

Problems of creation eu

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Euro is not built to last. In fact it is EU creation that has hampered the economic progress of the world and some countries. It has created more problems than did well. In fact it was the creation of EU that is translating into the problem of sovereign debt crisis. If there would have been different currencies for each of the EU member, they would have settled their sovereign debt crisis by printing more money. Most of the countries which are part of EU no longer have the luxury of printing their own money and as a result the problem of sovereign debt crisis is lingering on. One can compare this problem with the case study of American. USA is probably the country with highest levels of debts. However, it can never default on its sovereign debt obligations because it can print its own money to settle all the outstanding debts. However, Greece does not have this luxury. This has created problem not just for Greece but also its creditors. Whenever there is a credit meltdown or a debtor defaults on his obligations, it starts a domino effect. It results in the collapse of the entire system or good part of it. This is what is happening to Euro. Since Greece has defaulted, there are chances that many other countries are going to collapse or fall down.

Many people say that Euro is built to the last. It can still exist despite the Greece example. This can be partly true. Although it looks difficult but the probability of Euro recovering is not zero. Still we can believe that the system might be able to sustain itself. The only way that Euro can sustain itself is that it starts focusing more on inter-lending and if it develops a system that focuses on circular debt between the countries using the Euro. Since Euro is limited in supply, and no one country can print Euro, therefore in case credit event occurs in Euro based lending, the ECB might be able to

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recover that or write off that loan in order to protect the system, or with the consensus of all EU countries, the amount of loan defaulted can be pumped into the country which has suffered a credit event. This would make sure that the EU crisis would not start a domino effect in the global financial markets and would not pose any global threat to the system.

In the end, it can be concluded that it is very difficult to sustain the system having a single currency. The task is tough but may be achieved through sheer financial genius and by excellent application of the financial theory.