The euro is dead; long live the euro

Despite all the stories of apocalypse now there is a fighting chance that Greece will stay in the eurozone for the time being. This is the real tragedy of course, but unfortunately for all involved there just isn't the political appetite for "Grexit". The Germans have done their sums and if Greece leaves they are in deep, way above the top of their lederhosen. The Greeks of course want to stay on the euro gravy train, but it is German gravy and Siemens almost certainly built the loco. Merkel is increasingly isolated but being from the old East Germany she is almost certainly dangerous when cornered. The option for her may not be kicking the Greeks into touch, but taking Germany back to the DMark and leaving the French to sort the mess out. This is something her Finance Minister, who looks increasingly like one of Peter Sellers' characters in Dr Strangelove, would heartily approve of and might even get her re-elected.

The game of bluff and double bluff is pretty much over although no one has told Rumpy Pumpy who is quite happy for Greece to stay as long as they "stand by their commitments". The chances of a pro-austerity government being elected second time around are improving and if that happens they will surely be given another chance only for it all to go horribly wrong a little way down the road when they hit an enormous pile of tin cans.

It was however nice of Christine Lagarde to lecture our chancellor about letting the Bank of England loose with more printing ink, which they almost certainly have in mind without her misplaced encouragement. The question is will the Fed or the ECB beat us to it? In the US, ex auto sales, which are massaged by "Gubermint" Motors solely to pump up GDP (they sell cars to their dealers, who stick them in the back of the garage lot to pretend they haven't actually been sold) growth would be below 1%. The story is much the same across "austerity" Europe and let's not mention the UK.

But I am afraid we will have to. First quarter GDP actually shrunk by 0.3%. Had it not been for an increase in government spending (Austerity? What austerity?) of 1.6% it would have been even worse and Mervyn King now tells us that the Jubilee celebrations will knock a few more points off GDP in Q2. It must be a truly miserable life being a central banker...but then again if the only people you are looking after are other bankers it is bound to be isn't it? Crank up the presses Merv and put a smile back on your face; any chance you could helicopter a bag of fresh fifties down to 27 Elm Avenue? What's that you say? RBS need it all? Ok then maybe next time or the time after that...