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2 (original at <http://www.economist.com/debate/days/view/526>)

## 3 **Would leaving the euro zone help** 4 **Greece?**

5 Greece did not rise to the task of maintaining fiscal discipline in terms of  
6 both debt and inflation. This does not mean, however, that the monetary  
7 union has failed. Nor does it mean that a traumatic exit from the euro  
8 area is the best way out.

9 Leaving the monetary union is superficially appealing but it would be the  
10 wrong answer. True, being able to depreciate away the loss in  
11 competitiveness would greatly help. A deep depreciation would boost  
12 exports and the real economy, making it much easier to close down both  
13 the external and budget deficits.

14 Imagine that Greece reintroduces the drachma at an exchange rate of 1  
15 drachma to 1 euro. As previous examples of countries that unpegged their  
16 currencies in the middle of a crisis show (Argentina in 2001, Korea in  
17 1997) the drachma is likely to quickly loose about half of its value.  
18 Greece's public debt, however, which currently stands at nearly €300  
19 billion, is entirely in euros and would not be affected by the depreciation.  
20 Worse, Greek GDP, currently at about €240 billion would loose almost half  
21 of its value. As a result, the public debt to GDP ratio would climb to 155%,  
22 up from about 100% currently. Still worse, millions of households and  
23 companies are indebted to each other in euros. Their debts expressed in  
24 drachmas would also double. Defaults by both the government and private  
25 borrowers would be unavoidable. At this stage an exit from the euro area  
26 does not seem to be a solution to the Greek problem.

## Questions

- 1) Read through the entire article. Does it argue for or against a Greek exit from the euro area? Which sentences tell you so?
- 2) 'Being able to depreciate away the loss in competitiveness would greatly help' (line 10). 'Depreciation of the loss in competitiveness' essentially amounts to lowering wages. How would an exit from the euro zone help Greece in this regard?
- 3) Why should depreciation boost exports and the real economy?
- 4) 'External deficit' (line 13) refers to the negative difference between the value of exported and imported products. Explain the meaning of 'budget deficit' (13) in your own words.
- 5) Would the amount of Greek public debt (in absolute numbers) be affected by Greece 'unpegging' its currency (i.e. exiting the euro)? Why?
- 6) What would happen to the amount of Greece's debt relative to its GDP (gross domestic product) if Greece left the euro zone?
- 7) What would happen to the debt of Greek companies and households after an exit from the eurozone?
- 8) What is your opinion on Greece? Do you think that its problems are also affecting the Czech Republic? Do you think it should remain a member of the euro area? And do you think that the Czechs should join?

## Vocabulary

**appealing** (line 9) – evoking or attracting interest, desire, curiosity, sympathy, or the like; attractive

**boost** (line 11) – to increase; raise or improve

**close down** (line 12) – to attempt to control or eliminate, or (in a different context) to terminate the operation of, to discontinue (as in *close down the shop*)

**default** (line 24) – to fail to perform or pay (as in *default on a debt*)

You can find additional explanation and more examples to help you understand and use English words and phrases at <http://dictionary.reference.com>, <http://dictionary.cambridge.org/>, or <http://www.merriam-webster.com/>

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