

europact breakup

most likely into 2 currency areas

	eur	curr
devaluation	E-	FR-
appreciation	E+	DM+

4 scenario's

	E+	DM+
E-	1	2
FR-	3	4

- 1 already a reality, markets arbitrage through interest rate mechanism
market adopted too late to avoid some major gov defaults
these defaults will drive overall risk premium too high and stronger countries may wish to opt out
- 2 Germany exits, with other strong countries following as soon as politics allow
France will lead remaining countries into E- zone, following Argentine style devaluation scenario
- 3 weak countries exit, lead by Greece and Spain, entering into FR- zone at initiative of France
Germany and strong countries will continue the euro pact and create a strong currency / low interest area
- 4 total meltdown
no real-world euro benchmark

		1	2	3	4
euro		unstable	weak	strong	gone
gov debt winddown		shared pain	pain on creditors	pain on debtors	unpredictable
eur contracts		status quo	creditors to sue	debtors seek cover	uncharted territory
inflation	countries + countries -	high high	low high	medium hyper	medium hyper
growth		stagflation	recession	depression	social unrest
politics	countries + countries -	+/- +++	++ ++	++ -	- +