



# „Dynamics, Tensions and Xtreme Events“

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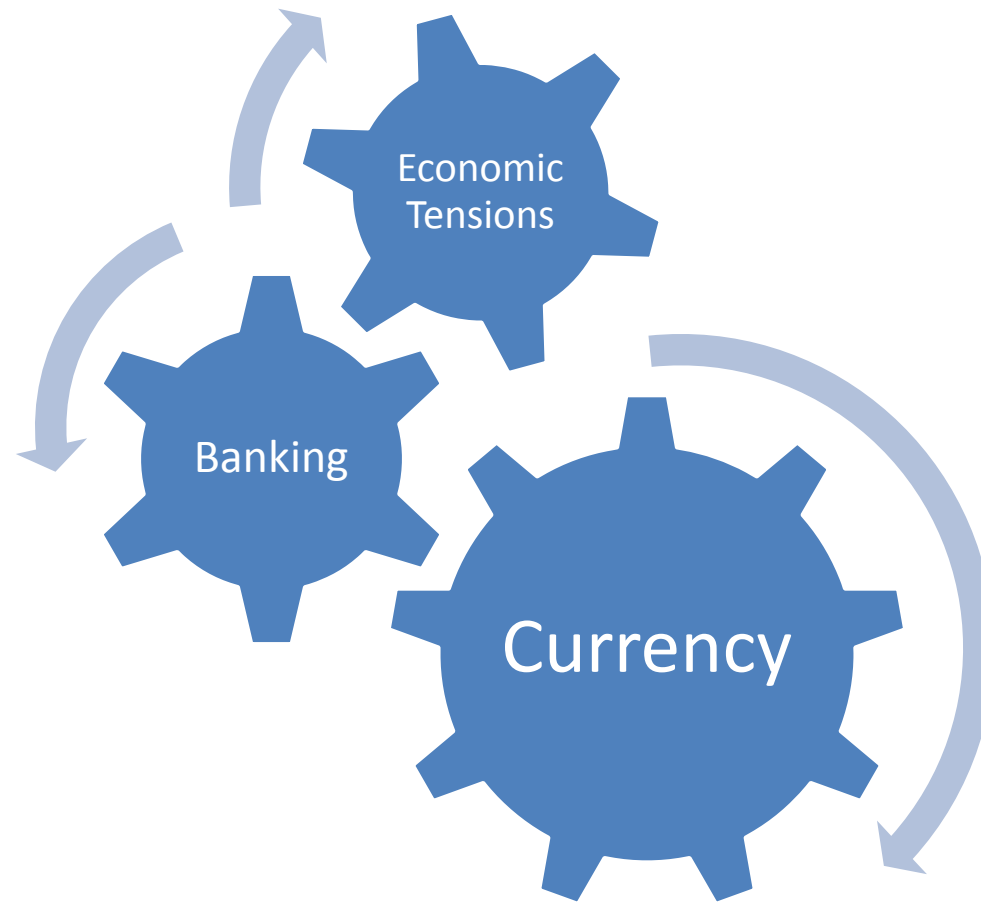
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# Overview

1. Normality or Crisis?
2. Limits of Markets
3. Role of the Government
4. European Crisis
5. Conclusions

# Dynamics, Tensions, Xtreme Events



# Financial crises

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graph TD; A[Financial crises] --> B[Banking]; A --> C[Debt]; A --> D[Currency]; B --> E[Regulation Ownership]; C --> F[Taxation, revenues, expenditures, intelligent debt management]; D --> G[Central Banks];
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Banking

Regulation  
Ownership

Debt

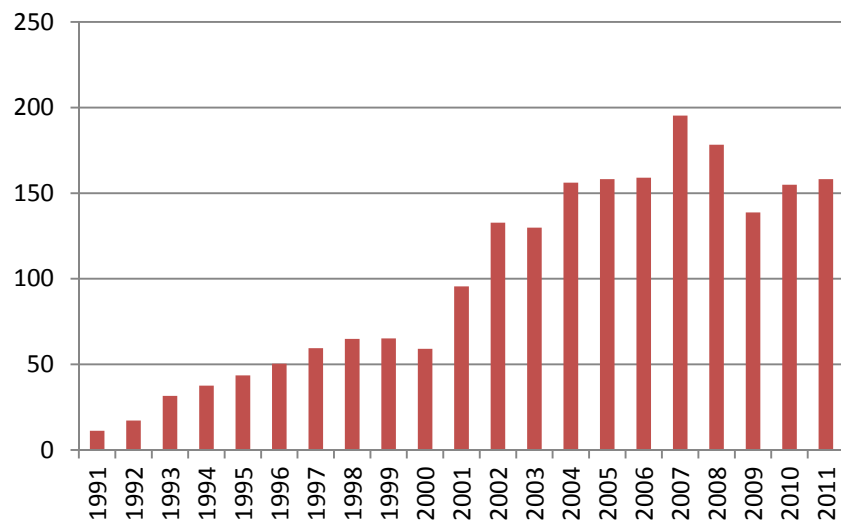
Taxation, revenues,  
expenditures,  
intelligent debt management

Currency

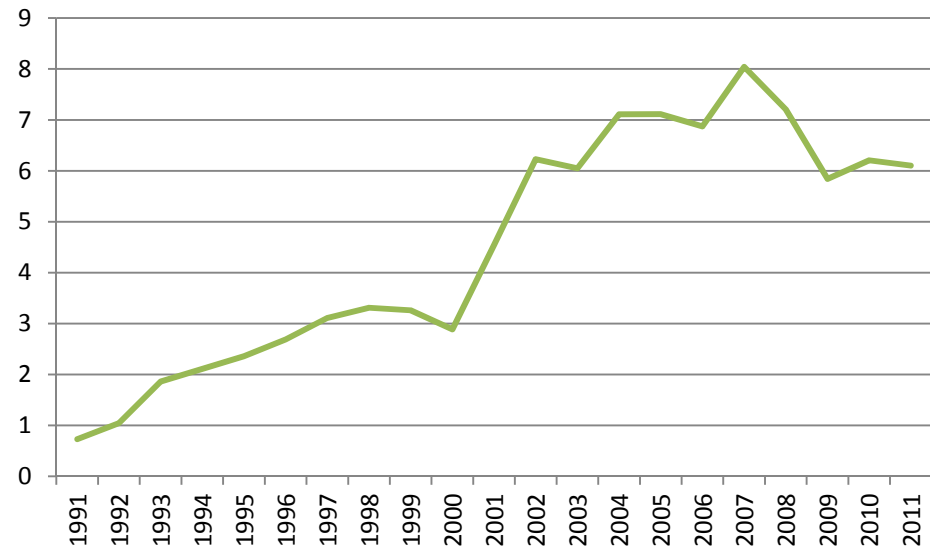
Central Banks

# Limits of Markets: Germany's current account surplus

- in billions of euro



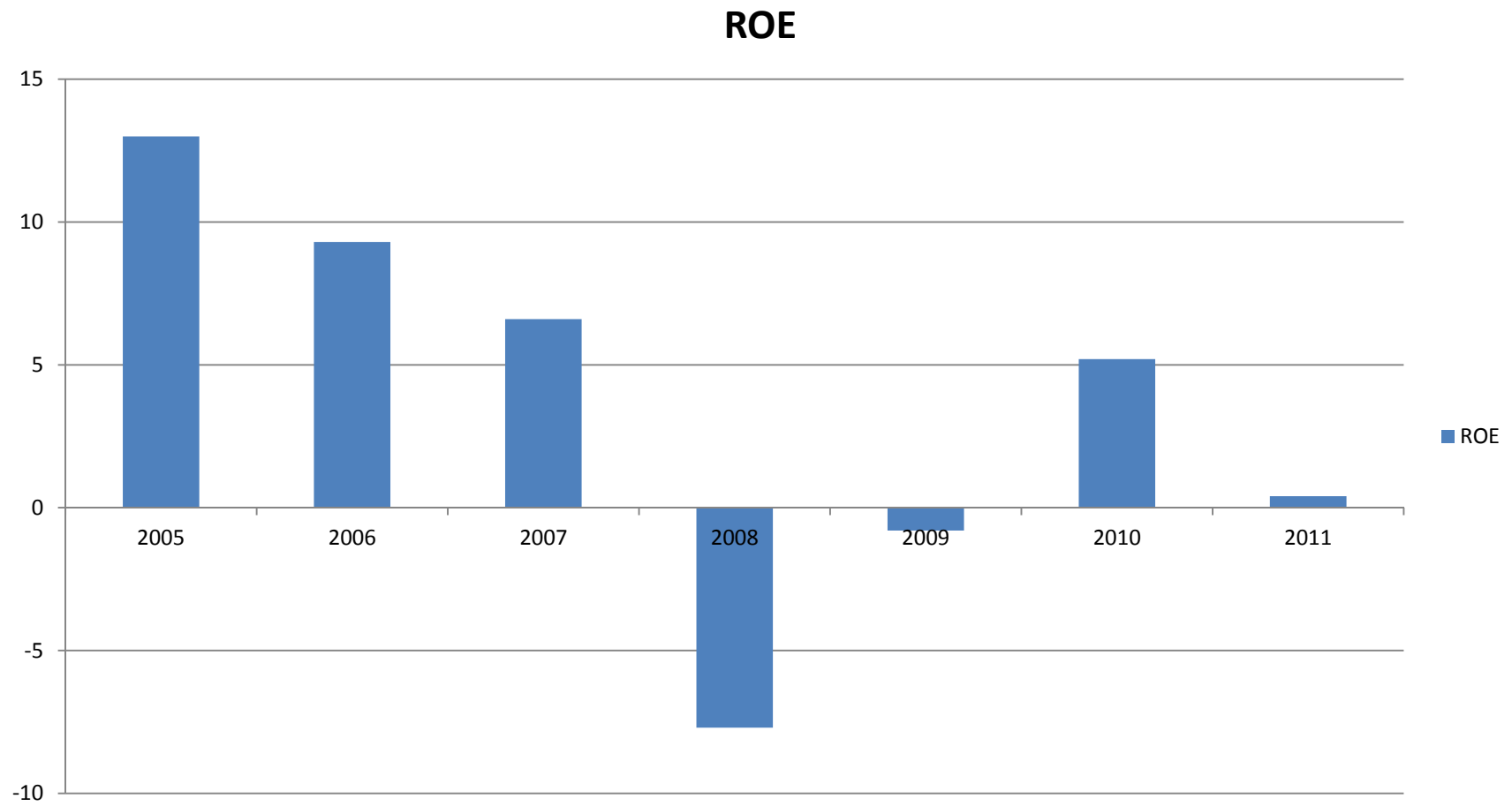
- in % of GDP



➔ Result of international (cross-border) market transactions

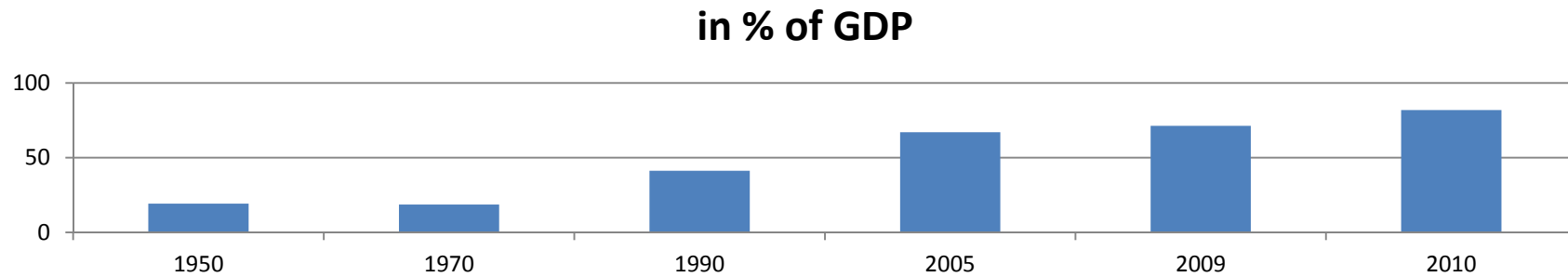
➔ Germany – as economy - is an international creditor

# Limits of Markets



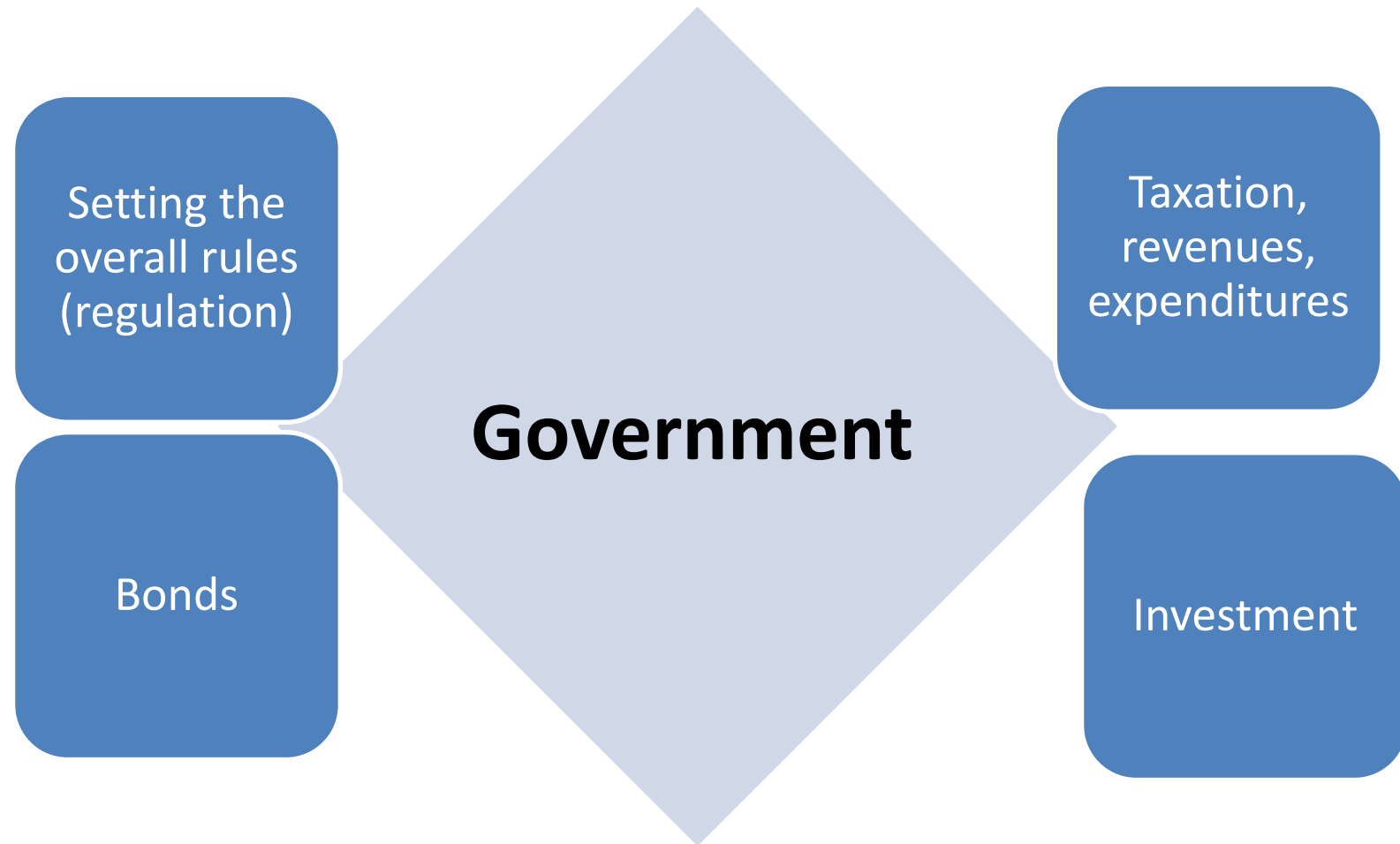
# Public Debt

Year	Billion euros
1950	9,6
1970	64,2
1990	538,3
2005	1489,9
2009	1694,4
2010	2028,2
2011	2030



Source: Statistisches Bundesamt.

# Markets and Governments





# Debt Brake – Limiting the government

- → December 2011: Debt brake becomes a specific German export product
- → on the European level
  - Structural deficit 0,5 percent of GDP
  - Limiting the overall debt burden at 60% of GDP
  - → new paradigm: deficit/debt orientation

	<b>De facto 2008</b>	<b>Law 2009(M/F)</b>	<b>Law 2020(M/F)</b>
Belgium	61,6 <sup>1)</sup>	65	–
Germany	62,3 <sup>2)</sup>	65	65,9 <sup>7)</sup>
Finland	61,6 <sup>1)</sup>	65 <sup>6)</sup>	–
France	59,3	60	62
Greece	61,4	65/60 <sup>3)</sup>	65/65
Ireland	64,1	65	68
Italy	60,8	65/60	65/65
Luxemburg	59,4	65	–
Malta	59,8	61/60	65/65
Netherlands	63,2	65	67
Austria	60,9 <sup>1)</sup>	65/60	65/65
Portugal	62,6 <sup>1)</sup>	65	–
Sweden	63,8	64	
Slovenia	59,8 <sup>4)</sup>	63/61	65/65
Slovakia	58,7 <sup>1)</sup>	62/59	62/62
Spain	62,6	65	67
Cyprus	63,5 <sup>1)</sup>	65	–

Source: Eurostat.

# Conclusion

- Before crisis: dynamics and tensions
- Financial crises have distributional effects
- Crises are part of the game
- What is new? High frequency of different types of crisis
- → so far no classical currency crisis
- → so-called Euro-crisis is a political crisis

**THANK YOU FOR YOUR ATTENTION**

Mechthild Schrooten