

# The problem with envisaging an exit

*Dr. Laura Moretti*

*Financial Times*

August 13, 2012

Letter to the Editor:

Sir, Hans-Werner Sinn and Friedrich Sell (“Our opt-in opt-out solution to the eurozone crisis”, August 1) argue that the eurozone could be turned into an “open currency union” in which countries currently under pressure could decide to leave the euro with an option to rejoin after implementing the necessary economic reforms. However, the proposed solution does not take into consideration the main reasons that led to the creation of the currency union in the first place. In fact, contemplating an exit option would turn the eurozone into something slightly less soft than the unsuccessful Exchange Rate Mechanism. It would generate an immediate speculative attack on all the peripheral countries that would force them out with a contemporaneous bank run. Under these circumstances, only the countries in the core would remain in the eurozone and maintain the control over monetary policy, while the “associated members” would have no voice. Moreover, envisaging an exit option would destroy the incentives and the credibility of the fiscal compact since a country under pressure would always have the possibility of devaluating.