



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

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Bailout Only Hope for Greece to Avoid Bankruptcy

In what seems like the only way out of a catch 22 situation, Greece has to borrow money from the International Monetary Fund (IMF) and its fellow EU countries to avoid national bankruptcy. The country is two weeks away from defaulting on €8.5 billion worth of bonds maturing May 19 for which it does not have the money to pay.

During a heated debate in parliament, Greek Prime Minister George Papandreou said the government has to avail itself to the €110 billion three-year package comprising of loans from other eurozone countries and the IMF. But the package comes at a price. The government must agree to severe austerity measures over the three year period. These measures include slashing salaries, pensions and increasing taxes. The government was trying to rush through legislation in parliament to authorize the austerity measures.

The loan package is also aimed at preventing the debt problem from spilling over to other European countries with vulnerable economies such as Portugal and Spain. Portugal and Spain has had their debt ratings downgraded which contributed to the depreciation of the value of the Euro from as high as \$1.51 to below \$1.28.

The austerity measures have sparked outrage among the Greeks, with approximately 100,000 people spilling into the streets last Wednesday, torching buildings, destroying public property, smashing windows and fighting with police. Three bank employees – a man and two women, one of whom was pregnant – died when they were trapped inside their building set ablaze by rioters. Another four people were rescued by fire fighters using a crane from the balcony of the bank. The deaths were the first protest-linked ones in more than 20 years and have shocked the nation in which protests are common but rarely result in fatalities. A makeshift shrine with flowers and candles was set up in a charred window of the Marfin Bank, the scene of the deaths.

41 policemen and 15 civilians were injured in the riots, while 25 people were arrested. When the journalist union canceled their participation in the protests, newspapers were rushed through the press on Wednesday just in time to report on the riots and deaths. But despite the fatalities and general carnage, unions and far left groups were planning for more protests on Thursday.

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The bank workers' union called for a strike Thursday to protest the deaths of their members and at the same time laid the blame for the violence on the government's austerity measures. However, most banks in central Athens remained open.