

Cicluri: economie, idei, politici (policies)

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Observatii preliminare

- ▶ Se intoarce obsesia ciclurilor?
- ▶ 1 / Analiza ciclurilor: Sismondi, Schumpeter, Kondratiev, Kusnets, RBC (viz neoclasică), Keynes, Minsky (Kindleberger), Marea Recesiune/MR (Summers/Gordon vs. Bernanke/Rogoff/BIS)
- ▶ 2 / Cicluri în economie și politici:
 - “Epoca de aur a Macro-management” (reconstrucția postbelică)
 - Criza macro-managementului (*Stagflation*)
 - “Rules vs. Discretion” (inflația: Central Bank independence și Taylor’s rule)
- ▶ 3 / Marea Recesiune: schimbare de paradigma/policies? Idei, policies, “culture” (finance)

1. Marea Recesiune (MR): probleme in dezbatere (i)

- ▶ Controverse privind cicluri
- ▶ Ce a cauzat MR? (analogii cu Marea depresiune (1929-33)/MD)
- ▶ O problema cognitiva:
 - a/interpretarea ciclurilor (idei/paradigme);
 - b/ modele (finance and economy (Borio: “Hamlet without the prince”));
 - c/policies
 - d/ banchi centrale (politici monetare/MP si politici macro-prudentiale/MPP);
 - e/ politici fiscale

1. Marea Recesiune: probleme în dezbatere (ii)

- ▶ MR (debt overhang) vs. trenduri structurale (long term: demografie, productivitate, tehnologie, finance, income distribution)
- ▶ Economic (Summers, Gordon) vs. “financial cycles (credit cycle)” (BIS/Borio, Rogoff)
- ▶ “Secular Stagnation” (Hansen) resuscitata de Summers: declin în mers, productivitate, demografie, tehnologie etc.
--- ***negative real interest rates*** pentru utilizarea potentialului economic (*hysteresis*)/grafice 1 și 2

1. Marea Rcesiune: probleme in dezbatere (iii)

- ▶ **Hysteresis**: banchi centrale vorbesc despre “income distribution” (Yellen, Mersch, Carney) si “unemployment” (ECB/Sintra)
- ▶ Trickle down vs “inclusive finance” (BIS)
- ▶ Optimism (Rogoff/Mukyr) vs. pesimism tehnologic (Gordon)
- ▶ Debt overhang: cat de apasatoare este? Un puzzle in EEMs (1/2 of euroaria)?
- ▶ Collective “mindsets” (Carney, Lagarde: “a problem with the culture of banking”, finance
- ▶ Radacini psihologice/behavioral: *rational choice; bounded rationality; irrationality*

Grafic 1

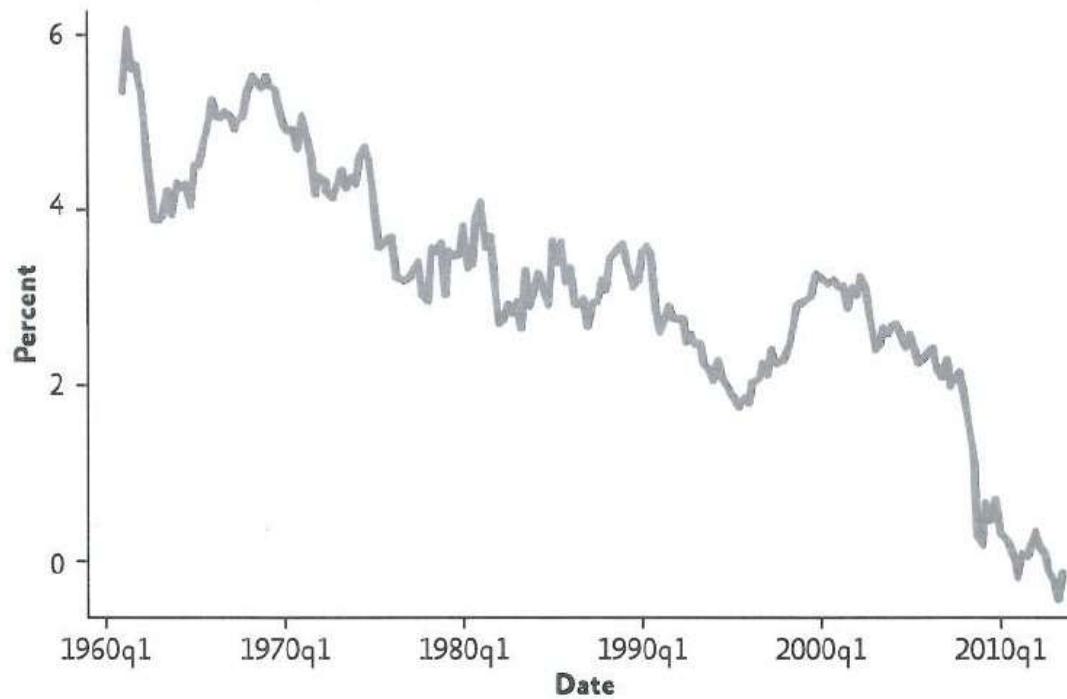


FIGURE 2.11 Estimate for the real interest rate by Laubach and Williams (2003)

Source: Updated estimates from John Williams's home page, <http://www.frbsf.org/economic-research/economists/john-williams/>.

Grafic 2

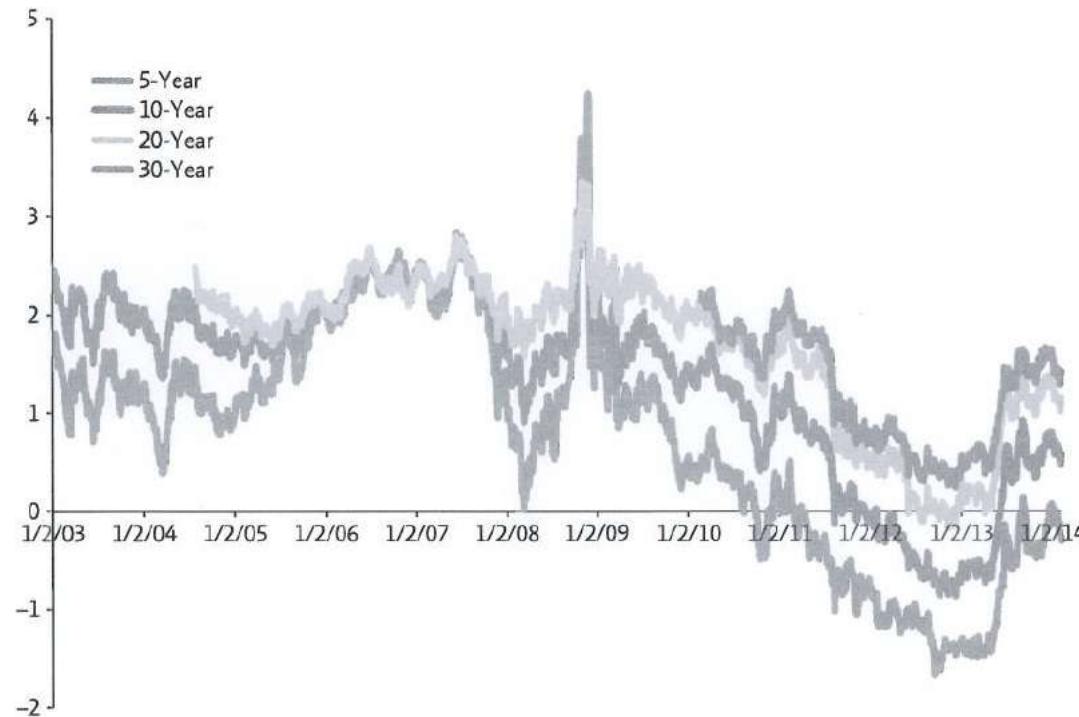


FIGURE 2.10 Real interest rates as measured by returns on Treasury Inflation-Protected Securities (TIPS).

Source: Board of Governors of the Federal Reserve System

1. MR (studii OECD)

- ▶ OCDE studies (ECOFIN 2015): cresterea potentiala in EU a incetinit de la 2.5% in anii 1990s la 2% intre 2005–2007
- ▶ Trendul in perioada 1970s and 1980s a fost de 5% in medie
- ▶ MR a lovit cresterea pontentiala: sub 1,5% in EU in deceniul urmator
- ▶ Castiguri de productivitate in declin constant (SecStag)

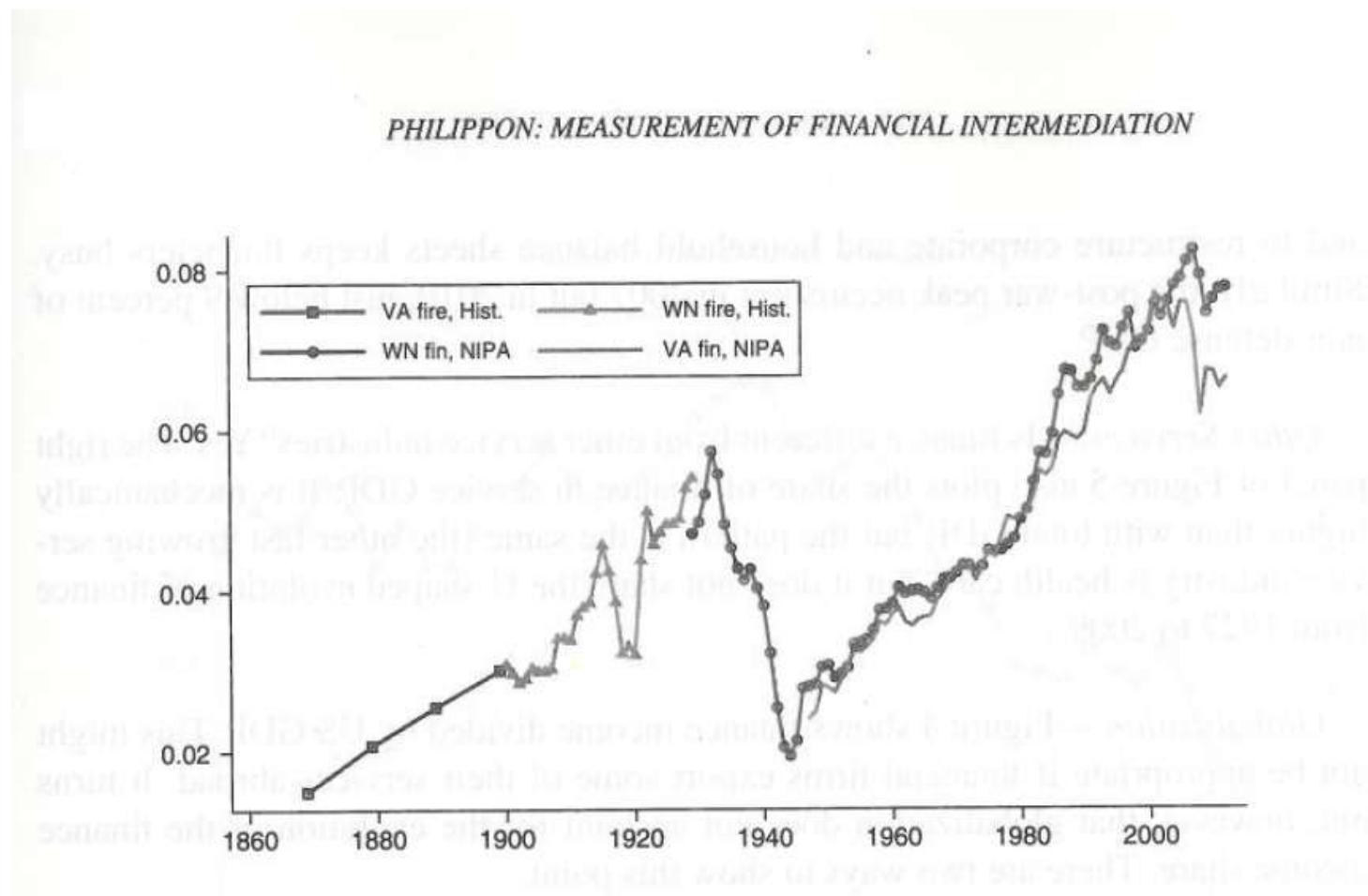
2.Cauze ale MR (ciclurilor) (i)

- ▶ Ciclurile nu pot fi evitate; dar amplitudinea poate fi influentata
- ▶ O paradigma simplista a influentat banchile centrale (BC) si R&S: “ipoteza pietelor eficiente (EMH)”; price stability=financial stability; teorema Modigliani–Miller; neglijarea evenimentelor extreme (non-liniaritatii) si “market imperfections”
- ▶ Explicatii: dereglementarea pietelor financiare (IMF, BIS, BoE); lax MPs; tendinte structurale; glut of savings vs. safe assets (Caballero); rising inter-connectedness si “incertitudini”

2. Causes of the Great Recession (ii)

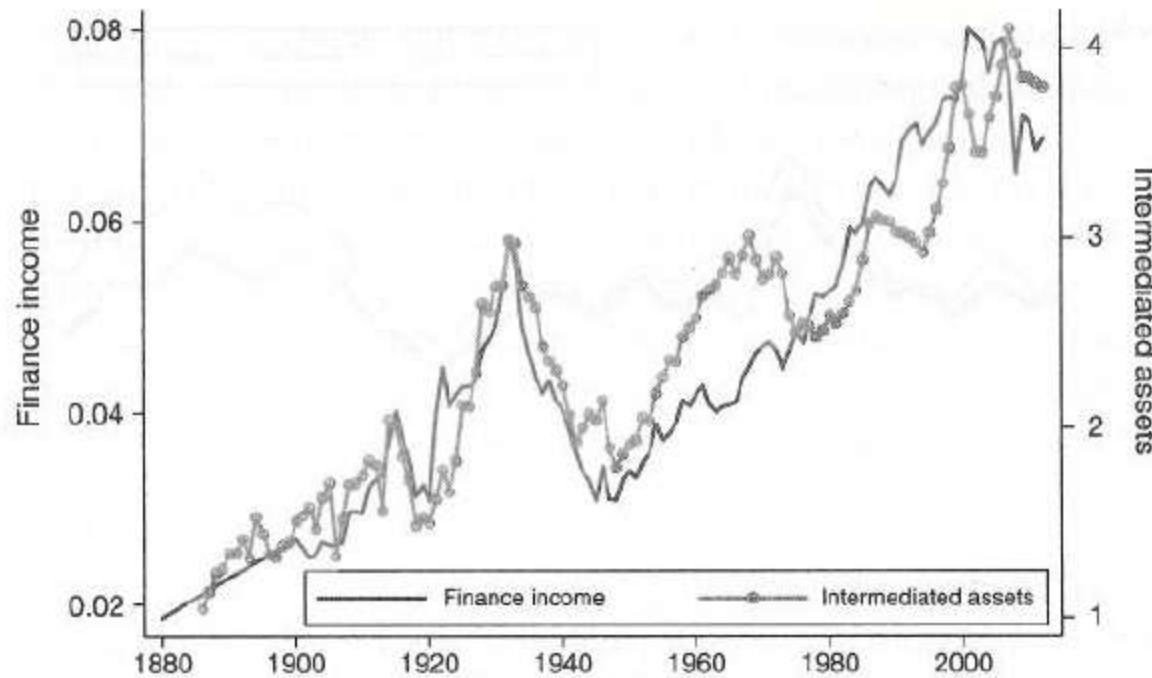
- ▶ Numitor comun explicativ? Exista un “drifted” financial cycle (oversize finance/Pagano, IMF, Greenwood si Scharfstein, Phillipon) + debt overhang + demographics (savings)+ huge fragilities in highly inter-connected systems + income distribution)
- ▶ Un ciclu lung de “boom and bust” in economii dezvoltate (The Great Moderation): insotita de episoade de posibile esecuri mari prevenite de lax MPs si interventii ale BC (ex: LTCM crisis/the FED intervention)

Grafic 3



Grafic 4

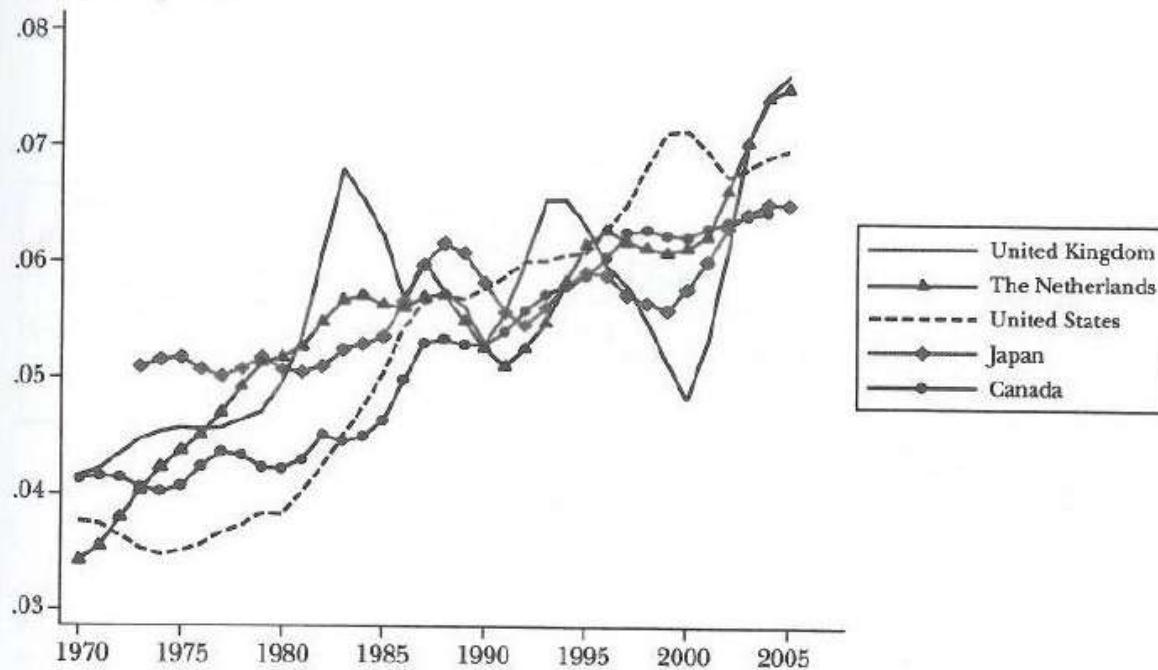
PHILIPPON: MEASUREMENT OF FINANCIAL INTERMEDIATION



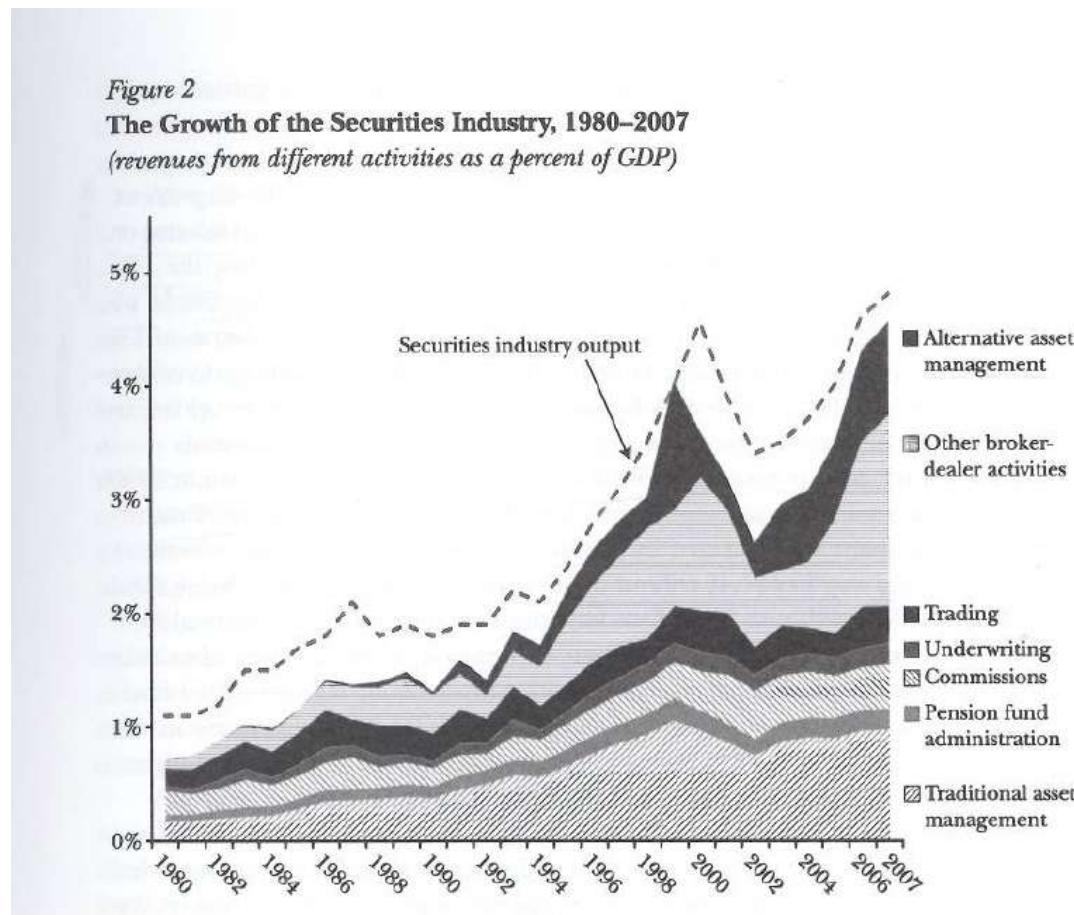
Grafic 5

Figure 3
Value Added Shares of Finance in GDP

A: Increasing trend



Grafic 6

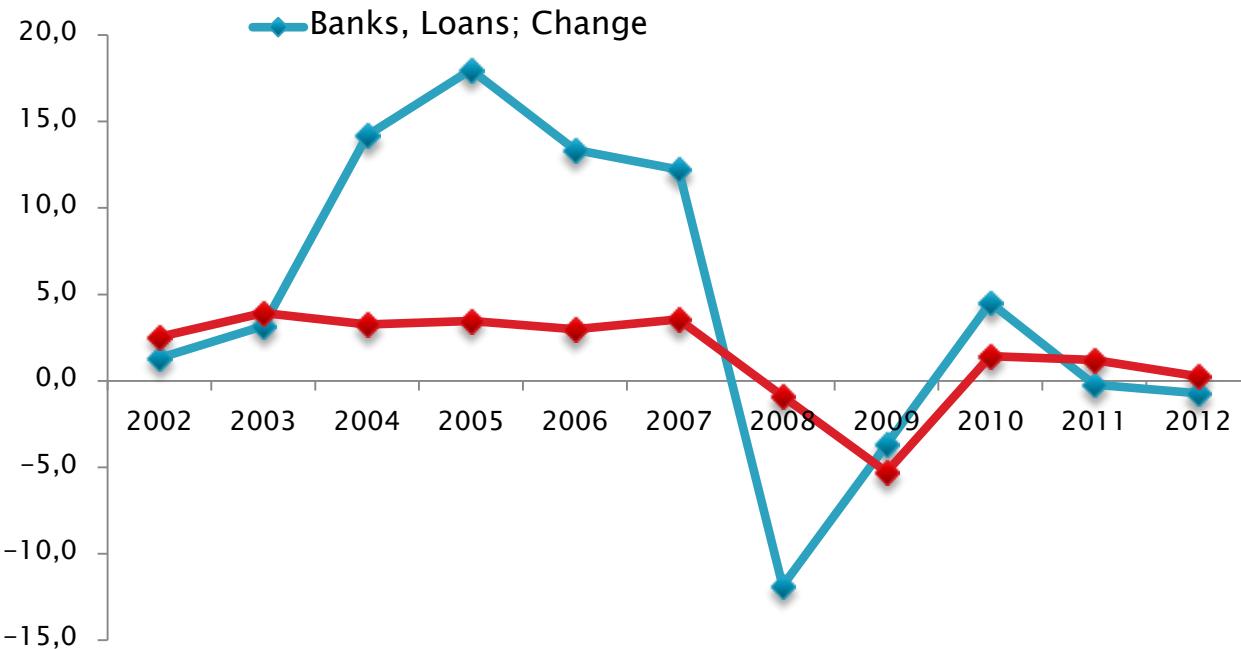


2. Cauze ale MR (iii)

- ▶ “A huge resource misallocation” (Jaime Caruana/BIS; Luigi Zingales: oversize finance)
- ▶ The bottom line: PM laxe (Borio, Minford) și dereglementarea finanței au stimulat lending/over-borrowing
- ▶ “Debt overhang” (Rogoff) = “balance-sheet recession” (Koo, Borio/BIS)

Grafic 7: Economic growth and credit

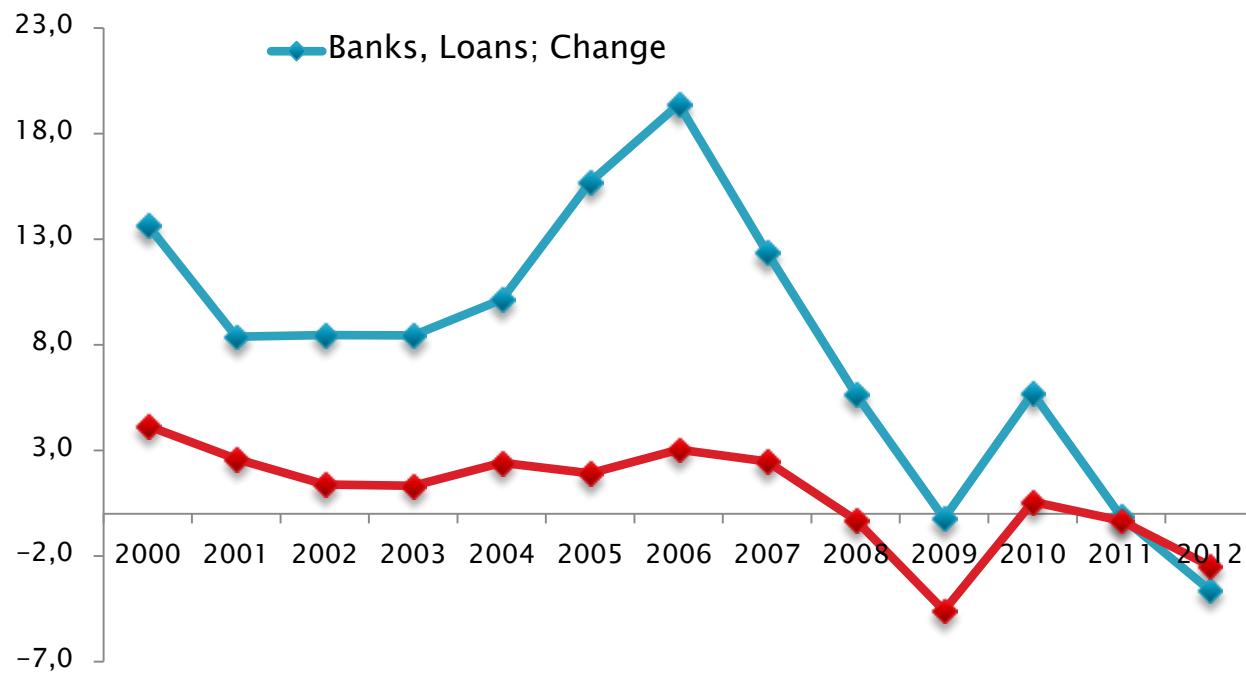
Western Europe (Ireland, United Kingdom)



Sursa: Eurostat, European sector accounts (Central bank; other monetary financial institutions), own calculations

Grafic 8: Economic growth and credit

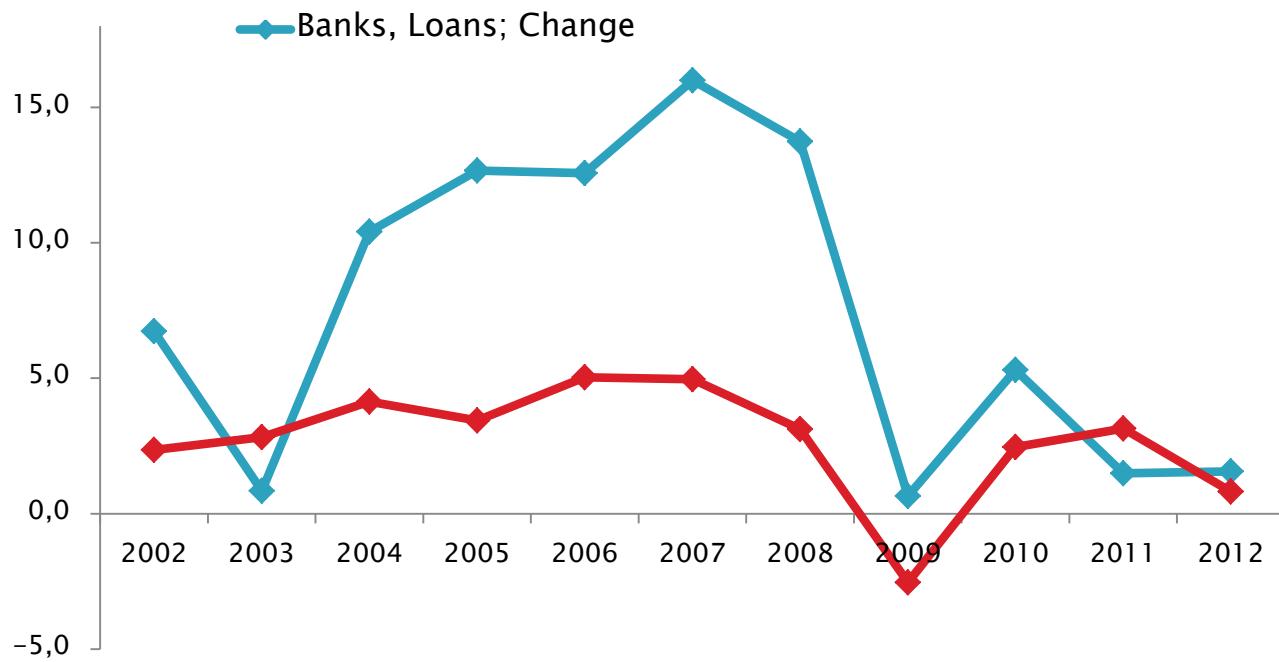
South Europe (Spain, Portugal, Italy, Greece, Cyprus)



Sursa: Eurostat, European sector accounts (Central bank; other monetary financial institutions), own calculations

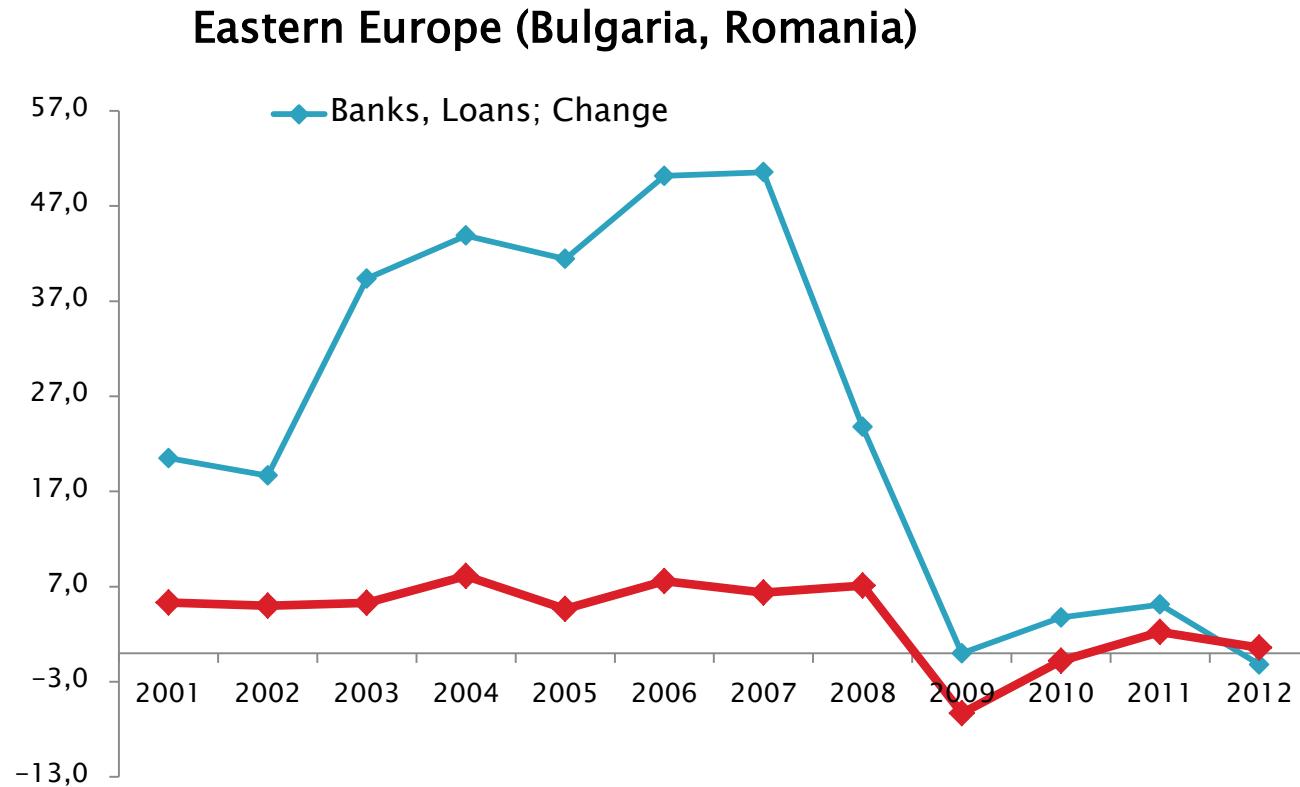
Grafic 9: Economic growth and credit

East Central Europe (Croatia, Hungary, Austria, Poland, Slovenia, Slovakia)



Sursa: Eurostat, European sector accounts (Central bank; other monetary financial institutions), own calculations

Grafic 10: Economic growth and credit



Sursa: Eurostat, European sector accounts (Central bank; other monetary financial institutions), own calculations

3. Supraindatorare/debt overhang

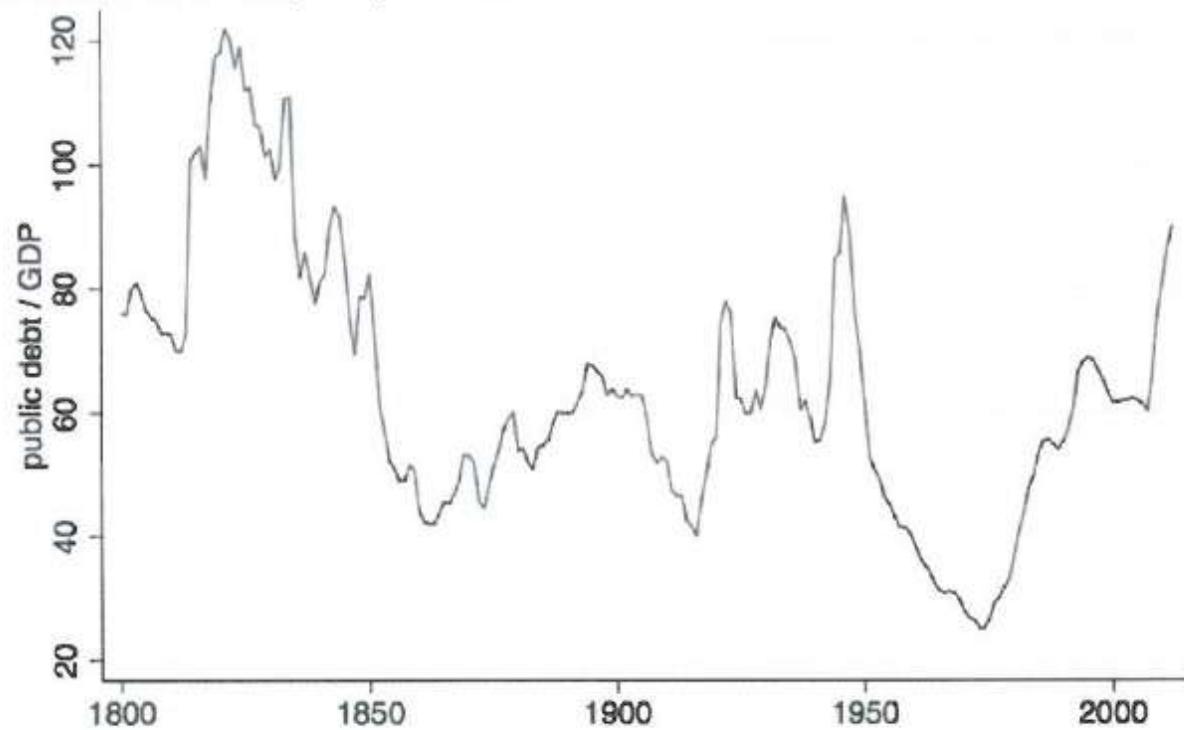
- ▶ Cand apare “over-debt”?
 - a/ circumstante exceptionale/ criza financiara de acum;
 - b/ o criza de balanta de plati;
 - c/ relatia intre indatorare si cresterea economica.
- ▶ Carmen Reinhart si Kenneth Rogoff: prag de 90% din PIB de la care indatorarea ar deveni, mai mult sau mai putin, un handicap pentru cresterea economica (2010). Unii au identificat inconsistente privind datele (Th. Herndon, M. Ash, R. Pollin, 2013), dar de la un punct, fie variabil, volumul datoriilor un handicap

3. Supraindatorare (ii)

- ▶ Crestere mare a indatorarii publice si private in lumea dezvoltata (datoria publica a fost accentuata de criza): stocul de datorie peste 250% din PIB
- ▶ La finele lui 2014: public debt in the euroarea stood at 91% of GDP, corporate debt at 105% of GDP, and household debt at 62% of GDP (*Jens Weidmann, Speech at a Bundesbank conference on debt and financial stability, 27 March, 2015*)

Grafic 11

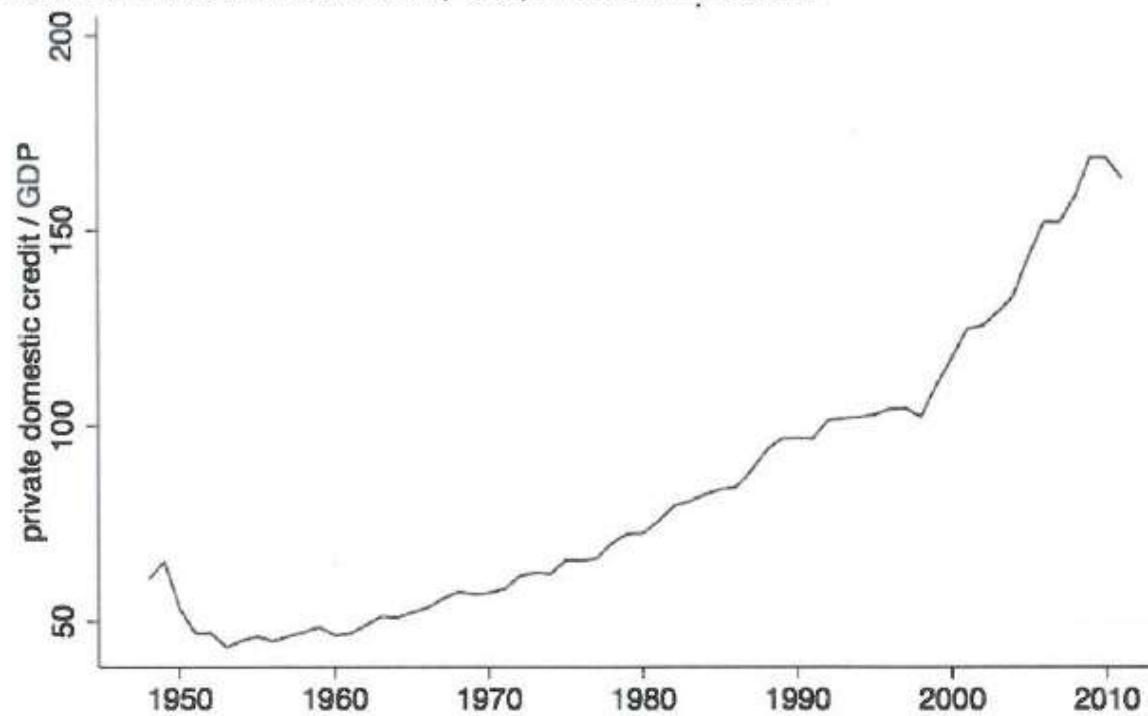
FIGURE 1: Public Debt / GDP, Advanced Economies



Source: Unweighted average of 22 countries; data from Reinhart, Reinhart, and Rogoff (2012).

Grafic 12

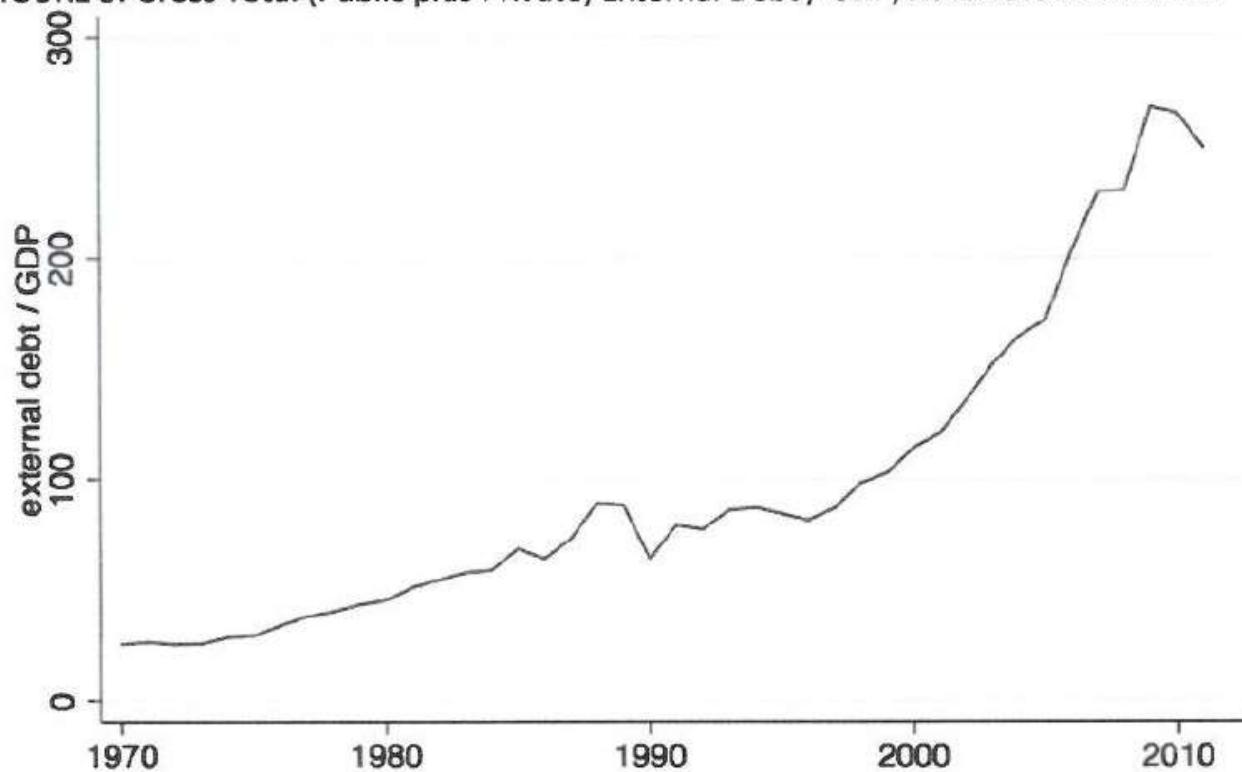
FIGURE 2: Private Domestic Credit / GDP, Advanced Economies



Source: Unweighted average of 22 countries; data from Reinhart, Reinhart, and Rogoff (2012).

Grafic 13

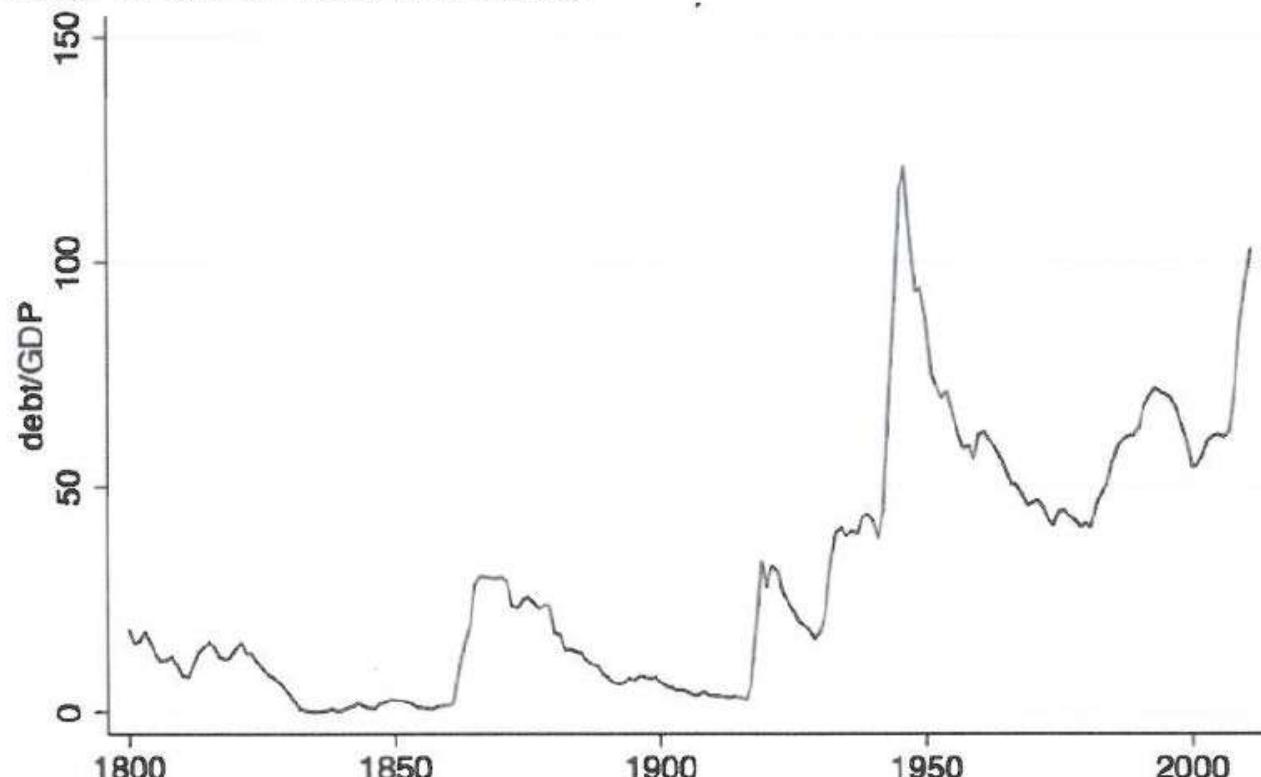
FIGURE 3: Gross Total (Public plus Private) External Debt / GDP, Advanced Economies



Source: Unweighted average of 22 countries; data from Reinhart, Reinhart, and Rogoff (2012).

Grafic 14

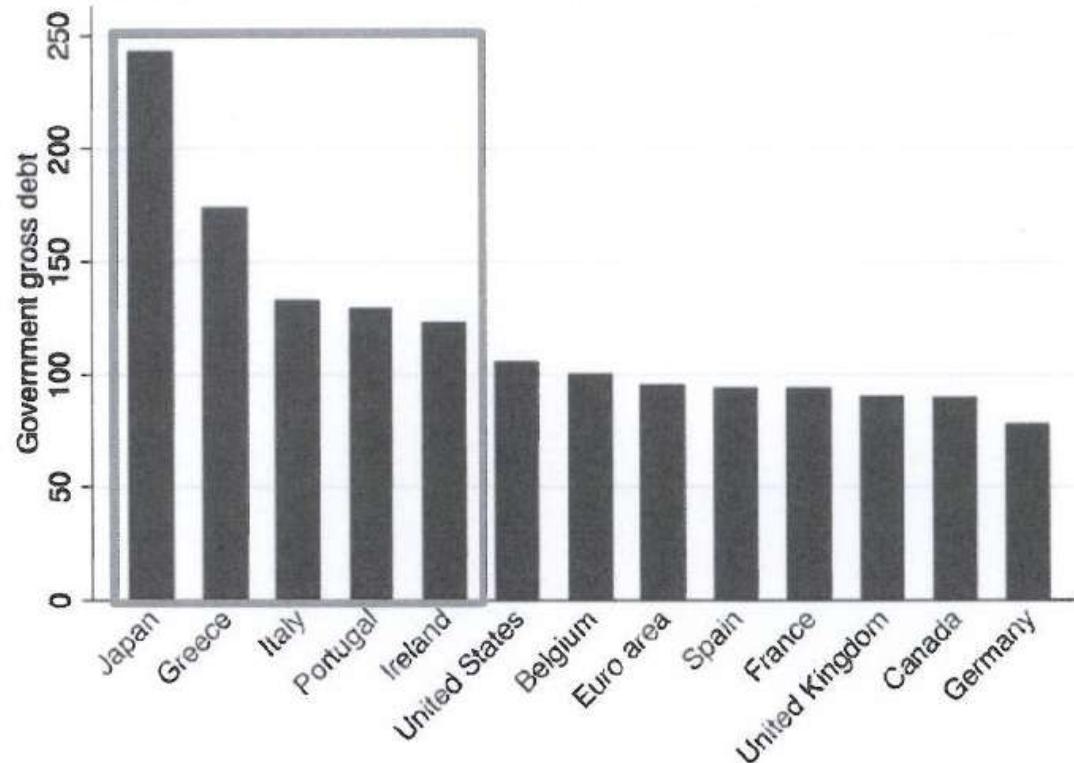
FIGURE 4: Debt/GDP Ratio, United States



Source: IMF, Public Finances in Modern History Database

Grafic 15

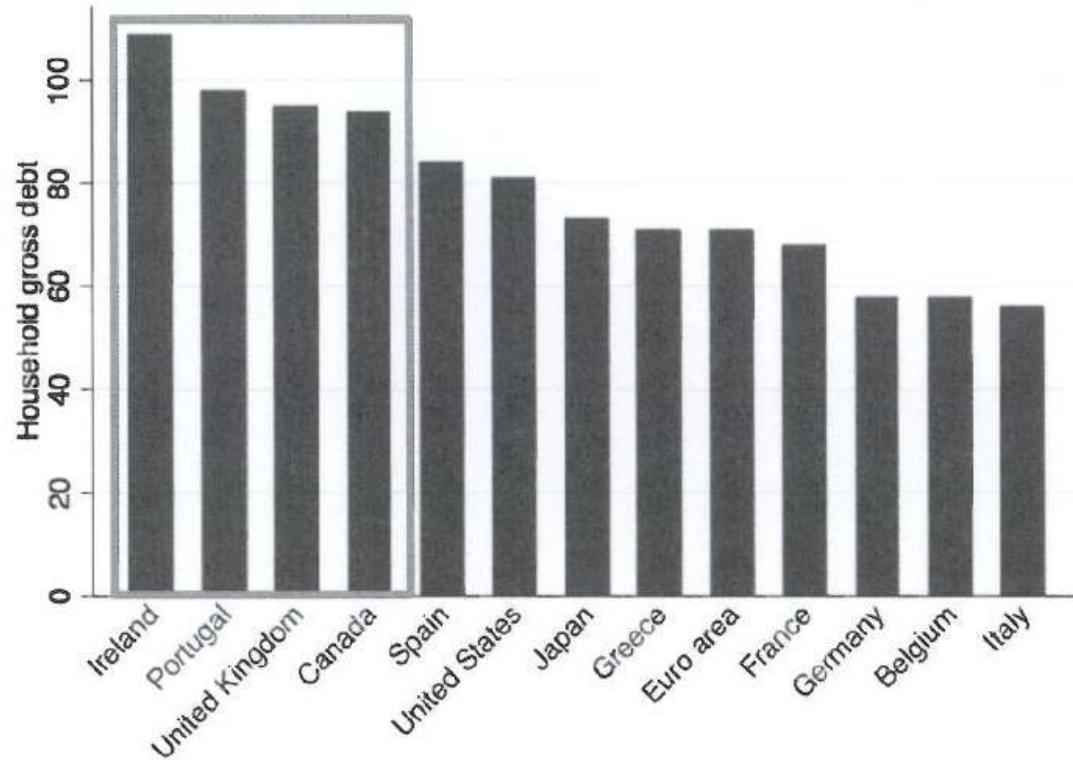
FIGURE 6a: Indebtedness of Select Advanced Countries, Government gross debt (%/GDP), 2013



Source: IMF (2014b). Red box denotes countries with potentially concerning levels of debt.

Grafic 16

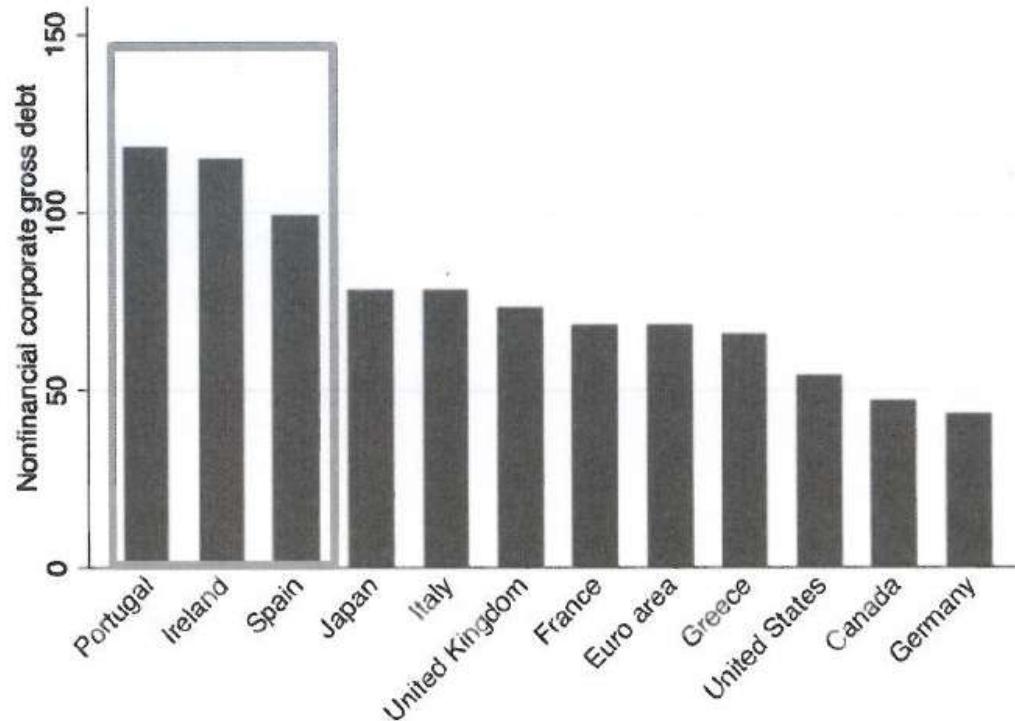
FIGURE 6b: Indebtedness of Select Advanced Countries, Household gross debt (%/GDP), 2013



Source: IMF (2014b). Red box denotes countries with potentially concerning levels of debt.

Grafic 17

FIGURE 6c: Indebtedness of Select Advanced Countries, Nonfinancial corporate gross debt (%/GDP), 2013



Source: IMF (2014b). Red box denotes countries with potentially concerning levels of debt.

3. Supra-indatorarea (ii)

- ▶ Nevoia de a corecta dezechilibre: chestiunea fiscală
- ▶ Integrarea financiară internațională a marit importanța indatorării externe
- ▶ Indatorarea este fară precedent pentru lumea occidentală în ultimele decenii: povara mare (BIS report)
- ▶ Debt vs. equity: (Miller–Modigliani)

3. Supra-indatorarea (iii)

- ▶ Cresterea economica si finantarea datoriilor
- ▶ In conditii de criza, problema, in esenta, este daca politici reflationiste pot ameliora situatia pe termen scurt si termen lung (Fischer, Carney, Draghi)
- ▶ In zona euro lucrurile sunt mai complicate: datorii “interne” (in interiorul uniunii monetare) apar drept crize de balanta de plati. Este si motivul pentru care se incearca formarea unei uniuni bancare

4. Dereglementarea si ciclul financiar (i)

- ▶ Dereglementarea si ciclul financiar (indatorarea): BIS, Pagano, IMF
- ▶ Momente cheie: 1986, 1998, 2000 (nota bene: the repeal of Glasss Steagal, the Commodity Futures Modernization Act, the Big Bang/UK)
- ▶ “Light touch regulation”
- ▶ No attention to shadow banking
- ▶ Finance extracts rents from economy (Luigi Zingales: it fuels booms, lack of trust...)

4. Dereglementarea si ciclul financiar

- ▶ Greenwod and Scharfstein: In 2006, finance însemna 8.3% din US GDP, comparat cu 4.9% în 1980 și 2.8% în 1950; “the financial share of GDP increased at a faster rate since 1980 (13 basis points of GDP per annum) than it did in the prior 30 years (7 basis points of GDP per annum)”
- ▶ IMF: finance în US, 7% din GDP între 1998–2007 și 29% din corporate profits
- ▶ Oversize finance (Ugo Pagano et al, 2014; Ratna Sahay, IMF, 2015)
- ▶ Piete financiare volatile fac sistemul mai instabil și inclinat spre “sudden stops”; dereglementarea invita “booms and busts”

4. Dereglementare si finanta (iii)

- ▶ Explzia creditului (Rogoff and Reinhart), *Marea distorsiune/Debt/Miller–Modigliani* (The Economist, May)
- ▶ Un ciclu financiar amplificat? (duration, amplitude, burden)
- ▶ Rolul “reserve money centers”: the trilemma is a dilemma (Helen Rey)
- ▶ Shadow banking (figure 6)
- ▶ Inter-connectedness and fragility
- ▶ The international policy regime (premature opening of the capital account, IMF)

4. Dereglementare si finanta (iv)

- ▶ Exista un ciclu financiar european?
- ▶ The *boom and bust* in EU si regulile Single Market: cum aplicam MPPs?
- ▶ Romania in acest ciclu (2004–2008)

5. Unde suntem?

- ▶ Evitata topirea sistemului finançiar, dar: zero policy rates; very low yields; very low growth rates (the three big zero)
- ▶ Politici non-conventionale; criza cognitiva
- ▶ Riscuri financiare (shadow banking): interconectare si “sudden stops” in piete de capital (money markets funds)
- ▶ Efecte perverse ale QE-s
- ▶ Cand Fed ridica policy rates; EMs with heavy exposure in USD and large debts
- ▶ A trade-off between recovery and financial stability (Summers/Minsky/Borio)?

5.1 A policy reform agenda

- ▶ Crisis management vs. a new system of R&S
- ▶ Un alt sistem R&S (too big to fail; cap leverage; capital and liquidity requirements; business misconduct as systemic risk; *shadow banking*)
- ▶ Reintroducerea Glass Steagall necesara
- ▶ Capital flows and MPPs (in the EU; externalizarea creditarii)
- ▶ Ethical standards and punishing illegal acts
- ▶ Debt restructuring (BIS/Borio)
- ▶ Inflation Targeting and credit control
- ▶ The international policy regime

6. Cicluri in Romania: perspective pentru analiza

- ▶ Transition cycles: “the transformational recession”/Kornai (1990–1992); formarea institutiilor de baza pentru economia de piata; a doua recesiune (1997–1998)
- ▶ Inainte si dupa 2000: sansa de a intra in EU (schimbari economice si institutionale)
- ▶ The European financial cycle (the euro): the boom and bust cycle in the EU (EEMs)

6. Cicluri in Romania: perspective pentru analiza (ii)

- ▶ Criza financiara si MR
- ▶ A credit-less recovery? Se verifica si la noi (puzzle cu debt-overhang?)
- ▶ De ce intermedierea este mai scazuta in Romania (stoc credit sub 32% din PIB in 2014)
- ▶ The new European context: low growth and fragilities

7. The international policy regime

- ▶ În piete financiare adanc integrate “trilemma is a “dilemma” (Rey: the need for capital controls/MPPs); euroization/dollarization impact
- ▶ Responsabilitatea “reserve money centers”: ciclul finanțier global (BIS, Rajan, 2015); Bretton Woods2?
- ▶ Este posibila coordonarea de politici? (Blanchard/IMF); the role of G20 (FSB)
- ▶ O nouă revoluție industrială? Relatia cu ipoteza stagnării seculare
- ▶ Repararea design-ului euroariei (criza euroariei va “dampen” creșterea și diminua PIB-ul potential)