# Greek Vote Outcomes Range From Coalition to Euro Exit: Scenarios

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June 16 (Bloomberg) -- Below are some frequently asked- questions on Greece's elections tomorrow and a list of some possible outcomes after the vote.

There are 9.9 million citizens eligible to vote in the election and polls close at 7 p.m. Athens time (5 p.m. in London, 12 p.m. in New York). Exit polls will be published immediately, and initial estimates of the result will come in around 9:30 p.m. local time. A more accurate estimate will be available at about 11 p.m.

**Who's likely to win?**

The last date voter opinion polls were allowed to be made public was June 1. On that date, New Democracy led with 22.7 percent, Syriza had 22 percent, while Pasok had 11.2 percent. The maximum margin of error in the survey was 2.8 percentage points. The poll of 1,200 people was conducted by Metron Analysis for Athens-based ANT1 TV from May 30 to May 31.

**What have the three main party leaders said about what they will do after the election?**

New Democracy - Antonis Samaras said June 13 the parties "must find common ground" to avoid a third election or a euro exit. His conditions for cooperation are "staying in Europe and the need to renegotiate the bailout to cater for growth."

Syriza - Alexis Tsipras said June 13 that European officials won't push Greece out of the euro even if he fulfills his pledge to cancel austerity measures.

Pasok - Evangelos Venizelos has sent rival party leaders a framework for a coalition to avoid paralysis and said on June 12 a Greek government must attend the European Union summit at the end of the month.

**What are the possible outcomes of the vote?**

If there's no clear winner, the parties will have to negotiate to form a coalition. The legislature has 300 seats, and 151 seats are needed to form a government. Once the election results are known, the largest party automatically gets an extra 50 seats, and the coalition bargaining begins.

A Bank of America Merrill Lynch note lists the following potential outcomes from negotiations:

-- A victorious New Democracy forms a coalition with Pasok. The key is whether, combined, they've won at least 151 seats. If so, they will govern together, and no smaller party will have an incentive to join and share the political pain of implementing reforms. If not, they'll need to fold in one of the smaller parties, who may be more likely to assent because the pressure is greater to agree this time around.

-- A victorious Syriza will try to form a coalition, but it will be "hard pressed" to do so. It would have to sign up New Democracy or Pasok in order to govern, but to do so it would have to make some commitment to following through with the Troika program, the opposite of its election campaign.

**What happens after a government is formed?**

Goldman Sachs Group Inc. said in a May 28 note there are three possibilities:

-- Muddling through (most likely): Greece seeks to stay in the euro but doesn't agree to unconditionally implement the reform program. The most likely consequence is that the Troika ceases payments, though banks continue to receive European Central Bank support unless a political decision is made to withdraw central bank facilities. Greek membership in the euro depends on its ability to adjust to new incentives as the threat of exclusion from the rest of the bloc gains credibility.

-- Slow exit (next-most likely): Greece is excluded from the euro area after the remaining members are given time to build firewalls against the shock, such as deposit guarantees and liquidity injections by the ECB. While there isn't a legal mechanism for exclusion, it could be done in practice by cutting Greek banks off from ECB facilities and payments systems. For the rest of the euro area, the firewalls are unlikely to be robust enough to deal with the impact of the Greek exit, while there may be market fallout because of the new precedent that euro membership can be rescinded, Goldman says.

-- Fast exit (least likely): Greece abandons the euro and introduces a new currency. A "sudden and abrupt" exit wouldn't give other nations time to prepare and an insufficient firewall could mean an unraveling of the euro area.

**What happens if the parties can't agree to form a government?**

The Greek constitution says that when a coalition can't be formed, the president must broker a government of national unity, and if that can't be done, new elections must be held. This is what happened after the May 6 election.

The BofA/Merrill note says were Syriza to fail to form a coalition a third election period would follow in which Greece would run out of money, the Troika would stop providing funds, and the ECB's support for Greek banks would be at risk. The economic damage suffered during this period would require a new program to be negotiated with the Troika, with more funds.

**Will Greece leave the euro?**

Citigroup Inc. said even under a New Democracy-led government, Greece's problems are so challenging that there's a 50 to 75 percent chance it will get pushed out of the euro in the next year or two. That would happen sooner under a Syriza- led government.

Aviva said the chances of no exit and Greece "muddling through," or a managed exit from the common currency, are both about 40 percent. There's a 20 percent chance of a disorderly exit, it said.

Berenberg Bank's Holger Schmieding says European officials seem "ready to reward a responsible Greek government," and the election is "too close to call." He gives the following scenarios:

-- A New Democracy win and a coalition with Pasok will coax Germany to overlook doubts on Greece and allow Europe to adjust the bailout program and even possibly add to support. In this case, the probability of Greece being in the euro by the end of 2012 is 75 percent, according to Berenberg.

-- A Syriza win would probably see the EU demand that Tsipras sign up to the bailout plan or be cut off from EU and central bank support. Loss of funds would lead to a bank run and "the threat of utter chaos." Among Tsipras's options are relenting and signing up to the Troika terms or standing his ground and causing a "chaotic" exit. He may also negotiate a semi-orderly euro exit. Under a Syriza victory, Berenberg puts the probability of Greece being in the euro by the end of 2012 at 30 percent.

-- An inconclusive election result that requires a third vote will put the probability that Greece is still in the euro at the end of the year at 50 percent or less.

**How much time would Greece have to arrange its affairs were it to make a fast exit?**

Assuming the decision were to come at the end of foreign currency trading in New York on a Friday, it might have about 46 hours to get its affairs in order before the opening of trading in Wellington, New Zealand on the Monday. In that time, officials might have to manage a potential sovereign default, plan a new currency, formulate a plan to recapitalize banks, stem the outflow of capital and seek a way to pay bills once the bailout lifeline is cut, economists say.

**Can Europe survive a Greek exit?**

German Finance Minister Wolfgang Schaeuble told the Rheinische Post in an interview published May 11 that the euro region would be able to cope better with a Greek exit now than a year ago. He said May 14 while a departure would trigger a crippling devaluation, he signaled such a scenario would be manageable.

"We can only hope that the Greeks make the right decision," Schaeuble said. "If they make another decision, we'll have to react in such a way as to ensure that the consequences are as contained as possible."

Professor James Davis at the University of St. Gallen in Switzerland, an expert in political psychology and international security, says contagion from a Greek departure poses a bigger threat to the European Union than the exit itself.

"Unless the EU can convince markets that Greece is a special case, euro-denominated assets in Portugal, Spain and Italy will all appear at risk of devaluation, a prospect likely to generate massive capital flight and the eventual collapse of the banking sectors across Europe's southern tier," he said in a statement on June 13. "A Greek exit from the euro could in fact mean the end of the EU."

Gabriel Stein, a director at Lombard Street Research, says the history of monetary unions, including the breakup of the Soviet Union, shows that they "can dissolve, and it is not the end of the world." In a March 29 note, he said "war and breakdown" are not the inevitable result. While "there has been no dissolution of a monetary union with EMU's advanced and integrated financial system," that "does not make it impossible, just complicated."

Still, "the history of other monetary unions confirms that, without a fiscal union, a monetary union will not last," he wrote.

**What are the possible market reactions?**

Aviva says no matter what happens there will be "market turbulence."

-- Were Greece to stay in the euro, European equities would rally 5 to 10 percent and the euro would reach $1.32, it forecasts.

-- In a managed exit from the common currency, stocks would initially drop 15 percent, though a strong response by officials to contain contagion would then produce a rally of 20 to 30 percent, and the euro would settle at the mid-$1.20s.

-- In a disorderly exit, Aviva forecasts that stocks would drop 30 percent, below lows reached in 2009, and the euro would weaken to $1.10.

**Are there alternatives to a full Greek exit?**

Deutsche Bank AG's Thomas Mayer said in a May 18 note that the Troika could stop payments to Greece if it refuses to implement the program. A Greek parallel currency to the euro, which Mayer called a "Geuro," could emerge as the government issues IoUs to meet payment obligations.

That would allow Greece to devalue without formally exiting Europe's monetary union and "keep the door open to a future return to the euro," said Mayer, who used to be chief economist to the bank and is now a senior adviser.