

Greece could be the tipping point - because it poses th...

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Greece is descending into chaos. It should hardly be news to anyone: but it has not happened before is the greatest surprise.

Of course Greece is partly responsible for its own economic malaise. It was overly generous with some aspects of spending, and far too lax about the collection of tax.

But the fact is that it was allowed to be a member of the euro, and was even encouraged to be a member of the eurozone. But now when it is apparent that the whole basis on which the euro was constructed was erroneous because you cannot have monetary union without fiscal and political union (and there is even an argument that you might not want monetary union when you have the latter precisely so that areas with differing rates of growth can continue to price themselves into work) the people of Greece are being forced to take the consequence of that error made by economists from elsewhere.

The result is that the people of Greece are now also being forced to suffer so that German banks do not.

This is no minor crisis. Greece is being forced to the point where its economy cannot function, whether legitimately or illegitimately. Its currency is being denied to it (because that will be the effect of it being forced from the euro, as seems possible), and with it the means of exchange that underpins its economy might be removed. No one, after all, knows if an alternative currency will be credible, acceptable, or will simply be worthless paper.

In this situation matters develop rapidly. Fear spreads, violence is likely, political breakdown is easy to imagine, containment is difficult, the end of democracy is foreseeable in a country which has been subject to military rule in my lifetime, extremism spreads rapidly and the threat to the stability of the region, and beyond, is enormous.

This is what happens when economists translate ill-conceived ideas into the real world.

And in all this, it remains the bankers, and their economists, who demand that Greece suffer so that banks are spared. But as we have seen before, what happens in Greece today will happen in Portugal, and Ireland, and maybe Spain next.

It sounds a little simplistic to say that we have a choice between the euro, the banks, and the maintenance of the European ideal of free, democratic states trading with each other in an open market environment for the good of each of them. That is, however, how it feels, and I have a gut instinct that this is the challenge that we now face.

There is, of course, no doubt about who should win: it is the people and the democracies of Europe that should win. We can suffer an organised breakup of the euro. We can suffer the inflation that recapitalisation of the banks will require (although note that quantitative easing in the USA and UK has so far not raised interest rates, and nor has it had an impact on inflation—the inflation we are suffering coming from quite different sources). We can endure egg on the faces of the central bankers, and the economists who advise them. We cannot endure the suffering of whole countries, a threat to democracy, the destruction of well-being and massive political instability.

There is no real choice: if the bankers try to win this one everyone else loses. It's not just the people of Greece versus the banks this time, it's the people of Europe versus the banks. This time it's not just the people of Greece who should be on the streets about it: very soon it should be people across Europe who should be on the streets about it. We are being threatened to the very core of our democratic existence by the banking institutions of Europe. This is not the peripheral issue that an epicentre in Greece might suggest. This goes to the core of Westminster in opposition to the City of London as much as it goes to dispute between Brussels and Frankfurt.

In each case there is a question that has to be answered: who is to rule?

The answer is obvious to every democrat, but not to every banker.

But there is only one answer for those who value freedom and that means Greece has to be a point of show down with banks.