

Euro-debt crisis and the european union

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Section/# Euro-Debt Crisis The article that this has chosen to analyze relates to the current economic issues that continue to plague the economies of the European Union. The issues that relate to the European Union's struggling economy cannot be adequately discussed in a brief Wall Street Journal Article; therefore, the article focuses on the fact that world leaders as well as powerful voices within the European Union are pushing for the deployment of " emergency reserve bailout funds" to be released by the central banks of certain European Union member countries. The fact that this directive is nebulous is done on purpose. Rather than specifically call out any of the EU member states, Christine LaGarde calls on the ECB to fully commit reserve funding to deploy bailouts.

The problem with this particular viewpoint is that the European Union is becoming more and more entwined with the internal political and economic desperation that is exhibited among the weakest links within the Union's membership. Although attempting to save the European Union has been a central theme of the combined efforts of the world's most influential financial body (the IMF), these efforts have dragged on and on and look increasingly unlikely to avert a crisis and/or disaster that is already unfolding before the eyes of the viewer (Wall Street Journal 1). The situation with Greece is but one example. Although the article in question deals mostly with the IMF's implied directions regarding Spanish liquidity, this is just another example of the debt contagion that threatens to envelope the economies Greece, Spain, Italy, Portugal, and Ireland (PIIGS).

In the article, LaGarde goes on to implore the domestic/state actors of the respective economies to fully cooperate with all haste and cooperation with

the efforts of the European Central Bank. One interesting component of this advice is the fact that many of these state actors are playing a very tenuous balancing game. This balancing game is accentuated by attempting to employ the rigid austerity measures that the ECB requires in order for the disbursement of any further monetary aid/loans/bailout package, the fear that the European Union will eventually collapse and the consequential reaction to withhold resources in order to prepare for a worse-case scenario forcible exit from the Euro zone. It is for precisely this reason that Christine LaGarde is so adamant that each of these nations commit themselves fully to the proposition of saving the Euro.

To an extent the article is a barometer of the feelings of two different lenders and a single borrower who is unwilling to further leverage their own borrowing potential. The respective borrowers are those ailing European economies; whereas the lenders are both the European Central Bank and the International Monetary Fund. Even though the lenders (ECB and IMF) differ as to the extent to which they will offer further aid, there is one clear and defining agreement between them. This concerns the fact that both fully support complete and total integration of the European nations in attempting to tackle this issue.

Although it is the belief of this author that the European Union should, in theory, try to be salvaged, it is also the belief of this author that such a successful plan could be implemented given the actual magnitude of the current crisis coupled with the overall weakness of the Euro zone.

Furthermore, the implementation of any consolidated plan, as noted by the IMF and ECB, must have the full support and cooperation of the member

states in order to hope to achieve some level of success. If past performance is any indication of what the future holds, it seems highly unlikely the any measures will stop the hemorrhaging which the weaker EU economies have begun.

Work Cited

Talley, Ian. " IMF Urges EU to Deploy Bailout Funds." Wall Street Journal. N. p., 14 Oct. 2012. Web. 17 Oct. 2012. <http://online.wsj.com/article/SB10000872396390444799904578053891848637154.html>.