Written by Bob Adelmann on July 6, 2015

Greece to the EU: NO!

In an astonishing blow to the European Union's credibility, Greek voters, fed up with five years of austerity, continuing recession, 25-percent unemployment, and severe cuts in pension payouts, strongly said "No!" at the ballot box Sunday. The 68-word ballot question, rejected by 61 percent of the voters, reads (translated into English):

> Greek people are hereby asked to decide whether they accept a draft agreement document submitted by the European Commission, the European Central Bank and the International Monetary Fund [the "troika"], at the Eurogroup meeting held on June 25 and which consists of two documents:
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> The first document is called Reforms for the Completion of the Current Program and Beyond and the second document is called Preliminary Debt Sustainability Analysis.
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> Those citizens who reject the institutions' proposal vote Not Approved / NO
>
> Those citizens who accept the institutions' proposal vote Approved / YES

Although polls show four out of five Greeks wanting to stay in the eurozone, they've been so badly mauled by austerity measures demanded in exchange for new loans to cover debt piled up by an unsustainable social-welfare state that they were only too happy to vote for a hard-left political party, Syriza, which promised relief in a snap election held in January. The new prime minister, Alexis Tsipras, bought four months of breathing room in order to give him time to try to deliver on his promise: demanding more bailout money from the troika but without the hammer of more austerity.

His mission failed, and on June 27 he called for a referendum, which was ratified by parliament and the president the following day, on the troika's demands. Last Tuesday Tsipras closed all Greek banks after the European Central Bank severely restricted financial assistance to them, allowing only a trickle of funds to be retrieved by citizens from their banks' ATMs. With Sunday's vote, those ATMs are assured to be out of money altogether by Wednesday.

Food shortages are showing up, while pensioners have already suffered massive haircuts in the range of 50 to 70 percent. With this "no" vote, Tsipras will no doubt be forced to move ahead with printing script while recapitalizing the closed banks by forcing depositors to "bail them in," similar to what happened with the Cyprus bail-out/bail-in two years ago.

The Greek economy is a zombie, with the only question following Sunday's referendum being: Is the political interest in keeping the European Union together strong enough for the troika to weaken its demands for further austerity measures in exchange for enough new loans to keep the zombie stumbling forward? But how long can the zombie be kept alive, even with the injection of new loans? Is a haircut today better than a beheading tomorrow?

Signs of weakness by the major player behind the troika, Germany, have already showed up. German Finance Minister Wolfgang Schäuble, one of the hardliners in demanding that Greece be forced to live up to its promises before any new money be given to it, softened considerably in comments made over the weekend: "Whether with the euro, or temporarily without it, only the Greeks can answer this question … it is clear that we will not leave the [Greek] people in the lurch."

The softening was confirmed by the deputy head of the Social Democrat party in Berlin, who added: "We must use all the possibilities in the EU budget to help Greece which is still a member of the euro and the EU."

With the "no" vote in his pocket, Tsipras will go back to the troika, confident that his electorate supports him, and demand that all debtors holding Greek debt take an immediate haircut of 30 percent and a 20-year grace period on paying back what's still owed.

Whether the troika agrees or not, the Greek banks will still need to be recapitalized, with depositors required to give up at least 30 percent of anything in their account above $8,800.

German Chancellor Angela Merkel will meet on Monday with French President François Hollande for a "joint assessment" of the situation now that the Greeks have shouted their defiance. And there will be a European Union "summit meeting" on Tuesday, to consider what options remain after the Greek rebuke.

The one thing missing from the conversation that will give Greece a chance to regain its footing is to allow its people the opportunity to take advantage of the country's unique position as a tourist and shipping center, and of its olive groves. And that will happen only if taxes are reduced, incentives put in place to invite foreign capital to invest, and government intrusion, including that of the European Union, in the marketplace be vastly reduced.

The only way that could happen is if Sunday's "no" vote leads to the unravelling of the European Union itself. Professional prognosticators, however, are giving that only a 40-percent chance of happening — and even if it does, Greece would need to begin moving away from the socialism that fueled the debt crisis to begin with, not likely in the foreseeable future with Tsipras in power. They are betting that the troika will find a way to work around Tsipras' defiance and fund the Greek zombie once again, rather than risk the dismantling of the EU and eurozone.

Photo: AP Images

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