Eurozone set to fall apart one by one, warn top economists

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The small, debt−ridden countries on the fringes of the European Union will soon start dropping out of the Euro, according to a major new report by two top economic think−tanks from both sides of the Atlantic.

The experts predict that the staggering £70 billion bail−out of Ireland, underwritten by UK taxpayers, agreed at the weekend is doomed to fail.

One of the beleaguered so−called PIGS (Portugal, Ireland, Greece, and Spain) will be driven to abandon the single currency and within three years the rest of will be forced to follow suit.

The experts say that the four countries would be better off bowing to the inevitable and negotiating now an orderly exit from the Euro. This way they will avoid sparking a catastrophic new banking crisis throughout the West on a par with the financial meltdown of 2008.

The forecast by the high−powered Legatum Institute, based in London, and the American Enterprise Institute, based in Washington, will come as a blow to Chancellor George Osborne and other EU finance ministers.

They have agreed a package of loans to prop up Ireland s bankrupt banks and the imploding Dublin government, which is grappling with a ballooning budget deficit.

But the report, Can the Euro Survive , warns that it is almost inevitable that despite the rescue package at least one of the debt−ridden PIGS will default on its debts, triggering a new crisis.

It predicts that such a failure to repay huge sums borrowed to shore up national and bank finances will trigger a domino effect in which other over−borrowed countries fall by the wayside.

They will be forced out of the Euro in much the same way the United Kingdom was driven out of the exchange rate mechanism nearly 20 years ago.

A default by any member country is more than likely to trigger contagion to the rest of the periphery and to lead to the eventual exit from the Euro of Greece, Ireland, Portugal, and Spain.

The report says the bail−out might work if the troubled EU states faced short−term cash shortages.

But their problems are much more serious and deep−rooted because they are confronted by crippling debts brought about by chronic overspending and because their governments are incapable of imposing a spending clampdown on restive electorates.

The expert author, Professor Desmond Lachman of Georgetown University, Washington DC and a former high−ranking official in the International Monetary Fund, and Dalibor Rohac, a research fellow at the Legatum Institute, predict that the Irish bail−out, which costs the UK taxpayer £6 billion, will just be the first of many in a vain attempt to keep the Euro afloat.

The most likely trigger for the Euro s eventual unravelling will be in the periphery, the report concludes.

Economist Desmond Lachman alerted the danger of the recent housing crisis well before it occurred, and has been making similarly chilling predictions for the Eurozone since its inception.

For more information on the speech, or the conference, contact Nick Wood of Media Intelligence Partners on +44 (0) 7889617003 or Alistair Thompson on +44 (0) 7970162225.

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Notes to Editors

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