# UNIVERSIDAD NACIONAL DE MORENO

Salidas heterodoxas a la actual crisis internacional

5 y 6 de noviembre 2015

La estrategia de las economías emergentes en la nueva etapa de desaceleración de los BRICS. El MERCOSUR y la UNION EUROPEA en su laberinto

Economic situation of Europe, its crisis, and its future perspectives

Aldo Barba

Università di Napoli Federico II

albarba@unina.it

- i) growth of foreign demand higher than growth of domestic demand
- ii) high increases in the import content of final demand
- iii) low output growth
- iv) very low rates of investment growth
- v) real wage growth lower than labour productivity growth

My argument shall focus in particular on the connection between the increase in the share of exports and imports in final demand. In principle, there is no reason why the gap between export growth and domestic demand growth should not be filled by a growth in total production greater than the growth of domestic demand. In practice, this can hardly happen. The problem is not linked to non-replaceable imports (of little relevance in an economy with a very complete input-output matrix such as the German economy). Rather, it relates to the distributional effects that would result if demand growth was not satisfied by massive imports. That wages grow less than productivity is a necessary condition for export growth, but, as I shall argue, import growth is a necessary condition for wages growing less than productivity. Thus export growth implies import growth, i.e. product must necessarily grow less than final demand (both internal and external).



#### FIGURE 1 EXTERNAL DEMAND SHARE IN TOTAL FINAL DEMAND

	1971/1980	1981/1990	1991/2000	2001/2014	(2001/2008)
Germany	2,9	2,3	2,0	1,1	1,4
France	3,6	2,5	2,1	1,1	1,7
Italy	3,8	2,4	1,7	-0,1	0,9
UK	2,1	2,9	2,7	1,8	2,4
US	3,2	3,4	3,4	1,7	2,1
Japan	4,5	4,7	1,1	0,8	1,1

# TABLE 1 REAL AVERAGE GDP GROWTH RATE

#### FIGURE 2 IMPORT CONTENT OF TOTAL FINAL DEMAND



# FIGURE 3 GERMANY: DECOMPOSITION OF THE GDP GROWTH RATE IN ITS DOMESTIC DEMAND, EXTERNAL DEMAND AND IMPORT DEMAND COMPONENTS





## FIGURE 4 GERMANY SKYLINE CHART INPUT-OUTPUT TABLE 2011



#### FIGURE 5 GERMANY: EFFECTIVE EMPLOYMENT AND EMPLOYMENT CURBED BY IMPORTS\*

\*Employment curbed by import is calculated leaving the import content of demand in 2011 unchanged at its 1990 level (19%)



## FIGURE 6 SHARE OF GROSS FIXED CAPITAL FORMATION IN GDP (OTHER THAN DWELLINGS)



## FIGURE 5a FRANCE SKYLINE CHART INPUT-OUTPUT TABLE 2011



## FIGURE 5b ITALY SKYLINE CHART INPUT-OUTPUT TABLE 2011

- Output determination model:  $\begin{pmatrix} x_1 \\ x_2 \end{pmatrix} = \begin{pmatrix} b_{11} & b_{12} \\ b_{21} & b_{22} \end{pmatrix} \begin{bmatrix} f_1 \\ f_2 \end{bmatrix} + \begin{pmatrix} e_1 \\ e_2 \end{pmatrix} + \begin{pmatrix} -m_1 \\ -m_2 \end{bmatrix}$ • Amount of spillovers induced by domestic demand:  $\begin{pmatrix} sf_1 \\ sf_2 \end{pmatrix} = \begin{pmatrix} b_{11} & b_{12} \\ b_{21} & b_{22} \end{pmatrix} \begin{pmatrix} f_1 \\ f_2 \end{pmatrix}$ • Amount of spillovers induced by external demand:  $\begin{pmatrix} se_1 \\ se_2 \end{pmatrix} = \begin{pmatrix} b_{11} & b_{12} \\ b_{21} & b_{22} \end{pmatrix} \begin{pmatrix} e_1 \\ e_2 \end{pmatrix}$
- Amount of induced spillovers curbed by imports:  $\binom{Sm_1}{sm_2} = \binom{b_{11}}{b_{21}} \binom{m_1}{m_2}$

• Supply-demand balance:  $\binom{sf_1}{sf_2} + \binom{se_1}{se_2} = \binom{x_1}{x_2} + \binom{sm_1}{sm_2}$ 



Good 1

Good 2