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State privatizations could save the euro [1]

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Despite the prodigious efforts to bolster the Euro, it remains in desperate trouble as the gap between the strongest members ? Germany ? and the weakest members ? Greece, Ireland and Portugal ? continues to widen. Importantly, the Euro currency system precludes the normal adjustment mechanism of devaluation. Current bond yields tell their own story. Germany?s 2016 bond is yielding 2.6%, whilst Greece?s 2014 bond is yielding over 20%. The figures for Ireland and Portugal are roughly half of those of Greece.

The weakest Euro members are rightly under immense pressure to cut public spending. But is it too late and will serious civil disturbance break out? Normally, any organisation whose debt soars will sell off surplus assets. A really radical ? even by the standards of the ASI ? and totally theoretical proposal would be for Greece to sell off islands such as Crete, Rhodes and Santorini.

Of course, this is a non-starter. But selling off large chunks of Government-owned assets including property ? the equivalent of the planned private sale of Scotland?s Ailsa Craig ? is not. Indeed, Greece is seeking to raise €50 billion of privatisation proceeds by 2015. Whether this figure can be achieved is doubtful, but we shall see. Ireland, too, should follow suit. An obvious privatisation target would be ESB, the dominant state-owned electricity business. Portugal also has many public sector assets that are suitable for sale.

These three EU member states ? and others whose finances are little better ? should focus on selling state-owned assets. Inventories should be drawn up with the proviso that assets remain in the public sector only if there is a compelling case not to sell them. The Euro currency system is essentially flawed but it continues to stagger on with the ever-increasing demands on taxpayer support. Although a radical privatization policy will boost the finances of individual member states, it still may not save the Euro.

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