EXIT STRATEGIES IN THE EURO ZONE

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Abstract:

There is no easy exit out from the Convergence Economic Zone and Monetary Union (EMU), which means that both the Eurozone and the EMU are deficient due to lack of these criteria. It is a must that these criteria to be quickly invented. People have learned that nothing is eternal, immutable, and after several millennia of history had to know that when they do conventions for creating and recognizing an entity, especially for entry into this entity, they should propose criteria and output / lack of recognition of that entity.

Key words: Economic and Monetary Union, Financial Market, Currency Market

JEL classification codes: G1, G15

Introduction

The convergence criteria necessary for joining the Eurozone, part Economic and Monetary Union (EMU) are: a) inflation of State candidate to be no more than 1.5 percentage points higher than the average of the best performing countries in the EU; b) annual budget deficit of the state to join the euro zone must not exceed 3% of GDP; c) the cumulative budget deficit should not exceed 60 percent of GDP; d) the euro against the national currency does not vary by more than 15% in the two years preceding the changeover, which requires compliance mechanism of the European Exchange Rate II (EMRS II); e) nominal long-term interest rates to be more than two percentage points higher than those applied by the three EU countries with the best perform.

Description of the problem

The Euro was an experiment noble, but failed, says Robert Barro, a professor of economics at Harvard University and senior fellow at the Hoover Institution at Stanford University (USA), in an opinion explained in the Wall Street Journal: "In instead of wasting more money on expanding the system and develop even greater rescue funds would be better for the EU to consider the best ways to return to a system of individual coins." Until recently, the euro seemed destined to expand across Europe. This is no longer available. The European countries, which were remaining outside the Eurozone, do not seem to embrace the now the common currency. Seven eastern European countries that joined the EU the biggest "wave of enlargement" ever created - the Czech Republic, Hungary, Latvia, Lithuania, Poland, Bulgaria and Romania - have announced many years intention to review obligations It is responsible for adopting the euro. Euro can be removed in stages in the same way in which they gave up the individual currencies of countries that have adopted the euro. Speculation about the future of the Eurozone, in the context of sovereign debt crisis, faced by the member countries of this area sometimes reaches unprecedented levels. The main "candidates" for a possible exit from the Eurozone were, until now, Greece and Germany, the weakest and the most advanced European economies.

Preliminaries

Two countries of the Eurozone, the UK and Denmark, have explicit provisions "opt-out" to avoid the common European currency, and popular opinion was strongly manifested several times against joining the euro. In Sweden, which does not have a specific "opt-out" official but refused the ability to meet one of the requirements for membership, a survey in November 2011 on euro adoption was mostly negative (80% no, 11% yes, 9% undecided).

Fiscal and monetary crisis exists in EU countries was already shown in 2008 with the onset of the global crisis. The option of a monetary union without fiscal and political union, is an impossible dream. Currency ham is inevitably linked to a common central bank with the power of lender of last

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resort. This configuration creates important features of the Tax Union, as evidenced by the possibility of bankruptcy of state in 2009-2011 for Greece, Portugal, Ireland, Italy and Spain.

Policy response to the crisis every step has been to strengthen the monetary union - money loan, granted by the EU and IMF, ECB involvement and more tax EU's desire to influence fiscal policies of each government. A common currency that circulates freely in a free trade area, should lead ultimately to a centralized political entity.

EU states in great detail how the candidate countries can qualify to join the euro, but offers no recipe for exit or expulsion from the Eurozone. One possibility would be natural to start removing the least qualified members, to the lack of fiscal discipline or economic criteria.

Eusko Experiment

Eusko, the currency of Basques, "complementary" euro, designed according to its promoters to strengthen the local economy and promote Basque language and culture, was launched on 31 January 2012 in the French Basque Country.

According with Association Moneta Euskal (Basque currency), Eusko will allow "accelerating trade, relocation and reorientation of the economy," said during a press briefing held in Bayonne (southwest France), co-chairman of its Edme-Dante Sanjurjo. Euskal Moneta began to present the project in 2011 in various places in the Basque Country and launched a public consultation which ended with finding a name: Eusko. Eusko with a value of one euro will be changed to 40 homes exchange, across the French Basque Country, exchange house located generally in enterprises and to the craftsmen partners. Will can be used the secure banknotes of 1, 2, 5, 10 or 20 Eusko.

Herrikoa, a venture capital company in Bayonne specialized in local economic development, will guarantee "reserve fund" of Eusko made up of the volume withdrawn from circulation euro for each Eusko released. Euskal Moneta claims that he met with the initiators of similar projects both in France and in Germany, Bavaria, where transactions are made in "Chiemgauer". In these experiments, the goal is often the same: dynamization, the strengthening of the economic liason into a city or region. For Eusko, the Basque language dimension is added: partner companies will display bilingual inscriptions, and in return will receive free courses of Basque language.

Asked by Agence France-Presse in connection with Eusko, a spokeswoman for the Bank of France commented: "It's kind of bartering. The only currency that is legal tender is the euro ".

German example

A better plan is to start from the top. Germany could create a parallel currency - new Deutsche Mark (D-mark) with a reported 1.0 per euro. The German government could guarantee that bondholders can convert German government securities in euro in new tools D-mark with a base a one-to-one to a fixed date, possibly two years. German private contracts denominated in euros will switch to the new D-mark in the same period. The transition period will provide the euro and the new D-mark circulates as parallel currencies. Other countries could follow a path to reintroduce their own currencies for a period of two years.

Germans still retain and use the Deutschmark even though Bundesbank, Germany's central bank, allowing them to always change the old currency into euros. Bundesbank calculations show that, 14 years after the adoption of the euro marks remaining in circulation equivalent to 6.6 billion euros. Deutsch mark, that are for some adults, but almost unknown for many children still can be changed into euros at the rate fixed in 2001. The Bundesbank official, recalled of that fact in December 2015, forced by a survey conducted in November which establish that 54 % of residents have home banknotes in Germany and, especially, old coins.

The official rate of the German central bank is 1.95583 marks per one euro and marks can be exchanged at the Frankfurt headquarters or regional headquarters of the bank.

Greek model

During the debt crisis, Greece was an obvious candidate for exit from the Eurozone, but instead of expulsion, the EU's response has been to provide a bailout sufficient to dissuade the country to leave the euro. However, after several years of consumption Greek crisis, truths are revealed...

Thus, in early 2016, the former finance minister of Greece Yanis Varoufakis said in an interview that the country's Prime Minister Alexis Tsipras asked to develop a plan to set up a parallel currency in Greece where it is not It could reach a bailout agreement with creditors country. Varoufakis also said that Tsipras was thought to adopt Plan X, to introduce a parallel currency, but he was advised not to follow this path by Greek Deputy Prime Minister Yannis Dragasakis.

Varoufakis talked about alternative sources of funding requested by the Greek government at the time. He said he opposed funding from Russia desired by some members of the cabinet. Varoufakis showed how China was willing to sign an agreement to invest in Greece, but the deal was abandoned after a phone call from Germany.

The Italian example

In turn, whenever he had the opportunity, through the voice sound of heads of parties - Cuma was the Northern League or her prime ministers - one being Silvio Berlusconi called for a New Pound, but with parity against the euro.

If the other member countries, from the Euro Zone, follow these trends, the disappearance of the euro at a time to sow at a time with the disappearance of the 11 European currencies, taken individually, from 1 January 2002, when it was introduced effectively into circulation euro coin.

A key issue in the return to national currencies of the countries in the Euro zone current is to avoid the drastic reduction in value of government bonds for the weak members of the Eurozone. The issue that prompted massive intervention, official market of the ECB on a "colleague" its US - Federal Reserve (Fed) from 2015 and the measure which is to pump money market (so-called policy of "quantitative easing ") was required by actual and potential losses in the value of government bonds from Greece, Italy and other countries. Governments and financial markets worry that these depreciations will lead to bank failures and financial crises in France, Germany and other countries.

Conclusions

A new - restored or rebooted - system of national currencies of the member countries of the Eurozone will be more credible.

The return to national currencies of the member countries of the Eurozone will increase the value of all bonds of the countries concerned, which have a strong personal credibility and would not have to take care of its weak neighbors. Even bonds of Italy and other weak countries are likely to increase in value because individual credibility concerns will be offset by improved functioning of the whole system.

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