The Business Journal
Readers Guide

Read us online
There are several ways you can get news from us electronically:

Breaking news
Breaking news is posted as it happens on our website Monday through Friday. It is offered at no charge, but does not include the exclusive material found in our print edition. Visit us at triad.bizjournals.com.

Email updates
Each weekday at about 3:30 p.m., Publisher Doug Copeland will email you a summary of all the breaking news posted on our website that day. To sign up for this free service, visit triad.bizjournals.com and enter your email address in the Daily Update box found on the right side of the page, about halfway down.

Facebook
Like the Triad Business Journal page to join in on the conversation on the latest business news in the Triad.

Twitter
Get breaking news and other information from The Business Journal by following @riadbizjournal.

Digital edition for subscribers
Subscribers to our weekly print edition can access an online version every Friday morning. This material is exclusive to our paid subscribers and is in addition to the breaking news stories posted on our website throughout the week. Access the digital edition at triad.bizjournals.com by clicking Premium under the News tab.

Departments and services

News tips — Contact Editor Mark Sutter at (336) 370-2895 or msutter@bizjournals.com.

Letters, column submissions — Contact Editor Mark Sutter at (336) 370-2895 or msutter@bizjournals.com.


Notebook Items — Send to docnotes@bizjournals.com.

Top 25 Lists — Contact Research Director Katie Booher at kbooher@bizjournals.com.

Upcoming Business Journal

- Women in Business — Deadline March 2
- Triad’s Healthiest Employers — Deadline April 13

For more information on awards programs, contact Special Sections Editor Amy Donninel Braun at abraun@bizjournals.com or (336) 370-2912.

Special publications
- Biotech Directory — March 23
- Women in Business — April 27

Special news reports
- Sustainability in Business — March 2
- Transportation & Logistics — March 9
- Commercial Real Estate & Construction — March 16
- Residential Real Estate — March 23

For more information on any of these special sections, contact Managing Editor Lloyd Whittington at (336) 370-2914 or lwhittington@bizjournals.com.

It’s not Greek to economists

The Greek financial crisis took another turn this week, as European finance ministers agreed on a second large bailout package. This deal will restructure the Greek government’s debt, inject additional capital and force private bondholders to take bigger “haircuts” that respected. Whether this works will be one of the big economic dramas of the spring.

Unfortunately, it probably won’t work, at least not by itself. You see, at its root the European crisis is a monetary crisis, not a financial or debt crisis. It’s true that Greece ran large deficits prior to the Great Recession. But the other countries that many fear will be the next dominoes to fall, including Spain and Italy, were running surpluses. Large government deficits are a result, not a cause, of the crisis.

Since the euro was introduced in 1999, it has lowered transaction costs and expanded intra-European trade. But as many economists noted at its inception, monetary union was achieved without the creation of other key institutions, most importantly a eurozone-wide fiscal authority.

What is that important? When recessions hit, they rarely hit all regions in an economy with equal force. Different regions need different monetary policies, and that’s not possible with a single currency. Fiscal policy has to take the lead. A centralized fiscal authority can address regional needs by funneling money to the harder-hit areas.

Also important for the stability of a monetary union are high degrees of capital and labor mobility. The ability people to move from weak to stronger regional economies serves as a kind of pressure valve.

Both of these conditions are present in the monetary union we know best; the dollar zone. Nothing’s written in stone that says that North Carolina and Texas and Oregon have to use the same currency, but we do. The dollar is the common currency among all 50 states.

The dollar zone works because we have a centralized fiscal authority called the federal government. And different state economies are sufficiently integrated that movement of productive resources across state lines is relatively fluid.

Not so in Europe. There is no federal government, per se. And language and cultural divides, though narrowing, are still wide enough that they inhibit fuller economic integration. Before the euro, this didn’t matter during recessions, because troubled European countries simply devalued their currencies in order to remain competitive with the stronger economies. That’s impossible now.

So the euro, which had been an efficiency-enhancing vehicle prior to 2008, has become a policy straightjacket for the weaker economies on Europe’s periphery.

Without the simple device of currency devaluation, affected countries have had to pursue “internal devaluation,” the wrenching process of forcing wages and prices downward, one by one. Not only is this an incredibly inefficient way to adjust an entire economy’s international position, it’s extremely unpopular, as Greek unrest has demonstrated.

In contrast, European countries with their own currencies have weathered the storm so far. Iceland devalued its króna and is recovering well. Britain is running much higher deficits than either Spain or Italy, but its government can borrow at interest rates comparable to those in the U.S.

So let’s call this what it is, a euro crisis. Greece and the other peripheral countries struggle to adjust with one arm tied behind their back. Germany uses its financial leverage to push for concessions from all. Meanwhile, policy-makers begin to see that austerity in a deep downturn is self-defeating. How long can the euro experiment last?

Andrew Brod is a senior research fellow in UNC’s Center for Business and Economic Research and a member of The Business Journal’s Editorial Board of Contributors. Reach him at (336) 707-6435 or AndrewBrod@uncg.edu. An archive of Dr. Brod’s columns is available at http://economist.uncg.edu.