



Business English News 13 – The Euro Crisis

Discussion

1. Do you think it's acceptable that technocrats (who are not chosen by the citizens) are the new leaders of Greece and Italy?
2. Should eurozone countries return to their original currency? (For example; Italy = Lira, Greece = Drachma)
3. Who (country/government) should 'fix' the eurozone crisis? Why?

Transcript

The **eurozone** was thrown into renewed crisis this month as EU leaders struggled to agree on new stability measures. As reported by the Guardian:

*A world **recession** has drawn closer after the **G20** summit failed to agree to fresh financial help for **distressed** countries and debt-ridden Italy was forced to agree to **IMF** monitoring of its **austerity program**.*

The 17-nation eurozone block is not new to these kinds of financial problems. Like the rest of the world, their difficulties started several years ago during the credit crisis. Greece, however, has a more disturbing cause. From the Observer:

*The eurozone crisis started two years ago when George Papandreou became head of the Greek government and announced that **falsified** government data stated the **deficit** as 5% when it was actually 12.7%.*

By 2009, as the BBC noted, the situation had become **dire**:

*Greece is **burdened with debt** amounting to 113% of its GDP - nearly double the eurozone limit of 60%. **Ratings agencies** have **downgraded** Greek bank and government debt.*

The downgrading of Greece's credit rating had a **contagion** effect, causing the crisis to spread to other, low-performing countries such as Portugal, Ireland, Italy and Spain - sometimes referred to as **PIIGS**. According to the Economic Times:

*European **PIIGS** are facing a huge **sovereign debt** crisis. And the reason for this is very plain and simple: all these countries have **been living beyond their means**.*

EU leaders responded by making deep cuts to their budgets, Greece in particular. The Voice of America summarised the situation in Greece in early 2010:

Greek Prime Minister George Papandreou **proposed measures** to **freeze** civil service salaries and raise fuel taxes and retirement ages. But some investors believe Athens may still need a **bailout** from other EU nations or the International Monetary Fund to avoid a default.

However, the austerity measures were not enough to convince the markets and Greek debt became even more expensive to finance, forcing the EU to bail them out a second time. As CNN reported in October 2011:

EU leaders got Greek **bondholders** to agree to a 50% "**haircut**" or **write-down** of Greek debt - slashing the country's debt bill by €100 billion.

After receiving additional help from the IMF, it looked like the crisis had been **averted**. But a few days later Papandreou **dropped a bombshell** when he announced a national **referendum** on the latest EU debt deal.

After hearing the news, German Chancellor Angela Merkel, expressed growing frustration with Greece.

The referendum will revolve around nothing less than the question: does Greece want to stay in the euro, yes or no!

Papandreou was replaced by economist Lucas Papademos on November 11th. His first act was an attempt to stabilize the situation by focusing on the benefits of being a member of the eurozone:

*The participation of our country in the eurozone is a guarantee for the country's **monetary stability**. It is **a driver of** financial prosperity.*

Italy was next, where after losing power earlier in the week, PM Silvio Berlusconi resigned on November 12th after parliament passed its own austerity package. Like Greece, Italy will have an economist take control of the situation. The BBC had this to say:

*A **technocrat** government led by ex-EU commissioner Mario Monti seems likely... The Italian Senate on Friday backed the plan, which includes a rise in the pension age, a fuel **price hike** and the sale of state assets.*

The Wall Street Journal concluded that Europe has....

*"...little option but to push ahead with **fiscal tightening** and **structural reform**, making economies more **competitive** to aid growth. But those policies will take time **to yield results** - and **time is no longer on** the eurozone's **side**.*

Vocabulary

Eurozone: Group of 17 European nations which share a common currency, the Euro; "Eurozone finance ministers met in Brussels to discuss the financial crisis."

Stability measures: actions taken to make a situation more static/stable (or less dynamic/changing); "The stability measures are intended to control the country's spending/debt."

Recession: a period of economic decline; "After 2 consecutive quarters of decreased GDP, the country officially entered into a recession."

To draw closer: to become nearer; "As trouble draws closer, more difficult decisions must be made."

G20: The "Group of 20 nations", made up of the 20 most significant economies.

Summit (international summit): A conference or meeting of top-level government officials; "World leaders arrived at the G20 summit in Toronto hoping to reach agreement on a bailout for Greece."

Distressed assets: an asset (such as a bond, share or loan) that carries a high risk of default and is likely to lose much of its value; "Warren Buffett believes that distressed assets can be a good investment."

IMF: International Monetary Fund

Austerity program: a policy of deficit cutting, lower spending and a reduction in benefits; "The austerity program in Greece may cut thousands of jobs."

To falsify / falsified: to make information false or untrue; "He entered the country with a falsified passport."

Deficit: When one has more expenses than revenue; "The government budget will include an 8% deficit for the next two years."

A dire situation: very bad or serious; "His condition is dire after the car accident."

To be burdened with debt: to have a high level of debt which is, or will be, very difficult to repay; "Italy is burdened with huge public debt - nearly 120% of its GDP."

GDP (Gross Domestic Product): A measurement of a country's economic size.

Ratings agencies: companies such as Fitch or Standard & Poor's, which determine the credit level of a country or company; "In August, Fitch downgraded America's credit rating from 'AAA' to 'AA+'."

To downgrade: to reduce from one level to something lower (opposite of upgrade); "Fitch downgraded Greece's credit rating to a 'junk' status level of 'CCC'."

Contagion: the spreading of negative effect, like a virus or financial instability; "The contagion effect of the eurozone crisis moved from Greece to other countries in the PIIGS grouping."

PIIGS: an acronym made up of the first letters of the 5 most at-risk countries in the eurozone: Portugal, Ireland, Italy, Greece and Spain.

Sovereign Debt: Money owed by a national government; "The austerity measures are intended to reduce the amount of sovereign debt across the European Union."

To live beyond your means: To spend more than you make; "His income is \$1250, but his expenses are \$2000; he's living beyond his means."

To propose/take measures: To suggest/make decisions or changes; "We must take measures to encourage job creation."

To freeze salaries: To make one's wage/salary fixed for an unknown amount of time; "The bank froze everyone's salaries in order to save 6% per year."

Bailout: An act of loaning or giving money/capital to a company or country; "Experts say a bailout fund of 3 trillion euro is required to help troubled European countries."

Default: Inability or failure to repay a loan/debt; "Greece is at risk of default on their government debt."

Bondholders: a person or company that 'holds' (owns) a government bond; "Bondholders may lose as much of 70% of their investment if Greece defaults."

To take a haircut: the loss a lender (bank/country/investor) takes when a loan cannot be paid back; "After listing one of his homes for \$12M, Donald Trump took a haircut when he sold it for \$7M."

To write-down: to reduce the value of an asset; "3rd Quarter profits at France's largest bank dropped by more than 70% after the write-down of Greek government debt."

To slash: to significantly cut or reduce; "The Italian government slashed 20% from all department budgets."

To avert a crisis: to avoid a negative situation; "By giving Greece more money, the IMF and the EU temporarily averted a financial crisis."

To drop a bombshell: to surprise others with unexpected news; "After losing control of the government, Berlusconi dropped a bombshell and announced that he would leave his position."

Referendum: a referendum (or plebiscite or 'ballot question') is a direct vote where citizens are asked to accept or reject a certain idea/proposal; "Because of pressure from the IMF and other world leaders, Greece canceled its referendum on the new austerity measures."

Monetary stability: the stability of the value of money; "Monetary stability will help the EU ensure that a similar financial crisis doesn't occur in the near future."

A driver of: a factor which contributes to the economic growth of a business/company; "Asia is quickly becoming the driver of global economic growth."

To resign: to formally quite one's job; "In a 3-day period, the leaders of both Greece and Italy resigned."

Technocrat: a technical expert in a management or administrative position; "Economists in both Greece and Italy have created technocrat governments to help stabilize their economies."

Price hike: a significant increase in price over a short period of time; "Because of the 'hike' in fuel 'prices', customers now pay nearly €2 for a liter of gasoline/petrol."

Fiscal tightening: a combination of increased taxes and decreased benefits (i.e. pensions); "High unemployment and fiscal tightening in Europe may reduce Canada's growth."

Structural reform: change to the basic rules/regulations (fundamentals) of a economy/company through various policy reforms; "Europe wants Italy to make big structural reforms including more open labor laws to help encourage economic growth."

Competitive: allow economies to 'compete' with each other in order to (so that they can) help each other grow/develop; "By making the market more competitive, we can create a healthier economy."

To yield results: to show results (see the effects) of a process; "The management changes yielded results quickly – production increased by 19%"

To (not) have time on your side: to (not) have a lot of (the benefit of) time. Usually used in the negative form, as in 'to *not* have time on your side...'; "After discussing our plans for weeks, we must make a decision soon – time is not on our side."

Review

A. Word Scramble

Reorder the letters below to make words featured in the article.

1. basiltiyt ssruaeme _____
2. laffiside _____
3. sgrinta egiecans _____
4. gversione bdet _____
5. shnobdlreod _____
6. deferemunr _____
7. cretnoetha _____
8. rusctrluat mrefro _____
9. elyid sulerst _____

B. Text Search

Match the following definitions to the terms in the article (more than one term may be possible).

1. Members of the European Union who all use the Euro as their official currency = _____
2. An extended contraction in a country's GDP = _____
3. An act by a government intended to decrease its debt = _____
4. To have more expenses than you have the money to pay = _____
5. What happens to a company/country when their credit is poor = _____
6. Financial assistance from the government or international body = _____
7. The financial loss one accepts when they cannot be repaid the money that is owed to them = _____
8. To share unexpected news with someone = _____
9. To officially leave a post, position or assignment = _____
10. To increase the cost of something over a short period of time = _____

C. Quiz

1. Which of the following refers to the "top/peak of a mountain"?
 - a. Distress
 - b. Summit
 - c. Freeze
 - d. Slash

2. If you're traveling in another country and you lose your passport, only to find it some hours later, you have:
 - a. Gotten a haircut
 - b. Burdened with debt
 - c. Dropped a bombshell
 - d. Averted a crisis

3. Influenza ('The flu') is a type of:
 - a. Yield
 - b. Resignation
 - c. Burden
 - d. Contagion

4. If the PIIGS are: Portugal, Ireland, Italy, Greece, Spain. Who are the BRICS?
 - a. Brazil, Russia, India, China, South Africa
 - b. Berlin, Rome, Istanbul, Cleveland, Sydney
 - c. Bangladesh, Rwanda, Iran, Canada, Saudi Arabia
 - d. Buy, Release, Increase, Capital, Savings

5. To make 'ice', you must _____ water.
 - a. Distress
 - b. Freeze
 - c. Competitive
 - d. Price Hike

6. In 2008 the American government _____ the banks.
 - a. Out bailed
 - b. Bail out
 - c. Bailed out
 - d. Bailout

7. Wall Street is a very _____ environment; it's like a war!
 - a. Competitive
 - b. Technocratic
 - c. Driven
 - d. Stability

8. "The project will not be too difficult, and we have 10 days to complete it."
 - a. Time is beside us
 - b. Our side is on time
 - c. We're out of time
 - d. Time is on our side

9. In the expression "to live beyond one's means", the word 'means' can be most closely defined as:
 - a. Able
 - b. Ability
 - c. Ably
 - d. Abled

Answers

A. Word Scramble

1. basiltiyt ssruaeme = **Stability measures**
2. laffside = **Falsified**
3. sgrinta egie cans = **Ratings Agencies**
4. gversione bdet = **Sovereign Debt**
5. shnobdlreod = **Bondholders**
6. deferemunr = **Referendum**
7. cretnoetha = **Technocrat**
8. rusctrluat mrefro = **Structural Reform**
9. elyid sulerst = **Yield Results**

B. Text Search

1. Members of the European Union who all use the Euro as their official currency = **Eurozone**
2. An extended contraction in a country's GDP = **Recession**
3. An act by a government intended to decrease its debt = **Austerity program/fiscal tightening**
4. To have more expenses than you have the money to pay = **To be burdened with debt**
5. What happens to a company/country when their credit is poor = **Downgrade**
6. Financial assistance from the government or international body = **Bailout**
7. The financial loss one accepts when they cannot be repaid the money that is owed to them = **Haircut**
8. To share unexpected news with someone = **Drop a bombshell**
9. To officially leave a post, position or assignment = **Resign**
10. To increase the cost of something over a short period of time = **Price hike**

C. Quiz

1. = b. Summit
2. = d. Averted a crisis
3. = d. Contagion
4. = a. Brazil, Russia, India, China, South Africa
5. = b. Freeze
6. = c. Bailed out
7. = a. Competitive
8. = d. Time is on our side
9. = b. Ability

Online Practice

Click the "Launch" button to open the **online practice**:

