



POSTCRISIS FINANCIAL MANAGEMENT OF THE EUROPEAN UNION

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Abstract

The current financial crisis highlighted the importance of establishing a banking union at EU level, which would allow for an adequate response to the financial problems through the regional banking supervision in relation to the operations of banks in the Eurozone. The main results of this research shall in a synthetic way show that the formation of a banking union significantly contributes to strengthening of the integration of economies of the member countries and the promotion of confidence in the EU banking sector stability, but without clear goals and objectives to be achieved in the real sector of the EU, which should provide, in addition to safer, a richer life, higher employment and exit from the stagnant framework. The paper analyzes the importance of the transition to a system of decision making on financial, fiscal and economic policies at the EU level. This system would allow an adequate response to the financial problems through regional banking supervision in relation to the operations of banks in the Eurozone. This would establish stronger accountability mechanism of the decisions taken. The ultimate goal would be the stability of the banking sector, improvement of business conditions in the real sector and the economic stability of the Eurozone.

Keywords: postcrisis financial management, EU, economic challenges

1 INTRODUCTION

The economic and financial crisis was initially launched by "bursting of the mortgage bubble" in the US that culminated in the collapse of investment bank Lehman Brothers in September 2008, and is generally a consequence of a combination of unsustainable global macroeconomic imbalances and weaknesses in

the structure and functioning of the financial system in the context of to "loose" monetary policy, excessive liquidity and cheap money, rising prices of goods and the growth of financial innovation and globalization, with a weak regulatory framework and weak, almost non-existent control of the financial sector, especially in the capital market (Kilibarda, 2011). New financial products that are derived from existing are designed to adapt to the circumstances of time and the markets where they are traded. Strategies that primarily use these financial products should represent an efficient mechanism for the

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distribution of risk, in an effort to circumvent the rules and find "holes" in the law. In the years preceding the crisis, our traditional bankers, who based their relationship with customers on the trust, have drastically changed, aggressively expanding its activities by changing other activities, including the activities historically associated with investment banking. (Stiglitz, 2017) Historically, the dominant financial theory is developed from the theory of efficient markets. The conclusion of this theory is that financial markets are an efficient mechanism for determining prices of financial assets, but with the assumption of a stable and developed institutional and legal framework that will allow access to all relevant information for the proper valuation of assets (Causevic, 2015).

It is common that the first line of defense against a recession in the USA and the EU consists of the central banks, which will immediately reduce interest rates in the case of economic crisis. Due to the specific legislation in the EU and the Eurozone member countries at the beginning of the financial crisis, the ECB has been quite limited in speed of response to new market conditions and only after a series of legal changes it was able to increase the money supply and lower interest rates, and to intervene in the money market and government bond markets in the southern countries of the EU. (Causevic, 2015)

In May 2010, the ECB uses the euro-dollar exchange at the time of occurrence of the debt crisis in Greece. For one week, the ECB borrowed about \$ 9.2 billion. All this indicates that a new financial architecture significantly increases the overall risk in the global financial system.

The modern global financial crisis, as commonly addressed and manifested, is characterized by such depth and the complexity of the global consequences, not recorded in economic history. Often the question arises: whether the crisis was made deliberately (orchestrated from the United States of America), or was it a result of tectonic disturbances in the functioning of the neoliberal system (credit and market). It is undisputed that until now the neo-liberal and monetarist model reached its complete collapse, which essentially shook all the pillars of neoliberal capitalism. In this context, the fears expressed by Stiglitz and Krugman took place exactly at the moment when there were changes in focus, shift from the

employment to the problem of the relationship between deficit and debt. Fear of the budget deficit has resulted in the so-called fiscal rigor and a sharp reduction in public spending. Thus, political discourse has also shifted from employment issues to the budget deficit, although it is not a tragedy that debt continues to grow until it is growing faster than overall economic growth and leads to a rise in inflation. The global financial crisis of 2007-2009 has shaken our confidence in economic theory. After more than twenty years of intensive academic research on the banking economy, it was realized that we still do not know much. For example, economists still often rely on efficient market hypothesis and on Modigliani and Miller's theorem, which we know is based on strong and unrealistic assumptions. (Ristic, Milosevic, & Marjanovic, 2017)

The imbalance that emerged in the Eurozone before the onset of the crisis - the emergence in some Member States of large government debts and deficits, macroeconomic imbalances, coupled with the increased difference in competitiveness - made it difficult for some EU countries to effectively deal with the financial crisis and the resulting debt crisis. Many European banks faced serious difficulties in this situation. A vicious circle was created in which banks stopped lending to each other, leading to a lack of credit and which in turn led to a crisis of confidence and a decrease in lending between banks. Large and persistent economic imbalances accumulated over time are also the cause of the economic crisis. Not only have they caused great difficulty for individual EU countries, but also affected the economic stability in the Eurozone and the EU as a whole.

2 FINANCIAL MANAGEMENT OF THE EU: FUNCTIONALITY AND RANGE

The debt crisis of the Eurozone caused by the interdependence of banking and financial stability of the state and certainly the lack of fiscal union within the Eurozone found its adjacent origin in the financial fragmentation within the Eurozone financial markets. In this context, the banking union is the regulatory and institutional response from the EU after the global financial crisis (Šoškić, 2015). European history has always been characterized by a strong link between banks and states, but also between banks and policy.

National banking systems have always been one of the forms of expression of sovereignty (Cuocolo, 2015).

In response to the financial crisis that emerged in 2008, the European Commission has followed a number of initiatives with the aim of creating a safer and healthier financial sector for the single market. These initiatives include stronger prudential requirements for banks, improve the protection of depositors and rules of management of bankrupt banks, form a single rulebook for all financial participants in the 28 member states of the European Union. The unique rulebook is the main pillar of a banking union. As the financial crisis progressed and transformed into the Eurozone debt crisis, it became clear that the deeper integration of the banking system is necessary for those countries that use the euro as its currency and that are increasingly interdependent. That is why, according to the plan of the European Commission for the creation of a Banking Union, EU institutions have agreed to establish a unique control mechanism and a unique system of solving problems for banks. Single supervisory mechanism (SSM) puts the European Central Bank as a central supervisor of financial institutions in the Eurozone (which includes approximately 6.000 banks) as well as of those within the countries that are not part of the EU but which have opted to join the SSM. The European Central Bank directly controls the biggest banks, while national supervisors continue to control the remaining banks. The main task of the European Central Bank is to make sure that banks follow the EU banking rules so as to solve the problem at the very beginning.

One of the reasons for the creation of a banking union is associated with the creation of a single market for financial services and the free flow of money: the monetary unification cannot survive without a banking union. As in the whole global financial market, in the euro-zone debt reduction is the key to increase the resilience of the European Monetary Union (EMU) and to avoid future crises. The European banking union must continue to assist in strengthening the recapitalization of banks. In this context, the EU introduced reform in order to restrict the results of eventual failures of banks and to create a safer, healthier, more transparent and responsible financial system to work for the benefit of economy

and society as a whole, so as to increase a resistance of banks and limitations for the consequences of the possible mistakes of the banks, new rules on capital requirements for banks have been adopted. (Ristic K. , 2016)

Structural reforms of EU banks will apply only to the largest and most complex EU banks whose business essentially covers traditional business. The problem of "too big to fall" is not a new one – the term was first used in the United States of America during the eighties. It refers to any business – usually in the financial sector – whose failure would have significant negative effects on the rest of the financial system and the real (non-financial) part of the economy. Given the position of the largest banks ("too big to fall") in Europe and beyond, during the crisis, the recent Nobel laureate Jean Tirole pointed out that all banks that have benefited from direct state support are facing new restrictions. Accordingly, the ECB will implement a new function of controls of only the largest banks in the Eurozone and will be responsible for the stability of the banking sector. This will pose a major threat to the reputation of the ECB. This legal framework should ensure that different national solutions do not create dissension within the banking community, or that do not impair the functioning of the single market.

The legal framework should also provide a delicate balance between financial stability and the creation of favorable conditions for lending to the real economy, which is particularly important for competitiveness and growth. Banks provide liquidity and collect deposits, but also provide financing for companies. Thus, the key technology of the bank is to transform the risk-free deposits in risky assets. In this sense, justice is just what you need to mitigate related losses, so that depositors can be sure to get their money back in all the circumstances

3 FINANCIAL MANAGEMENT: CHALLENGES

STABILITY GLOBAL

The financial sector of the global economy has imposed the idea that the market in itself leads to an efficient and stable outcome. Stressing that monetary policy must focus on inflation, not on job creation, including a hard focus on fiscal deficits. And the deficit cannot always be a problem; not if the money is spent on investments and especially

if this is done while the economy is weak. Central banks, due to the blind belief in financial stability, focused, as a rule, on inflation; now, tardily, they are also firmly focused on economic recovery and financial stability, but not on unemployment and growth; because expansive monetary policy (so-called quantitative easing) is more committed to financial stability than to macroeconomic stabilization.

And when the US economy fell into crisis, the Fed lowered interest rates to zero to stimulate recovery. Now, through the program of quantitative easing, the Fed has pumped into the system as much as 4500 billion dollars in order to mitigate inflation and accelerate economic recovery. (Ristic. & Zivkovic, 2018)

Christine Lagarde, presenting the global economic plan for 2016, stressed the need for economic policymakers to support spending, financial stability, structural reforms, investment, new employment, and infrastructure. In this context, the latest IMF research has also shown that in advanced economies the increase in investment demand of one percentage point of GDP increases the average level of production by about 0.4% during the same year and 1.5% for four years after the increase in consumption.

In practice, there are already four proofs that economies achieve better results in certain labor markets and with lower inequality. Low salaries will not mean high profits, nor will low interest rates mean high bond prices. Therefore, the Fed was more skillful in achieving price stability, and much less successful in promoting full employment. But with the stagnation of wages, the stronger dollar, and inflation below the targeted two percent, only the high price of capital can be a support for healthy growth (even though banks are very reserved in terms of financing) and financial stability.

The increase in interest rates in the SPD and the slowing down of the Chinese economy instigate the increased uncertainty and unpredictability of the economic issues of the free economy, accompanied by the downward path of world trade and the fall in oil prices. This, however, means that global financial stability is not ensured, as financial risks are already rising in emerging countries. Growth is restricted by low productivity, high debt, low level of innovation, weakening of banks, and

an increasingly older population. The Chinese transition to the new model of growth and the "normalization" of US monetary policy contribute to this state of affairs. With a slight increase in the interest rate to 0.5%, the Fed continues trying to lure investors, with low-interest rates, to focus more actively focus on yields and take on financial risks in terms of growth in valuation of assets, government bonds, and corporate loans. In this context, on the fiscal side, the IMF recommends increasing the space for fiscal stimulus, in order to encourage investment in the public sector and quality infrastructure. So-called *credible mid-term fiscal programs* remain a priority in the US and Japan.

With almost the lowest tax rates, high tax deductions and robust subsidies, foreign companies' tax burdens in our country are 5-6%, which means that the state budget loses about 0.5% of GDP annually. In the practice of advanced countries, it turns out that the level of taxation is not a key element in making investment decisions, nor is it a key factor in increasing the competitiveness of the offer. (Ristic. & Zivkovic, 2018)

That is why the initiated currency war, is first intensified in the import-export policy with open protectionist measures and hidden stimulus mechanisms, then moved from the real sector to the banking industry and the financing of new economies, mostly through a loan of "debts" and financial derivatives to "tear down" financial stability.

Deregulation contributed to the financialization of the economy; a poorly regulated financial sector closely related to inequality, allowing manipulation of the "rules of the game". Financialization has thus become a crucial factor in increasing the instability of the economy. But the unjust tax system reformed the economy, causing greater inequality after tax deductions, greater instability, and degradation of growth. The unimaginably seamless global tax regime has led to the impoverishment of the public sector, so that "America is no longer a country of broad opportunities." Because, countries with a high degree of inequality invest in public goods, such as infrastructure, technology, and education that contribute to long-term economic projects, financial stability.

In the modern history of the digital economy, the Internet is increasingly viewed as a technological form of modern capitalism, "making profits at every step without the presence of a tax form." That is why David Cameron was forced to introduce a "redirected profit tax" at a rate of 25%, while the French Minister of Culture tried to introduce a tax on bandwidth (amount of transfer) of information in order to finance cultural excellence from that fund.

Innovative investment in education, world capital, research across the entire investment chain is a macroeconomic imperative whose penetration would raise the level of productivity and competitiveness. Today's public and corporate financing, however, is focused on short-term funding, which is exclusively focused on short-term goals. Only public financing does not "work" with speculative investment capital, and most of the existential business (private) financing is too speculative and only short-term. And this, in fact, means an over-focusing of the real sector on short-term goals, by definition cause the design of a system of incentives to reinvest profit in production, development, research, and innovation, as opposed to profits being "spent" for the purchase of own shares affect their price growth. Through this "egoistic nonsense", companies have made nearly four thousand billion dollars of profits; and therefore, long-term financing should include state-owned commercial banks and specialized government agencies, such as in America and China. (Ristic. & Zivkovic, 2018)

In this sense, the public sector should take on key risks in the innovation chain, while strongly strengthening public institutions, as well as the capacity of public services. The public sector in partnership with the private sector would make the government more efficient. In that case, the government would change its "imprudent" approach to debt repayments.

Namely, instead of the current exclusive focus on budget deficits, the government would inevitably devote itself to the public debt ratio: GDP in terms of insufficient focus on a denominator called BPD and public investments that increase long-term productivity and infrastructure capacity. This, in turn, means effective investment in education, innovation, research, human capital, training, and well-planned social programs, which contribute to

economic adjustment, sustainable development, and inclusiveness. Investment cohesion policy would incorporate the development of the green economy, and fiscal stimulus would also provide green development and transformation projects that are much higher than renewable energy sources. Monetary policy would still create an additional amount of money through quantitative easing, which would stimulate the green sector, instead of this money ending up in banks that do not give loans to the economy due to low interest rates.

Monetary policy thus ignores the economic code of the global economy that implies that cheap money goes into the real sector, i.e. production, and not securities, i.e. worthless papers and derivatives. Additionally, the dependence on austerity measures among the countries of the European Union and on the periphery of the eurozone contributed to the growing distrust of investors, and consequently the slowdown in economic activity and retroactively led to a "corruption" of growth as a myth or cult.

On the fiscal plane the OECD also turns over a new leaf: in 2015 a new deal was reached on new rules on profit taxation: companies will now be less able to transfer profits to low-tax and tax-safe ports, bringing an additional 250 billion dollars annually from tax revenues. The rules on the erosion of the principal and the transfer of profits are directed towards closing the legal loopholes and limiting the use of tax havens, in order to indirectly contribute to the fiscal wallet that creates the budget deficits.

This is clearly the global target of increasing tax revenue, which is reflected in the process of increasing the share of direct taxation of the rich by applying higher progressive income tax, through a balanced ratio of direct and indirect taxation, through the organization of the taxation of dividends, interests, royalties and management fees, the reduction of losses in tax revenues due to globalization (capital movements increase the possibility of tax evasion due to limited capacity for the tax authority to check abroad the income of its citizens and due to the systemic concealment of relevant tax information from certain governments and financial institutions due to the diversity of tax regimes on the international plane, taxation and different treatment of income companies, due to increased concessions to foreign investors, due to

the shifting of revenues from country to country by companies that strive to reduce tax liabilities). (Ristic. & Zivkovic, 2018)

4 FINANCIAL CHALLENGES, EURO CRISES, AND FUTURE OF EU

Many European Union countries, particularly Greece, Portugal, Spain, Ireland, and Italy will have to go through the difficult process of adjustment of public finances, mainly at the level of public debt and external competitiveness, in order to position their debt once again and make it become viable. Bearing in mind the pressure of financial markets, it is unlikely that the adjustment program in the field of fiscal finance will be sufficient to avoid the scenario of "belt-tightening" in terms of the need for external financing of the public sector. Not all countries have benefited thanks to the Customs Union, in addition to the original six that had ten years to adapt. Countries affected by the competition had big problems due to the entry into the Customs Union, Greek exports to the EU has stagnated during the first years of EU membership. The work of the customs union in each country depends not only on the stated provisions of the Union but also on what countries are doing in the area of institutional and economic reforms. The establishment of the Customs Union was not an easy task. The abolition of non-tariff barriers did not go straight. Although the majority of tariff barriers among member countries was abolished through the creation of a common market, the above-stated barriers are still being used against third countries. Therefore, such intentions are the source of conflict and obstacles to the liberalization of the world trade. All the stated problems cannot be solved without further liberalization, but today everything is much more difficult because of the aging population, the failure of innovation and competitiveness of European companies.

The tax system and tax policy are one of the most important features of the national sovereignty of a country and an integral part of the overall economic policy of a country. Taxation is an instrument of economic regulation which can be used to influence consumption, encourage savings, shape the way the company is organized, stimulate investment activities and more. The importance given to taxation is even greater considering that taxation affects other segments of

economic policy, employment, environment, health, and so on. In the context of a single internal market of EU member states, there should be more or less the same direction in terms of tax policy. In this context, the EU only has a supporting role in the sense that the aim is not to standardize national tax systems, but rather to ensure that they are compatible not only with each other but also with the objectives set in the EU Treaty. However, further harmonization of tax cooperation is not always a harmonious process. This is a process that reduces the differences in taxation in the Member States but also adapts the national tax systems in order to comply with a set of common economic goals. This also means that all countries in the Union have the same tax system, but not necessarily that tax systems are consistent and ordered whole. Given that the budget and tax policies are in line with the sovereign actions of each of the new Member States, please note that there are huge differences in the level of tax rates and tax bases, different modes of administration of tax, various tax forms, etc. thus it is not possible to speak of complete tax harmonization, which still leads to asymmetry in the budgets and conflicts in the conduct of economic policies of the Member State in relation to the primary goal of economic sustainability and financial integrity of the EU. (Ristic K. , 2016)

The euro was introduced in 2002, but the cracks in the arrangement of the single currency started in 1999 and became apparent by the global financial crisis in 2008. Economists have predicted that the test of the euro shall appear when the area is confronted with the shock, but Europe had the misfortune to meet with the shock that comes across the Atlantic and so soon after its creation. By 2010, the euro crisis was in full bloom, with interest rates of government debt in the "periphery" – Greece, Spain, Ireland, and Portugal – raised to unheard levels. But a closer look at the Eurozone shows the imbalance in the construction from the very beginning – with the money rushing into the peripheral countries in the futile belief that the elimination of exchange rate risk would somehow eliminate all risks. (Stiglitz, 2017).

It shows one of the key flaws in the construction of the Eurozone: it is based on the belief that only the government could not have screwed up – if the deficit is held below 3% of GDP, debt below 60%

of GDP, and inflation below 2% per year – the growth would be ensured on market. These numbers and ideas had no basis either in theory or in practice. Ireland and Spain, two of the worst affected countries actually had a surplus before the crisis. The crisis has caused their deficits and debts, and not vice versa, Stiglitz suggests.

The hope was that the fiscal and monetary discipline would result in convergence, allowing the single-currency system to work even better. Instead, there was a disagreement, where the rich countries became richer and the poor even poorer, and within the country, the rich got richer and the poor poorer. Yet, it was the very structure of the Eurozone which predictably led to this. The single market, for example, allowed the money to leave the banks of weaker countries, thus forcing these banks to contract credit, weakening the weak even more.

In Stiglitz's elaborations can be found his claim that economists estimate the chances of currency arrangements from some quarters of a century, emphasizing the importance of adequate mobility of the workforce and adequately large common budget to mitigate shocks, as well as sufficient economic similarity between countries. However, the euro has taken two key instruments for adjustment - exchange rate and interest rates - and put nothing in their place. There was no common deposit insurance, without the usual ways of solving problems in the banking sector and without a common unemployment insurance scheme.

Equally important, these early discussions have ignored the importance of intellectual convergence: there is a huge gap in perceptions of what makes politics forever, especially between Germany and most of Europe. These differences are fixed. They were apparent to me when I chaired the Committee for Economic Policy of the OECD in the mid-1990s. If nothing else, it was a divergence here too.

So the policy of austerity, for which Germany meant, would make a quick return to growth, failed in almost every country in which it was attempted. The consequences were predictable, and are provided by the most serious economists around the world. Also, many of the specific structural reforms have actually weakened the countries in

which they were performed, reducing growth and increasing their trade deficits, says Stiglitz.

The huge democratic deficit is opened since then: people in Greece, Spain, and Portugal have all voted in large numbers for parties opposed to austerity measures. However, they feel they have no choice but to accept the German demands. Citizens have never been told that when they adopted the euro, they will give up its economic sovereignty.

The ambition of the euro has been the introduction of greater prosperity in Europe. In turn, this would promote economic and political integration. The euro was a political project, but politics were not strong enough to create institutional mechanisms that will ensure success. While the euro leads to stagnation and even worse, it is not surprising that it has led to an increase in the division, instead of the more solidarity. Today, it seems that the euro, which was supposed to be a mean for achieving the goal, became a purpose to itself the search for which presents perhaps the most important threat to the European project.

In response to the repeated crisis, Europe has made reforms, but they were too little and too late. Some might actually be counterproductive: to have a system of joint supervision, without adequate sensitivity to local macro conditions and without common deposit insurance can actually exacerbate the divergence. In the meantime, the region has an accident to be repeatedly bombed by crises, especially by the refugee crisis. Along with the high unemployment rate in many countries, partly because of the euro, those who seek a new future and want to move to where jobs exist, a wave of migrants in several countries came as the result. And of course, countries where unemployment is high, they resist receiving new workers for scarce jobs. (Stiglitz, 2017).

Europe is engaged in risk balancing, yet there is a high probability that in the end, it will go over the edge. Markets feel that the system is not sustainable in the long run - speculators attack when they feel the smell of blood. The claim presented by European Central Bank President Mario Draghi that he would do "whatever it takes" has done wonders for a longer time than anyone expected. But it is a scam of self-confidence: it works only because market participants believe that it will succeed.

These market forces are intertwined with politics. Voters who are supposed to be unhappy, simply because they have done so little for so long, have expressed their anger by voting against the centrist parties of left and right. Dissidents are on the rise.

Perhaps European leaders, sensing the urgency of the moment will finally carry out reforms in the structure of the Eurozone which will facilitate the work of the arrangement of the single currency, in order to achieve common prosperity. Maybe 2017 will be the year in which the reform of the Eurozone is really on hold.

So as to have the single currency system functioning, there has to be more Europe, more solidarity; more willingness of stronger countries to help the weaker; more readiness for creating institutions such as common deposit insurance and the usual pattern of unemployment, instead of the current half-finished house, which is simply not sustainable. But the failures of the Eurozone make such reforms more difficult. What is more likely is that the political forces went into another direction, and if that is the case, it may be only a matter of time before Europe views the euro as an interesting, well-intentioned experiment that has failed, at great cost to the citizens of Europe and their democracies. (Stiglitz, 2017).

5 CONCLUSION

The transition to a situation where more decisions on financial, fiscal and economic policies will be made at the EU level also require stronger mechanisms to legitimize decisions made and to ensure accountability and political participation. Solving the devastating debt crisis by the strict austerity measures and the implementation of the budget deficit below 3% of GDP leads to the deepening of the crisis. The constant growth of the debt and the budget deficit, the decline in standards, social instability and unrest in a number of countries set conditions for deeper reforms in almost all Member States. On the basis of interwoven contradictions in economic and financial functioning of the EU, design flaws and inconsistencies in the scope of integration, nihilism in the sphere of relations between monetary and fiscal finances clearly indicate that the Eurozone in the coming years has to integrate even more and this means that it is necessary that fiscal union ensures sound public finances across

Europe and that banking union must ensure a comprehensive supervision of financial markets, and all this with the explicit aim of achieving financial stability, increase of economic growth and competitiveness, which basically incorporates the major challenges of the financial and banking management in the EU.

The current fundamental economic problem lies in financial capitalism, which strives to surpass the famous industry sector in favor of financial market technology. Financial capitalism, as such, is a monopolistic one, creating bubbles instead of development. Economy, in this context, is based on financial speculation with illusions of endless growth, which is in contrast to the real sector. This is the path to the abyss in the context of globalization, which insists on privatization (and deregulation and liberalization) and on structural reforms. Sale of production capacities and reliance on foreign investments are mere economic nonsense even though they are represented as the famous 10 divine commandments. That is why the policy of the IMF is absurd for the simple reason that it does not allow growth, but an increase in poverty. In modern economies, where GDP growth is determined by demand, and not by offering, austerity measures are wrong by definition because they reduce demand. Structural reforms like notorious nonsense, basically hide the unequivocal long-term tendency of wage and pension indebtedness, the devastatingly narrowing scope of rights and the ominous layoff of workers. Therefore, the global goals of the contemporary world are contradictory, they ignore economic recovery and employment, and force austerity and price stability.

Demographic analysis (Standard and Poor's) shows that the aging of the population forces governments to improve social programs, relying on a smaller number of the working-age population, which worsens the state of public finances, budget deficit, and public debt. In this way, demography creates a new picture of the world economy. The upcoming decades are forced to promote an increase in the number of elderly relative to young employees. The IMF has therefore already pointed out that the consequences of a shrinking and aging population will be high from the standpoint of the distal burdens and costs, which increased with aging

and expressed as a percentage of GDP. per capita, whereas the overall GDP would decline. Therefore, the gross domestic product could grow

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