Greek debt crisis

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According to Chibber (2011), Greece has a huge debt which is relative to the size of its current $357 billion economy (approximately 120% of its Gross Domestic Products).

The debt crisis has been created by a number of factors which include finance globalization; 2002-2008 credit conditions that encouraged high-risk borrowing and/or lending practices, real-estate bubbles that have burst, international trade imbalance, slow economic growth in 2008, approaches used by other nations to bailout troubled privatized bond holders and banking industries, assumption of socializing losses or private debt burdens, bureaucracy, low global competitiveness, unemployment, tax evasion, inefficient public sector and corruption. The Greece government worsened the situation by its commitment to the public workers in the form of giving extremely generous pay and pension benefits. In the long run, this influenced the stock markets worldwide, in addition to the euro currency by a decline in the exchange rate between the dollar and the euro. Greek Debt Crisis Greece, a developed country, is a member of the Euro zone, World Trade Organization, European Union and the Black Sea Economic Cooperation Organization. The main industries in Greece include tourism, textile, shiping, mining, petroleum, industrial products, chemicals, food and tobacco processing and metal products.

This country's GDP growth has its average being higher than the EU's average since early 1990s. However, its economy has been hit by a number of international and local problems, which include finance globalization; 2002-2008 credit conditions that encouraged high-risk borrowing and/or lending practices, real-estate bubbles that have already burst, international trade imbalance, slow economic growth in 2008, approaches used by other nations to bailout troubled privatized bond holders and banking industries, assumption of socializing losses or private debt burdens bureaucracy, low global competitiveness, unemployment, tax evasion, inefficient public sector and corruption Chibber, 2011). In fact, the current poor levels of tax collection and the rampant corruption have been regarded as the key reasons for the current problems and a key hurdle in overcoming the current debt crisis. It’s also stated based on the revised data as at 15th November 2010 that Greece faced, so far, the highest budget deficit and government debt to GDP ratio in the E. U.

This led to the severe economic crisis. To make matters worse, the Greek Government misreported the country’s official economic statistics and financial data to keep withiin the monetary union’s stipulations and guidelines. This in the long run, enabled the Greek Government to end up spending far much beyond their means, while hiding the very actual deficits from the overseers of the E. U. Influence on the EuroIn the long run, this influenced the stock markets worldwide in addition to the euro currency by a decline in the exchange rate between the dollar and the euro.

The dollar which had a lower value compared to the euro rose to relatively high values almost equaling to the Euro. From the above information, it is clear Greece has a huge debt which is relative to the size of its current $357 billion economy (approximately 120% of its Gross Domestic Products). There is no option of eating into the debts by currency inflation at this point. In fact, Greece has no power to have monetary policy to its aid in easing its pain, as the famous Federal Reserve has been doing in an enormous way in the U. S.

The only options for this country at this point are: to default on current debt, convince fellow Euro zone countries and/or International Monetary Fund to help bail it out, save some money from scrimping and convince creditors that it has the ability of paying it off and finally or pull out from the Euro.