



Written by [Alex Newman](#) on May 16, 2012

Potential Bank Runs in Greece Spark EU Contagion Panic

As the prospect of Greece leaving the eurozone dominates headlines around the world, Greeks are reportedly lining up at ATMs and financial institutions to withdraw their funds in what some analysts have already described as the start of a run on the banks. More than a billion euros have been withdrawn just in the last few days. And experts say the panic could soon spread to other fragile countries such as Italy and Spain.



Even Greek officials acknowledged that the nation's banks were teetering on the verge of a catastrophe as panicky depositors rush to salvage what they can of their savings. According to minutes of meetings cited in [news reports](#), President Karolos Papoulias told political leaders that Greece's central bank chief knew "there was great fear that could develop into a panic." He also warned that the banking system might run out of money, posing a "threat to our national existence."

While those fears may not have become a full-blown bank-run crisis just yet, that moment could be fast approaching. "Withdrawals and outflows by 4:00 pm when I called him exceeded 600 million euros and reached 700 million euros," Papoulias was quoted as saying, citing central bank boss George Provopoulos. "He expects total outflows of about 800 million euros, including conversions in German Bunds and other such things."

Between early 2010 and March of this year, Greeks withdrew about one third of the nation's total bank deposits — more than 70 billion euros. Some of the cash was stashed under mattresses or transferred to safer banks overseas. Facing a deep economic crisis, steep pay cuts, medicine shortages, and surging unemployment, many Greeks were forced to spend their meager savings just to survive.

"The bank runs that we are watching right now in Greece are shocking, but they are only just the beginning," [observed](#) an analyst at the popular Economic Collapse blog, noting that the amount of money pouring out of the nation's financial system could be catastrophic for such a small and fragile economy. "At this point, the entire Greek banking system is in danger of collapsing."

And it is not likely to get any better any time soon. In fact, after recent parliamentary elections failed to form a new coalition government, the situation is quickly deteriorating. A fresh round of voting is expected soon, and big banks are reportedly fretting about the possibility of a new Greek government simply defaulting and restoring its own national currency.

The fact that no government was formed following the elections has led some observers to conclude that even greater problems are on the way. "Needless to say, a Greek banking system which is now virtually shut out of any external funding except for the ELA, where it has a few billions euros in access left, will be unable to deal with hundreds of millions in deposit outflows," [noted](#) the financial analysis service ZeroHedge. "This may be the beginning of the end for Greece."

The President of Greece acknowledged the precarious situation as well. "The extension of political instability will lead to fatal consequences," he [warned](#). "The absence of government is a serious risk to



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the financial security of the Greek people and our national existence.”

And if a true bank run ravishes Greece, the chaos and panic will almost certainly spread like wildfire, according to experts. It would start, of course, in countries such as Italy, Spain, Ireland, and other shaky European economies where ballooning government debt — already at absurd levels — threatens to devour the populations’ remaining wealth for the benefit of big banks and their political partners. From there, it could even spread to places such as Germany — and possibly the rest of the world.

“So how will the specter of tens, then hundreds, then thousands, then tens of thousands of Greeks lining up in front of Greek banks look on every media outlet across the globe? And what will that picture tell Spanish and Italian and Portuguese and Irish depositors to do?” [wondered](#) Boston University economics Professor Laurence Kotlikoff. “It will tell them to run as well because they could be next.”

Greek banks, of course, would have to shut their doors, as respected insiders have long been warning would eventually happen. Kotlikoff still thinks the probability of such an event and the inevitable chain reaction is low, assuming that the European Central Bank (ECB) would do whatever was necessary to stop it. But if the eurozone’s monetary rulers decided to insure bank deposits, they could end up being forced to print massive amounts of new debt-based currency, leading to wild inflation.

Meanwhile, top officials with the European Union (EU) and the International Monetary Fund (IMF) have finally opened up discussions on a possible Greek exit — a “Grexit” as it is being dubbed in the press — from the downward-spiraling and deeply controversial single-currency zone. IMF chief Christine Lagarde recently [said](#) every effort should be made to ensure that a potential Greek exit is orderly, though she acknowledged that any departure would probably be “quite messy.”

“It is something that would be extremely expensive and would pose great risks but it is part of options that we must technically consider,” Lagarde explained. After pumping hundreds of billions into Greece to prevent big banks from suffering major losses, other policy makers seem ready to concede defeat, too.

Earlier this year, as rioters burned down buildings in Athens and other major cities, the Greek police union even threatened to arrest supranational EU and IMF officials for attempting to overthrow the government and enslave the nation to bankers. And after the machine in Brussels overthrew the elected Prime Minister and installed a pro-EU central banker to rule the nation, the anger felt by regular Greeks is close to exploding.

But despite the obsessive drive by out-of-touch elites to ensure the single currency’s survival — no matter the price paid by regular Europeans — experts say killing off the half-baked euro scheme is exactly what is needed. As evidenced by recent elections, that is exactly what the people are asking for, too.

“Many EU member states should simply withdraw from and repudiate the failed monetary and political experiment that the European Union has become,” [argued](#) financial and economic analyst Ron Holland in a column for the liberty-minded *Daily Bell*, calling on Greece to repudiate its debts to bankers and restore the Drachma as its national currency. It will not be an instant solution, he admitted, but in the long term, it is the best option.

“Yes, there will be a short-term drop in the Greek economy but this would quickly be over in contrast to the EU-created death spiral Greece has been forced to endure over the last few years and that will continue into the future,” Holland concluded, noting that the corrupt Greek political class was “owned” by major financial interests. The long-suffering people of other European nations should do the same:



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“dump their politicians chained to the EU and march to a different tune on the right and left.”

Some of the more astute members of the EU’s so-called “Parliament” have offered similar advice in recent days, warning that disaster is looming unless Europeans finally put an end to the overbearing regime in Brussels. United Kingdom Independence Party (UKIP) leader and popular MEP Nigel Farage [compared](#) the EU to the *Titanic*, predicting that mass civil unrest, revolution, the re-emergence of National Socialism (Nazism), and economic disaster could all be just around the corner unless the controversial integration project is abandoned immediately.

“Like Communism, this has all gone badly wrong, and the EU *Titanic* has now hit the iceberg. It is a European Union of economic failure, of mass unemployment, of low growth; but worst of all, it’s an EU with the economic prison of the euro,” Farage warned during a speech that has since gone viral. “This now poses huge dangers to the continent. We face the prospect of mass civil unrest, possibly even revolution in some countries that have been driven to total and utter desperation.”

Europe’s so-called “leaders” still refuse to surrender their dream of completely abolishing national sovereignty. But with the price of their unpopular scheme on the struggling populations soaring to new heights almost daily, EU critics are hoping that the breaking point will come soon. If not, they say, the problems will only continue to grow.

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Photo: In this April 29, 2010, file photo, (right to left) Greek, National Bank of Greece, and European Union flags outside the headquarters of the National Bank of Greece in Athens: AP

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