
Greek Financial Crisis – Commentary

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EXECUTIVE SUMMARY

The Greek financial crisis of 2010 was caused by excessive deficit spending and total debt in excess of the country's GDP. Coupled with near-zero economic growth, and a downgrade of Greece debt rating, Greece faced the prospect of sovereign debt default. The financial markets panicked and the euro fell to its value of many years prior. The European Union and the IMF worked out rescue loan plans to help Greece and other troubled euro zone countries. While the loan bailouts may alleviate short term liquidity problems, the long term debt obligations will persist and may even worsen.

Keywords: Sovereign debt, Greece, Euro, Bailout, Deficit.