independent Annual Growth Survey
First Report

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iAGS

2013

How to get *really* out of the Great Recession ?

ofce

IMK
Institut für Makroökonomie und Konjunkturforschung
Macroeconomic Policy Institute

ECLM
ECONOMIC COUNCIL OF THE LABOUR MOVEMENT

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iAGS is an independent project

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Initiative
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S&D Group of the Progressive Alliance of Socialists & Democrats in the European Parliament

PROGRESSIVE ECONOMY

FOUNDATION FOR EUROPEAN PROGRESSIVE STUDIES
FONDATION EUROPÉENNE D'ÉTUDES PROGRESSISTES

What is iAGS ?

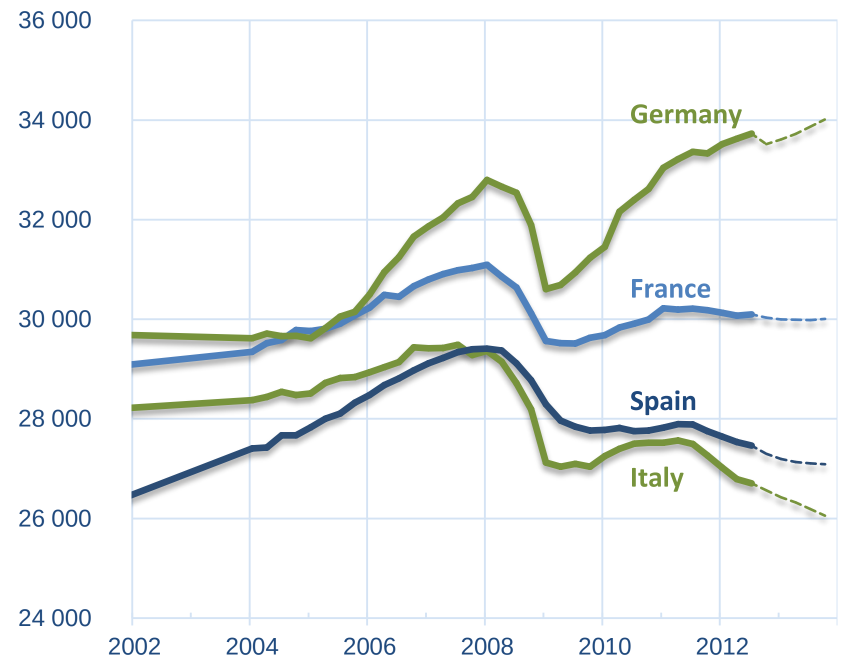
- **A task force of 15+ economists from 3 renowned economic institutes**
  - OFCE (Paris), IMK (Düsseldorf), ECLM (Copenhagen)
- **An assessment of the situation of the EU (mainly EA in iAGS 2013)**
  - Economic, public finances and social
  - A global view as EU is a global entity
  - A country by country analysis as well
- **An alternative strategy for EU policy**
  - Fiscal, monetary policies and structural reforms
- **A competitor to the Commission's Annual Growth Survey**
  - Independent, fostering a debate
  - Opening black boxes
- **A recurring analysis**
  - Proud to present the **iAGS 2013** report

The Great Recession is going on

GDP yearly growth	2011	2012	2013
Germany	3.1	0.8	0.6
France	1.7	0.1	0.1
Italy	0.6	-2.1	-1.5
Spain	0.4	-1.3	-1.3
Netherlands	1.1	-0.9	-0.4
Belgium	1.8	-0.2	-0.2
Ireland	1.4	-0.4	-0.4
Portugal	-1.7	-2.8	-2.2
Greece	-6.2	-6.2	-3.7
Austria	2.7	0.5	0.1
Finland	2.7	0.4	0.4
Eurozone	**1.5**	**-0.4**	**-0.3**

OFCE IMK ECLM joint forecast, nov. 2012

Euro Area: GDP per head



→Commission forecasts

2012: -0.4%

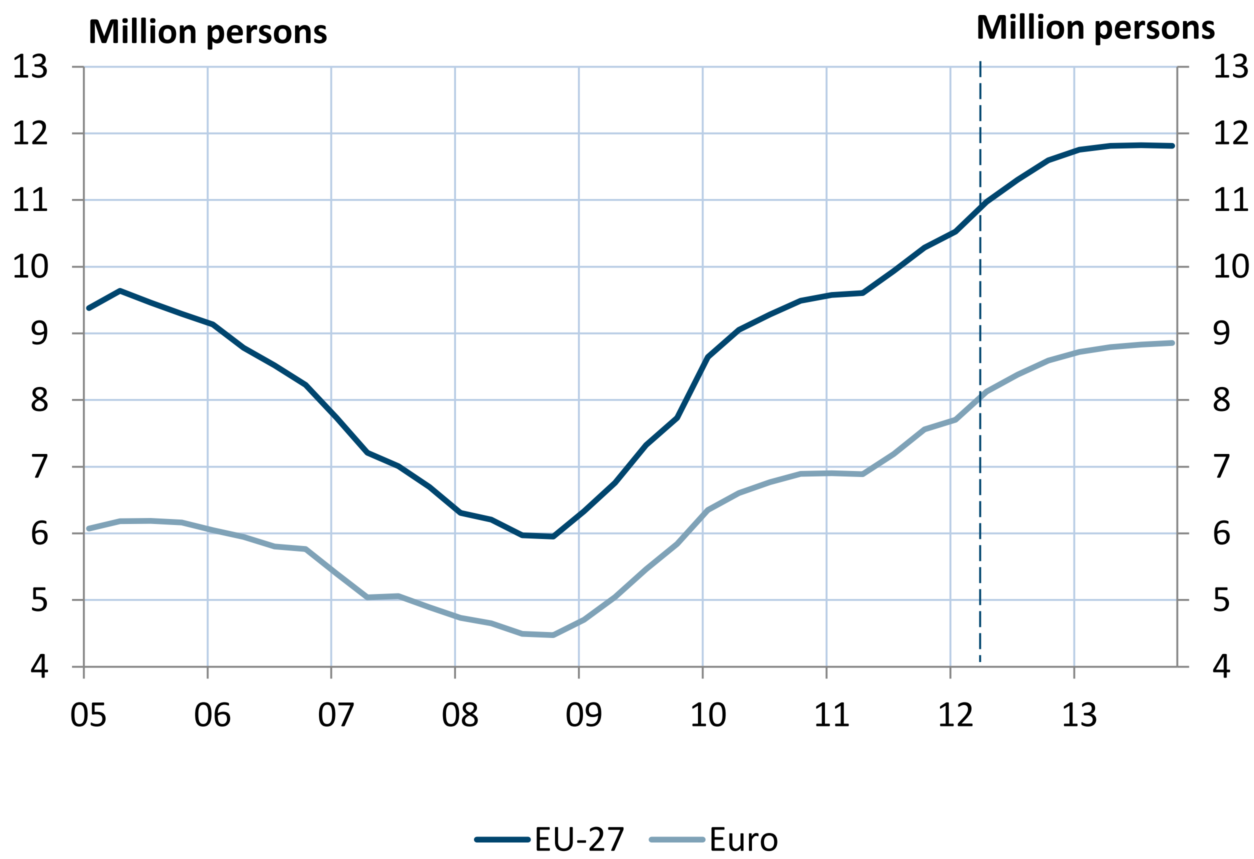
2013: +0.1%

More on main section of iAGS 2013 report

Social impact of the crisis

- Long-term unemployment in EU can reach 12 million in 2013

Forecast for long-term unemployement within EU-27 and EA

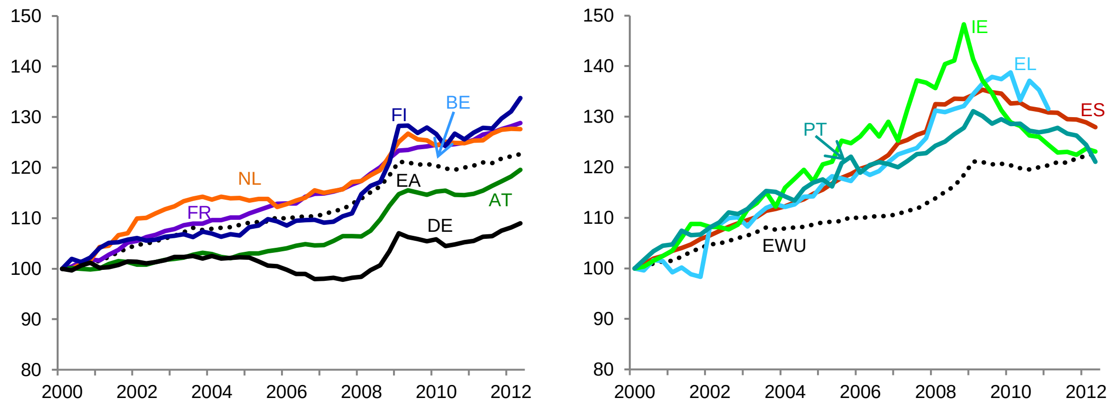


More on main section of iAGS 2013 report

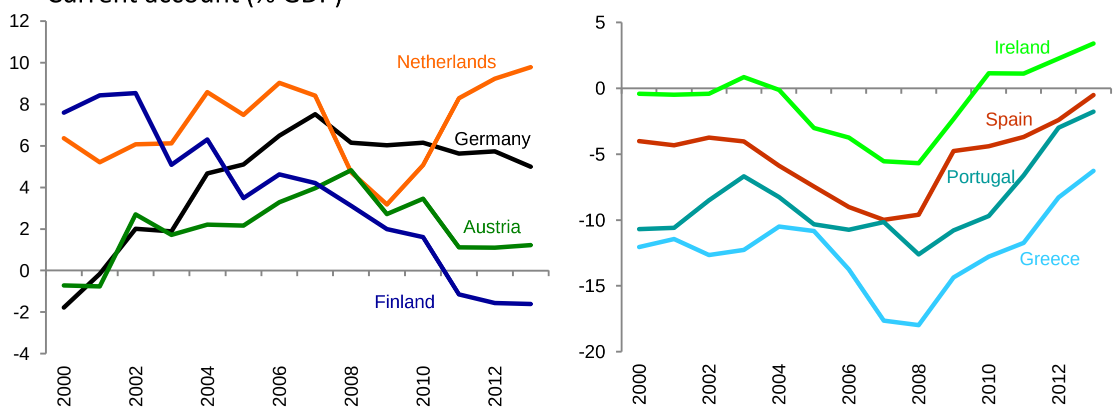
And macroeconomic imbalances

- **The adjustment has begun**
  - but at a high cost and without reduction of German surplus

Unit labor cost, 2000=100



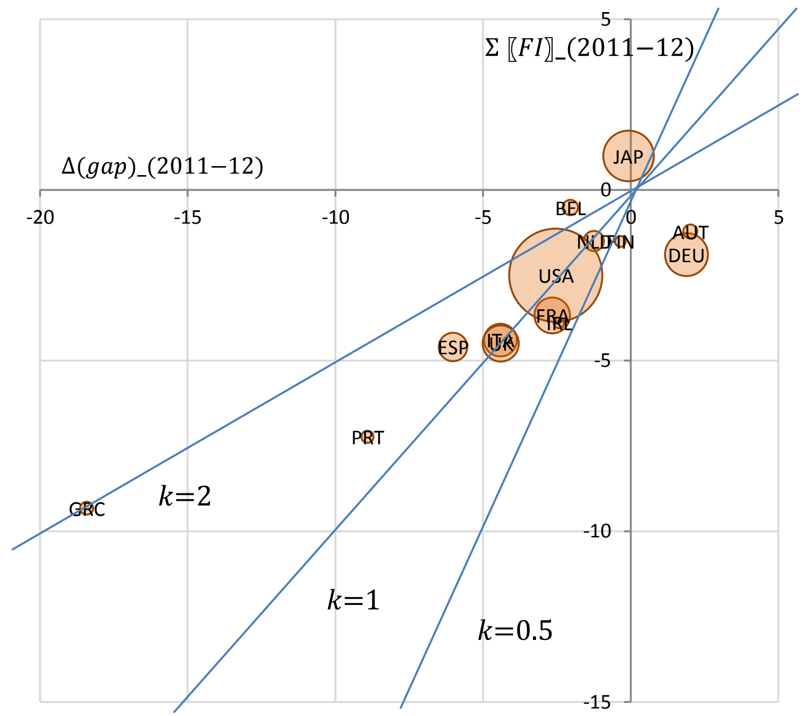
Current account (% GDP)



More on main section of iAGS 2013 report and special study « macroeconomic imbalances »

The great Recession is going on because of austerity

	2010	2011	2012	2013
Germany	1.5	-0.9	-0.5	0.0
France	-0.5	-2.0	-1.6	-1.8
Italy	-0.4	-1.2	-3.2	-2.1
Spain	-2.5	-1.1	-3.4	-2.4
Netherlands	-1.1	-0.2	-1.0	-1.2
Belgium	-0.3	-0.1	-1.1	-0.8
Ireland	-4.4	-1.5	-2.4	-1.8
Portugal	-1.7	-3.7	-3.7	-1.8
Greece	-8.0	-5.3	-5.0	-3.9
Austria	0.6	-1.6	-0.1	-0.9
Finland	1.5	-1.6	-0.4	-1.3
Euro area	**-0.3**	**-1.3**	**-1.7**	**-1.4**

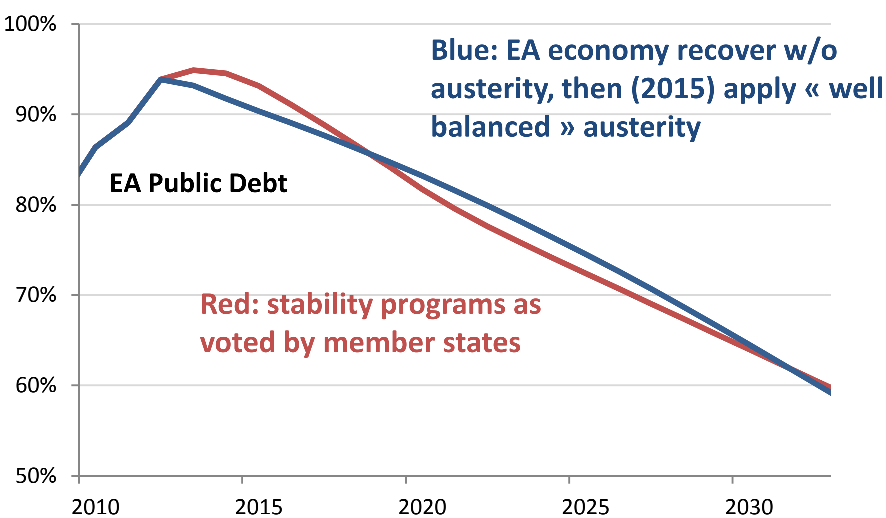


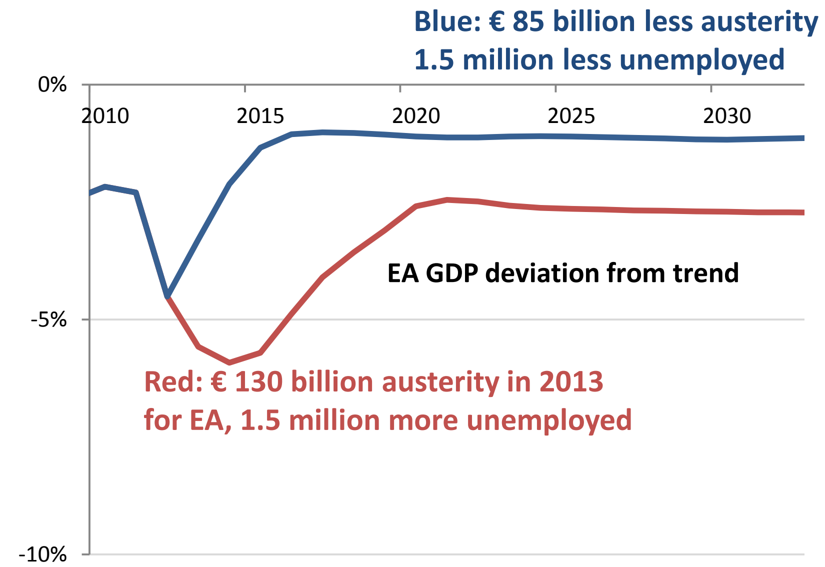
- Strongest austerity plans ever, for 3 to 4 years
- Due to degraded outlook, fiscal multipliers are high
- Austerity is ill-designed: it causes recession

More on main section of iAGS 2013 report and special study « Is there an alternative strategy for reducing public debt by 2032? »

A new plan is necessary and possible : iAGS strategy

- **Delayed and spread austerity is the solution**
  - Waiting for better time to reduce public deficits
  - Delayed austerity allows for debt reduction to 60% GDP in most countries in 2032, with more growth and less unemployment
- **Mobilizing structural funds and EIB to sustain growth at EU level**
  - But it has yet to be implemented!
- **Addressing the 'financial market pressure', by a clear involvement of ECB**
  - OMT is a step, conditionality with delayed and spread austerity
- **Compatible with existing treaties**





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