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PARO Y DEUDA

RESUMEN DE LA CONFERENCIA DE PETER DIAMOND

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Crítica a la charla

Perplejidad es la palabra que podría definir la charla, puesto que, durante la primera parte, da la sensación de que justifica con razones una mayor inversión del gobierno (más deuda pública) para solucionar el desempleo, pero en la segunda parte da motivos para comenzar a tomar decisiones de recorte sobre el problema de la deuda pública. Termina sin una postura clara.

La argumentación de la primera parte de su charla (inversión pública en infraestructuras productivas y educación) podría haberla empleado el Presidente Rodríguez Zapatero para poner en marcha el famoso Plan E, mientras que la argumentación de la segunda parte la podría haber empleado Manuel Pizarro.

Una de sus posiciones claras es la necesidad de flexibilizar el mercado laboral, que, efectivamente, reduce la seguridad del empleado, pero a cambio genera mucho dinamismo (posiciones que se abandonan y se toman, en definitiva, más oportunidades de empleo).

A pesar de que evita tomar posturas, es indiscutible la clase de este riguroso economista. En este link podrán encontrar información adicional de mucho interés:

LINK:

<http://focoeconomico.org/2010/11/10/peter-diamond-un-macroeconomista-accidental/>

Resumen de la charla

“The government should worry on how to spend wisely instead of worrying on how to spend less”

“We just need the economy to grow faster than Debt”

“A problem addressed sooner is a problem easier to address”

- I will address the problem of simultaneous unemployment and policy restriction due to their high debt.
- The US situation is different from other countries in Europe. The process of policy analysis can be carried over to other countries, but not the conclusions.
- Let's start differentiating problem from crisis:
 - A problem is something is something you will like to fix, and if you do not fix it, it will have a cost, but not huge.
 - A crisis is something you really need to address right away, because it extracts a cost now and a growing cost if it is not addressed.
- The US has a long run debt problem, but not an immediate debt problem. It does not require immediate attention.

- The US unemployment rate soared and has been painfully going down, unlike Europe. Unemployment is not just a problem, it is a crisis.
- The long-lasting effects of unemployment are:
 - After a long term of unemployment, the prospects of future earnings are greatly reduced. On average, something close to 30% and some will be a lasting lost (it may be recovered, it may not).
 - The unemployment numbers themselves do not capture all the losses in opportunities. A lot of part-time workers would like to work full-time.
 - Youth unemployment is a crisis in itself. Young people typically have very rapid earnings growth since they leave school till their mid-thirties. If you enter the job market late, it will affect your earnings. There is scientific evidence that entering the job market when it is weak affects your future earnings.
- The flow of US unemployment is back again to its traditional pattern. The big stock in unemployment is coming from the large stock of unemployment and the low rate at which they are finding jobs.
- Quits raised before the recession and dropped during the recession. Quits have been recovering but at a weaker path than before. It is a sign of a weak market and it is close to the perceptions of the workers.
- What is driving the dynamics of the labour market? The main driver is the movement of workers to find better jobs (leaving vacancies behind) and the movement of companies trying to find better fits for their job posts. This increases the efficiency of the economy.
- The flow in the US is much larger than in any other economy. It is related to the flexibility that comes from the few laws regarding hiring and firing. Spain is way down.
- The trade-off is positive for a dynamic market and offsets its disadvantages.
- If unemployment is a crisis, then we have to act, and the obvious is government investment. This increases debt.
- But debt is a problem and unemployment is a crisis.
- What eventually makes debt a crisis is the inability of the governments to pay that debt. A large part of that ability to pay is captured by how large the GDP is (ratio debt/GDP). Anything you do to make your economy bigger, will reduce your debt problem.

Spending on infrastructure

- In my opinion, we should spend more on infrastructure. General infrastructure investment in the US is rather low according to an association of engineers that releases a four-year report. The last report has improved the overall grade, but not significantly, and the improvements are focused on flood levies (walls to support rivers against floods – due to New Orleans and other floods).
- Setting up more infrastructure projects:
 - Moves idle capital and labour and improves the economy.
 - You get the Keynesian multiplier.

Spending on education

- The other element is education: having a better trained labour force gives you greater productivity. A labour force that is retraining and improving as technology moves is essential.
- We need to improve in the High School and Community College end. Education reform is not simple. We should try and copy others and experiment.
- We have fewer teachers and it is apparent that having fewer teachers is not a root to better education.
- Having the government worry on how to spend less instead of worrying on how to spend wisely does not improve the economy.

How to tackle the debt problem?

- When borrowing becomes more expensive, the debt is being rolled over.
- The debt to GDP ratio went up in the Great Depression, in the Wars and in the Great Recession.
- We just need the economy to grow faster than Debt.
- In the 1980, Republicans set up a technique they called “starve the beast”. If you reduce tax revenue, it will eventually reduce spending. It did not go quite well. The debt/GDP ratio continued its trend up.
- The US has come to a point that needs to be rethinking the debt issue. The congressional budget office does debt projections. Its most recent projection has a baseline scenario (what

if there are no changes in current laws). In this scenario there would be no great problem. The extended scenario is to suppose the Congress keeps doing what it is doing (no changes in its behavior). In this scenario the ratio rises faster and faster. What is driving that is the ageing of the population in America and, secondly, the cost of medical care, which is rising more rapidly in the US than its economy (like in most countries). Together, they form an unsustainable trajectory. Eventually, we will have a debt crisis. The question is, soon or later? Do we have to face it right away, or later?

- At what point the debt/GDP ratio the bond market will start to worry about the US ability to pay? We feel it can go to a 100-125%. Japan is above that level and there has been no sign.
- But a problem addressed sooner is a problem easier to address. What could the government do to address the problem, reduce the ratio but not negatively affect the economy? I turn to what I have studies since 1975, the US social security system.
- By law, our Social Security system is not allowed to borrow. If the trust fund were to run out of money, then the money available would be the money coming in from the payroll tax and so, everybody's benefits would be reduced. In my opinion, a 25% cut in benefits would be a crisis. So addressing now is a perfect thing to do in the current circumstance.
- There are zero politicians talking about this...
- And this is the tension we have between unemployment and debt.

Notas como conferenciante

- Habla de pie, desde el atril.
- Es un conferenciante muy denso, muy lento, poco dinámico (qué paradoja, precisamente un economista que se especializa en dinámicos del mercado laboral). En su defensa, sigue la línea de la mayor parte de grandes economistas y premios Nobel de Economía.
- Tampoco maneja nada bien los chistes y las bromas, no conectando empáticamente con el público.
- Sigue fielmente su PowerPoint, saliéndose de él lo menos posible, y no adapta mucho la charla.
- En definitiva, un ponente con muchas áreas de mejora.

Transparency Vow

El autor de este resumen no conoce al ponente. El autor de este resumen conoce al organizador del acto (la Fundación) y ha sido becado de la Fundación Rafael del Pino.

Sobre el ponente

Peter Diamond es Premio Nobel de Economía, otorgado en 2010, junto a Mortensen y Pissarides, por sus estudios sobre mercados descentralizados con fricciones, donde el precio es que refleje la información veraz de oferta y demanda. Aplicado al mercado laboral, que es el caso paradigmático, esa fricción se denomina “desempleo”. Es profesor del MIT y conocido por el gran público por sus análisis de políticas sociales.

Vídeo de la charla

<http://www.youtube.com/watch?v=bTR2TRtTEuQ>

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