Better Economic Governance in Europe

Intra-EU Trade in the Light of Divergent Fiscal Stability Cultures

Berlin, 21 September 2015

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About ECIPE

• A trade policy, world economy think tank based in Brussels

• Ordo-liberal and support open world economic order

• Analyse the ‘political economy’ and world trading system

• Launch a ‘Single Market Programme’ in November

• Current focus: Global Trade, EU Affairs, Single Market, TTIP, Digital Economy and the Economics of Digital Businesses

• Bring together politics, economy and law and present the conclusions to a broader European Public
Recent Calls for ‘Better’ Economic Governance in the EU

The Five Presidents' Report:
• ‘Boost’ competitiveness and structural convergence
• ‘Completion’ of EMU
• ‘Strengthened’ of the Macroeconomic Imbalance Procedure
• Competitiveness authorities in charge of ‘wage formation’
• European Deposit Insurance Scheme (EDIS)
• A euro area treasury could be the place for such collective decision-making

Emmanuel Macron and Sigmar Gabriel:
• France & Germany to ‘fix’ the Eurozone
• Launch an Economic and Social Union
• A Eurozone budget
• ‘Harmonisation’ of corporate tax systems
Fiscal Governance Will Never Work
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Distribution of years with fiscal surplus or fiscal deficit
Period: 2011-2014
Source: Eurostat

Note: government debt to GDP ratios 2014: min: 10.6% (Estonia), max: 177.1% (Greece),
EU median: 68.8%, EU28 average: 86.8%, EMU19 average: 91.9%.
Macroeconomic Imbalance Procedure (Theoretically) Implies Massive Intervention

2013 Net balance (in 1,000 million EUR)

Current account net balance

Year: 2013
Source: Eurostat
Regulatory Heterogeneity: Network Markets Severely Fragmented

OECD Indicators of Product Market Regulation in network industries, 2013. The box plot shows the minimum, first quartile, median, third quartile, and maximum regulatory restrictiveness levels.
Regulatory Heterogeneity: Professional Services Severely Fragmented

OECD Indicators of Product Market Regulation in network industries, 2013. The box plot shows the minimum, first quartile, median, third quartile, and maximum regulatory restrictiveness levels.

- 43 per cent of EU GDP – yet many services not traded across borders

- Does not aim to harmonise national ‘objectives’

- Lingering barriers ‘within’ Services Directive: severe regulatory heterogeneity

- 51 types of authorisation (plus ‘within measures’) for commercial establishment, 33 types for trade of services

- Manifold barriers ‘outside’ Services Directive: electronic communications, transport (all six modes), healthcare (national insurance schemes), subsidised education, social services
Bold Political Measures Needed…

The Single Market Needs a Charm Offensive.

1. Political leaders: dare? to abstain from collective measures

2. High! level leadership at EU and Member State level: investment of political capital in ‘on the ground’ economic integration

3. Hard! work on the ground: persuasion citizens across EU
Bold Political Measures Needed...

Thank you for our kind attention.