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Greece, Spain, and reality [1]

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As riots accompany new austerity measures in Greece and Spain, the euro is plunged into uncertainty again. Sanguine observers might predict that there will be three such crises in the next year, and that there will be three emergency summits held, and three announcements of new measures to deal with the problem. On each occasion markets will respond favourably for a very short time, then gloom and uncertainty will return. Those same observers might predict a further three such sequences in the following year, and three more in the year after that. And so on.

Oliver Smith in the Telegraph [3] reports informed opinion suggesting that a Greek exit from the euro is now inevitable. Greece would become a very cheap tourist destination with a devalued drachma, and the tourist industry would experience a boom. Investment would come in to build hotels and restaurants, and employment would rise. This process could and should have started two years ago. If it had, recovery would by now be visible.

It is also true of Spain. The only solution for them is to quit the euro so that the peseta can find a level that reflects Spain's true position and enables exports to rise and economic growth to take hold.

The economic case for exit might be overwhelming, but it is entirely subordinated to the political case that the European juggernaut must not falter for an instant in its drive to 'ever closer union.' This gives a strong likelihood that the crises, the summits and the responses will continue for years, along with the civil unrest and misery that accompanies them. This is where we came in.

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