

## The Euro deal - imposing a straitjacket with a tiny sil...

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The EU [thinks it's saved the Euro](#), again.

It hasn't.

This [is a deal](#), summarised [here](#), that to coin the current vernacular, kicks the euro down the road until the autumn, but which has no hope of delivering a real solution.

Why not?

Because, clause 1, no one knows if the Greek people will, as yet, put up with the austerity that is demanded of them. But what we can say with certainty is that the austerity demanded will not deliver growth, whatever this document claims.

Because, clause 2, no one has worked out whether the EFSF can pay for this deal.

Because, clause 2, the IMF may not agree that the deal.

Because, clause 4, Germany may not in the end cough up enough cash to reflate the Greek economy, and even if it does, Portugal, Ireland, Spain and Italy need the same deal, and aren't going to get it. The awareness that a Keynesian solution is needed is hinted at in this clause, and then firmly run away from.

Because, clause 5, when it comes down to it the private financial sector will prevaricate, arbitrage, delay and generally obstruct any deal, seeking better advantage for themselves over all others who might participate, and that will mean that this provision will fail to deliver.

Because, clause 6, Greece is not an exception and ignoring that fact means that clause 7 is farcical: anyone who believes that the Irish government is going to pay in full debt that is beyond any imagination that it can settle is naive in the extreme: those signing this deal were.

Because, clause 8, this requires fiscal union and a fundamental reform the way in which the European Central Bank works, and getting agreement on that after the heat of the moment is very unlikely;

Because, clause 9, the Germans aren't going to guarantee other euro states debts forever;

Because, clause 10, the Irish will try to renege, for all their worth, making a deal on tax;

Because, clause 11, reducing deficits to 3% of GDP is going to result in mass poverty, the destruction of welfare, the ending of healthcare provision, misery in old age, massive destruction of the state in Europe, and in turn the destruction of GDP itself. A commitment to the economics of the madhouse destroys the credibility of this agreement: only a Keynesian solution can solve Europe's crisis now, and this clause commits Europe to poverty. Clause 12 does not change that. The democratically elected governments in Europe will reject this package: their electorates will demand that they do so.

Because, clause 13, creating an economic police to impose the straitjacket will not make it work;

Because, clause 14, reaffirming neoliberal economic policies is equivalent to signing a Euro suicide note;

Because clause 15, you can't tell banks how to rate their loan books - unfortunately;

Because, clause 16, by the time we get to October all these weaknesses will be apparent.

And yet, I admit, all of those are just detail.

At its core this deal does not work for a number of much more fundamental reasons. The first is the euro itself cannot work: even with massive fiscal reallocation of wealth within the Eurozone the stress would remain too great: these economies are too disparate to have one currency.

Then there is the fact that, like it or not, Ireland, Portugal, and almost certainly Spain if not Italy, add debts that they cannot support and therefore, like it or not, European banks holding those debts are at serious threat of insolvency. This deal does nothing to address that issue.

Just as this deal does nothing to really stimulate growth: it recognises that without growth Greece cannot repay its debts and yet the rest of Europe it demands cuts in government spending that can only result in a move towards stagnation or recession across Europe as a whole for decades to come.

In other words, this is a fundamentally flawed deal, and the flaw can be simply identified: it is that this deal puts the stability of money above the importance of real economic activity that generates wealth for the people of Europe. This is about bankers, yet again, and not about putting food on the table. This is about preserving wealth and not about creating prosperity. This is about maintaining division, but not about delivering hope.

And because it fails to address any of those issues, this deal will fail.

Only when we take on the banks; only when we realise that real wealth is based upon the full employment of well-paid people and only when we realise that it is the duty of governments to deliver hope can we go forward. This deal doesn't do that, which is why the next version will be negotiated soon.