Leaving the debts behind

12 Jun de 2013. MThe Economist
http://www.economist.com/blogs/freeexchange/2013/06/euro-crisis-0

• MATT YGLESIAS links to a piece updating us on the migratory solution to euro-zone unemployment:

A study by Real Instituto Elcano in February showed 70% of Spaniards under 30 have considered moving abroad. Portugal has seen 2% of its population leave in the past two years. The numbers leaving every year has doubled since 2008. A record 3,000 people are leaving Ireland every month, the highest level since the famine of the 19th-century. Some of them are Poles going home, but many of them are Irish.

Not surprisingly, a lot of them are moving to Germany. More than a million migrants moved to Germany last year, according to the Federal Statistics office, a rise of 13% from a year earlier. The number of immigrants coming from Spain, Greece, Portugal and Italy has risen by between 40% and 45% compared to 2012. But others are heading to wherever they have traditionally found work: Britain for the Irish, South America for the Spanish, and the U.S. for the Italians.

As Mr Yglesias notes, this is one of the shock-absorbing mechanisms euro-area pioneers envisioned, and it is certainly better for Spaniards to be working in Germany than doing nothing in Spain. But in the absence of a mechanism for debt mutualisation across the euro area, I worry about some of the knock-on effects of large-scale migration.

Labour is one of the main inputs to growth, and a reduction in the size of the underlying labour force through migration will shrink potential output across the periphery, making existing debt loads harder to bear. This could be especially bad if young workers are the ones leaving. That would worsen the dependency ratio as well; there would be fewer potential taxpayers in Spain and Italy to pay for the benefits flowing to a rapidly growing population of pensioners. The greater these migratory flows, the worse the fiscal outlook for the periphery.

To some extent, remittance flows could help. But a greater reliance on migration as a solution to the euro area's macroeconomic difficulties could increase rather than reduce demands for deeper fiscal integration.

by R.A.