

[Greece is the beginning of the end of the Really Grand Euro Project](#) [1]

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It was only fudged figures that let Greece into the Euro in the first place. But EU leaders were keen to make the Euro a Really Grand Project, and of course nobody wanted to be left out. That would be too humiliating. So the fudge thickened, and Greece was thrown into the pot.

Well, we knew what would happen, and here it is. Greece is going to go bust. There is nothing surer. It owes more than 150% of its annual income. And it's still spending. Five years from now, says the IMF, it will still owe nearly 150% of its annual income. And example after example in the past tells us for sure that when you continue to owe money on that scale, you will ? before long ? go bust.

There is a huge amount of political capital invested in the Really Grand Euro Project, so EU leaders have done whatever is necessary to keep the facade manned. Relatively rich Germany, in particular, has been pressured by everyone to keep bailing out Greece. And the argument is that Greece is pretty tiny in the scheme of things, so bailing it out ? and even bailing out Ireland and Portugal too ? is affordable and preserves the Project's credibility. But every day, more clearly, it looks like throwing good money after bad. And the IMF ? now that Dominique Strauss Kahn has gone ? is putting more stress on getting the economic fundamentals right rather than saving the Project's skin.

Of course there is financial capital at risk too. European banks hold more than \$50bn worth of Greek government bonds. Not exactly a secure investment: nobody in their right mind today is prepared to lend to Greece for much less than 30%. All we can hope is that when Greece does default, the situation will be managed in some orderly way. But on the bright side, a Greek default would concentrate the minds of a few others. You know their names.

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[3] http://disqus.com/?ref_noscript

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