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Euro is an opportunity: Italexit would not solve any of Italy's problems

The rise of *no-euro* and anti-establishment movements in Italy has come along with claims that exiting the euro, i.e. *Italexit*, is doable. In our view, this is a misleading argument. *Italexit* may only happen as the unwillingly and messily result of an unbearable deterioration in public finances and economic performances, combined with misguided political will and financial market turmoil. *Italexit* followed by a 30% devaluation of the domestic currency would cause the debt/GDP ratio to jump to 190%; this would make either outright default and/or redenomination very likely outcomes. We note that redenomination would be considered by markets as a default and would prevent the government from tapping the financial markets for quite a long time in the future. Hence, redenomination would not address the issues the proponents claim to address and would produce significant additional instability. In any case, we argue that *Italexit* would be a catastrophic scenario with incommensurable economic, social and political costs, which would last for many years to come. Much better and less costly would be to address the underlying problems of Italy in order to capture the opportunities offered by the single market and the single currency.