

FP7 themes	health	agro	ict	nano	energy	environment	transport	ssh	space	security
ERA goals	mobility	infrastructures	rtd institutions	knowledge sharing	joint programming	cooperation				

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Manifestation	Rapid development	<table border="1"> <thead> <tr> <th colspan="2">Potential impacts in Europe</th> </tr> </thead> <tbody> <tr> <td>infrastructures</td> <td>★★★★★</td> </tr> <tr> <td>people's lives</td> <td>★★★★★</td> </tr> <tr> <td>legislation & regulation</td> <td>★★★★★</td> </tr> <tr> <td>economy & business</td> <td>★★★★★</td> </tr> <tr> <td>defence & security</td> <td>★★★★★</td> </tr> <tr> <td>government & politics</td> <td>★★★★★</td> </tr> <tr> <td>environment & ecosystems</td> <td>★☆☆☆☆</td> </tr> <tr> <td>science & technology</td> <td>★★★★★</td> </tr> </tbody> </table>	Potential impacts in Europe		infrastructures	★★★★★	people's lives	★★★★★	legislation & regulation	★★★★★	economy & business	★★★★★	defence & security	★★★★★	government & politics	★★★★★	environment & ecosystems	★☆☆☆☆	science & technology	★★★★★
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Importance for EU	★★★★★																			
Strategic attention	by 2030★★★★★ by 2050★★★★★																			
Type of impact	Very negative																			
Inspired by	Brainstorming session and group discussions in the iKNOW Workshop in Manchester (February 2010)																			
Key words	Euro zone, financial crises, civil unrest, financial markets, economic crises																			
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Wild card

In order for this to be classified as a wild card this would have to happen quite rapidly. It would be largely unforeseen and any weak signals would go unnoticed. There is a chance that this might benefit some nation states whilst others would be worse off. The impact of this would be on a massive scale and this would lead to the collapse of governments and international institutions. This could potentially give the power over financial practices back to some of the nation states.

Surprises ('wild' scenario features)

What would be wild about this card is that the economy of the EU will be brutally affected and the deregulation between countries will be evident. The flow of capital and the role of Euro will drop leading to a competitive devaluation of "new" countries in Europe. There will be huge speculation and proposals of the Deutschemark as de facto European currency.

Also, what could be considered wild will be the apparent failure of Eurobased common currency as all efforts to integrate member states' monetary systems come to nothing. Countries pull out of the Euro and revert to national currency or perhaps an entirely non European Currency like the Yen or the Dollar? The EU might disintegrate into different currency zones.

Loss of balance and widening of gaps among the European countries. Rich countries increase the gap against poor countries. Loss of economic integration affects political and cultural integration. Loss of funding of the European project. What is also a wild feature here is the scale of the impact of this wild card, which will be felt throughout societies and even throughout the world.



Blue Sky Policy Brief 010 – Abrupt disintegration of the Euro Zone

Possible interpretations

There are many possible interpretations of this wild card, for example: a shift in international spheres of influence disaggregates EU; is Europe as a union is too farfetched an idea as there are too many conflicting local interests?; a failure of fiscal monetary policy and models underpinning the Euro Zone evolution; national resentment and conflict especially of countries that “broke” the euro (e.g. Italy, Greece, Spain); succession of defaulting countries leads to fast decline in value of Euro which results in Bank and stock market crashes, governments’ disagreements, break down of internal market; more successful countries are not happy about burden sharing of weaker countries; lack of harmonized politics (vs. Maastricht); refuse to give up their sovereignty on EU matters).



Key actors

Key actors related to this wild card, include:

- **Scanners** or “early warners” such economists, analysts, social and political scientists, EU and local governments;
- **Shapers** (i.e. enablers/inhibitors) such as governments, EU, speculators, IMF, World Bank, EUROSTAT.
- **Stakeholders** positively or negatively impacted include the public of European countries, governments, financial markets and financial institutions. European research and technology development initiatives (e.g. Framework Programme) would probably see a considerable reduction in funding.

Potential impacts

With this wild card impact will be colossal and will be felt throughout Europe and the rest of the world. Potential impacts are for example: resurgence of nationalism in individual European countries; decline of single market, further European stagnation (hanging apart – not hanging together); serious economic crises, unemployment, unrest, conflict; loss of trust in integration & cooperation processes; return to Darwinist ideologies; return to a global system based on nationalism, bankruptcy of several European countries; EU economy blocked and the EU budget affected; the disagreement in politics becomes even more evident; trade will be blocked; deterioration of European position in the world; weaker role of Europe in multi-polar world; stricter border control and member states become more insular.

Potential actions

A rapid disintegration of the Euro zone could potentially lead to the creation and development of new stability policies or measures to achieve equilibrium among European countries. The emphasis will be on news styles of social and economic action, local production, trade, etc. Increased EUROSTAT control will be needed on national reports and data. Clear EU control of budget and expenses of member states that experience difficulties.

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- **Policy actions**

Early actions: Implement stability policies; regulate financial markets; EU policy formed on how best to assist countries in dire financial condition.

Early reactions: Regulate and monitor the situation to avoid it spiralling out of control; Keep tight reins on policy response, avoid panic and make sure that response is evidence based.

- **Business actions**

Early actions: Invest in European markets, goods and services; Support national and European policymakers in the implementation of economic measures.

Early reactions: Avoid price speculation or drastic decisions; Try to continue “business as usual” for a few months until new economic situation becomes much clearer.

- **Research actions**

Early actions: To promote research on the Euro zone and its strengths and limitations; Research should aim to pinpoint areas of weaknesses and suggest solutions; Research in economics and economic models will be necessary to better respond to a sudden disintegration.

Early reactions: Continued research focus on the issues named above; Research community would need to continue presenting research findings that would promote understanding of markets, currency, economics, businesses and also social sciences should focus on keeping track of quality of life of EU residents and report any drastic changes so they may be tackled without delay.

Weak signals

There are several signals warning us about the probability of occurrence of such a wild card. Most recently the global financial crisis brought financial trouble to several European states, most notably Greece and Iceland, although different brought in its wake governmental crises and civil unrest. The collapse of the Greek economy has worried stakeholders and governments throughout the Eurozone as it has the possibility to drag other economies down with it due to investment and financial ties with Greece in the form of exports and imports.

Other European states are currently struggling to bring their deficits under control and face governmental crises as a result, such as Spain and Portugal. It is feared that these troubles may start to spread across Europe. Investors are also starting to refrain from any investment in European financial markets, which further exacerbates the crises.

Governments in financially trouble countries also have to face fierce resistance to their plans of cutbacks in public spending. This has in some instances resulted in protests and civil unrest causing injuries and loss of life as well as damage to infrastructure.

These financial crises touch the lives of ordinary citizens and many face bankruptcy and extreme financial difficulties. Individual bankruptcy and unemployment is on the rise and families face losing their homes and livelihood. As well as this putting the strain on families it is also a heavy burden to bear for already straining public services systems. These are all weak signals for rising public disillusion with politics and the financial systems, which potentially puts at risk the social treaty people have with their governments. Governments and banks are no longer trusted and widespread lack of trust could potentially lead to further civil unrest as the aforementioned have lost their legitimacy in the eyes of the people.

Recommended research

Thematic area(s)

Social Sciences and Humanities (SSH).

Research topic

Future changes in Europe's monetary landscape.

Recent shifts in the monetary landscape in the Europe indicate that stability is a key issue that needs to be carefully monitored. Recent events in Greece and Iceland, and worries over the state of affairs in Spain and Portugal, demonstrate how quickly financial problems can escalate and bring down a nation state's entire economy. This has brought on civil unrest and governmental crises. Research in the field of European monetary policy is needed in order to provide an informed policy response in the face of financial crises.

Objective

Research could focus on current economic models and could be either forward looking, i.e. with a foresight element or backward looking, i.e. historical economics in order to provide knowledge and analysis of past chain of events in order to explore which steps should be avoided when financial crises strike. Foresight research could focus on exploring what future crises may entail, whether we can spot any current weak signals and how best these may be responded to.

Expected impact

Research should a) determine the chain of events leading to financial crises; b) determine variations and commonalities between recent financial crises within different European states c) devise strategies for appropriate policy responses across EU; d) inform common legislation and regulation across EU; e) inform European monetary policy on how to best tackle financial difficulties of member states.

Importance for Europe

Europe has seen, in recent history, the devastating effect of financial crises of European states. It is important the EU is sufficiently informed about recent events, i.e. chain of events leading up to financial crises so lessons may be learned. Also, it is important to look to the future and prepare for scenarios to do with potential rapid developments within EU financial markets. Preparedness is vital for a quick response, which would limit the damage done to people's lives and infrastructures within Europe



iKNOW is a Blue Sky foresight and horizon scanning research and technology development (RTD) initiative aimed to advance knowledge and tools for the early identification and analysis of events and developments potentially shaping and shaking the future of science, technology and innovation (STI). **iKNOW** is run by an international consortium lead by the University of Manchester and sponsored by the European Commission Directorate General for Research. By supporting Blue Sky RTD the EC aims to create more proactive European research policies that will be capable of anticipating challenges and opportunities associated to emerging issues, wild cards and weak signals (WI-WE). **Wild Cards** are situations/events with perceived low probability of occurrence but potentially high impact if they were to occur. **Weak Signals** are unclear observables warning us about the probability of future events (including Wild Cards). They implore us to consider alternative interpretations of an issue's evolution to gauge its potential impact.