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Centrum Analiz
Społeczno-Ekonomicznych

◀ Austerity revisited, czyli ponownie o zacieśnieniu fiskalnym ▶

Warszawa, 13 czerwca 2013 r.



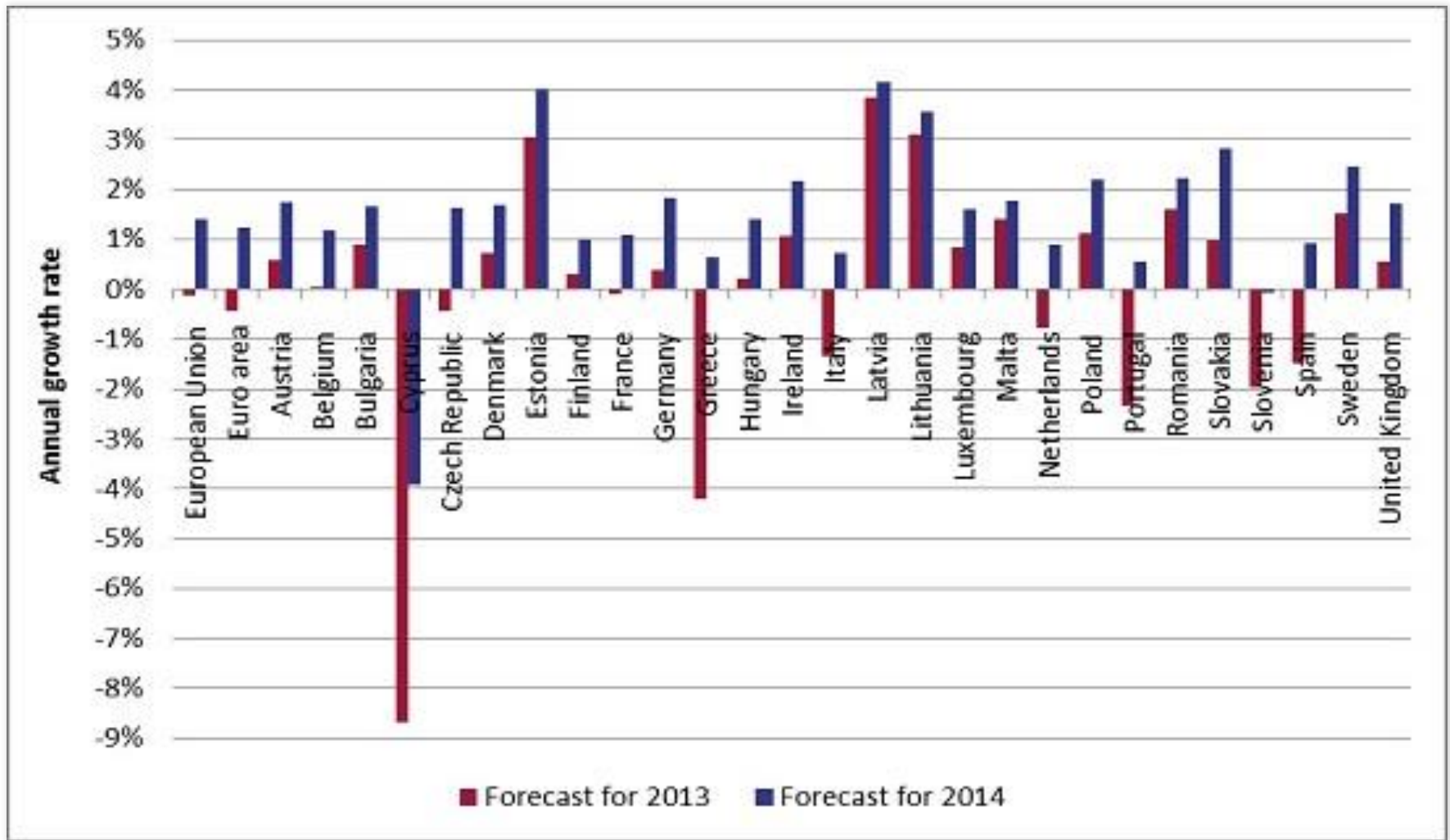
Austerity in Europe Revisited

Simeon Djankov

What is Austerity?

Austerity simply means that governments spend what they earn, or close to it. People prefer austerity when applied to a household budget. A recent poll in Bulgaria finds that only 17% of respondents want their family to live off debts during the crisis. Yet when you ask the same question for the nation, 58% want a looser budget. Someone else should pay the government's bills.

Austerity and Growth



Bulgaria's Experience

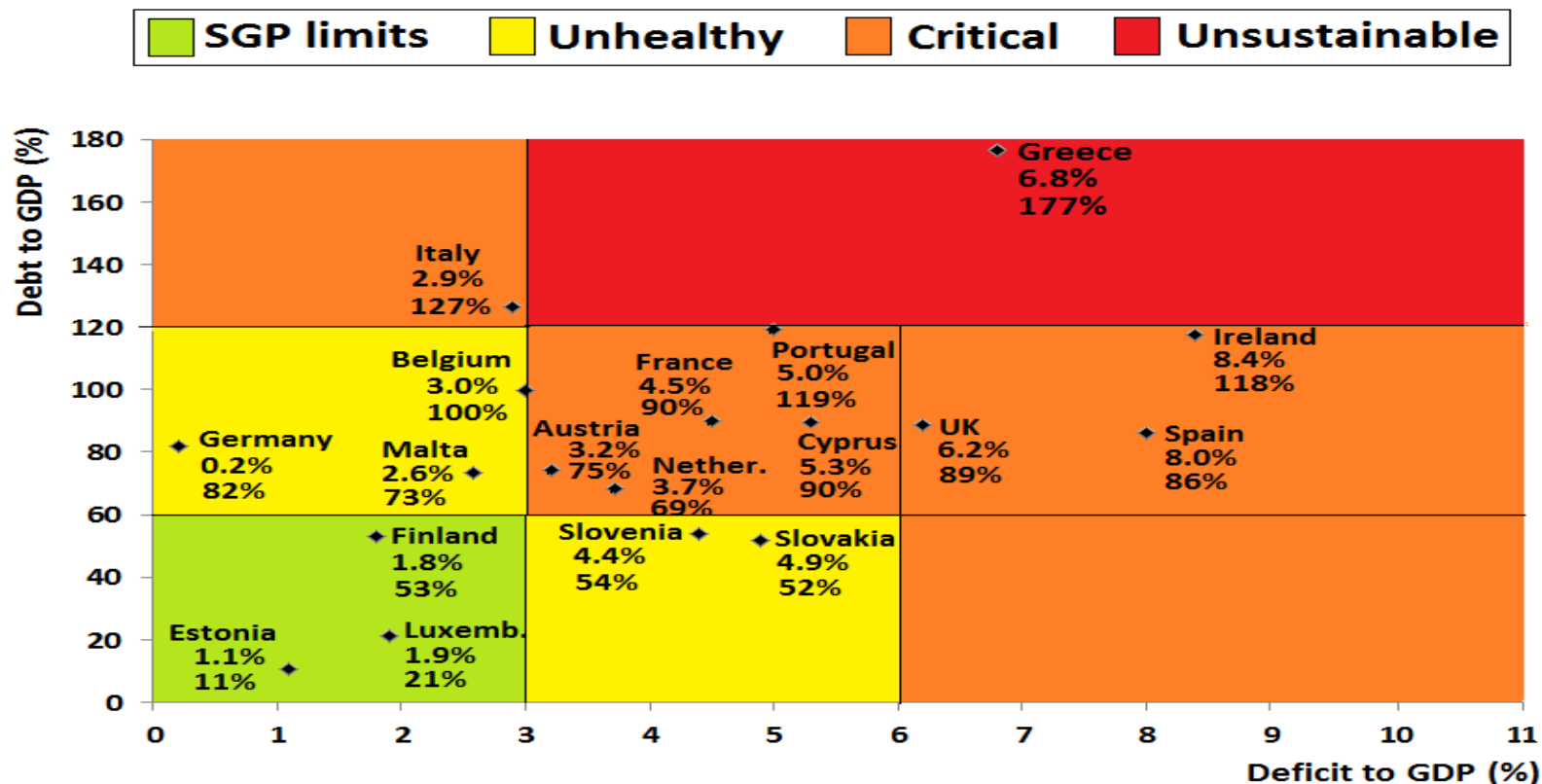
- 2009, deficit 4.4% of GDP
 - 15% across the border cut in administrative expenditures
- 2010, deficit of 3%
 - gradual increase in mandatory pension age to 65
- 2011, deficit of 1.9%
 - golden rule in organic budget law: below 2% deficit and 40% debt to GDP
- 2012, deficit of 0.8%
 - A unified law for national and municipal budgets, 2% deficit and 15% debt to GDP

Why “Spend What You Earn”?

- Otherwise just postponing resolution
 - example: Slovenia
- Already high debt burden in Europe
- Otherwise inefficiencies go on
 - in energy sector
 - in transport
 - army and police

Can Anyone Afford to Spend More?

Budget Deficit and Public Debt to GDP - 2012



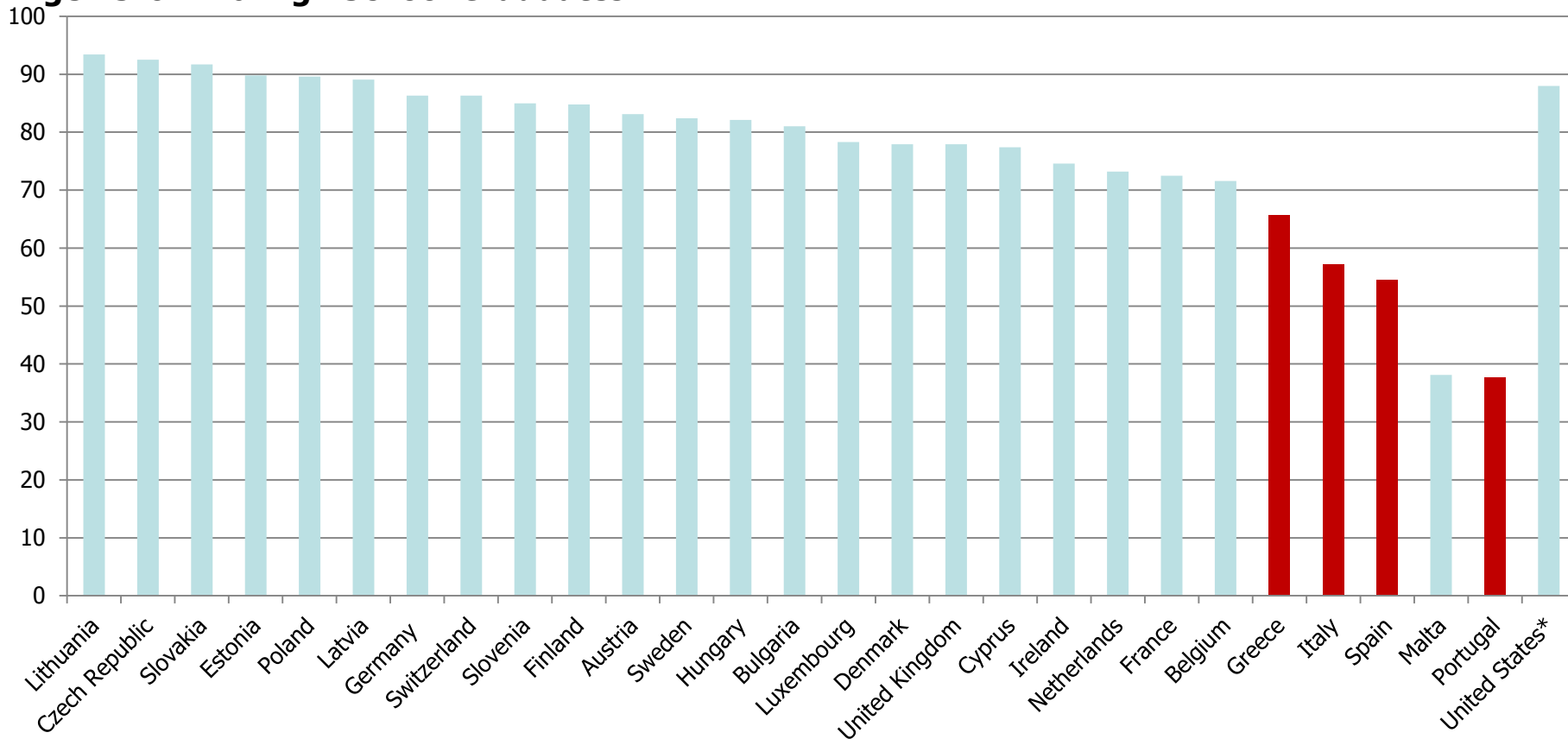
Source: Eurostat

Europe Needs a Competitiveness Boost

- Many European countries produce and export too little and at too high a cost. This is seen in the external trade data. In 2012 France ran a current-account deficit of €82 billion, Spain €32 billion, Greece €20 billion, Portugal €11 billion and Cyprus €4.3 billion.
- According to the World Bank data, it takes 11 procedures and €9,000 to open a small business in Athens. It takes 735 days and 43 procedures to resolve a simple commercial dispute in Larnaca, Cyprus. And it takes 59 days and visits to eight different offices to register a small piece of property in Paris. It is cheaper and faster to do all this in Berlin.

What Else Europe Needs: Education

Age 25-64: % High School Graduates



Europe's Growth Plan

- What can Greece, Portugal and Spain export?
 - agriculture, fashion
- Focus on bringing manufacturing back
- Involving more people in economic activity
 - women, elderly people



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Thank you
for your attention

