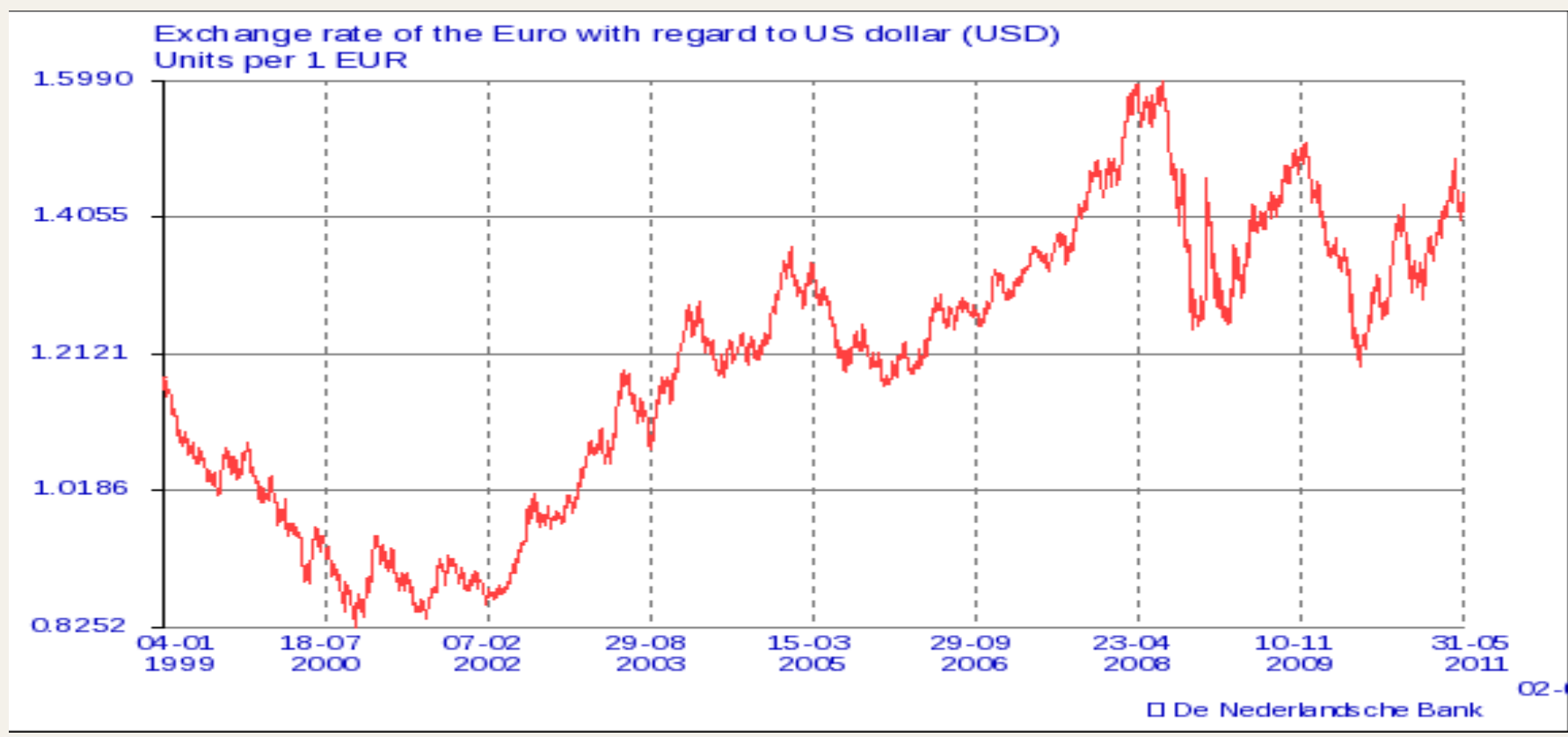
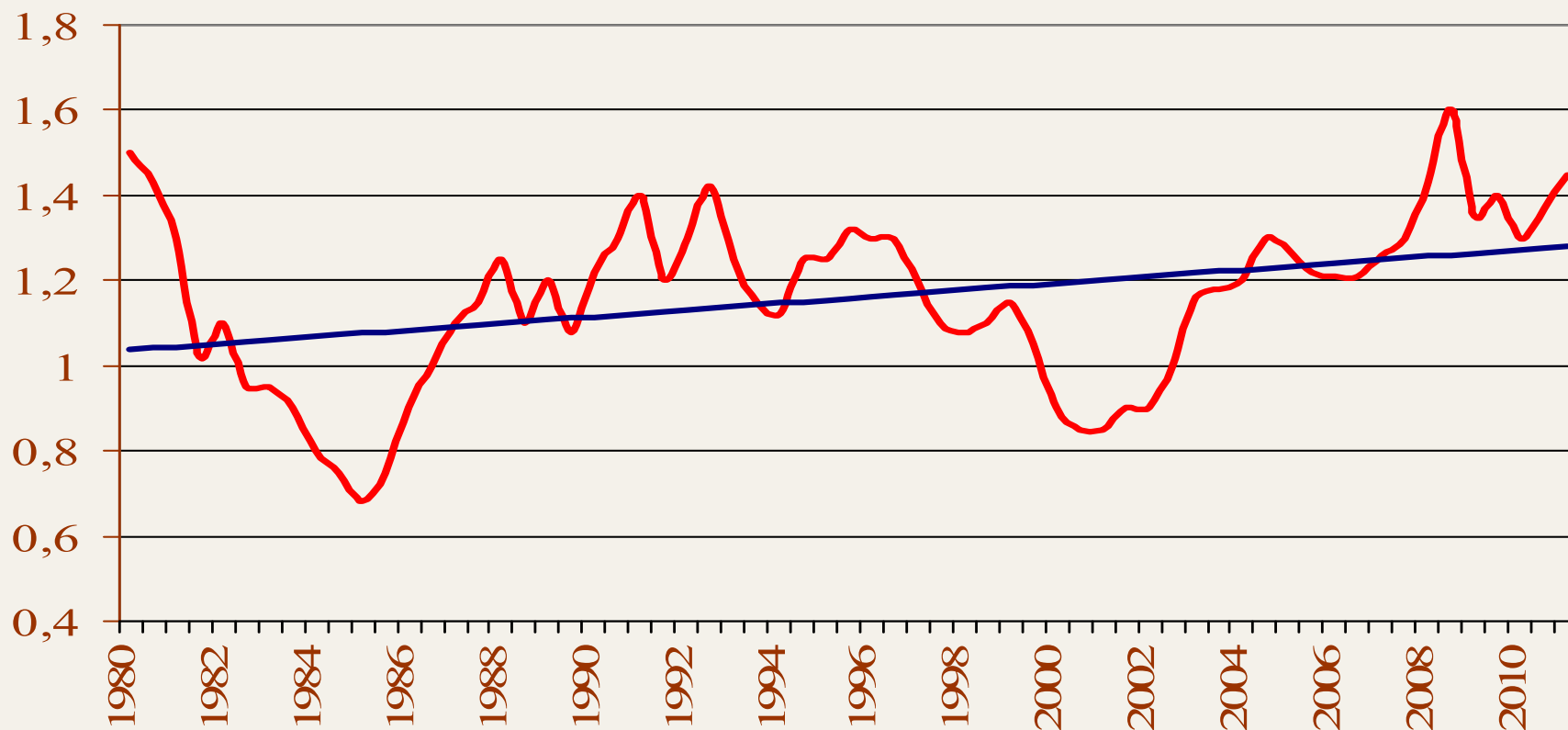

EU economic governance reform - an external view

Hans Martens
Chief Executive
European Policy Centre

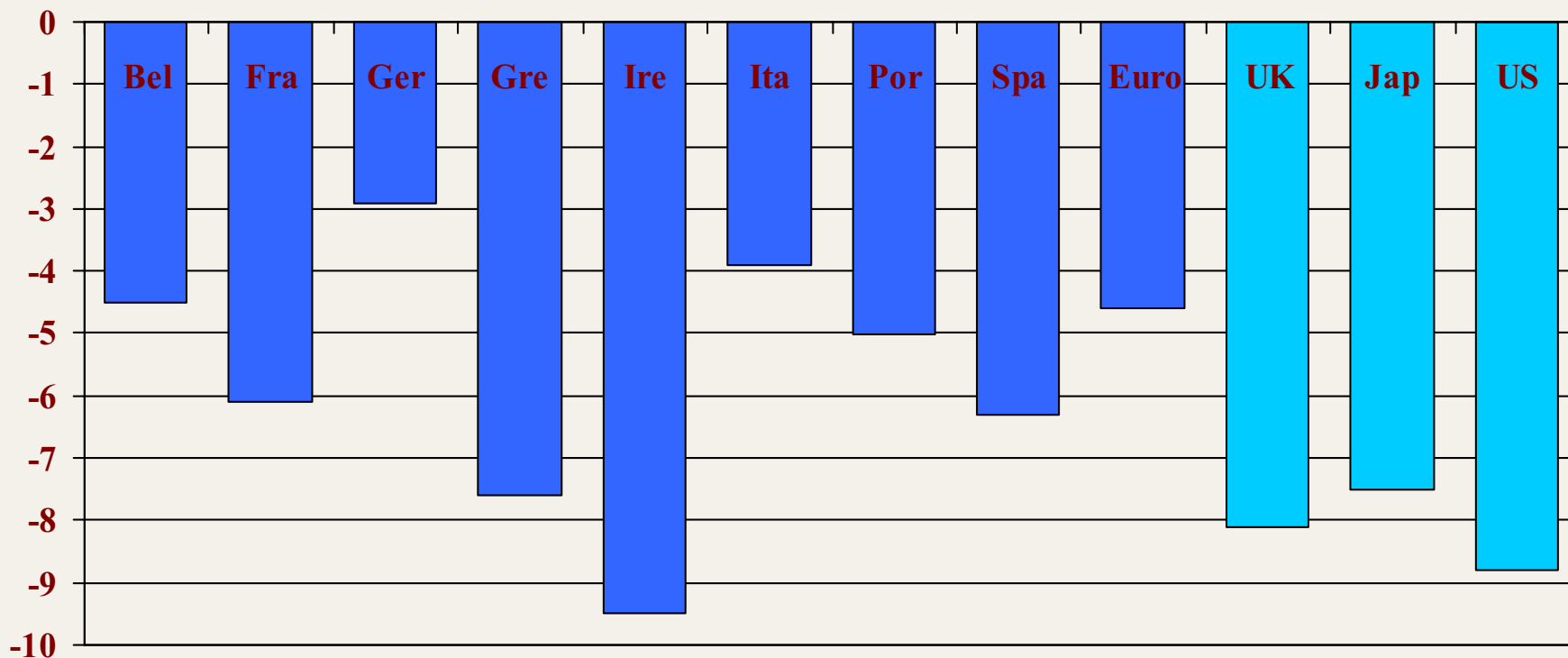
A Currency in Crisis?



Euro-Dollar Exchange Rate

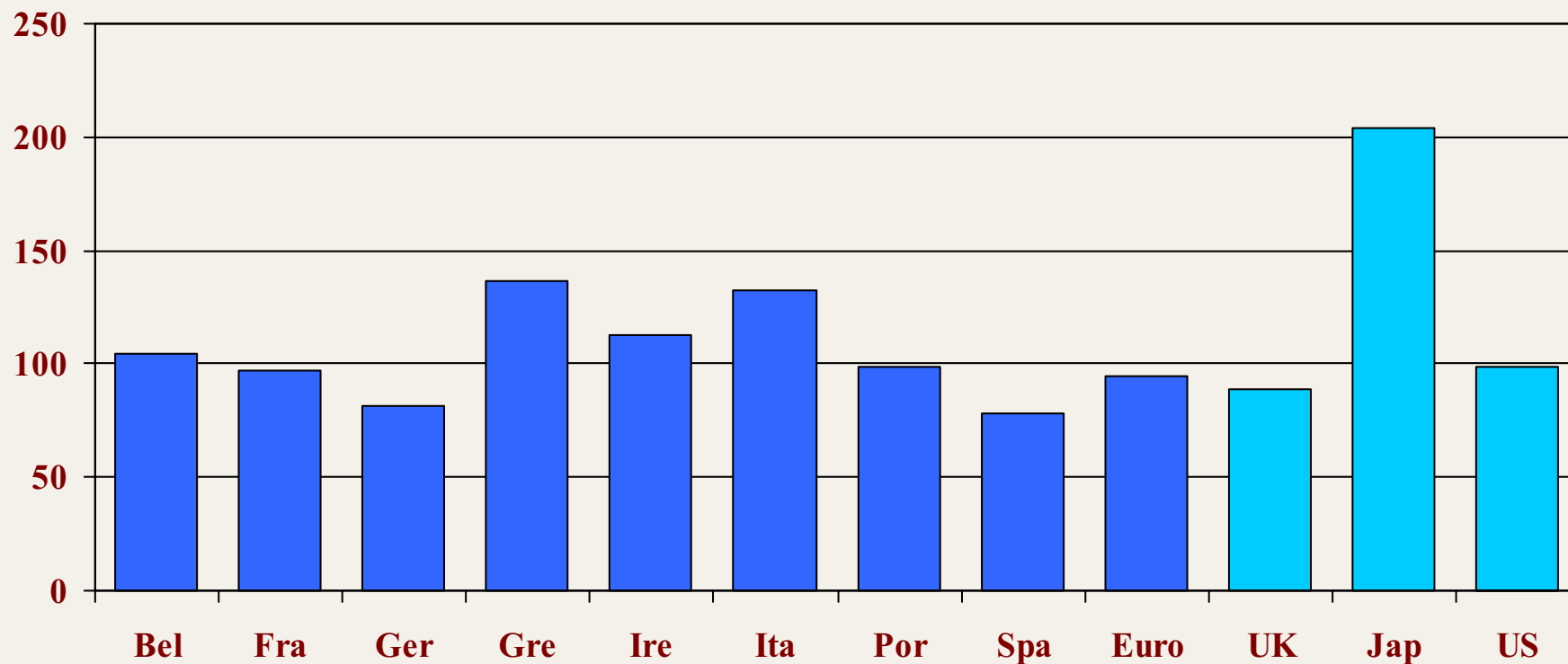


Government budgets 2011 (% of GDP)



OECD Economic Outlook 88

Government debt 2011 (% of GDP)



OECD Economic Outlook 88

Currency wars

Popular opinion attributed China's large trade imbalances and huge capital reserves to its currency policy, but this was only one part of the story. The bigger factor, in my view, was the lack of savings by Americans, which translates into our massive levels of imports and overreliance of foreign capital flows.

Currency wars

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Henry M Paulson, Jr: On the Brink 2010

Federal Reserve Chairman Alan Greenspan 13.03.2002:

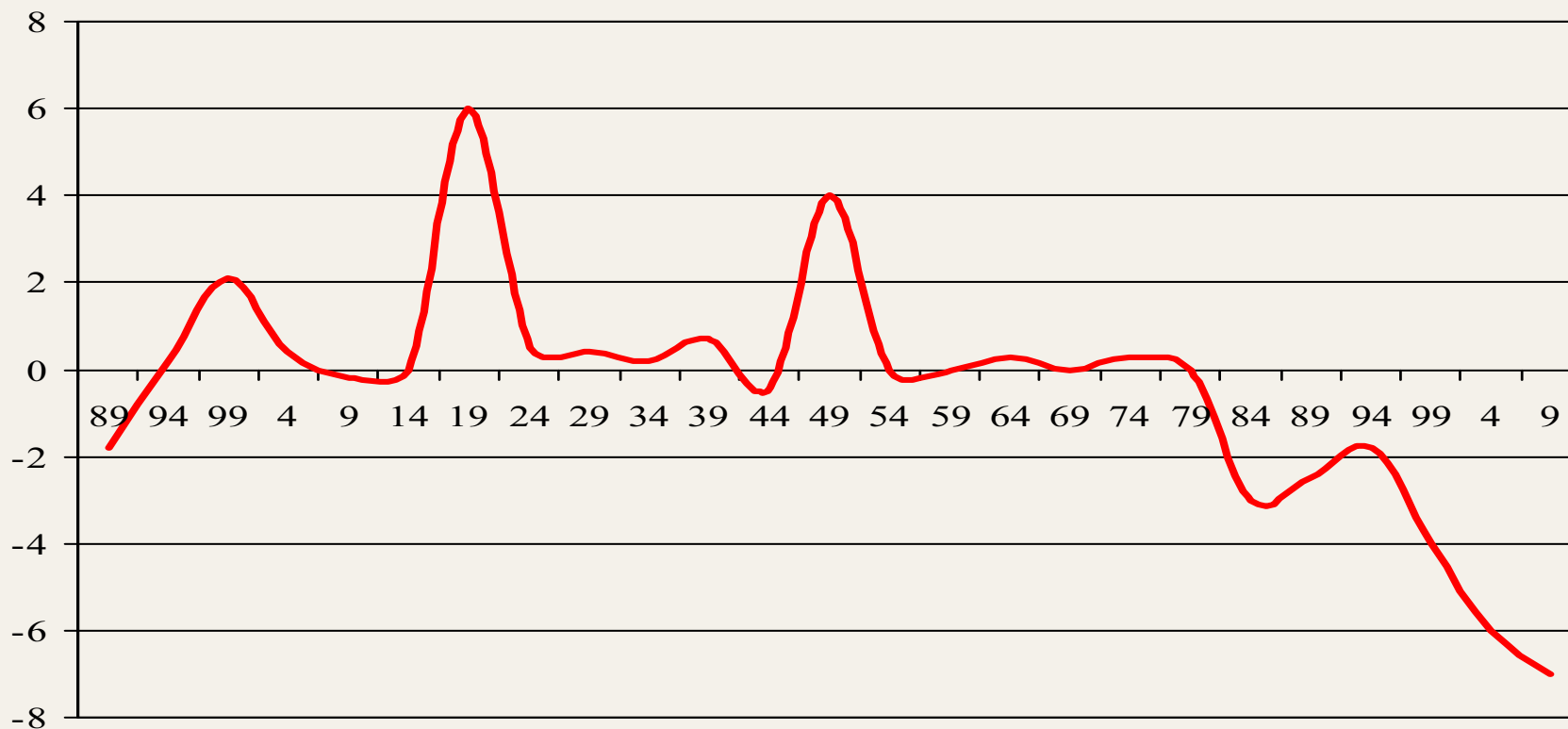
Greenspan noted that over the past six years, about 40 percent of growth in U.S. capital stock has been financed by foreign investment, increasing America's reliance on others and running up mounting deficits that need to be controlled because it means a growing share of interest payments are sent abroad.

"Countries that have gone down this path invariably run into trouble, and so would we," he said. "Eventually, the current account deficit will have to be restrained," he said.

"Because of the near certainty of a major rise in the retiree-to-worker ratio in the next few decades, we now face the pressing need to set policies for the enhanced productivity growth that will be necessary," Greenspan said.

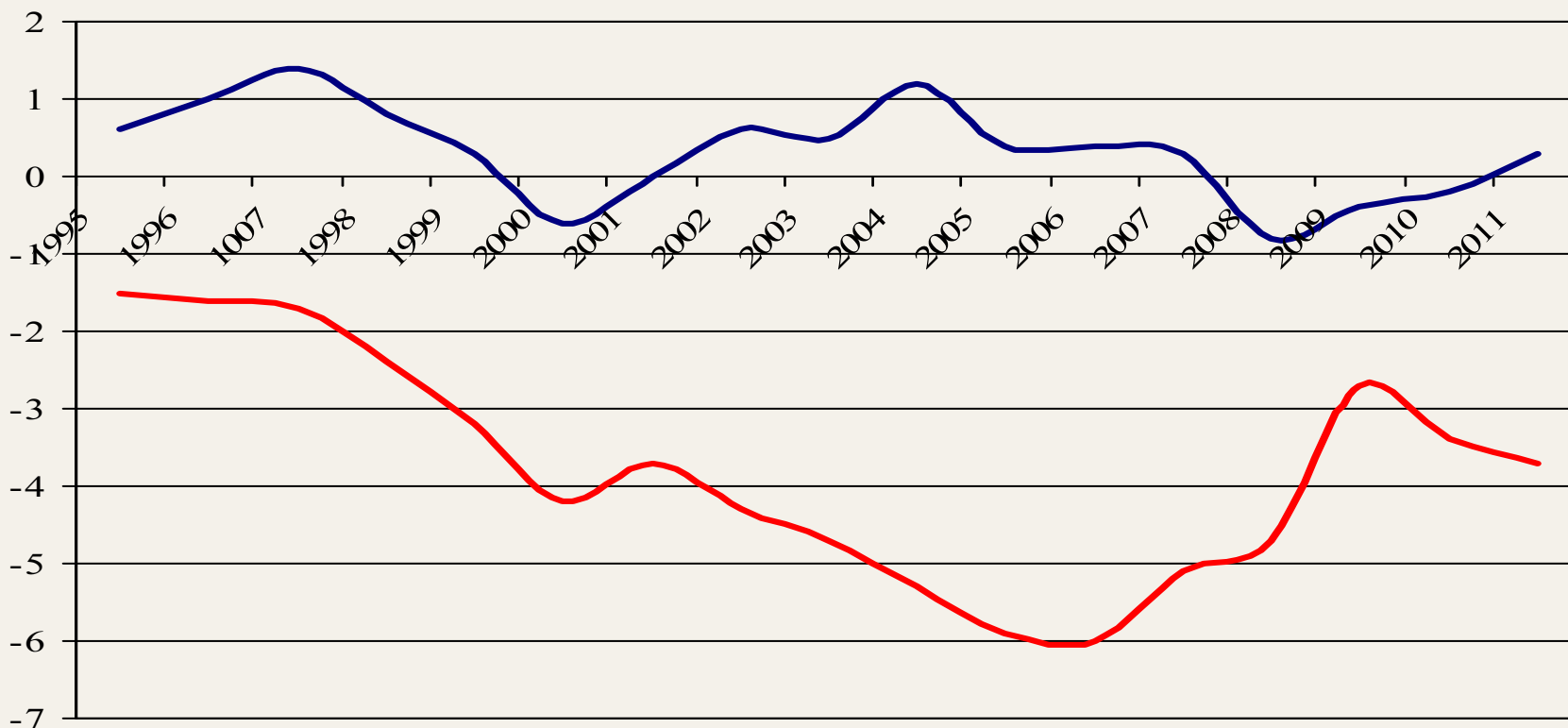
Boosting savings is essential even though it does not affect the number of people in the workforce. "But it surely affects capital investment, which it finances, and the productivity that it engenders," Greenspan noted.

US current account 1889 – 2004 - % of GDP



Source: OECD Economic Outlook no. 76

US and EU current account 1995 – 2011 - % of GDP



Source: OECD Economic Outlook no. 88

The Euro

Despite market hysteria, there is a fundamental belief in the Euro

Euro area has a good track record for financial stability

Euro area is not dependent on foreign capital

Euro governance

Impressive reforms on short time

Not the great European project with enthusiastic back-up

Euro-are can act when it has to!

What stimulates political action?



Will it work?

Can reforms be made with public support and with broad parliamentary support?

Will the peer review work – and what if it doesn't?

Is the process too intergovernmental?

Will the Treaty change create trouble?

Should we have an Euro Finance Minister?

Will it work?

Europe 2020 seems to have been forgotten. We need action on growth and jobs in Europe

Smart, Green and Inclusive Growth seems to be the right answer, but not much action

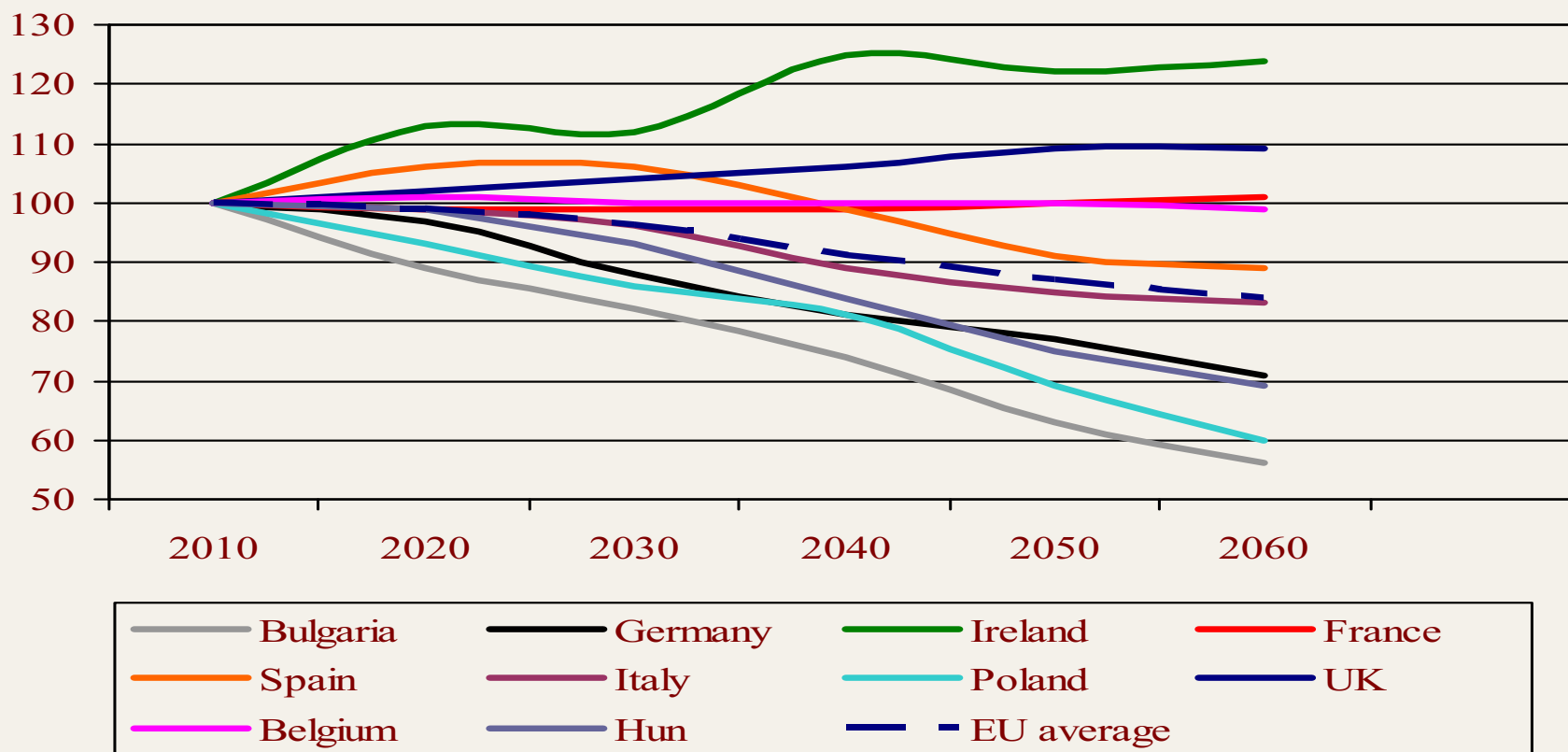
Euro Plus Pact is basically the German reform model, but is it enough?

Some Examples

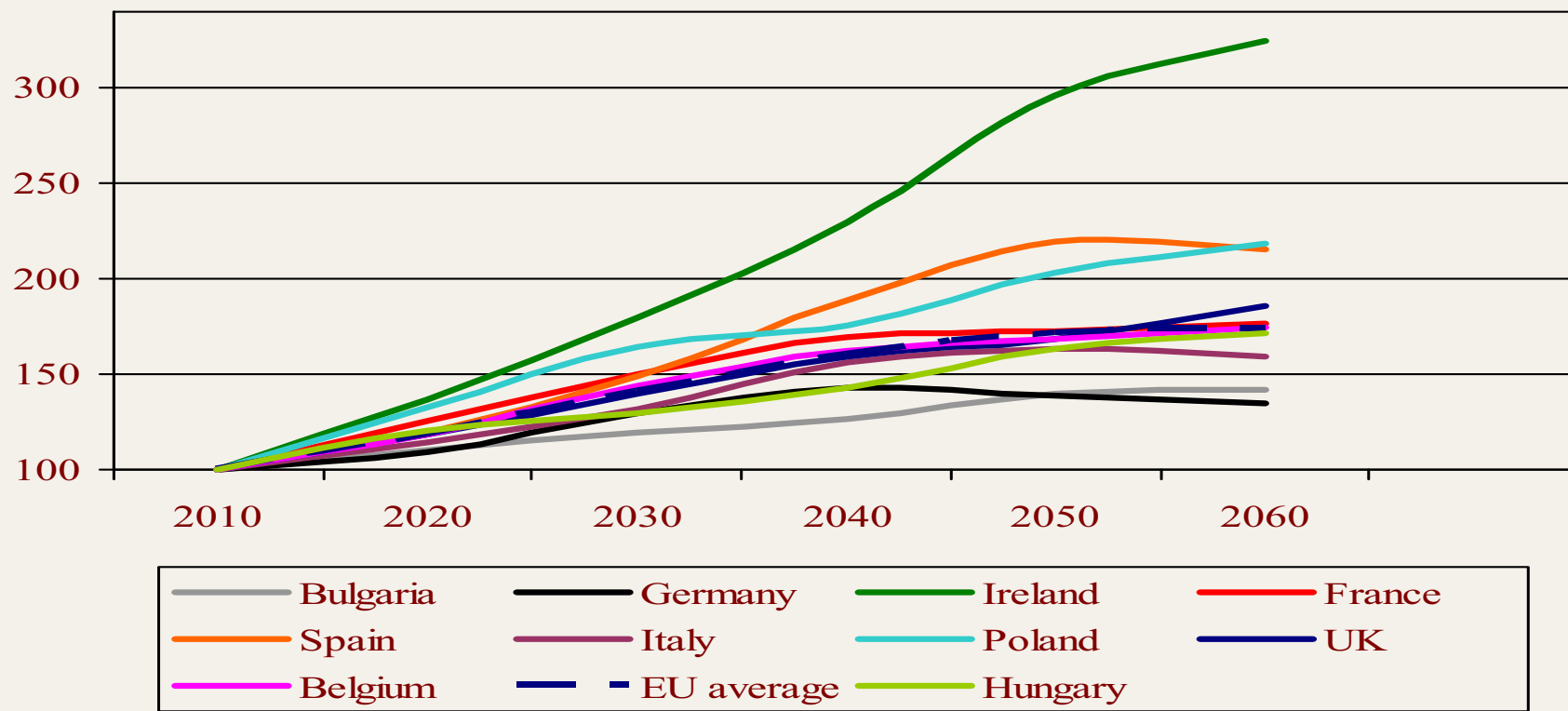
Country	Pop. 2008	Births	Deaths	Net migration	Change	Pop. 2060
Belgium	10.656	6.454	6.472	1.639	+1.639	12.295
Bulgaria	7.642	2.739	4.941	43.9	-2.158	5.485
Germany	82.179	32.251	51.693	8.067.4	-11.420	70.759
Spain	45.283	23.164	28.060	11.525	+6.629	51.912
France	61.876	40.885	35.273	4.312	+9.924	71.800
Hungary	10.045	4.155	6.477	993	-1.329	8.717
Ireland	4.414	3.785	2.308	860	+2.337	6.752
Italy	58.529	25.453	37.412	11.820	-139	59.390
UK	61.270	42.359	34.660	7.708	+15.406	76.676

Eurostat, 2008

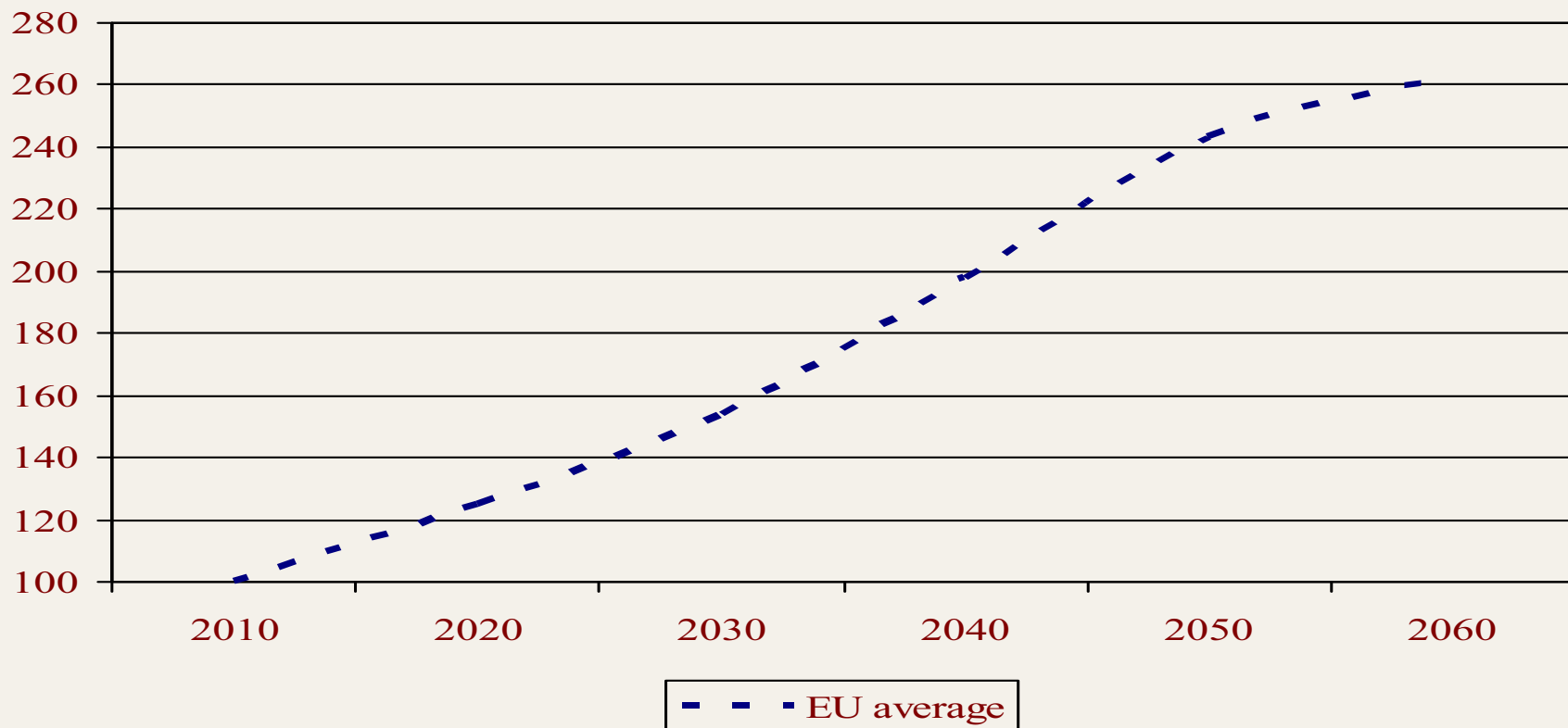
Working population (15-64) 2010 = 100



Population over 65 years 2010 = 100



Population over 80 years 2010 = 100



EU Total Age Dependency Rates – 2010 and 2050

