

explainity explains: Eurobonds

Eurobonds yes, Eurobonds no maybe or not at all. It's a pretty heated discussion taking place between various heads of state at the moment. With all that banter going on its hard to understand what's really happening. But really the problem at the heart of all these discussions it's not that difficult. What is discussed at the moment is the question whether euro states will cooperate more closely. When one of them wants to take out a loan and act together as a common guarantee for that loan. For some countries this would have many advantages because they would have to pay less interest on the credits they so badly need.

This is where he comes in the name is Bond. Euro-bond. Cool introduction and altogether a good thing for the world. Right? Well some countries including France Germany beg to differ. In order to understand this lets, picture the situation in a simple way.

Angie from Germany, the French Nicola, Pete from the Netherlands, Silvio from Italy and Jorgos the Greek are sharing an apartment. The five of them are really different characters. But all in all they get along pretty well, because they share one thing in common. They like to travel throughout Europe by car. That's why they all bought a car together. They share the costs for repair gas and insurance. Everybody pays a fair amount, and they all are happy to have this dashing machine.

But one day Georgio and Sivio you have to admit something awfully embarrassing. They can't carry the costs for the car any more. Because they have spent too much money on beer and parties. The hangover is truly awful.

At the bank the two of them have already asked for money. Without success, even their parents don't want to pay any more. Then Angie, Pete and Nicola are flabbergasted. They have tried really hard to save their money for the car while the other two went around spending their savings and having a good time. They really don't want to carry the costs for the car all by themselves. But Georgio and Silvio you have come up with a plan. Angie and Nicholas can accompany them to the bank in order to take out a loan with them. Then the bank will surely be content and not ask for too much interest. Silvio your things this is genius because this way Georgio and him will have time to get some money and solve this annoying problem.

Pete doesn't think the plan to be truly genius. But he desperately wants to keep that car, so he agrees. But Nicola and Angie want to hear none of this, no way. They certainly don't want to pick up Silvio and Georgio tab. The whole thing ends up in a big discussion and while the five are still arguing we take a look at what all of this has to do with the Eurobonds.

Just like Georgio and Silvio, Greece, Italy and a few other countries are in a financial tight spot. Their suggestion. European state bonds which function just as the credit for our 5friends. Economic power players and weaker countries of the EU take out a credit together. Which as a consequence has a lower interest rate, but Germany and France don't like the idea because this plan will cost them a lot of money. This is because they will have to pay a higher interest rate compared to the one, they are paying right now.

The question is are these cost worth the benefit of being able to travel throughout Europe with a common currency and will he come into play bond Euro bond.

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