



FS Club



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News Events Partnerships

Magic Money Trees & The
New Private-Public Dynamic
- An Exploration Of EU
Economic Policy
Development

Webinar - Belgium

Wednesday 30 September 2020



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Agenda



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News Events Partnerships

- 12:30 – 12:35 Chairman's Introduction
- 12:35 – 13:00 Keynote Address – Benoît Lallemand
- 13:00 – 13:15 Questions & Answers



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News Events Partnerships

Magic Money Trees & The
New Private-Public Dynamic
- An Exploration Of EU
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Development



Benoît Lallemand

Secretary General

Finance Watch

Magic Money Trees & The New Private-Public Dynamic – An Exploration Of EU Economic Policy Development



Z/Yen Webinar
30 Sept 2020

- What is Finance Watch – from the Great Financial Crisis to the COVID crisis
- We're all in this together – Global perspective
- The EU's response – firefighting, monetary, fiscal
- EU post-COVID fiscal (and taxation) coordination: what and how?
- Perspectives and debate


- Do you think that EU leaders know what they're doing?

Who are we?



The screenshot shows the Finance Watch website interface. At the top left is the Finance Watch logo. The navigation bar includes links for ABOUT US, MEMBERS' HUB, NATIONAL NETWORKS, PRESS ROOM, and NEWSLETTER, along with social media icons for Facebook, Twitter, LinkedIn, YouTube, Instagram, and RSS. Below the navigation bar are dropdown menus for LATEST, UNDERSTANDING FINANCE, and POLICY & REGULATION. A search bar and a red 'TAKE ACTION' button are also present. A central menu lists various topics: FINANCIAL SUPERVISION, BANKING, FINTECH, RETAIL & FINANCIAL INCLUSION, SUSTAINABLE FINANCE, LAWMAKING, FINANCIAL MARKETS, TRADE, and PENSIONS AND INSURANCE. Two main promotional banners are visible: one for a webinar titled 'Webinar: "Breaking the climate-finance doom loop" – Finance Watch and Carbon Tracker Initiative' with a 'Read more' button, and another titled 'BREAKING THE CLIMATE-FINANCE DOOM LOOP' featuring two speakers in a video call.

From fixing to re-thinking?




Finance Watch
Making finance serve society


To end all crises?

Implementing Basel III in the European Union

A position paper on CRD IV/CRR



February 2012




Finance Watch
Making finance serve society

Nature's Return

Embedding environmental goals at the heart of economic and financial decision-making

A Finance Watch report

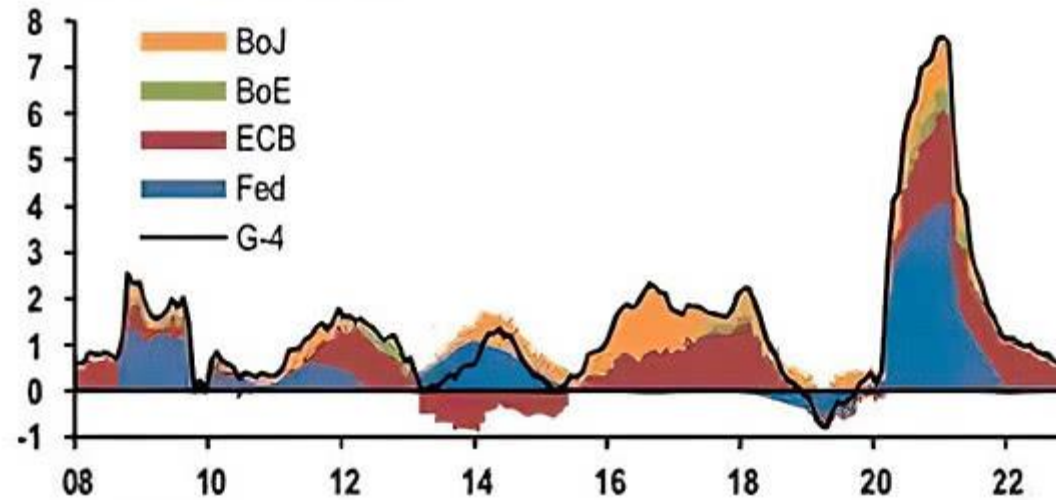
#EUGreenDeal
#Biodiversity



May 2020

Figure 5: G-4 central bank balance sheet, flow

Trillion USD; 12 month change

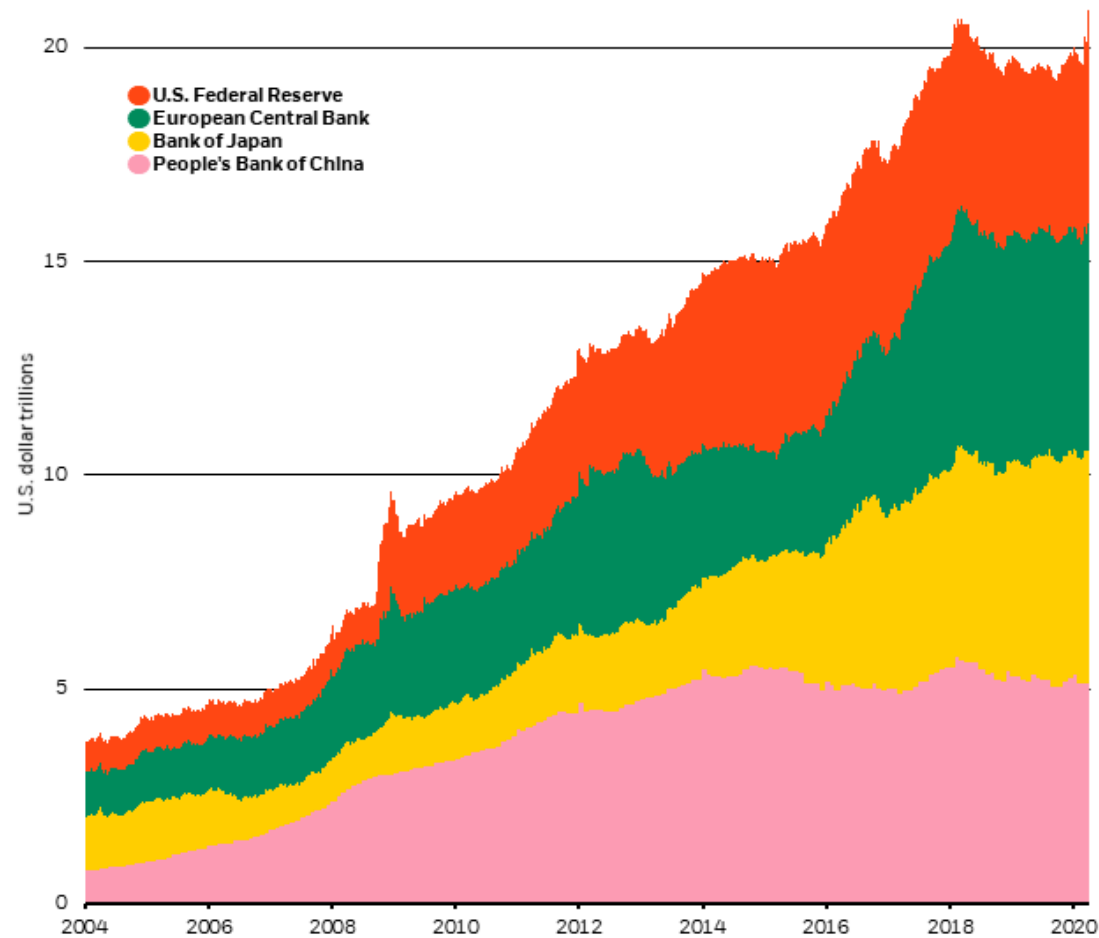


Source: J.P. Morgan

Money grows on trees

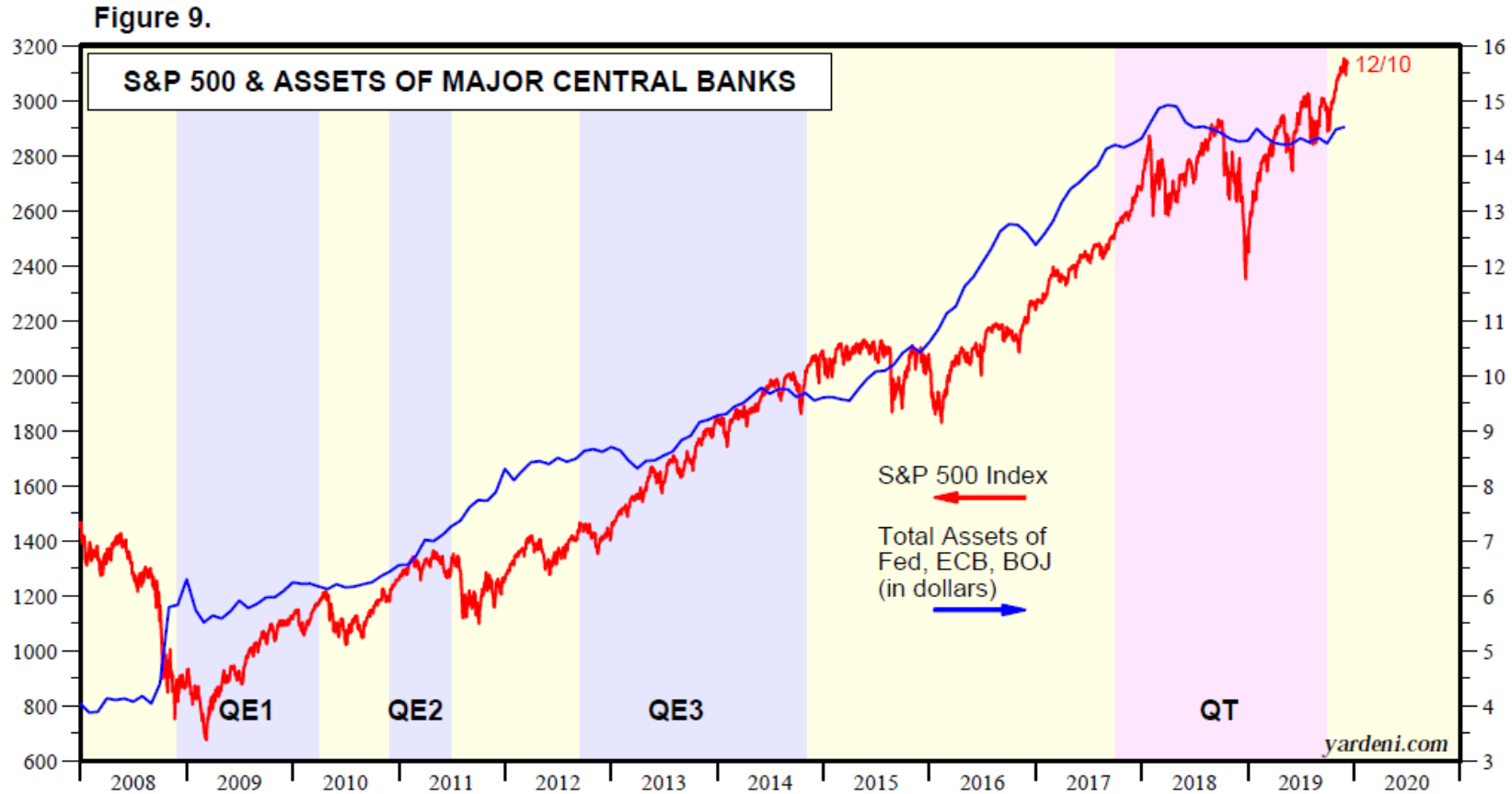
Chart of the week

Central bank balance sheet in U.S. dollars, 2004-2020

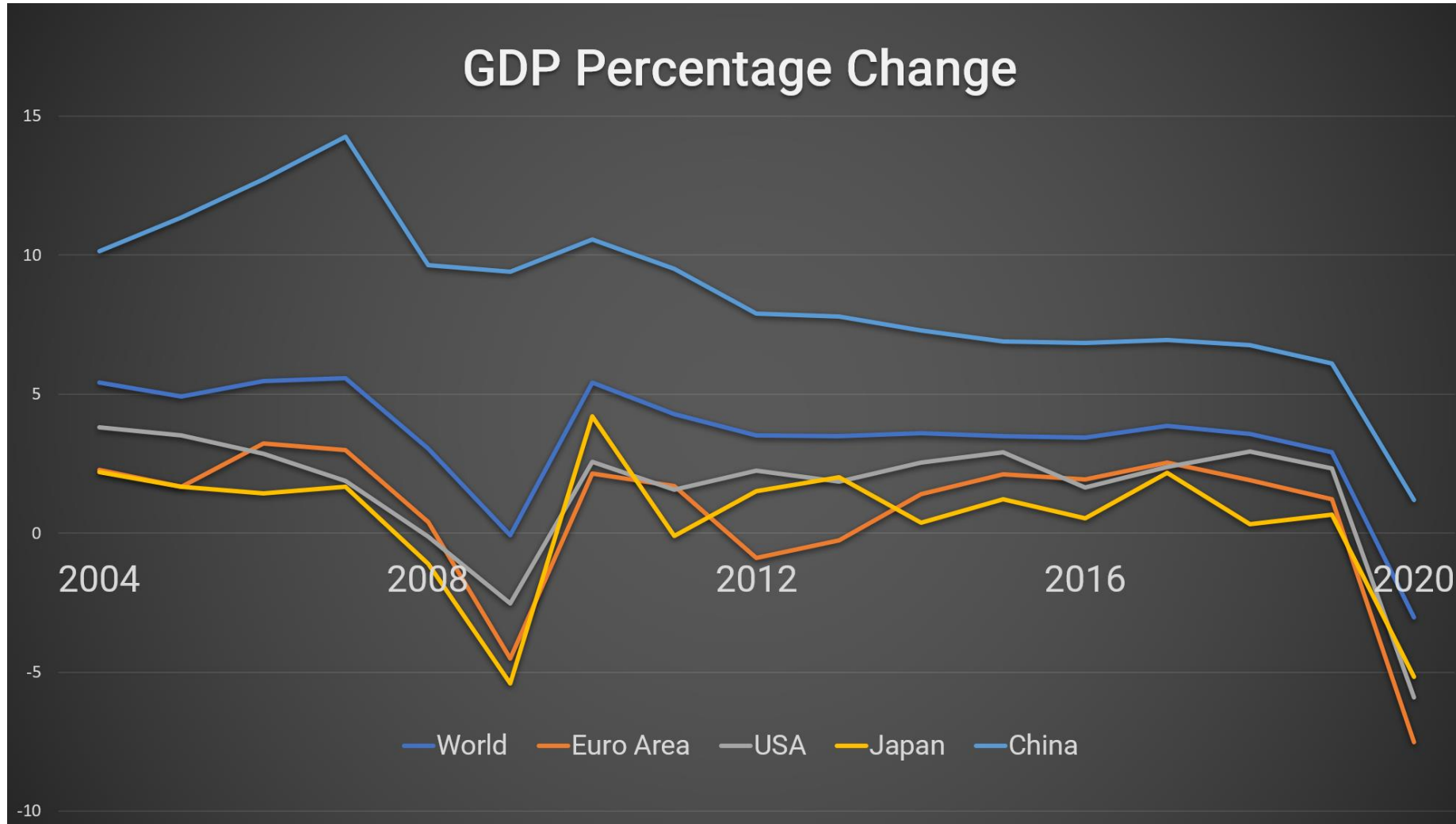


Source: BlackRock Investment Institute, with data from Refinitiv Datastream, April 2020. Notes: The chart shows the size of the balance sheet of each central bank.

The « pervasive state » or moral hazard?



Note: QE1 (11/25/08) = Fed starts buying \$1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying \$300bn in Treasuries. QE2 (11/3/10) = Fed starts buying \$600bn in Treasuries. QE3 (9/13/12) = Fed starts buying \$40bn/month in mortgage securities (open ended). QE3 expanded (12/12/12) = Fed starts buying \$45bn/month in Treasuries. Fed terminated QE net purchases (10/1/14). Fed reduced holdings (10/1/17-9/30/2019).
Source: Federal Reserve Board, Standard & Poor's and Haver Analytics.



Back to the European Union



#coronavirus crisis EU economic response



€575 bn

National measures taken under the flexibility of EU budgetary rules (general escape clause)



€100 bn

SURE - EU funding for short-time work schemes



€70 bn

Direct EU budget support



€3,045 bn

National liquidity measures, including schemes approved under temporary, flexible, EU State aid rules



€240 bn

European Stability Mechanism Pandemic Crisis Support for Member States



€200 bn

EIB - European Investment Bank Group financing for businesses

Total: €4.2 trillion

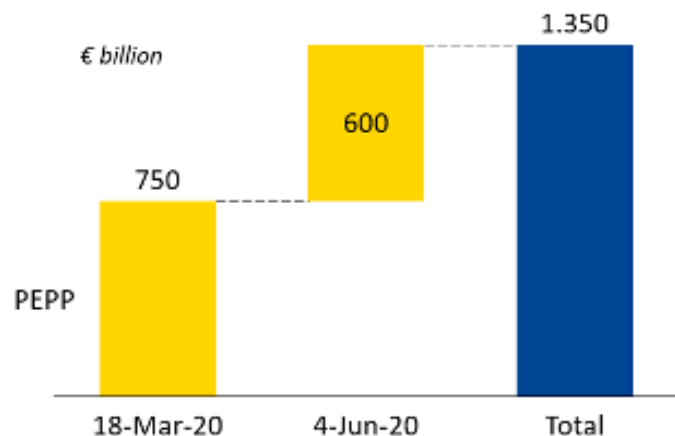
The ECB has launched the €1,350 bn Pandemic Emergency Purchase Programme



EUROPE'S RAPID MONETARY AND FISCAL COVID-19 RESPONSE

Monetary response

- European Central Bank's Pandemic Emergency Purchase Programme (PEPP)
- €750 billion was announced 18 March and increased to €1.3 trillion in June 2020
- This comes on top of the existing monetary policy



Source: ECB, EIB, EC and ESM

Fiscal response

- A rapid COVID19 response was put in place in 2 months' time: ESM €240bn for medical costs, EIB €200bn guarantees for companies (SMEs) and European Commission €100bn for unemployment support
- In July, an additional €750bn was approved of which €390bn are grants and €360bn loans
- This comes on top of all national fiscal response

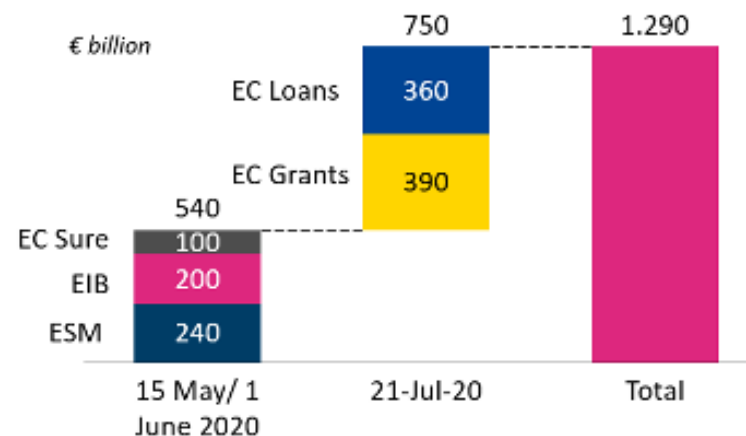
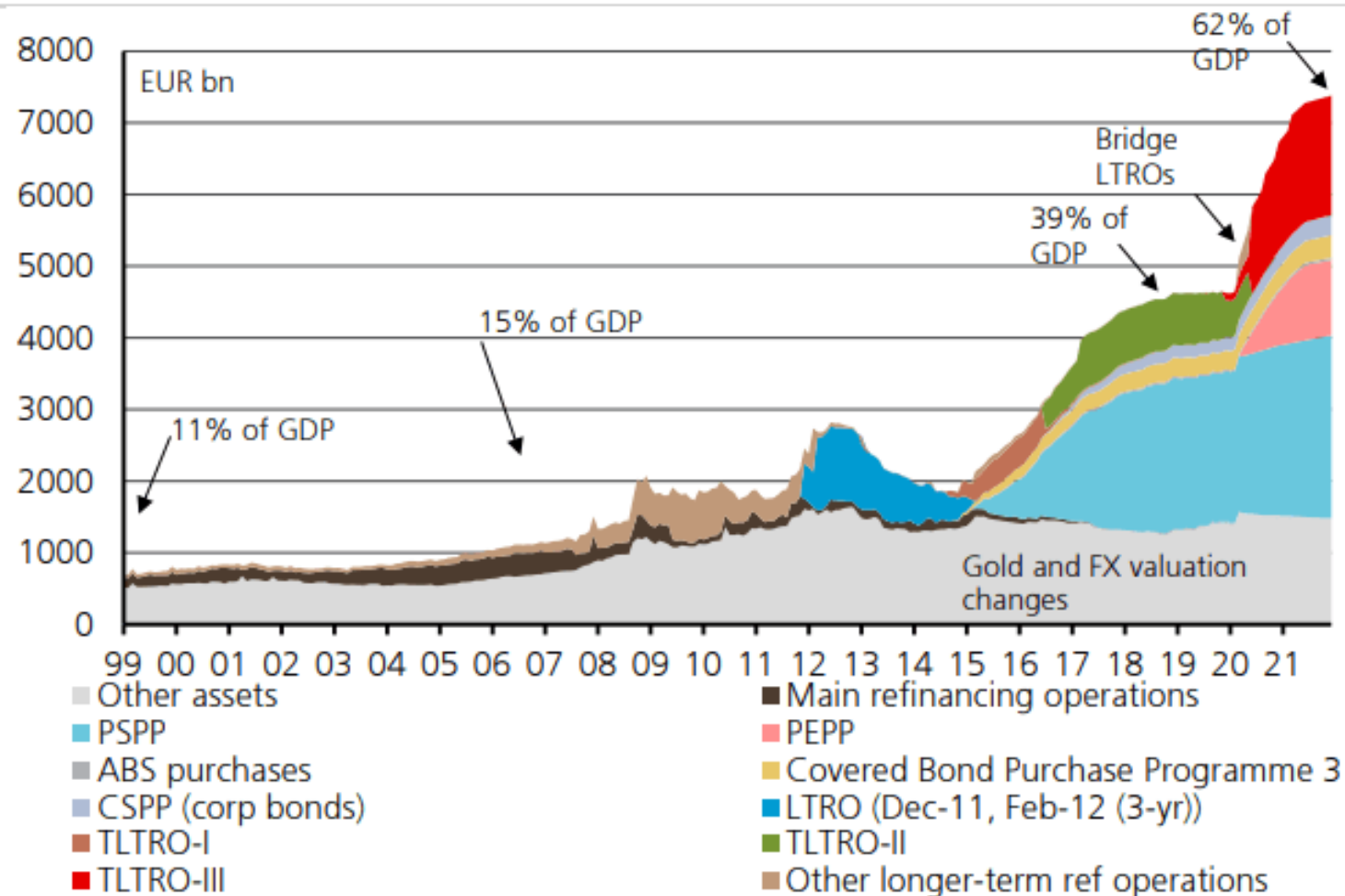
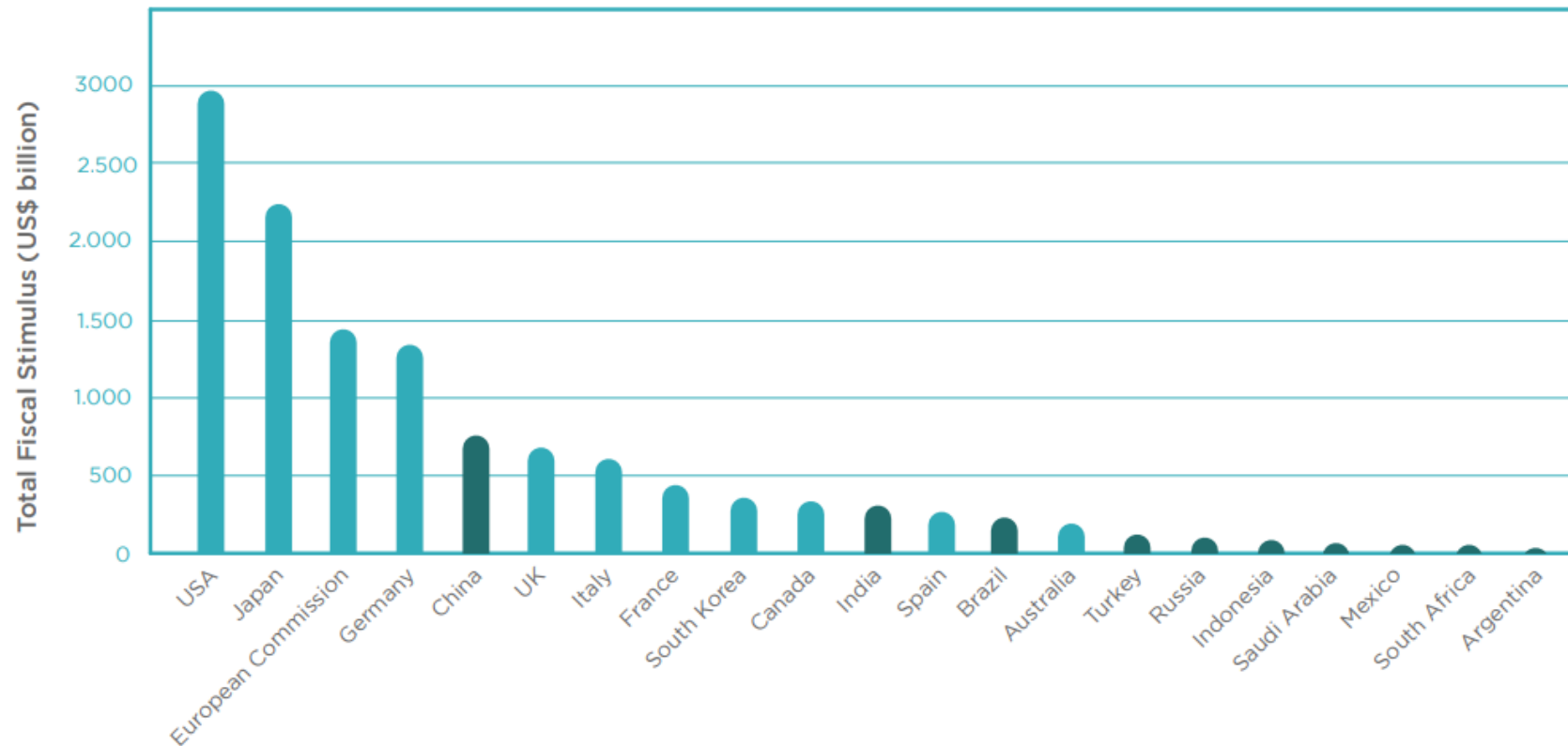


Figure 3: ECB balance sheet, with forecast until end-2021



Source: UBS, Haver

Figure 1 | Announced COVID-19 response fiscal stimulus package: G20 economies plus Spain



Source: Vivid Economics using IMF COVID-19 response tracker and other sources.

Note: Light blue represents developed and dark blue represents developing countries. Updated on August 28, 2020.

A needed re-balancing (public investment)

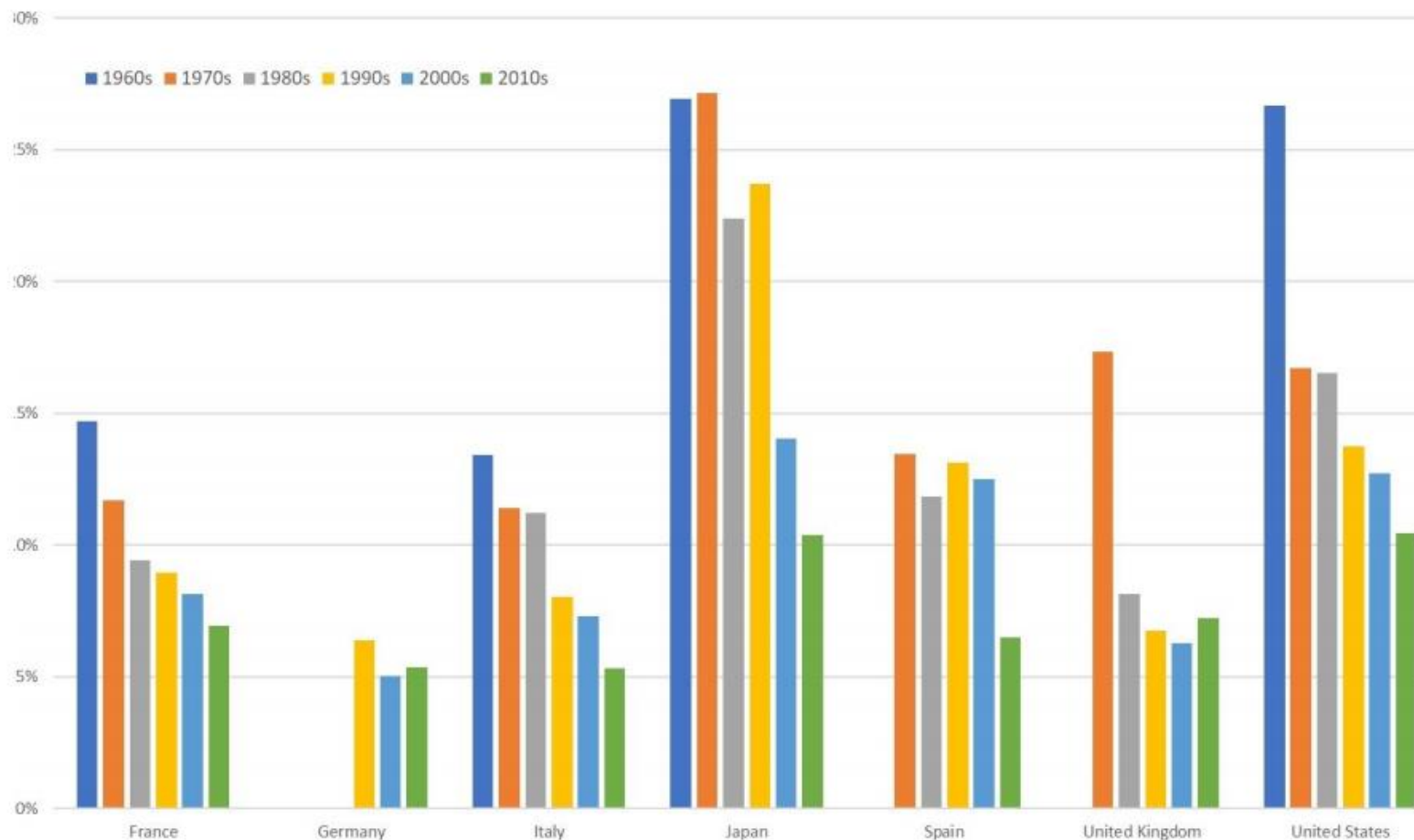


Fig. 1 Government Fixed Capital Formation as % of Primary Current Expenditure.

Source of data: OECD Economic Outlook. Figure created by the authors.

A needed rebalancing (infrastructure)

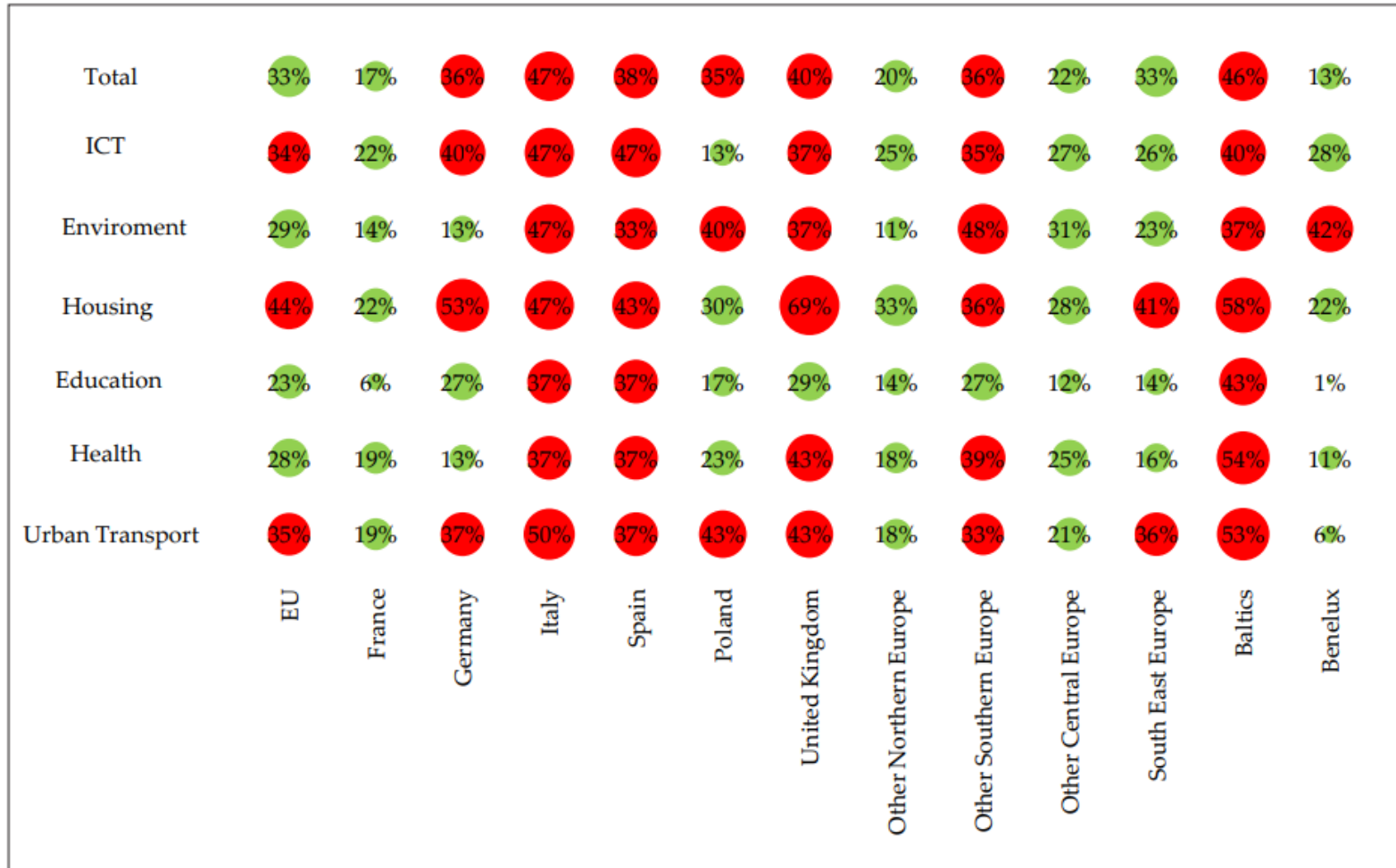
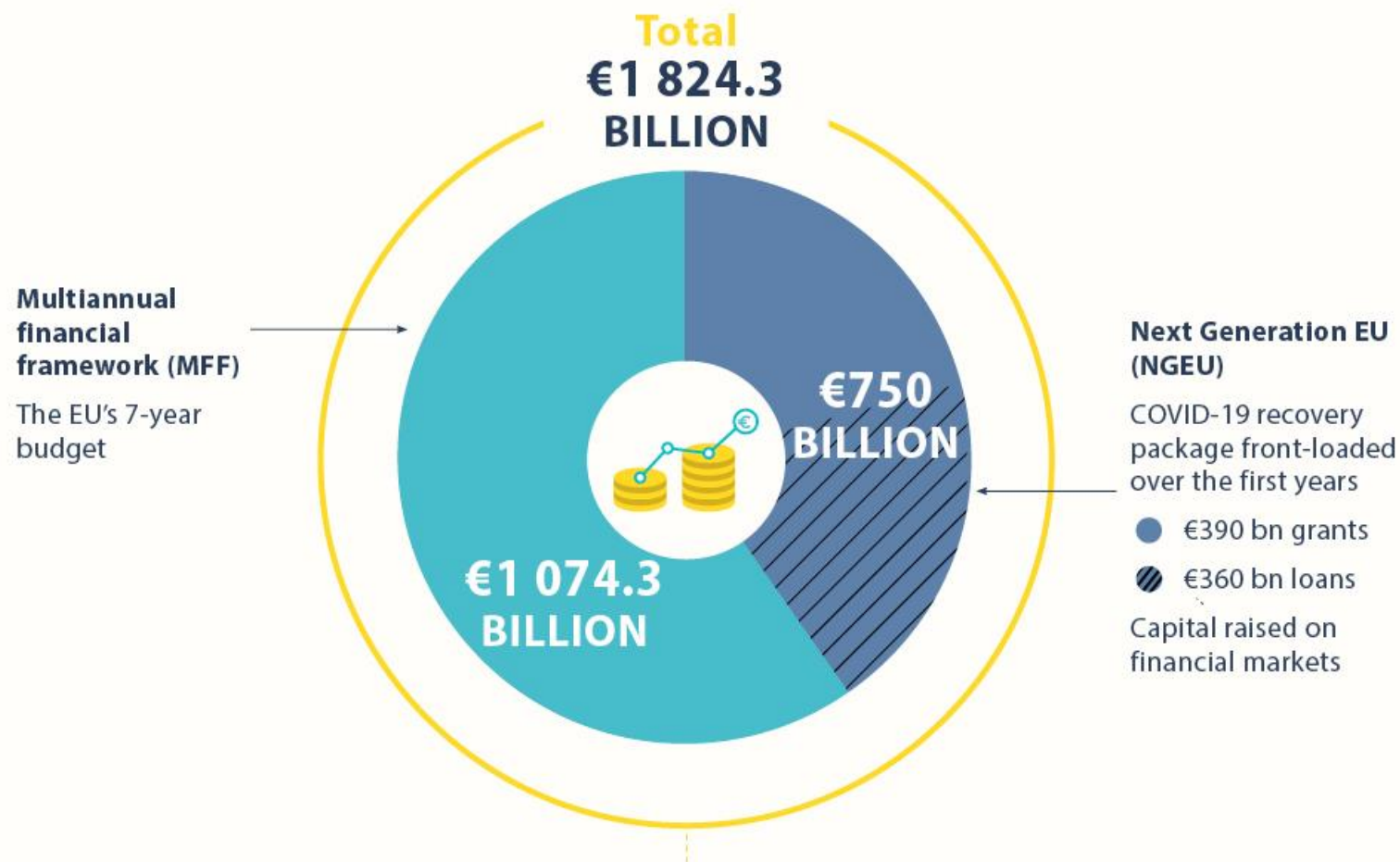


Fig. 8 Underprovision of infrastructure by Country and Sector

EU expenditure 2021-2027



Recovery and Resilience Facility: grants

Total grants: €312.5 billion

€218.75
BILLION

GRANT ALLOCATION KEY

- unemployment 2015-2019
- inverse GDP per capita
- population share



€93.75
BILLION

GRANT ALLOCATION KEY

- drop in real GDP over 2020
- overall drop in real GDP 2020-2021
- inverse GDP per capita
- population share

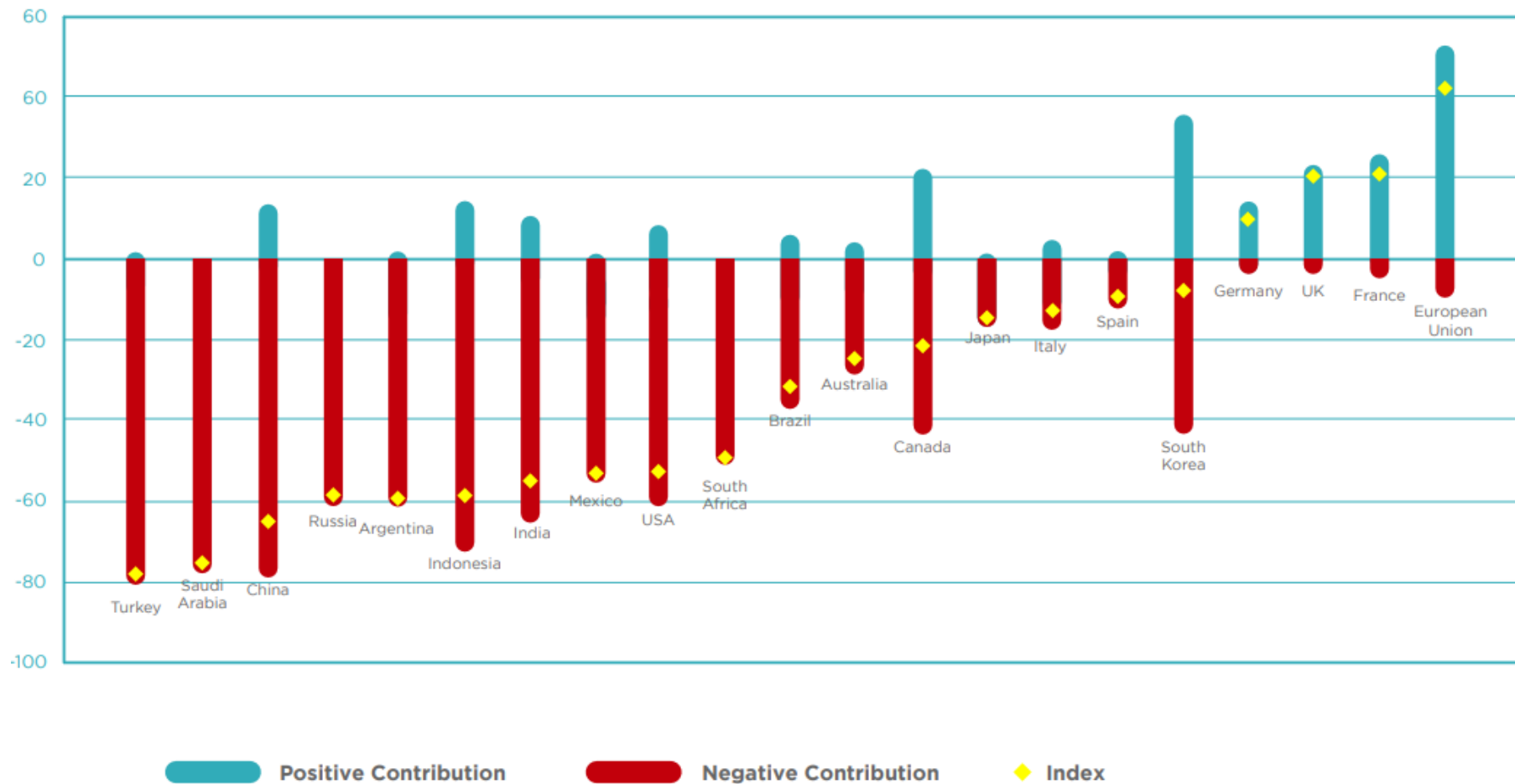


New own resources

Four-phase approach:



Figure 4 | Greenness of Stimulus Index:
G20 economies plus Spain



- Do you think that the return of resolute, directional fiscal policy is a good thing?

Now what?



QUESTIONS & DISCUSSION, ANSWERS?



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Forthcoming Webinars

- Thursday 01 October (14:00) [Long Lessons – Can The Religions Of The Book Teach Modern Finance](#)
- Tuesday 06 October (11:00) [ESOP Institutional Investors' Views On The Use Of Share Plans](#)
- Tuesday 07 October (19:30) [Tennis Around The Time Of Thomas Gresham](#)
- Thursday 08 October (12:30) [Why Do People Do Hostile Profiling?](#)

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