The EU's Public Finance Crisis: Causes, Consequences and Cure

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Abstract

This paper considers the causes and consequences of the crisis in the public finances of EU member states and other countries. It critically appraises the proposed 'cures' and whether they are likely to be successful by analyzing 'structural gaps' in the public finances. The paper theorises the multifaceted causes of the crisis, these being financial, political, institutional, economic and cultural. It concludes that the proposed cures will not necessarily close structural gaps and that a sustainable long-term strategy for the public finances has to be much more holistic, creating symmetry between decisions to spend and liability to finance those decisions.