EURO Stability Pact and "PIGS"-Countries

1

Originally, countries within the EURO area had to meet two financial basic rules:

① Maximum budget deficit of 3 % of gross domestic product (GDP)

② Maximum debt to GDP ratio of 60 %

2

Afterwards, exceptions to these rules were established making them more or less meaningless[1].

3

Especially in the "PIGS"-countries, the above mentioned rules are not met. Therefore, these countries are vulnerable during the current EURO crises. "PIGS"-countries are:

P **P**ortugal
I **I**reland
G **G**reece
S **S**pain

4

Budget deficits and debts in the "PIGS"-countries 2009 (page 2)[2]

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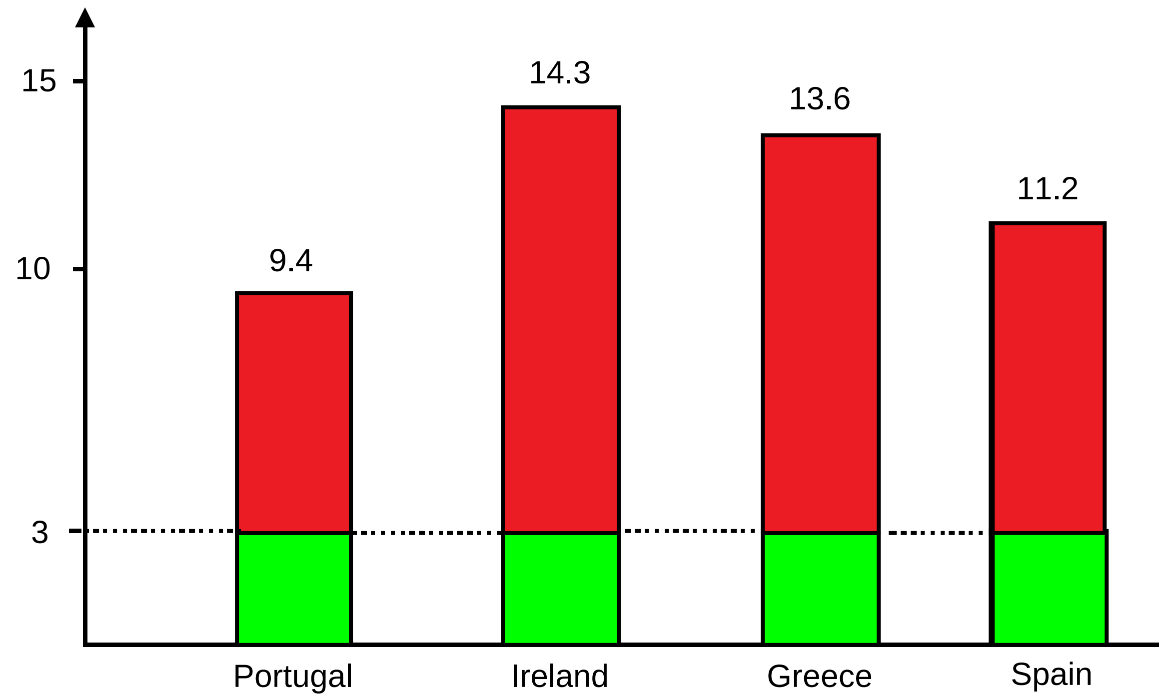
1 Feldstein Martin, The Euro and the Stability Pact, NBER Working Paper Nr 11249, March 2005, pp. 8 and 9

2 Numbers according to "Neue Zürcher Zeitung", 4th December 2010, p. 36

Budget deficit (of % of GDP) (2009)



Debt to GDP ratio (%) (2009)