Economic Management Under Fire: How did the South Med Policy-Makers Respond to the Demands for Change?

While French President Macron goes to Algeria on 6 December and the next EU Summit will take place on 14 and 15 December, the Euro-Mediterranean Forum of Institutes of Economic Sciences (FEMISE) has launched its 2017 Euro-Mediterranean report on the transition of the South Mediterranean economies. During the special event organised to present the report in Brussels on the 23rd of November, Thomas Lagoarde-Segot, professor at KEDGE Business School has presented a report with Simon Neaime, Professor at American University of Beirut, about « Twin Deficits and the Sustainability of Macroeconomic Policies in Selected European and Mediterranean Partner Countries: Post Financial and Debt Crises ».

According to Thomas Lagoarde-Segot, “the 2008 financial crisis, the 2011 European debt crisis, and the subsequent triple dip worldwide recession have adversely affected the macroeconomic fundamentals in the Mediterranean region”.

This report analyzes the transition experiences of Mediterranean countries in the wake of the Arab Spring. It assesses the consequences of the uprisings, governments’ responses and their appropriateness. The analysis is multidimensional and comparative covering macroeconomic management, economic growth, social concerns as well as political development.

On the Northern rim, Eurozone periphery countries like Spain, Ireland, Portugal and Greece have implemented austerity policies under supervision of the troika (IMF, European Commission, European Central Bank). These programs, which were implemented in a global recessionary environment, resulted in a collapse of aggregate demand, a surge in the unemployment rates, deflationary pressures and a sharp decrease in the provision of public goods in the affected countries. Such trends have ultimately undermined the social contract and political stability in Europe, some good examples of which include Brexit and the independence referendum in Catalunya.

On the Southern rim, the deteriorating macroeconomic outlook was magnified by social and political unrest in the aftermath of the Arab revolutions, which have further contributed to the deterioration of regional growth prospects in a context of enhanced geopolitical instability.

This research endeavored to study the ways to reduce macroeconomic imbalances (trade and fiscal deficits) and prescribes a new course for a better future in the Euro-Mediterranean region.

The main contribution of this study is to highlight the risks of existing asymmetric fiscal adjustment measures where the cost of macroeconomic adjustment is borne asymmetrically by poorer, debtor countries. “Indeed, we found fiscal consolidation episodes in surplus countries (such as Germany) have a detrimental impact on trade and fiscal deficits in the periphery countries (such as the Mediterranean countries)”, explains Thomas Lagoarde-Segot. “We thus called for a better coordination of fiscal policy, both within the EMU and between the EMU and the Southern Mediterranean countries. For instance, a joint fiscal expansion in the core region, combined with sound policies in the periphery, could help reduce macroeconomic imbalances at a lower social cost. Another option would be to let the European Central Bank purchase project bonds issued by periphery governments in order to finance infrastructure development, environmental sustainability and social inclusion. Such strategies, however, would entail building relevant and robust international institutions. We thus called for a renewed and enhanced Euro-Mediterranean partnership”.

Thomas Lagoarde-Segot is at your disposal for any request for interview on this topic.
About FEMISE report ‘Economic Management under Fire’:

Financed by the European Commission, the Euromed Report is an annual publication of FEMISE that is addressing themes of importance and interest to the EU-Med region. The report brings value-added to the themes it covers through in-depth analysis by economists from the North and the South of the Mediterranean, using a multidisciplinary approach. This brings a common view from the two shores of the Mediterranean and provides policy recommendations that can make a contribution to the South Med countries during their transition. The report is available here [http://www.femise.org/en/](http://www.femise.org/en/)

About the Research Center Finance and Economy Reconsidered - Emerging Countries of KEDGE:

Under the direction of Prof. Bernard Paranque, the Finance Reconsidered research center, focuses on issues of alternative finance, social and solidarity economy, in particular cooperative organisations, social entrepreneurship and new development models that are in high demand in emerging markets. The research is organised around management disciplines based on three founding themes:

- Finance reconsidered: market finance and corporate finance, but also SRI, ethical finance (including Islamic finance) led by the AG2R LA MONDIALE Chair “Finance Reconsidered: Investment - Solidarities – Responsibility”
- Alternative economy based on social, solidarity and cooperative economy themes, common guiding principles and territories, etc. and developed in cooperation with LEST (Institute of Labour Economics and Industrial Sociology, a local university research institute) and ESIA (Agency to finance employment) as part of a joint seminar entitled “Territory, Cooperation and the Common Good”;
- Challenges to development: geo-political and geo-economic, education, training, entrepreneurship (including microfinance, micro-insurance social entrepreneurship), youth, growth models and their financing.

Several members of the center are researchers with worldwide recognition, as demonstrated by their editorial activities and editorial board memberships in highly recognized journals. Professor T. Lagoarde-Segot is Editor-in-Chief of the Research in International Business and Finance journal, and Prof. C. Revelli and B. Paranque are editorial board members. The journal is associated to various national and international research networks (INFINITI, ISCEF, AFFI, AFEP).

About KEDGE Business School:

KEDGE is a leading French business school with four campuses in France (Paris, Bordeaux, Marseilles and Toulon), three abroad (Shanghai, Suzhou and Dakar) and three partner campuses (Avignon, Bastia and Bayonne). The KEDGE community is made up of 12,600 students (including 25% coming from abroad), 183 professors (including 44% coming from abroad), 275 international academic partners and 55,000 alumni around the world. KEDGE offers 32 programmes in management, designed for students and industry professionals. It also provides tailor made educational programmes for businesses at national and international levels. KEDGE Business School is AACSB, EQUIS and AMBA-accredited, and is a member of the Conférence des Grandes Ecoles. It is also recognised by the French government, with labelised programmes, and has obtained the EESPIG label. KEDGE was ranked 33rd by the Financial Times in the European Business School ranking and 37nd globally in its Executive MBA ranking.

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