

# **Ending Over-Lending: Understanding and Accommodating EMU Structural Diversity by Applying the Debt to Cash Flow Ratio**

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The basis of this research is the comparison of the Gross Saving accounts of EU and EMU nations to the total debts of each nation. The relationship between total country debt and gross saving defines a ratio (the “Debt-to-Cash Flow” or “Debt/CF” ratio) which provides a fresh perspective in understanding structural differences among nations. Studying the historical Debt/CF patterns of individual EU and EMU nations in conjunction with metrics such as gross saving margins, current accounts, and net lending / borrowing accounts, illuminates structural differences to expose not only the inevitability of financial instability for certain nations, but also some short-comings in the existing EU economic approach. My findings suggest the Debt/CF relationship is a candidate for a renewed foundation for the EMU, questioning the need for Fiscal Union.

JEL – Tentative Classifications: E 210, F340, G 010, N 100

JEL – Tentative Key Words: Macroeconomics: Saving; International Lending and Debt Problems; Financial Crises; Economic History: Macroeconomics and Monetary Economics

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