

FIVE BULLETS ON MARINE LE PEN AND BANCA D'ETRURIA

Carlo Bastasin

- The euro-crisis' mismanagement has discredited the euro-area's model of centralized economic governance, forcing the **postponement of further integration plans** until after Germany and France finish general elections in 2017.
- **Marine Le Pen's** nationalist party has a non-negligible chance at victory in France, limiting Germany's ability to increase risk sharing or deepen integration.
- At the same time, the stricter German position endorsed by Bundesbank, which calls for **decentralized governance for the euro-area**, will gain support, with "bail-ins" becoming the cure-all instead of "bail-outs."
- **Bail-ins** will occur at either the banking resolution level or through sovereign bonds. Bank holdings of sovereign debt could become subject to quantitative limitations. Government bonds could face explicit restructuring. A country in crisis will no longer be bailed-out by other member states.
- **What cannot be allowed** is the avoidance of bail-ins through direct intervention by the State, as was the case with Banca d'Etruria and three other banks. The subsequent domestic bail-out of local banks would create a deadly bank-to-sovereign-debt loop of doom, which had made the euro-crisis unmanageable. The situation would worsen once the bail-out of states themselves are categorically ruled out.