

PIGS Might Fry

Portugal needs a central bank willing to monetize its debt. It has no central bank of its own but shares one with the rest of the Eurozone. The independence of the ECB, at least of the plots and purposes of Portugal, Ireland, Greece and Spain means that there will be no monetization of their debt. Its a good thing and a bad thing. The good thing is that you are less likely to have runaway inflation or hyperinflation. The bad thing is that there are times when morphine is needed and none is forthcoming. The default solution may unfortunately be amputation.