Baltic Austerity
The New False Hope

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Things we know
Labour productivity as % of German labour productivity, 1960-2007

Source: The Conference Board Total Economy Database; calculations by the author
Different dynamics
Estonia and Greece FDI inward stocks and % of GDP

Source: Unctad Stat
Net trade in high educated labour (% GDP)

Source: Stehrer et al; calculations by the author
Trade, productivity and learning organizations, 2005 (bubble size indicates labour productivity per hour in euros)

Source: Holm et al and Eurostat
The Crisis
Sectoral balances, Greece

Source: Ameco database
Austerity vs stimulus?
Source: updated from Knibbe, Eurostat data
Top 3 export destination as % GDP

Source: Ameco, Eurostat, Hellenic Statistical Authority
Conclusions

The Baltics and Estonia in particular teach us the following:

- stimulus in form of EU structural funds/Kyoto funding and foreign savings (exports+stimulus programs) is behind recovery
- export growth was possible through high levels of integration into Nordic production and financial networks
- such high levels of integration probably undercut Southern enlargement
- ... and bring also persistent financial fragility, unless industrialization continues
- however, small open economies tend to fall prey to enclavization and uneven growth
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