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City AM in London [reports](#) [3] on the ongoing financial crisis in the weaker economies of the eurozone. Greece has a €110bn bailout, but it faces a €27bn funding shortfall next year. Yields on Greece's two-year debt are over 25 percent (yes, 25 percent), and 15.7 percent on its 10-year notes. Still there are high-level meetings and renegotiations, and new packages hastily put together. Ireland and Portugal are less bad, but still bad. The formula of making taxpayers bear the burden of bank losses only goes so far in democracies, as the Icelandic electorate has twice shown. There is little chance that the Greek, Irish or Portuguese voters will accept the years of poverty and indebtedness which are the conditions of their bailout terms.

The markets have pretty well decided that the only way out is for defaults, leaving bond-holders out of pocket, and for some countries to quit the euro so their currency can find a market level compatible with their real status. Yet the politicians are desperately holding out, offering patch after patch to a problem that is clearly going to burst sometime. They have invested political capital in the euro as a political, rather than an economic entity. It was always absurd that some countries were allowed to join it, and now that absurdity stands exposed.

At some stage reality will out. There will be defaults, accompanied by exits from the euro. Then the battered economies can start to recover. Getting rid of the debt and devaluing their currencies will enable them to rebuild their economies and start the upward climb again. It is time to stop pretending and to take the hard decisions that will get it over with.

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