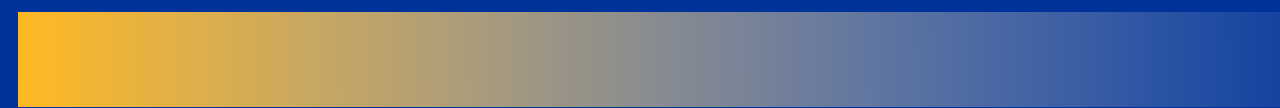




★ EU Debt ★



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Today's Agenda

- Causes of EU debt crisis
- Current situation
- Proposals to solve the problem
- Consequences of our decisions and proposals
- References

Causes of EU debt crisis

EASY CREDIT CONDITIONS

- 2002 - 2008
- High risk lending

REAL ESTATE BUBBLE

- Burst
- USA

MACROECONOMIC DIVERGENCE

- Interest rate high in Northern-EU
- Interest rate low in Southern-EU
- North lends to South
- Accumulation of CA deficit in South

ONLY 1 POLICY

- Not suitable for all single countries

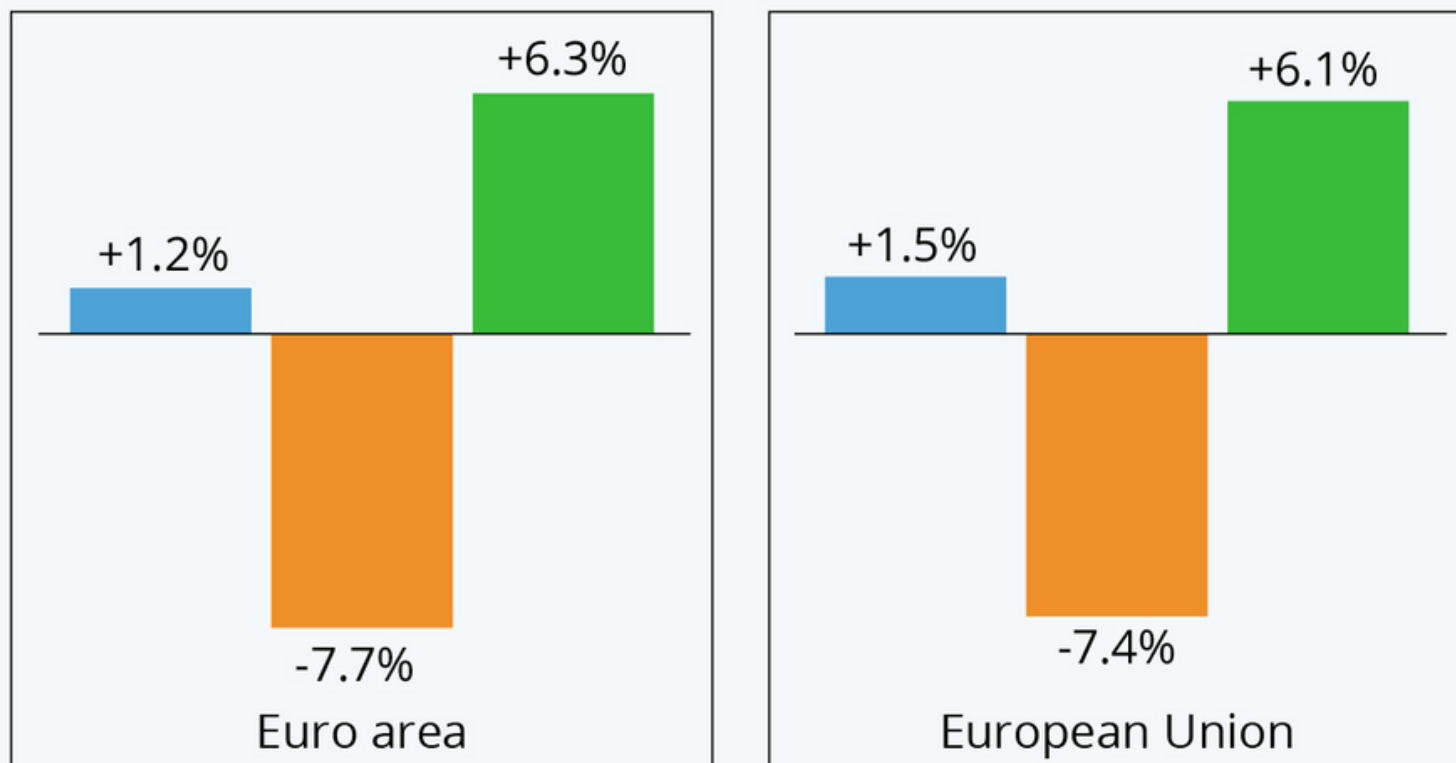


THE CURRENT SITUATION

Europe Faces Historic Recession Due to COVID-19 Pandemic

GDP growth forecast for the euro area and the EU
(Spring 2020 Economic Forecast)

■ 2019 ■ 2020 ■ 2021



Source: European Commission



statista

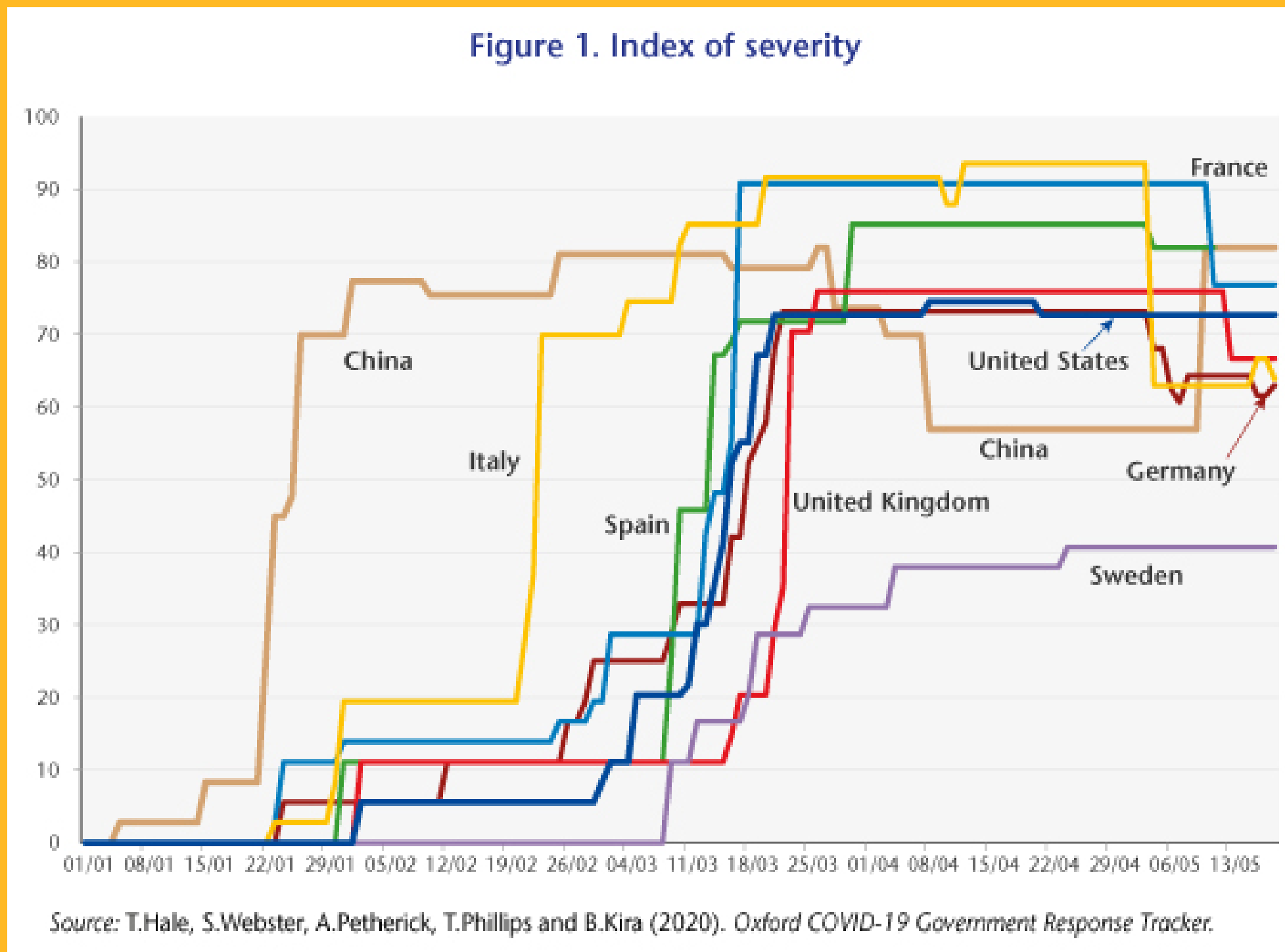


THE IMPACT OF THE COVID 19

- Shock to EU countries
- Major contraction in economy
- Increase in debt

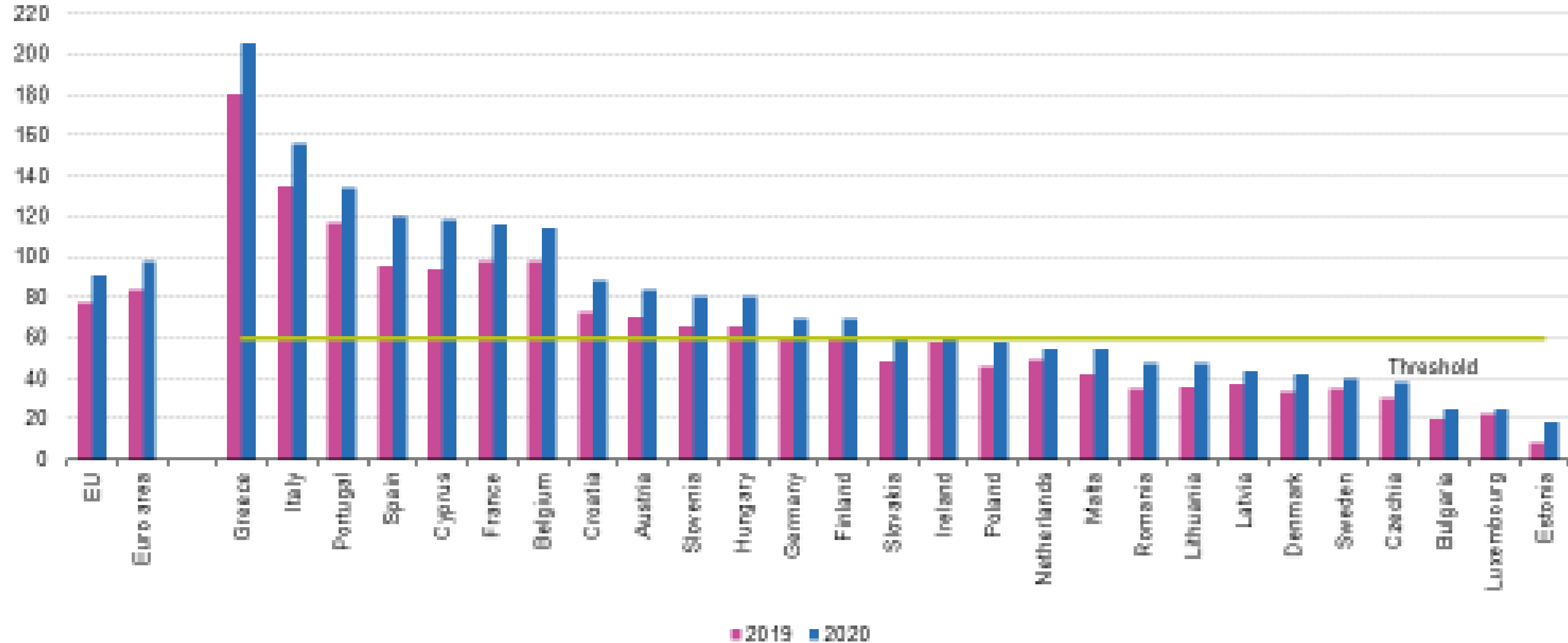
THE CURRENT SITUATION

THE ECONOMIC CRISIS / COVID RECESSION



- Some countries are hit harder than others
- Recovery path differs per country

General government debt, 2019 and 2020 (*) (General government consolidated gross debt, % of GDP)

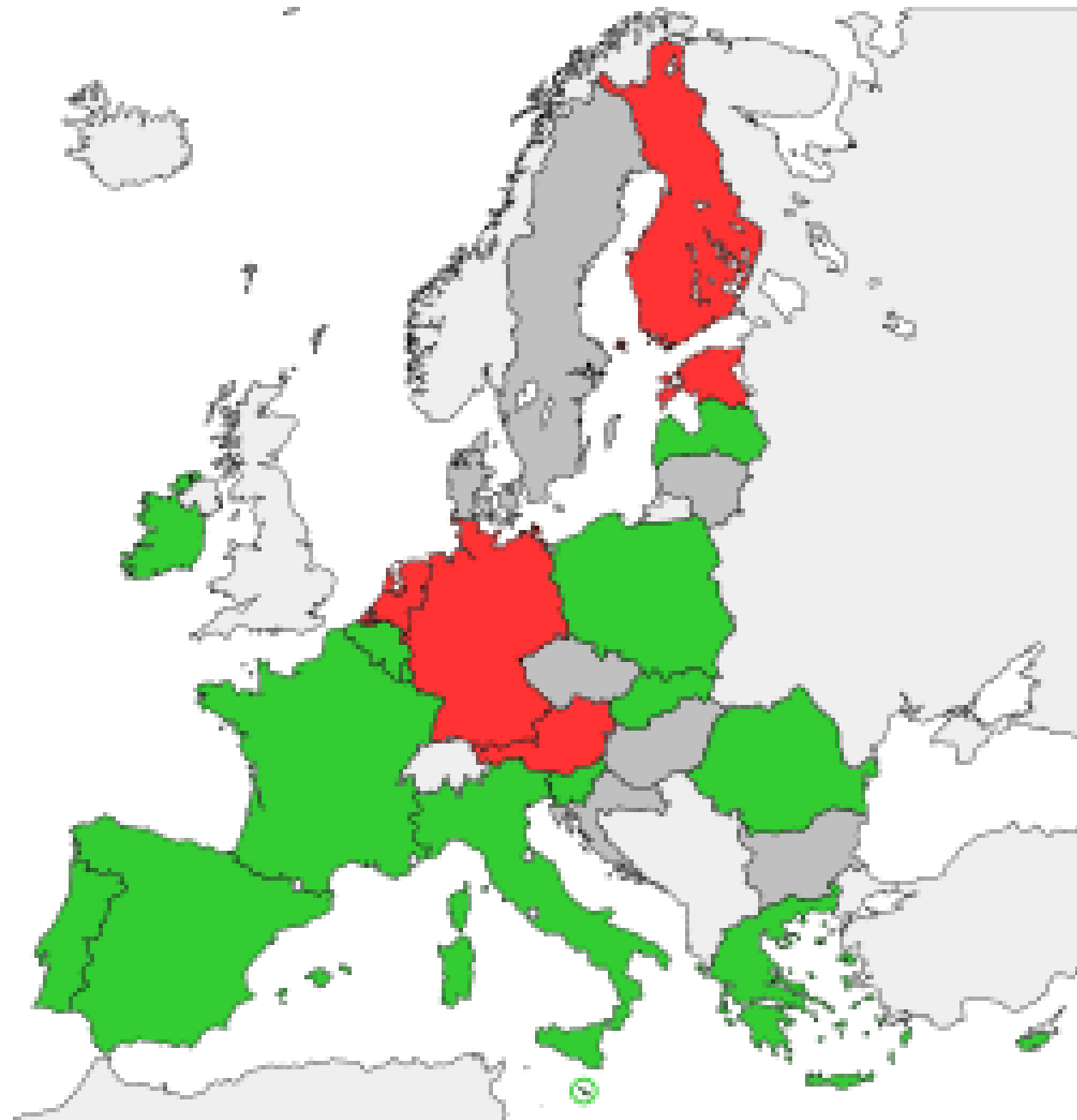


(*) Data extracted on 21.04.2021
Source: Eurostat (gov_10dd_adpt1)

eurostat 

General government debt in EU countries
Threshold is 60% of GDP

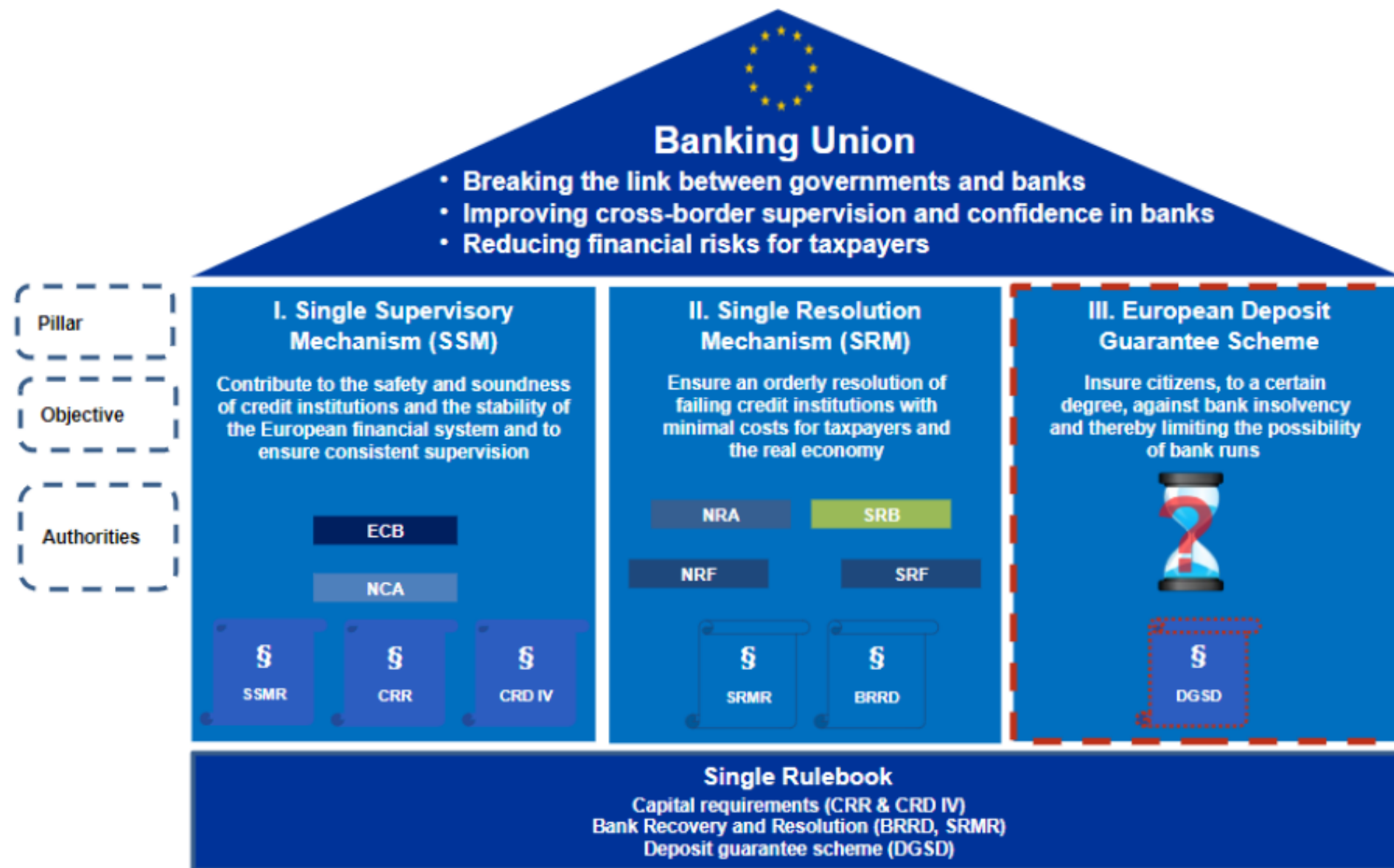
Solution I: Eurobonds



Red against Eurobonds,
Green pro Eurobonds

- ECB lends Eurobonds
- Same interest rate for every EU country
- Pros: safe investment, low interest rate
- Cons: No incentives to implement structural reforms

Solution 2: Completion of European Banking Union



- Banking union: responsibility from national to European level
- Two pillars, SSM and SRM, already completed
- Complete EDGS: step towards Economic and Monetary union
- Protect depositors' savings
- Help prevent deposits withdrawal in case of bank failure

Consequences of new legislations



Economic:

- Important step towards an Economic and Monetary Union
- Easier to finance the debt by offering safe and liquid investment opportunities
- Free rider problem



Social:

- Stopping speculative attacks
- Restoring confidence
- Feel more save

Consequences of new legislations



Environmental:

- Higher budget which can be invested in achieving environmental goals
- More cooperation



Political:

- The countries in the European Union will feel more integrated
- Eurobonds: higher rivalry between the states , as there are strong opponents and strong proponents → will lead to tension in the EU.

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**Thank you for your
attention.**

