



# < What The Roiling Markets Mean For The U.S. And The World

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TESS VIGELAND, HOST:

It's been a big week in the global marketplace. Yesterday, we saw what could be the beginning of the end for the Greek financial crisis. And in China, the government devalued its currency, the yuan, three days in a row. For help sorting out the econ hullabaloo, we called up global macroeconomist Dambisa Moyo. I asked her what the Chinese currency devaluation means.

DAMBISA MOYO: So when the economy devalues its currency, it makes it much easier, much more affordable for people outside their economy to buy their goods. So in other words, it becomes cheaper to buy Chinese goods. Over the last 20 years, China's growth story has really been one of them exporting a lot of goods into the United States but also to the rest of the world. So with the slowdown of the economic growth and with the U.S. consumers but also many European households becoming more constrained economically because they don't have, you know, jobs and therefore their incomes are lower, the Chinese government is trying to encourage people to buy more Chinese goods. And therefore, that's why the devaluation has occurred.

VIGELAND: Aside from Chinese goods becoming cheaper here in the U.S., are there any other effects that everyday Americans might notice from the devaluation of the yuan?

MOYO: Yes. I mean, I think that the most important thing is that these currencies are traded on a relative basis. So the fact that the Chinese currency becomes weaker

necessarily means that the U.S. currency becomes stronger, which puts a lot of pressure on U.S. exporters because people around the world will look at the U.S. products and say, they're much more expensive; we might as well buy the same product or similar products from China.

VIGELAND: Well, and also, hasn't there just been just a lot of Chinese money flooding into the U.S.? I mean, even here, just in Southern California, that's where all the rise in property prices has come from, is just Chinese investors handing out cash for houses.

MOYO: Yes. I mean, it's certainly the case that China has been a very influential player not just in property, but the United States government does rely on China as its second-largest lender. And I think that it's very important that we do understand that we are linked. And whether it's through trade or investment or even just pure borrowing, we're definitely interconnected.

VIGELAND: Let's move on to Greece. Eurozone finance ministers agreed to a third bailout on Friday - €86 billion - Greece, of course, in the spotlight for several months now. Does this signal an end to the drama, or does it just postpone the inevitable, which would be potentially getting booted from the EU?

MOYO: I don't think that Greece will get, quote, unquote, "booted" from the EU. I think that there's a fundamental shift in the way we should view the relationship between the troika, which is the European Union, the IMF and the ECB - the European Central Bank. Those three together are called the troika.

In the past, Greece has been an equal peer in the European Union. What has emerged is that actually, the relationship between the troika and the Greek authorities is one in which - it's quite symbiotic. The Greeks need to stay in the European Union because they need to continue to receive money to support their economy. But at the same time, the troika need Greece to stay in as well because obviously, they don't want to encourage other countries in the European Union to think that it's OK to behave badly and to, you know, accrue enormous debts as Greece has.

VIGELAND: So I guess the question is whether we'll be just back in this same spot,

you know, three years from now or sooner.

MOYO: Yes. I do believe we will. A lot of the risk is now with the European Central Bank. And they wanted to make sure that they would minimize the impact for the average citizen around the world. But it also, to me, suggests that we are going to be stuck in this rut for many years to come.

VIGELAND: Economist Dambisa Moyo, thank you for joining us.

MOYO: Thank you.

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