In terms of unemployment, it seems that the United States is one of the hardest-hit of the OECD countries, with unemployment rates surpassing those of Canada and the European Union, although some nations, such as Ireland, have fared even worse. Of the other nations that were below 5% unemployment at the time the crisis hit, most have stayed below 6%; indeed most OECD nations have had their unemployment rates increase by no more than about half, with the exceptions being the United States, the United Kingdom (not shown), Ireland, Spain, and Iceland. Others have fared much better than this: in Germany, unemployment has actually decreased since 2007.
Recent News and Developments in the World Economy

Bloomberg reports that China may end its stimulus programs due to rising inflation. The Central Bank has already raised reserve ratios twice this year, and the Chinese government hopes to reduce lending by 22% compared to last year and reduce property speculation. The Governor of the Chinese Central Bank also said that he may end the pegging of the Yuan to the Dollar.

BusinessWeek reports that Brazil’s economy grew by 4.3% in the fall of 2009, reducing its total loss in 2009 to only 0.2%. Brazil’s loss came primarily from the agricultural and industrial sectors, while the services sector actually grew. Analysts project that the Brazilian economy will continue to recover in 2010, with a projected growth of over 5%.

Meanwhile, in Greece, spending cuts have led to rioting, Reuters reports. Greece is pursuing a $6.5 billion budget cut to alleviate its national debt of over $400 billion, a debt which has caused international markets to question the nation’s solvency. The cuts come at the risk of the newly-elected socialist government antagonizing its supporters, many of whom had expected it to increase government spending to help them during the recession.

Featured Article: Is a Nation Too Big to Fail?

The New York Times reports that the European Union is considering bailing out the nation of Greece. Greece’s unsustainable national debt has been decreasing the value of the Euro worldwide. Germany is reluctant to pursue such a plan, because as the European nation with the most resources to spend, it would likely bear most of the costs of the bailout. Meanwhile, France warned that while Greece is too big to let fail, bailing it out could lead other Euro nations such as Spain and Portugal to look for a handout, just as the United States’ bailout of the Lehman Brothers led other banks to seek bailouts. Further complicating the matter are fears that the tough bailout conditions sought by Germany could lead to anti-E.U. sentiment in Greece.

Questions to consider:

1. When a country is in debt, what effects does this have on its currency? The Eurozone has a common currency. Under such a system, how might one country’s debt affect other countries?

2. France fears that bailing out Greece could lead other nations to seek similar bailouts. What general problem of economic policy does this illustrate?

3. There is talk that Greece is “too big to fail.” The same language was used of the banks back when the American bailout bills were proposed. How might Greek bankruptcy affect the economies of other nations? How might the bankruptcy of Lehman Brothers have affected the American economy? Are these effects similar or different?

4. The money to bail out Greece would come from other E.U. nations. How would this payout affect those nations’ economies? Do you think those nations would receive a net gain or a net loss?