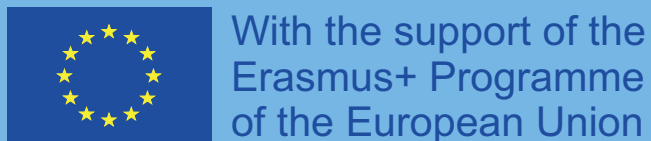


# Jean Monnet Module

## “Economic Policy in the European Union”

Session 2.1. Economic crisis in the European Union and in Spain

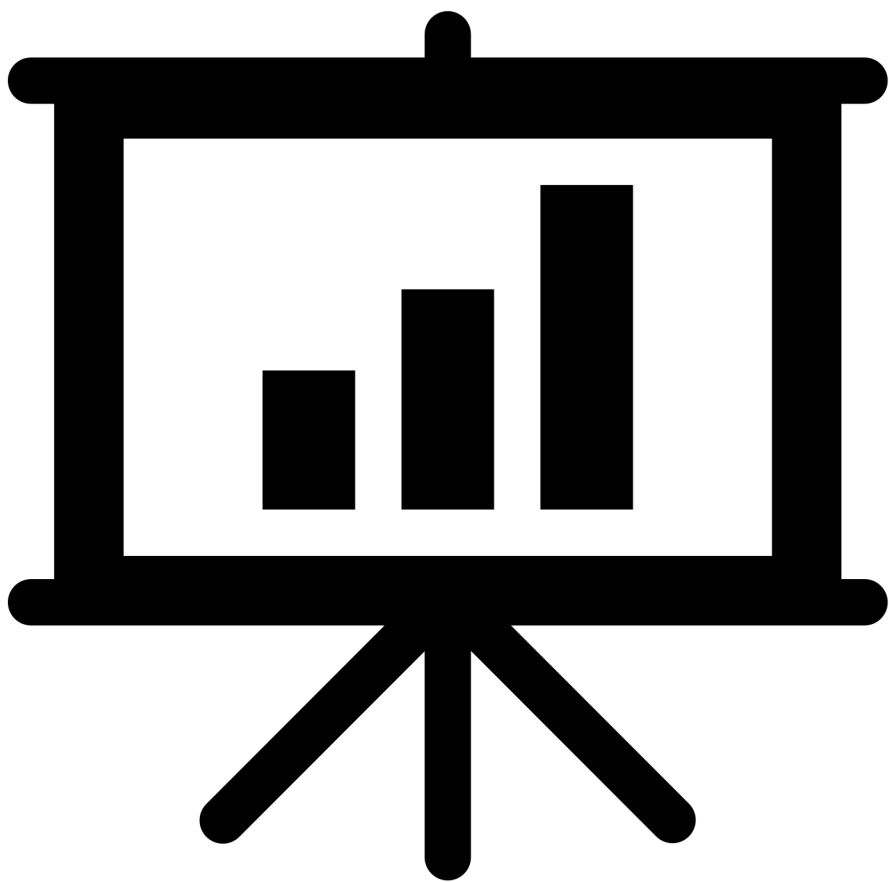
Dr Elena Casado García-Hirschfeld



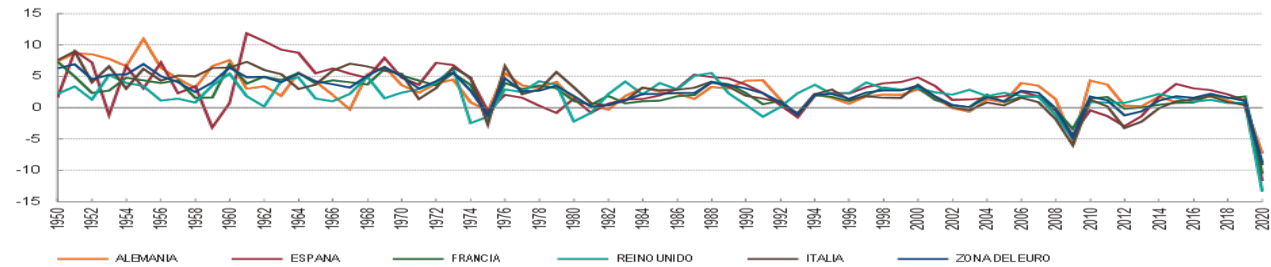
# ÍNDICE:

- I. The 2008 crisis in Europe
- II. The 2008 crisis in Spain
- III. The COVID-19 crisis in Europe
- IV. Sovereign debt in the EU
- V. Eurobonds as a solution to the crisis
- VI. The current crisis in Spain
- VII. Conclusions
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### EVOLUCION HISTORICA DEL PIB PER CAPITA



# I. THE 2008 CRISIS IN EUROPE

It was started in 2007 with de  
suprime mortgages

Liquidity cisis

*Credit crunch*

Economic crisis

Sovereign Debt Crisis



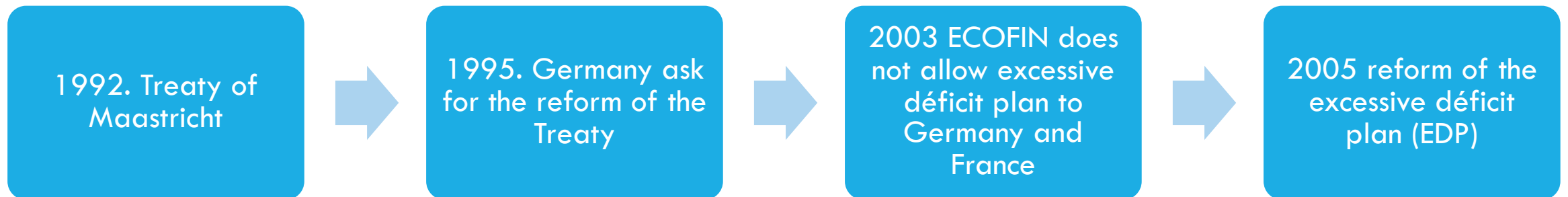
"I THOUGHT WE WERE JUST BUYING A HOUSE!"

# I. THE 2008 CRISIS IN EUROPE

- In June 2010 the recession hit Europe. The States went into debt to bail out their banks, the deficit increased and, with it, the debt of their countries. It is known as the sovereign debt crisis. Given the seriousness of the situation, the very survival of the euro was even questioned.
- The southern countries were the hardest hit. Greece, Portugal, Ireland and Cyprus were completely rescued and Spain received aid for the financial system, in total a disbursement of almost 500,000 million euros.
- The northern countries agreed to intervene.

# I. THE 2008 CRISIS IN EUROPE

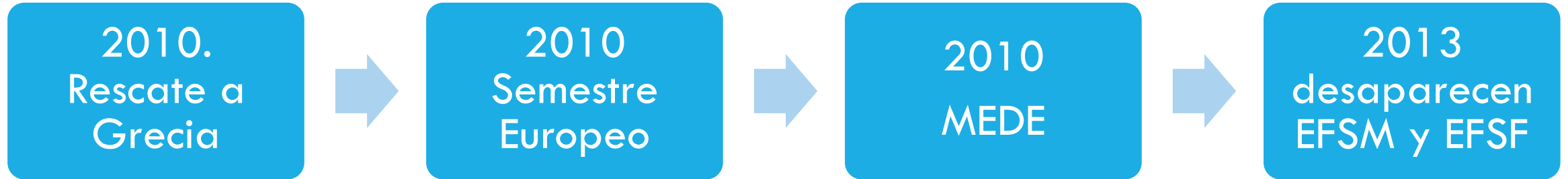
- It evidenced the poor coordination of European economic policy
- The rescue of Greece in 2010 highlighted weaknesses in economic governance and a lack of rigor in applying the SGP



Evolución de indicadores 2000 – 2010 (porcentaje del PIB)

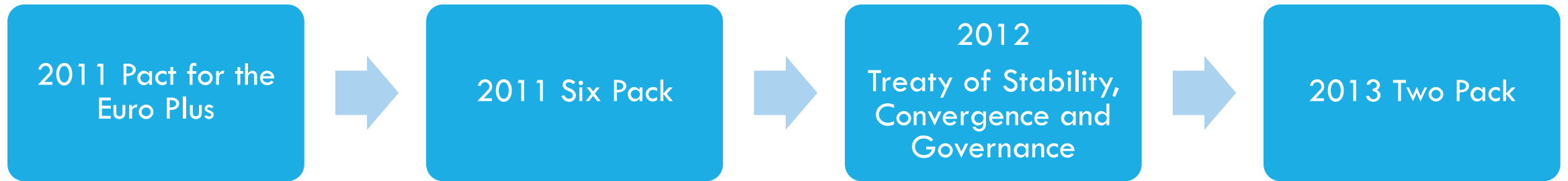
|                 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------|------|------|------|------|------|------|------|------|------|------|------|
| Déficit público | 1,3  | 2,0  | 2,7  | 3,1  | 2,9  | 2,6  | 1,5  | 0,6  | 2,2  | 6,2  | 6,3  |
| Deuda pública   | 69,0 | 68,0 | 68,0 | 69,3 | 69,6 | 70,3 | 68,3 | 65,9 | 69,6 | 80,2 | 85,8 |

# I. THE 2008 CRISIS IN EUROPE





# I. THE 2008 CRISIS IN EUROPE



# I. THE 2008 CRISIS IN EUROPE



## EUROPEAN STABILITY MECHANISM (ESM):

- It is part of the EU strategy designed to ensure financial stability in the euro area. The ESM provides assistance to euro area countries experiencing or at risk of economic difficulties.
- On February 2012, the euro area countries signed an intergovernmental treaty creating the ESM. Launched at the end of 2012, the ESM is an organization under international public law based in Luxembourg. Its shareholders are euro area countries. The ESM issues debt securities to finance loans and other forms of financial assistance to euro area countries.
- The ESM took the place of its predecessor, the European Financial Stabilization Fund (EFSF), created in 2010. It is authorized to:
  - make loans in the context of a macroeconomic adjustment program;
  - acquire debt in the primary and secondary debt markets;
  - provide financial aid of a preventive nature in the form of lines of credit;
  - finance the recapitalizations of financial institutions through loans to the governments of its member countries.

# I. THE 2008 CRISIS IN EUROPE LA CRISIS DE 2008 EN EUROPA

The Banking Union emerged in 2012 in response to the financial crisis and is made up of three fundamental pillars:

- Single Supervisory Mechanism (SSM), a banking supervision system made up of the European Central Bank and the competent supervisory authorities of the participating countries.
- Single Resolution Mechanism (SRM), in charge of resolving troubled banks in an orderly manner and minimizing costs for taxpayers and the real economy.
- European Deposit Guarantee System (SEGD), still under negotiation.

# I. THE 2008 CRISIS IN EUROPE LA CRISIS DE 2008 EN EUROPA

- The Single Supervisory Mechanism (SSM) establishes a new financial supervision system made up of the European Central Bank (ECB) and the competent national authorities of the participating European Union (EU) countries.
- Its main objectives are to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe.
- It constitutes the first step towards the so-called “Banking Union”, of which the Single Resolution Mechanism is also part, and which is expected to be completed with a harmonized system of deposit guarantees.

## II. THE 2008 CRISIS IN SPAIN LA CRISIS DE 2008 EN ESPAÑA

The FROB: It is the Executive Resolution Authority. It was created on the occasion of the 2008 financial crisis to manage the resolution processes of credit institutions and investment services companies. This includes monitoring of holdings in BFA-Bankia and SAREB. It is the resolution authority in the executive phase within the European MUR and collaborates with the Spanish preventive authorities (Bank of Spain and CNMV) within the Spanish institutional framework.

What is bank resolution?

The resolution is the restructuring of a credit institution or an unviable investment services company, or that is foreseeable that it will be in the near future, when there are no other alternatives and for reasons of public interest and financial stability it is necessary to avoid your bankruptcy settlement

## II. THE 2008 CRISIS IN SPAIN

Faced with the necessary reform of the Spanish financial sector, it was launched under the tutelage of the ECB, the EC and the IMF. This reform includes the creation of a “bad bank” that had EU financing of between 20.000 and 50.000 million euros.

LA SAREB: Asset Management Company from Bank Restructuring. It is a public limited company for the management of assets transferred by the 4 nationalized entities and by the entities in the process of restructuring or resolution as provided for in Law 9/2012. It is owned 55% by private capital and 45% by public capital through the FROB. It was considered a fundamental element for the reorganization of the Spanish banking system and the reactivation of the real estate market. It is scheduled for 15 years, until 2027 and its objective is the sale of all its assets.

They received 200.000 assets worth 50.781 million euros and loans to the developer and 20% real estate.

# III. THE COVID-19 CRISIS IN EUROPE



- The lack of fiscal union is evident, which makes the EU incapable of reacting quickly to the health and economic crisis
- The pandemic comes at a time of low growth in the eurozone
- In 2012 Draghi warned about the consequences of debt to get out of the crisis, now, Christine Lagarde asks governments to spend whatever is necessary to contain the pandemic

| Previsiones económicas para la Eurozona |      |       |      |
|---|------|-------|------|
| INDICADOR                               | 2019 | 2020  | 2021 |
| PIB real (variación PIB %)              | 1,2  | -7,7  | 6,3  |
| Déficit público (% del PIB)             | -0,6 | -8,5  | -3,5 |
| Deuda pública (% del PIB)               | 86,0 | 102,7 | 98,8 |

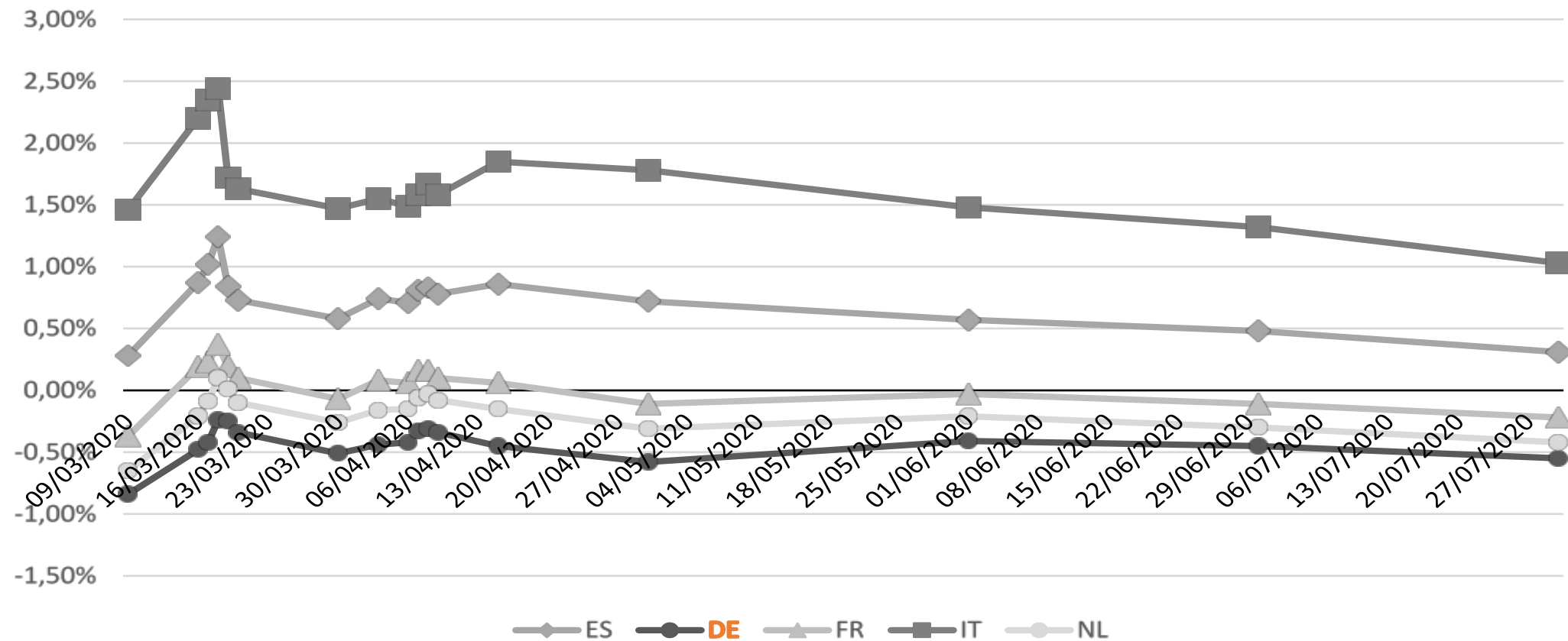
# III. THE COVID-19 CRISIS IN EUROPE

| Deuda pública bruta (% del PIB) |       |       |       |
|---------------------------------|-------|-------|-------|
| Países                          | 2019  | 2020  | 2021  |
| Bélgica                         | 98,6  | 113,8 | 110,0 |
| Alemania                        | 59,8  | 75,6  | 71,8  |
| Estonia                         | 8,4   | 20,7  | 22,6  |
| Irlanda                         | 58,8  | 66,4  | 66,7  |
| Grecia                          | 176,6 | 196,4 | 182,6 |
| España                          | 95,5  | 115,6 | 113,7 |
| Francia                         | 98,1  | 116,5 | 118,9 |
| Italia                          | 134,8 | 158,9 | 153,6 |
| Chipre                          | 95,5  | 115,7 | 105,0 |
| Lituania                        | 36,3  | 48,5  | 48,4  |
| Letonia                         | 36,9  | 43,1  | 43,7  |
| Luxemburgo                      | 22,1  | 26,4  | 25,7  |
| Malta                           | 43,1  | 50,7  | 50,8  |
| P. Bajos                        | 48,6  | 62,1  | 57,6  |
| Austria                         | 70,4  | 78,8  | 75,8  |
| Portugal                        | 117,7 | 131,6 | 124,4 |
| Eslovenia                       | 66,1  | 83,7  | 79,9  |
| Eslovaquia                      | 48,0  | 59,5  | 59,9  |
| Finlandia                       | 59,4  | 69,4  | 69,6  |
| Zona Euro                       | 86,0  | 102,7 | 98,8  |



# III. THE COVID-19 CRISIS IN EUROPE

Evolución del tipo de interés del bono a 10 años (marzo-julio de 2020)



# III. THE COVID-19 CRISIS IN EUROPE

| "Next Generation EU" (2021-2023)<br>(en millones de euros de 2.018)                       |                |                |                |
|---|----------------|----------------|----------------|
| Detalle de los programas:   | Ayuda directa  | Préstamo       | Total          |
| Apoyo a la recuperación de los Estados miembros   | 370.000        | 360.000        | 730.000        |
| Facilidad para la recuperación y la resiliencia.  | 312.500        | 360.000        | 672.500        |
| Iniciativa REACT-EU y política de cohesión para la recuperación.                          | 47.500         | 0              | 47.500         |
| Apoyo a una transición justa.   | 10.000         | 0              | 10.000         |
| Impulso al relanzamiento de la economía y ayuda a la movilización de la inversión privada | 5.600          | 0              | 5.600          |
| Programa InvestEU reforzado   | 5.600          | 0              | 5.600          |
| Aprendiendo las lecciones de la crisis  | 14.400         | 0              | 14.400         |
| Cuarto Programa de Salud de la UE   | 7.500          | 0              | 7.500          |
| Mecanismo de protección civil (rescEU) reforzado  | 1.900          | 0              | 1.900          |
| Horizonte Europa  | 5.000          | 0              | 5.000          |
| <b>Total Next Generation</b>  | <b>390.000</b> | <b>360.000</b> | <b>750.000</b> |

Fuente: Elaboración propia a partir de datos de la CE.

### III. THE COVID-19 CRISIS IN EUROPE

Vaccines

29,2 million doses administered in the EU

Vaccines

51,5 million doses delivered in the EU





## THE IMPACT OF THE CRISIS IN THE MFF 2021-27

The Council of Europe began to debate again in July where the following was agreed:

- Set the 2021-2027 MFF at 1,074 billion euros.
- Reduce MFF contributions from Denmark, Germany, the Netherlands, Austria and Sweden.
- "Next Generation EU" for 750,000 million.
- Allocate 30% of the MFF to projects of the Paris Agreement and the climate objectives for 2.030 of the EU.
- New income to repay the loans.
- Loans to finance part of the EU Budget.

# IV. SOVEREIGN DEBT IN THE EU AND THE EUROBONDS

2008

- European Stability Mechanism (ESM, 2013)
- Eurobonds

2020

- NEXT GENERATION EU
- Eurobonds (moral hazard)

# IV. EUROBONDS AS A SOLUTION TO THE 2008 CRISIS

1993: White Paper “Growth, Competitiveness and Employment” >> Union Bonds.

2008: Outbreak of the crisis

2010: Financial Times article by Juncker and Tremonti. EU project bonds.

2010: State of the Union Address

2011: European Parliament "On innovative financing at global and European level"

2020: The debate with the pandemic is reopened although it is ruled out in favor of fiscal and monetary measures

# IV. EUROBONOS COMO SOLUCIÓN A LA CRISIS DE 2008

More relevant proposals:

- Gros y Micosi (2009)
- De Grauwe y Moesen (2009)
- Collignon (2010)
- Delpla y von Weizsäcker
- Juncker y Tremonti
- Consejo Alemán de Expertos Económicos



## IV. EURO BONOS COMO SOLUCIÓN A LA CRISIS DE 2020

Most relevant proposals:

- Daniel Gros
- Marcelo Messori



V. EUROBONOS  
COMO  
SOLUCIÓN A LA  
CRISIS

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EUROBONDS

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DISADVANTAGES

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ADVANTAGES

# VI. THE CURRENT CRISIS IN SPAIN

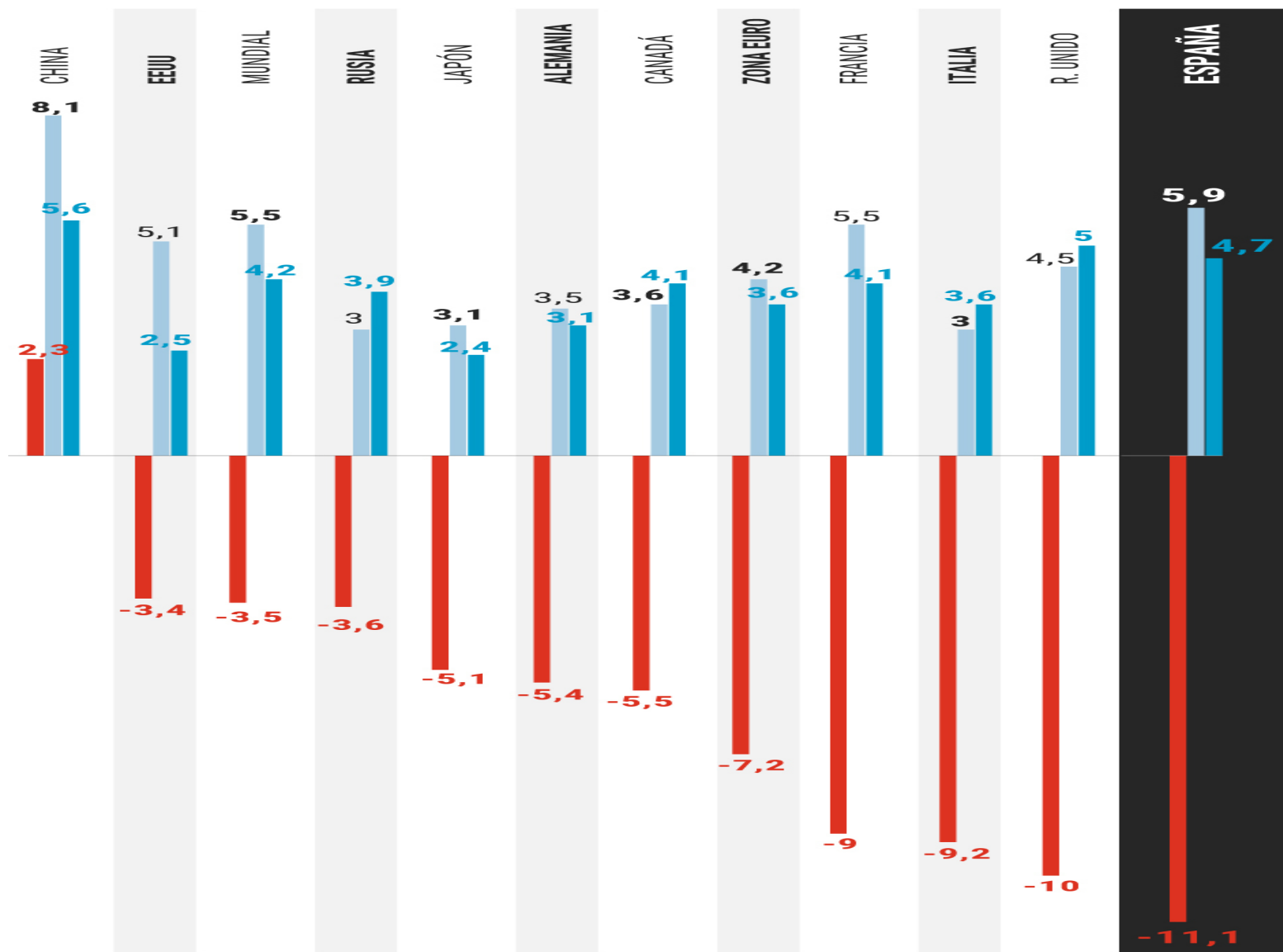
- The IMF raises the growth forecast for the World Economy but lowers that of Spain.
- He estimates that Spanish GDP sank by 11.2% in 2020 and that the rebound in 2021 will be 5.9%, which is 1.3 points less than in his previous estimate of 5.9%.
- Excessive dependence on tourism (12% of GDP)
- Strict restrictions at the beginning of the pandemic due to infections.
- Many small and medium-sized enterprises (70% of employment)
- Spain is the 5th developed country with a population of more than 10 million people with the most deaths from coronavirus, only behind Belgium, Italy, the United Kingdom and the United States.
- Problem with the delivery of vaccines. Compared to UK and USA
- Uncertainty in the evolution of the pandemic

## LAS PREVISIONES DEL FMI

■ 2020

■ 2021

■ 2022

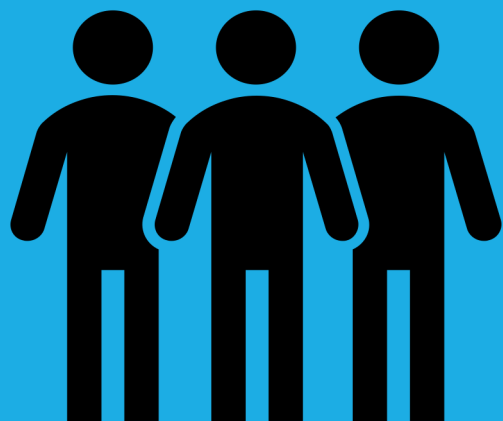


FUENTE: FMI.  
IGG | EL MUNDO GRÁFICOS

# VI. THE CURRENT CRISIS IN SPAIN

## PERSPECTIVES:

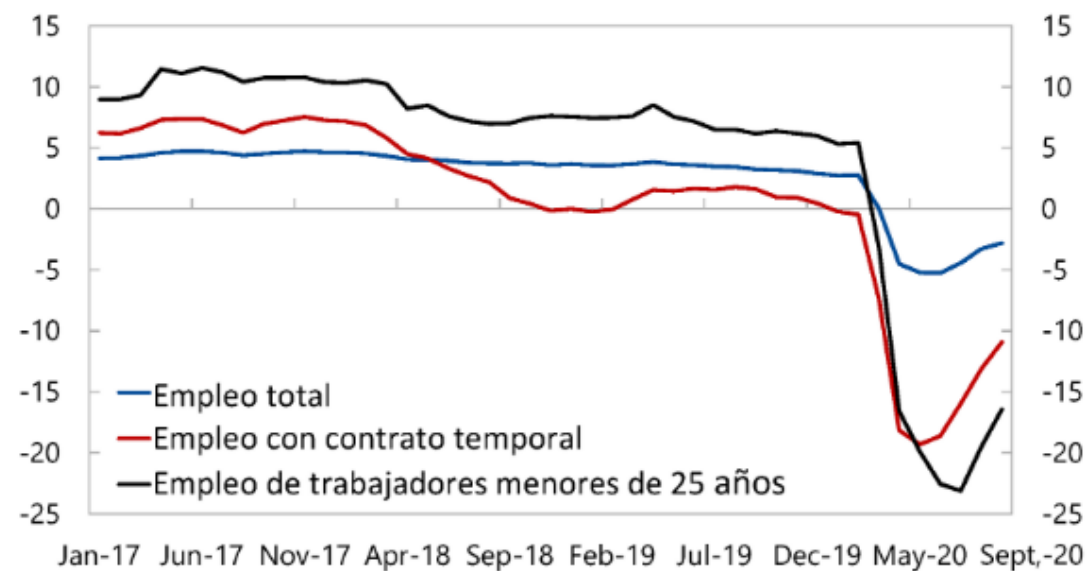
- Try to improve health care system
- Strengthen the digitization of the economy
- Keep official interest rates at zero and facilitate asset purchases.
- Address vulnerabilities in the corporate sector taking into account the impact of the measures taken: The proportion of debt at risk of vulnerable companies is estimated to increase by 7 percentage points compared to an increase of 27 percentage points without policy measures.
- The EU Recovery and Resilience Mechanism is an opportunity for Spain. It can provide a boost to demand to support recovery, while also improving gaps in green infrastructure and human capital.
- The pandemic is increasing inequalities in the labor market to the detriment of the young, low-skilled and temporary.
- The pandemic is having a particularly detrimental effect on women as the proportion of female workers in jobs affected by the pandemic was 29% compared to 21% for men.
- Widening the gap between rich and poor economies



## Jóvenes y desempleados

En España, la pérdida de empleos ha golpeado más duramente a los jóvenes, muchos de los cuales tenían empleos temporales.

(afiliación a la seguridad social, crecimiento interanual, porcentaje)



Fuentes: Ministerio de Inclusión, Seguridad Social y Migraciones, y cálculos del personal técnico del FMI.

Nota: Régimen general solamente.

## VI. THE CURRENT CRISIS IN SPAIN

Following the approval by the European Council, on July 2020, of the European Recovery Instrument (Next Generation EU), whose funds will be allocated to the Member States of the European Union through the development of National Recovery and Resilience Plans, on December 2020, Royal Decree Law 36/2020 was published, approving urgent measures for the modernization of the Public Administration and for the execution of the Recovery, Transformation and Resilience Plan (PRTR).

# VI. THE CURRENT CRISIS IN SPAIN

## Strategic Projects for Economic Recovery and Transformation (PERTES)

They are a new figure of key public-private collaboration for the execution of the different tractor projects contemplated in the Recovery, Transformation and Resilience Plan, being necessary to adapt the regulatory framework of the instruments of public-private collaboration to formulas that, while maintaining controls and community requirements, allow more flexible and adaptive formulas to the requirements of the projects that can be financed with the European Recovery Instrument.

This new figure will be applied in the area of the Recovery, Transformation and Resilience Plan since it is intended to reinforce those projects included in it that clearly contribute to economic growth, employment and the competitiveness of our country.

These are projects of a strategic nature, with a significant potential to drag out the rest of the economy, and which require collaboration between Administrations, companies and research centers.

## VII. CONCLUSIONS

- The two crises have had different characteristics
- Eurobonds have been studied as alternatives in both cases
- Data on Public Debt are very high
- There are groups that are particularly disadvantaged, such as young people and women
- It is necessary to use very well the aid that Spain receives





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- [www.europa.eu](http://www.europa.eu)
- [www.bde.es](http://www.bde.es)



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