- Increase public spending
- Deregulate banking to allow banks to invest abroad
- Appreciate the euro

Exchange rates:
Factors affecting:

- Interest rates – hot money flows increase demand + price
- Inflation rates – govt may combat certain inflation levels with monetary policy – affects hot money flows
- Demand for exports
- Demand for currency – tourism + capital investment

Impact of changes:

- Changes competitiveness of exports – self-correcting system – b of p
- Inflation – price of imports
- Economic growth – increases/decreases trade growth – (un)employment

Marshall-Lerner condition:
Devaluation of currency will improve current account if PED of exports + imports greater than 1
Revaluation of currency will improve current account if PED of exports + imports less than 1

Monetary Union:

+ Price transparency – increased trade - employment
+ No exchange rate fluctuation costs – estimated to add 0.4% of GDP
+ Lower interest rates – Celtic Tiger – growth of Ireland in 90s + 21st century – 7%+ econ g last few years
+ Lower prices

– Blanket monetary policy for diverging economies – Greece needs boosting whilst Ireland may be overheating
– Loss of sovereignty
– Inability to devalue currency to improve exports

Competitiveness:
Measurements:

- Relative export prices
- Ratio of import to export prices
- Relative unit labour costs
- Labour productivity
- Terms of trade

Factors affecting:

- Exchange rate
- Productivity – supply side policies
- Wage and non-wage costs
- Regulation
- Relative inflation
- Infrastructure + FDI
- Flexibility of labour force

Strategies to improve it:

- E+t
- Incentivising investment e.g. Nissan plant bought at agri. prices
- Decrease interest rates