The impact of the Eurozone economy on national economic statistics

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Potential effects of the Eurozone economy on economic indicators

• Economic downturn increasing underground activity

• European Union (EU) and Member State actions that increase underground activity

• Problems unique to the Eurozone

• EU and Member State actions to counter underground activity

• Conflict between EU and Member State economic statistics
Underground economy

- More unemployment, so more alternative methods to earn a living
- Difficult to measure. Range of estimates.
- Cash one factor that is important in underground economy
  - not important just for illegal activity
Other underground economic activity

- Alternative currencies
  - Bitcoin—now regulated by Germany and U.S.
  - *estimated value of about $1 billion worldwide, though highly volatile.
  - other local currencies, particularly in southern Europe, but also UK

- Barter
Structural problems of the euro

• Differences in strength of Member State economies

• Possibility of a Member State leaving makes euros in its banks potentially less valuable than euros in other countries
  
  - Increases incentive to move euros out of banks in vulnerable countries

• Interests of governments not always aligned with interests of individuals
Cyprus, EU reaction

- Cyprus
  - originally all bank deposits subject to “haircuts”
  - then only uninsured
  - increased value of Bitcoin

- EU reaction
Possible effects on GDP measurement, expenditure surveys

- Unmeasured economic activity
- Volatile currency, hard to measure
- Are problems concentrated in certain sectors of the economy, in certain countries? Biased estimate
EU, Member State legislation

• Reduce tax havens
• Pre-filled tax forms
• Limit cash transactions

-goal is to reduce underground economy, increase tax revenue
Possible results of legislation

• Increase measured economic activity

• Increased availability of electronic records
  - more accurate data
  - more timely data

• Might produce better recall for consumer surveys/household budget surveys
Statistical standards at the Member State and EU levels

- Member State and EU goals not always aligned
- Prosecution of Greek statistician by Greek authorities
- Creation of European Public Prosecutor to reduce fraud
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