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Euro Helped Germany, Hurt Greece

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Regarding Greece's dragging its feet in revising the list of generous government benefits, you note that Prime Minister Alex Tsipras is offering no ideas for finding the money to keep paying generous public-sector benefits ("Greece at the Cliff's Edge," Review & Outlook, June 12). You say: "Asking German taxpayers to fill the gap isn't a plan." Germany has been the single largest beneficiary of the eurozone while Greece has been one of its biggest losers.

Rather than being an instrument of convergence, the euro has been a potent force of divergence between the European Union's core and periphery. The weak economic performance and long-simmering debt crisis in Greece and other peripheral eurozone countries have put a strong downward pressure on the euro, keeping its value well below what the German mark would be worth today if it still existed. The euro has thus quietly brought developed Germany another advantage: a de facto devalued (about 30%) currency that has further strengthened its already impressive export competitiveness.

The mirror image of the German story is persistent trade and financial difficulties in the EU's periphery, in part due to the euro which has been grossly overvalued from Greece's perspective. Greece has missed the opportunity to perform so-called "internal" devaluation (i.e., controlling wage and pension growth, keeping inflation extremely low to offset the overvaluation effect). All the painful trade adjustments had to be done by Greece and other poorer southern members of the eurozone. Germany should be more willing now to help Greece, including a considerable debt cancellation.

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