

## 1 **Debt brake, German-style**

2 original at

3 <http://www.economist.com/node/21541459>

4 On December 5th the German chancellor and the French president agreed  
5 that the 17 euro-zone countries should insert a German-style "debt brake"  
6 into their constitutions. They say that this will help prevent a recurrence of  
7 the crisis that threatens the euro's survival.

8 Under the *Schuldenbremse*, German federal government must cut its  
9 structural deficit (ie, deficit adjusted for the business cycle) to 0.35% of  
10 GDP by 2016. In Germany, this measure has broad popular support. But it  
11 also has its critics.

12 Peter Bofinger, an economist, argues the debt brake has two flaws. First,  
13 it breaks the "golden rule" that governments should be able to borrow to  
14 make investments that pay long-term dividends, such as in education.

15 Second, it could kill recoveries. The structural target allows deficits to rise  
16 when output falls below its potential. These should then be offset with  
17 surpluses during upswings. But this "assumes textbook-like economic  
18 cycles". In real life, cycles are erratic. A recession followed by a weak  
19 recovery can shrink potential growth, which in turn could restrict the  
20 deficit spending needed to revive demand.

21 Despite its potential flaws, the *Schuldenbremse* could well become  
22 widespread across the EU, and the word *Schuldenbremse* might enter the  
23 French or Italian languages the same way "kindergarten" has become part  
24 of English.

## Questions

- 1) What is *Schuldenbremse* and why should this German word enter other European languages?
- 2) What is the attitude of Germans to their *Schuldenbremse*?
- 3) What is a 'structural deficit' (line 11 – the explanation of a business cycle below might help you).
- 4) What golden rule does the *Schuldenbremse* break according to Mr Bofinger?
- 5) In what way could the *Schuldenbremse* hamper recoveries from economic downturns?
- 6) Do you think having a *Schuldenbremse* in a national constitution is a good idea?
- 7) Do you have your own rules of thumb on debts? What is your general attitude to borrowing money?

## Vocabulary

**recurrence** (line 6) – a return or repetition

**business cycle** (line 9) –(or economic cycle) refers to economy-wide fluctuations in production or economic activity over several months or years. These fluctuations occur around a long-term growth trend, and typically involve shifts over time between periods of relatively rapid economic growth (an expansion or boom), and periods of relative stagnation or decline (a contraction or recession).

**output** (line 16) – the quantity or amount produced, as in a given time; the economic performance

**assumes** (line 17) – to take for granted; accept without proof; suppose

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/>, <http://www.merriam-webster.com/> or <http://www.ldoceonline.com/>

Přejeme Vám mnoho studijních úspěchů.

Tým jazykové skupiny Spěváček:

