

# EU debt crisis odyssey

## #visualizingthecrisis

01 02 03 04 05 06 07 08 09 10

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## Germany lays the foundations for a new debt crisis in Europe

It's certainly astonishing to see Germany take active steps to wreck the Eurozone. So, now we see which are this proposals ...

A graphic which illustrates various steps of the proposals

### Actions

1. Creation of a "Eurozone finance ministry".

2. Creation of an "independent fiscal council".

### Promoters

W. Schäuble, members of the CDU party and governors of the German and French central banks, Jens Weidmann and François Villeroy de Galhau.

### Promoters

German Council of Economic Experts (GCEE), with backing of the Bundesbank, the German finance minister Wolfgang Schäuble and Draghi.

### Objectives

Creating an European the banking union.

### Actions

1. Government bond value would be "weighted" according to the "sovereign default risk" (rating, as for example BBB+) of the country in question.

2. Putting a "cap" on overall weighted risk owned by a bank.

### Problems of the proposals

1. Huge holes in the balance sheets of the banks of the "riskier" countries, since they tend to hold a large % of their country's public debt.

2. High probability of massive capital flight from riskier countries to safer countries.

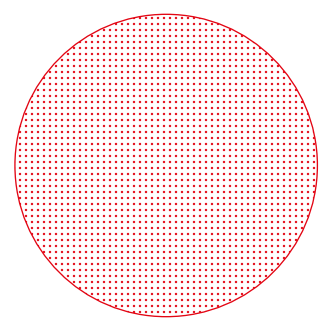
3. Almost certainly ignition of a new European bond crisis, as banks rush to offload their holdings of "risky" government debt, such as Italy, in favour of "safer" bonds, such as German ones.

### Consequences

1. Risk of a new crisis, because debt value of riskier countries becomes high, and at the same time value of their bond goes down; so countries remains without money and this forcing them to turn to the ESM for help, which would entail even heavier losses for their banks and an even heavier dose of austerity.

## Debt/banking situation in Italy

Total amount of this debt is 2,169 billions €



1,769 billions €: owned by other investors

400 billions €: owned by Italian banks

Source: bloomberg.com

### TIPS for economy's beginners

**Bonds:** it's an instrument of indebtedness of the bond issuer to the holders.

**Austerity:** set of economic policies implemented with the aim of reducing government budget deficits.

**EMU:** European Monetary Union.

**GCEE:** German Council of Economic Experts.

**ESM:** European Stability Mechanism, is the crisis resolution for countries of the Euro area.

**CDU:** Christlich Demokratische Union, German party

**Brexit:** Britain + exit, it is a neologism, that identifies UK's proposal of leaving European Union

**ECB:** European Central Banking

Source: wikipedia.org

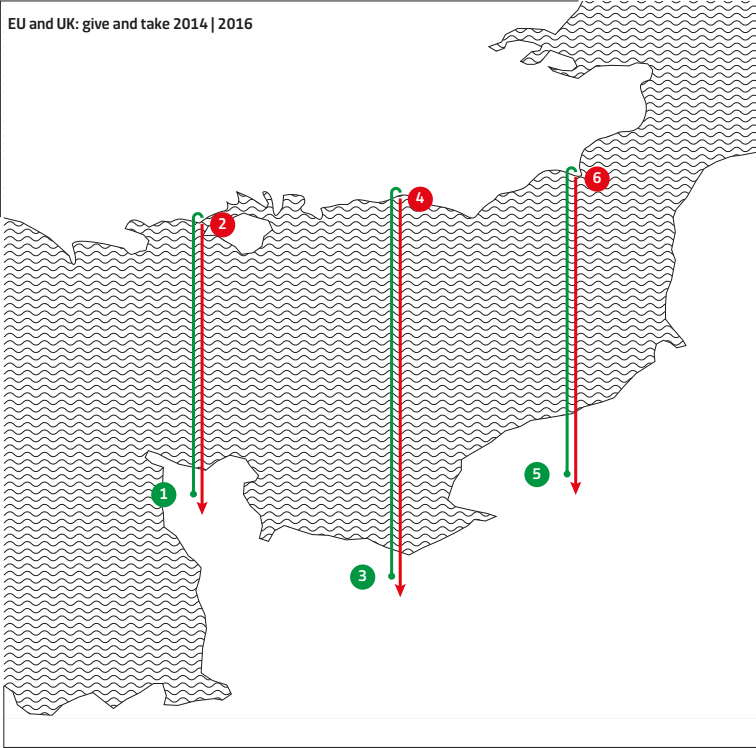
2. Governments once again subject to the "discipline" of the markets, as if the 2011-12 sovereign debt crisis hadn't made clear that financial markets are just as incapable of efficiently assessing and managing the public finances of countries.

Source: nakedcapitalism.com

GBR **What about “Brexit”?**

**Why is UK asking for a referendum?**

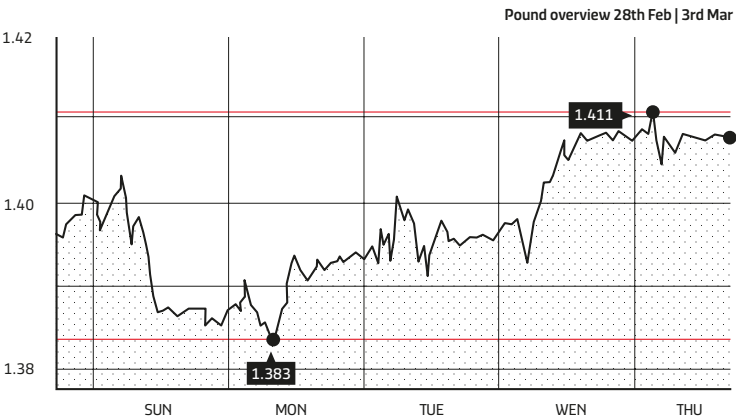
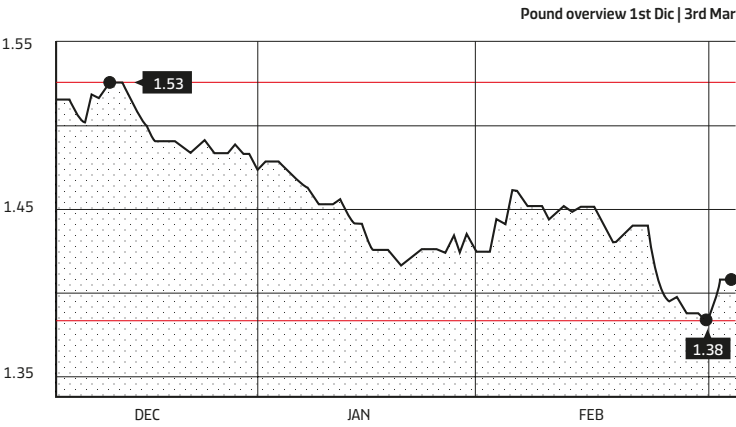
Boris Johnson, Mayor of London, dropped an EU referendum bombshell by announcing he will campaign for Britain’s exit, where UK will vote to decide if stay or leave Europe. Johnson’s declaration, because of his great influence is now having a big impact on britannic population. But why UK decided to get off European Union? What could be the economic impact of Brexit?



- 1 EU banking**  
UE wants to create a ECB banking and that banks save themselves without taxpayer money.
- 2 UK Banks**  
Uk banks were the first to fall after US financial crisis, so banks don't want to apply this new ECB decisions.
- 3 Tobin Tax**  
EU decided to add more taxes on billion capital exchanges, they will use this money for important comunitarian projects.
- 4 Big capital**  
UK disagrees saying that could cause escape of big capitals in other countries with less taxes on money.
- 5 Rebate**  
EU wants to reduce Britannic rebate, money that London receives every year from the EU itselfs .
- 6 European fund**  
UK was upset by this request from European countries, also Italy that has economic so they threaten to stop found for Emilia Romagna earthquake.

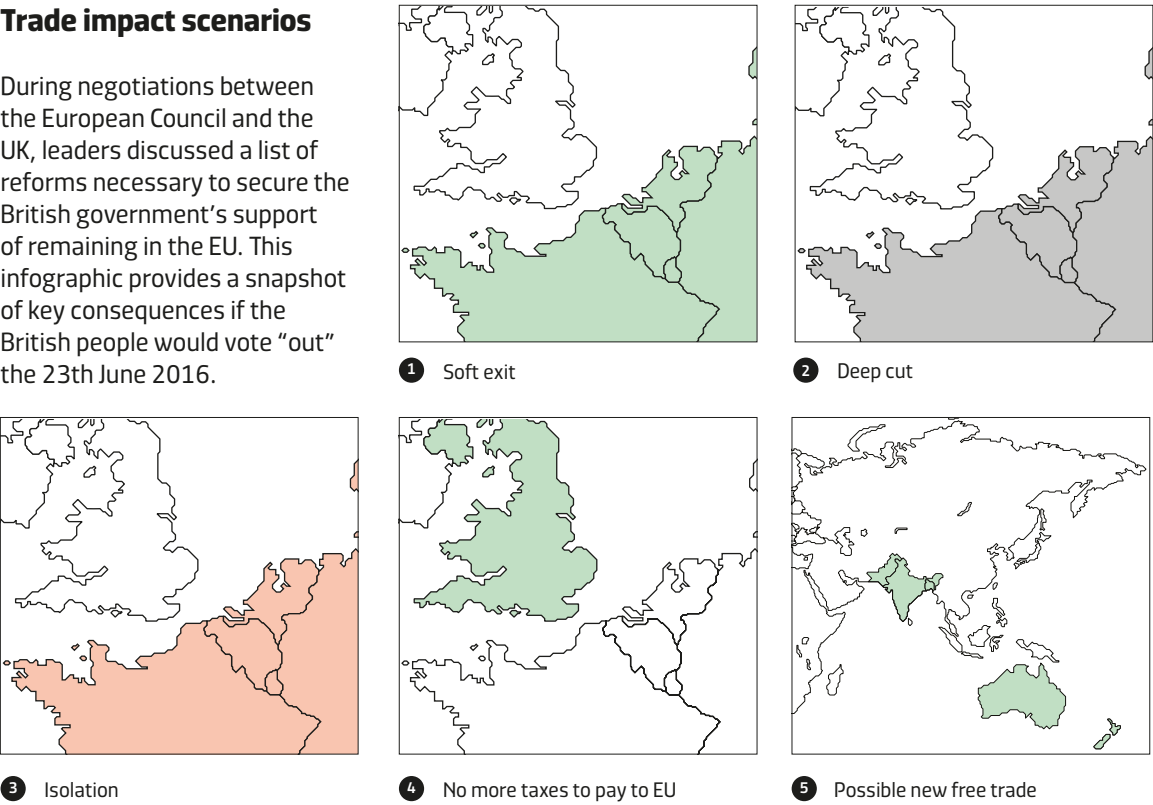
**British pound overview**

Sterling hit a seven-year low against the dollar on Friday, dogged by persistent worries about a possible British exit from the EU which left the currency on track for its biggest weekly loss since 2009. These graphs show pound situation in the last 3 months and 5 days.



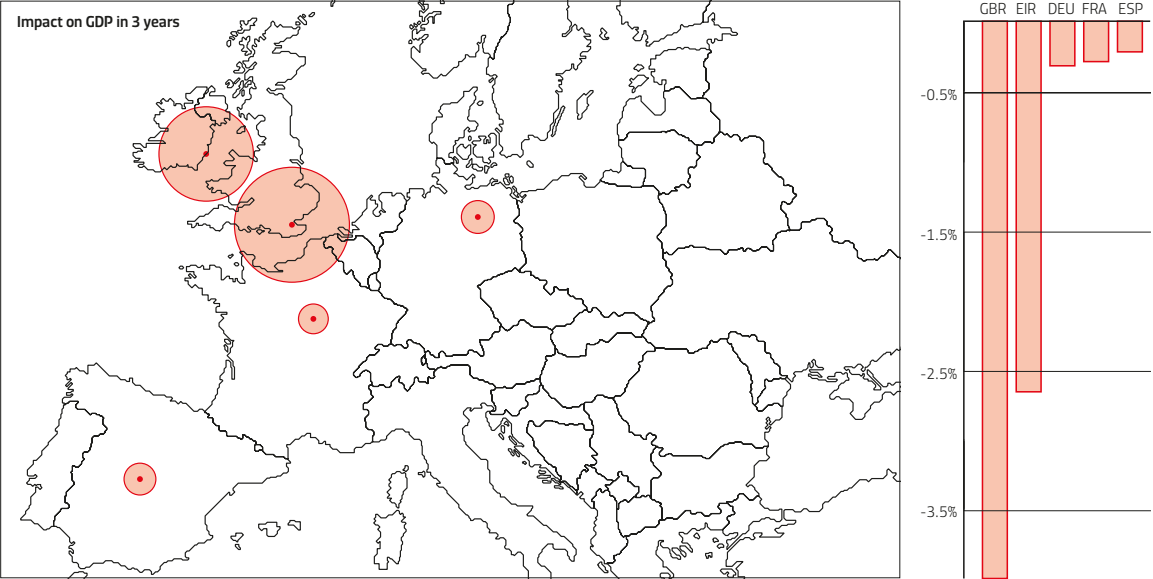
**Trade impact scenarios**

During negotiations between the European Council and the UK, leaders discussed a list of reforms necessary to secure the British government’s support of remaining in the EU. This infographic provides a snapshot of key consequences if the British people would vote “out” the 23th June 2016.



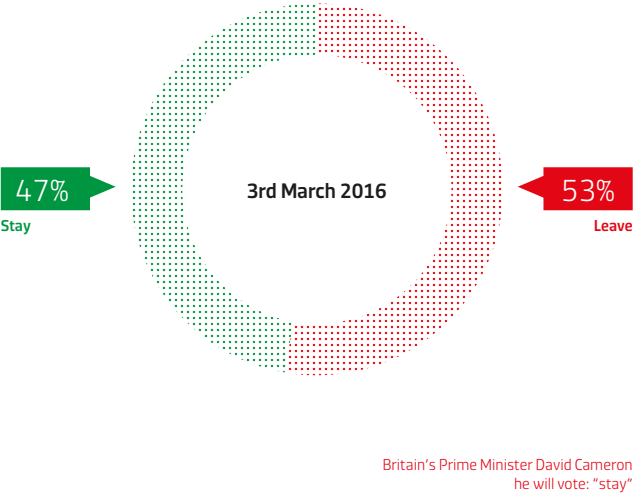
**What if UK leaves EU?**

The impact of the UK leaving the European Union creates an instable economic situation where everyone loses, because of the tight link between UK and EU markets. Economists are now trying to focus on the possible or probable consequences both positive or negative in terms of number and GDP.

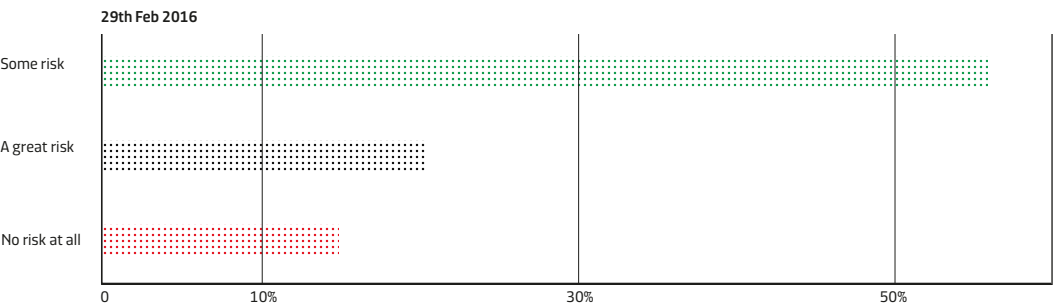


**What UK thinks**

Should the United Kingdom remain a member of the European Union or leave the European Union?



How much of a risk to the UK do you think leaving the EU would pose?



Sources: Valuewalk; WhatUkthinks; Marketwatch; La Repubblica