George Friedman writes: The Greek situation - having perhaps outlived the term "crisis," now that it has taken so long to unfold - appears to have finally reached its terminal point. This is, of course, an illusion: It has been at its terminal point for a long time.

The terminal point is the juncture where neither the Greeks nor the Germans can make any more concessions. In Greece itself, the terminal point is long past. Unemployment is at 26 percent, and more than 50 percent of youths under 25 are unemployed. Slashed wages, particularly in the state sector, affecting professions including physicians and engineers, have led to massive underemployment. Meanwhile, most new economic activity is occurring in the untaxable illegal markets. The Greeks owe money to EU institutions and the International Monetary Fund, all of which acquired bad Greek debts from banks that initially lent funds to Greece in order to stabilize its banking sector. No one ever really thought the Greeks could pay back these loans.

The European creditors - specifically, the Germans, who have really been the ones controlling European negotiations with the Greeks - reached their own terminal point more recently. The Germans are powerful but fragile. They export about a quarter of their gross domestic product to the European free trade zone, and anything that threatens this trade threatens Germany's economy and social stability. Their goal has been to keep intact not only the euro, but also the free trade zone and Brussels' power over the European economy.

Germany has so far avoided an extreme crisis point by coming to an endless series of agreements with Greece that the Greeks couldn't keep and that no one expected them to keep, but which allowed Berlin to claim that the Greeks were capitulating to German demands for austerity. This alleged capitulation helped Germany keep other indebted European countries in line, as financially vulnerable nations witnessed the apparent folly of contemplating default, demanding debt restructuring and confronting rather than accommodating the European Union.

Greece and the Cypriot Situation

For the Germans, Greece represented a dam. What was behind the dam was unknown, and the Germans couldn't tolerate the risk of it breaking. A Greek default would come with capital controls such as those seen in Cyprus, probably trade barriers designed to protect the Greek economy, and a radical reorientation of Greece in a new strategic direction. If that didn't lead to economic and social catastrophe, then other European countries might also choose to exercise the Greek option. Germany's first choice to avoid the default was to create the illusion of Greek compliance. Its second option was to demonstrate the painful consequences of Greece's refusal to keep playing the first game.

This was the point of the Cyprus affair. Cyprus had reached the point that it simply could not live up to the terms of its debt repayment agreements. The pro-EU government agreed under pressure to seize money in bank accounts holding more than 100,000 euros (around $112,000) and use that money to make good on at least some of the payments due. But assigning a minimum account balance hardly served to lessen the blow or insulate ordinary Cypriots. A retiree, after all, may easily have more than 100,000 euros in savings. And hotels or energy service companies (which are critical to the Cypriot economy) certainly have that much in their accounts. The Germans may have claimed the Cypriot banking system contained primarily Russian money, but - although it undoubtedly contained plenty of Russian funds - most of the money in the system actually represented wealth saved and used by Cypriots in the course of their lives and business. The result of raiding those accounts was chaos. Cypriot companies couldn't pay wages or rent, and the economy basically froze until the regulations were eventually eased - though they have never been fully repealed.

The Germans were walking a fine line in advocating this solution. Rather than play the pretend game they had played in Greece, they chose to show a European audience the consequences of genuine default. But those consequences rested on a dubious political foundation. Obviously the Cypriot public was devastated and appalled by their political leaders' decision to comply with Germany's demands. But even more significant, the message received by the rest of Europe was that the consequences of resistance would be catastrophic only if a country's political leadership capitulated to EU demands. Seizing a large portion of Cypriot private assets to pay public debts set an example, but not the example the Germans wanted. It showed that compliance with debt repayments could be disastrous in the short run, but only if the indebted country's politicians let it happen. And with that came another, unambiguous lesson: The punishment for non-compliance, however painful, was also survivable - and far preferable to the alternatives.

nter the Coalition of the Radical Left party, known as Syriza, one of the numerous Euroskeptic parties that have emerged in recent years. Many forces combined to drive pro-EU factions out of power, but certainly one of them was the memory of the behavior of pro-EU politicians in Cyprus. The Greek public was well aware Athens would not be able to repay outstanding debt on anything even vaguely resembling the terms set by the pro-EU politicians. Cognizant of the Cypriot example, they voted their own EU-friendly leaders out, making room for a Euroskeptic administration.

Syriza ran on a platform basically committing to ease austerity in Greece, maintain critical social programs, and radically restructure the country's debt obligations, insisting that creditors share more of the debt burden. EU-friendly parties and individuals - and the Germans in particular - tended to dismiss Syriza. They were used to dealing with pro-EU parties in debtor countries that would adopt a resistant posture for their public audience while still accepting the basic premise put forth by Germany and the European Union - that in the end, the responsibility to repay debts was the borrower's. Regardless of their public platform, these parties therefore accepted austerity and the associated social costs.

Syriza, however, did not. A moral argument was underway, and the Germans were tone deaf to it. The German position on debt was that the borrower was morally responsible for it. Syriza countered that, in effect, the lender and the borrower actually shared moral responsibility. The borrower may be obligated to avoid incurring debts that he could not repay, but the lender, they argued, was also obligated to practice due diligence in not lending money to those who were unable to repay. Therefore, though the Greeks had been irresponsible for carelessly borrowing money, the European banks that originally funded Greece's borrowing spree had also been irresponsible in allowing their greed to overwhelm their due diligence. And if, as the Germans have quietly claimed, Greek borrowers misled them, the Germans still deserved what happened to them, because they did not practice more rigorous oversight - they saw only euro signs, just as the bankers did when they signed off on loans to Greece rather than restraining themselves.

The story of Greece is a tale of irresponsible borrowing and irresponsible lending. Bankruptcy law in European and American culture is a system of dualities, where expectations for prudent behavior are placed on both the debtor and creditor. The debtor is expected to pay everything he can under the law, and when that is ability is expended, the creditor is effectively held morally responsible for his decision to lend. In other words, when the debtor goes bankrupt, the creditor loses his bet on the debtor, and the loan is extinguished.

But there are no bankruptcy laws for nation-states, because there is no sovereign power to administer them. Thus, there is no disinterested third party to adjudicate national bankruptcy. There are no sovereign laws dictating the point where a nation is unable to repay its debt, no overarching power that can grant them the freedom to restructure debts according to law. Nor are there any circumstances where the creditor is simply deemed out of luck.

Without these factors, something like the Greek situation emerges. The creditors ruthlessly pursue the debtor, demanding repayment as a first priority. Any restructuring of the debt is at the agreement of creditor and debtor. In the case of Cyprus, the government was prepared to protect the creditors' interests. But in Greece's case, Syriza is not prepared to do so. Nor is it prepared, if we believe what the party says, to simply continue crafting interim lies with the country's creditors. Greece needs to move on from this situation, and another meaningless postponement only postpones the day of reckoning - and postpones recovery.

The Logic and Repercussions of a Grexit

A Greek withdrawal from the eurozone would make sense. It would create havoc in Greece for a while, but it would allow the Greeks to negotiate with Europe on equal terms. They would pay Europe back in drachmas priced at what the Greek Central Bank determines, and they could unilaterally determine the payments. The financial markets would be closed to them, but the Greeks would have the power to enact currency controls as well as trade regulations, turning their attention from selling to Europe, for example, to buying from and selling to Russia or the Middle East. This is not a promising future, but neither is the one Greece is heading toward now.

Many have made a claim that a Greek exit could lead the euro to collapse. This claim seems baffling at first. After all, Greece is a small country, and there is no reason why its actions would have such far-reaching effects on the shared currency. But then we remember Germany's primordial fear: that Greece could set a precedent for the rest of Europe. This would be impossible if the rest of Europe was doing well, but it is not. Spain, for example, has unemployment figures almost as terrible as Greece's. Some have pointed out that Spain is now one of the fastest-growing countries in Europe, which would be impressive if growth rates in the rest of Europe weren't paralyzed. Similarly, Spain's unemployment rate has fallen - to a mere 23 percent. Those who are still enthused about the European Union take such trivial improvements as proof of a radical shift. I see them as background noise in an ongoing train wreck.

The pain of a Greek default and a withdrawal from the eurozone would be severe. But if others see Greece as a forerunner of events, rather than an exception, they may calculate that the pain of unilateral debt restructuring makes sense and gives Greeks a currency that they can at last manage themselves. The fear is that Greece may depart from the euro, not because of any institutional collapse, but because of a keen awareness that sovereign currencies can benefit nations in pain - which many of Europe's countries are.

I do appreciate that the European Union was meant to be more than an arena for debtors and creditors. It was to be a moral arena in which the historical agony of European warfare was abolished. But while the idea that European peace depends on prosperity may be true, that prosperity has been lost. Economies rise and fall, and Europe's have done neither in tandem. Some are big winners, like Germany, and many are losers, to a greater or lesser degree. If the creation of a peaceful European civilization rests on prosperity, as the founding EU document claims, Europe is in trouble.

The problem is simple. The core institutions of the European Union have functioned not as adjudicators but as collection agents, and the Greeks have learned how ruthless those agents can be when aided by collaborative governments like Cyprus. The rest of the Europeans have also realized as much, which is why Euroskeptic parties are on the rise across the union. Germany, the country most threatened by growing anti-EU sentiment, wants to make clear that debtors face a high price for defiance. And if resistance is confined to Greece, the Germans will have succeeded. But if, as I think it will, resistance spreads to other countries, the revolt of the debtor states against the union will cause major problems for Germany, threatening the economic powerhouse's relationship with the rest of Europe.