THIRD WAY

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Why Greece Matters

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Does Greece—with an economy the size of Indiana—really matter to the U.S. economy?

As if DC policymakers don’t have enough to worry about with our own debt, we argue that the Greece bailout may not stop the bleeding. In this memo we dissect and explain how a Greek default could affect the American economy—from Wall Street titans to widows on pensions—due to the interconnectedness of the global financial system.

A Greek default could lead to:

- Stunning losses for European banks that hold Greek bonds;
- A steep reduction in the value of the bonds of Ireland, Portugal, Spain, and Italy and exponentially increasing losses for the European banking sector;
- Dissolution of the euro, the second most important world currency behind the dollar, with dire consequences for the world economy; and
- Possible crippling losses for American financial institutions that lend to European banks, American exporters who rely on the European market, and anyone who holds a money market fund.

To read this Memo, open the attached PDF.

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