



BEN 28 – Eurozone Recovery

Discussion Questions

1. What do you think a Eurozone recovery will mean for the global economy?
2. Do you think austerity measures in Europe have been the best method of improving the economy?
3. What lessons do you think the world has learned about the global economy since 2008?

Transcript

Since **emerging** from its longest-ever **recession** last summer, the **Eurozone** recovery has been **muted** at best. While recent reports show some positive signs, the region still has a long way to go in **addressing** some of its **imbalances**, as the Economist reports:

“From one **perspective**, the Eurozone is a minor **miracle**. Instead of **collapsing in a heap**, as seemed possible two years ago, an economic recovery has been **under way** since last spring and appears to be strengthening.”

The **OECD** is forecasting growth of 1% in 2014 and 1.6% in 2015, following a 0.4% fall in GDP in 2013, but warned the improvement remained **fragile**, with high unemployment and risks **posed** internally and from outside the **currency bloc**.

“The risks to these projections have become more **balanced** but are still on the **downside**. Downside risks include the uncertain political situation, **social tensions** and still challenging **public finances** in many countries which means that financial **market turbulence** could **flare up** again.”

What started as a **market crash** in 2008 soon turned into a **full-fledged** crisis. Europe’s **PIGS** have been particularly affected, with unemployment at record levels, and government debt **skyrocketing**. Now, years of **austerity** and billions in aid from the **Troika** seem **to have paid off**, as Greek Finance Minister Yannis Stournaras explains to The Guardian:

“After four years of **fiscal consolidation** and **structural reforms**, the Greek economy is beginning to show the first encouraging signs of **rebalancing** and recovery. In the years to follow, Greece is expected to experience **robust** growth. Confidence is being restored. The **economic sentiment indicator** has reached the highest level in the last five years.”

Numerous factors can contribute to **market volatility** within the 27-member EU. IMF Managing Director Christine Lagarde warned that **geopolitical tensions** could hurt growth if they **got out of hand**.

"The situation in the Ukraine is one which, if not well managed, could have broader **spillover implications**. Our hope is that geopolitical tensions **fade away** so that the country and its people can actually recover."

Another worry facing Europe is the risk of **deflation**. While low **inflation** can increase **disposable income**, it can also encourage people to delay purchases in the **anticipation** of buying goods cheaper later on, further **dampening** demand. From the Wall Street Journal:

"The **blot on the landscape** is that the **acceleration** in growth is being accompanied by very low inflation, and falling prices in some southern European nations. If the **status quo persists**, it will be hard for Spain and Italy to bring down their **debt-to-GDP ratios**, which might still be close to 100% and 130%, respectively."

As a solution to the **deflation**, **policymakers** have been discussing **quantitative easing** - the printing of money to buy assets. This is something that was previously considered highly undesirable by some Eurozone bankers, and only to be considered if prices were falling **outright**. ECB President Mario Draghi had this to say:

"We will **monitor developments** very closely and we will consider all **instruments** available to us," Draghi said. "We are **resolute** in our **determination** to maintain a high degree of **monetary accommodation** and **act swiftly** if required."

While the economy itself may have begun to stabilize, unemployment remains worryingly high. As the Financial Times suggests, the jobless rate is still **hovering around** 12%, or about 19 million people, making conditions no better for many families:

"The social situation in the EU shows little signs of improvement: **inequalities** have risen and the situation of many households and individuals is not improving, with **ever-growing** numbers suffering from **financial distress**."

As individual member states **battle** with their own difficulties and **revel** in unique successes, EU Economic and Monetary Affairs Commissioner Olli Rehn is **urging** the Eurozone **to stay the course**, as VOA concludes:

"To strengthen this recovery and boost job creation, it will be essential for Greece to continue to **embrace** economic **reforms**, **maintain sound** public **finances** and **facilitate** targeted **investments**."

Vocabulary

Emerging: To become apparent, important, or developing; "Problems with the staff started emerging after the company changed the overtime policy."

Recession: A period of economic decline identified by a fall in GDP for two consecutive quarters (i.e. 6 months).

Eurozone: The group of 18 European Union nations who use the Euro.

Muted: Not obvious or strong; "Market reaction to the news of the merger was muted."

To address: To think about and begin to deal with a problem or an issue; "Low unemployment in Europe is a problem that needs to be addressed."

Imbalance: A state when different things do not occur in equal or proper amounts; "Economists believe that the trade imbalance between China and the US is a serious concern."

Perspective: Point of view; "From our perspective, sales could continue to increase until the end of the year."

Miracle: A very unlikely event or accomplishment; "Given their company's sales during the past year, it's a miracle they're still in business."

To collapse in a heap: To fall or fail; "After spending all day on the preparing spreadsheets, Anna collapsed in a heap when she returned home."

To be under way: To have already started or begun.

OECD: Organization for Economic Co-operation and Development.

Fragile: Delicate, unstable, or easily damaged; "Although the housing market is fragile, for some it can be a good time to buy property at a low price."

To pose: to create a difficult or dangerous situation; "Our bosses informed us that the merger poses no threat to anyone's position."

Currency bloc: A group of countries that use a common currency.

Balanced: Equal or evenly distributed; "After months of analyzing their finances, the government finally created a balanced budget."

Downside: Negative aspects or effects; "I read an interesting article this week on the downside of working in the fashion industry."

Social tensions: A situation in which opposing aims, ideas, or influences cause social problems.

Public finances: Financial accounts and activity of the government.

Market turbulence: Instability in financial markets.

To flare up: A sudden outburst of something, in particular violence or instability; "Problems between companies and their unions flared up after management announced more job cuts."

Market crash: A rapid and often unexpected drop in stock prices;

Full-fledged: Completely developed or established; "If you want to be a full-fledged lawyer in Canada, it'll take you at least 8 years of university."

PIGS (PIIGS): an acronym made up of the first letters of the 4 most at-risk countries in the Eurozone: Portugal, Italy, Greece and Spain (and sometimes Ireland)

To skyrocket: To increase very rapidly; "Interest in our Android app has skyrocketed since we were featured on the national news last month."

Austerity: A state of reduced spending generally taken by governments to reduce debt; "Governments must find the correct balance between austerity and investment in order to help their economies grow."

Troika: The group of three international organizations, the European Commission, The European Central Bank, and the International Monetary Fund.

To pay off: To see positive effects or success as a result of hard work or effort; "All of David's efforts paid off when he received his MBA."

Fiscal consolidation: A policy aimed at reducing government deficits and debt accumulation.

Structural reforms: Change to the basic framework of an economy through policy reforms.

To rebalance: To return something to balance; "We used the profits to rebalance our portfolio with about 55% US stocks, 20% foreign, and 25% bonds and cash."

Robust (growth): Healthy and strong; "Our company's management system has remained robust in spite of our economic problems."

Economic sentiment indicator: A calculation designed to show how a group feels about the market, business environment, or other factor.

Market volatility: Unstable or unpredictable changes in the market.

Geopolitical tensions: The negative effects/sentiment of geographical factors in politics.

To get out of hand: To become uncontrollable or difficult to manage; "If I don't spend an hour every morning replying to my emails; they quickly get out of hand."

Spillover implications: The effects of economic activity or processes on those who are not directly involved.

To fade away: To disappear or dissipate; "Staff disputes, when managed properly, will usually fade away."

Deflation: The reduction of the general level of prices in an economy.

Disposable income: Income remaining after taxes and other mandatory charges (rent, bills, etc.).

Anticipation: The action of waiting for something you expect to happen; "The anticipation of an important interview is sometimes more stressful than the interview itself."

To dampen (demand): To reduce or make less intense; "I don't want to dampen your hopes, but I think they've already offered the management spot to Jules in IT."

A blot on the landscape: Something that spoils a pleasant view; "The large buildings were a blot on an otherwise beautiful landscape."

Acceleration: The increase of speed or activity; "The acceleration in the decline of manufacturing began in 2009."

To be accompanied by: To go together with something or someone; "The oil industry boom in Canada is also accompanied by more injuries on the dangerous job sites."

Inflation: The increase in the general level of prices of goods and services.

Status quo: The state in which activity remains the same or undergoes no noticeable changes.

To Persist: To continue to be present; "If the recession persists, more dramatic actions will need to be taken by the government."

Debt-to-GDP ratio: The ratio of a nation's GDP to how much debt they have, generally expressed in percentage form.

Policymaker: A person responsible for or involved in formulating policies, especially in politics.

Quantitative Easing (QE): A monetary policy in which a central bank buys government securities from the market in order to lower interest rates and increase the money supply.

Outright: Complete and direct; "What he's saying is an outright lie! I would never steal from the company!"

To monitor (developments): To observe, check, or verify how a process is proceeding.

Financial instruments: Financial policies that can create different effects on a market or economy.

Resolute: Determined or unwilling to stop/quit; "We must remain resolute in our efforts to fight company corruption."

Determination: A fixed intention or purpose "My boss is a woman of great courage and determination."

Monetary accommodation: A financial policy in which a central bank sets low interest rate so that credit is easily attainable.

To act swiftly: To move or proceed in a quick manner; "If you want to get more market share, you must act swiftly."

To hover around: To remain or stay in or near a place; "The exchange rate to the US dollar generally hovers around 2:1."

Inequality: A state of not being equal or balanced; "Income inequality has created a number of problems in north America."

Ever-growing: Continuing or always growing or increasing; "An ever-growing number of people are switching from Apple to Android."

Financial distress: A condition where a company cannot meet or has difficulty paying off its financial obligations to its creditors.

To battle (with): To fight or struggle against; "We've battled with poor economic conditions in the past, but always remained the leader in our field."

To revel (in): To take intense pleasure or satisfaction from a result or outcome; "I reveled in the quiet of the office after everyone had gone home."

To urge: To try to persuade or recommend strongly that someone do something; "My boss is urging me to attend night classes at the local university in order to complete my degree."

To stay the course: To keep going strongly to the end of a difficult project or task; "Unless the situation changes, we will stay the course with our current business plan."

To embrace reforms: To accept changes willingly.

To maintain sound finances: To preserve a state of healthy and growing financial activity.

To facilitate investments: To assist, enable, and simplify the process of investing.

Language Review

A. Collocations

Match words from each column to make collocations found in the article.

1. Disposable	a. Volatility	
2. Public	b. Growth	
3. Financial	c. Bloc	
4. Structural	d. Accommodation	
5. Market	e. Reforms	
6. Currency	f. Income	
7. Monetary	g. Finances	
8. Robust	h. Distress	

B. Vocabulary Quiz

- Which of the following terms refers to the group(s) that oversee economic policy in Europe?
 - PIGS
 - OECD
 - Troika
 - Currency bloc
- According to the article, which of the following could negatively affect the recovery of the Eurozone economy?
 - Inflation
 - Geopolitical tensions
 - Economic reforms
 - Disposable income
- After 5 years of hard work and a strict budget, I was finally able to _____ my student loans.
 - Fade away
 - Flare up
 - Battle with
 - Pay off
- What should you do when you have a technical problem just before starting a presentation?
 - Act swiftly to fix the problem.
 - Get things under way.
 - Hover around the technician.
 - Allow the problem to get out of hand.

5. A number of us have been _____ Roberto to apply for the CFO position. He's perfect for the job!
- Reveling
 - Urging
 - Dampening
 - Posing
6. In any company, it's important to maintain a proper _____ of new and experienced employees.
- Imbalance
 - Rebalance
 - Balance
 - Unbalance
7. The _____ of a "United States of Europe" is a real possibility in our lifetime.
- Emergence
 - Fragility
 - Resolution
 - Persistence
8. Our shareholders were thrilled with the _____ profit increase.
- Turbulent
 - Muted
 - Austere
 - Skyrocketing
9. We need to _____ the problem before we have a _____ emergency to deal with!
- Address/full-fledged
 - Monitor/outright
 - Dampen/downside
 - Battle/fragile
10. By _____ a strong vision for the company, Apple has become one of the most influential brands in history.
- Embracing
 - Maintaining
 - Facilitating
 - Monitoring

Answers

A. Collocations

1. Disposable Income
2. Public Finances
3. Financial Distress
4. Structural Reforms
5. Market Volatility
6. Currency Bloc
7. Monetary Accommodation
8. Robust Growth

B. Vocabulary Quiz

1. **c**; 2. **b**; 3. **d**; 4. **a**; 5. **b**; 6. **c**; 7. **a**; 8. **d**; 9. **a**; 10. **b**

Online Practice

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

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