

**The monetary situation in the
Eurozone and implications on the
international monetary system**

MSE-MGU

(2)

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2.

The Eurozone long crisis

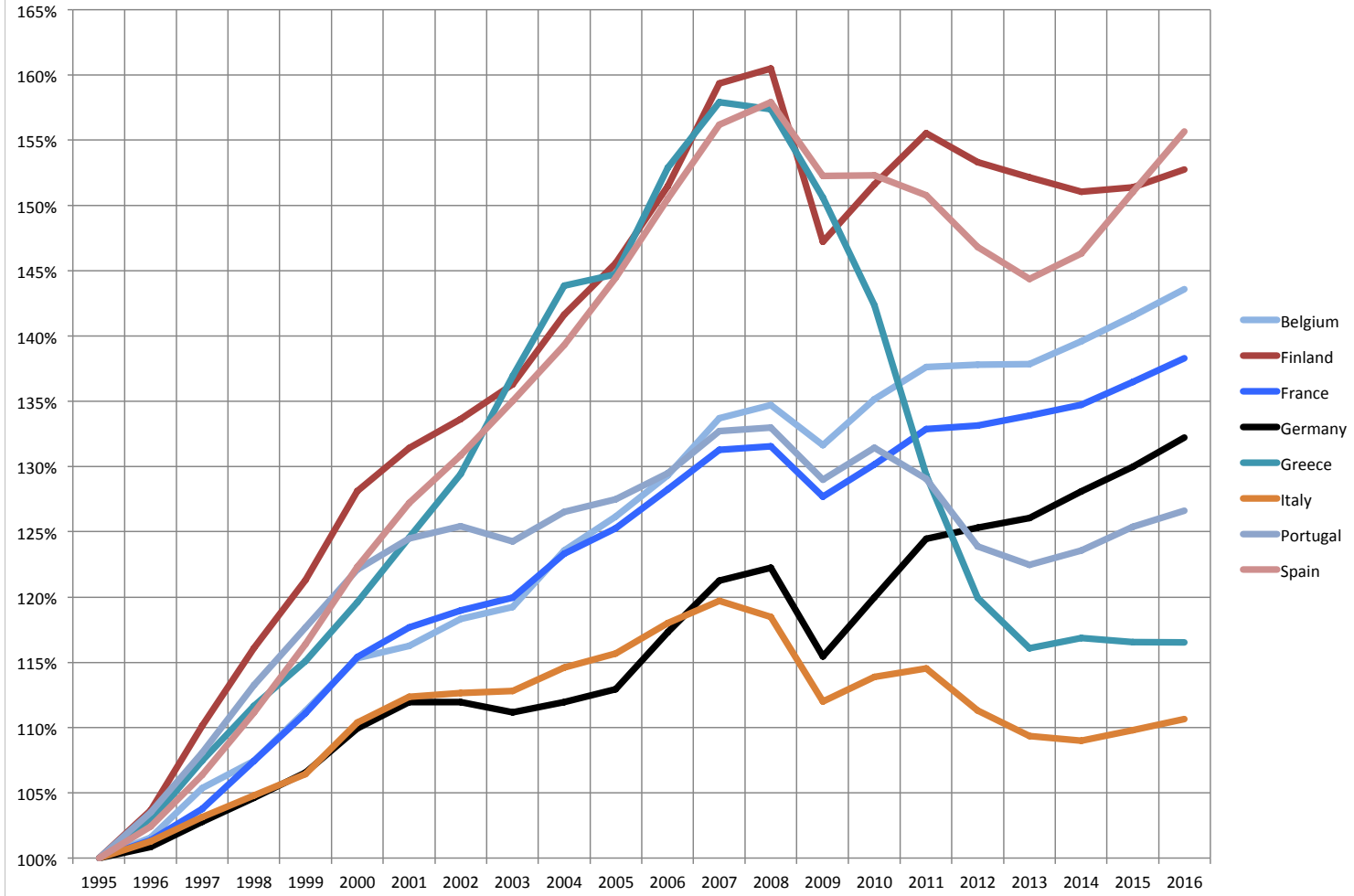
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- **The description of a long duration crisis**

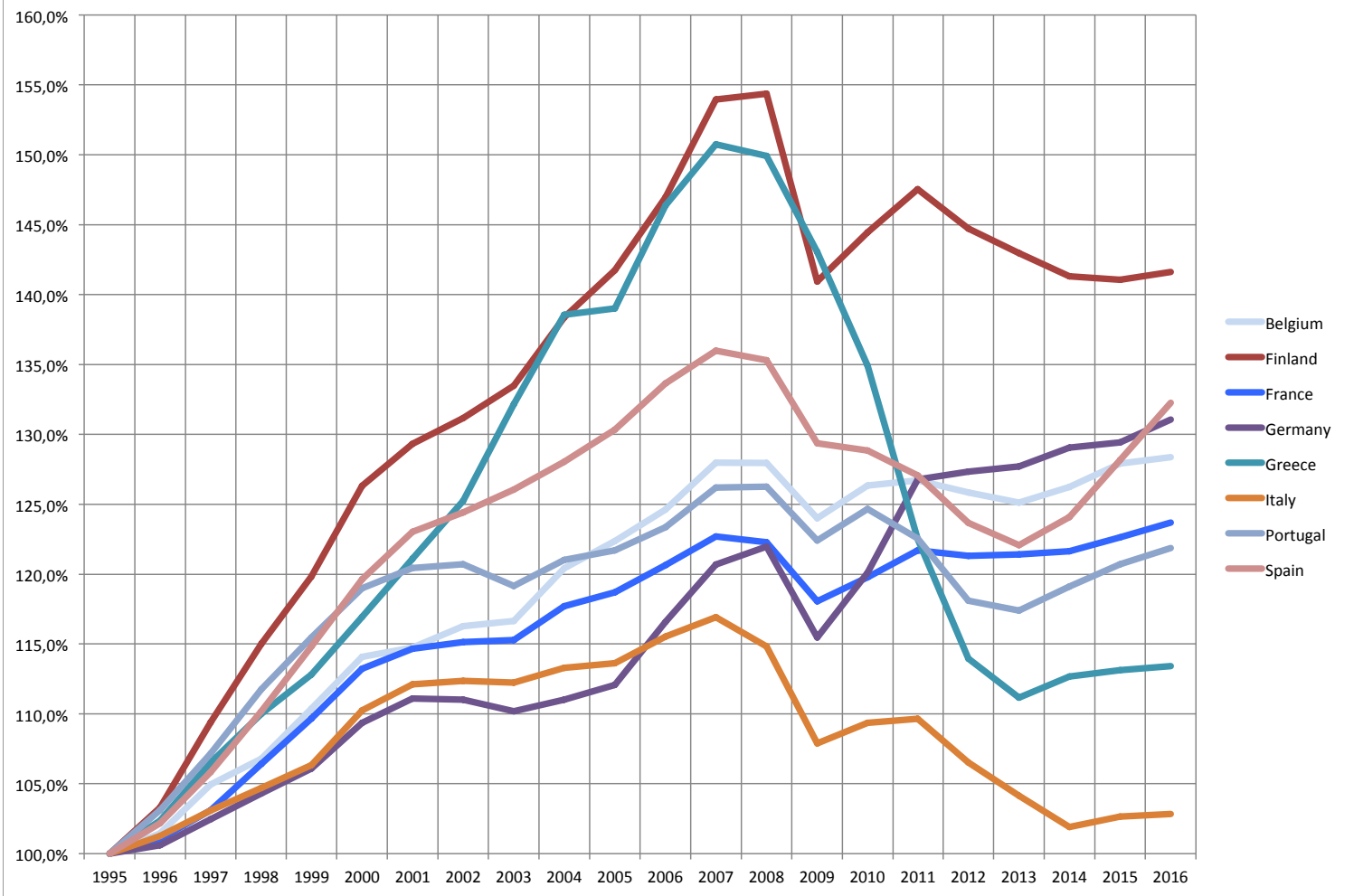
- **1. The GDP growth and perspectives.**
 - **a. Comparison of forecasts.**
 - » OECD
 - » EU
 - » IMF
 - **b. Explaining the differences.**
 - » Why forecasts differs.
 - » A country specific result.
 - **c. How reliable are forecasts?**
 - » What's the value of EZ forecasts?
 - » The case of Germany.
- **2. The investment growth, and decline.**
 - **a. Investment growth.**
 - » Households and enterprises investments.
 - » Housing investments.
 - **b. What is the real situation.**
 - » The shrinking industrial investment.
 - » The cost equation.

	GDP in 2015 compared to the one of 1999	Average rate of growth 1999-2015	Average rate of growth 1999-2007	Average rate of growth 2008-2015	GDP per capita compared to 1999 level	Average rate of growth of GDP per capita 1999-2015
Belgium	125,6%	1,43%	2,23%	0,6%	114,1%	0,8%
Finland	128,2%	1,56%	3,73%	-0,6%	118,0%	1,0%
France	122,2%	1,26%	2,11%	0,4%	111,3%	0,7%
Germany	121,5%	1,23%	1,64%	0,8%	122,7%	1,3%
Greece	104,7%	0,29%	4,07%	-3,4%	103,6%	0,2%
Italy	102,9%	0,18%	1,48%	-1,1%	97,2%	-0,2%
Netherland	121,6%	1,23%	2,28%	0,2%	113,6%	0,8%
Portugal	106,2%	0,38%	1,52%	-0,8%	104,3%	0,3%
Spaine	130,6%	1,68%	3,74%	-0,3%	112,4%	0,7%
Total for 9 countries of the EMU	119,1%	1,10%	2,18%	0,0%		
Idem without Germany	118,1%	1,05%	2,40%	-0,3%		
Canada	142,3%	2,23%	2,80%	1,7%	120,5%	1,2%
Sweden	140,2%	2,14%	3,24%	1,0%	126,4%	1,2%
United-Kingdom	134,9%	1,89%	3,00%	0,8%	122,0%	1,1%
United-States	137,5%	2,01%	2,65%	1,4%	119,5%	1,2%

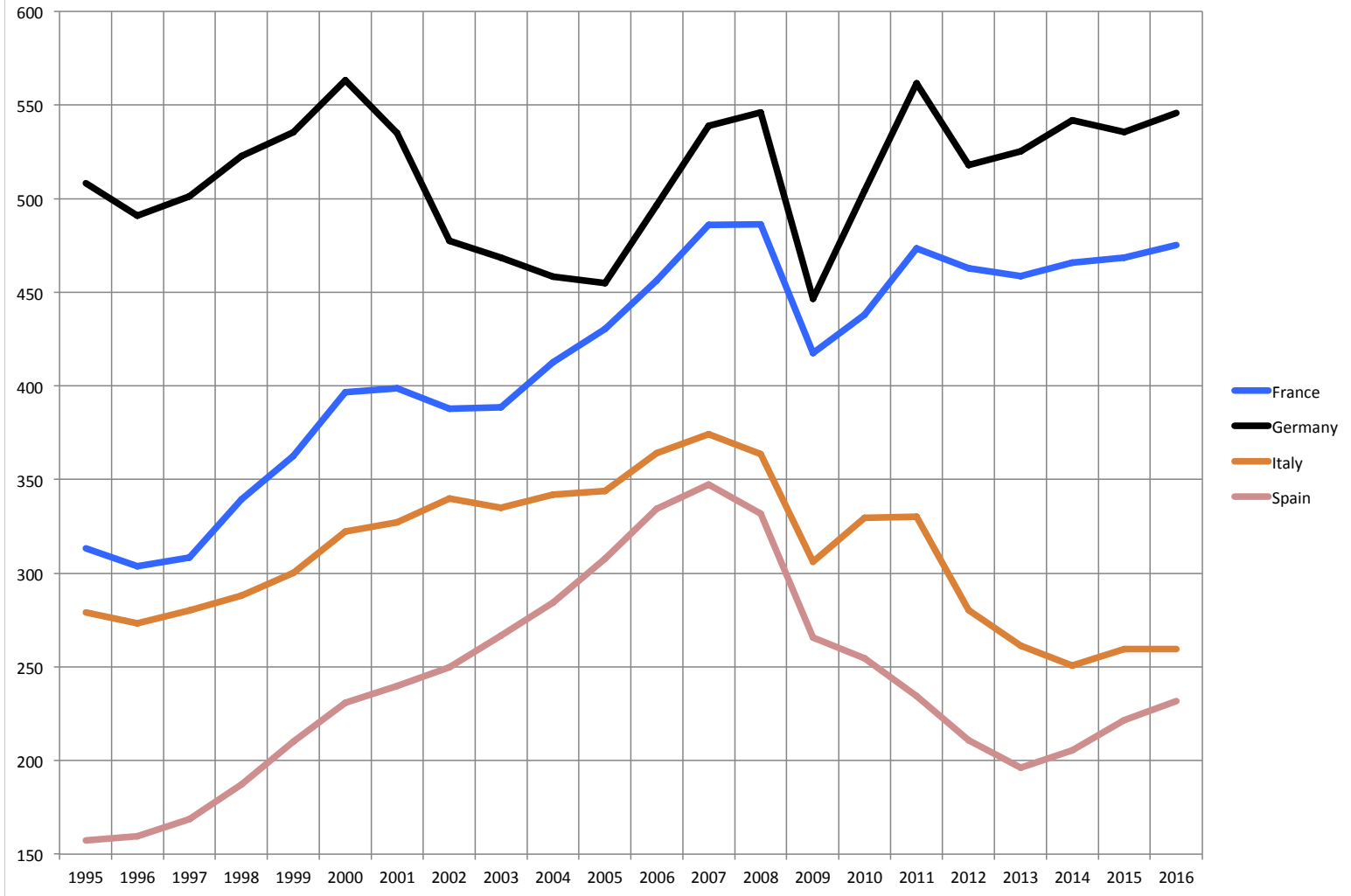
GDP, index 100=1995



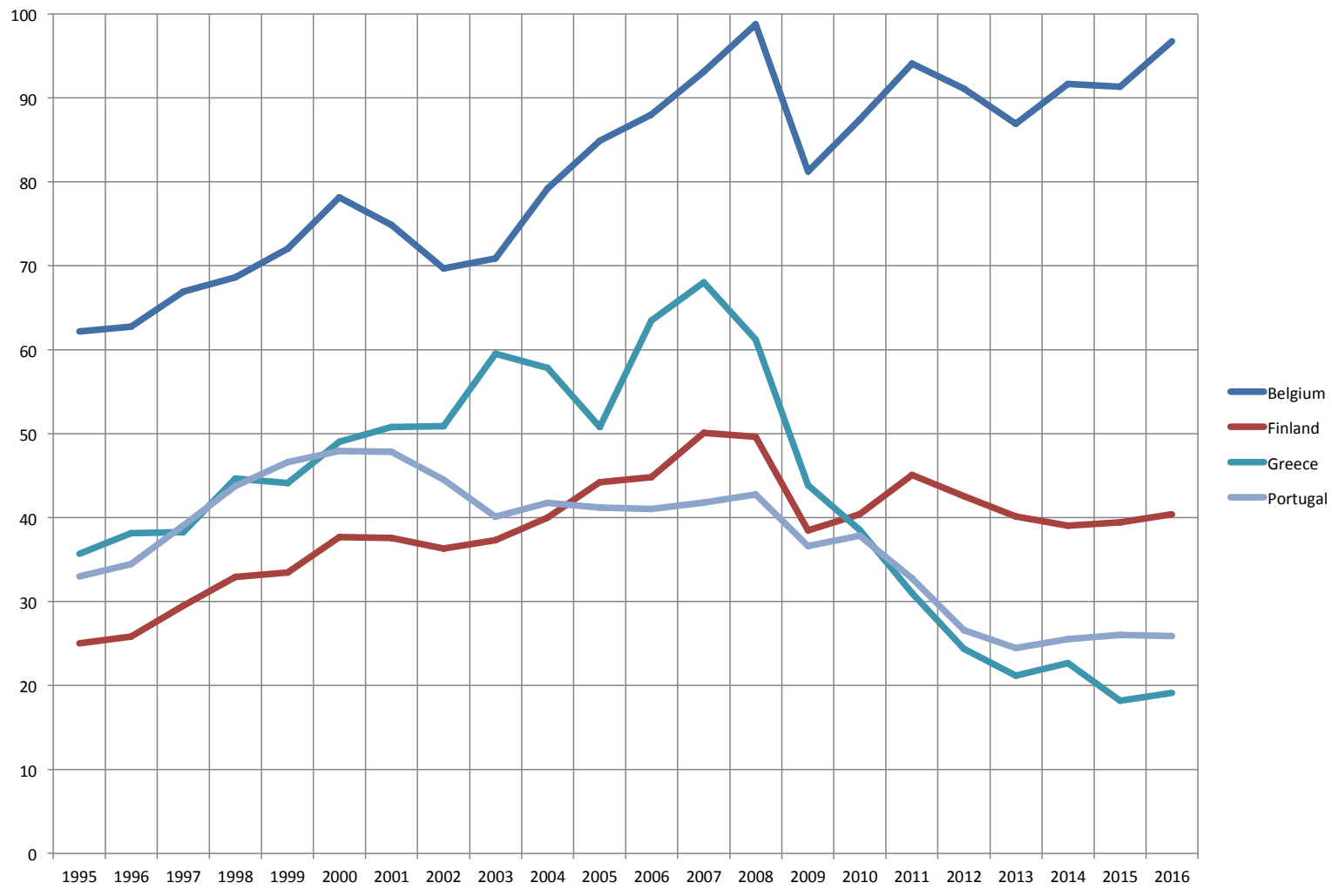
GDP per capita (index, base 100 = 1995)



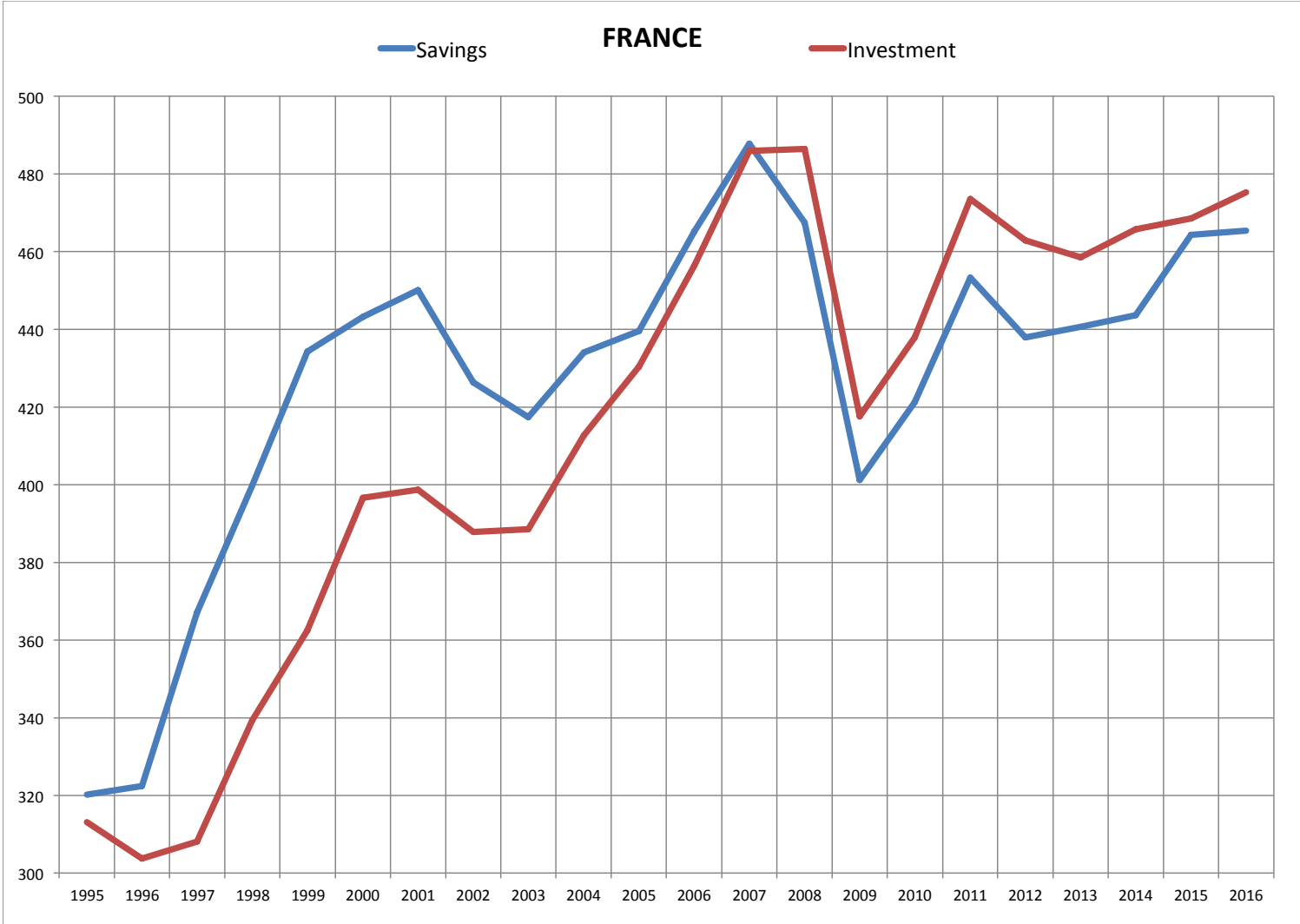
Investment (at constant prices en Blns euros)

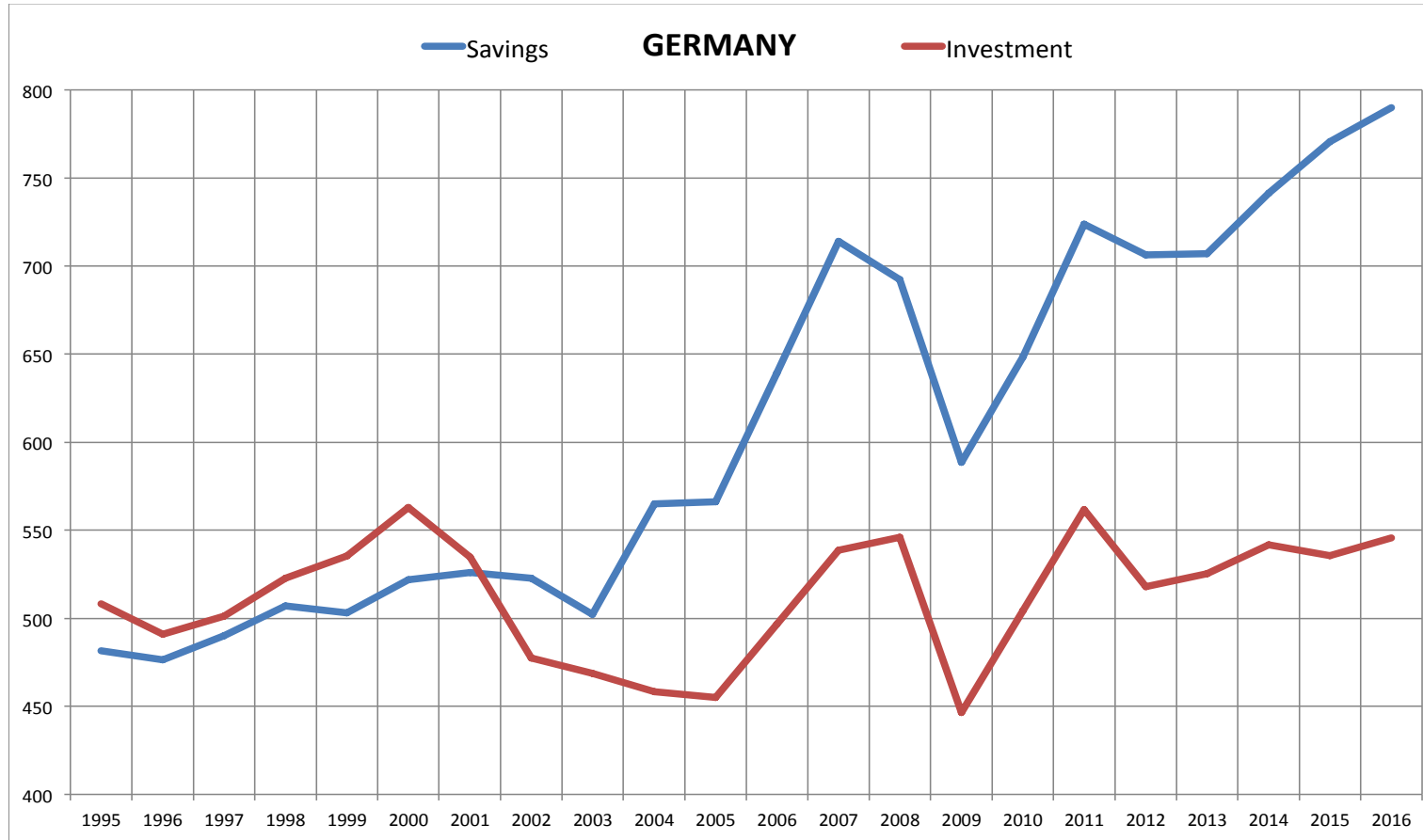


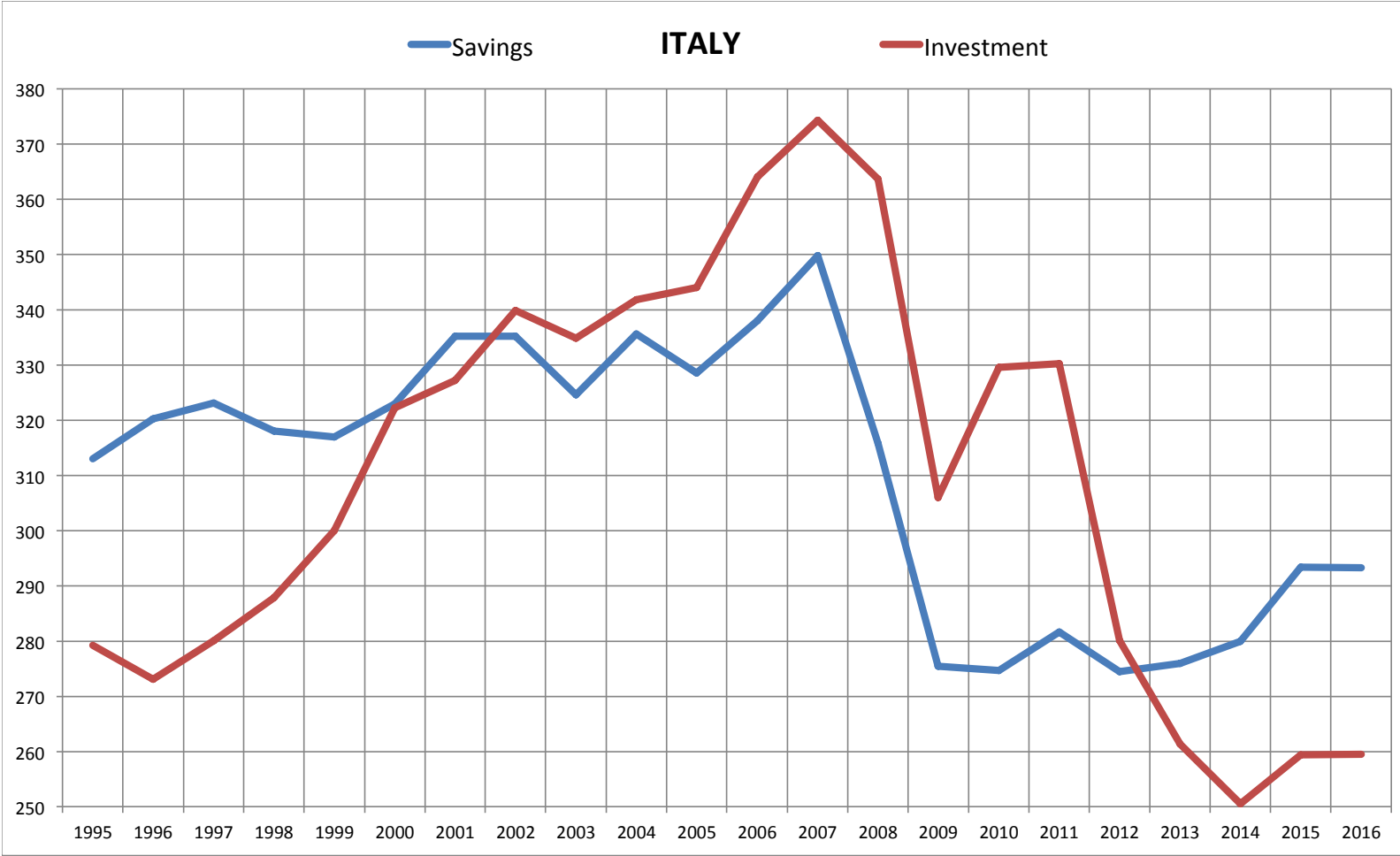
Investment (constant prices, Blns euros)



	Global investment		Investment per capita	
	Level in 2015 compared to 1999	Yearly average rate of growth	Level in 2015 compared to 1999	Yearly average rate of growth
Belgium	120,8%	1,2%	109,8%	0,6%
Finland	114,9%	0,9%	107,9%	0,5%
France	122,9%	1,3%	111,9%	0,7%
Germany	96,2%	-0,2%	97,1%	-0,2%
Greece	47,2%	-4,6%	46,7%	-4,7%
Italy	77,2%	-1,6%	73,0%	-2,0%
Netherland	97,0%	-0,2%	90,6%	-0,6%
Portugal	53,6%	-3,8%	52,6%	-3,9%
Spaine	100,5%	0,0%	86,5%	-0,9%
9 countries of the EMU	98,3%	-0,1%	92,5%	-0,5%
Canada	163,2%	3,1%	138,2%	2,0%
Sweden	157,8%	2,9%	142,2%	2,2%
United-Kingdom	123,8%	1,3%	111,9%	0,7%
United-States	120,2%	1,2%	104,4%	0,3%

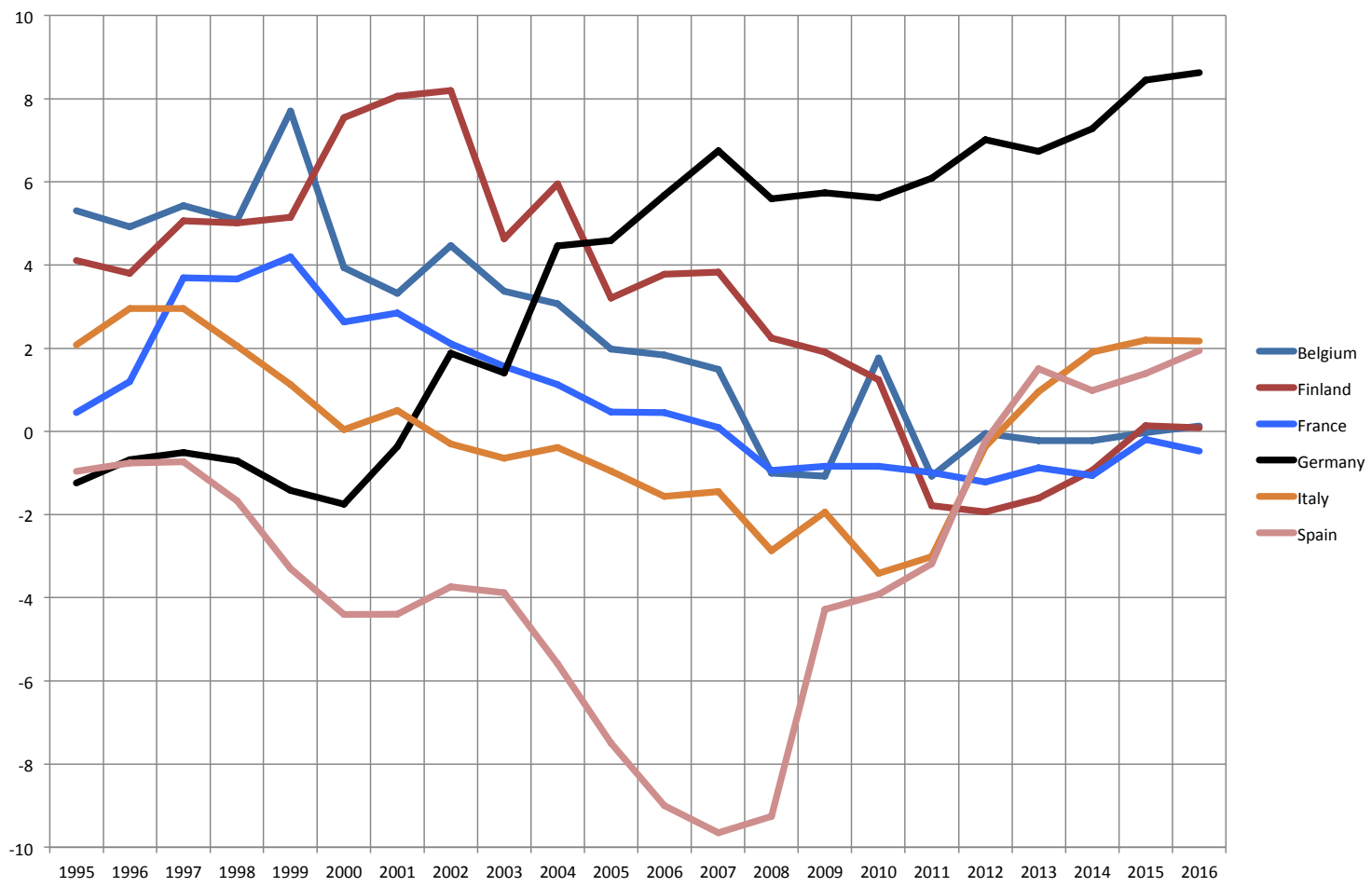




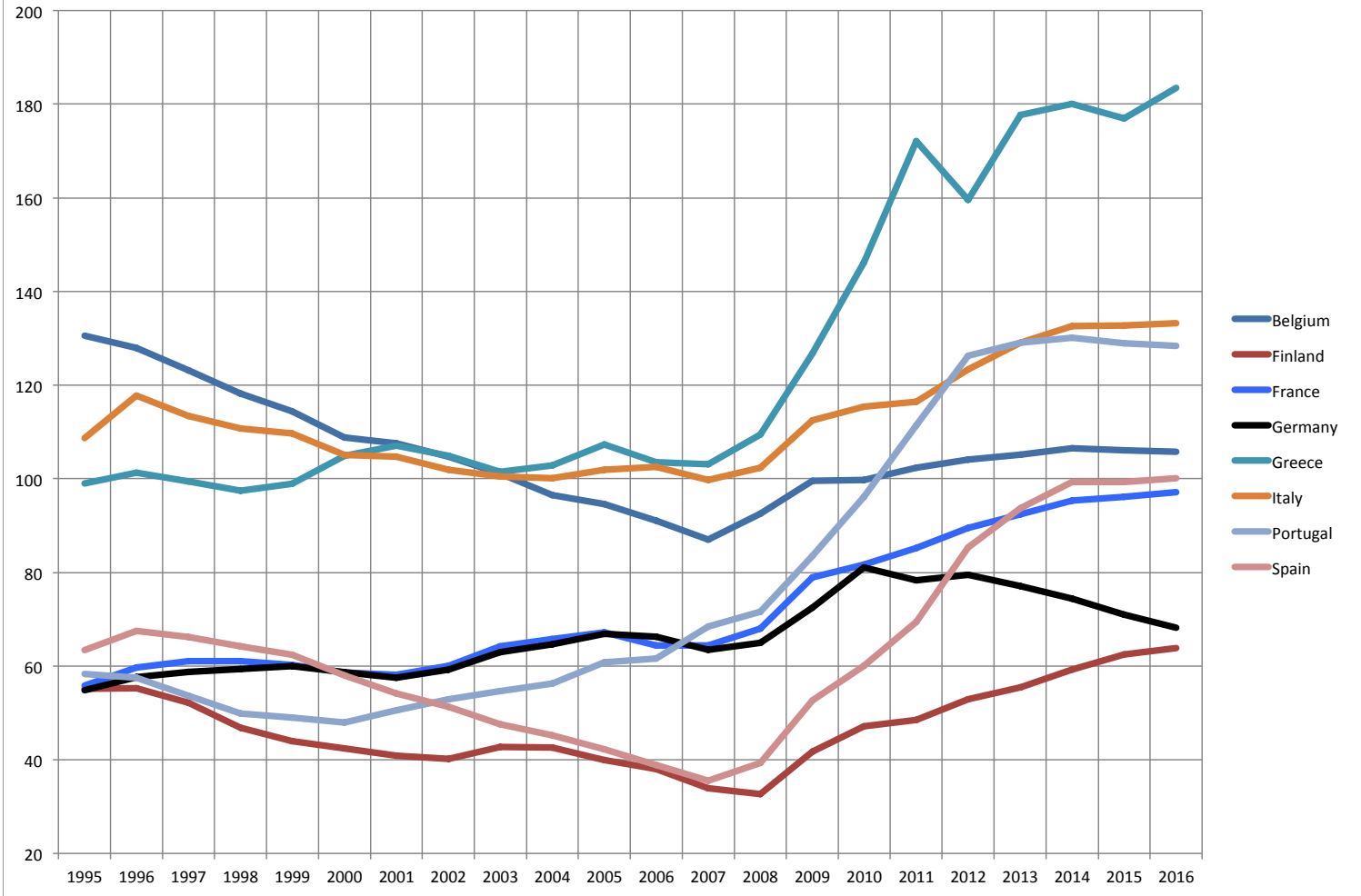


- **3. The foreign trade balance.**
 - **a. The “German” problem and the Trade balance of the EZ.**
 - » Amount of exports
 - » Direction of exports
 - » Impact on exchange rate
 - **b. How countries from Southern Europe have balanced their trade balance.**
 - » Movement of exports
 - » Movement of Imports
 - **b. How sustainable is it.**
 - » The reduction of consumption
 - » Investment
 - **c. What possible consequences?**
 - » A possible break-down?
 - » The destruction of Southern Europe

Current account in GDP %



Gross Debt in GDP percent



- II

- **Consequences of the crisis**

- **1. The unemployment situation.**
 - **a. The unemployment situation.**
 - » A sharp divide
 - » The situation in Spain and Greece
 - **b. How unemployment is computed.**
 - » Is “unemployment” actually unemployment?
 - » Statistical conventions.
 - » Unemployment and “nearly-unemployment”
 - **c. From the direct to indirect measures of unemployment.**
 - » Comparing figures.
 - » The actual situation.
 - » The rise of the burden of “social benefits”.

- **2. The federalist perspective and its costs.**
 - **a. What would be a federalist solution?**
 - » An obvious solution.
 - » But one plagued with considerable difficulties.
 - » The German opposition.
 - » The so-called “banking union” fallacy.
 - » No majority for a federal solution.
 - **b. Evaluation of the cost of a federalist solution.**
 - » Estimations of costs. (from 8% to 12% a year on German GDP).
 - » The so-called “banking initiative” (EIB)
 - » Why a federation is actually impossible.

- **3. Is the Eurozone a global drag on to the world economy?**
 - **a. The Eurozone in the global economy.**
 - » An important market.
 - » An important supplier.
 - **b. The global drag effect since 2002.**
 - » The actual EZ growth.
 - » A contra-cyclical economic policy.
 - » What has been the result of EZ economic policy at a global level?
 - **c. What could be consequences in the near future.**
 - » Could the EZ change of policy.
 - » The “missing leg” of the global economy.

- To read on this topic:
 - The two documents sent and available in PDF
- Hein E. and Truger A., **Fiscal Policy and Rebalancing in the Euro Area: A Critique of the German Debt Brake from a Post-Keynesian Perspective** The Levy Economics Institute, Septembre 2013 (in PDF)
- Bibow J., **Germany and the Euroland Crisis: The Making of a Vulnerable Haven**, The Levy Economics Institute, Septembre 2013 (in PDF)
 - To deepen your knowledge:
- Flassbeck, H.. “Wage Divergences in Euroland: Explosive in the Making », In *Euroland and the World Economy - Global Player or Global Drag?*, edited by J. Bibow and A. Terzi. Palgrave Macmillan, Basingstoke, 2007.
- Hein, E. and Stockhammer, E. 2010. “Macroeconomic Policy Mix, Employment and Inflation in a Post-Keynesian Alternative to the New Consensus Model », in *Review of Political Economy*, Vol. 22, 317-354.