Greece on the Verge of Default — Again

After a much-longer-than-anticipated tussle with the laws of economics, Greece is finally on the verge of quitting the eurozone and returning to its millennia-old currency, the drachma. On April 9, it is due to make a payment of €458 million to the IMF, which it does not have the funds to cover. If Greece takes the plunge, this week will mark the first time ever that a developed country (as defined by economists in developed countries) has defaulted on a payment to a Bretton Woods institution. (Besides the IMF, the World Bank was also produced by the Bretton Woods conference in 1944.)

Greece, for its part, is caught in an unenviable battle between the hard left-wing socialist nationalists of the newly elected Syriza party and the equally dogmatic left-wing socialist internationalists determined to keep the EU and the eurozone together by any means possible. The choice, as expressed by a senior Greek official to the *Telegraph*, is not a recipe for optimism: "We are a Left-wing government. If we have to choose between a default to the IMF or a default to our own people, it is a no-brainer."

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Although there is still a possibility that the EU, following the leadership of Germany, may decide to throw Greece yet another lifeline to enable it to service its debt to the IMF, the political reality in Europe is changing as realization slowly dawns that Greece will never be able to pay off its debts — although it will be happy to continue to accept largesse from wealthy eurozone nations indefinitely. Even in the EU, where political and financial leadership has managed to insulate itself from the demands of the masses whose will they pretend to represent, the prospect of another economic meltdown — followed by electoral and social upheaval — is prompting some to abandon the dogma of union at any cost, and to consider cutting their losses with Greece.

For one thing, the political landscape has changed in Greece, after years of depression and periodic social unrest. The Syriza Party, while undeniably left-wing, appears to be sincere in its intent to preserve Greek sovereignty and to end the grinding down of Greece's independence by implacable international bankers. "They want to put us through the ritual of humiliation and force us into sequestration," one Syriza source told the *Telegraph*. "They are trying to put us in a position where we either have to default to our own people or sign up to a deal that is politically toxic for us. If that is their objective, they will have to do it without us."

Tough words, but will they stick? Default to the IMF will bring to bear on Greece all the powers of financial coercion at the disposal of the international financial coterie, including massive capital flight and legal action to attempt to try to confiscate Greek assets (as has been happening with Argentina since its default more than a decade ago). Any newly issued Greek currency could be subject to international proscription, and access to further credit, either via the ECB or other international sources, would be denied. The objective, of course, would be to make an example of Greece, to ensure that other restive eurozone countries — such as Ireland, Spain, and Italy — do not decide to follow Greece's example. "They want us to impose capital controls and cause a credit crunch, until the government becomes so unpopular that it falls," a Greek official told the *Telegraph*. "They want [to] make an example of us, and demonstrate that no government in the eurozone has a right to have [a] mind of its own. They don't believe that we will walk away, or that the Greek people will back us, and they are wrong on both counts."

Greece's chronic financial problems are nothing new. Over the past several decades, the country has endured many crises, thanks to its seemingly incurable addiction to cradle-to-grave socialism and the large debts it unavoidably incurs. It is therefore entirely possible that, should Greece default and all the machinery of international banking is brought to bear on it, the fickle masses will overthrow the Syriza government and opt for the tranquility of vassalage to the EU rather than pay the price for a sound currency and an independent government.

On the other hand, subordination to EU-imposed austerity conditions will doubtless entail curtailing of pensions and other benefits, so the Greeks may yet perceive independent serfdom as preferable to pauperdom under a foreign power.

In the meantime, the Syriza government is pursuing all its remaining options, including seeking alternative sources for financing. On April 8 — the day before the IMF default deadline — Greek Prime Minister Alexis Tsipras is due to meet with Russian President Vladimir Putin, presumably to inquire about the availability of Russian lines of credit. Such a posture is hardly surprising given Greece's centuries-long ties with Russia — ties that extend all the way back to medieval Byzantium, and which are grounded in the Russian and Greek Orthodox religion. Even during the Cold War, Andreas Papandreou's Greece was never as firmly in the "Western" sphere of influence as the rest of non-Warsaw Pact Europe, although, thanks to Allied intervention after World War II, it never fell behind the Iron Curtain either. Moreover, the "West," as currently constituted, includes Turkey — Greece's historical mortal enemy. Turkey not only fields the second-largest army in NATO (after the United States), but it is also in talks to become a full-fledged member of the EU. There are therefore factors other than economic that may drive Greece away from the West and into Russia's embrace — a fact of which the Putin administration is no doubt well aware.

Still, the loss of Greece from the eurozone may well be deemed an acceptable risk by Eurocrats — if such can be used to deter other nations from defecting. The question may ultimately be whether Europeans — including the Greeks — are willing to endure short-term, deliberately-engineered financial pain as the price to be paid for recovering their independence.