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*Letter to the Editor*

# Germany is partly responsible for Greece's downfall

The June 30 editorial "Say 'no' to defiance" was right to condemn Greece's irresponsible left-wing government for bringing the country to the cliff's edge. But the Greek financial mess is also owned by the European Union and Germany in particular. While the editorial flagged German financiers' complicity in Greece's debt bubble, there is a much broader German responsibility.

While the euro zone has been a trap for weaker southern periphery members such as Greece, it has been a godsend for Germany, its strongest member. The euro has brought export-oriented Germany an effectively devalued currency, overstimulating German exports and virtually making Germany the China of Europe. But the dark side is persistent trade and financial difficulties in the periphery, due in no small part to the euro.

From 2001 to 2010, Greece suffered a massive real appreciation vis-à-vis its trading partners, including Germany. While Greece has missed the opportunity to perform "internal devaluations" (i.e., tightly controlling wage and pension growth ), Germany has not practiced "internal appreciation," such as delivering a fiscal stimulus with inflation to offset euro depreciation. Why? Chinese-style obsession to sustain a turbocharged manufacturing export machine.

Not accidentally, more than half of Germany's large export surplus is with euro countries. All the painful adjustments had to be done by Greece and other poor members. Germany should be willing and ready now to help Greece, including via considerable debt cancellation. There is no other way out of this standoff between Greece and its creditors.

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