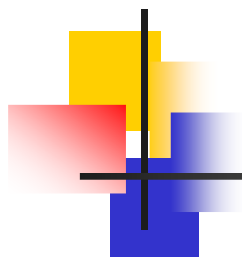


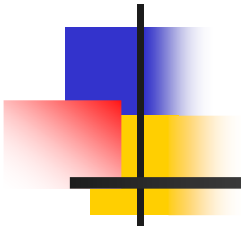
Osservatorio sulla Crisi Finanziaria

**How deep is a crisis? Policy responses & structural
Factors behind diverging performances**



Jean-Paul Fitoussi

Symposium on Fiscal Policies
Rome, 4 February 2010



1) Introduction

Figure 1. Output Gap

2) The impact of the crisis & the perspectives for recovery

Figure 2. GDP Growth

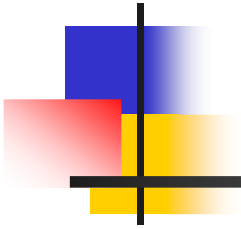
3) Why has the crisis hit harder Europe than the US?

Figure 3. Target rates & interbank short (1 week) rate. US-EMU

Figure 4. Spread between short term rates & the Taylor rule

Table 1. Stimulus Plans

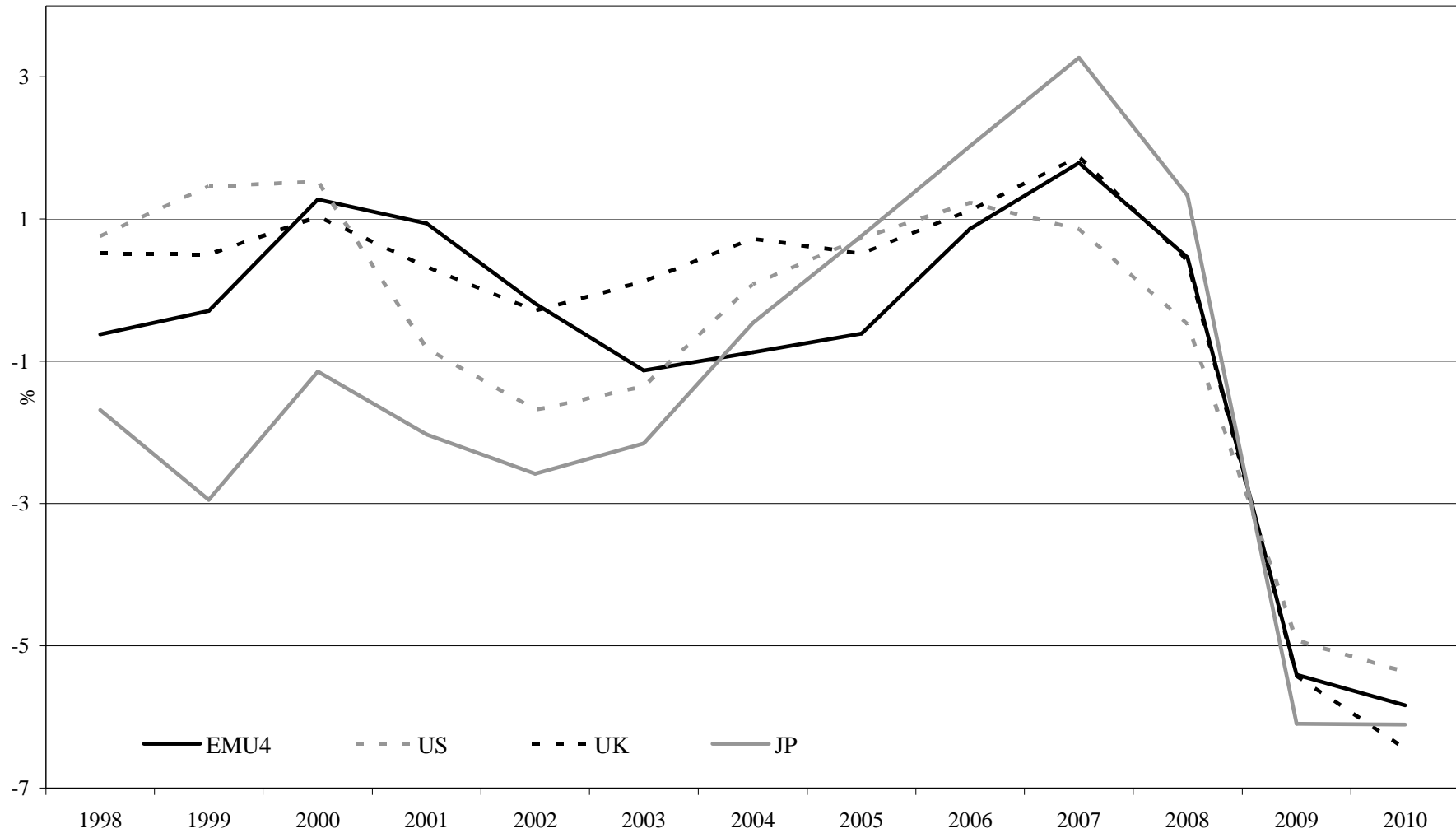
Figure 5. Change in output gap vs fiscal impulse



1) Introduction

Looking at the levels or at the rates of change: The debate about the appraisal of the present

Figure 1. Output Gap



Source: OECD Economic Outlook. EMU4= Germany, France, Italy, Spain

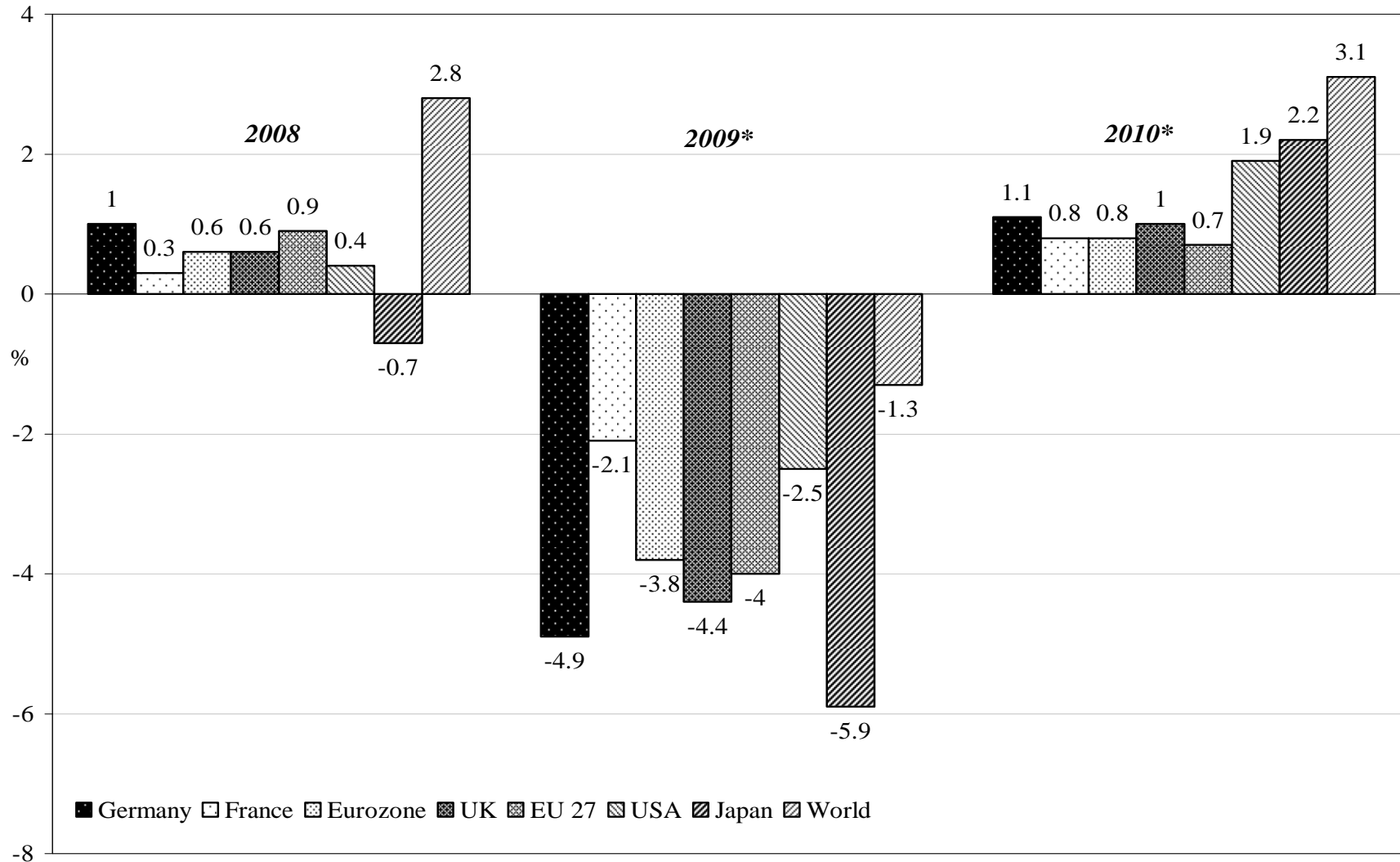


2) The impact of the crisis & the perspectives for recovery

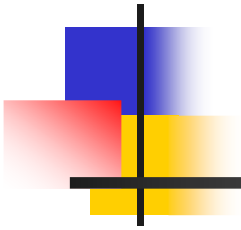
2.1. The structural origin of the malfunctioning of the financial sector

2.2. GDP Growth

Figure 2. GDP Growth



Sources: IMF, OECD. *OFCE forecasts (October 2009)



3) Why has the crisis hit harder Europe than the US?

3.1. The Brussels-Francfort-Washington consensus

3.2. Monetary policy in a Nutschel

Figure 3. Target rates & interbank short rate US/EMU

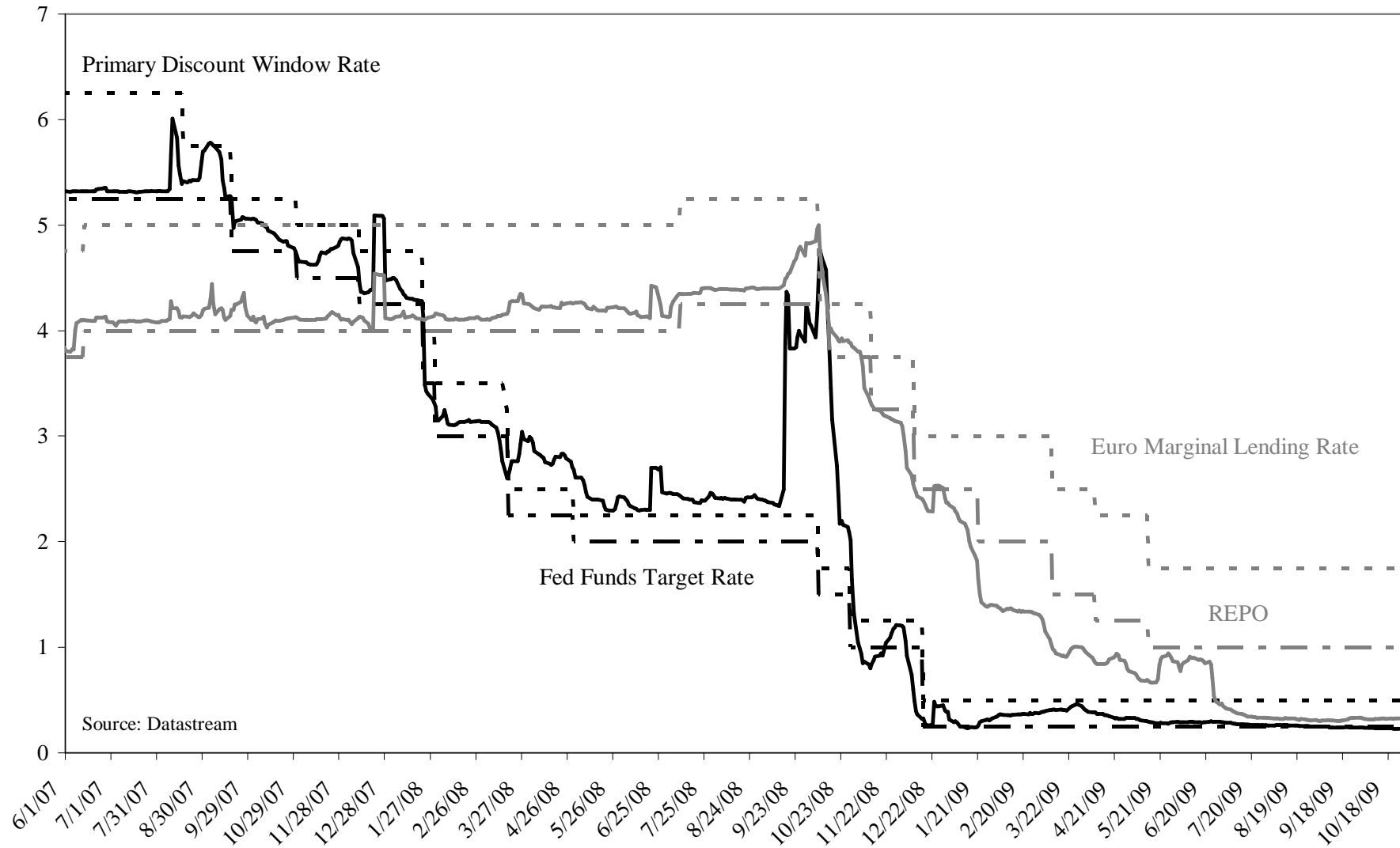
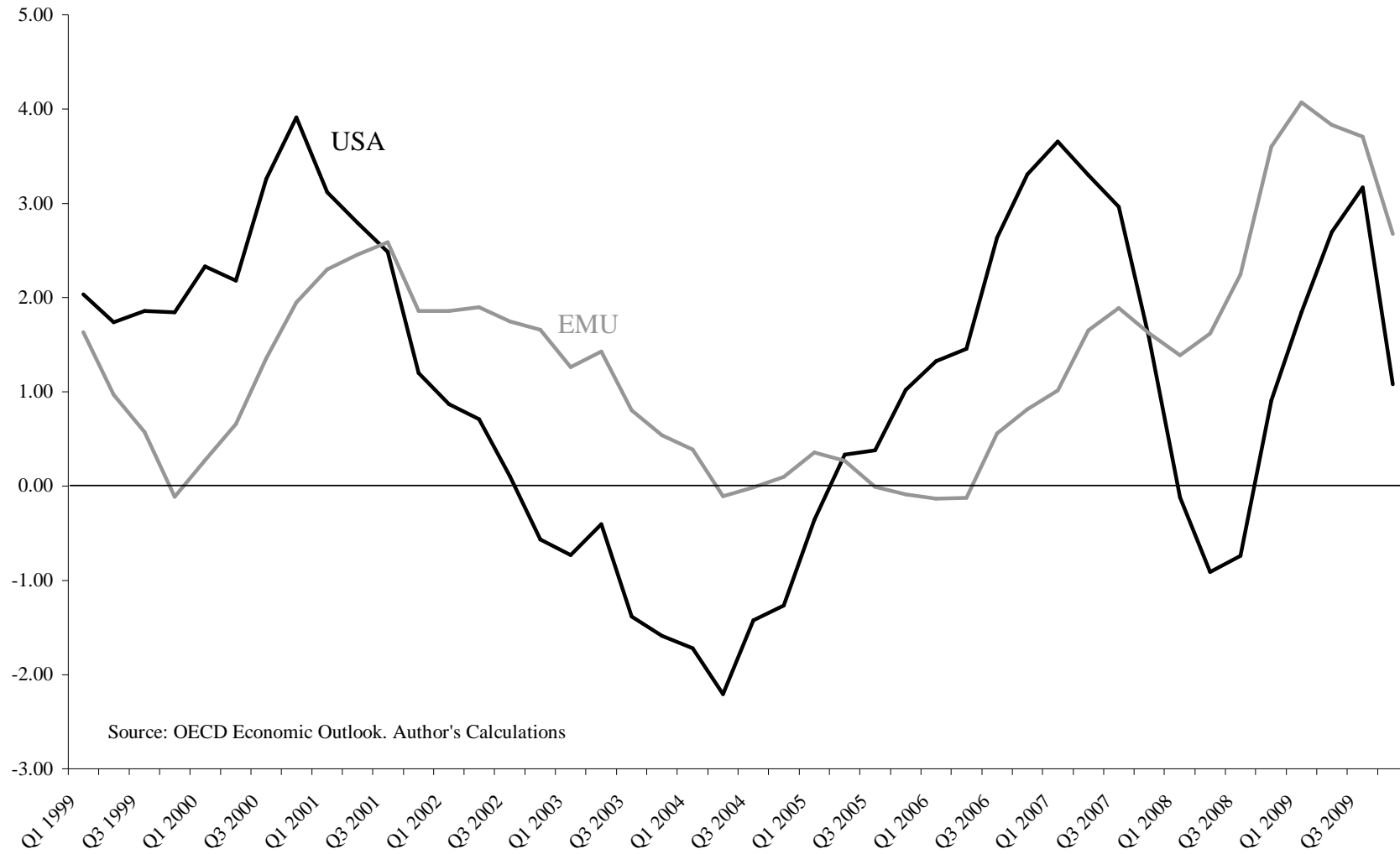
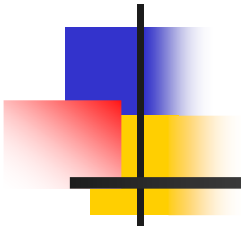


Figure 4: Spread between short term rates & the Taylor Rule





4) Fiscal Policy

4.1. The need for a fiscal stimulus reassessed and the question of sustainability

4.2. When the free-rider is large

Table 1. Stimulus Plans

	% of GDP	Effect				% of GDP	Effect		
		2008	2009	2010			2008	2009	2010
Austria	1.1	0	0.9	0.2	Czech Republic	3	0	2	1
Belgium	1.6	0	1	0.6	Denmark	2.5	0	0.8	1.7
Finland	3.1	0	1.5	1.6	Hungary	-4.4	-0.7	-1.9	-1.8
France	0.6	0	0.5	0.2	Poland	1	0	0.8	0.2
Germany	3	0	1.4	1.6	Sweden	2.8	0	1.5	1.3
Ireland	-4.4	-0.7	-1.9	-1.8	UK	1.4	0.2	1.3	-0.1
Italy	0	0	0	0	UE 27	1.4	0.1	0.8	0.5
Netherlands	1.5	0	0.8	0.7					
Portugal	0.8	0	0.8	0	USA	5.6	1	2.1	2.4
Spain	3.5	1.1	1.6	0.8	Japan	2	0	1.5	0.5
Euro Zone	1.6	0.2	0.8	0.6					

Source: OECD - National Accounts - OFCE Forecasts, Spring 2009



4) Fiscal Policy

4.3. Is « european » fiscal policy structurally restrictive?

Figure 5. Change in output gap vs fiscal impulse

