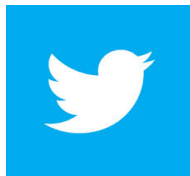


The Great Depression and The Economic Outlook

Ways to get out of the great recession

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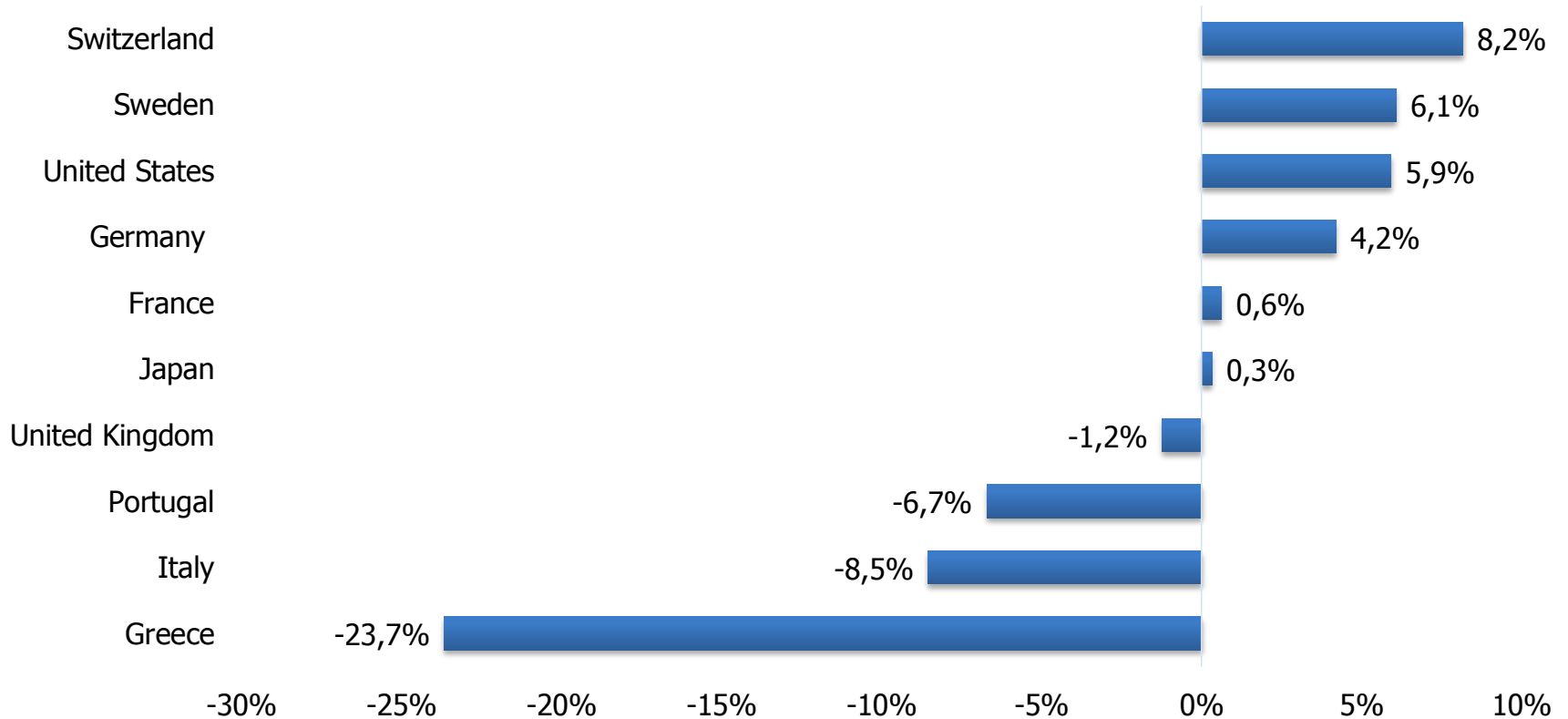
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1.1. Credit Crunch and Great Recession

1. The crisis that hit the world economy in the Summer of 2007 began as a financial crisis triggered by the banks' behaviour with derivatives;
2. The crisis spread worldwide through a highly connected financial system and ultimately caused a sharp slowdown of the real economy, itself tightly connected through international trade;
3. There is a generalized consensus that the Great Recession was originated by:
 - I. Growing Chinese Current Account Surplus and corresponding US deficits;
 - II. Expansionary Monetary Policy in the US from 2000 to 2006;
 - III. De-Regulation of Financial Markets, especially since 1999;
 - IV. Increasing Sophistication of Financial Intermediation since late 80's.

1.2. The Impact of the Great Recession

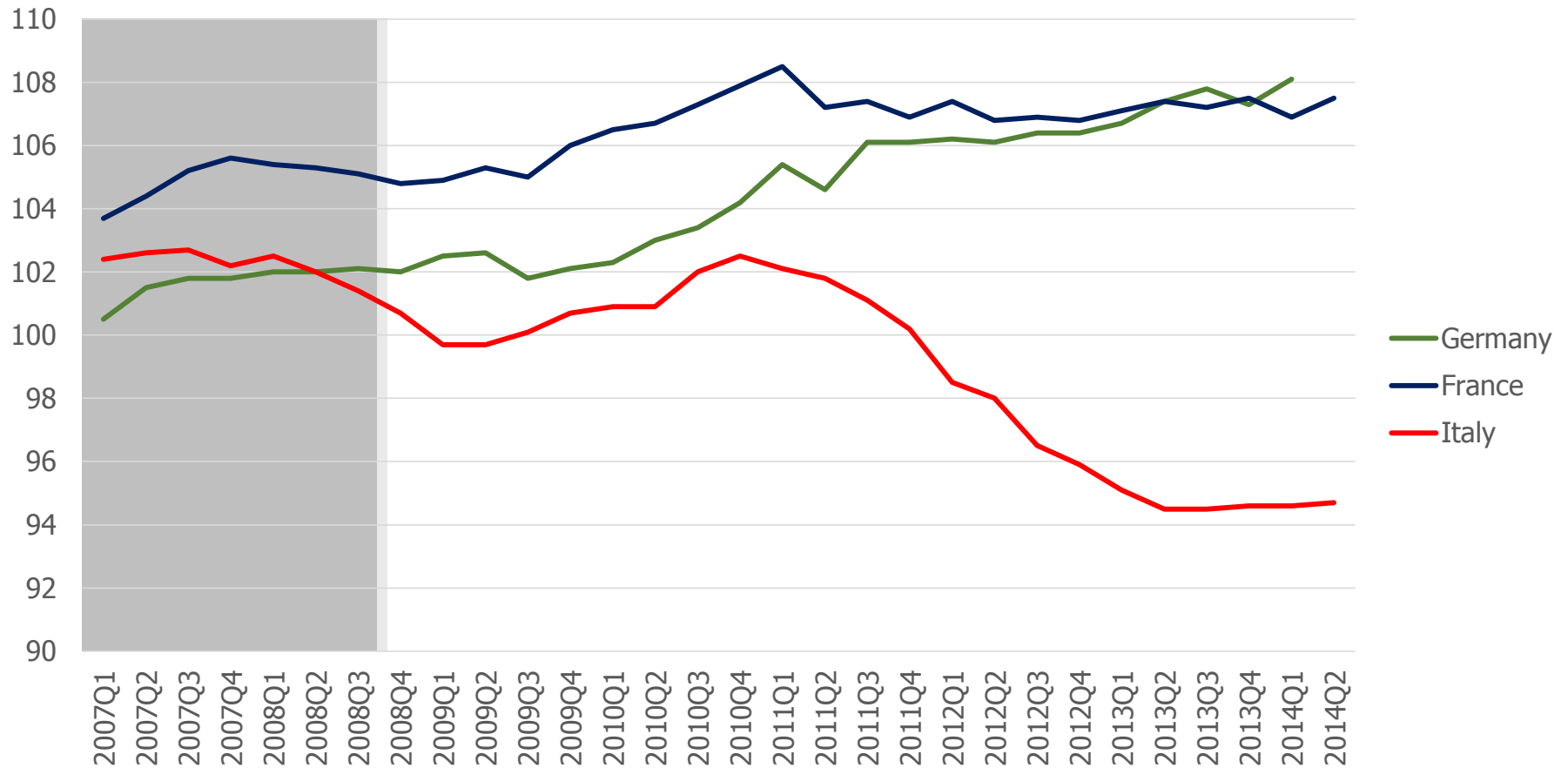
Real per-capita GDP, cumulative change over the period 2007-2013:



Source: Eurostat, September 2014

1.3. The Italian Economy

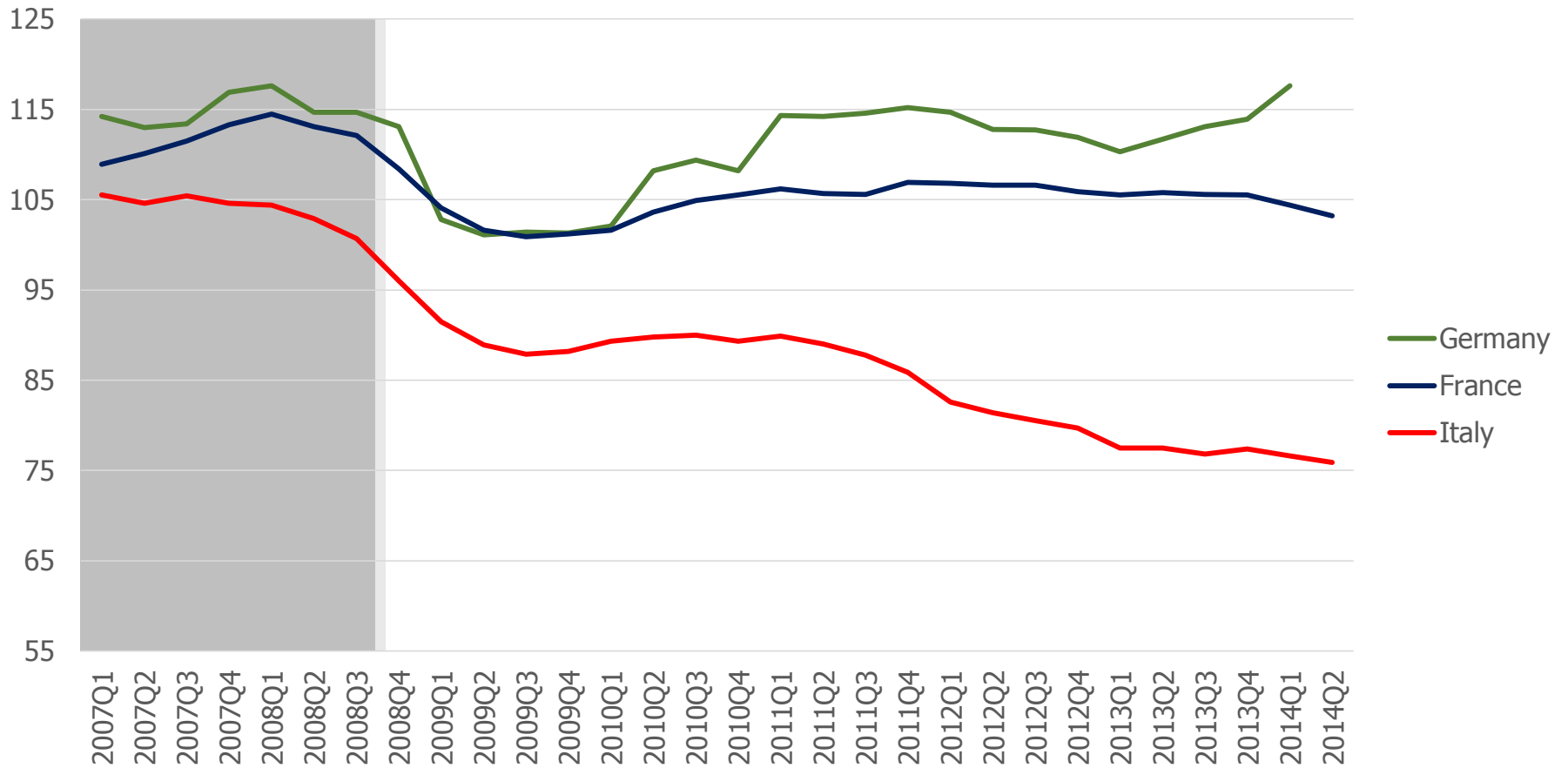
Household final consumption expenditure, quarterly data, 2007Q1 – 2014Q2 (2005 = 100):



Source: Eurostat, November 2014; data for Germany are available till 2014Q1

1.3. The Italian Economy

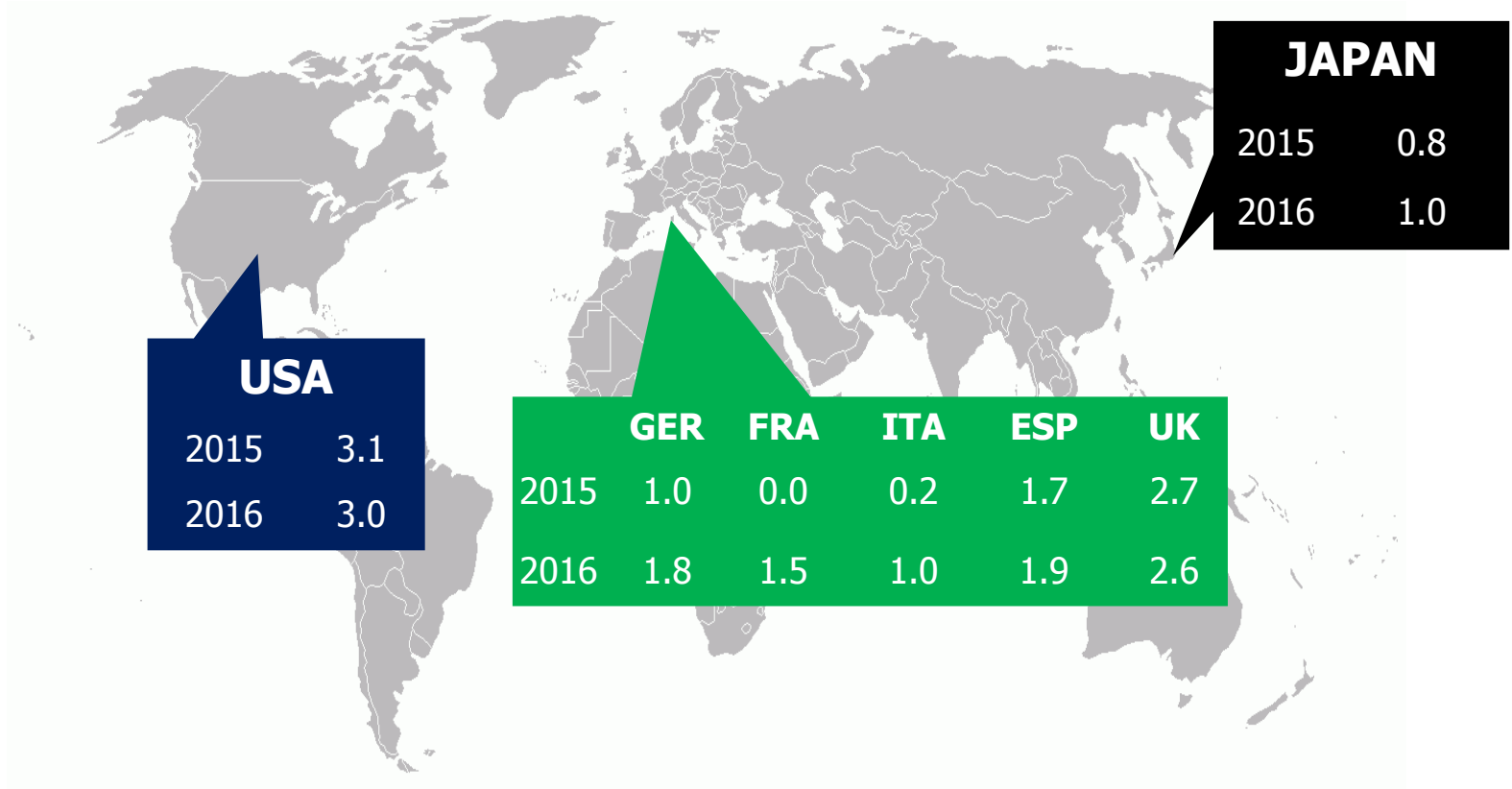
Gross Fixed Capital Formation, quarterly data, 2007Q1 – 2014Q2 (2005 = 100):



Source: Eurostat, November 2014; data for Germany are available till 2014Q1

2.1. The Economic Scenario

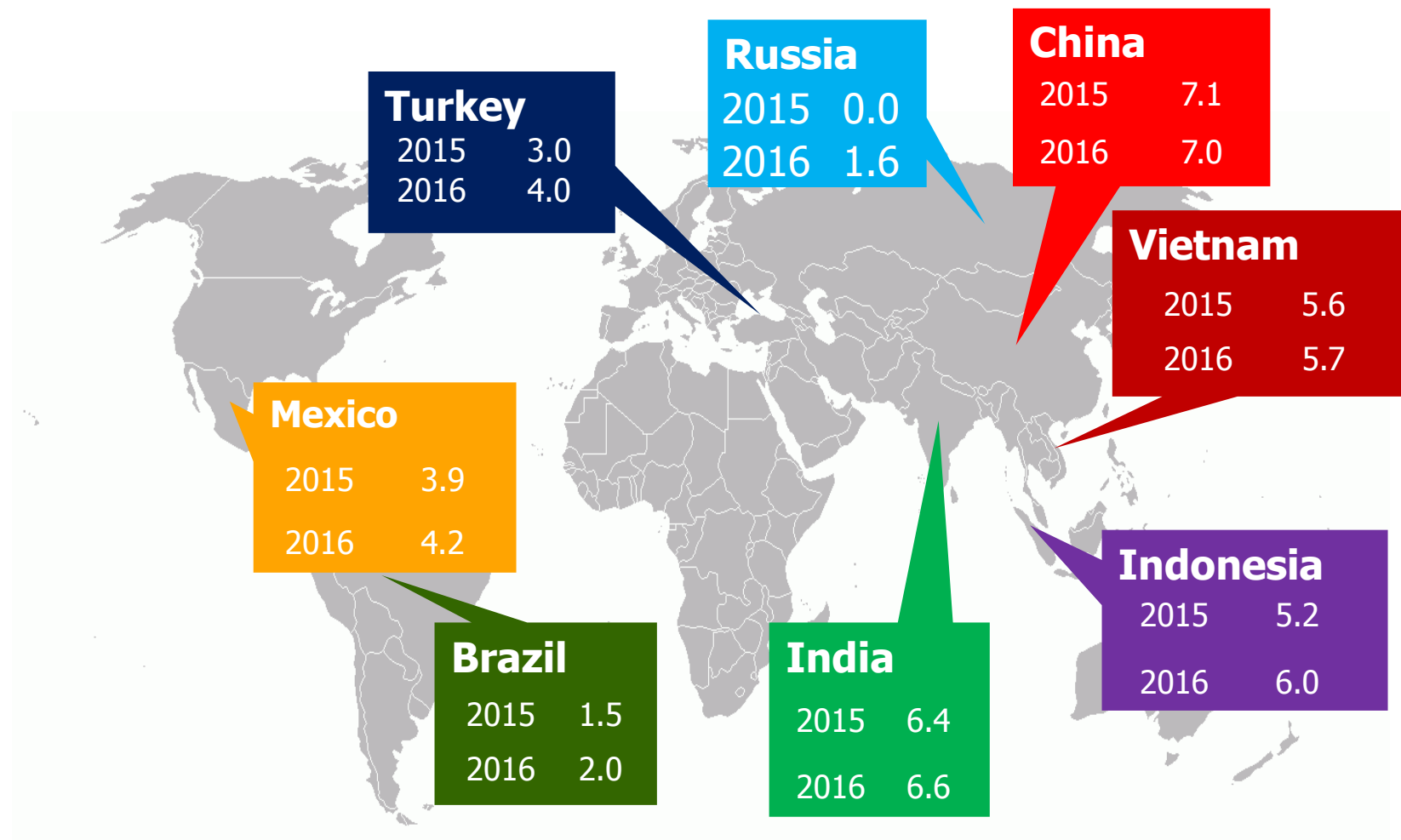
Real GDP growth rate forecasts for the years 2015 and 2016:



Source: OECD Economic Outlook N°96, November 2014

2.1. The Economic Scenario

Real GDP growth rate forecasts for the years 2015 and 2016:



Source: OECD Economic Outlook N°96, November 2014 and IMF World Economic Outlook, October 2014 (for Vietnam)

2.2. ECB's Monetary Policy Measures

Facing the ineffectiveness of conventional monetary policies, the ECB has unveiled and undertaken **extraordinary monetary policies plans**:

1. June 5th, Targeted Long-Term Refinancing Operations (TLTROs);
2. November 21st, Asset-backed securities (ABS) and Covered Bond purchasing program;
3. Facing an increasing risk of deflation, the ECB is close to backing more aggressive monetary easing (**QE**).

2.3. Junker Investment Plan: “Better than nothing”

Facing the risk of a “Japanese” disease, the new EC President Junker has revealed a €315 billion worth **investment plan** to kick – start Europe’s economy.

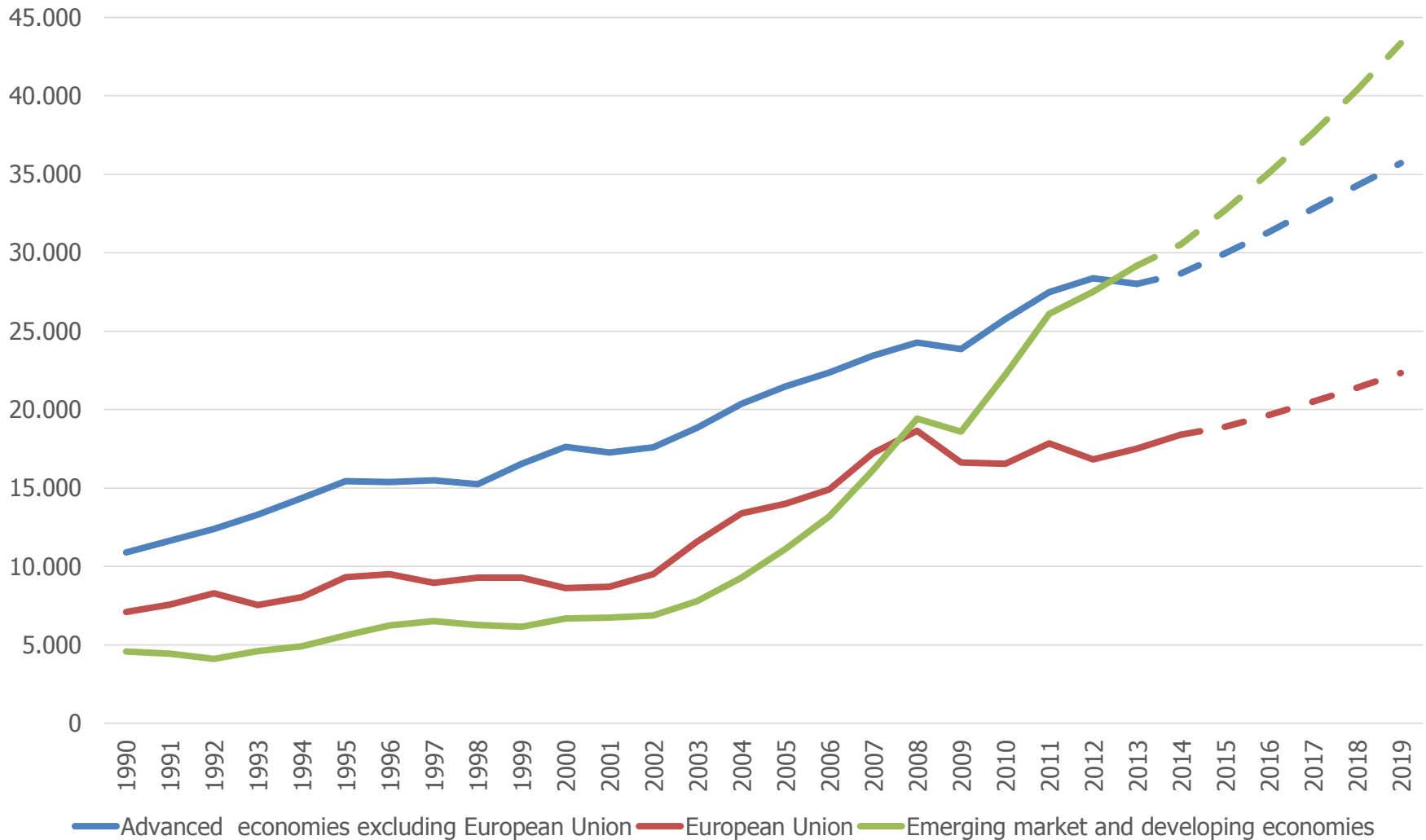
The initiative will use €21 bn in EU funds as a guarantee to raise private cash in the capital markets. It will allow the EIB to issue €60 bn in bonds, cash that will then invested in €315bn of loans for infrastructures and small business.

Main area for investments include:

- Broadband
- Energy networks
- Transportation infrastructures
- Education and Research

3.1. Ways Out? Internationalization

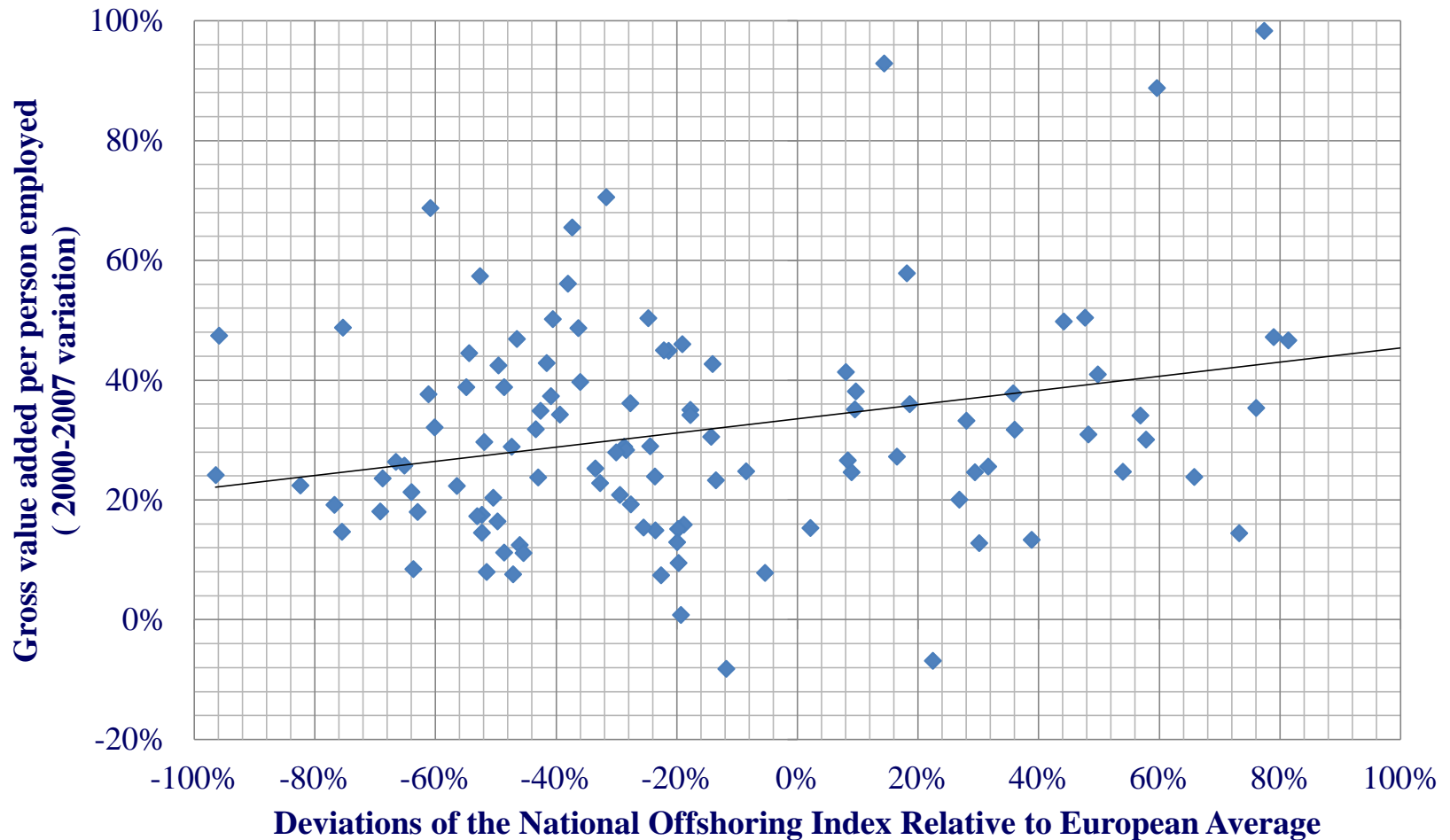
GDP at current prices, annual data, 1990 – 2019 (billions of US\$):



Source: IMF World Economic Outlook, October 2014

3.1. Ways Out? Internationalization

Correlation between Labor Productivity and Index of Offshoring:

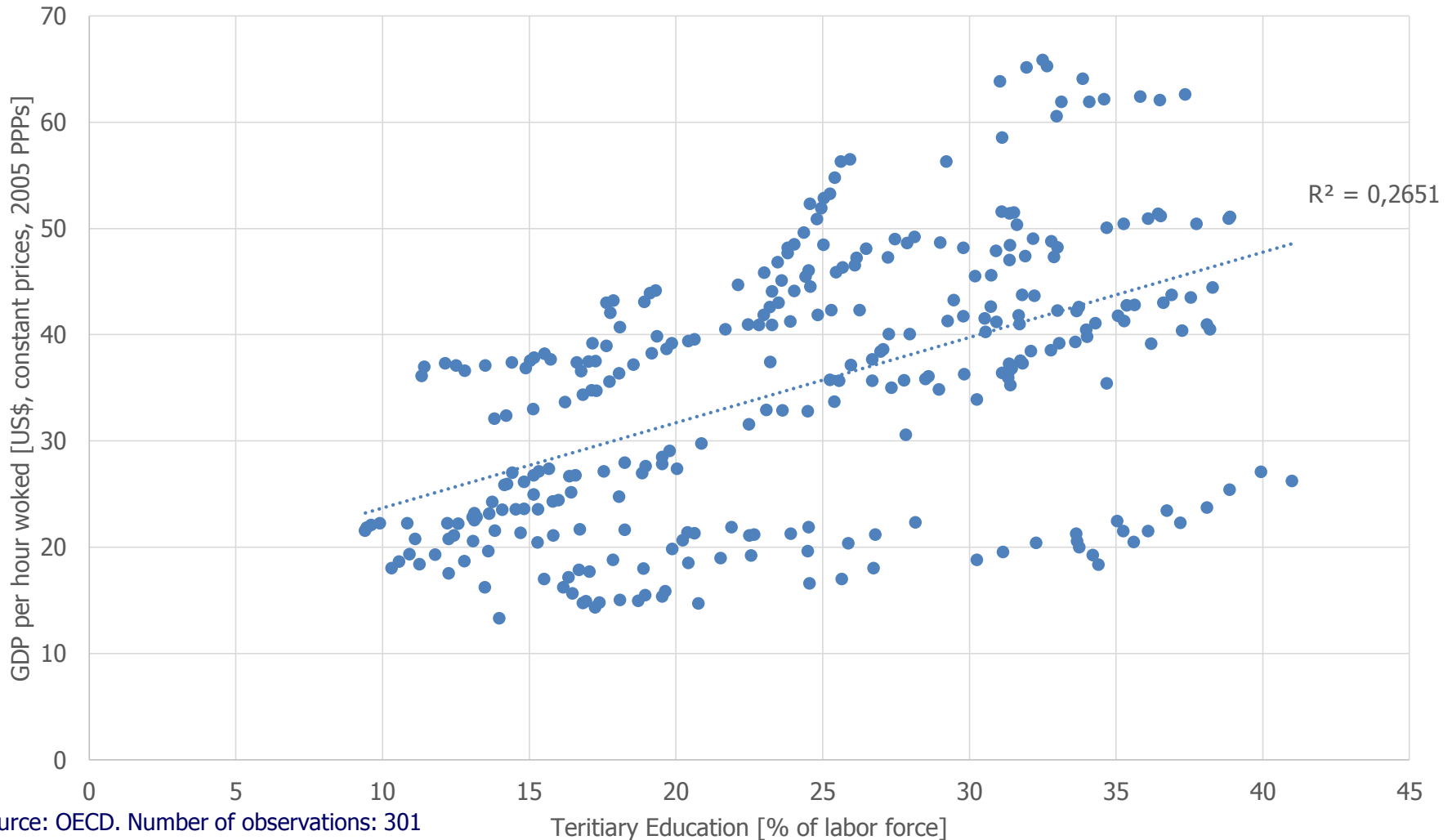


Source: Eurostat. Correlation coefficient: 0.11. Number of observations: 111

Countries selected: Austria, Belgium, Denmark, Germany, Finland, France, Italy, Netherlands, Spain, Sweden

3.2. Ways Out? Education

Correlation between Labor Productivity and Education:



Countries selected: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Japan, Korea, Mexico, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Switzerland, Turkey, UK, US

3.3. Ways Out? Innovation

Correlation between Labor Productivity and R&D business per capita expenditure:



Source: OECD. Number of observations: 228

Countries selected: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Norway, Slovenia, United States