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European leaders may have bought some time by backing in principle a bailout for Greece, but even if the money is handed over, it will be no silver bullet for Greece or for the euro zone.

That's because the euro zone's problems are not limited to Greece and not solely related to government debt and budget deficits.

Right now, Greece's debt burden is unsustainable. With government debt equivalent to more than the country's annual output and the government paying close to 6.5% to borrow money, Greece's debt burden is not just growing but accelerating dangerously.

The best a bailout can do is to buy time to reduce those interest rates to give the government time to slash its deficits and set the debt on a downward path.

Yet it is the euro zone's second challenge that is at once more widespread and more intractable. That is the euro zone's competitiveness challenge: structurally weak economies, in southern Europe and elsewhere, locked by a common currency to Germany's low inflation rate and economic stringency.

Though it may not have been evident to politicians or populations at the time, governments joining the euro were tying themselves to the modern equivalent of the gold standard, the monetary link to the yellow metal which guided the international financial system for more than a century.

In what may be a depressing parallel for the euro zone, that arrangement was ended by the Great Depression of the 1930s. And the lesson that many economic historians have drawn from that era was that sticking to the gold standard was a hugely painful and ultimately unsuccessful strategy.

"The historical record seems very clear," says Nicholas Crafts, an economics history professor at Warwick University. "In the 1930s, the countries that left the gold standard early did better on average than those who left it later."

The U.K. abandoned the gold peg in March 1931, while Scandinavian countries left in the same year. For those countries that left later, the U.S. in 1933 and France only in 1936, economic recovery was delayed.

In a world of free movement of capital, the gold standard meant that governments could not set interest rates independently.

Responding through an expansionary fiscal policy was regarded as unorthodox and likely to be punished by outflows of gold—which would be deflationary. The only economic adjustment left was to push wages downward to reduce costs and increase exports. Most countries found that easier to accomplish by devaluation than by a process of forcing workers to accept lower wages.

There is a parallel with the current economic problems of the countries of southern Europe. Interest rates are set in Frankfurt by the European Central Bank. Governments have very limited capacity for a more expansionary fiscal policy because bond investors would likely react by further pushing up government borrowing costs.

As for devaluation, this would be a more difficult option in the euro zone than it was under the gold standard. Given that domestic contracts and most international debt is in euros, debt default and a financial and banking crisis would almost certainly ensue.

"The euro exchange rate is a tighter grip than the gold standard was," says Mr. Crafts.

Whether devaluation would work, as it did in the 1930s, would depend on how wages reacted. If a sliding currency set off a round of wage increases, as some economists think it would, it would yield no competitive advantage.

That would mean the only practical prospect is for economies to regain their competitiveness against Germany, which has been the low-inflation anchor of the euro, the hard way.

Unless the European Central Bank deliberately relaxed monetary policy to set off a round of inflation—very unlikely—the alternative is for Greece and the other uncompetitive southern economies to embark on wage cuts that pushes inflation lower than Germany's over many years.

That is a gloomy prospect for governments and populations.

Greece's budget problem is the one that the architects of the euro thought about in the early 1990s. To stop it, they created rules, enshrined in what they called the Stability and Growth Pact, to limit annual budget deficits to 3% of gross domestic product and government debt to 60%.

The rules were not followed, in part because governments couldn't agree to enforce them.

The competitiveness problem - afflicting Spain, for example - is one that they didn't consider. Only now is Europe beginning to talk about it, as a letter this week to European leaders from EU president Herman Van Rompuy shows.

"While budgetary developments have been monitored under the Stability and Growth Pact, insufficient attention has been given to divergences in competitiveness within the EU economies and externally," he wrote.

"The need for policy action is particularly pressing in member states showing persistently large current account deficits and large competitive losses."

He didn't spell out either how this change would come about, what variables would need to be monitored and how it would be enforced.

It's a start, but too late to help extricate countries from their current predicament.

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