



On Tuesday 1 July 2025, 04:00-21:00 GMT, we'll be making some site updates on Taylor & Francis Online. You'll still be able to search, browse and read our articles, where access rights already apply. Registration, purchasing, activation of tokens, eprints and other features of Your Account will be unavailable during this scheduled work.

Home ► All Journals ► Economics, Finance & Business ► Review of Political Economy ► List of Issues
► Volume 26, Issue 2 ► Rebalancing the Euro Area: The Costs of ...

Review of Political Economy >
Volume 26, 2014 - [Issue 2](#)

993 | 26 | 1
Views | CrossRef citations to date | Altmetric

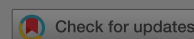
Symposium on the Euro

Rebalancing the Euro Area: The Costs of Internal Devaluation

Engelbert Stockhammer ✉ & Dimitris P. Sotiropoulos

Pages 210-233 | Received 26 Jun 2012, Accepted 25 Jul 2013, Published online: 02 May 2014

🗨 Cite this article 🔗 <https://doi.org/10.1080/09538259.2014.881011>



Sample our
Politics & International
Relations Journals



We Care About Your Privacy

We and our 909 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

...

I Accept

Reject All

Show Purpose



Full Article

Reprints

Abstract

This paper

the Euro

supply

current

estimates

estimates

Greece,

deficits

of GDP

ways:

positions in

on wage

estimate a

n. All

the

t deficits.

account

a reduction

d in two

ways: deflationary adjustment in the deficit countries or inflationary adjustment in the

surplus countries. The economic costs of deflationary adjustment to those countries are equivalent to the output loss of the Great Depression. An adjustment of the surplus countries would increase growth and it would come with higher inflation, but it would allow rebalancing without a Great Depression in parts of Europe.

Acknowledgements

Earlier versions of this paper were presented at the PERG Workshop Europe in Crisis, Kingston University, UK, April 2012, and the PKSG Workshop, SOAS, June 2012. We have benefited from the discussions there and from comments by Paul Auerbach two anonymous referees, and the editor. All remaining errors are ours.

Notes

- ¹The Euro area overall has in the past decade had close to balanced current account, that is it rarely exceeded $\pm 1\%$ of GDP. However, individual Euro member states have had substantial deficits or surpluses. In this sense the Euro area has had on aggregate internal imbalances. The aggregate of the deficits and surpluses of the member states is zero.

²This section is based on the work of the European Central Bank (ECB) and the International Monetary Fund (IMF).

³The EU has a long history of (symmetric) adjustment (flexible) to external shocks. It has served as a model for other regions in the face of (symmetric) adjustment.

⁴But the EU has a long history of (asymmetric) adjustment. The EU has a long history of (asymmetric) adjustment.

⁵These remarks are based on the work of the European Central Bank (ECB) and the International Monetary Fund (IMF).

⁶This assumption is based on the work of the European Central Bank (ECB) and the International Monetary Fund (IMF).

¹³For useful brief presentations of the history of Phillips curve regression models see Galí et al. ([2001](#)), Montoya & Döhring ([2011](#)), Goodhart & Hofmann ([2005](#)).

¹⁴One could argue that the Phillips curve should be homogeneous of degree one with respect to import prices and past wages. If this condition is imposed the long-run effects are -1.42 and -2.19 for the 1999-2011 and the 1990-2011 samples respectively (available upon request).

¹⁵Okun ([1962](#)) presents several versions, all estimated with quarterly data. The first version estimates the difference in unemployment as a function of difference in (the logarithm of) GDP and is identical to our specification. The second version first calculates a potential GDP and an output gap. The unemployment rate is then related to the output gap.

¹⁶These inflationary policies will need a corresponding monetary policy and interventions in the workings of financial sector. The fact that we do not discuss them here does not reflect their importance but merely the scope of this paper.

Related Research Data

Wage

Source

Estim

Source

Comr

Source

The a

So

F

Source

The p

Source

ROLL

EMPIR

Source

A Poli

Source: Unknown Repository

countries

AIRU

ES

×

Economic Policy for a Social Europe

Source: Unknown Repository

Global Finance and Social Europe

Source: Unknown Repository

A Cross-Country Comparison of Okun's Coefficient

Source: Journal of Comparative Economics

The New Keynesian Phillips Curve in Europe: Does it Fit or Does it Fail?

Source: SSRN Electronic Journal

Monetary policy in a non-optimal currency union

Source: Unknown Repository

Testing for convergence of the Okun's Law coefficient in Europe

Source: Empirica

The Phillips Curve, the IS Curve and Monetary Transmission: Evidence for the US and the Euro Area

Source: CESifo Economic Studies

European inflation dynamics

Source: European Economic Review

European Monetary Union: nominal convergence, real divergence and slow growth?

Source: Structural Change and Economic Dynamics

IS THE NAIRU THEORY A MONETARIST, NEW KEYNESIAN, POST KEYNESIAN OR A MARXIST THEORY?

Source: Metroeconomica

Evalu

Source

Crisis

Source

Testin

Source

Grow

Source

M

So

The M

Source

The P

Source

Curre

Source

The P

the United Kingdom, 1861-1957



Source: Economica

Peripheral Europe's debt and German wages: the role of wage policy in the Euro area

Source: International Journal of Public Policy

The New Consensus on Monetary Policy and its Post-Keynesian Critique

Source: Review of Political Economy

FINANCIALIZATION, INCOME DISTRIBUTION AND THE CRISIS

Source: Investigación Económica

Current Account Imbalances in the Southern Euro Area

Source: SSRN Electronic Journal

Current Account Imbalances in the Euro Area

Source: Unknown Repository

Global Imbalances and the Financial Crisis: Link or No Link?

Source: SSRN Electronic Journal

Foundations of the Goldilocks Economy: Supply Shocks and the Time-Varying NAIRU

Source: Unknown Repository

Instability and Nonlinearity in the Euro Area Phillips Curve

Source: SSRN Electronic Journal

How the Maastricht Regime Fosters Divergence as Well as Instability

Source: Unknown Repository

From wage suppression to sovereign debt crisis in Western Europe: who pays for the costs of the crisis?

Source: International Journal of Public Policy

Curre

Source

Intern

tries

Source

The C

Source

Supp

Keyne

S

Fu

Source

Euroz

Source

Poten

Source

Rethi

ed

dema

Source: International Review of Applied Economics



On the Main Ingredients of the European Economic and Monetary Union

Source: International Journal of Political Economy

Current account imbalances and financial integration in the euro area


Source: Journal of International Money and Finance

An Alternative Stability Pact for the European Union

Source: SSRN Electronic Journal

Phillips Curves, Expectations of Inflation and Optimal Unemployment over Time: Reply

Source: Economica

Linking provided by 

Related research

People also read

Recommended articles

Cited by
26



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Copyright

Accessib

Registered
5 Howick Pl

or & Francis Group
orma business

