

The European Union in the 90's. Fiscal Conditions and Concerns

Dr. George Papaioannou
*Public Administration Dpt.,
Panteion University, Athens*

Abstract

This article is referred to the general direction of the economic policy adopted by the member states in year 1999. It is considered in the mixture of measures mainly aimed at contributing to growth, employment and stability, on the basis of a monetary policy. These policies, that are referred in the article, are aimed at a preserved price stability, according to the convention, continuous efforts to get individual budgets balanced or with surpluses in a medium-term perspective, whilst, at the same time, the developments in the labor markets and salaries will be consistent with the objective for price stability and increased employment.

JEL classification: F02 – International Economic Order, P16 – Political Economy, P19 – Other

1. Introduction

The European Union, since 1st July 1996, moves within the First Stage of its Economic and Monetary Union (EMU). The success of this Stage was crucial for the establishment of the EMU. For this reason, strong political synergy is necessary in supporting a viable growth and the maximum real convergence.

At the outset of the 90's, the Community is found in a difficult position. On the one hand, the worldwide economic climate appears to be restrictive, as even the U.S.A. and Gt. Britain are expected to enter a state of recession. The Gulf crisis contributes to an increased uncertainty and inflationary pressures, whilst investments and growth processes have slowed down in many countries. Moreover, the world trade shows a declining course, whilst the falling course of the dollar undermines the community industrial competitiveness. On the other hand, although expectations in the EU for growth are not promising, there is a greater sense of confidence in the internal strength

of the community economy. The medium-term perspective reveals improved economic fundamentals, whilst some projections about the integration of the markets earlier than anticipated result in additional vigor.

A further factor that adds to an optimistic outlook about a common future is the faster growth of some of the poorest EU regions (Spain, Portugal and Ireland show a growth higher than the average).

Clearly, there continue to be limitations due to the segmentation of the community market. To ensure an economic future, the application of a single currency is under consideration. The member states have to meet the expectations generated, as these are reflected in the White Paper.

Of particular importance is the mitigation of the differences between indirect taxation if cross-border controls are to be eliminated.

In view of the above, the approach procedure has to be based on long-term efforts. In spite of the modified policies in member states during the 80's, in spite of the doubling of the resources coming from the structural funds and the strengthening of the funding bodies, the countries remain responsible for their growth rates.

The community policy for the next decade is focused on the revitalization of the production sectors targeting at a strong growth within conditions of stability of prices. This is pursued through a strict monetary policy, progressive decrease in the public expenditure, increasing flexibility on the supply side, controlled increase in actual salaries and a synergetic policy under the control of the First Stage (Commission of the European Communities, 1999).

Remarkable is also the fact of the East-West rapprochement, which improves even further the medium-term economic climate. The integration of the East and Central Europe countries, within the international division of labor, despite any initial problems, adds a potential market of 400 million consumers, just in front of the EU gate.

The German unification constitutes the most important direct result of the above approach. This unification came about swiftly and was accompanied by Germany's increased financial vigor, as well as by a decrease in the surplus of its current transactions. Thus, the expected lack of capital within Europe requires more efforts for the convergence and an increased saving impetus in the EU member states (Economic Policy Committee, 1999, 2000b). The latter seems easier to achieve through increased public savings.

Table 1: Balance of general government and changes to the GNP in 2002

	Convergence Programs		Projections		Difference	
	Increase in the GNP (% change)	Budget Balance (% of the GNP)	Increase in the GNP (% change)	Budget Balance (% of the GNP)	Increase in the GNP (% change)	Budget Balance (% of the GNP)
B	1.3	0.0	0.7	-0.1	-0.6	-0.1
D	0.8	-2.5	0.4	-3.8	-0.4	-1.3
EL	3.8	0.8	3.5	-1.3	-0.3	-2.1
E	2.4	0.0	1.9	0.0	-0.5	0.0
F	1.5	-1.8	1.0	-2.7	-0.5	-0.9
IRL	3.9	0.7	3.3	-1.2	-0.6	-1.9
I	2.3	-0.5	0.4	-2.4	-1.9	-1.9
L	5.3	2.8	0.1	0.5	-5.2	-2.3
NL	1.3	0.4	0.2	-0.8	-1.1	-1.2
A	1.3	0.0	0.7	-1.8	-0.6	-1.8
P	1.8	-1.8	0.7	-3.4	-1.1	-1.6
FIN	1.6	2.6	1.4	3.6	-0.2	1.0
Euro area	1.8	-1.1	0.8	-2.3	-1.0	-1.2
DK	1.7	1.9	1.7	2.0	0.0	0.1
S	2.4	2.1	1.6	1.4	-0.8	-0.7
UK	2.3	-1.1	1.6	-1.1	-0.7	0.0
EU-15	1.8	-1.0	0.9	-1.9	-0.9	-0.9

Source: Community Services

The strengthening of the community economy was not expected to come across any particular limitations in spite of the current negative factors in the international economic environment. For example, the weak performance of the USA economy and the falling tendencies of the dollar, combined with the oil crises (however mild) give rise to inflationary pressures, thus making necessary the implementation of policies intended to prevent situations of increasing salaries and prices, in parallel with measures designed to invigorate the international trade and increase confidence in the private sector. These limitations can be overcome in a medium-term perspective. The same is true of the EU competitors, such as Japan and the countries of South Pacific, where, likewise, the growth prospects are satisfactory. The Uruguay Round is to determine the picture of the world trade and its possible positive results give a comparative advantage to EU as a region that constitutes the major trade partner in the world.

At first glance, the oil crises seem to be bound to have a considerable impact on the course of the EMU. Indeed, the 1973 and 1979 crises caused major increases in the oil prices (the former quadrupled and the latter tripled the oil price). Similar crises during the 90's are not expected to cause any problems of similar magnitude because of the decreasing dependence of the production sectors in the EU member states on oil. Additionally, synergetic policies on the basis of the monetary policy maintenance within the prescribed framework are expected to solidify the anti-inflation policy in crises of that form.

2. Conditions and perspectives in the early 90's

Even before the Gulf crisis there was some slowing down of community economy growth. The real growth rate was expected to decline from 3.8% in 1988 to 2.9% in 1990. This was mainly due to the slowing down of the growth rates of Great Britain, France, Spain and Italy. During the same period, Germany consolidates its growth. The private consumption increases due to cuts in taxation, the inflow of population from the east and an increase in employment. The investments, especially in equipment, increased. Germany's growth benefits mainly the BENELUX countries.

Nevertheless, the growth of Germany and its diffusion into Belgium, the Netherlands, Luxemburg and Denmark counter-balanced the overall declining trend. Whilst employment as a whole continued to increase, the inflationary pressures were quite strong, resulting in a 2% increase in actual salaries, a fact that had, as expected, a negative impact on the profit-making of the enterprises.

The slowing down of the growth rates could be deduced mainly from the reduced exports, increased salaries, inflationary pressures that reduced ex-

ports and investments. On the other hand, the “tight” economic policy and the rise in the interest rates intensified the decrease in investments (Economic Policy Committee, 2000a, 2002). The details given in the following Table 2 indicate the macro-economic conditions that prevailed at the time.

**Table 2: EU economy at the outset of the decade
(annual % changes)**

	1988-90	1989	1990	1991
Actual GNP	3.3	3.3	2.9	2.2
Employment	1.5	1.6	1.7	0.6
Inflation Rate	4.6	4.9	5.1	5.3
Investments	6.5	6.5	4.4	2.9
Actual labor cost per unit	-0.5	-0.8	0.4	-0.2

Source: Community Services.

The Gulf crisis reduced world oil supply by 7%. The oil price went up, with large fluctuations, to even 40 dollars a barrel, ensuring a great increase in the revenues of the oil producing countries. The uninterrupted monetary policy stability of the EU led to an increase in the interest rates. The decrease in oil demand (by 45%), through measures of conservative use of energy resources and varied use of energy sources, allowed a 55% decrease in the oil imports, implying a considerable advantage. It is pointed out, however, that in the poorest countries of the EU, dependence on oil increased (Spain, Greece and Portugal by 10%, 23.7% and 26%, respectively).

The overall conditions of world recession and the declining course of the international trade, the slowing down of the USA economic growth and the increasing uncertainty, combined with the rise of the European Accounting Unit, generate a decrease in employment (from 1.6 in 1989 to 0.6% in 1991)

3. The end of the decade.

The slowing down of the growth rates proved to be temporary. It was followed by a recovery of the rates of growth, which was based on policy measures adopted within the framework of the slowing down, right after the economic crises of 1997-98. The annual percentage of actual increase in the GNP of the Union came down to just 1.5% in the first semester of 1999 from approximately 3% in the first half of 1998. Exports, also, slowed down, clearly because of the absence of external demand, as combined with the less

favorable growth prospects, conditions that led to a considerable downward adjustment of the reserves. The investments in equipment slowed down too, although to a lesser extent than initially estimated. From the beginning of the summer of 1999, however, the Union shows a progressive strengthening of its financial activity and its growth was considerably accelerated in the second half of the same year. Therefore, the actual rate of increase in the GNP is estimated to rise to 2.2% in 1999 (see Table 2).

Internal demand was the main force behind the economic growth in 1999, as it proved even more flexible than expected. Private consumption remained strong under the combined impact of quite some increase in employment and the steady expansion of credits, which were made easier by low interest rates, low inflation rate and increasing reserves. The current developments in the labor market which were associated with the steady profits in the actual per capital income, promoted consumption confidence to a historically maximum point. The investments, similarly, were quite strong, reflecting the high performance. The basic costs were met by the demand prospects and the strengthened entrepreneur confidence. As a result of the crisis in the emerging markets and in the American economy there appears an orbit of continuous and fast expansion. Exports increase, mainly in the second semester, with the result that the rate of increase in the exports in 1999, as a whole, decreased less than the similar decrease of the preceding year (Hamerijick, Huiskamp, de Boer, 2002).

The differences in growth rates between member states remain even in 1999, reflecting, as a matter of fact, three factors: first, the different relationship of each country with the emerging economies undergoing a crisis, second, the belated implementation of the necessary adjustments for the EMU stage 3 and third, the unequal potential development levels of the countries. Growth was soon to come to Ireland and Luxemburg and was strong in Sweden, whilst, conversely, it showed some problems in Spain, the Netherlands, Portugal and Finland. The economic activity in Germany and Italy had been slowed down, but, clearly, it grew faster during 1999, whilst the short-term perspectives referred to further strengthening of the activity. The external sector of economy will continue to get the benefit from the overall improvement and from the increasing competitiveness following the Euro devaluation.

It is, however, the internal demand that remains the main body of a dynamic growth. Private consumption is to be supported by the high consumer credit and the continuous positive developments in the labor market, associated with the consolidation of the profits and the actual per capita incomes. The improving prospects for demand, the increase entrepreneur confidence and the high performance give positive presages for investments too.

Table 3: Macro-economic developments in the EU

	1993	1994	1995	1996	1997	1998	1999
Actual Magnitudes							
-Increase in GNP	-0.4	2.8	2.4	1.6	2.5	2.6	2.1
-Private Consumption	-0.4	1.7	1.8	1.9	2.0	3.0	2.6
-Public Consumption	1.1	1.0	0.6	1.8	0.3	1.3	1.7
-Investments	-5.9	2.6	3.3	1.9	3.2	5.6	3.7
-Construction	-3.1	1.9	0.1	-0.7	0.8	1.8	3.5
-Equipment	-10.7	3.8	8.1	4.8	6.2	10.0	3.8
-Reserves	-0.4	0.2	0.5	0.0	0.3	0.7	1.0
-Exports	1.4	9.0	8.3	4.8	9.6	5.6	3.5
-Imports	-3.1	7.8	7.3	4.1	9.0	8.6	4.7
Increase Determinative Factors							
-Local Demand	-1.7	2.4	2.1	1.3	2.2	3.5	2.4
-Net Exports	1.3	0.4	0.3	0.3	0.3	-0.8	-0.4
Labor Market							
-Employment	-1.7	0.0	0.7	0.4	0.8	1.3	0.8
-Employment Index	59.5	59.3	59.6	59.7	60.1	60.8	61.3

-Unemployment	10.7	11.1	10.7	10.8	10.6	9.9	9.6
-Work productivity	1.6	2.8	1.7	1.3	1.8	1.3	1.3
-Actual cost per work unit	-0.7	-2.3	-1.4	-0.5	-0.9	-1.0	-0.1
			Inflationary Trends				
-Consumers Price Index	3.4	2.8	2.8	2.4	1.7	1.3	1.2
GNP -De-inflator	3.5	2.7	3.0	2.5	2.0	2.0	1.7
-Compensation per employee	4.3	3.1	3.4	3.3	2.9	2.4	2.9
-Nominal cost per work unit	2.7	0.3	1.6	2.0	1.0	1.0	1.6

Source: Community Services

On the labor market too, the results seem to be promising. In spite of the growth rate at levels below 2%, employment is on the increase, at a rate above 1.25%, a fact that shows why the preceding crisis was regarded as temporary by the production sectors. Thus, after many years of continuous fluctuations and changes in salaries, labor supply adaptability and effectiveness prove themselves.

The increase in employment is supported by high rates of job creation, as a result of the improved growth rates. For example, unemployment was reduced to 9.2% in 1999, having previously gone up to much higher levels. The increase in employment was temporary in the fast developing economies of Ireland and Luxemburg, whilst that vigor was somehow lower in Germany and Italy. A strong recovery of employment appeared in Finland and Spain, where this decrease in unemployment goes on at a fast rate, whilst Luxemburg had once again recorded the lowest unemployment rate in the EU.

The absence of inflationary pressures in 1999, allowed the EU economy to carry on enjoying a high degree of price stability. The inflation rate (as measured by the adjusted price index of consuming goods) falls down to 1% in 1999. Internal demand and the improvement of the conditions in the production contributed to a reduced inflation rate in the EU. The increases in the work payments continued to be moderate and the liberation of the markets (especially in the telecommunications and the power supply) through increased competition exercised some downward pressure on the prices. Since then, the inflation rate increased to approximately 1.8% in January 2000 on account of the energy and raw materials price inversion (especially that of the crude oil) and on account of the weakening of the Euro. In particular, it is estimated that the energy added directly 0.9 % units to the inflation rate.

Table 4: Inflation Rate (annual % changes)

	Inflation Rate			Inflation Cores	
	1998	1999	1/2003	1998	1999
B	0.9	1.1	1.4	1.2	1.1
D	0.6	0.6	1.2	1.1	0.4
E	1.8	2.2	3.6	2.1	2.4
F	0.7	0.6	1.8	0.9	0.7
IRL	2.1	2.5	4.7	2.4	2.3
I	2.0	1.7	2.6	2.3	1.8
L	1.0	1.0	2.2	1.3	0.9
NL	1.8	2.0	3.8	1.9	1.9
A	0.8	0.5	1.7	1.2	0.7
P	2.2	2.2	3.7	1.5	2.5

FIN	1.4	1.4	1.9	1.5	1.4
EUR-11	1.1	1.1	2.6	1.4	1.1
DK	1.3	2.1	2.4	1.4	1.6
EL	4.5	2.3	3.8	5.3	2.7
S	1.0	0.6	1.9	1.1	0.5
UK	1.6	1.3	1.3	1.9	1.2
EU-15	1.3	1.2	2.35	1.6	1.2

Source: EU Services

Another feature characteristic of 1999 was some widening of the differences in inflation rates between member states. Early in 1999, the inflation rate fell fast to very low levels in some countries (Germany, France, Austria), whilst it was accelerated in some others (Spain, Ireland, the Netherlands, Portugal). This dissemination of inflation rates tends to decrease gradually since then. These differences illustrate to a great extent the structural differences and the short-term cyclical fluctuations in the Euro-zone. In countries, such as Spain and Ireland, the increases in prices indicated the overheating risks and called for a political intervention towards a restricted demand by means of a fiscal policy. Regarding future trends, after a further rise in the oil prices and some weakening of the Euro value during the preceding months, the perspective regarding the inflation rate is marked by a high uncertainty. The inflation rate went over 2% in the Euro-zone early in 2000, but the future trends will greatly depend on the extent to which the Euro weakening will pass, through the prices of the imported and consumer goods, into future changes in salaries.

4. The macro-economic mixture in the Euro-zone.

The general lines of the economic policy adopted by the member states in 1999, consisted of a mixture of measures mainly aimed at contributing to growth, employment and stability, on the basis of a monetary policy aimed at a preserved price stability, according to the convention, continuous efforts to get individual budgets balanced or with surpluses in a medium-term perspective, whilst, at the same time, the developments in the labor markets and salaries will be consistent with the objective for price stability and increased employment.

With a successful Euro inception, 1999 was the first year to test in practice the macro-economic management of the single currency zone. The results were positive. The monetary conditions in the Euro-zone countries supported price stability and were generally supportive of growth in 1999, in contrast with the general climate of economic slowing down. With the inflation risks counter-balanced, the European Central Bank reduced its base in-

terest rate from 50 base units to 2.5% in April and left its interest rates intact until November (Euro Papers, 2002). The above fall of interest rates in the ECB was accompanied by a substantial devaluation of the nominal Euro exchange rate. The implied accommodation given to the monetary conditions was counter-balanced, to a certain extent, by a substantial rise in the performances of the bonds in the Euro-zone countries, which, in spite of the absence of internal pressures due inflation, were higher than those in the United States.

Table 5: National Debt and Adjustments based on Stability and Convergence Programs

	1999	2000	2001	2002	2003
B	114.9	112.4	108.8	105.0	101.3
D	61.0	61.0	60.5	59.5	58.5
E	63.5	62.8	60.6	58.1	55.8
F	60.3	59.4	59.0	58.4	57.7
IRL	52.0	46.0	40.0	36.0	n.a.
I	114.7	111.7	108.5	104.3	100.0
L	4.3	n.a.	n.a.	n.a.	n.a.
NL	64.3	62.3	61.8	61.0	n.a.
A	n.a.	n.a.	n.a.	n.a.	n.a.
P	n.a.	57.1	55.2	53.3	51.0
FIN	46.6	42.9	40.7	38.0	35.2
EUR-11	72.4	71.1	69.7	67.9	66.0
DK	52.8	50.1	47.5	44.6	41.6
EL	104.2	103.3	99.5	98.0	n.a.
S	66.1	58.8	54.1	52.0	n.a.
UK (2)	44.9	43.1	41.3	39.9	38.8
EU-15	67.7	65.9	64.2	62.5	60.6

Source: Community Services

With good growth perspectives in the Euro-zone, the prospect of higher employment for the production resources and the labor market in conditions of low unemployment, the ECB felt that the inflation risk had been relocated on the other side and inverted its earlier move in November by increasing the interest rates by 25 base units early in February. The management of the monetary policy was assisted by the decision of the member states to keep the fiscal objectives of 1999, in spite of the average lower than expected

growth, when the plans were made. Indeed, as a matter of fact, all the members of the Euro-zone achieved those objectives.

Varied factors contributed to that positive outcome, including a further fall of debt serving needs. The net debt of the general government within the Euro-zone was totally reduced by approximately 1.25%, as a percentage of the GNP, in 1999. Additionally, there had been a 0.75% improvement, as a percentage of the GNP, within the Euro zone, in 2000. The 1999 results prove that in most of the member states the objectives achieved so far are based on a healthy fiscal position, according to the stability and growth agreement.

The salary developments within the Euro-zone continued to be consistent with price stability, as in 1999. In average, the dismissals remained at moderate levels, resulting in an increase in the nominal compensations per employee by approximately 2.25%. This meant that, taking into consideration the increase in productivity; there had been an increase in the labor cost by approximately 1.25%, which did not cause concern with regard to inflation (Haffner et al, 1999). Moreover, the actual compensations were changed approximately on the basis of productivity, thus keeping the performance percentages of the investments at a level that could contribute to the creation of new investments and to increased job positions, as demand grows stronger.

5. Conclusions and reference to the present time

As far as the present time is concerned, the first quarter of 2002 closed negatively for the markets, not only in Greece and in Europe, but also worldwide. This happened because 2001 had been a year of continuous decreases in the interest rates, mainly introduced by the USA Central Bank, but also by the European Central Bank, due to the economic recession in the most important economy of the world, that of the USA.

With the latest decrease, the interest rates in the USA reached 1.75%, constituting a historically low rate over the last 40 years. Undoubtedly, it had been a very good year for the holders of bonds, their prices having dramatically increased.

Nevertheless, everything seems to indicate that the monetary policy laxity cycle is over on both sides of the Atlantic. The fiscal data (mainly those from the industrial production) indicate that the economy begins to recover and thus, the markets already foresee increased interest rates, first in the USA and then in the Euro-zone (Sahoko, 1998). Under the circumstances, all the bond markets were subjected to higher pressure following mass sales on the part of investors and increased issues of bonds on the part of governments and companies, which rushed to borrow cheap money at extremely low interest rates.

Table 6: Salary developments in 1999

	Nominal salary per employee	Actual Salary	Work Productiv- ity	Nominal Cost per Work Unit	Actual Cost per Work Unit
B	2.4	1.6	1.2	1.1	0.3
D	1.9	0.9	1.1	0.8	-0.1
E	2.4	-0.3	0.4	2.0	-0.6
F	1.9	1.5	1.4	0.5	0.0
IRL	7.0	3.3	4.0	2.9	-0.7
I	1.8	0.2	0.4	1.3	-0.2
L	1.9	0.9	0.5	1.4	0.3
NL	3.7	2.0	1.1	2.6	1.0
A	2.8	1.8	1.1	1.7	0.7
P	5.4	2.4	1.2	4.1	1.2
FIN	2.9	1.9	0.3	2.6	1.6
EUR-11	2.2	0.9	1.0	1.3	0.0
DK	4.6	1.9	0.8	3.7	1.1
EL	4.8	1.4	2.2	2.5	-0.8
S	3.5	2.8	1.5	2.0	1.3
UK	5.0	2.3	0.8	4.1	1.4
EU-15	2.8	1.3	1.0	1.8	0.3

Source: Community Services

Table 7: Fixed Capital Formation

	Aug 91-95	1996	1997	1998	1999	2000	2001	2002
Total investment	20.5	19.6	19.4	19.9	20.2	20.6	20.1	19.4
Public investment	2.9	2.4	2.3	2.2	2.3	2.3	2.3	2.3
Private investment	17.6	17.1	17.2	17.6	17.9	18.3	17.8	17.2

Source: Community Services

Table 8: Salary Developments in 2002

	Nominal Salary per employee	Actual Salary	Work Productiv- ity	Nominal Cost per Work Unit	Actual cost per work unit
B	3.6	1.5	0.8	2.8	0.8
D	2.0	0.6	0.9	1.1	-0.3
EL	6.5	3.1	3.1	3.2	0.0
E	4.2	0.3	0.5	3.6	-0.2
F	2.7	1.0	0.3	2.4	0.6
IRL	7.9	2.2	2.0	5.8	0.3
I	2.9	0.5	-0.6	3.5	1.0
L	3.5	2.6	-2.6	6.3	5.4
NL	5.1	1.3	-0.1	5.2	1.3
A	2.3	0.9	0.6	1.6	0.2
P	4.8	-0.1	0.0	4.8	-0.2
FIN	3.3	2.2	1.2	2.1	1.0
Euro area	2.9	0.7	0.4	2.5	0.3
DK	3.9	2.2	1.6	2.3	0.6
S	4.1	1.7	1.5	2.5	0.1
UK	3.5	0.7	0.9	2.6	-0.2
EU-15	3.1	0.8	0.6	2.5	0.2

Source: Community Services

Table 9: Basic macro-economic indices during the first months of 2003

Euro-zone	EU15	B	DK	D	EL	E	FR	IRL	I	L	NL	A	P	FIN	S	UK
Unemployment Index																
	8.6	7.9	7.7	:	8.6	:	12.1	9.0	4.5	:	2.7	:	4.1	6.1	9.0	5.3
Public Revenues (as a % of the GNP)	46.7	46.4	49.8	58.1	45.5	47.0	39.8	51.3	35.3	46.2	46.5	46.5	52.3	42.1	54.1	61.5
Public Expenditure (as a % of the GNP)	48.2	47.2	49.4	55.3	48.3	48.2	39.9	52.7	33.6	48.4	40.4	46.4	52.3	46.3	49.0	57.0
General Government Debt (total, as a % of the GNP)	69.2	63.1	107.6	44.7	59.5	107.0	57.1	57.3	36.4	109.8	5.6	52.8	63.2	55.5	43.4	56.6
General Government Deficit (as a % of the GNP)	-1.5	-0.8	0.4	3.1	-2.8	-1.2	-0.1	-1.4	1.5	-2.2	6.1	0.1	0.2	-4.1	4.9	4.8

Source: Community Services

From that point of view, the year seems to be extremely difficult, mainly for the major Greek banks, which hold very large portfolios of bonds (mainly Greek State Bonds). It has to be pointed out that the Greek banks are traditionally the most important buyers of the Greek Public Debt over the last few years. This becomes clear by the classification of the primary dealers published by the Bank of Greece, where the five Greek banks hold the first positions.

Generally, a wise behavior towards the monetary policy, the fiscal policies which remained on a steady course and reasonable changes of salaries, led to a sufficient mixture of policies, taking into consideration the prevailing economic state of affairs. In this manner, the Euro-zone economy passed successfully its first test in macro-economic management.

Moreover, the continuing efforts to render the economy more vigorous and responsive through a wide procedure of structural reforms have increased confidence in the international markets and, in this way, have supported economic activity.

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