

explainity explains: Euro-Crisis

There are many holes in the word. Holes in the ocean layer holes in teeth and black holes out in space. But from time to time there are also holes in the state budget. Wide like a crater. Such a crater currently gapes in the Greek national budget. The crater has become rather big and other countries have to watch their step if they don't want to fall into it as well. Especially countries who are not performing strongly finance wise are in danger of slipping.

Currently all euro countries are trying to fill the big fat Greek crater. They are doing this, because if one-euro country was to declare bankruptcy that would have serious repercussions for the other euro countries for they all maintain economic relations with each other. In order to fill the EU's crater five measures have been taken. In the first three were devised by the Euro countries. The fourth is carried out by the European Central Bank. The fifth is under the supervision of the Greek government itself. So here we go.

Number one is a bailout package for Greece amounting to over 110 billion euro, which was strung together by the Euro countries in 2010. Because this package was swallowed whole by the gaping crater more measures, needed to be taken. A so-called parachute amounting to about seven times the size of the rescue package was created. Not only for the Greeks but also for other countries who are showing signs of financial weakness. The money making up this parachute and just like the money used to create the bailout package will have to be paid back. The state can only use the parachute if it promises to act more responsibly financial wise in the future.

The parachute is a short-term measure that will cease to exist in 2013, after that a European stabilization mechanism is to take effect. This mechanism will be made up of huge pot of money. In total the European countries will throw in 80 billion euro and promised to fill the pot with another 420 billion that can be lent to a country in crisis. As with a bailout package the money is a loan not a gift.

In addition to this the European Central Bank is lending a lot of money to the Greeks, because private banks are very reluctant to give any more money to Greece. This matter runs against the basic principles of the European Central Bank. But it's nonetheless carried out. Because the Greek crater is very huge and exceptional measure number five is carried out by the Greek government itself. Life ain't no pony farm and you have to stand up for your own problems. This is why the Greek government has devised the savings package. But the Greeks are protesting against this package. Because they don't see why they should have to pay for the mismanagement of their political class. Also, Greece will have to privatize. Meaning that the Greek government will sell shares of its state businesses. For example, its Postal Service.

So, the bailout package, the parachute, the European stabilization mechanism, credits from the European Central Bank and financial cuts by the Greek government are supposed to fill the big fat Greek crater. But believe it or not even after these measures the crater is still not filled. In the newspaper we read of controversies about a possible measure number six. For example, euro bonds. The design of such measures is hotly debated, and opinions differ widely on this point. Some would like to see Greece safe by all means whereas others suspect that the crater will only increase in size. So why not have Greece declare bankruptcy sooner rather than later.

The worrisome story is thus not at its end. The Greek crater might be joined by others after all.

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