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The Greek Reckoning: Nearly Everyone Is to Blame

To the Editor,

While the eurozone has been a trap for the weaker southern periphery members like Greece, it has been a godsend for its strongest member, Germany. In 1999, when the euro was introduced, a rich country club was established in which "panhandlers" were welcome to join. This was a fatal design failure.

The weak economic performance and long-simmering debt crisis in Greece and other peripheral countries have put a strong downward pressure on the euro, keeping its value well below what the Deutsche mark would be worth today if it still existed. It is likely that the mark would be just as strong as the Swiss franc is now. The euro has thus brought Germany an effectively devalued (about 30 percent) currency that has further strengthened its already stellar competitiveness. Without the powerful stimulus of an undervalued euro, Germany could not have become such a global export champion.

The mirror image of the German success story is persistent trade and financial difficulties on the Union's periphery, due in no small part to the euro, which has been grossly overvalued from Greece's perspective. In 2001-2010, Greece suffered a massive (35 percent) real appreciation vis-à-vis its trading partners including Germany. If anything, the underlying fundamentals would have justified adjustments exactly the other way around.

Not accidentally, more than half of Germany's huge export surplus is with fellow eurozone members. All the painful adjustments had to be done by Greece and other poorer southern members of the zone. What should follow from this structural reality overwhelmingly favoring Germany for nearly two decades is a much greater German willingness and readiness now to help out Greece, including a considerable debt cancellation as part of a comprehensive debt restructuring program. This would be the real game-changer. Realistically, there is no other way out of this long-running standoff between Greece and its European creditors. Even so, the underlying structural reality of the eurozone remains stacked against the weaker members. No amount of fiscal tinkering, austerity brinkmanship or debt restructuring can fundamentally change this fact. It is high time for Chancellor Angela Merkel to step up to the plate and draw the curtain on this modern-day Greek tragedy.

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