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Written by **Raven Clabough** on September 7, 2011

Report Says Death of Euro Will Lead to Doomsday

Those who are hoping for a more optimistic report of the global economic future should probably not read on. According to a report released by the Union Bank of Switzerland entitled “Euro Break Up-The Consequences,” the death of the euro is inevitable and the long-term effects of such an event will potentially include civil war, the collapse of international trade and sovereign default.

The report lays the foundation of its assertions by declaring, “Under the current structure and with the current membership, the Euro does not work. Either the current structure will have to change, or the current membership will have to change.”

It goes on to reveal that the Union Bank of Switzerland has virtually no faith in the system to which they are ultimately connected. What makes such an assertion so frightening is that the UBS has a “hegemonic influence over the world economy,” notes *The Blaze*:

> The UBS is the world’s second largest manager of private wealth assets and maintains over $2.68 trillion in assets-much of it invested in Europe and Euroassets. It would therefore be perfectly reasonable to claim that should the euro go, then so too the UBS.

The same report calculates the cost of the withdrawal of any country from the euro zone, with much of the attention focused on Germany. The report reads:

> Were a stronger country such as Germany to leave the Euro, the consequences would include corporate default, recapitalization of the banking system and collapse of international trade. If Germany were to leave, we believe the cost to be around EUR6,000 to EUR8,000 for every German adult and child in the first year, and a range of EUR3,500 to EUR4,500 per person per year thereafter. That is the equivalent of 20 percent to 25 percent of GDP in the first year.

Some contend that focus on Germany may indicate that Germany may already be considering withdrawing from the euro. *Zero Hedge* reports:

“The scariest thing, however, by far, is that for this report to have been issued, it means that Germany is now actively considering dumping the euro.”

The report also indicates that even a secession of a weak country from the Euro would be “significant.” It reads:

> Consequences include sovereign default, corporate default, collapse of the banking system and collapse of international trade.There is little prospect of devaluation offering much assistance. We estimate that a weak Euro country leaving the Euro would incur a cost of around €9,500 to €11,500 per person in the exiting country during the first year. That cost would then probably amount to €3,000 to €4,000 per person per year over subsequent years. That equates to a range

> of 40% to 50% of GDP in the first year.

It also asserts that the economic cost of withdrawal should be the "least of the concerns investors should have about a break-up." The greater concern, according to the report, is the potential for civil war:

> Fragmentation of the Euro would incur political costs. Europe's "soft power" influence internationally would cease (as the concept of "Europe" as an integrated polity becomes meaningless*)*. It is also worth observing that almost no modern fiat currency monetary unions have broken up without some form of authoritarian or military government, or civil war.

The report continued with its bleak picture, "It takes enormous stress for a government to get to the point where it considers abandoning the lex monetae [monetary law] of a country. The disruption that would follow such a move is also going to be extreme…When the unemployment consequences are factored in, it is virtually impossible to consider a break-up scenario without some social consequences."

As noted by Zero Hedge, the report appears to have a distinct agenda, encouraging the continuation of the euro despite its innate failures. *Zero Hedge* writes:

> Any time a major bank releases a report saying a given course of action is too costly, too prohibitive, too blonde, or simply too impossible, it is nearly guaranteed that that is precisely the course of action about to be undertaken."

After sifting through the doomsday scenario outlined by the report regarding the death of the euro, *Zero Hedge* concludes, "So you see: save the euro for the children, so we can avoid all out war (and UBS can continue to exist)."

Declarations by UBS that abandoning the euro could lead to disaster should come as no surprise to those familiar with pro-euro parties. Nigel Farage, leader of the UK Independence Party and co-president of Europe of Freedom and Democracy (EFD) and well-known "euroskeptic" said that the "fanaticism" of EU proponents is "out in the open." Still, he and many other euroskeptics, remained unconvinced that the euro was worth maintaining despite the assertions of its proponents. He said:

> The whole edifice is beginning to crumble, there's chaos, the money is running out … Just look around the chamber this morning. Look at the fear, look at the anger…. They're beginning to understand that the game is up, and yet in their desperation to preserve their dream, they want to remove any remaining traces of democracy from the system. And its pretty clear that none of you have learned anything.

Regardless of the likely consequences of abandoning the euro, Farage contends that nations will still be better off, both economically and politically. He declared, "We don't want that flag, we don't want the anthem, we don't want this political class. We want the whole thing consigned to the dustbin of history."