated Greeks that once lived in beautiful homes and drove expensive cars now live in parks and take their meals at soup kitchens.[161] Average life has transitioned to a devastating environment. As an implication of EU membership, Greece has little control in self-mitigating strategies towards resolving their financial crisis.[162]

149. THE GREAT EURO CRISIS (BBC 2012).
150. *Greece Asks EU for Help with Refugees Following Threats*, EKATHIMERINI, Mar. 12, 2015, http://www.ekathimerini.com/204021/article/ekathimerini/news/greece-asks-eu-for-help-with-refugees-following-threats.
151. *Id.*
152. *Id.*
153. *Id.*
154. *Id.*
155. *The Misery of Everyday Life in Greece*, *supra* note 98.
156. *Id.*
157. *Id.*
158. *Id.*
159. *Id.*
160. *Id.*
161. *The Misery of Everyday Life in Greece*, *supra* note 98.
162. *Id.*

IV. CONCLUSION

The world shrinking down about a raw core of parsible entities. . . .
More fragile than he would have thought. How much was gone already?
The sacred idiom shorn of its referents and so of its reality.
Drawing down like something trying to preserve heat.
In time to wink out forever.[163]

Prior to becoming an EU member, Greece possessed economic autonomy and could take unilateral action, such as propping up its own currency.[164] Now, as a member of the EU, financial decisions are a community action and heavily influenced by leading creditor countries, such as Germany and France.[165] Despite the crisis, hunger, poverty, and economic disaster, if you ask Greek politicians, economists, super models, and even someone who has yet to find a job in three years whether they prefer the euro rather than the drachma—Greece's former domestic currency—the answer, surprisingly, is consistently the euro.[166] People still believe the Euro brought prosperity to the country and, with time, that prosperous atmosphere will return.[167] They like to believe that the current economic crisis is just the consequence of corrupt politicians.[168] It is easier to kill the dreamer rather than the dream.

Whether Greece's crisis is just the beginning of a domino effect among the Periphery and the inevitable fall of the EU, or the catalyst for its complete resurgence, is a matter for time to reveal.

The continued existence of the EU may hinge on the successful management of the Greek financial crisis. Many critics spoke of the eventual demise of the EU through the attrition of financially failing countries "taking down" the remainder of the Euro-community nations.[169] As illustrated, the implications produced by this crisis are not just economic but, more importantly, are producing a devastating human toll.[170] As a result of this crisis, the lessons learned will be prolific and sweeping. The leading Eurozone countries could be reluctant to approve expanded EU membership of eastern European countries, and those countries in turn may develop a pessimistic view after seeing the constraints placed on Greece to orchestrate their own financial solutions due to their EU membership.

Relinquishing considerable national sovereignty is a difficult path to follow, and the Greek financial crisis clearly demonstrates the implications of that decision. While a member country suffering a financial crisis was certainly a potential consideration during the formation of the EU, the actual manifestation of the Greek crisis was unprecedented, and realistically understanding the broad scope of

163. CORMAC MCCARTHY, THE ROAD loc. 819–22 (2006) (ebook).
164. *The Misery of Everyday Life in Greece*, *supra* note 98.
165. *Id.*
166. THE GREAT EURO CRISIS (BBC 2012).
167. *Id.*
168. *Id.*
169. *Id.*
170. *The Misery of Everyday Life in Greece*, *supra* note 98.

implications could not be fully realized until it actually occurred. The subject of national autonomy will most likely be a more important consideration for potential new country membership. As eastern European nations continue to further develop, they see the tremendous benefit of economic unity with western European nations; however, those same countries recently gained their independence through political upheaval and war.[171] The former countries of Yugoslavia, Czechoslovakia, along with Soviet sphere nations have shed patriots' blood to gain their independence, and relinquishing their economic sovereignty could be particularly difficult to accept.[172]

Further, cultural diversity between western and eastern Europe cannot be ignored. As Greece has clearly demonstrated, the golden era of EU membership was in part dissolved by an endemic system of corruption. Greece was on the fringe of the initial eastern European expansion of the EU and could potentially be one of many eastern European nations that will suffer a similar fate and consequences in the years ahead.[173] Political and economic corruption within the borders of those eastern European nations is not exceptional, it is predictable. Changing that culture is part of the remedy for Greece but, like most changes, it travels at a snail's pace and is met with fierce resistance. Changing a paradigm is a difficult business in any culture; just ask the Greeks.

The EU appears to be a tightrope act on a high wire. Sometimes it has wind in its favor; sometimes it seems the perfect storm is about to hit it. Perhaps the EU will return to the dust from which it was created. Perhaps the EU is just like the phoenix hope, "It can wing her way through the desert skies, and still defying fortune's spite; revive from ashes and rise."[174]

171. IVAN KRASTEV & ALINA MUNGIO, NATIONALISM AFTER COMMUNISM: LESSONS LEARNED 94 (2004).
172. *Id.*
173. Pavoncello, *supra* note 103.
174. MIGUEL DE CERVANTES, DON QUIXOTE (1605).