

# EURO Stability Pact and "PIGS"-Countries

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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 %

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Afterwards, exceptions to these rules were established making them more or less meaningless<sup>1</sup>.

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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** Portugal  
**I** Ireland  
**G** Greece  
**S** Spain

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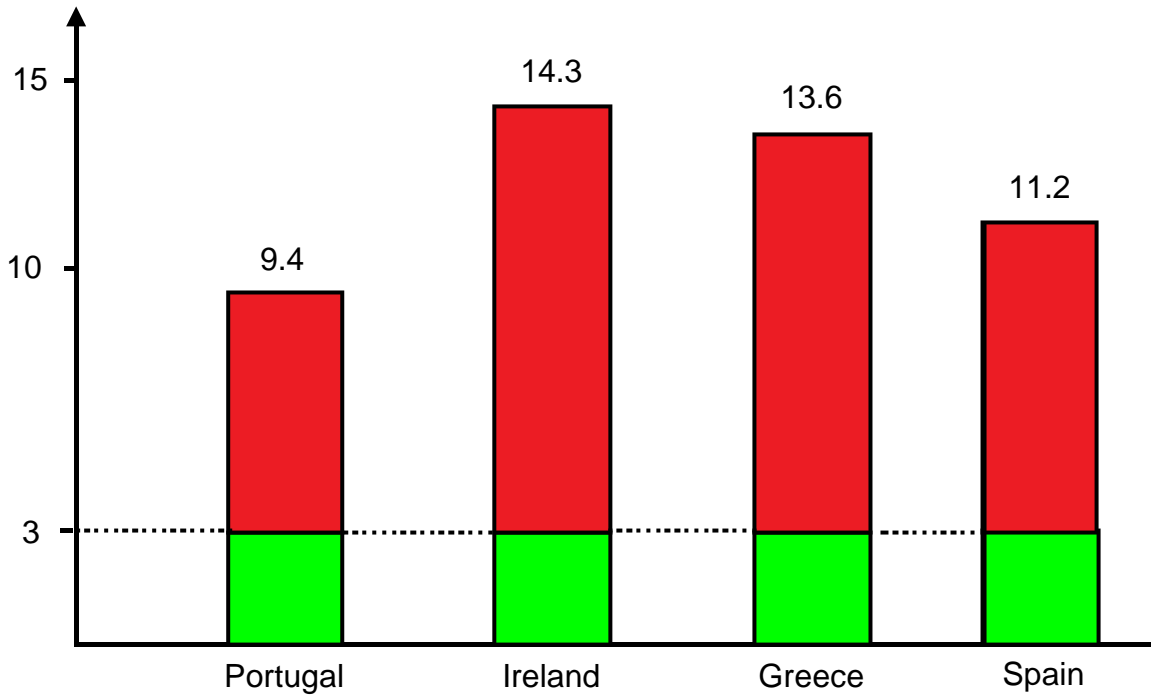
Budget deficits and debts in the "PIGS"-countries 2009 (page 2)<sup>2</sup>

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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)

