THE European Union has never seen the like of the past eight days in Greece: barred banks, capital controls, the first IMF default by a developed country, the collapse of a multi-billion-euro bail-out, plans for a referendum that may hasten Greece's ejection from the single currency, and the beggary of the people. Were the stakes not so high, all those emergency summits and last-minute demands would count as farce.

Instead it is a tragedy, where an outcome that all sides say they do not want—Greece's exit from the euro—seems increasingly likely. The chaos is evidence that leaving the euro would be disastrous for Greece, not least because modest gains from default and devaluation would be overwhelmed by political and economic instability. For the rest of Europe, too, "Grexit" has well-rehearsed risks, notably that of a failing state on the continent's south-eastern flank. But as the drama has become more desperate, so Europeans seem less worried. They take comfort from the fact that Greece is uniquely dysfunctional. Game-playing and repeated miscalculation have poisoned the negotiations (see article). Without Greece, many now conclude, the euro zone might actually be more stable.

Sadly, that is wrong. Look beyond Greece, and the threat of further conflict within the euro is all but inevitable. Although Greece's departure would prove the euro is not irrevocable, nobody would know what rule-breaking would lead to expulsion. Nor would it resolve the inevitable polarisation of debtor and creditor governments in bail-outs. If the single currency does not face up to the need for reform, then this crisis or the next will witness more Greeces, more blunders and more dismal weeks. In time, that will wreck the euro and the EU itself.

Just now this argument is obscured by Greece's hard-left Syriza government and its absurd referendum. Assuming it happens, Sunday's vote will ask Greeks to assess the creditors' restructuring plan (which is no longer on offer) and their debt-sustainability analysis (which requires a degree in economics). The prime minister, Alexis Tsipras, says a No will strengthen his hand with creditors and so help keep Greece in the euro. European leaders retort that a No is in fact a vote to leave. After a Yes, Mr Tsipras might cling on or, if he goes, Greece might re-elect Syriza, but both have campaigned for a No. It is not a high point for the country of Plato.

Back in the real world, Greece is running out of money. The European Central Bank (ECB) refuses to give the banks more liquidity and they are tottering. If Greece defaults on €3.5 billion-worth ($3.9 billion) of bond payments to the ECB on July 20th, pressure will build to withdraw even today's backing. The government will soon start paying its bills with IOUs that, in time, will become a parallel currency. Each step makes Grexit more likely. Moreover, for Greece to return to normality will require ever more nous and skill—and a lack of both in Mr Tsipras is part of the reason why his country is so lost.

Mr Tsipras's uselessness is his own fault. But neither the election of Syriza's ragbag of leftists in January nor their brinkmanship was an accident. Greek GDP shrank by a quarter over five years, unemployment is over 25% and youth unemployment over 50%. Partly to blame is austerity imposed by creditors who, especially in the early years, sought to bring down Greece's budget deficit too far too fast. Greece eventually started to grow again, but the slump discredited the establishment. Syriza came to power on the fantasy that Greeks could both end their hardship and also be welcome within the euro. Mr Tsipras thought he had bargaining power and as it has drained away he has looked increasingly erratic.

His miscalculation is prompted by tension at the heart of the euro project. Mr Tsipras believed that a cave-in by the creditors was inevitable because they are determined that the euro should stick together. But the creditors would not be blackmailed into subsidising endless delinquency, because they are adamant that the system must have discipline. Mr Tsipras negotiated as a sovereign leader with a democratic mandate; but northern European leaders represent voters, too, and they never signed up to a system of large unconditional transfers.

Brinkmanship and crisis are inevitable in such a system. And they are aggravated by the euro zone's reliance on ad hoc bail-outs, which politicise every decision. They set one side against another, breeding contempt among the creditors and resentment among the debtors. They turn wise policies into concessions that should not be given up to the other side until the last minute. No wonder the process has failed: at crunch time more than 20 negotiating parties, all with vetoes, were working to different agendas and haggling under pressure. The same downward spiral is all too plausible in a future crisis: the ruination of politics and the economy as demands for forgiveness from debtor nations like Italy or Portugal, say, founder on demands for austerity from Germany and Finland.

Right now Greeks need a new prime minister. Relations with the devious Mr Tsipras are shattered: with him in charge, they will struggle to stay in the euro. In the longer run, the euro zone needs shoring up. A stable currency is a trade off with fiscal sovereignty. To protect against downturns, euro-zone members must create automatic mechanisms, such as collective unemployment insurance, that channel extra funds to countries in recession. Instead of bail-outs, the single-currency area needs more joint pooling of risk and responsibility—some form of “Eurobonds” or jointly guaranteed sovereign debt—governed by fiscal rules more binding than today’s.

The bloc knows that it needs to change. It has moved towards banking union; five of its leaders have issued a paper on how to strengthen the euro, including, among other ideas, a deposit-insurance scheme. But their proposals are modest because governments are harried by anti-EU populists and their citizens did not sign up to the euro expecting to give up a lot more sovereignty. The moral of Greece’s disaster is that Europeans must face up to the euro’s contradictions now—or suffer the consequences in more ruinous circumstances.