

The disaster is still waiting to happen

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As is very clear from this week's reaction to last week's EU summit, the UK veto is just one part of another EU disaster that is still waiting to happen.

No credible plan for the Euro emerged. This is not surprising. There are only two options, in reality. Either Germany pays for the rest of the EU to join it in the Euro or the rest of the Euro pay for trying to be like Germany. The third option is economic collapse: only the scale needs discussion.

The Germans can, of course pay. The question is, will they?

The rest of Europe cannot become like Germany. That is technically impossible. We can't all have surpluses: there have to be deficits on trade and even on spending. That's an accounting fact. Trying to all be like Germany is therefore doomed to failure - and like the Merkozy pact first guarantees recession, second destroys social democracy and third is a guarantee for chaos. These are facts.

That leaves economic chaos sooner or later, which is much like option 2, or the pact on which agreement was reached.

Governments cannot deliver option 2. It will not happen.

Option 3 - economic chaos, arrives early in the new year when Italy cannot refinance its debts.

So it's down to Germany, to pay or not; to deliver chaos or not; to spite itself, or not.

That's all that's left to speculate on in the short term.

The long term is another story. But in this case the short term is too real to get too worried about the long term, yet. Except to note that's why Cameron was wrong: he had to be present for the short term to make the difference in the long term. And he isn't. Which is why he's wrong.