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Last year, The Wall Street Journal reported that Mississippi received $3.07 in federal funding for every dollar paid in income taxes. (Delaware, by contrast, got 50 cents in federal funding for every dollar in income taxes they forked over.) Quoting Wallethub, the Journal notes that the more dependent a state is on the federal government, the less likely it is to charge high tax rates.

We bring this up not to pick on our friends in The Magnolia State, but rather to point out that the poorer US states are constantly getting money from the richer states (California, New York, Massachusetts, etc.). Medicare and Medicaid subsidies, block grants to states for education, and infrastructure subsidies are just a few ways the federal government shifts money from one area of the country to another. Similarly, Canada uses a fiscal equalization process known as "transfer payments." The most common forms are the "Canadian Health Transfer, "Canadian Social Transfer," and "Equalization and Territorial Formula Financing." While Americans and Canadians engage in rigorous, occasionally nasty, debate about specific social programs, we all agree money needs to circulate in our respective countries.

The same can't be said for citizens in the Eurozone. Germans, for example, are going to have fewer gripes about supporting poor German regions (or poor Germans) with their tax dollars than they are a bankrupt Greece (or bankrupt Greeks). This is one of many problems at the heart of the ongoing financial crisis across the pond.

The latest wrinkle came just days ago when the Greek people were asked to vote on additional austerity (cuts in government programs and spending) in order to receive more money from their European neighbors. A "naí" vote meant they'd be able to reopen their banks and continue to pay their bills. The vote was a resounding "oxi."

Now what? Well, as of this writing, Greece requested a three-year loan from the Eurozone's bailout fund but, aside from a vague promise to make quick changes to its tax and pension systems, provided no details on what it would do in return. Will this get resolved to everyone's satisfaction? If anybody tells you they know for sure, they're lying.

Greek banks have been closed for over a week in order to stem the outflow of deposits. (Remember bank loans are made with depositors' money and if the money leaves, loans must be called or additional capital most be raised to offset the lost deposits.) If these banks don't get a loan from the Eurozone, they could fail. Additionally, the country is facing a debt payment on previous loans and interest, which, of course, they can't pay.

The biggest problem for the Greeks is they don't control the printing presses that make euros. When the US or Canada is desperate to pay off government debts, they can always issue "new" dollars to satisfy that debt. While never a good solution—it often leads others to view your currency as "devalued"—it's a way to force lenders into restructuring or forgiving debt altogether.

To be fair, Greece has already made significant cuts to spending and imposed stricter regulations to existing programs. Just not enough to satisfy most of their neighbors. If the country's economy hadn't shrunk 25%

over the last six years and a quarter of its population wasn't unemployed, Greece might be able to continue on their current path. A growing economy with working people generates larger tax coffers to pay interest and whittle away at debt. (Greece's debt is 177% of their GDP. By contrast the average Eurozone country has about 92% debt to GDP ratio.)

The situation is a mess. There's no denying that. But it's nothing we haven't seen before. While the "great recession" readily comes to mind, a better example might be the Icelandic crisis that occurred at about the same time. Aside from news about an occasional Eyjafjallajokull rumbling, do you hear much talk about Iceland today? A quick refresher: in 2001, the country deregulated their banks and became one of the most aggressive lenders and borrowers on the international stage. At their peak, the three major Icelandic banks had over 50 billion euro in external debt (more than 11 times the GDP of the entire country). When those banks failed, and the Icelandic central bank couldn't make depositors and debtors whole, an international crisis ensued. This lead to the nationalizing of the banks and defaulting on their massive debt. While the citizen of Iceland ended up being protected, foreign debt holder and depositors were forced to take huge losses or get nothing at all. (All of which caused former British Prime Minister Gordon Brown, whose country was denied refunds on deposits, to impose financial sanctions on Iceland as well as put the country's government on a list of terrorist states and terrorist phenomena. The Taliban, al Qaeda, and…Iceland?) The effects were devastating to the Icelandic economy, with their stock market losing over 90% of its value and workers' wages cut by more than 50%. A severe depression followed and the government needed a $5.1 billion bailout package from the International Monetary Fund. After making some difficult political and economic changes, Iceland is finally emerging from the devastation. While the people of Iceland surely remember the devastation, the world moved on and hardly remembers the dark days in The Land of Fire and Ice.

Now, it's Greece at center stage, the spotlight shining brightly upon them. But it was only two years ago when they were part of an ensemble of worrisome EU nations that included Portugal, Ireland, and Spain. Those other countries have made enough progress to ease some of the hand-wringing, but it's not a given that they won't have a Greece-like meltdown in the future. There is a silver lining in all this, however. The Euro is down, so goods and services are becoming cheaper to external buyers like North America and Asia. (Following the 2008/2009 economic crisis, the US used a cheap dollar to jump-start their economic recovery. Exports and manufacturing picked up significantly allowing the economy to get back on its feet even with housing and the consumer struggling.) To take advantage of this opportunity, almost all OCM's European investment exposure is in multinational companies that will benefit from their increasing foreign sales.

As an aside, and closer to home, is this: Puerto Rico is not America's version of Greece. Both Puerto Rico's debt to GDP of 66% and their deficit spending are more manageable. The Commonwealth also has an expanding and much more diverse economy. This means they're not as reliant on any one industry or sector. Lenders are also actively engaged in trying to work with the government to restructure and resolve their issues. Yes, their governor recently stated they wouldn't be able to pay their debts, but most see this as a negotiating tactic to force lenders to accept a restructuring. It won't be an easy or quick fix, but it's unlikely to spill over to global markets. Whatever effects come from the situation will be limited to municipal bonds, and OCM has eliminated all our direct holdings there over the last year.

We'll continue to closely monitor the situations in Greece and Puerto Rico. The likelihood, however, is that once both are resolved, markets will soon return to what they do best—following the trends.

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