

# A decade on from the crisis

## Main responses and remaining challenges

### SUMMARY

It has been a decade since the financial crisis erupted and changed the world in 2008. Few at the time guessed what would be its magnitude and long-term consequences. The interconnectedness of the economy and the financial sector facilitated the spread of the crisis from the United States to Europe. First, the EU faced the Great Recession in the 2008-2009 period and then, after a short recovery, several Member States succumbed to the sovereign debt crisis. The combined crises had catastrophic consequences for economic growth, investment, employment and the fiscal position of many Member States. The EU engaged in short-term 'fire-fighting' measures such as bailouts to save banks and help stressed sovereigns, while at the same time reforming the inadequate framework. While signs of moderate recovery showed in 2014, the risk of falling into deflation or secular stagnation remained high, and it was only in 2017 that the EU economy returned to a state similar to that of before the crisis. The signs in 2019 are not so promising however.

Many efforts have been made to improve resilience in the EU and the euro area. These have included improving the stability of the financial sector, strengthening economic governance, creating a safety net for sovereigns in distress and carrying out structural reforms, particularly in the countries most affected. In addition, the European Central Bank (ECB) has taken unconventional policy measures. Nonetheless many argue that the pace of the reforms has slowed down considerably since 2013 when the economic situation began to improve.

The legacy of the crisis is still present and many challenges persist. These include the absence of a clear and agreed vision for the future of economic and monetary union (EMU), perennial macroeconomic imbalances and high public deficits in a number of Member States, and the ongoing risk of a doom loop between sovereigns and the banking sector. Post crisis vulnerabilities also include rising inequalities, youth unemployment and high in-work poverty risk levels.

See also our infographic, [A decade on from the financial crisis: Key data](#).



#### In this briefing

- A short history of the dual crises in Europe
- Main responses
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## A short history of the dual crises in Europe

The first signs of a financial crisis appeared in 2007 in the United States (US). Originating in real estate and driven by multiple factors such as cheap credit, low interest rates, irresponsible lending, imprudent financial engineering and excessive leveraging of financial institutions, the crisis was also caused by prior regulatory failures, such as the failure to keep economic imbalances in check and an inability to exercise proper oversight of financial institutions.<sup>1</sup>

The collapse of the Lehman Brothers bank in 2008 started a chain reaction characterised by [panic](#) on the markets and a lack of trust, which halted lending. This breakdown of the American financial sector sent the country and then the global economy into the worst recession for more than six decades. The interconnectivity of the global financial system played a key role. For example, European banks, which were heavily involved in subprime mortgage [securitisation](#) in the United States, took losses almost as heavily as American banks and played a fundamental role in transmitting the crisis to the EU. Banks from both sides of the Atlantic were using similar [business models](#), and experienced the same problematic financial conditions characterised by severe undercapitalisation and insufficient liquidity.

Technically, the [recession](#) began in the EU in the second quarter of 2008 – the economy contracted for five consecutive quarters and growth returned only in the second half of 2009 (see Figure 1).

[Interbank lending](#) dried up and banks were deleveraging and closing credit lines, which halted lending to the economy and caused a negative snowball effect. This stiffening of lending standards was accompanied by a decline in household wealth (due for instance to drops in prices of assets such as stocks and real estate). This meant that investment and demand in the economy plummeted and savings became the preferred option to weather the unfavourable macroeconomic conditions. Manufacturers faced

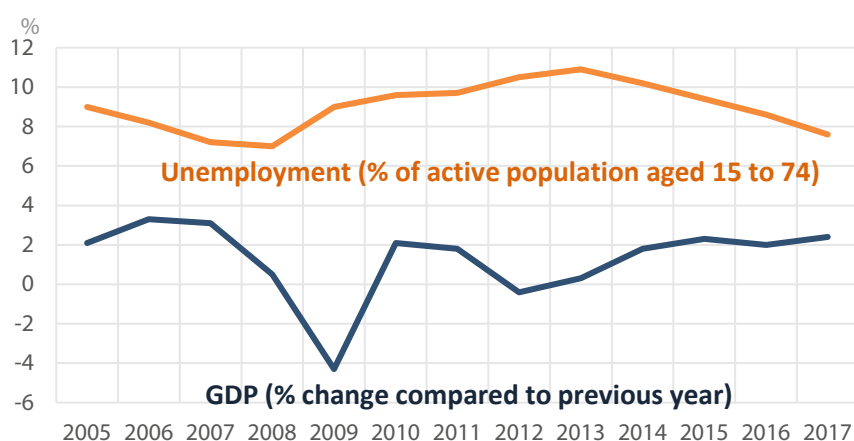
involuntary stock-building, which led to cuts in production. To make matters worse, [global trade](#) collapsed in the final quarter of 2008 as business investment and demand for consumer durables plunged.

The poor state of the economy translated rapidly into rising unemployment (Figure 1). A number of countries also witnessed a rise in [part-time work](#) and a reduction in hours worked. Overall, male, younger and lower skilled workers were hit particularly [hard](#). While the [crisis](#) impacted the whole of the EU, its depth was highly [unequal](#) across individual Member States and the recovery took different paths.<sup>2</sup>

## Main responses

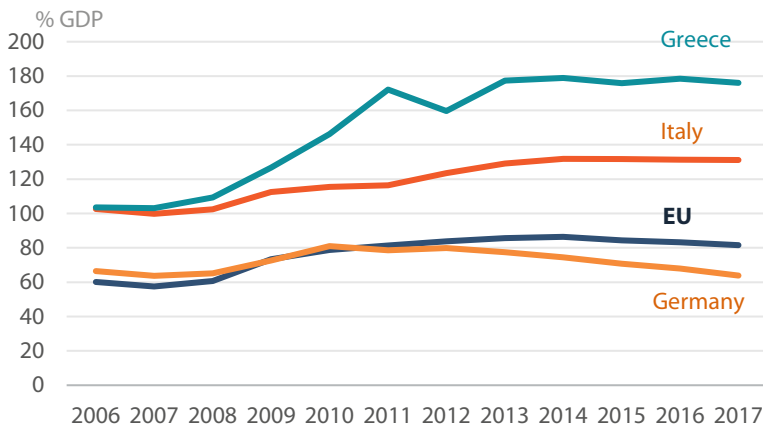
In hindsight, the EU took extraordinary measures to prevent a repetition of an even greater crisis than that of the 1930s. Three main kinds of action were deployed: at EU level, central bank level and government level. In 2008 a large stimulus package called the European economic recovery plan ([EERP](#)) was launched by the EU. The ECB took [measures](#) to support banking sector liquidity and

Figure 1 – EU GDP and unemployment (2005-2017)



Data source: [Eurostat](#), 2018.

Figure 2 – Government debt 2006-2017



Data source: Eurostat, 2018.

accommodate the funding needs of banks. The governments also supported the financial system by increasing deposit insurance ceilings, providing guarantees for bank liabilities, and recapitalising banks being bailed out or wound down. In addition, they implemented fiscal measures to reduce the fall-out of crisis on the rest of the economy. This resulted in a mix of 'automatic stabilisers' (decreasing tax receipts coupled with increased government welfare payments as the economy slows down) and targeted discretionary fiscal measures, such as additional

public investment, tax relief and subsidies for part-time employment. These actions led to a dramatic escalation of public debt (Figure 2).

Efforts to stabilise the banking sector and mitigate the worst effects of the crisis were also made by international forums under the auspices of the G20, the IMF and the Financial Stability Board (FSB). While the worst could be avoided, the EU did not fare as well as the US, as the short period of recovery was followed by marked deterioration with the onset of the European sovereign debt crisis.

The dual crises had a very negative impact on the fiscal positions of many Member States. After being rather stable at around 60 % of GDP from 2000 to 2008, the average EU government debt ratio sky-rocketed to 73 % in 2009, as a result of financial crisis-related expenditure.<sup>3</sup> The operation of both automatic fiscal stabilisers and anti-cyclical fiscal measures contributed to that.<sup>4</sup> Government debt continued to rise until 2014, when it stood at 87 %. Subsequently, the rate decreased systematically to reach 82 % in 2017. The situation varied across the EU: for instance Italy, which had the second highest debt level in the EU in 2006, still maintains high levels today, while in 2017 Germany, with its strong economy and the political will to reduce debt, reached levels lower than before the crisis. The debt crisis was particularly pronounced for peripheral countries such as Greece, Ireland, Portugal and Cyprus.

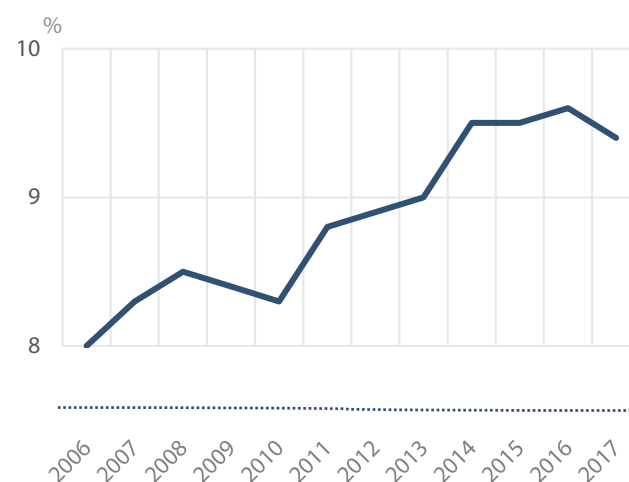
The European sovereign debt crisis was intertwined with the 2007-2009 financial crisis and put grave pressure on the euro area, stressing the financial sector and bloating public budgets. A few Member States needed financial assistance from the EU, the euro area and the IMF after losing access to financial markets. While the US economy recovered from the Great Recession relatively rapidly, in the euro area the economy missed that chance owing to the second crisis. Problems were compounded by the macroeconomic imbalances that had built up inside several Member States.<sup>5</sup> Also, a slowdown in economic activity led tax revenues to shrink, making high budget deficits unsustainable. At the same time the yields on bonds demanded by investors, who priced in the risks and spreads on credit default swaps, were too high to be financed by the countries themselves. The crisis occurred as a result of soaring public debt: it was triggered when the under-reporting of the Greek public debt and deficit was revealed in 2009. A domino effect followed owing to a massive loss of confidence on the part of financial markets in the creditworthiness of several other Member States. Ireland and Spain<sup>6</sup> came under scrutiny owing to negative effects caused by the bursting of real estate bubbles and the increasing public debt used to bail out banks, Portugal owing to large and increasing macroeconomic imbalances, and Cyprus following a profound banking crisis.

In hindsight, it appears that the sovereign debt crisis took the EU and Member States by surprise: without crisis resolution mechanisms in place, nor adequate budgetary means available to rescue the ailing banks and stimulate the economy, the situation deteriorated rapidly.

[Investment](#) plummeted by around 20 %, with the worst hit countries reporting losses of more than 40 %.<sup>7</sup> A double-dip recession ensued. About 6.7 million [jobs](#) were lost between 2008 and 2013. The rise in precarious employment and cuts to benefits contributed to the rising number of 'working poor', a figure that has been on the rise since 2010 and now includes one in ten employees (Figure 3). With the exception of Ireland, the [countries](#) hardest hit by the crisis have higher than average percentages.

Crucially, a [doom loop](#) or [vicious circle](#) was exposed, in which sovereign and bank risks fed each other – issues in the banking sector caused fiscal distress while, similarly, decreases in the bond prices of stressed sovereigns worsened the situation in banks that were large holders of sovereign debt. The EU was forced to engage in short-term 'fire-fighting' measures such as bailouts to save the banking sector and help stressed sovereigns while at the same time reforming the inadequate existing framework. The ECB expanded its toolbox with unconventional monetary policy measures, providing the banking sector with long-term liquidity, purchasing government bonds and other securities on secondary markets in order to support the sovereigns, and lowering interest rates to avoid deflation (this stimulated demand).<sup>8</sup>

Figure 3 – Employed people at risk of poverty



Data source: [Eurostat](#), 2018.

Even though the euro area was spared an implosion, major [economic indicators](#), such as GDP growth, employment and investment, took positive turns only in 2014. While the acute phase of the crisis had ended by then, the economy was still feeling its aftermath, entering into prolonged low inflation (and even venturing into [negative policy rates](#) territory) in a period characterised by anaemic growth rates and more trouble with the banks. The risk of spiralling into damaging deflation or [secular stagnation](#) was high. With no room left to use the interest rate tool, the ECB reverted to [quantitative easing](#) to raise inflation, facilitate bank lending and stimulate the economy. Finally, in 2017 after years of moderate recovery, the EU economy had its best year since the crises. There are, however, again growing signs of an undesirable economic slowdown materialising.

The EU has to a certain extent reformed itself and, under the pressure of these grave circumstances, aims to act according to the oft-quoted [maxim](#) of 'never let a good crisis go to waste'. However, despite heavy investment of available means and energy, it is also possible to conclude that more could have been done and that it is still unclear how much better Europe would [fare](#) should a crisis of such magnitude reoccur.

To prevent the multiple weaknesses that led to and amplified the crisis from resurfacing, the Union and euro area have acted on many fronts. The immediate focus was on improving the resilience and stability of the troubled financial sector. Between 2010 and 2011 the EU established numerous new institutions: first the European Systemic Risk Board ([ESRB](#)), to prevent or mitigate systemic risks and support the development of effective [macroprudential policies](#). Following calls from the European Parliament – before and during the early stages of the financial crisis – for more integrated European supervision, to reflect the increased integration of financial markets in the EU and provide a truly level playing field, a European system of financial supervisors ([ESFS](#)) was created. It comprises three

European supervisory authorities (ESAs) for specific segments of the financial sector: the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA). A recent proposal for the reform of the [role of the ESAs](#), increasing their [budget](#) and mandate, particularly for ESMA with a view to capital markets union (CMU), will potentially revamp the ESFS, but the final outcome of the negotiations remains to be seen.

Furthermore, an analysis of weaknesses in the banking sector led the EU to launch a [single rulebook](#) in 2012, which constitutes the foundation of the [banking union](#). Its pillars include: (i) a single supervisory mechanism (SSM), under which the ECB supervises banks to determine how they lend, borrow, invest and comply with the single rulebook;<sup>9</sup> (ii) a single resolution mechanism (SRM) that constitutes the framework for the orderly winding down of failing banks while ensuring minimal use of taxpayers' money. Importantly, the banking union rules also determine [capital requirements](#) for banks (recently under [revision](#)) and investment firms to improve the banking sector's resilience to economic and financial shocks, enhance its risk management and ensure normal lending activities during an economic downturn. They also provide an equal level of protection of bank deposits across the EU to prevent bank runs and ensure the stability of the banking system under the [deposit guarantee schemes](#).

During the crises it became [apparent](#) that the [stability and growth pact \(SGP\)](#), designed to prevent the build-up of excessive deficits, had been watered down due to a lack of compliance by the Member States and weaknesses in its enforcement procedures. The pact was meant to create room to help stabilise demand in times of economic downturn, but before the crisis many Member States were unable to achieve the necessary fiscal margin. The EU decided that in order to make sovereigns and EMU as a whole more resilient, closer economic coordination in the currency union and more robust surveillance of fiscal policies was needed. In 2011, the six-pack<sup>10</sup> was adopted, reinforcing the SGP. The focus was on debt levels rather than deficits in order to avoid future sovereign defaults. Enforcement was strengthened by starting the economic coordination cycle early and increasing [automaticity](#) in issuing recommendations, warnings and sanctions, which set in early in the process. The monitoring of expenditure developments to assess progress towards the sustainable [medium-term budgetary objective](#) and a numerical benchmark for debt reduction were also introduced. The reform also improved fiscal statistics, including the possibility of fines for misreporting and measures to strengthen the independence of national statistical authorities. For the first time minimum common requirements were introduced for national budgetary frameworks. The six-pack also institutionalised the [European Semester](#), which allows closer coordination of the economic, budgetary and employment policies of the Member States. The reforms emphasised the importance of correcting [macroeconomic imbalances](#), which, if detected early in the framework of the European Semester, would trigger enhanced monitoring and possible sanctions for the Member State concerned. The framework was further reinforced in 2013 with the adoption of the two-pack,<sup>11</sup> which introduced even closer monitoring of excessive deficits and financial stability, and gave the Commission the right to give an opinion on draft national budgets, with the possibility to request revision in cases of severe non-compliance with the SGP.

In order to install a much needed safety net for sovereigns in severe financial distress, the euro-area Member States created the 'firewalls': first, the European financial stability mechanism (EFSM) and facility (EFSF) were established in 2010 as temporary crisis resolution mechanisms providing financial assistance (complemented by [bilateral loans](#)) and funded through issuing bonds and other debt instruments on capital markets. The European Stability Mechanism (ESM) was created in 2012 as a successor to the EFSF and a permanent backstop for euro-area countries no longer able to access financial markets for funding. The total amount of loans disbursed so far has reached €295 billion (while both these instruments had €700 billion in [firepower](#)), and all five Member States concerned (Greece, Cyprus, Spain, Ireland and Portugal) have exited the financial assistance programmes and are now repaying their debts. Independent [evaluation](#) has found that the firewalls



helped to safeguard financial stability in the euro area but that the macroeconomic outcomes of the programmes were mixed.

At Member State level, since 2009, reform responsiveness in the euro area has been higher than the OECD average, particularly in those Member States that were covered by financial assistance programmes. [Structural reforms](#) have aimed to enhance those countries' resilience and competitiveness, in particular through reforms in product market regulation, employment protection and wage flexibility, and through implementation of active labour market [programmes](#). While these reforms are expected to support potential growth, they tend to achieve their full effects with a substantial time lag. Furthermore, the ECB identified a significant decrease in the [pace of reform](#) after 2013. Some at the [IMF](#) also took a critical look at the pace of structural reforms, noting that over the past 30 years the strongest momentum was in the period running up to the adoption of the euro, when several Member States implemented comprehensive reforms, whereas after that reform efforts weakened. Evidence emerged from the crisis that a supportive [macro-policy mix](#) leads to better reform implementation. The crisis also showed, mainly from the painful example of Greece, that implementing structural reforms during a recession is much harder than during a pre-crisis boom. Unfortunately, as the [ECB](#) discovered, structural reform implementation is more likely during a deep recession and when the unemployment rate is high. The EU tries to incentivise the Member States to pursue reforms with its [funding schemes](#) but there is no mechanism in the economic governance toolbox that obliges countries to make use of an economic upswing.

When considering the [role of the ECB](#), on the one hand many argue that it mostly used the right [instruments](#), which prevented the collapse of the common currency and banking sector and helped to weather the crisis, while others from academia and the political sphere are critical of its policies. However, there is evidence that it is not likely that inactivity or even [less activity](#) of the ECB would have led to better outcomes. Taking into account the current structure of the financial markets and the practices of many major central banks since the crisis, a return to previous types of monetary instruments is [doubtful](#). Some question the [timing](#) of the interventions, arguing that monetary policy did not respond fast and aggressively enough. They may have a point with hindsight, that sending clear signals (such as a 'whatever it takes' statement to calm the markets) [early](#) increases central banks' ability to improve financial market sentiment. However, some at the ECB analysed its policies arguing that a ['fair assessment'](#) requires a real-time and not an ex-post perspective' and that the incompleteness of EMU complicated the bank's mission. Looking to the future, the same analysis stresses that thorough implementation of the post-crisis reforms and further progress on completing EMU would benefit the ECB's monetary policy.

## Challenges remaining

The road to a deeper EMU is fraught with divisive issues and the main [disagreements](#) remain unsolved – including on the very need for substantial [further action](#). After relatively good progress during the crises and their aftermath, the pace of reform seems to have slowed. In order to break the deadlock, the [Five Presidents' Report](#) was published in 2015 with a roadmap to deepen the

### Thorny issues

The heated debate on structural policy mix sparked by the crisis continues to polarise both policy-makers and economists. Before and in the initial years of the crises many argued that [fiscal discipline](#) was a prerequisite for growth and that there was a positive [correlation](#) between fiscal consolidation and GDP growth. It is not automatic however and it seems that austerity policies work better when [coupled](#) with open trade and high quality government. Today, the opponents of austerity are more and more numerous, arguing that tax increases and reduced government spending have had a [recessionary effect](#) on the economy as they have reduced demand.

A similar debate rages on 'internal devaluation'. While many argue that improving competitiveness within a common monetary framework implies ['cost-cutting'](#) – wage reductions in the absence of the possibility to devalue the currency – research shows that wage cost reductions are an [incomplete instrument](#) to achieve current account adjustments and they need to be accompanied by an [accommodative monetary policy](#) and the reduction of trade costs.

integration of EMU. The least divisive ideas have been implemented, whereas a crucial proposal to complete the banking union, the [European deposit insurance scheme](#), struggles to move forward and attempts to alter the current EMU architecture with the creation of a European monetary fund, a euro-area treasury or an economic [stabilisation function](#) are unlikely to succeed any time soon. Intergovernmental mechanisms deployed in the crisis, such as the [fiscal compact](#), the [Euro Plus Pact](#) and the ESM have not been integrated into EU law, despite various proposals having been made by the Commission. In this context the agreement on the role of the European Stability Mechanism as a [backstop](#) to the Single Resolution Fund, probably in force even before the previously envisaged year [2024](#), is a significant development.

Effective common currency areas are characterised by a common fiscal capacity, which enables risk-sharing. Many voices argue that the euro currency is [incomplete](#) without the creation of a common fiscal union. Progress on agreeing on a common [fiscal capacity](#) is mired by a major perceived [risk](#): the possibility of creating an undesirable fiscal incentive. Theoretically, a Member State could run a less sustainable fiscal policy given that the common fiscal capacity would act as a back-up insurance against shocks. That could effectively discourage the building up of national buffers and even lead to permanent transfers. A [study](#) for the European Parliament rightly points out that: 'the Treaty of Maastricht created an asymmetric EMU – fully federalising monetary policy whilst leaving economic policy decentralised – and the legal and institutional responses to the euro-crisis have not fundamentally changed this status quo. For this reason, a growing number of calls has been made at the highest institutional level in favour of endowing the EMU with a fiscal capacity, that is a Eurozone budget that can be deployed as a stabilisation tool in case of asymmetrical economic shocks'.

Regarding the existing EU [fiscal architecture](#), many call for [simplification](#) of the SGP to make it more effective, as currently the [corrective](#) and [preventive arms](#) and the [implementation](#) of recommendations seem weak. The [Commission](#) considers the present set-up as still being vulnerable to shocks, and over-reliant on the ECB to sustain the euro area. Further, it is unclear how the tapering of quantitative easing will affect the economy and in particular bond yields, as the recent economic outlook is much weaker than expected.

The extent to which the doom loop between sovereigns and the banking sector has been severed also remains open to [debate](#). While the banks are now better [capitalised](#), more [resilient and liquid](#), their [non-performing loans](#), low profitability and stock prices are troubling the sector, which casts doubts on how they would fare in future crises. Meanwhile, most euro-area banks still show a substantial [home bias](#) in their sovereign exposures. There is no limit on such concentration and it is [unlikely](#) that an EU regulatory ceiling will be imposed. It is also uncertain whether ideas floated recently, such as [sovereign concentration charges](#), which aim to 'disincentivise' this exposure, will gain traction.

In addition, some sovereigns still suffer from vulnerabilities, namely excessive [public debt](#), which can have various negative consequences for the economy and may be particularly hard to reduce in EMU. Should a large Member State need to resort to a stabilisation instrument to avoid default, the current mechanisms may prove not to be big [enough](#).

Furthermore, [macroeconomic imbalances](#) still [persist](#) in a number of Member States. If unaddressed, this will continue to have a negative impact on [economic convergence](#) in Europe and increase systemic risks. Alarmingly, the [Court of Auditors](#) recently suggested that implementation of the macroeconomic imbalance procedure by the Commission did not ensure effective prevention and correction of imbalances.

To restore long-term economic growth the Member States need to overcome their public and private [investment deficits](#). Between 2007 and 2017, the ratio of [investment to GDP](#) decreased in 24 of the 28 Member States, and the level is still well below its [pre-crisis average](#).<sup>12</sup> One helpful measure in this context could be the creation of the capital markets union. It has the potential to boost investment and money flows, and enhance Europe's [resilience](#) thanks to more integrated and less

bank-dependent [financial markets](#). However, even if all the proposals from the Juncker Commission are adopted and implemented, much remains to be done to achieve a truly single and competitive [market](#).

The number of [critics](#) of crisis-related austerity policies characterised by cuts in government spending and tax hikes is also on the rise. They argue that the focus of the debate in Europe on debt has stifled investment and economic growth unnecessarily, creating a legacy of missed economic opportunities and deteriorating or missing infrastructure. This has often had adverse unintended effects such as increased rather than reduced public debt, and may have a negative economic impact well into the future.

Even though employment and labour market conditions in the EU have [improved](#) since the crises, high youth unemployment in both the short and – particularly [damaging](#) – the long term remains a problem (Figure 4). The [situation](#) in several southern Member States is still worrying. The crises also caused an [increase](#) in income inequality across [generations](#), between countries, and in some [cases](#) within countries, while income support systems are often insufficiently [equipped](#) to address this.<sup>13</sup> Inequality has a negative impact on [growth](#) and is likely to fuel [populism](#). In some Member States, while gross domestic product has grown, productivity and real disposable incomes have stagnated. This and austerity measures, including underinvestment in the public sector, have contributed to economic struggles for many voters, contributing in turn to the weakening of the centrist political parties in Europe. Some commentators see the need to focus on the economic and social [status](#) of ordinary voters who feel under pressure from globalisation, austerity and immigration. They recommend reassessing EU fiscal rules as the first step towards addressing the causes of rising political extremism.

Finally, upward [convergence](#), which is one of the goals of the EU, has been negatively affected by the crises. [Differences](#) in income in the euro area's founding countries has risen, while [convergence](#) has occurred in the new Member States only, casting doubts as to the robustness of economic integration in the Union. Social convergence has also been negatively affected with a widening [gap](#) between the most developed and the least developed countries in the Union.

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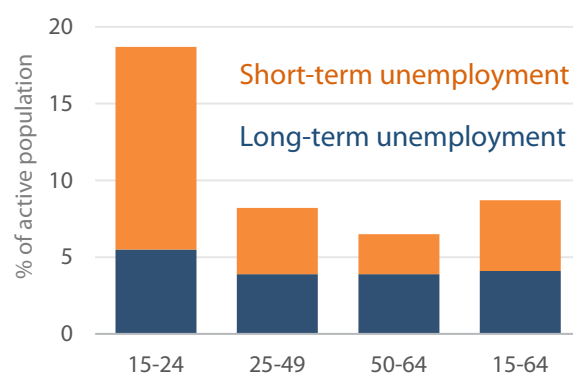
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Figure 4 – Unemployment by age group, 2017



Data source: [Eurofound](#), 2018.



## ENDNOTES

- <sup>1</sup> Economists still debate the causes of the financial crisis and their gravity. See for example: O. Merrouche and E. Nier, [What Caused the Global Financial Crisis?—Evidence on the Drivers of Financial Imbalances 1999–2007](#), IMF Working Paper, 2010; M. Jickling, [Causes of the Financial Crisis](#), Congressional Research Service, 2010; S. Verick and I. Islam, [The Great Recession of 2008-2009: Causes, Consequences and Policy Responses](#), The Institute for the Study of Labor, 2010.
- <sup>2</sup> For more detail please refer to A. Kolev, [The impact of the recession in 2008-2009 on EU regional convergence](#), European Investment Bank, 2012; [Heterogeneity in euro area financial conditions and policy implications](#), ECB Monthly Bulletin, 2012; and [Economic crisis in Europe: Causes, Consequences and Responses](#), European Commission, 2009.
- <sup>3</sup> These are average numbers but Italy, for example, which had a very high debt to GDP ratio before the euro was created, had successfully reduced that ratio prior to the crises. Once the crises hit that effort was wiped out and the political will to tackle debt again has weakened.
- <sup>4</sup> Anticyclical measures are injections of money into the economy by the state to boost economic activity at times of recession or crisis. Conversely, in boom times they involve reducing public expenditure and increasing taxes to prevent overheating.
- <sup>5</sup> In the first decade of the euro southern European economies built up significant current account deficits while countries in northern Europe ran large surpluses. The imbalances were financed by credit flows from the euro area core to the periphery, which led first to a boom and then to bubble burst of overheated housing markets in countries such as Spain and Ireland.
- <sup>6</sup> Technically speaking, Spain was not affected by the sovereign debt crisis, as the financial assistance it received was strictly for the recapitalisation of the banking sector.
- <sup>7</sup> The fall in [investment](#) in the EU was double that in the US and Japan.
- <sup>8</sup> For more detail see A. Delivorias, [Monetary policy of the European Central Bank. Strategy, conduct and trends](#), EPRS, European Parliament, 2015, pp. 13-14.
- <sup>9</sup> The ECB, in cooperation with national supervisory authorities, can grant or withdraw bank licences and sanction banks in cases of non-compliance. It may decide to supervise a bank directly, otherwise that is performed at national level.
- <sup>10</sup> The six-pack is composed of Regulation (EU) 1173/2011 on the effective enforcement of budgetary surveillance in the euro area; Regulation (EU) 1174/2011 on enforcement action to correct excessive macroeconomic imbalances in the euro area; Regulation (EU) 1175/2011 amending Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies; Regulation (EU) 1176/2011 on the prevention and correction of macroeconomic imbalances; Regulation (EU) 1177/2011 amending Regulation 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure; and Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJEU, L306, 23 November 2011).
- <sup>11</sup> Regulation (EU) 472/2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability; and Regulation (EU) 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area.
- <sup>12</sup> The [trend](#) is positive though, with favourable financing conditions (low interest rates) and growing private investment.
- <sup>13</sup> However, it is [lower](#) than in the US. Some [sources](#) report a decrease in inequality, while the majority indicate the opposite.

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