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The Next Eurozone Crisis— And How Europe Will React

The European Union now faces a new multi-faceted disaster that threatens its very existence: EU leaders won't let that crisis go to waste.

- Trumpet Staff
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Some of the best geopolitical forecasters in the world believe the eurozone is stumbling toward another crisis. While humans, by themselves, are consistently abysmal at predicting the future, disaster does appear to be inevitable, because the “solutions” Europe implemented during its most recent set of crises simply delayed the day of reckoning.

Stratfor and Geopolitical Futures, two firms professing to predict world trends, have written recently that the eurozone is [on the edge of a crisis](#). Stratfor predicts:

- The eurozone's underlying economic risks have been exacerbated by the political risks facing Europe in the year ahead.
- Recent setbacks in the bloc's effort to sever the link between banks and their countries' governments will make the danger to the eurozone more acute.

The key idea behind these predictions is that Europe's common currency, with its inherent [and designed](#) flaws, is in the same position it was in when the Greek crisis threatened it with collapse. “We are at the exact same spot [as 2015], only at a higher gdp level,” Dutch economist Mary Pieterse-Bloem told cnbc. This time, though, Europe's political system is shifting toward euroskepticism at the same time—and elections in the Netherlands, France, Italy and Germany are fast approaching.

The European Union's attempts to fix these problems have led to a trend that Stratfor labeled the “doom loop,” which Europe experienced in 2012 when debt nearly brought down the whole currency union. Stratfor wrote on February 14:

That debt crisis exposed the “doom loop” created by European banks' tendencies to hold their home government's debt. In theory, the vicious cycle could start when markets lose faith in a government's ability to pay back its debt, precipitating a sell-off of its bonds. The resulting drop in bond prices would then hit the balance sheets of the banks that still hold those bonds, making them more likely to need a bailout from their governments. This, in turn, could further erode investor confidence, leading to additional sell-offs that damage the banks even more. Despite the danger that banks' practices pose, eurozone regulators have yet to find a way to sever the loop.

“Just about every adult on Earth has seen this show before,” wrote an economist at *National Interest*. We saw it air in 2012 and then again in 2015: A eurozone country struggling with debt needs a bailout, it gets one by paying for it with its [national sovereignty](#). Meanwhile, the rest of Europe sits in the audience wondering if everything is going to fall apart.

“Greece faces a debt repayment that it cannot meet: for this performance, €86 billion (us\$72 billion) due in July. ... Germany, leading the EU, states that before Greece receives a single euro it must first commit to more severe budget policies,” (the *National Interest*).

“Europe is going from one crisis to another. Sooner or later the big tipping point is going to come,” billionaire and international investor Jim Mellon said at a meeting of the Bruges Group think tank in London. Brexit, to him, was a “sideshow” because the real problems lie in Europe. “Before [Britain] leaves the European Union,” he said, “... a major explosion, or implosion, will have occurred.”

Tim Congdon, one of Britain’s leading economic commentators since the 1970s, gave the eurozone a few years at best. He said he has been waiting for a eurozone collapse since the union began.

Across the political spectrum, the commentators are just waiting for the next crisis. On the left, the Guardian is publishing articles titled “Greece in Focus as Investors Fear Fresh Crisis” and “‘From Bad to Worse’: Greece Hurtles Toward a Final Reckoning.” On the right, a Telegraph writer told readers, “We must leave the EU quickly—it is falling apart faster than I thought,” and Ambrose Evans-Pritchard asked whether “unpayable debts and an existential financial crisis” have made eurozone banks untenable.

“As I write this piece,” noted Evans-Pritchard, “four out of five stories running on the news thread of France’s financial daily *Les Echos* are about euro breakup scenarios. I cannot recall such open debate of this character in the Continental press at any time in the history of the euro project.”

Regular readers of the *Trumpet* will know a European crisis is something we have predicted and watched for over a matter of decades. But we are looked much more closely at what will happen after that crisis finally arrives. Editor in chief [Gerald Flurry](#) wrote:

Watch closely. Germany will use this crisis to force Europe to unite more tightly. In the process, some eurozone countries will be forced out of the union. When that happens, the pundits will say European unification is dead, that the European Union has failed. Don’t listen to them!

If Greece’s financial crisis doesn’t trigger a European restructuring, the elections might, as Dutch, French, Italian and German voters consider the aftermath of Brexit and the merits of their own euroskeptic candidates. And if Europe stumbles through the elections in one piece, it will still have to face the immigration and Schengen Agreement crisis—and the Brexit negotiations—and the United States possibly pulling out of Europe—and Russia potentially pushing further into Eastern Europe. Some way or another, Europe will plunge into crisis—and it will react. Read just how strong that reaction will be in [“... And What’s Next for Europe?”](#) ■