

AC500 – Accounting, Organizations and Society
London, 8 February 2017

Figuring out public finance – The politics of European statistical harmonization

Damien PIRON

PhD Student – University of Liège
Visiting Research Student – LSE



1) Introduction

- **Euro** as one of the most ambitious achievements of the EU
- Common monetary policy goes along with economic and **budgetary coordination**:
 - Public deficit $\leq 3\%$ of GDP
 - Public debt $\leq 60\%$ of GDP
- **How to figure out these data?**
 - ESA as harmonized framework
 - Eurostat as “center of calculation”



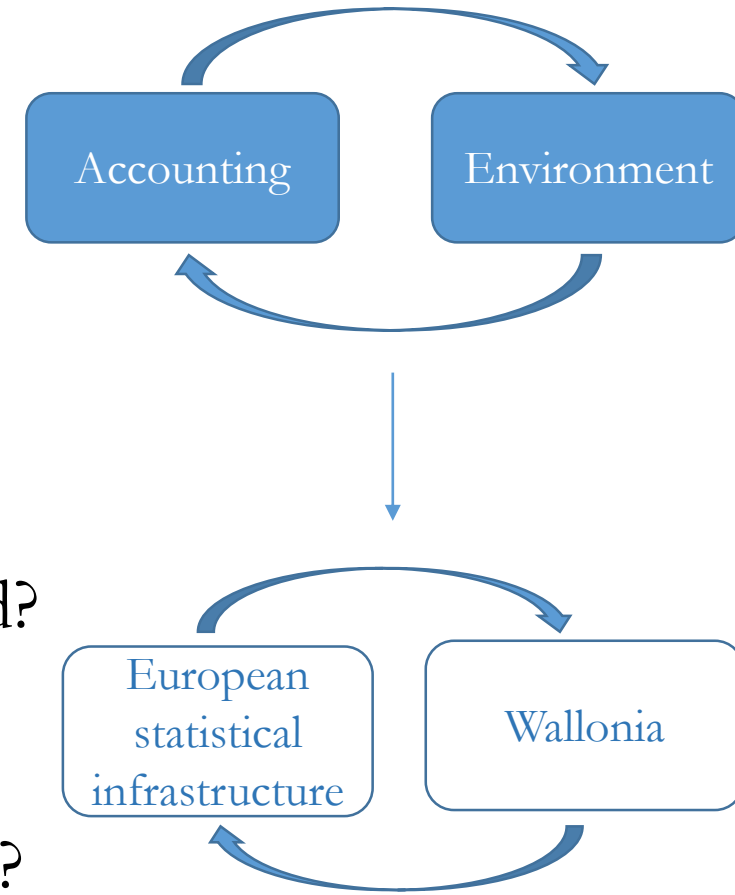
2) Literature review: the sociology of accounting

- **Constructivist perspective on accounting:**

- Interactions between accounting and its environment

Opening up the **black box** of national accounting:

- National accounting figures as **inscriptions**
 - How dense is the network in which they are embedded?
- National accounting as a **tool of government**
 - How does it shape the conduct of budgetary conducts?



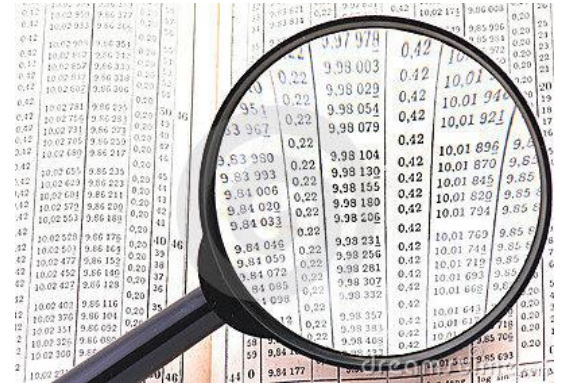
2) Literature review: economics and political science

1. Economics: “optimum currency area”

- **Normative stance:** the EMU “as it is” *vs.* what it “should be”
- Equates economic efficiency with what is socially desirable
- Neglects political and social dimensions of the EMU

2. Political science

- Reintroduction of these concerns in the study of the EMU
- Yet, public finance figures usually **taken for granted**
- Exception: Savage (2005) but:
 - a. Need for an update: consequences of the Eurozone crisis?
 - b. Focus on the *European* statistical apparatus: what effects at *national* level?



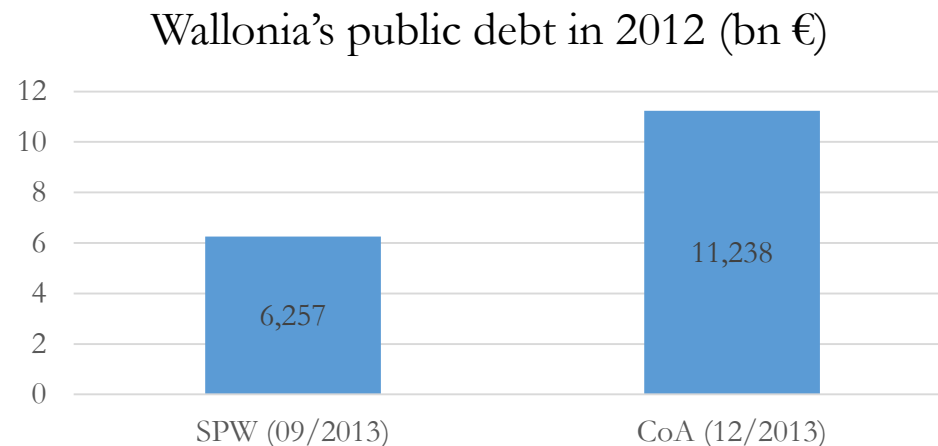
3) Case study: the European statistical apparatus

- Development of a **genuine statistical apparatus** in the 1990s by Eurostat:
 - Scarce resources → “Assumption of trust”
 - Techniques of monitoring at a distance and statistical case law
- **First Greek statistical crisis (2004)**: shortcomings laid bare; no fundamental change
- **Second Greek crisis (2010) → Comprehensive reform:**
 - (Quasi-)auditing powers
 - Significant increase of staff: from 15 to 65 people
 - Ability to fine countries for misreporting of statistical data



3) Case study: figuring out Wallonia's public debt

- **Peculiar features** of the Belgian statistical architecture:
 - Limited number of staff dedicated to public finance statistics
 - Ineffective cooperation from regions, in a highly decentralized country
- Are Belgian public finance statistics **reliable**?
- Court of Audit as **relay**: Wallonia's *gross public debt* amounted to € 11,2 bn in 2012
- **Economic approach** to public debt → Reclassification of units and financial schemes



4) Discussion: Wallonia reshaped by national accounting

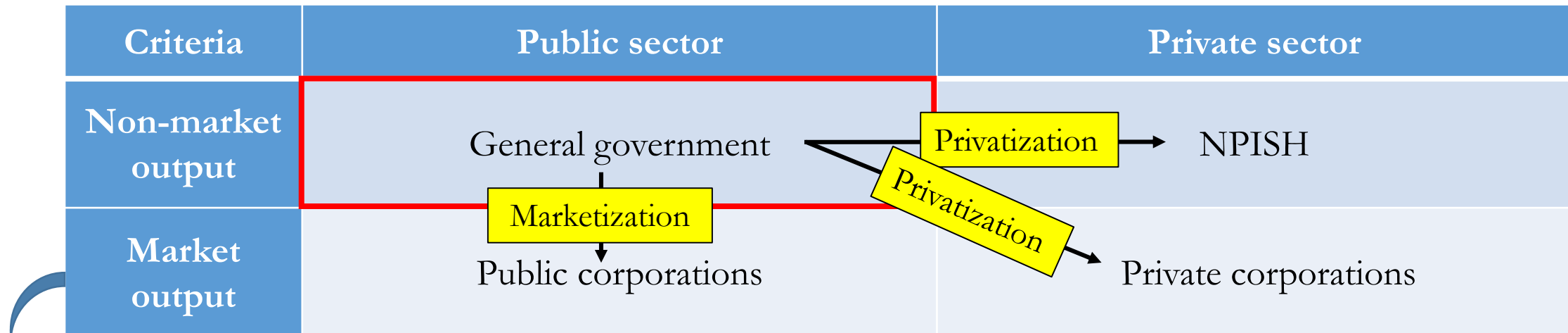
- Outcome of the controversy:
 - **Comprehensive metamorphosis** of the Belgian statistical architecture
 - **Reincorporation of Wallonia** within the European statistical network
→ Effects?
- 1. **Re-territorialization** of Wallonia as a “calculable space” → Wide range of organizations, from classic public administrations to companies subject to private law
 - **Distinctiveness** of reclassified bodies called into question:
 - Identity under stress
 - Series of new (statistical, political, budgetary, etc.) requirements
 - Challenges before administrative courts



4) Discussion: Wallonia reshaped by national accounting

2. Reintegration within the EMU and its fiscal framework

- Wallonia as a “dunce” → How to react to this new “fact”?
- Austerity measures: spending cuts, delayed investments, etc.
- Playing at the margins of accounting: privatization and marketization



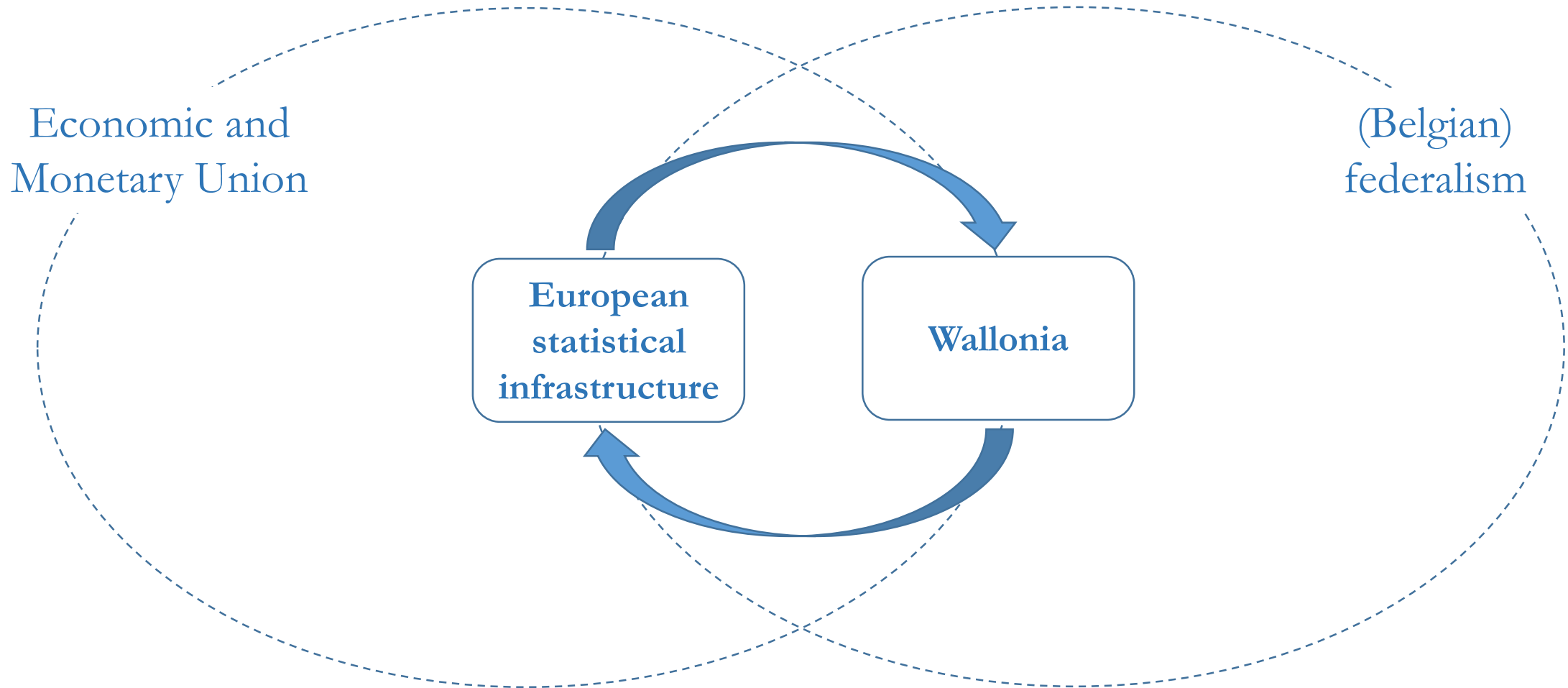
- Sales > 50% of costs
- Competition

5) Conclusion



- Statistical harmonization as result of **hard-fought struggles**
- Strengthening of a **genuine statistical architecture** at European level (ESA legally binding, statistical case law, quasi-audit powers, financial sanctions,...)
- Consequences of the **controversy** about public finance statistics in Belgium?
 - Fundamental metamorphosis of Belgium's statistical architecture
 - Re-territorialization of Wallonia: political landscape profoundly reshaped
 - Reintegration of Wallonia within the (orthodox) EMU: **incentive to privatize and/or marketize** public service delivery
- Need to pay closer attention to the interactions between mundane calculative practices and public policies

5) Conclusion



AC500 – Accounting, Organizations and Society
London, 8 February 2017

Figuring out public finance – The politics of European statistical harmonization

Damien PIRON

PhD Student – University of Liège
Visiting Research Student – LSE

