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EUROSYSTEMET

Comments on 'Is the Eurozone on the Mend? Latin American Examples to Analyze the Euro Question'

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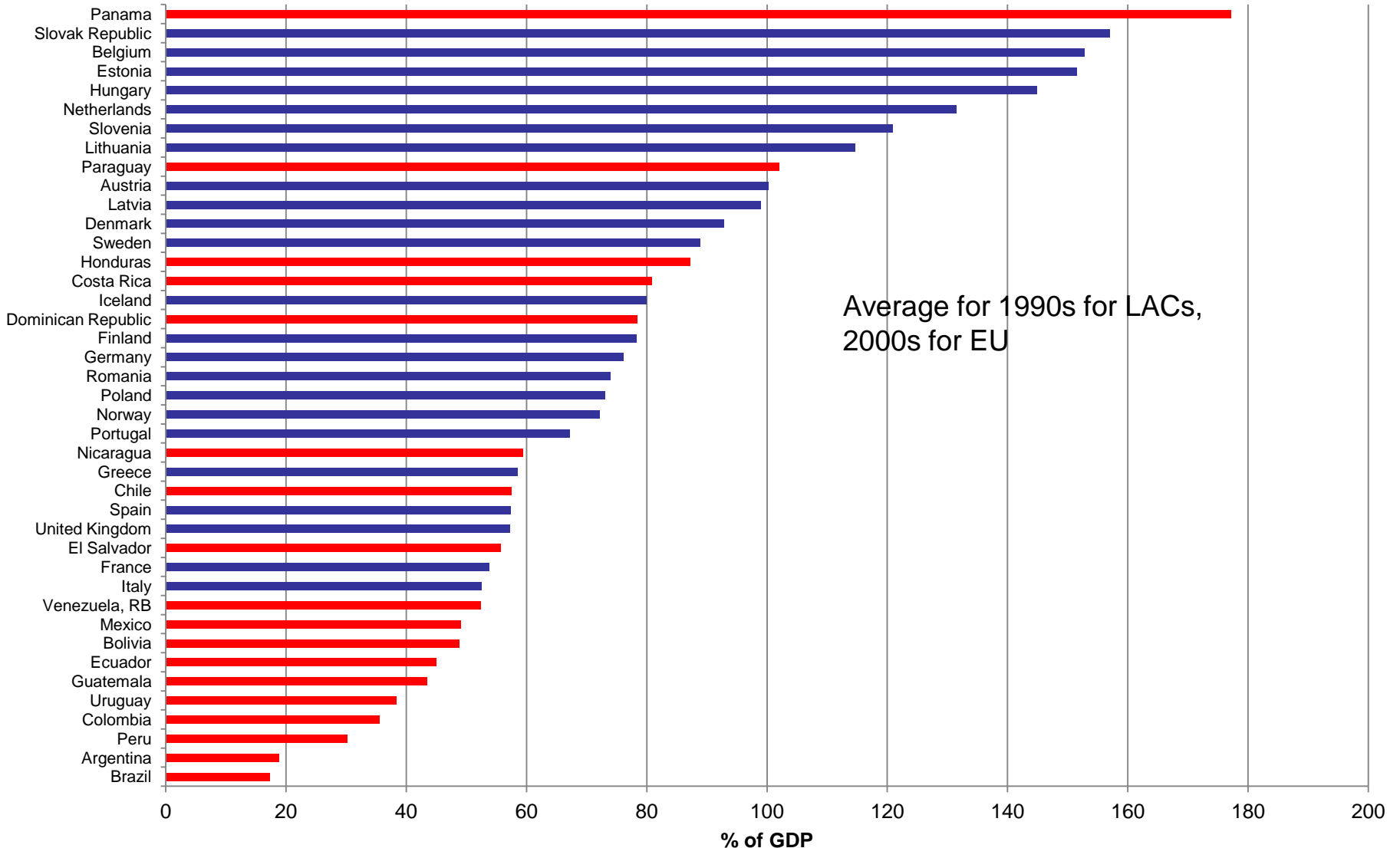
Very valuable paper

- ◆ Comparison between the experiences of Latin American countries in the 80s, 90s as well as 00s and the current euro area problems reveals some very interesting parallels
- ◆ Capital inflows boosting indebtedness, loss of competitiveness etc.
- ◆ Dollarization vs 'euroization' (i.e. using currency whose value can not be influenced with domestic political decisions)

Some differences as well

- ◆ Size of the tradeable sector (noted on page 6)

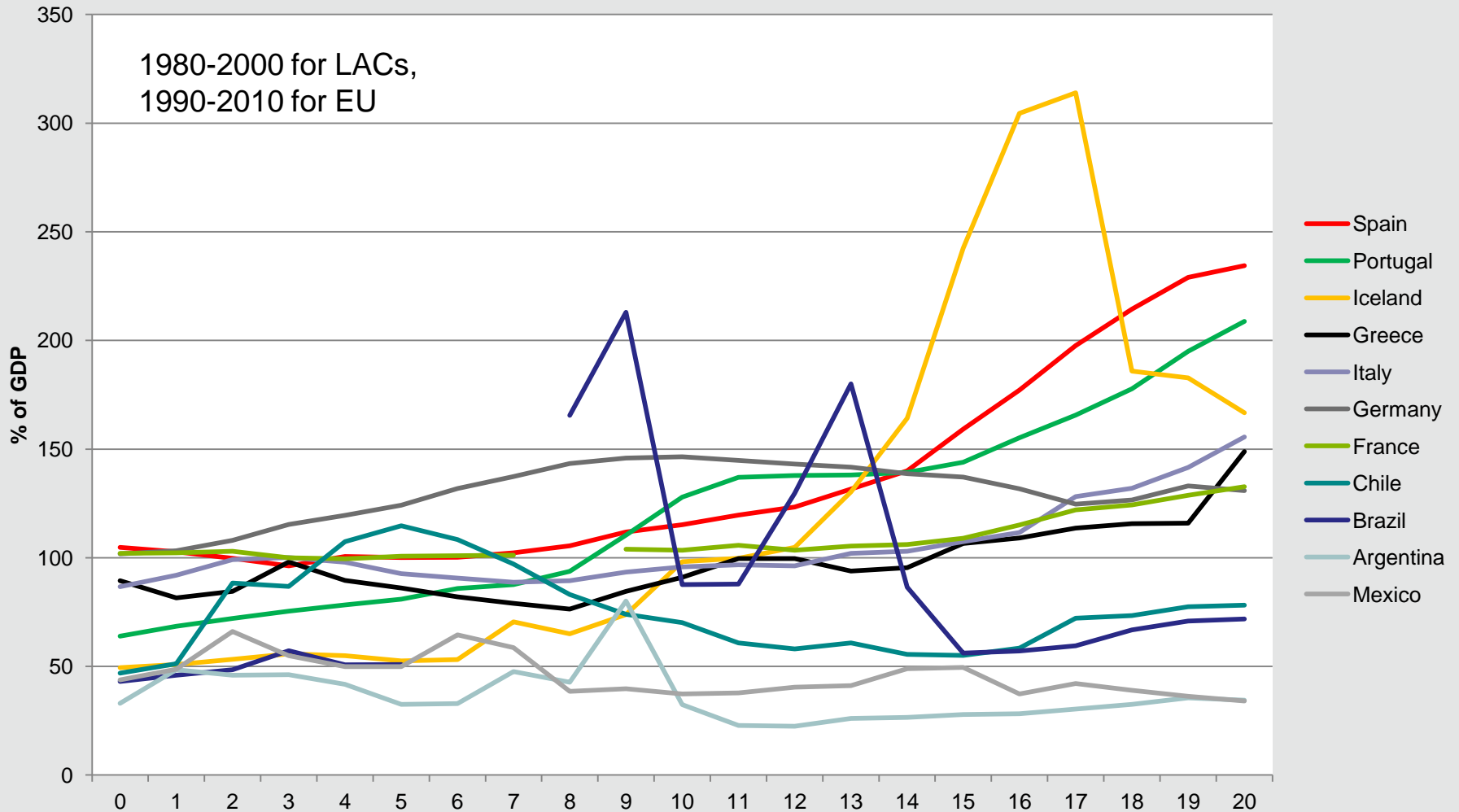
Foreign trade, ratio to GDP



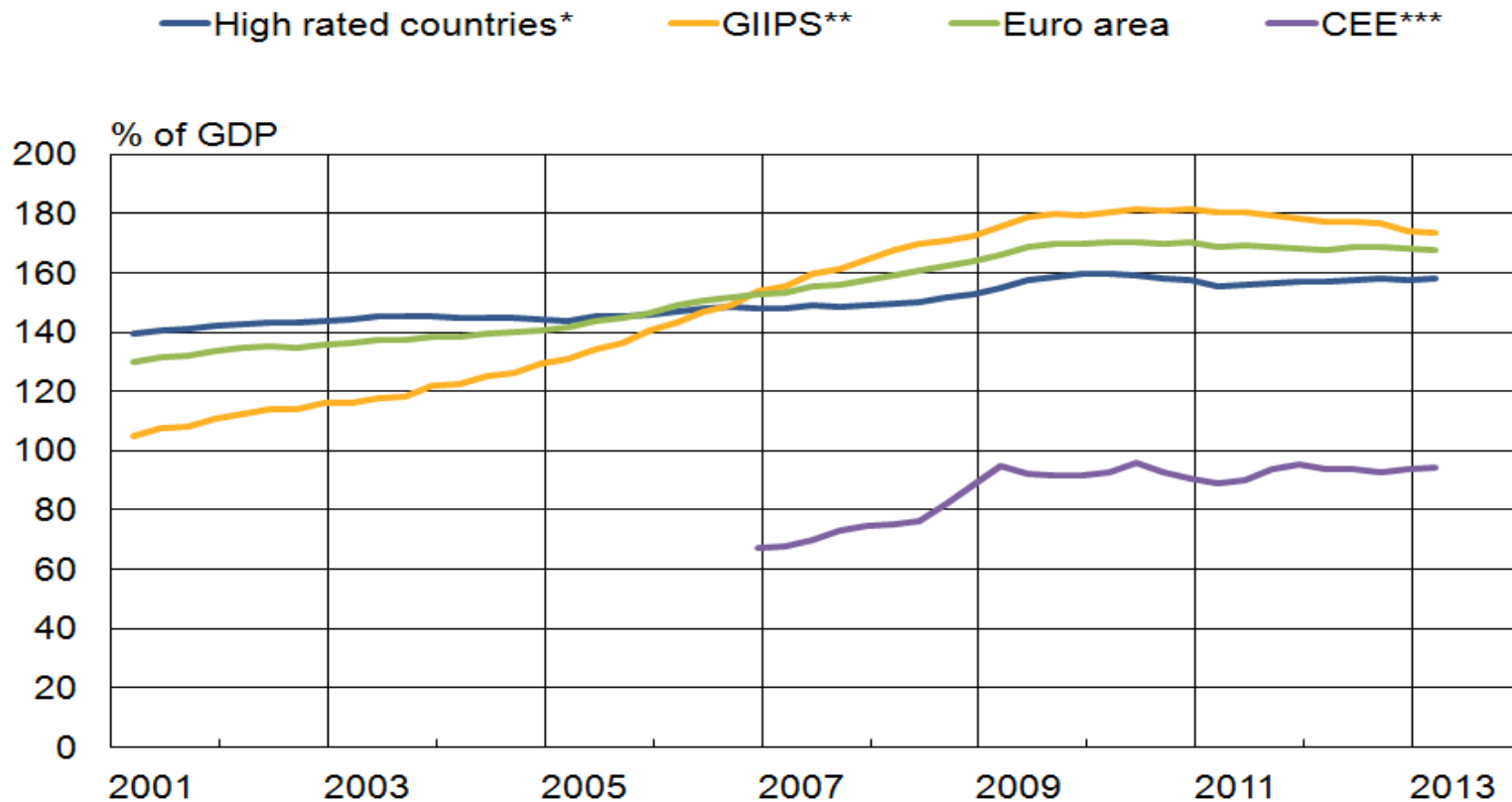
Some differences as well

- ◆ Size of the tradeable sector (noted on page 6)
- ◆ Size of the banking sector can make a world of difference for the fiscal effects of a banking crisis

Domestic credit provided by banking sector, ratio to GDP



What about private indebtedness?



Source: European Central Bank.

* Germany, France, Netherlands, Belgium, Austria and Finland

** Greece, Italy, Ireland, Portugal and Spain

*** CEE = Bulgaria, Czech Republic, Hungary and Poland

Small comments

- ◆ On 'Sudden Stop Sustainability Model', it would be interesting to add a few more countries, such as Cyprus and Ireland
- ◆ Table 3 shows the required RER depreciation changing a lot from one year to the next, how much of this was because the RER actually changed?

Thank you!