



Session 3



The European and global economic governance reform – what does it mean in practice?

Moderator: Peter MIHÁLYI



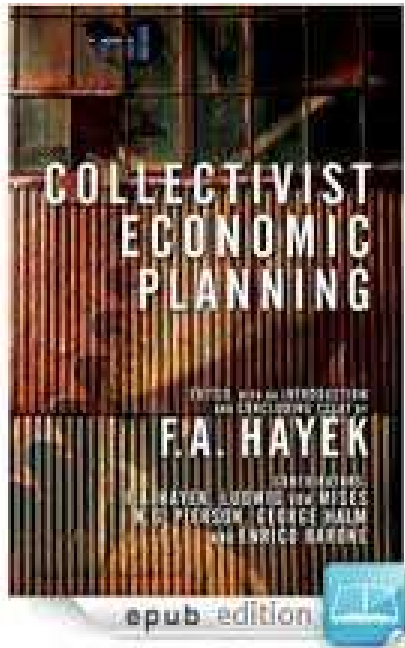
The Six-Pack: State of Play

Overarching objective: (1) *Ex ante coordination* of fiscal policies; (2) More stress on *debt reduction*.

- 28 September: Parliament voted to adopt the package (5 regulations + 1 directive)
- 5 October: ECOFIN Council reached a political agreement
- November – December: The Commission will finalize the early warning scoreboard design
- End 2011/Beginning 2012: the agreements enter into force.
- End 2013: Minimum characteristics for national budgetary frameworks are implemented.

1) Coordination of fiscal policies

The central point of the century long debate about planning was the possibility of *ex ante* coordination of (*all*) economic activities. The alleged superiority of socialism over capitalism was, on the first place, justified by this. It is the quintessence of Marxist economic theory that in a capitalist society coordination happens only *ex post* – through regular business cycles and recurring economic crises.



Ludwig von
Mises



Oskar Lange

2) Debt reduction

Greece	142.8	Spain	60.1
Italy	119.0	Poland	55.0
Belgium	96.8	Finland	48.4
Ireland	96.2	Latvia	44.7
Portugal	93.0	Denmark	43.6
Germany	83.2	Slovakia	41.0
France	81.7	Sweden	39.8
Hungary	80.2	Czech Republic	38.5
United Kingdom	80.0	Slovenia	38.0
European Union ^[15]	80.0	Lithuania	33.7
Austria	72.3	Romania	30.8
Malta	68.0	Luxembourg	18.4
Netherlands	62.7	Bulgaria	16.2
Cyprus	60.8	Estonia	6.6

Public debt as a % of GDP (2010)

If 14 EU Member States (> 60%) start working on *debt reduction simultaneously*, will it work?

+ USA + Japan ???



Net external debt is (perhaps) more important...

Country	Net External Debt Position (- for net creditor)	Net International Investment Position	Country	Net External Debt Position (- for net creditor)	Net International Investment Position
	(% of GDP)	(% of GDP)		(% of GDP)	(% of GDP)
Austria	16.2	0.6	Latvia	42.1	-81.3
Belgium**	-29.5	44.5	Lithuania	28.3	-56.0
Bulgaria	1.8	-97.6	Luxembourg**	-2909.7	82.9
Cyprus	-24.1	-10.1	Malta**	-102.0	13.2
Czech Republic	-7.6	-50.5	Netherlands	37.1	19.9
Denmark	27.9	9.6	Poland	24.7	-63.2
Estonia	24.8	-73.3	Portugal	85.3	-107.9
Finland	25.3	6.9	Romania	21.2	-63.9
France**	21.5	-10.9	Slovakia*	9.0	-63.8
Germany	-22.7	42.0	Slovenia	26.9	-37.0
Greece	102.4	-98.2	Spain	82.9	-87.1
Hungary	51.6	-108.0	Sweden	41.7	-23.5
Ireland	116.6	-99.4	Switzerland**	-114.5	138.9
Italy	34.9	-17.1	United Kingdom	30.0	-13.2

Source: National Central Banks/National Statistical Offices IMF SDDS program. Data for 4Q2010, except * 3Q2010 and ** 4Q2009. Net external data excludes FDI debt claims. Ireland: non-IFSC data only. Luxembourg: Includes financial center data. See Cabral (2010) for methodology.

Source: Cabral, Ricardo (2011)