

Baltic Austerity The New False Hope

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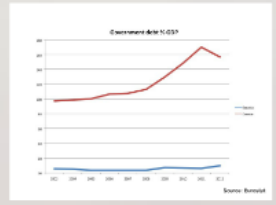
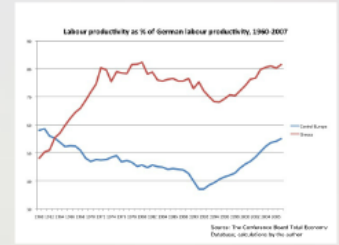
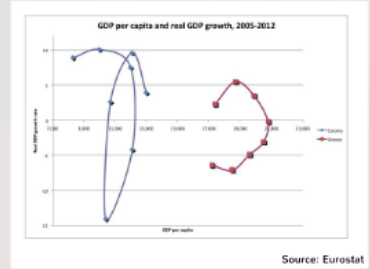


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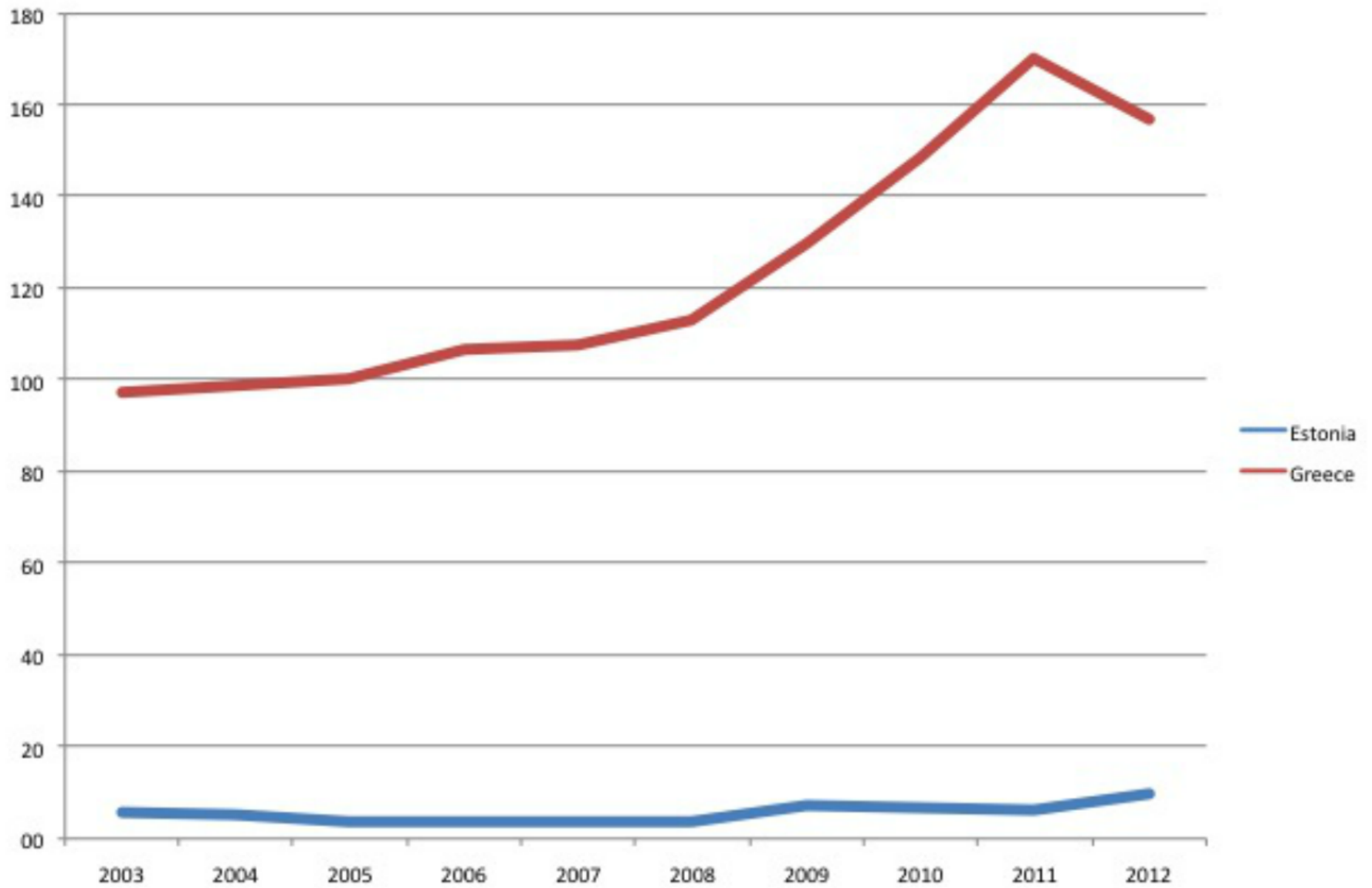
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Things we know

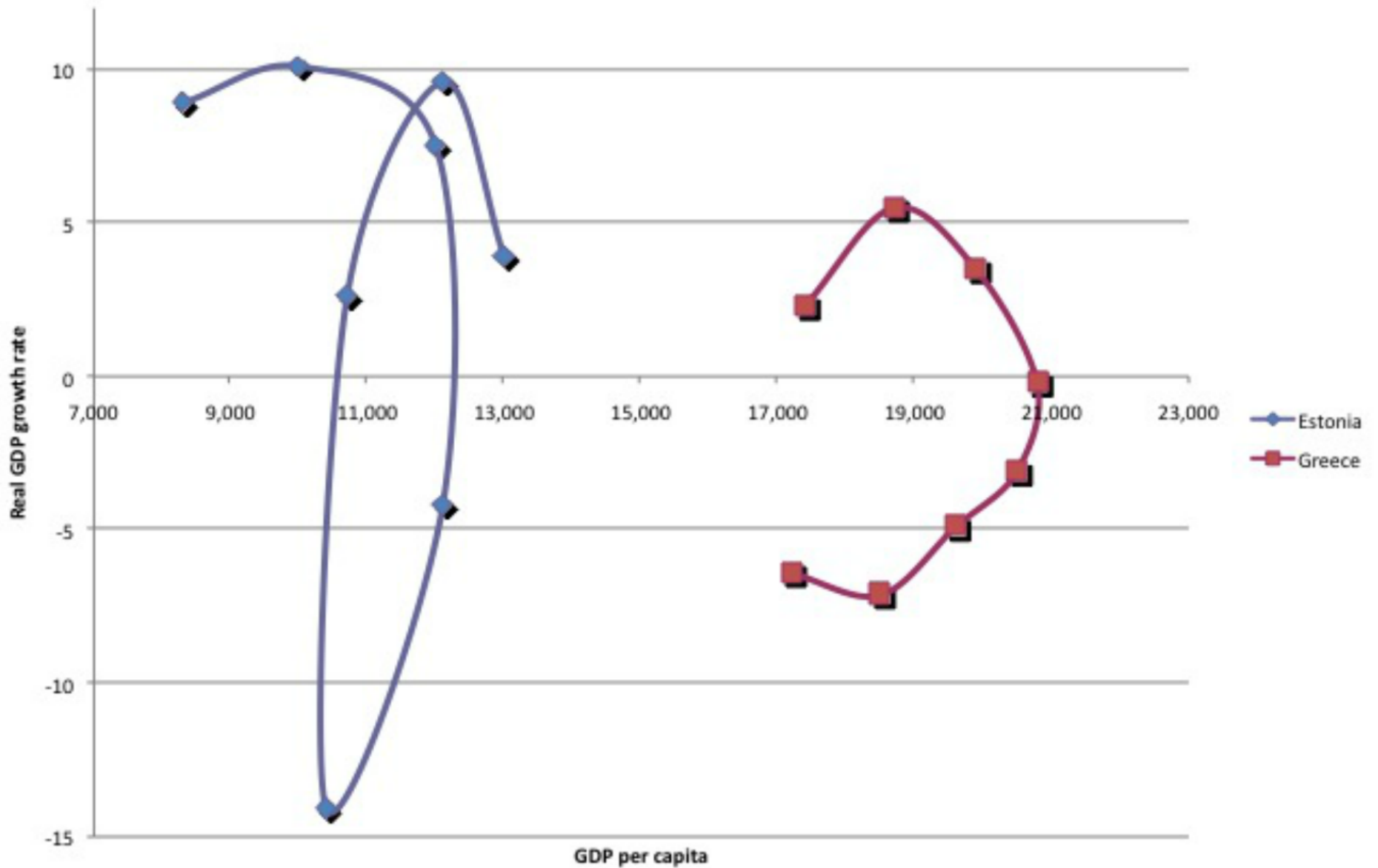


Government debt % GDP



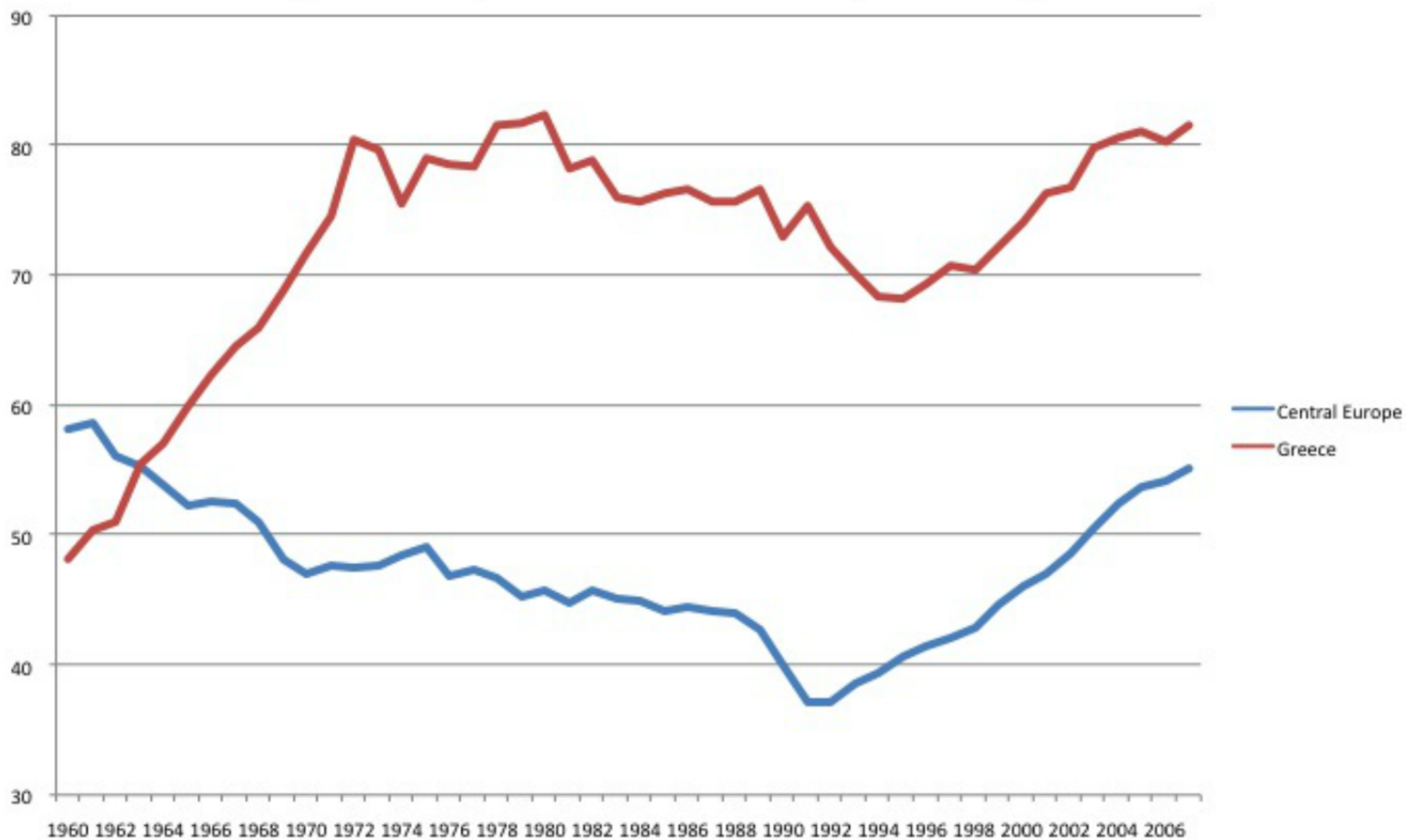
Source: Eurostat

GDP per capita and real GDP growth, 2005-2012

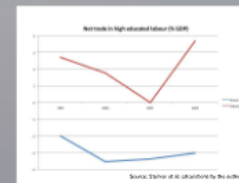
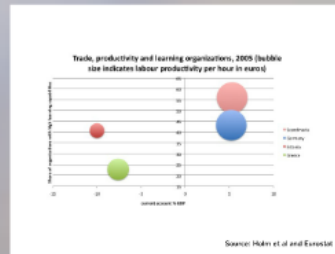
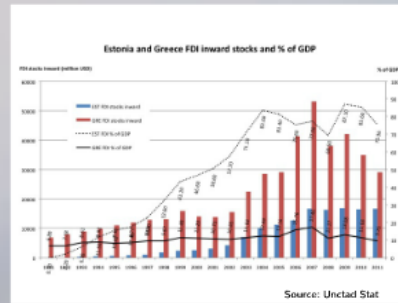


Source: Eurostat

Labour productivity as % of German labour productivity, 1960-2007

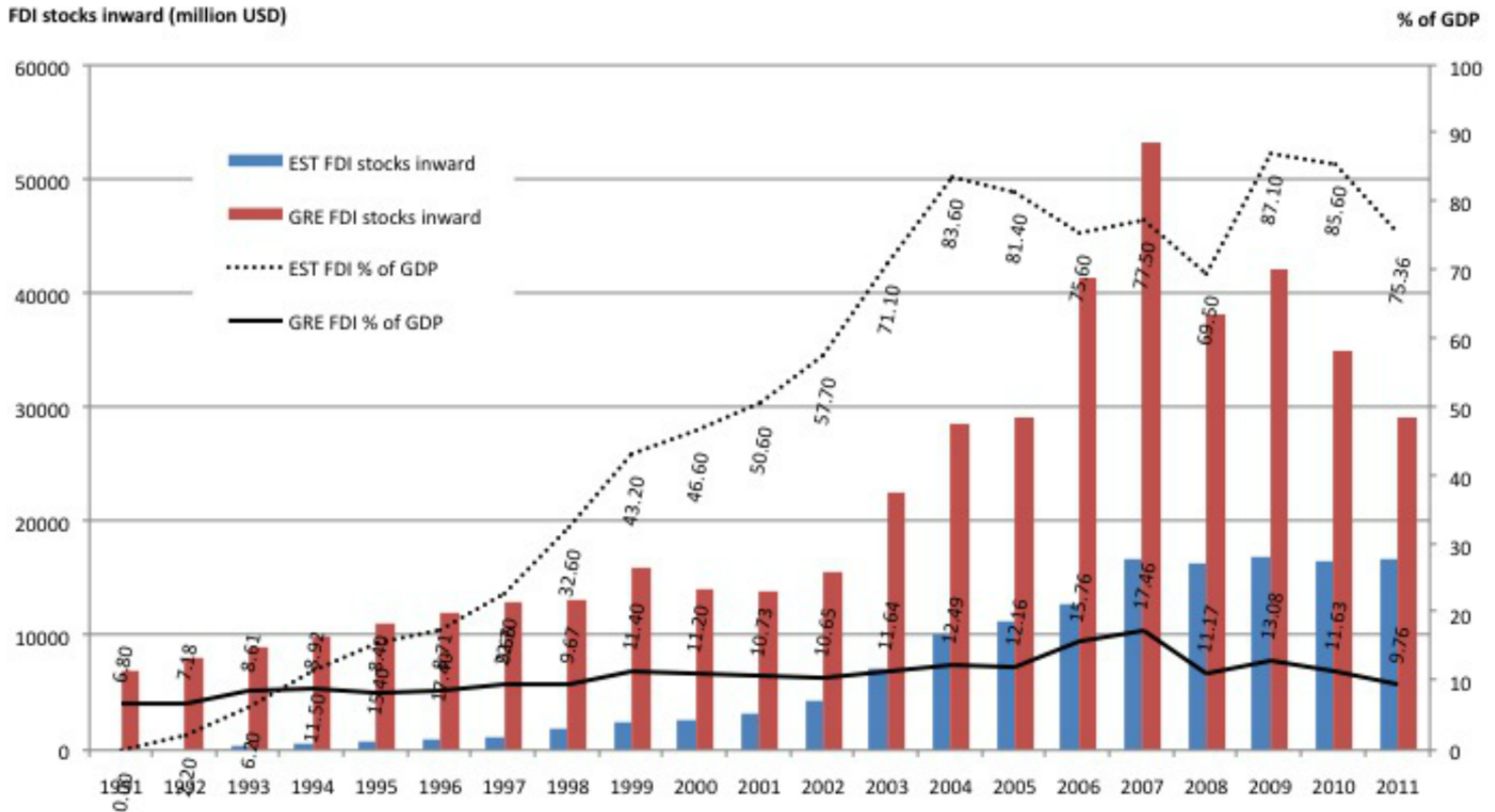


Source: The Conference Board Total Economy Database; calculations by the author



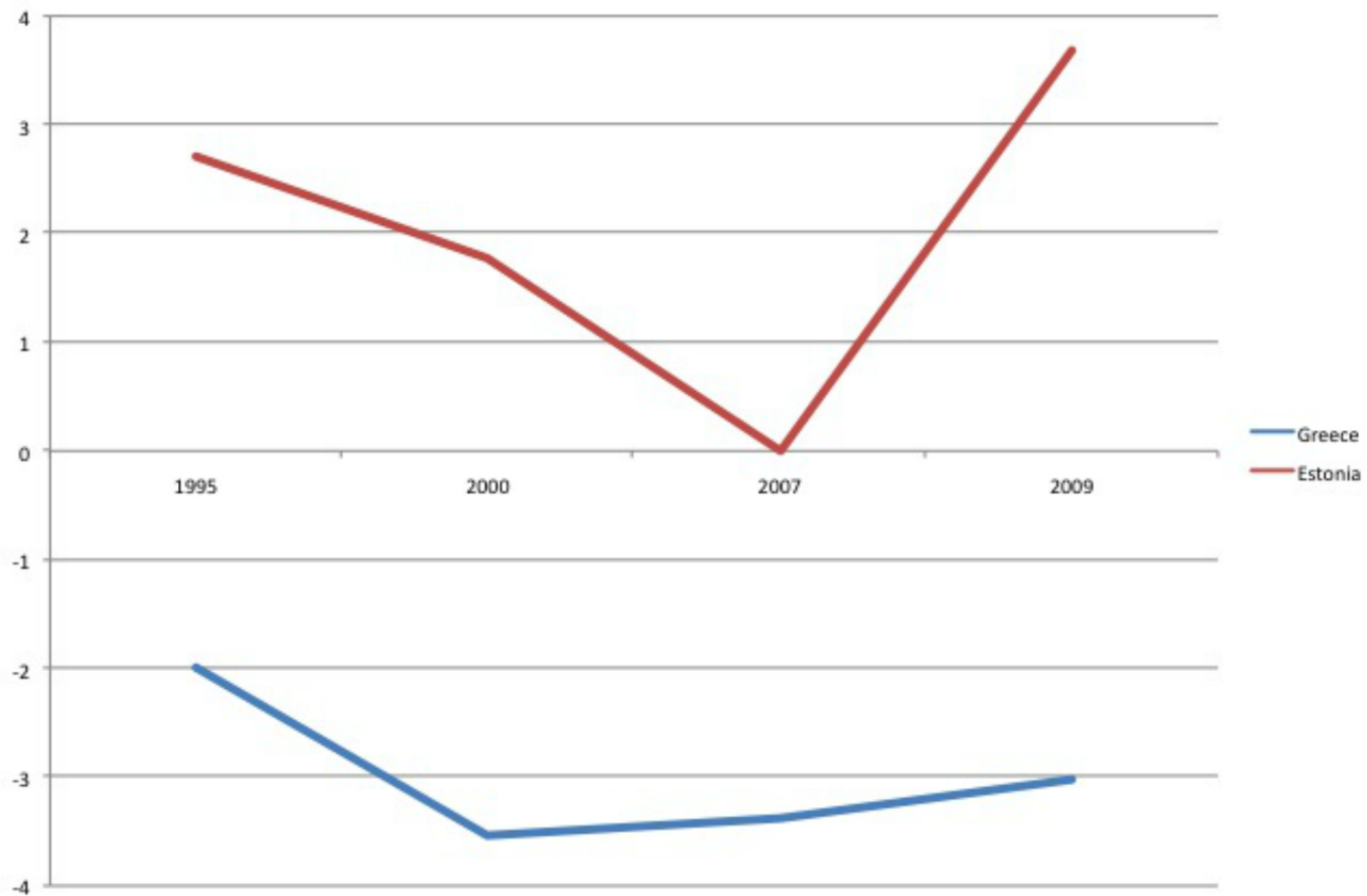
Different dynamics

Estonia and Greece FDI inward stocks and % of GDP



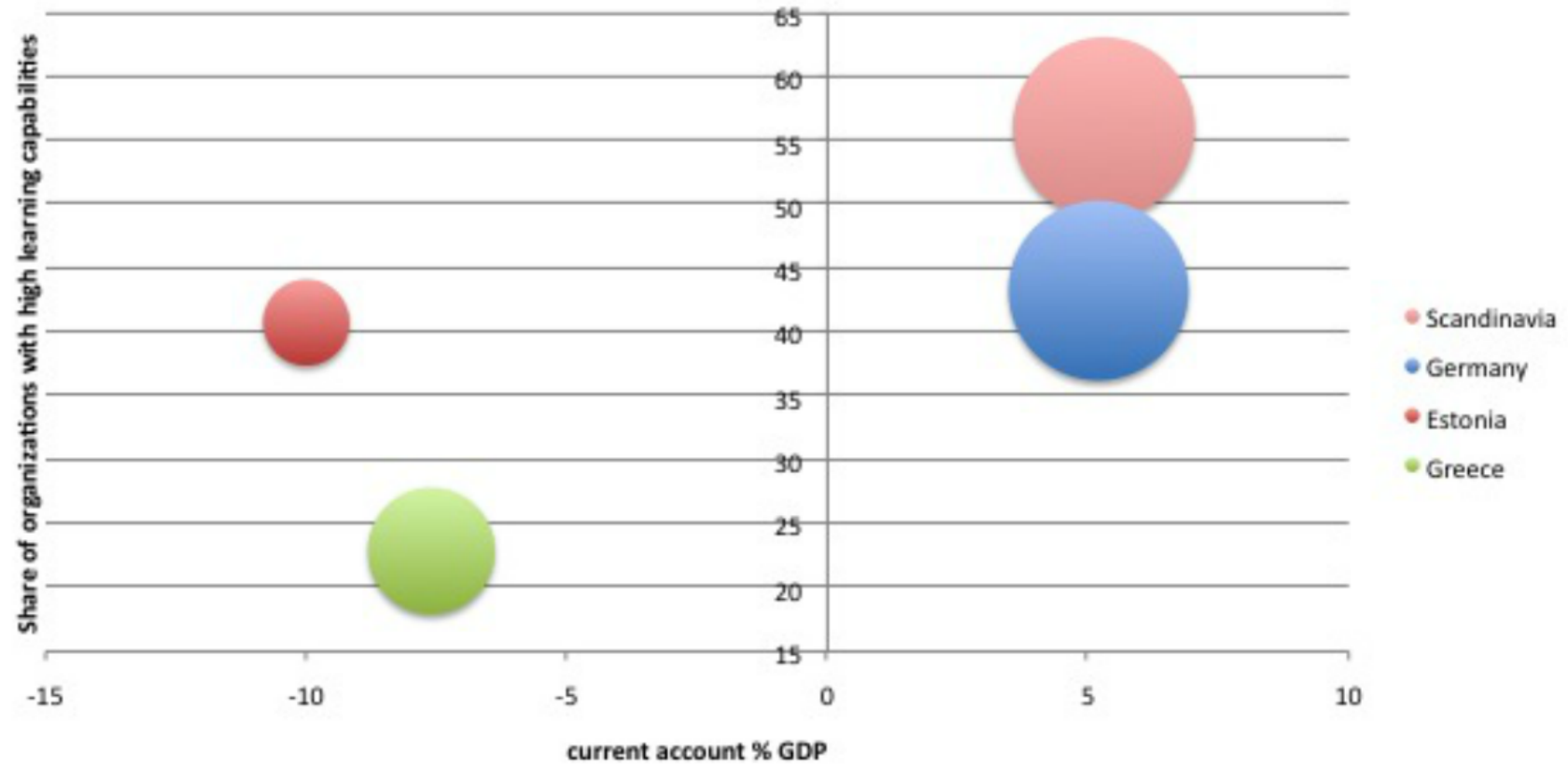
Source: Unctad Stat

Net trade in high educated labour (% GDP)



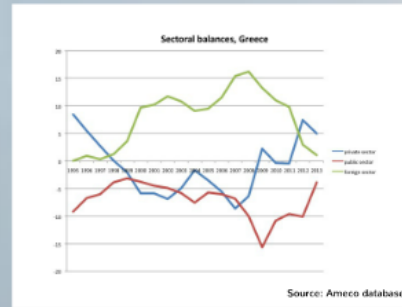
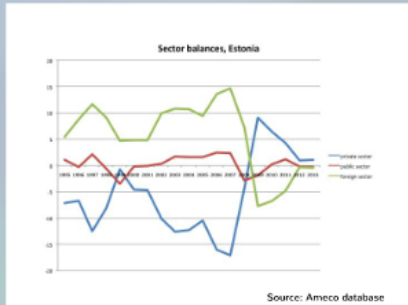
Source: Stehrer et al; calculations by the author

Trade, productivity and learning organizations, 2005 (bubble size indicates labour productivity per hour in euros)

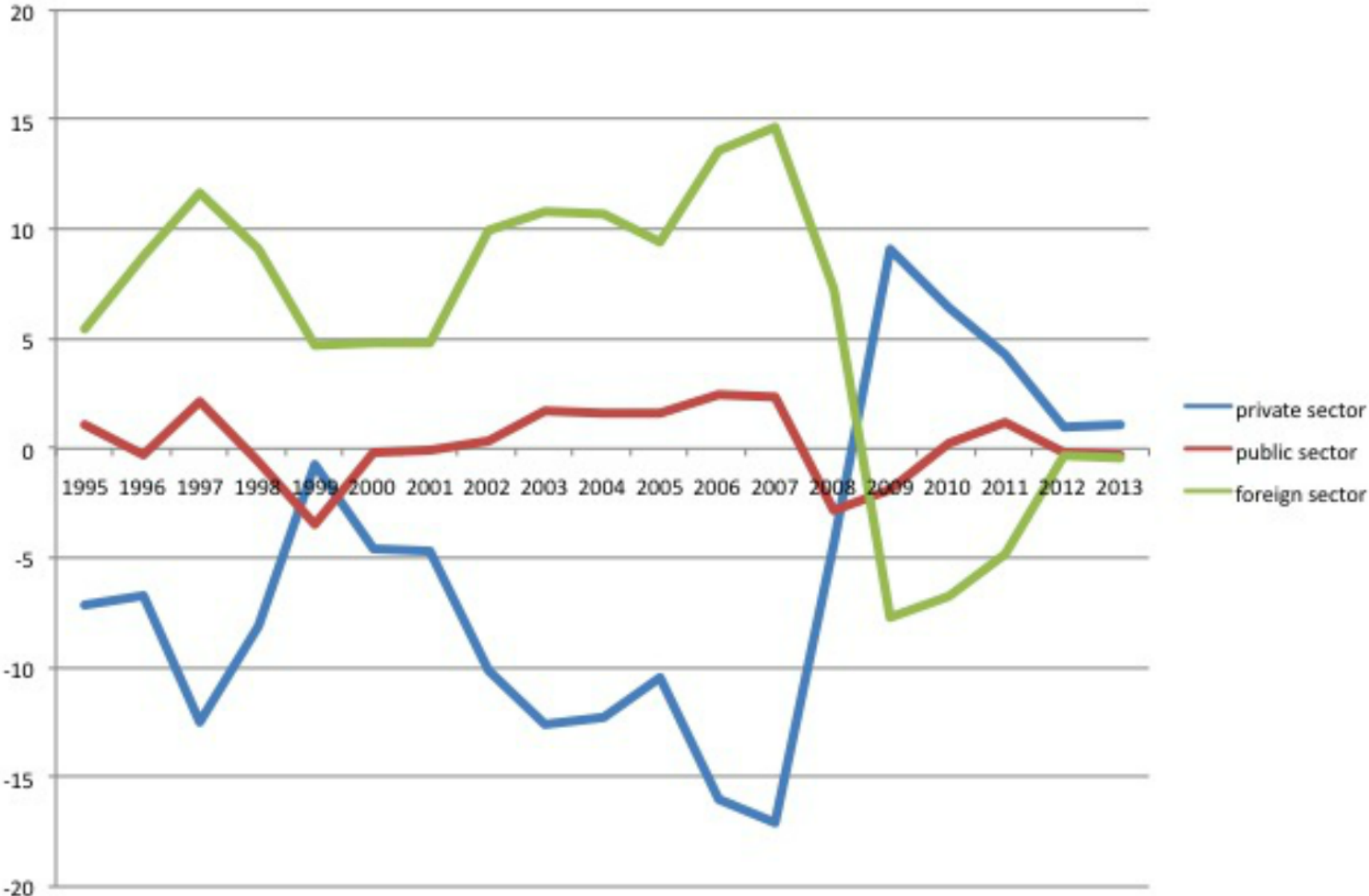


Source: Holm et al and Eurostat

The Crisis

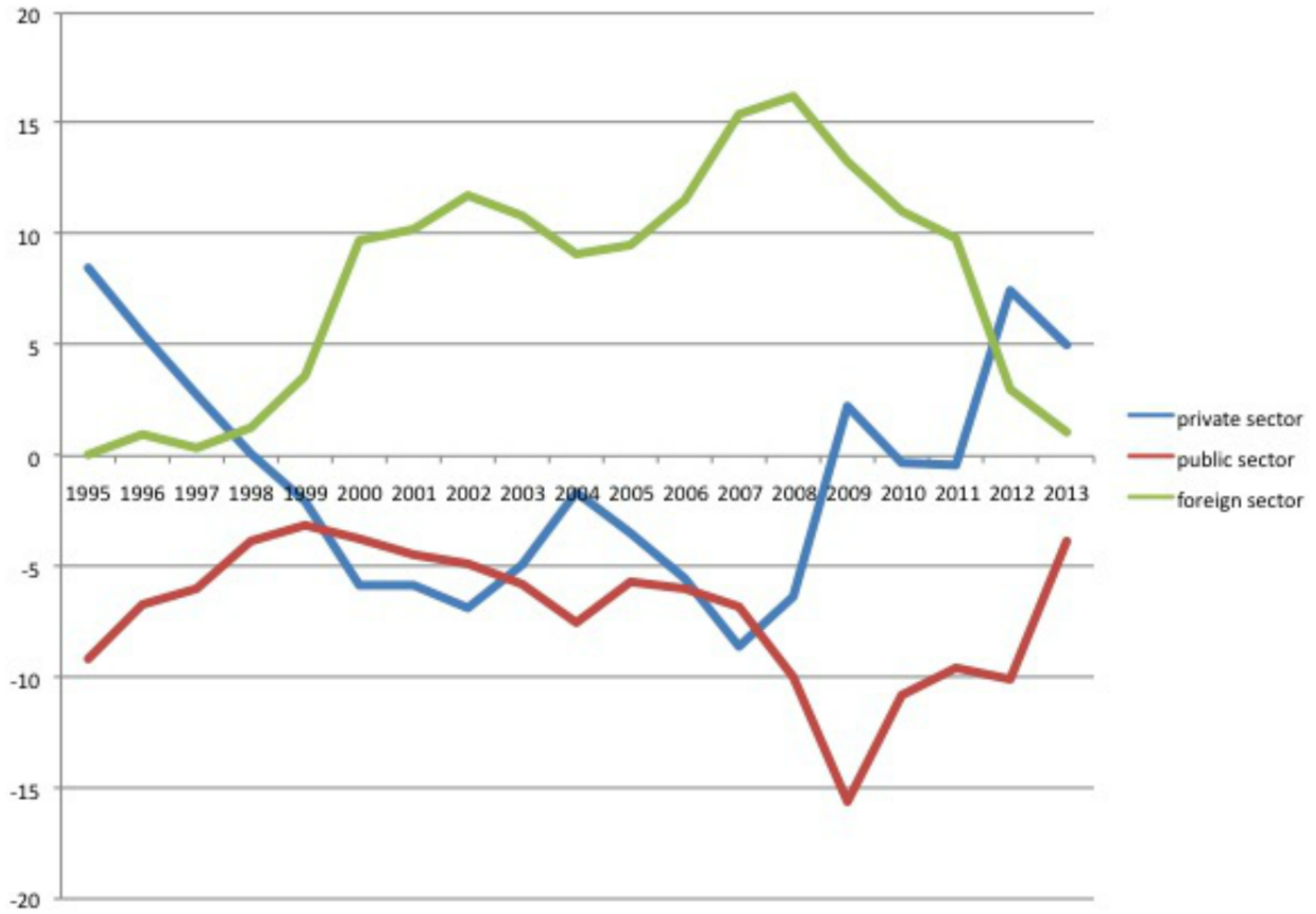


Sector balances, Estonia



Source: Ameco database

Sectoral balances, Greece

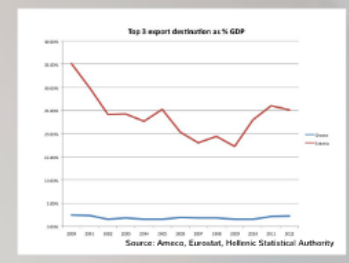
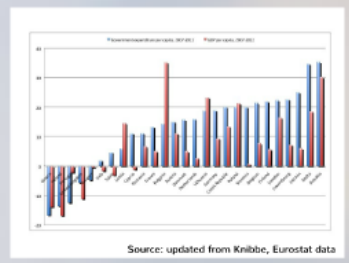


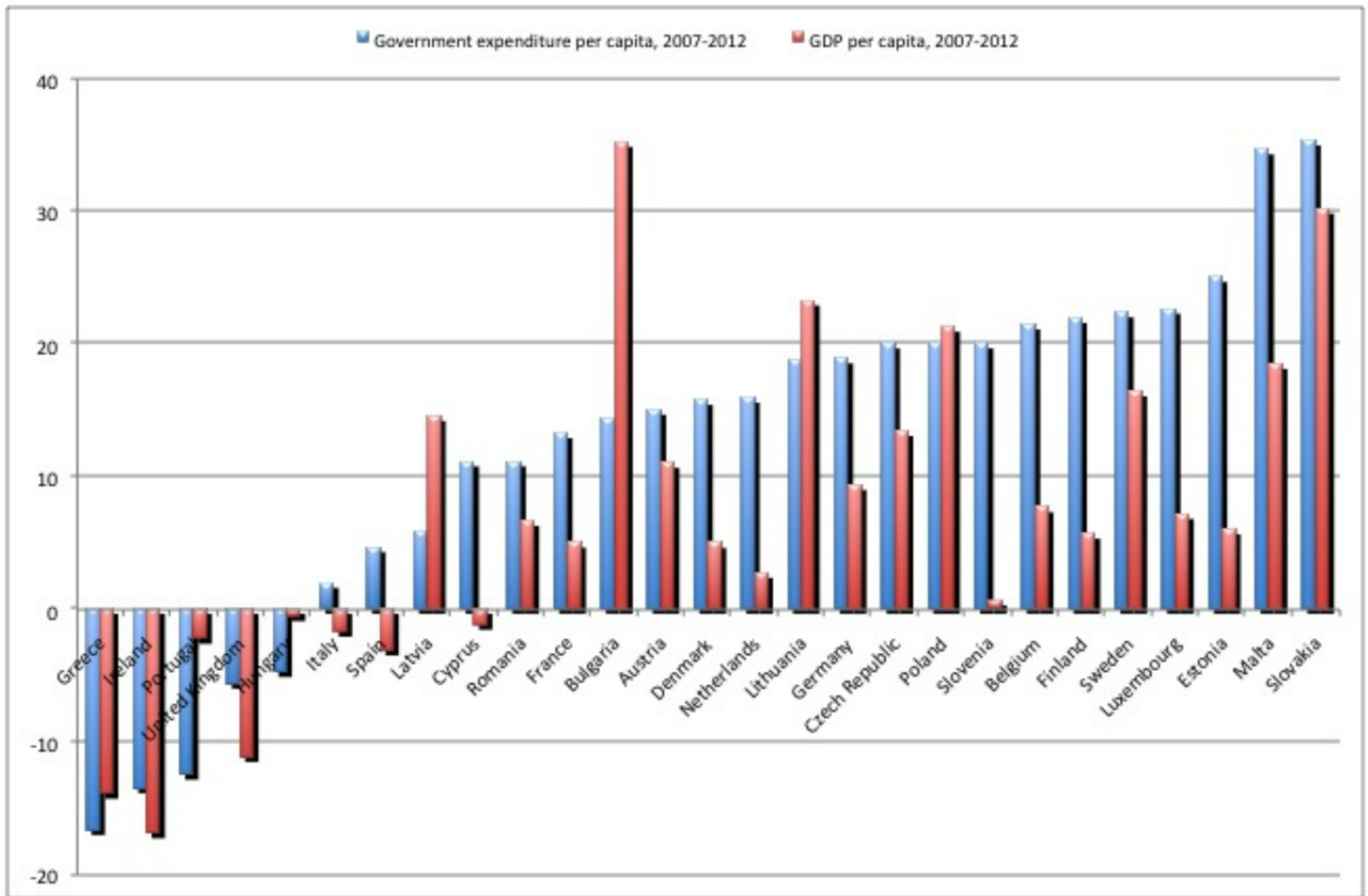
Source: Ameco database

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Austerity v 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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