

Globalization and the Art of Designing Policy

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Global Economy Lecture

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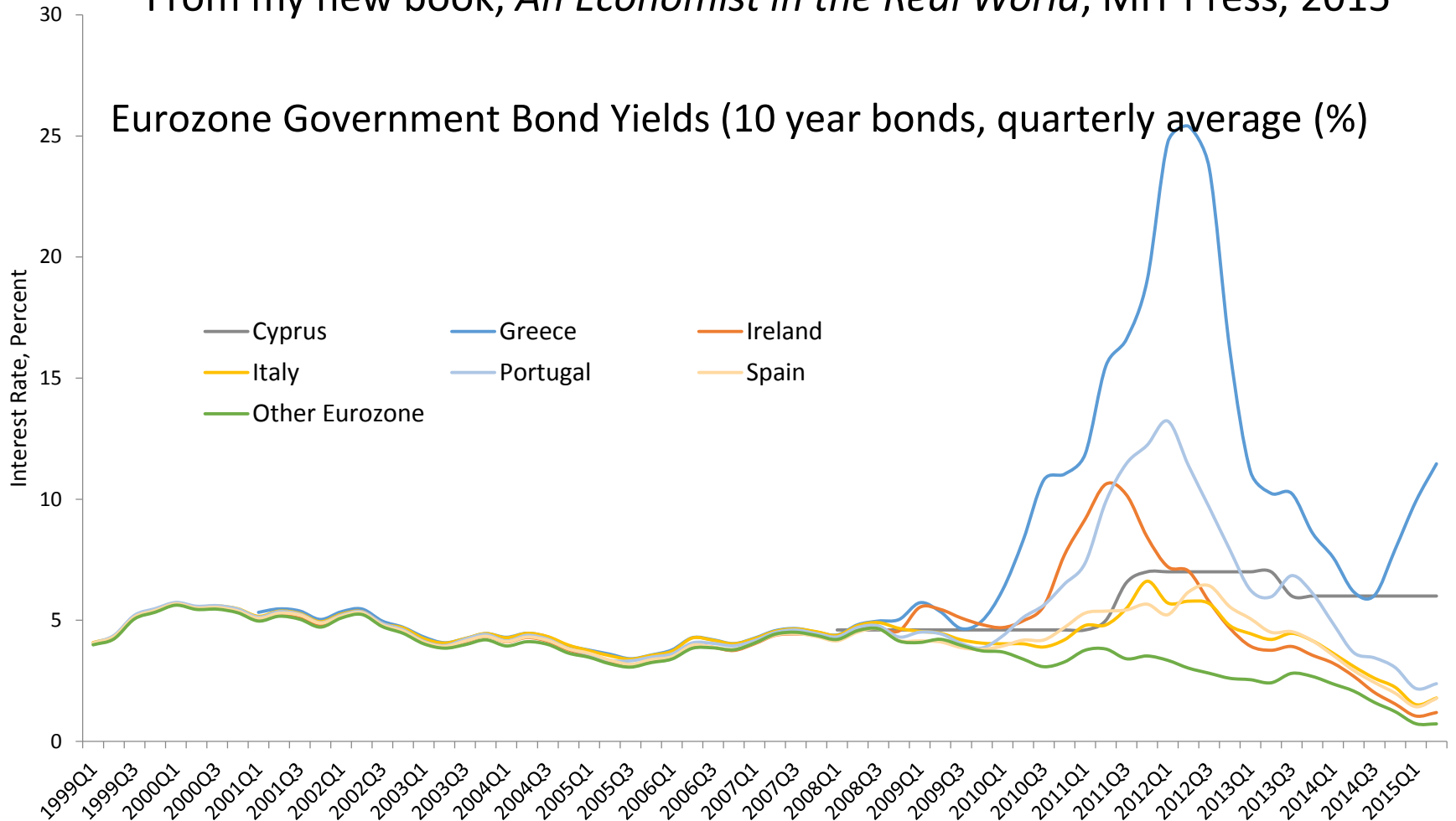


The Vienna Institute for International Economic Studies



The Fiscal Fault Line

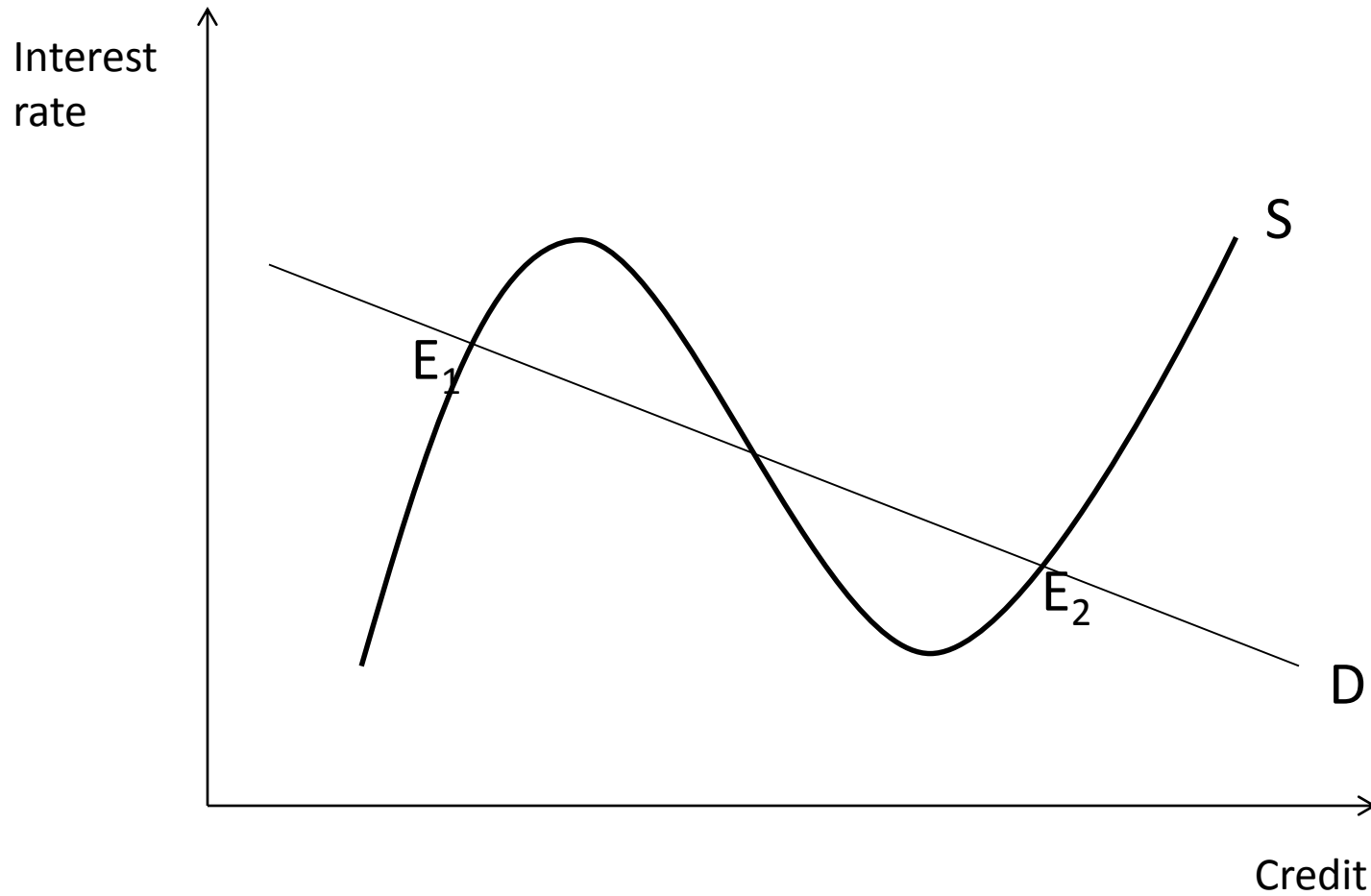
From my new book, *An Economist in the Real World*, MIT Press, 2015



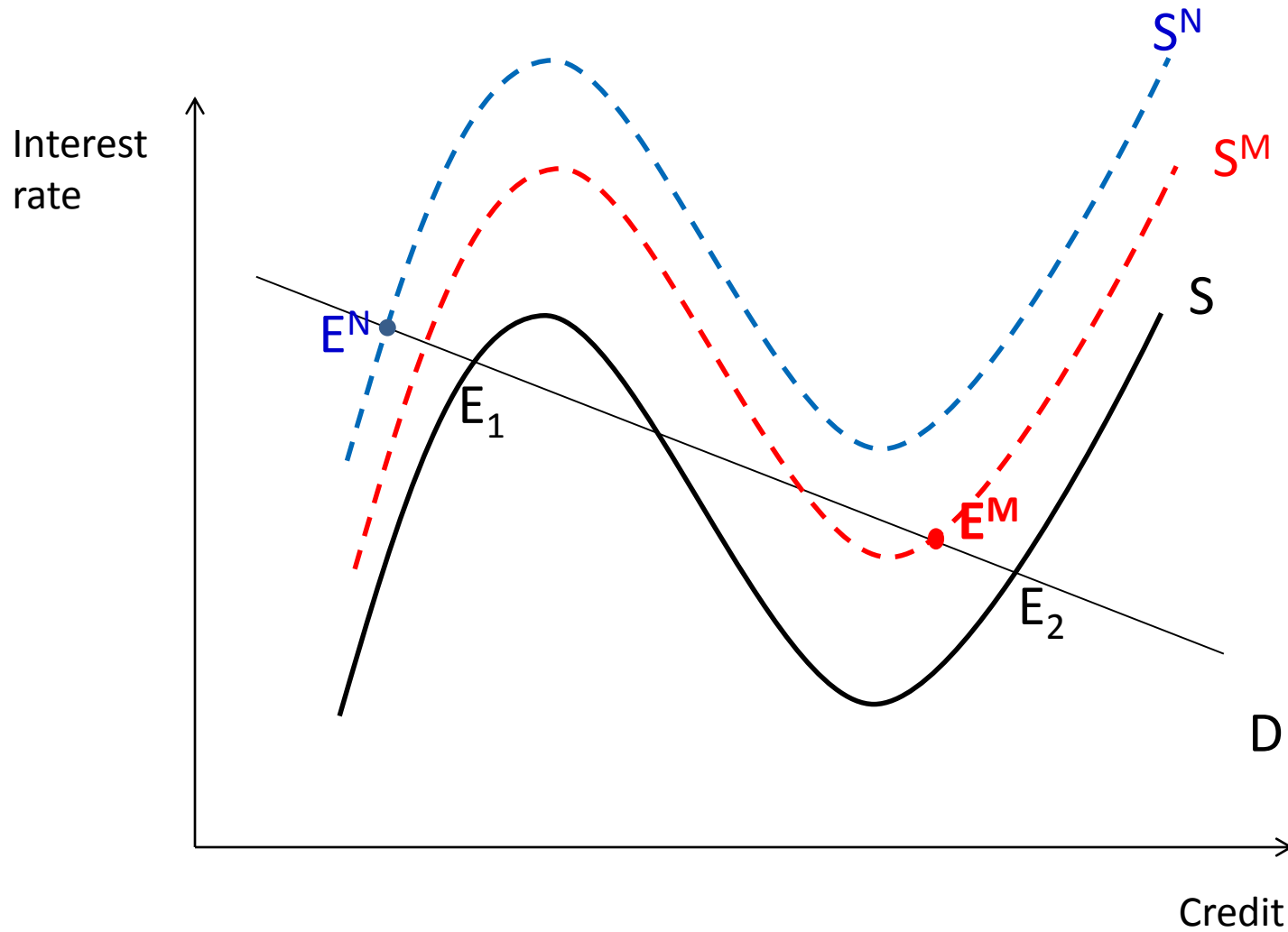
Source: International Financial Statistics.

Note: 'Other Eurozone' is a simple average of the bond yields of Austria, Belgium, Finland, France, Germany, Luxembourg, Malta, Netherlands, Slovak Republic, and Slovenia. Data for Estonia and Latvia are not available.

Multiple Equilibria in Credit Markets

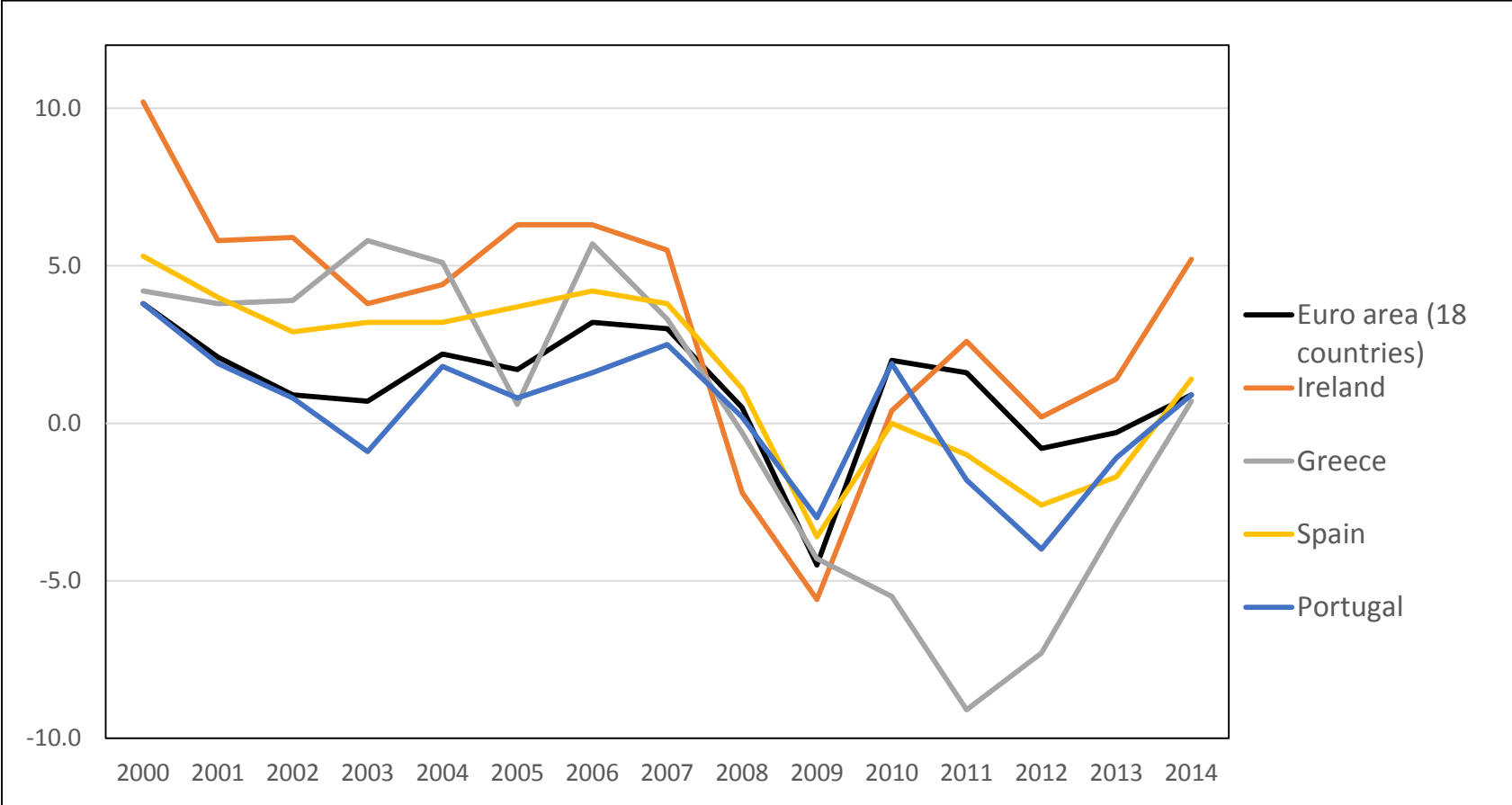


Multiple Equilibria in Credit Markets



The size of the crisis: GDP growth contraction

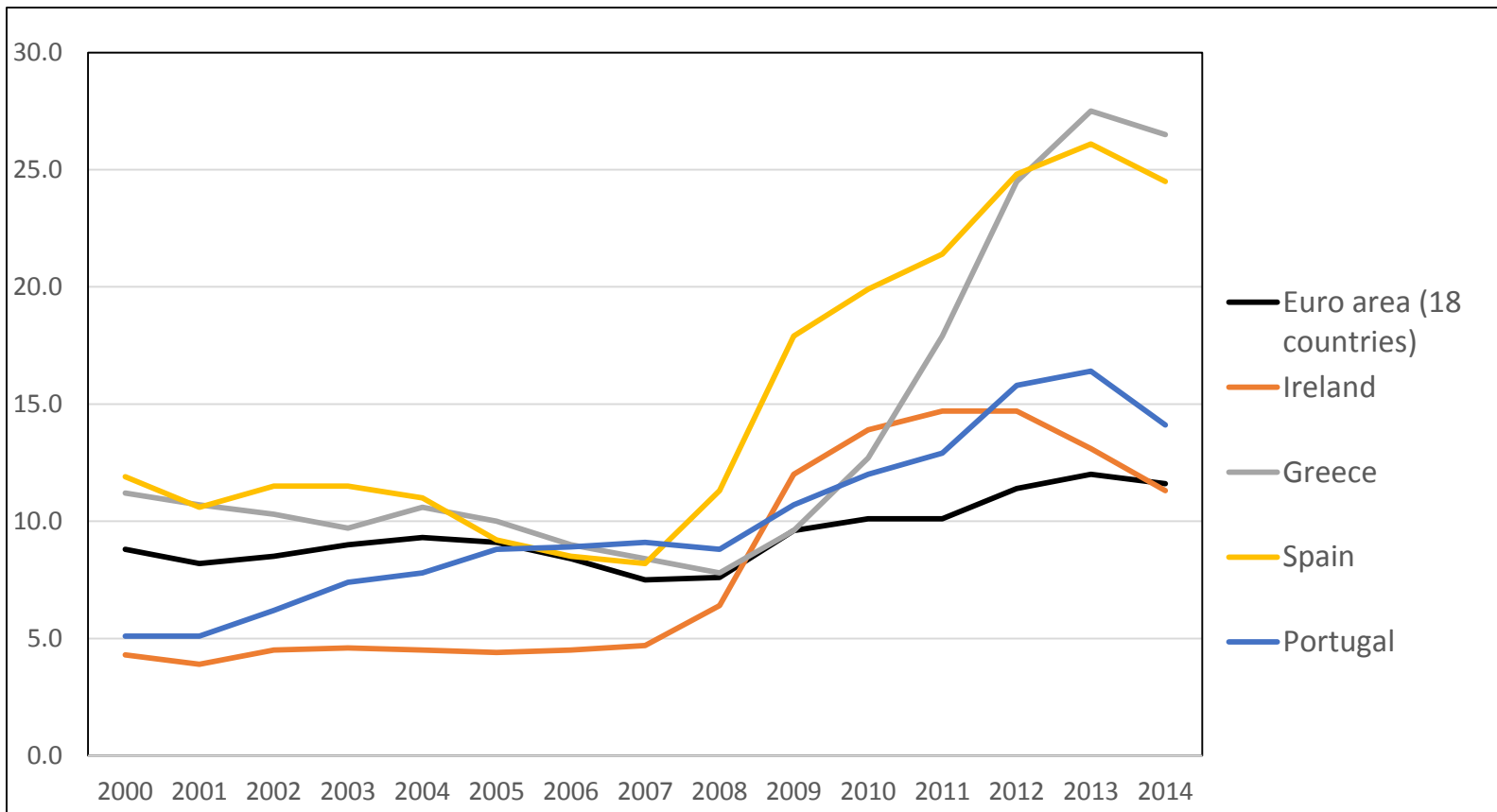
Real GDP growth (%)



Source: Eurostat

The size of the crisis: increase in unemployment

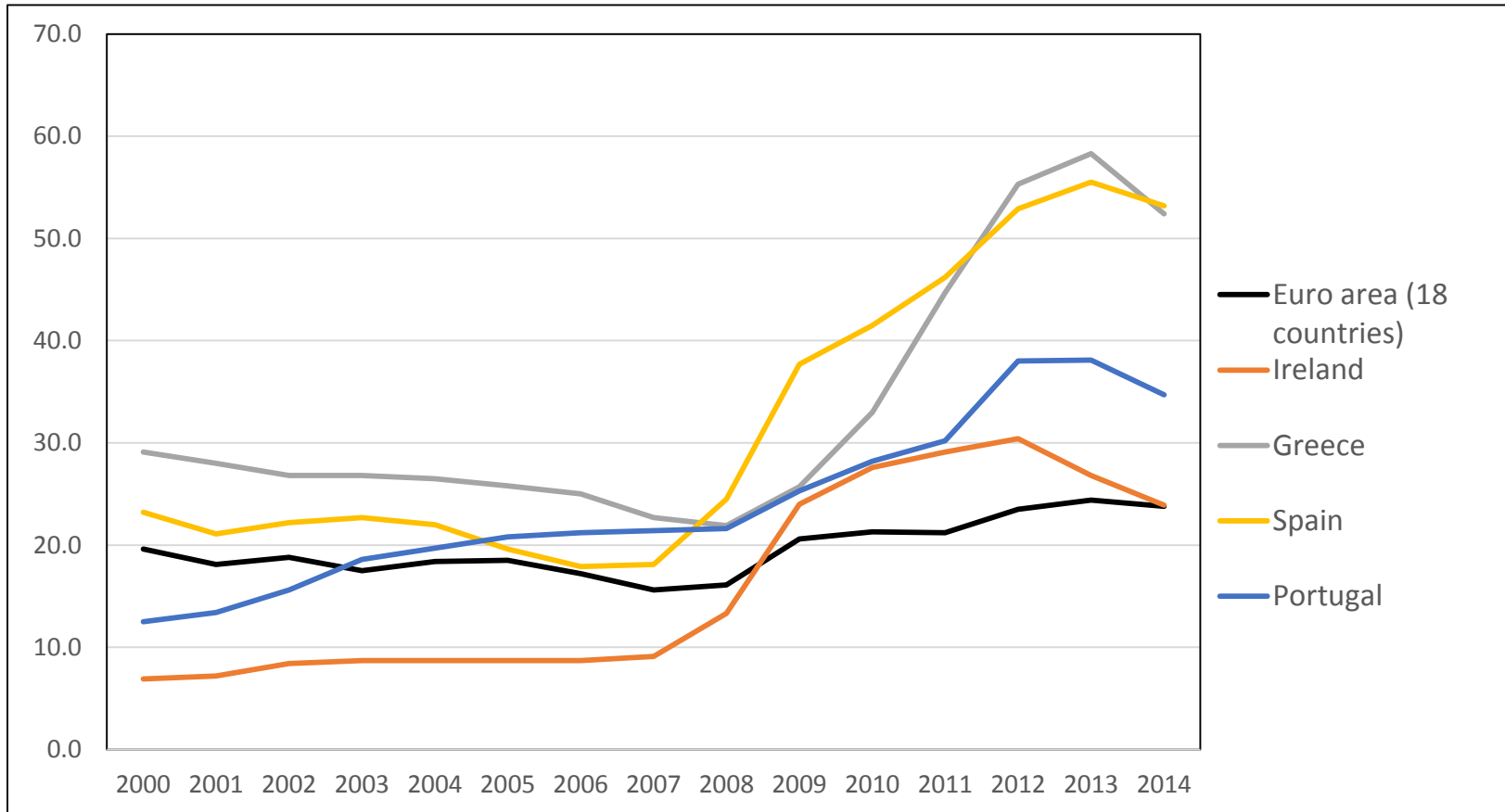
Unemployment rate (%)



Source: Eurostat

The size of the crisis: disproportionate increase in youth unemployment

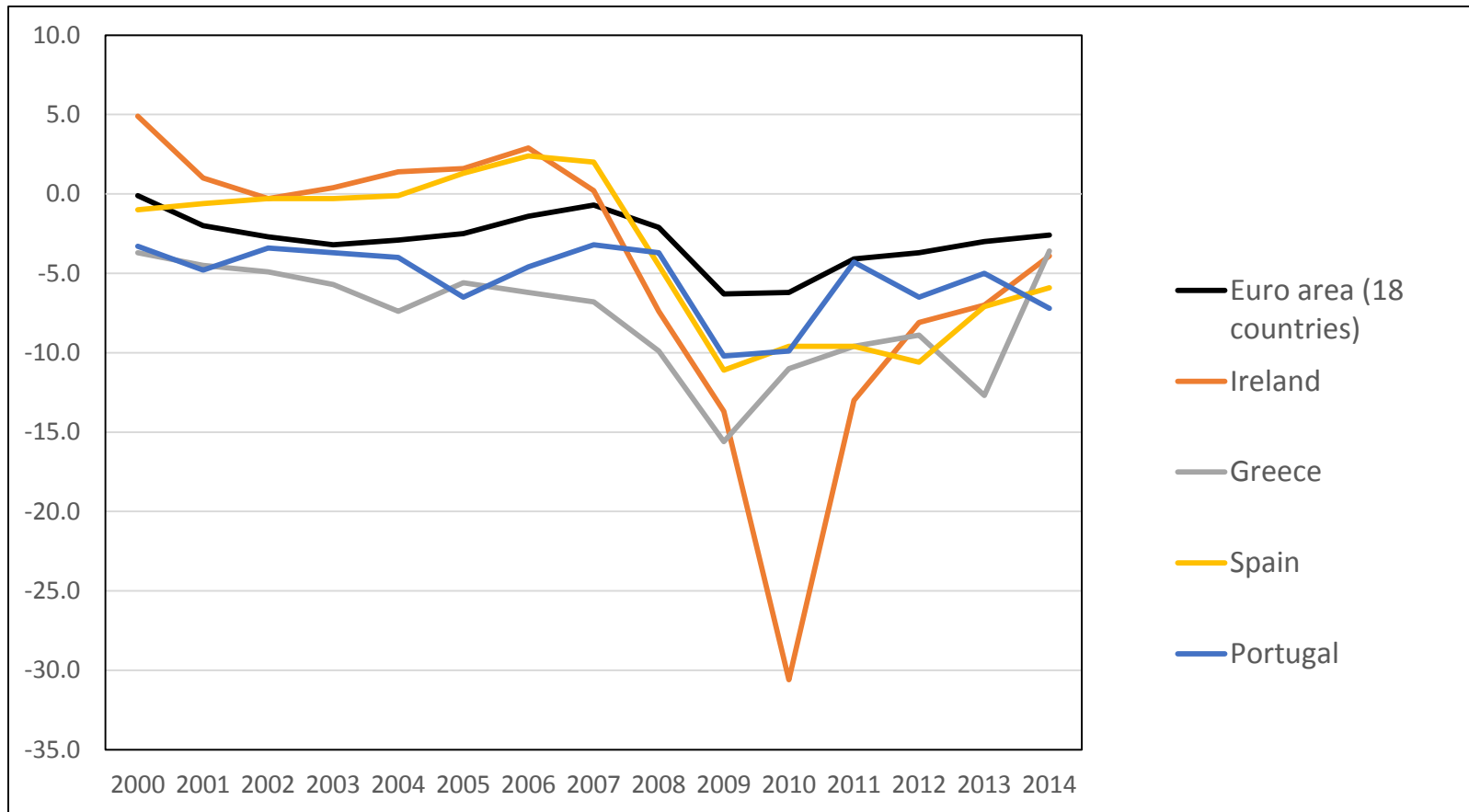
Youth unemployment rate (%) (less than 25 years)



Source: Eurostat

Response to the crisis: fiscal consolidation

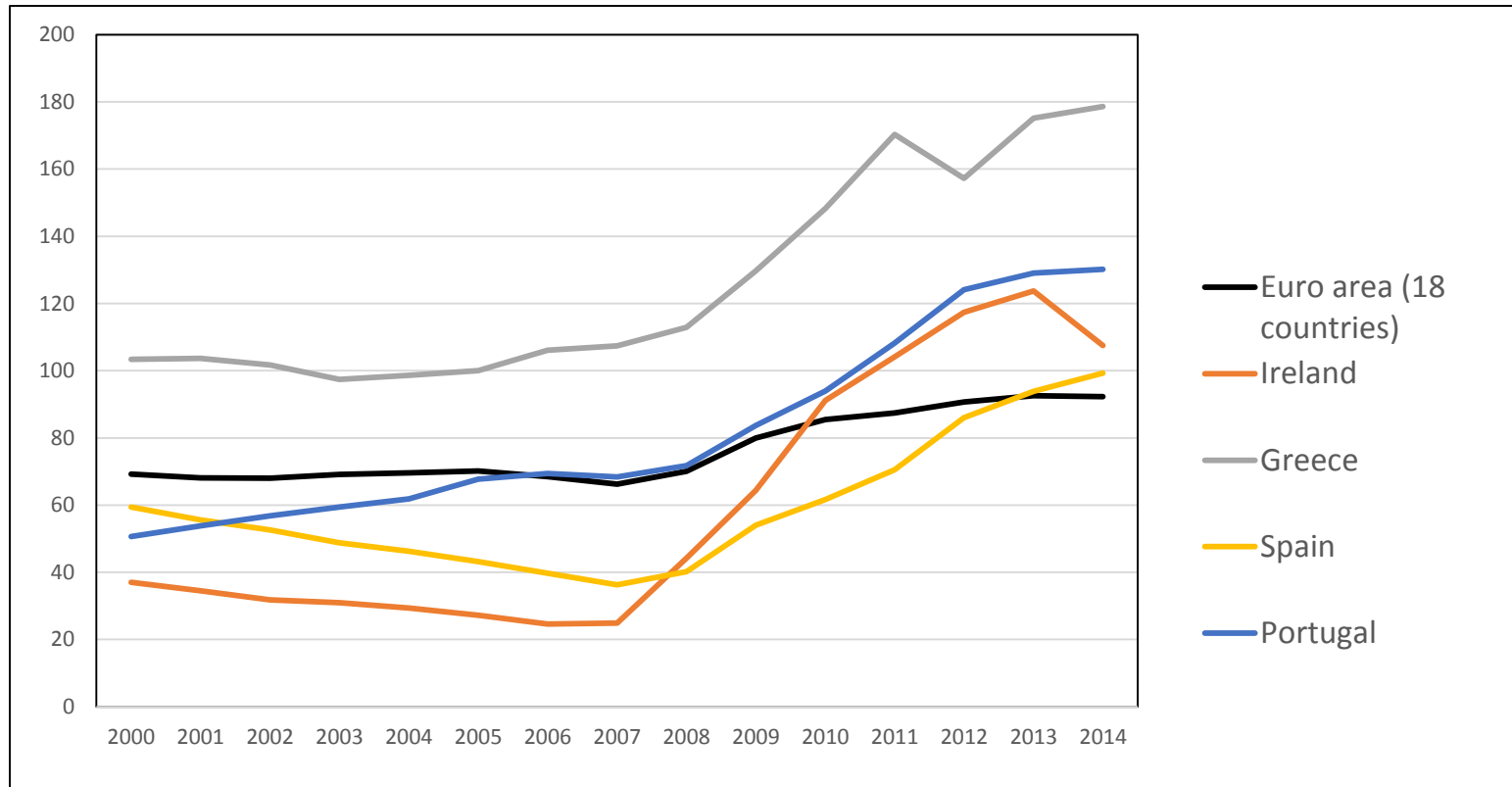
General government balance (% of GDP)



Source: Eurostat

Rising public debt

General government gross debt (% of GDP)



Source: Eurostat

Global Tax Rate Game

		Country B		
		8%	16%	33%
Country A	8%	1,1	3,1/2	3,0
	16%	1/2,3	2,2	4,1
	33%	0,3	1,4	3,3

Source: Basu, K. *An Economist in the Real World*, MIT Press, 2015, Chapter 5