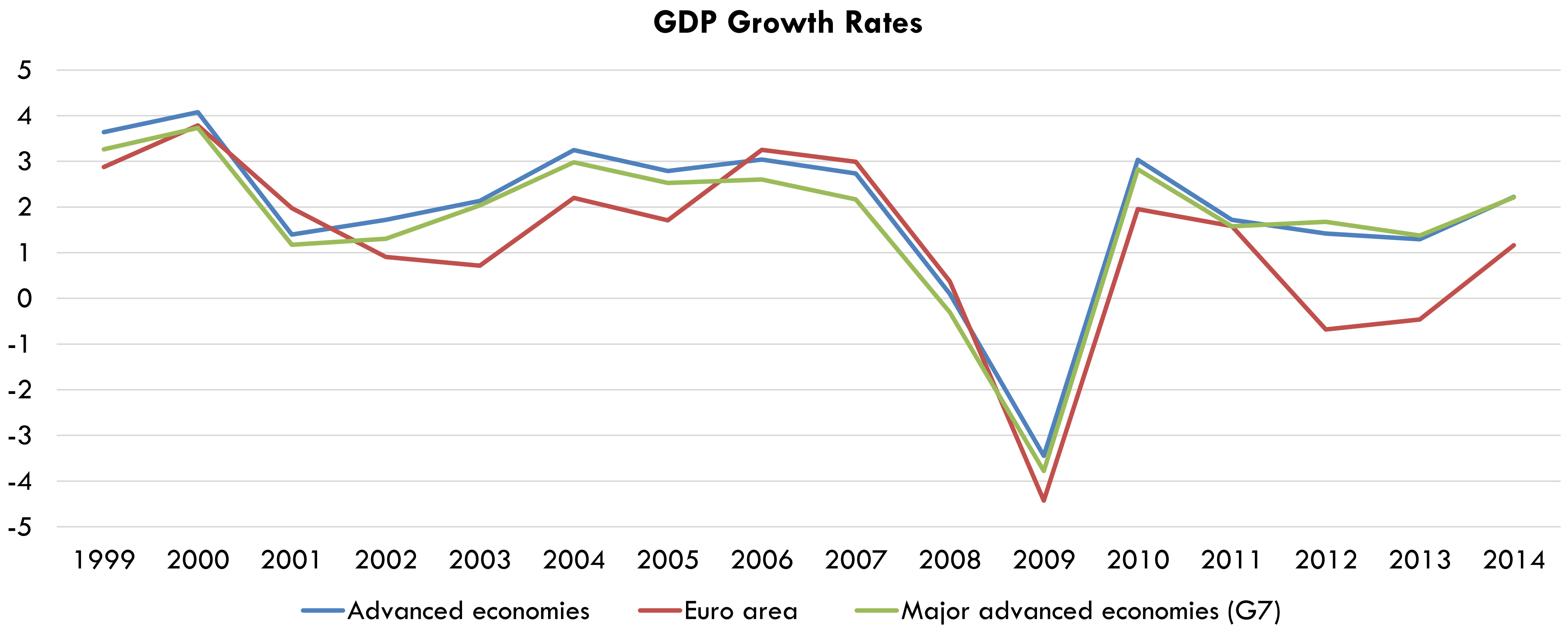
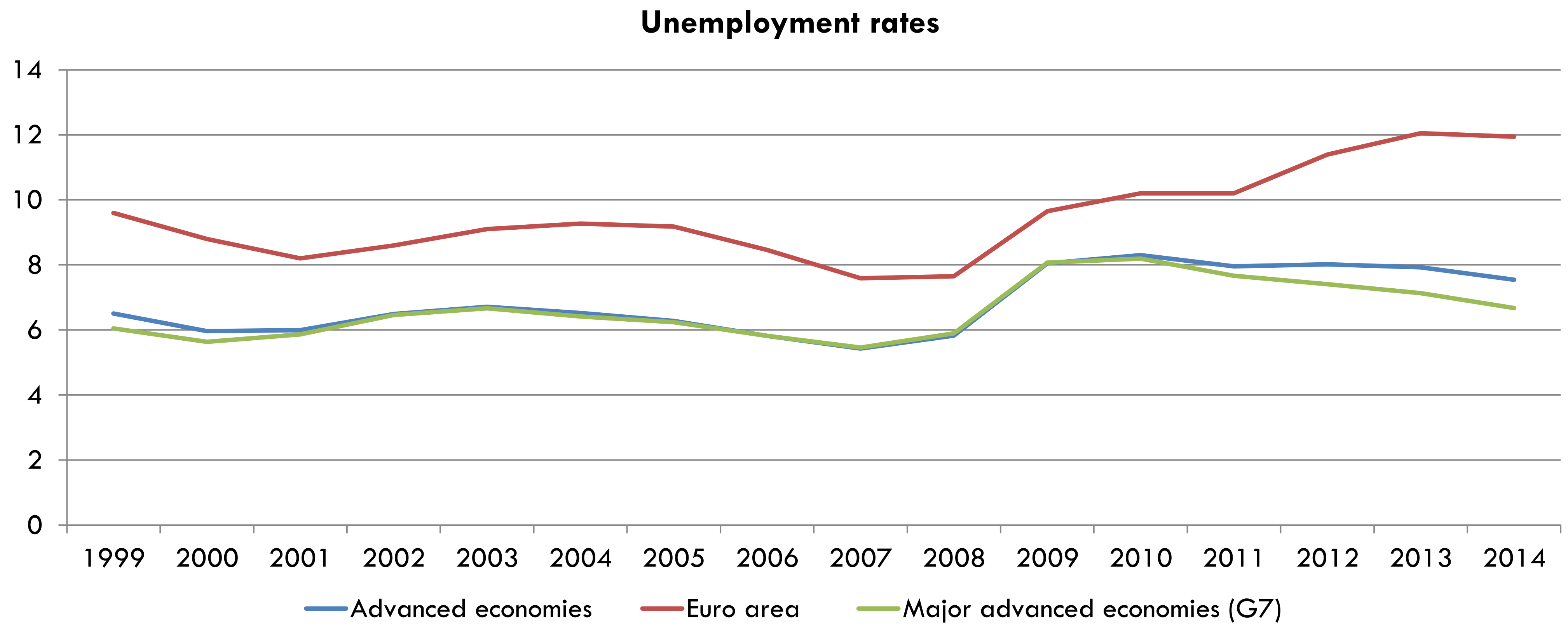
AFTER THE CRISIS?

Peter Bofinger

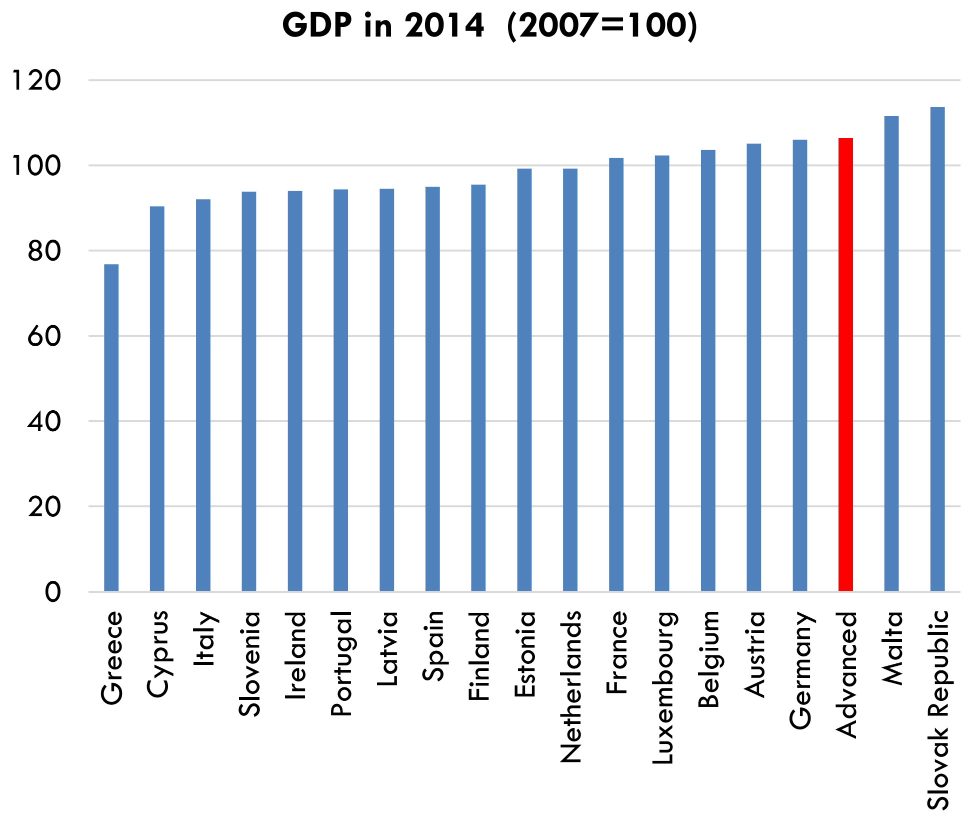
„DOUBLE-DIP RECESSION“ OF THE EURO AREA

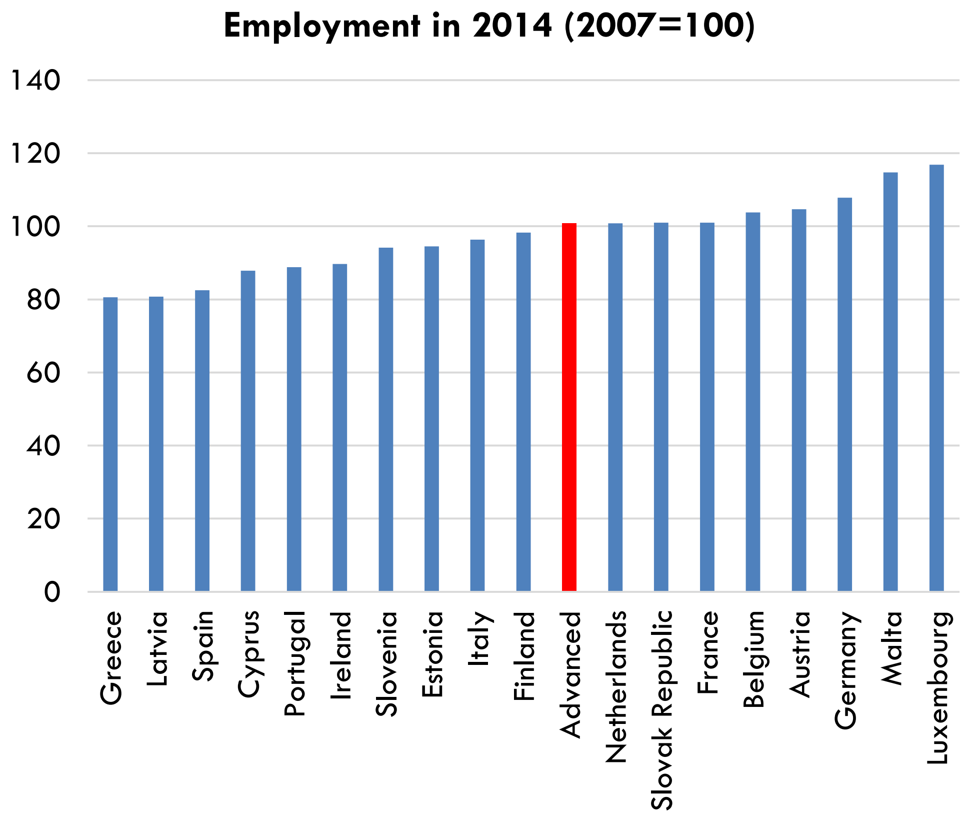


CONSEQUENCE: HIGH UNEMPLOYMENT

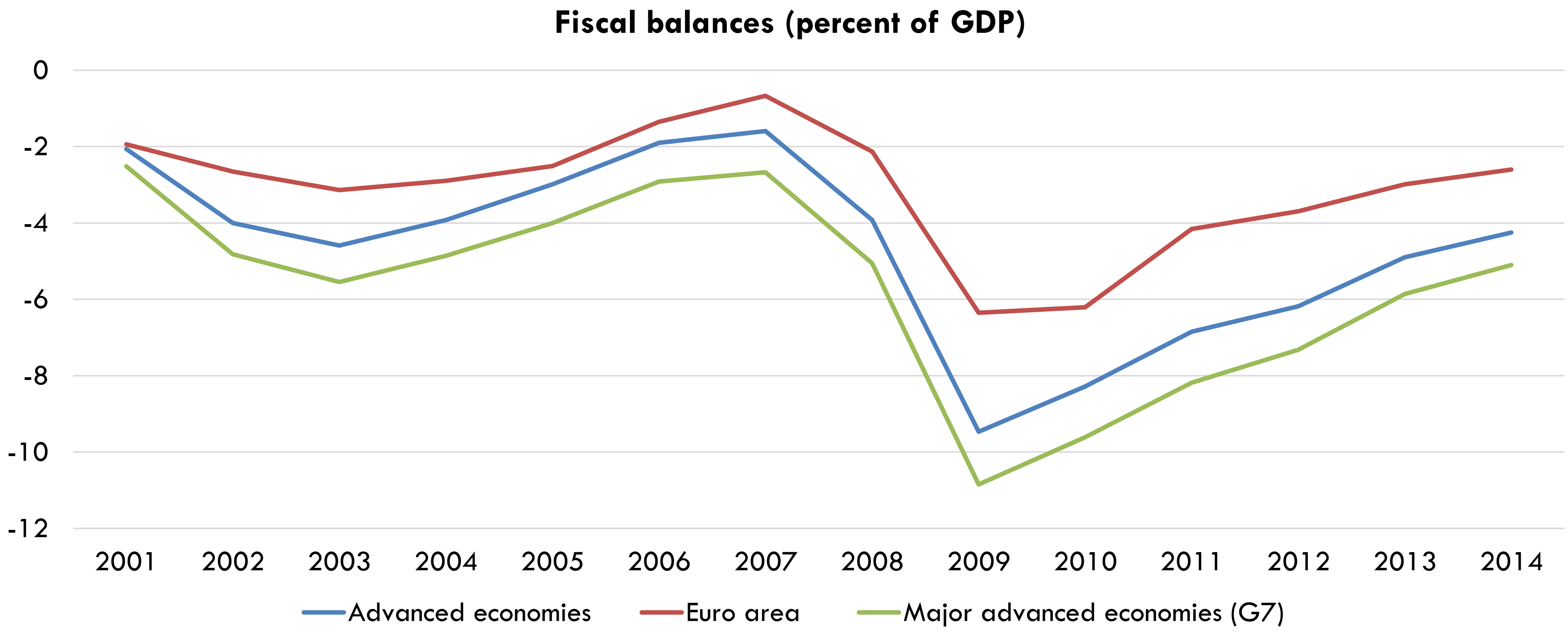


MOST SERIOUSLY AFFECTED COUNTRIES

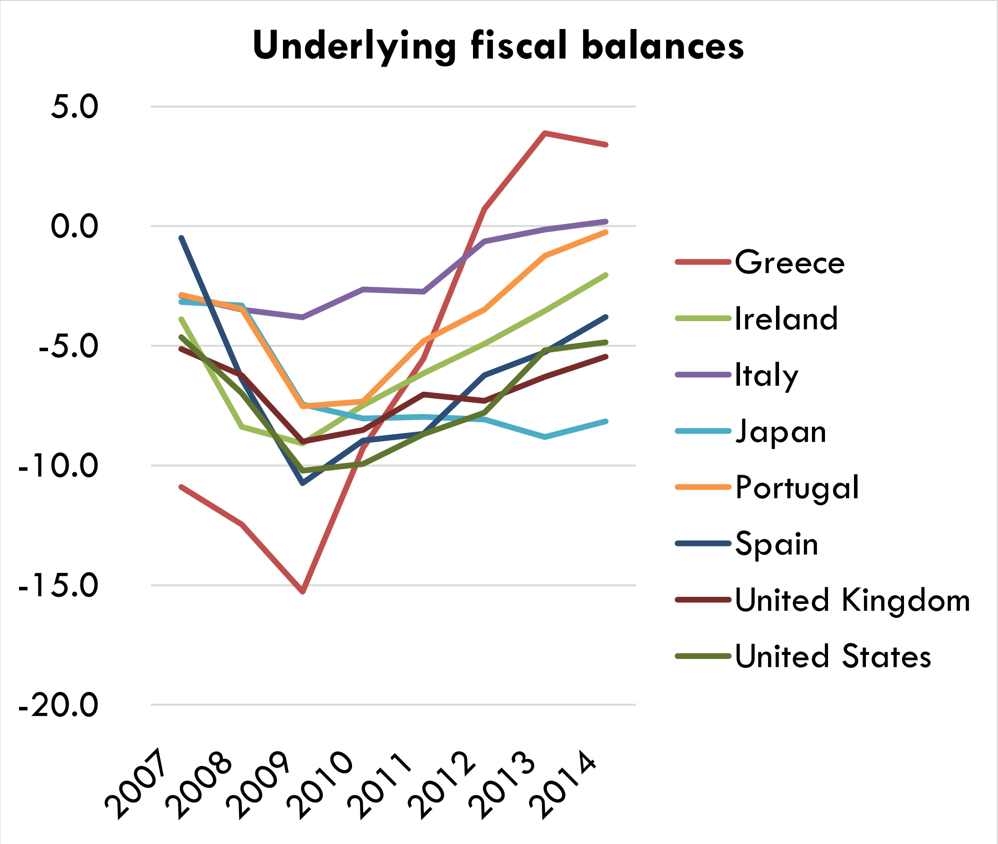


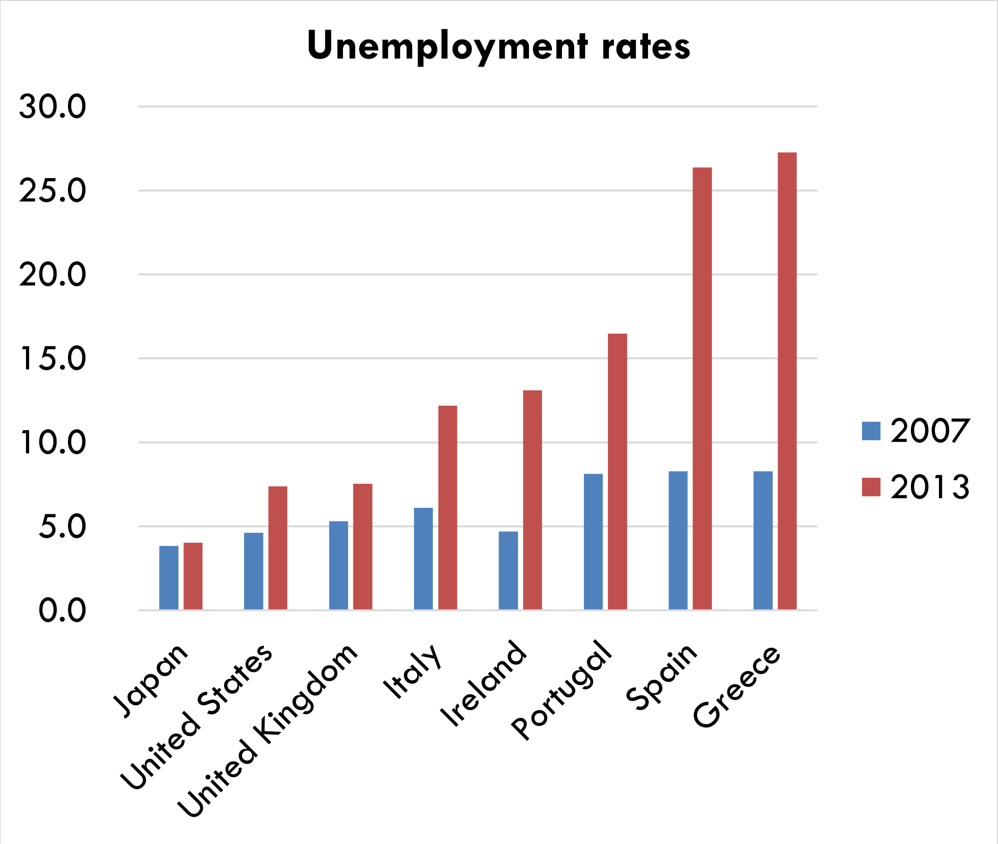


FISCAL POLICY WAS TOO RESTRICIVE



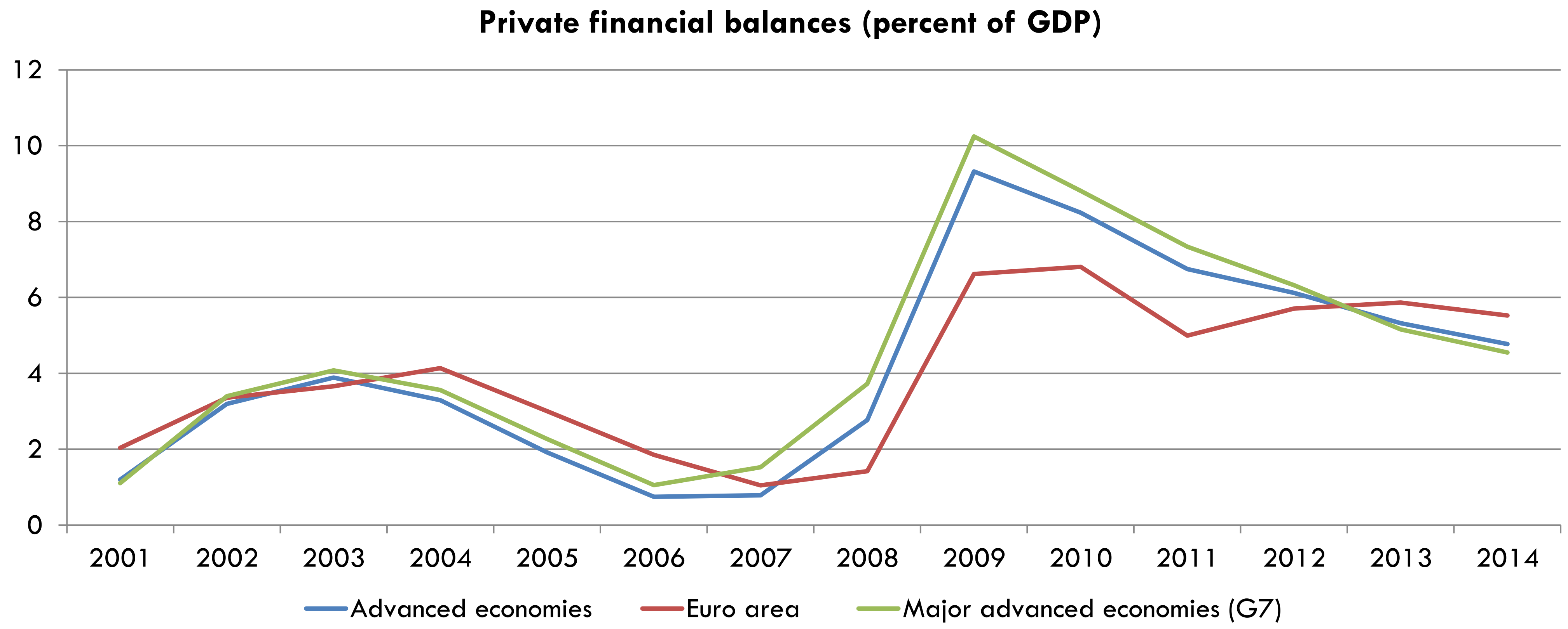
EXCESSIVE FISCAL CONSOLIDATION IN GREECE



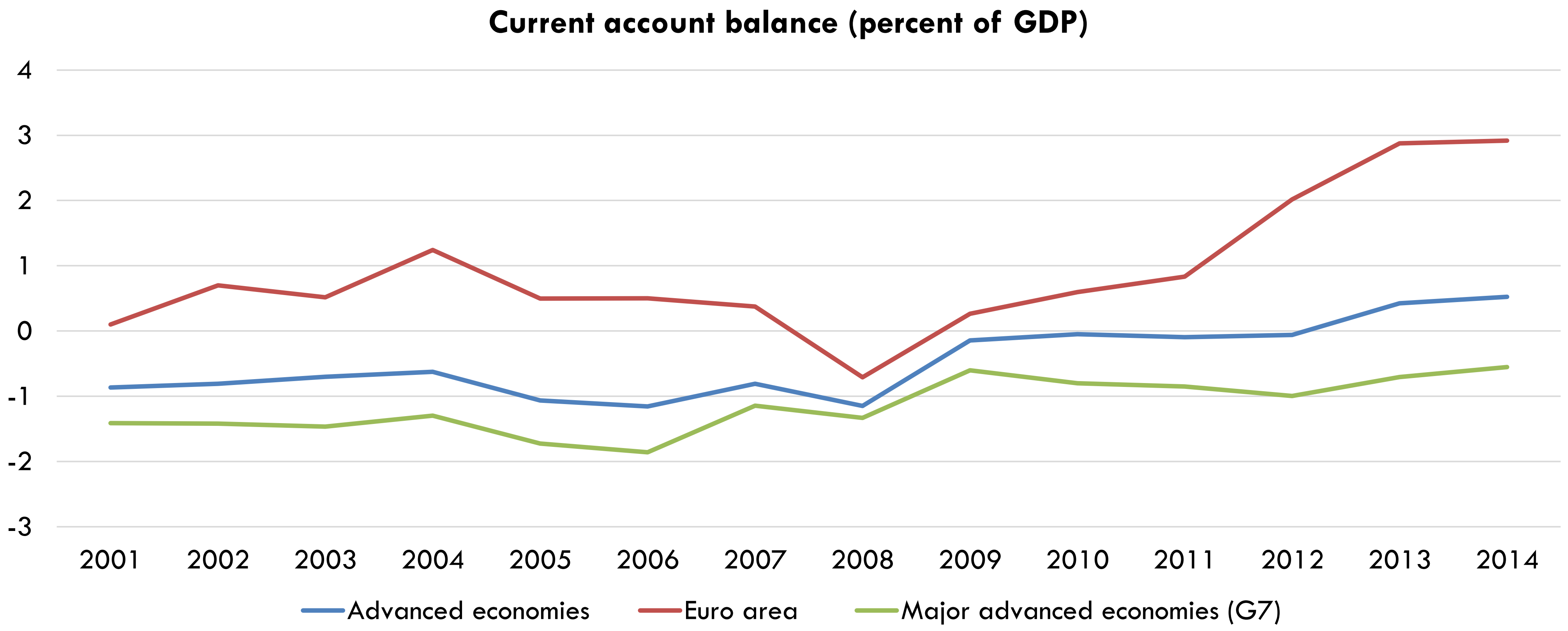


Underlying fiscal balances are adjusted for the cycle and one-offs. Source: OECD

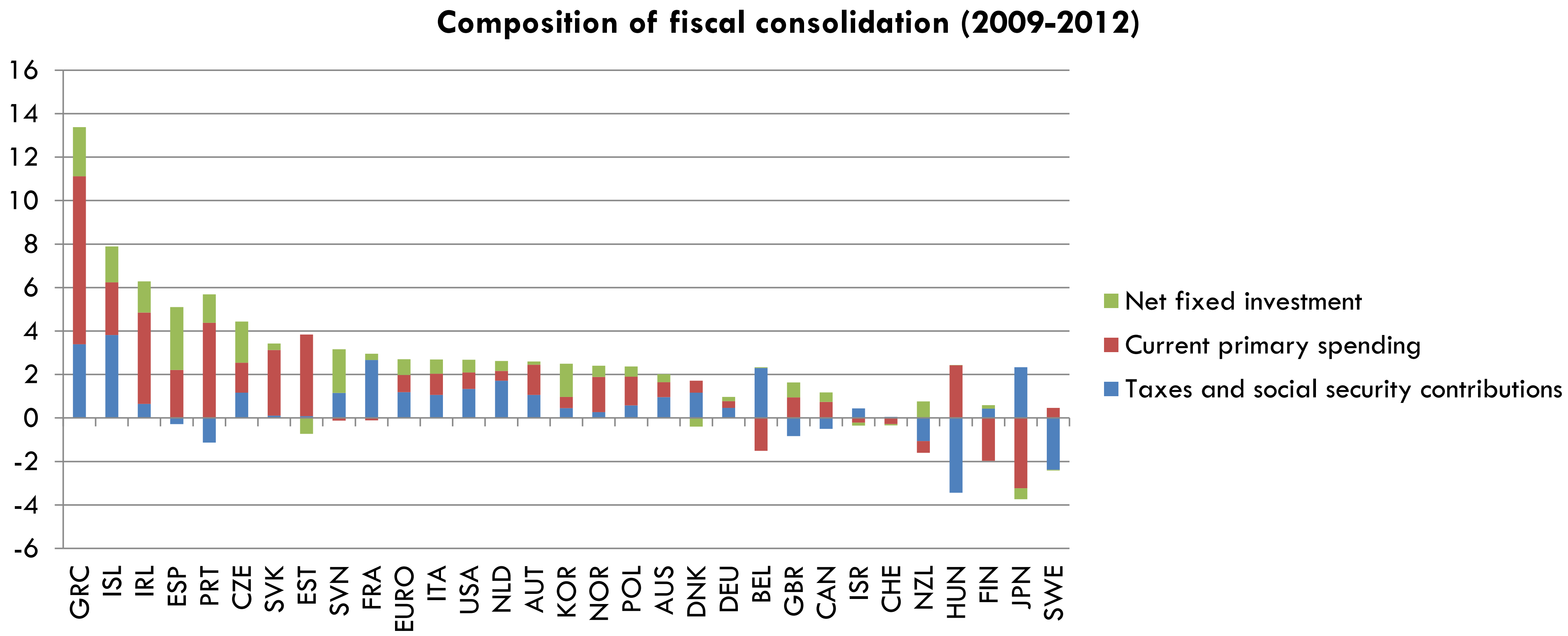
HIGH PRIVATE FINANCIAL SAVINGS ARE THE PROBLEM



HIGH CURRENT ACCOUNT SURPLUS SHOWS INSUFFICIENT FISCAL COMEPNSATION

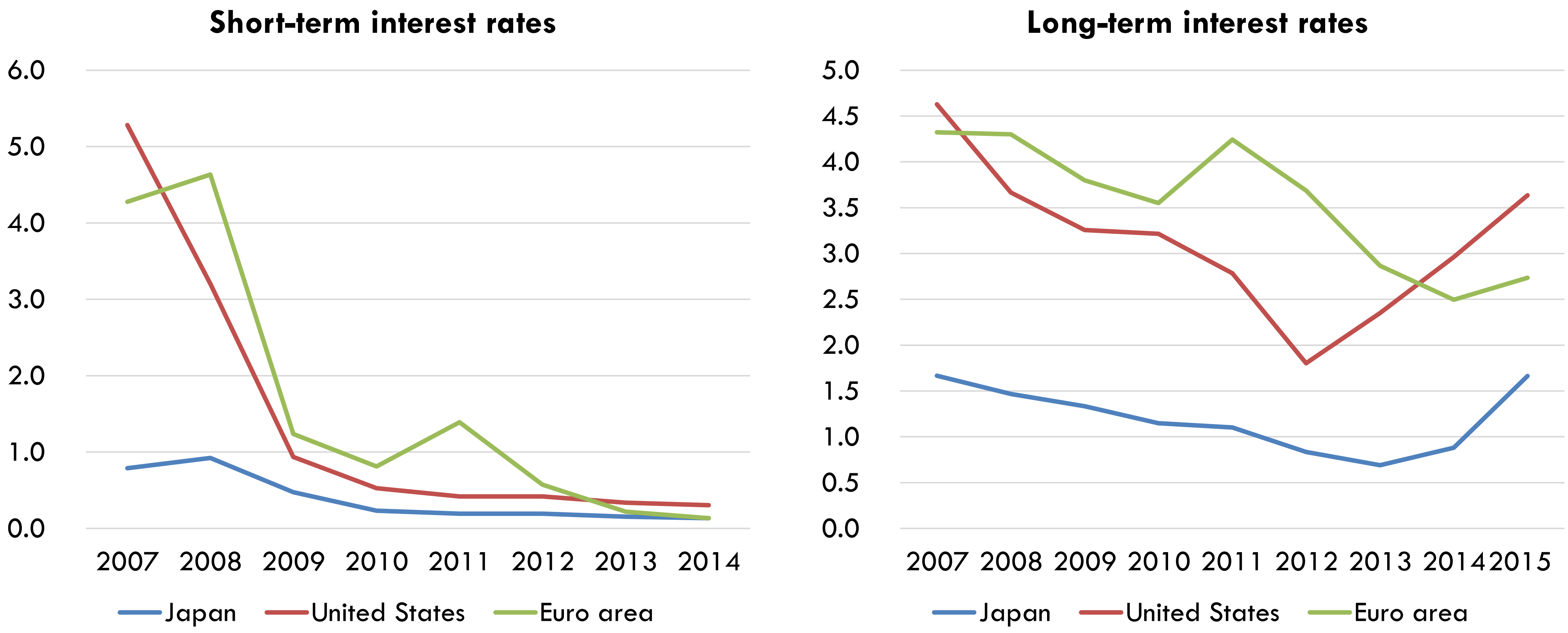


EXPENDITURE-BASED CONSOLIDATION MADE THINGS EVEN WORSE

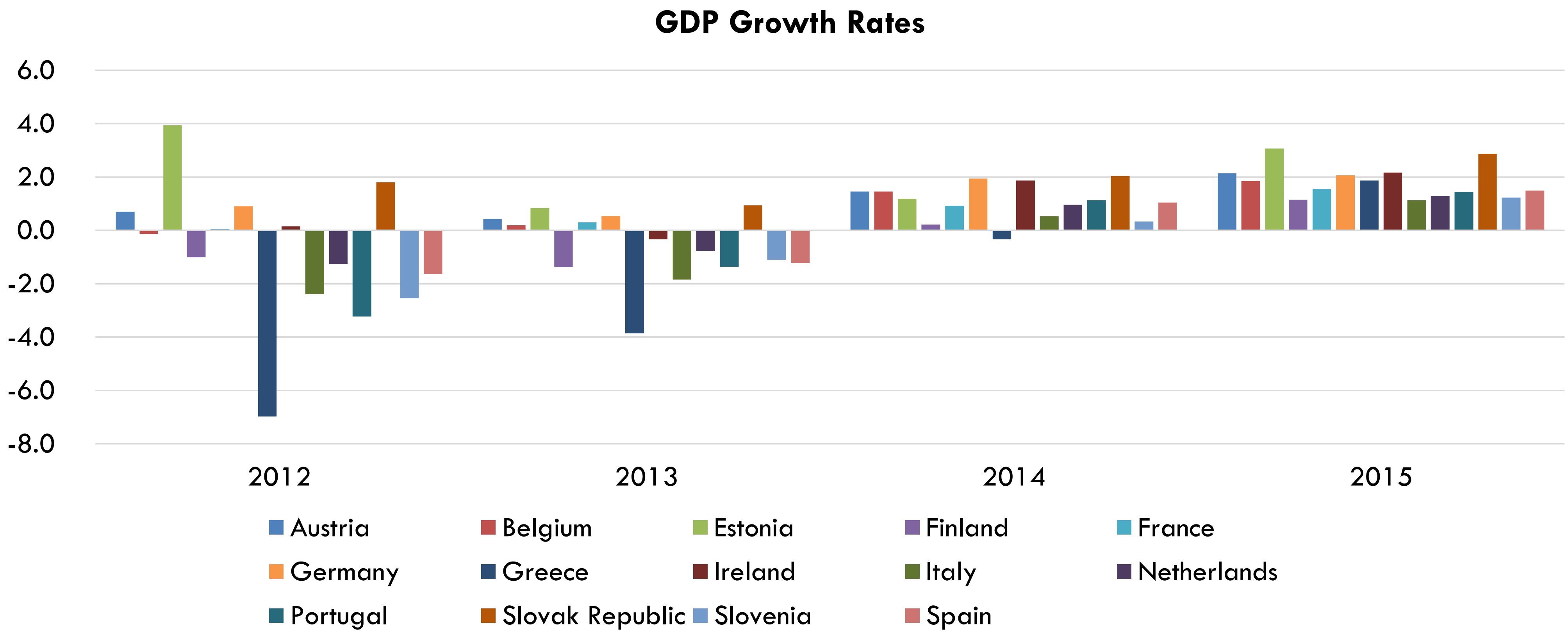


Percent of Potential GDP. Source: OECD, Economic Outlook

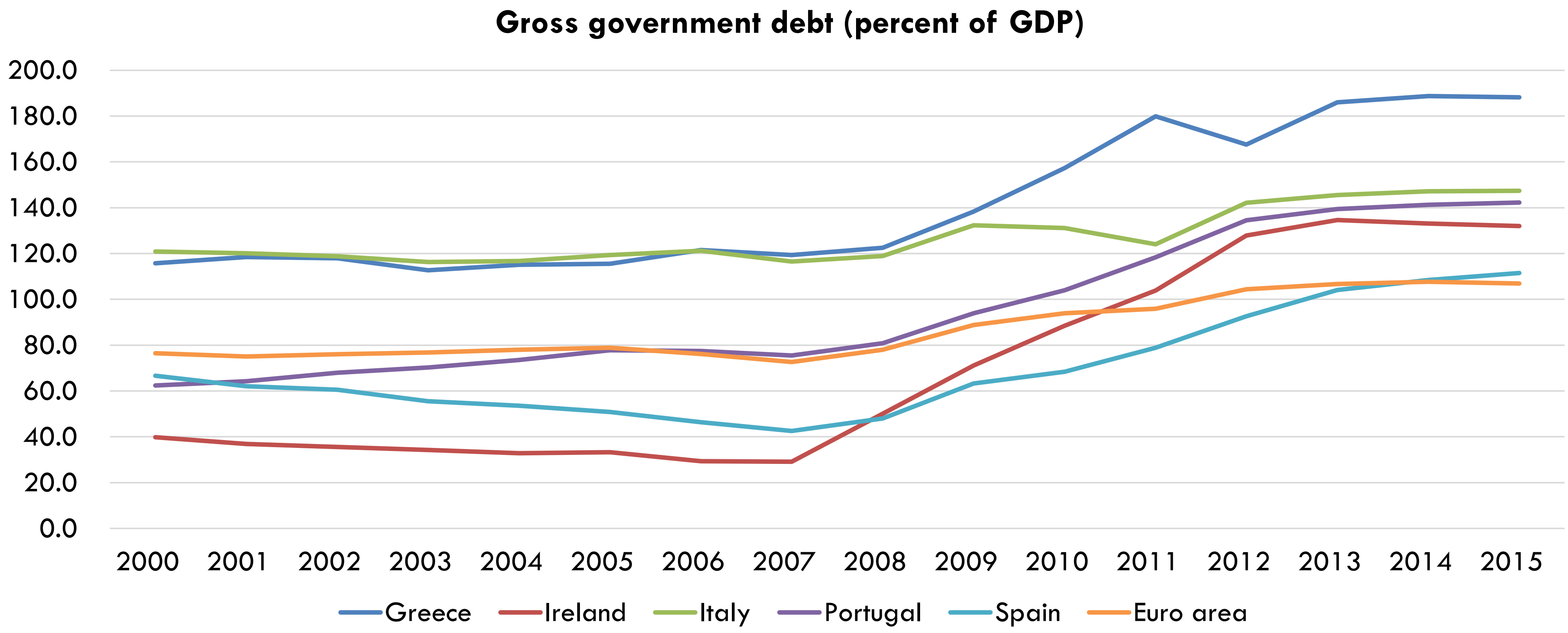
MONETARY POLICY WAS TOO RESTRICTIVE



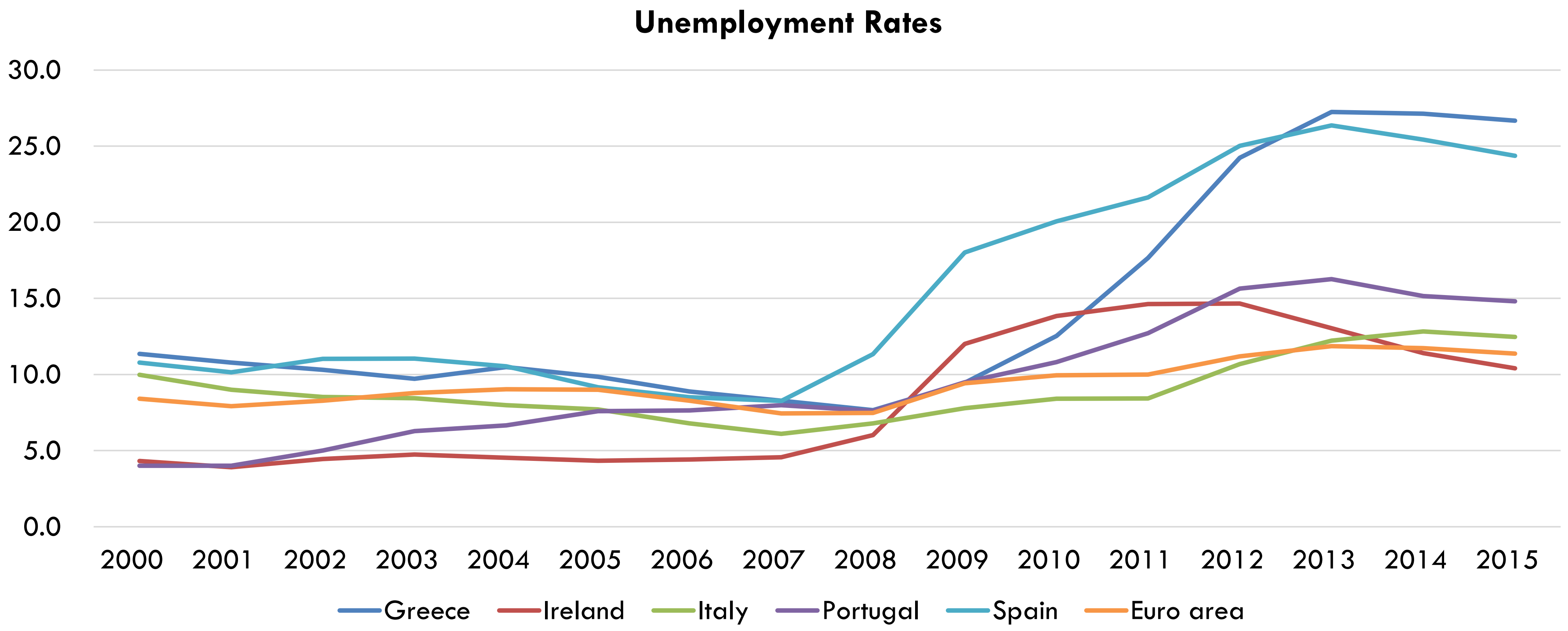
LIGHT AT THE END OF THE TUNNEL?



PUBLIC DEBT WILL CONTINUE TO GROW



UNEMPLOYMENT WILL REMAIN VERY HIGH



WHAT NEEDS TO BE DONE?

Euro area needs a comprehensive stimulus programme

Monetary policy has reached the limits of its room for maneuvre

Two pillar strategy for a European Recovery Programme: Fiscal space in exchange for structural reforms

- Countries formulate comprehensive programmes for structural reforms

- Countries formulate priorities for future oriented investments (energy, education, ecology, infrastructure)

- Financing: Additional leeway for investment related deficits in the Stability and Growth Pact

Surplus countries use their fiscal space for additional investments