European Debt Crisis and the Future of the Monetary Union

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Abstract

European Monetary Union, which has been established with the common use of Euro, has reached a state to be seriously questioned with the crisis that arose in 2008 and named later on as European Debt Crisis. This questioning is based on the lack of mutual design of Monetary Union's financial discipline and its monetary stability. This study aims to evaluate the Monetary Union's theoretical structure and the possible scenarios on Euro's future during the crisis. In the light of the evaluations in this study, it's been reached the conclusion that the Euro Zone is against options like breaking apart, separation, disintegration, reorganization and remodeling, and among these options remodeling is more suitable for Euro Zone's structure.

Keywords: Monetary Union, European Debt Crisis, European Union, Euro Zone, GIIPSC.

1. Introduction

Countries' idea of leaving an independent currency and using a common currency with other countries brings certain economic and political consequences. In addition to this, establishing a common monetary union can be considered as one of the important elements, which turns a political union into an economic union. The fact that some European Union member countries have left their national currencies and united by adopting Euro beginning from 2002 has been built on "Maastricht Criteria", and such settlement brought some advantages and disadvantages with it to the Monetary Union member countries. It also draws attention that Euro Crisis, which has been brought for discussion upon the Debt Crisis that EU faced with after the Financial Crisis in 2008, has a close relationship with the Mortgage Crisis in 2008. Essentially the American Mortgage Crisis triggered the Financial Crisis, which affected every nation, in 2008 and EU's money management displayed an unsuccessful performance to take the measures regarding to stop the direction of negative effects to the Euro Zone.

In this context, Euro became vulnerable against the public debts of these countries (European Commission, 2009: 46).Since 2009 the Debt Crisis in EU countries like Greece, Italy, Spain, Ireland and Portugal brought both economic and political solution discussions in European Union. In fact, at this stage the existence and the function of Euro have started to be questioned, and possible scenarios regarding the future of the Euro currency have started to be discussed. This study aims to carry out an evaluation on various possibilities regarding the future of Euro Zone, which constitutes the European Monetary Union, in terms of the EU Debt Crisis that came out after the Financial Crisis in 2008. In this regard, in the study Monetary Union will be discussed according to its conceptual and theoretical aspects. Later on European Debt Crisis will be examined generally and possible scenarios about the future of Euro Zone will be discussed. Finally, inferences, which will be obtained from the study, will be summarized in the conclusion.

2. The General Framework of the Monetary Union Concept

Monetary union concept, which means the usage of the same currency by more than a country, does not bring a common domestic market or does not have to include the common goals that defined by commercial agreements. In this context, the fact that Turkish Republic of Northern Cyprus and Turkey are using the same currency can be an example for a monetary union. Besides, India, Nepal and Bhutan are using Indian Rupee, and this is also an example of a monetary union in today's world (Jayasuriya, Khatiwada, Kurukulasuriya, Maskayve Raj, 2003:11).An advanced stage of a monetary union can be in various shapes like Economic Union, Economic and Monetary Union. In an Economic and Monetary Union countries define common goals with commercial agreements and constitute a common domestic market concept besides using a common currency. In addition to that, in an economic and monetary union there is a single monetary policy besides having a single currency. The economic and monetary union concept, which often takes part in literature, indicates that both the economic unity and the monetary unity are established (Bagumhe, 2013:4).When the concepts of Economic Union and Monetary Union are discussed separately, they contain different meanings. With monetary union, member countries bind their national currencies together with a fixed exchange rate and according to circumstances they work with a single central bank and a single currency, and in the end they leave their common currency to float against the other currencies. With the Economic Union concept on the other hand, there is a freedom for goods, service and factor trades between the member countries. In addition to these, they define a common foreign trade policy, merge member countries' economic institutions and together they bring monetary and fiscal policies into conformity (von Hagen and Mundshenck, 2002:1).

We can mention European Union Economic and Monetary Union as an example for the Economic and Monetary Union. After they started using Euro as the common currency in European Union, the member countries left all their rights regarding the monetary policy at the unity level. European Central Bank (ECB) has granted the right to decide about and execute the monetary policy on behalf of all member countries. Union has a common monetary policy. Transferring the monetary policy to the Central Bank carried the Europe one step forward regarding the economic integration (Önişand Kutlay, 2012: 7). In this sense, with the usage of the common currency countries' national and economic policies has leaned to a common purpose and the liabilities has been corporately shared. In other words, the countries using the common currency took a step not only about an economic decision but also about sharing their sovereignty rights (Kutlay, 2010). Regarding Economic and Monetary Union all countries inside this program have to agree with some criteria, which has been economically identified. Besides, labour, services-goods and the capital can freely move in the union and there is a common currency to use (Tunçsiperand Yakut, 1998:102).Gathering all foreign exchange reserves of the countries in the Monetary Union in a share reserved fund seems compulsory for said member countries' adverse balance of payments, which is considered as temporal (Karluk and Tonus, 1998: 263).Thus, countries in the "Union" are in a political integration rather than an economic one. Monetary Union contains several stages like the removal of capital movement's limitation, nullification of the exchange costs to national currencies and the migration from Exchange Rate Union to a single currency (Rossi, 2007:311).This kind of a structure is seen almost as a compulsory for the members of Monetary Union to unite their monetary policies and exchange rate policies and to give final decisions for the management of common usage of these in the name of having money and price stability as an assurance(ElAgraa, 1994: 107-109).

To implement the Monetary Union, whose final aim is to use a common currency, there are several stages. To establish an exact monetary union the member countries have to achieve the stages like Exchange Rate Union, building a common fund, carrying out the coordination of economic policies, managing a common reserve and having a common central bank[1].With ensuring the usage of a common currency as the last stage, all of the stages of a monetary union would be fulfilled. In this context, countries have to pay attention for several points to build a Monetary Union (Yanardağand Süslü, 2003:2).It is important for the countries, which consider the possibility of establishing a Monetary Union or migrating to a Monetary Union, to pay attention whether there is similar economic structures with each other, whether their economies are outward-oriented between each other, whether their currencies are fully convertible, whether there is a strong mobility of the labor force, and whether there are flexibilities regarding the decrease in the salaries.

[1]Fordetailed informationa boutthe stages of the Monetary Unionsee(Utkulu, 2006:3; Tunçsiper and Yakut, 1998: 103;Tonus, 2000: 3;Torres, 2005:3;Zeman, Suster, Bencik ve Nemec, 2006:3)

3. Economic and Political Review of the Monetary Union

The occasion of a country's leaving its national currency and its desire to use a common currency on the purpose of establishing a political unity with a number of countries may have various goals, advantages and disadvantages (Mundell, 1997: 11-12). In this context, these can be mentioned as the goals of a country to be a part of the Monetary Union; to avoid a number of costs like coining and banking its own national money, lowering transaction costs during the commercial activity with other union members, building a system with intent to empower its fiscal and monetary discipline, having an international defense mechanism to defend itself against outer shocks that may occur, being a part of a strong monetary union for the pressure from neighboring countries, reaching the inflation rate inside the union by seeing the Monetary Union's inflation rate as an attractive one, desiring to have an important role in reshaping the international monetary system, strengthening its existing trade policy, bringing its foreign trade rates to a better level, being in a more effective purchasing power domain, being a more equal and better position in the capital market. On the other hand, in general there are different advantages that a monetary union can provide to the member countries. These can be lined up as (Mundell, 1997: 10-11)no transaction costs, avoiding the cost due to the uncertainty of exchange rate and exchange risk transactions on investments and trades and the negative effects because of the uncertain exchange rates, increase of the functionality of the money and the transparency of relative prices, reaching economic goals like economic growth and price stability in a shorter period of time and with lower costs because the countries have economic confidence, increasing the employment with production by lowering the interest with the help of decreasing the risk premium for the public borrowing within a macroeconomic stability.

When some of the countries in a monetary union can make a better use of the advantages of a monetary union, others can be affected worse by its disadvantages. As the disadvantages or costs of Monetary Union (Utkulu, 2005; 114-115) countries may encounter circumstances like stronger countries' suffering more transfer of funds or costs than weaker countries, suffering loss of seignior age because of using a common currency, losing the chance of defining an independent monetary policy and an exchange rate policy, having upset internal and external balances in case of facing with an asymmetrical demand shock, welfare losses that may derive because of a breakdown at the public finance from stating an adverse opinion for all the Monetary Union and from financing the budget deficits. Besides this, a country has some reasons for not being in a monetary union. These reasons can be summarized as (Mundell, 1997: 10-11) getting the advantage of using the inflation tax with monetary expansion for financing public expenditures, avoiding the stipulated tax regulations and the regulations of labour and mutual standards in the union, avoiding the cost of the support for economically weaker countries in the Monetary Union after they join it, using the exchange rate policy actively. It should be immediately stated that the Monetary Union may not promise every member countries the same thing.

4. European Debt Crisis

The incident that occurred in October 15th 2008 when the Lehman Brothers investment bank declared its bankrupt with the highest debt value of history as 613 billion US Dollars in United States of America (USA) is accepted as a phenomenon, which may lead a global crisis. The negative effect of this crisis has been seen globally in many countries, and European countries were also affected by the crisis negatively (Turgan, 2013: 232). The steps, which have been taken against this global crisis, like the packages to invigorate the economy, transferring the debts of bankrupted banks and financing institutions to the public increased the budget load. Later on the budgetary deficits increased more and more because of the low tax incomes with the economic shrinkage (Beşkaya, 2015: 344).After the economic shrinkage the stability of the public finance fell into danger within the countries, debt stocks and public deficits increased overwhelmingly (Turgan, 2013: 232). When the economic indicators, which were in a bad state with their not yet competitive structures, came together and the public debt in European countries increased then the debt crisis broke out (Beşkaya, 2015: 344).The Crisis in 2008, which started as a financial crisis, turned into a debt crisis for EU member countries, and the most affected countries from this crisis were the developed countries (Meriçand Atsan, 2013: 149). In the beginning of 2009 Ireland, Italy, Portugal, Spain, Cyprus and particularly Greece came under the influence of the debt crisis, and after that it turned into the European Zone debt crisis (Beşkaya, 2015: 344).This development brought with it the discussions about the sustainability of the Euro Zone, which is one of the important steps for the coalescence of the Europe (Önişand Kutlay, 2012: 4).What lies under the fact that the EU member countries have been affected that much by the crisis are wrongly assigned sources, missing competition and being unable to foresee or correctly guess these negative evaluations because of the economic recovery after starting to use Euro currency (Dadush, 2010: 10).

At the same time certain countries' (GIIPSC) basic economic indicators like growth, unemployment, current deficit, public debt stocks, fiscal deficit and unit cost of labour were in a bad shape, and all these did groundwork for the crisis (Beşkaya, 2015: 344).Crisis spread out to the countries in European Union very fast. Using the Euro currency, handling the monetary policy of the member countries from one hand through the European Central Bank and member countries economies' being very depended on each other can be shown as the reason of this spread. The crisis, which started in the real estate sector in the United States, first affected Greece seriously. The critical debt crisis, which started in Greece and then spread out to other EU countries, caused the questioning of European Economic and Monetary Union's future, and it led the way to a panicked environment. It's clear that every country has affected from the European Debt Crisis differently. In Greece the crisis came out due to the public sector, and in Ireland the weakness in real estate and banking sector similar to the United States led the crisis. Very extreme current deficit and banking sectors carrying risks in Portugal show from which way exactly Portugal was affected by the European Debt Crisis.

Also insufficient domestic and foreign demands in Spain, having these kinds of economic activities at a lower level, holding a fragile and a high (20%) unemployment rate and insufficiency of the private sector show us the blind sides of Spain. For Belgium and Italy, having vulnerable and weak public finances puts these two countries in a hard position (ABGS, 2011:8).After the global crisis serious increases in public deficits and debt stocks have been observed, and the persistence of the public finance has been in a risky state. Euro Zone countries remained incapable of handling with the increasing current deficit problem, and with its monetary policies European Central Bank could provide a relief only for a while. Although there was a common monetary policy applied by the European Central Bank, financial policies have been left to the governments and this situation caused crisis' effects to spread faster and possibilities for a solution to delay (Kouretas and Vlamis, 2010: 396). From the beginning of the crisis Euro Zone countries got in a race to blame each other rather than finding a way out from this problem, and two parties came out of these countries. The countries with relatively dynamic economies were named as 'Core Countries' and the group having the countries with a rapidly increasing current deficit and debt were named as 'Periphery Countries'. When Austria, Belgium, France and Germany are shown in the Core Countries, Greece, Italy, Portugal and Spain can be an example for the Periphery Countries. Countries in Core Countries, which is basically led by Germany, stated that the problems came up because some countries especially Greece did not discharge their responsibilities in crisis environment.

In return to this, the countries, which are known as Periphery Countries, developed an expostulatory discourse by saying that a common spirit of union was not carried out in crisis environment (Önişand Kutlay, 2012: 5). In fact, Greece faced with its bankruptcy, and with the help of IMF financial aid policies have been developed for Ireland and Portugal (ABGS, 2011:1).After the 2008 Crisis, in 2009 Euro Zone had a 4.1% reduction ratio, in Euro Zone the felt economic recession became more distinct, and Economic and Monetary Union's function was questioned. Especially Greece, Ireland, Italy, Portugal, Spain and Cyprus (GIIPSC Countries) amongst the countries in the European Monetary and Economic Union were strongly affected by the European Debt Crisis. These countries have had demand increases, current deficits followed the demand increases and private debts increased significantly. Except for Italy, these countries' credit scores were decreased by the credit rating agencies, and the loan costs of these countries increased. Also these countries' credit default swap values increased and they were in such a bad condition that they had to attempt to borrow from international markets. The most concrete example of that was the financial aid provided by IMF and the EU to Greece, Portugal and Ireland (Dadush, 2010:1).

With the debt crisis, which has seen in Greece at first and then spread out to other countries in Europe, Greece almost faced with the bankruptcy. Greece's debt crisis was strongly sensed because of the budget policies that the country had for years and insufficiency of its financial discipline. Instead of relieving the loan burden, Greece tried to continue the debt cycle with the opportunity of the low interest financing provided by the Euro Zone, but after all it was insufficient. In the medium and the long terms the country's economy faced with a serious debt increase, and as the reason for that increase it's been stated that this country achieved its economic growth with the foreign borrowing. Greece's public debt was seen in 2000 as 150 billion Euros and it reached 300 billion Euros in the end of 2009. The increase of its public debts between 2000 and 2009 has been observed as 100%, and that's why the country went through a crisis. Since the fiscal deficit value's, which is declared as 12,7% by the Greek government in 2009, ratio to GNP is 15,4%, it caused a loss of confidence for Greece, and in addition to this the credit rating agencies decreased Greece's credit score (Şahin, 2012: 52).Major reasons for EU countries' debt crises can be summarized in four points (Tunçsiperand Biçen, 2013: 487).

1. In the process of building a common economic zone in Europe, the responsibility concerning monetary policy has been left to the European Central Bank and defining and application of financial and tax policies were under the initiative of the member countries. This let the countries become distant to the fiscal discipline, increased the current deficit and caused the loan burdens to get heavier.
2. Regional development differences and financial aids for the less developed countries amongst the member countries to lower the regional development differences are described as one of the reasons for the debt crisis. Funds became insufficient, since more and more new countries entered to the union in the last few years and these countries were economically less developed.
3. New members of the union have underdeveloped manufacturing industries and these countries cannot compete in union's economically developed countries (i.e. Germany), which have been seen as the driving force. This situation can also be mentioned as one of the reasons.
4. Decrease at the interest rates in the countries, which started to use Euro currency, led their borrowing chances get higher. European Central Bank kept the public debt interest lower for Portugal, Greece, Spain, Ireland and Italy. This played an incentive role in extreme expenditure of these countries.

5. EU Debt Crisis: Monetary Union and the future of the Eurocurrency

Economic interventions and aid packages after the debt crisis were not enough to be a relief for concerns about the future of the EU and the Euro Zone. In regard to these concerns there are five different scenarios for Euro Zone's future; these are breaking apart, reorganization and remodeling (Kutlay, 2010; Öniş and Kutlay, 2012: 10-14), separation and disintegration.

Separation of the Euro Zone: If the structural problems came with the crisis cannot be solved and the member countries will not/cannot show ultimate attention this scenario can come up (Kutlay, 2010). When the member countries of Euro Zone do not do their part to eliminate the "economic unity/political fragmentation" contradiction of the union, Euro Crisis' getting out of control will be a determinant of the separation scenario (Önişand Kutlay, 2012: 12).Separation of the European Union may cause the wheels to turn in the opposite way and afterwards may lead the European Union in a position to separate. According to this scenario, it can be realistically expected that none of the European countries can afford this cost and they will do their best not to make this "separation" scenario happen. In fact, it can be stated that a new changeover would have high costs, when we consider that the member countries of the Monetary Union had a 3 years preparation period. To estimate these costs there have been several studies, and in these studies it's been concluded that from 9% to 50% of the GNP values of the Euro Zone member countries will be lost in the event of a separation of the Monetary Union. According to these results it's a strong expectation for the member countries of the Monetary Union to show some effort for the continuity of the Union (D&B Special Report, 2012: 7).

Breaking apart from the Euro Zone: It can come into question that some of the member countries may leave the Euro Zone and start to use their own national currencies instead of the Euro currency. After that kind of a change it's unavoidable for these countries to devaluate or revalue their own currencies against the Euro currency (Beşkaya, 2015: 360). A breaking apart decision of a country in the union from the Monetary Union has never been seen as a usual or an advantageous situation for that particular country because it's clear that there are costs more than advantages in case of a breaking apart from the Monetary Union. Even though net figures have not been provided, this kind of a migration would cause a high cost of operation. In addition to that, the economic value of the prestige loss that the Union could face with should not be ignored (Kutlay, 2010). New currencies of the countries that leave the Monetary Union will lose value and the Euro currency will lose its value against other currencies (USD, TL etc.) (T.C. Avrupa Birliği Bakanlığı, 2012: 26). After their countries leave the union and start to use their own currencies, investors and households in GIIPSC countries, which also named as "Periphery Countries", will make their investments in Euro or another powerful currency because of the risks that they will have due to the value loss of their national currencies and breaking apart from the Monetary Union (Beşkaya, 2015: 361). This process leaves the countries with capital outflows and pushes them into an uncertain environment in terms of resource procurement (The Economist, 2012).

These developments may cause negative results like having a new crisis and helping the current crisis to take hold of other EU countries, which have fragile economic structures, and to expand to the EU in general (Beşkaya, 2015: 361).Even if there are thoughts suggesting that some of the countries in European Union should be taken out of the union, according to the Lisbon Treaty this is not possible.

In fact, according to this treaty the country in the Monetary Union can demand to leave the union with its free will, and thus negotiations for related country's expulsion can start. If they cannot come to an agreement during the negotiations its expulsion takes place two years after the member country presents its demand for leaving the union to the European Council (Vural, 2011: 84). Although leaving the Euro Zone is presented as a solution for the countries like Greece and Portugal, which were seriously affected by the crisis, having a new currency for the countries leaving the Monetary Union and according all their mechanisms to these currencies would not be enough alone to solve this economic problem. It can be thought that the decision to leave the Monetary Union may bring the advantage to gain competitive power but this advantage will not be enough alone to meet the cost that they will face with. At least it should be considered that it would require time to obtain the harmony properly and to prove this to the world, apart from redesigning the policymakers and procedures according to the newcurrency. It is quite possible to sink into desperation excessively during the process (Nicolaides, 2013: 19).With another point of view this situation would be advantageous for the GIIPSC countries. They would gain the power to compete with the countries called "Core Countries", which have economic partners that are in the position of the backing the EU. With increased exports the domestic demand insufficiency, which came out because of austerity policies that were forced by the recovery packages, would disappear and the economic growth would be able to be achieved. With the increased export figures the foreign trade deficit would decrease, and the borrowing carried out to finance this deficit would disappear (Beşkaya, 2015: 360-361).

Furthermore, the country left the Monetary Union would go for a debt and devaluation restructuring. After a controlled checkout from the Euro Zone there would be some developments, which affect the European economies and cause a devaluation of the Euro currency (Seitan, 2013: 54). Aforesaid "breaking apart" scenario also has another point, which is abandoning the Euro currency by the so called "Core Countries" countries that are pulling the weight of the Union and in the position of backing the countries with financial problems. These countries, which are led by Germany and France, may not want to continue with the situation they are in. At first that kind of a decision taken by mentioned countries means that they will be free of pulling the weight of "Periphery Countries" and be able to use their national currencies and thus have to opportunity to conduct their own monetary policies. However, on the other hand their national currencies will probably gain value against the Euro currency. Accordingly their value of competitive power at the foreign trade will weaken, and causing deviations from these export-oriented growth models having countries' growth targets can be unavoidable. Costs of operation (legal, political and technical) that the "Periphery Countries" will face with will be again a problem for these countries (Beşkaya, 2015: 361).

Disintegration of the Euro Zone: Monetary Union member countries' disintegration as the countries (Periphery Countries), which are in the Union regarding the monetary policy as well as the fiscal policy, from the countries (Core Countries), which are in the Union only regarding the monetary policy, can also be thought as another solution. However, when we look at the nature of the EU Debt Crisis, the lack of fiscal discipline is an important determinant. In this context, a "Financial Supervisory Mechanism", which is constructed at a central level, can play a regulatory role for the countries without any discipline by stepping in after a threshold value (Maastricht Treaty) in financial matters. This kind of a regulation not only saves face of the Union, but also removes the destructive effect of the crisis caused by the fiscal indiscipline. In this regard, there has been some measures taken in the name of establishing the fiscal discipline, but these efforts could not acquire any qualification. In December 2010 governments agreed on a "more tightened budget" to strengthen European Commission's hand, and in February 2011 the second recovery package for Greece took effect (Önişand Kutlay, 2012: 12-13).

Reorganization of the Euro Zone: This kind of a scenario means establishing an effective reorganization/reforming for solving current structural problems of the Euro Zone. The recovery packages against the crisis can be an example for that (Beşkaya, 2015: 362). In the reorganizing process member countries' intention of taking brave and important steps against a problem, which can be defined as the paradox of "Economic integration/political fragmentation", would be an important move for the "reorganization" concept. In this context, as the first step the current inconsistencies between monetary and fiscal policies should be corrected, and a more central management system should be established (Kutlay, 2010). However, since managing the fiscal policy from a single center in the Union has a political and juridical meaning rather than an economic meaning, its "sovereignty" feature should be at the forefront, which means a migration from Europe of the nation-states to the supra-national integration. When related countries' sensitivity about the nation states considered, the possibility of establishing the reorganization scenario seems low not maybe economically but politically (Önişand Kutlay, 2012: 13).

However, at the stage they have come, developed mechanisms regarding the measures taken to solve the Crisis and secure the Union points out that new decisions and applications for a more concrete harmony can be established (Beşkaya, 2015: 362).

Redesigning the Euro Zone: This scenario means a sub-optimal solution that stands between the disintegration and reorganization scenarios. This scenario is considered as the second best solution with the fact that reorganizing the Union is economically the best solution but applying it is politically hard, and at the same time the fact that the costs would be high for the member countries if the Union gets separated. For the choices regarding not only economic but also political problems, core countries, which are led by Germany and France, will play an active role (Önişand Kutlay, 2012: 13). According to this scenario "periphery countries" as the weakest links of the Union will be eliminated, and the homogeneous countries in the Euro Zone, which will be redesigned, will continue to be a part of the Union (Kutlay, 2010). After such a process these countries can establish *a union inside the union*. Thus, different phases of integrations as *interlocked links* will come out, and this will allow establishing a multi-speed Europe model (Beşkaya, 2015: 362). Recovery of the Euro Zone from its current problems comes out as an equation, which depends on various parameters. International system, economic structures of the member countries and political entrepreneurship of policymakers form the most significant parts of these parameters. When above stated scenarios are evaluated, the most possible scenarios to apply by policymakers are redesigning the Euro Zone (Kutlay, 2010) and disintegration of the Euro Zone scenarios.

Conclusion

The Debt Crisis, which penetrated the Europe, let the countries in European Union and the Monetary Union to think more deeply to survive from the crisis with the least damage. Especially the GIIPS countries, which are Greece, Spain, Portugal, Italy and Ireland known as "periphery countries", were affected by the Crisis, and because of their situation other Euro Zone countries, which are using the same currency with them, were also affected negatively. In this study a set of scenarios, which influence the future of the Euro Zone, regarding the Debt Crisis are discussed. Mentioned scenarios are the scenarios of Separation of the Euro Zone, Breaking apart from the Euro Zone, Disintegration of the Euro Zone, Reorganization of the Euro Zone and Redesigning the Euro Zone. The scenario of Separation of the Euro Zone involves countries' leaving the Monetary Union and returning to their national currencies. The scenario of Breaking Apart from the Euro Zone expresses the secession of countries known as periphery countries, which are in the Debt Crisis, or the countries known as core countries from the union. Another scenario, Disintegration of the Euro Zone, proposes a "Financial Supervisory Mechanism" for the countries in the Debt Crisis. The scenario of Reorganization of the Euro Zone involves a management from a single center for the financial matters besides the Monetary Union, which covers a change to an economic and political structure. And as the last scenario, the scenario of Redesigning the Euro Zone describes a union, which is formed as the periphery countries suffering from the Debt Crisis disintegrates themselves from the core countries that are out of the crisis, as *interlocked links* at different levels meaning *a union inside the union*. As a result, among the current scenarios Redesigning the Euro Zone and Disintegration of the Euro Zone scenarios are the most possible scenarios to be actualized when their accordance with European Union's structure and their economic and political consequences are taken into consideration.

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