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# EUROPA Y LA ECONOMÍA

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RESUMEN DE LA CONFERENCIA DE NOURIEL ROUBINI

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RESUMEN DE – Antonio G. Sansigre

DESTINADO A – Know Square

SOBRE – Resumen-crítica de la conferencia de Nouriel Roubini

PONENTE – Nouriel Roubini, profesor de Stern, Universidad de Nueva York

ORGANIZADOR – HSM - Expomanagement

DÓNDE – Palacio Municipal de Congresos de Madrid

ASISTENTES – 700 personas

## **Sobre el ponente**

Nouriel Roubini se ha convertido en el nuevo gurú de la economía. Llamado profeta de la crisis, o también “Dr. Doom” por los más críticos, es un economista muy controvertido por sus pronósticos pesimistas. Desde 2005 venía alertando de la formación de una burbuja sobre un crédito demasiado fácil y el tiempo le ha dado la razón.

Es presidente de RGE Monitor (*Roubini Global Economics* – una consultora de análisis y coyuntura) y profesor de la *Stern School of Economics* de la Universidad de Nueva York.

## **Comentario crítico**

- Con certeza se califica a este ponente como Dr. Doom. La conferencia duró una hora, 50 minutos de los cuales fueron dirigidos a enfatizar los riesgos de la economía, y sólo 10 minutos a hablar de sus bondades. Y para rematar, nos dijo que lo positivo es para el largo plazo y que lo negativo es para el corto plazo. De modo que cumplió con su fama sobradamente. Además, le acompañó su rostro, permanentemente luctuoso.
- Ya todos sabemos la verdad, conocemos las dificultades, conocemos los riesgos. No es necesario que se nos recuerde de nuevo. No necesitamos este tipo de conferencias, aunque nos cuenten la verdad del barquero.
- Los especialistas en economía no está aportando ya nada nuevo. Es época de decisiones, no de repetir los riesgos ya conocidos. Sólo podrán demostrar su coste si hacen dos cosas:
  - o Valorar los nuevos acontecimientos según se produzcan, para lo cual no necesitamos conferencias.
  - o Pronosticar. Esta es la especialidad de los economistas. Conviven permanentemente con el error de pronóstico, pero al menos eso les hace más entretenidos. Roubini no se quedó corto en su visita a Madrid.
- El profesor de origen turco pronostica la salida de Grecia del euro, y lo califica de inevitable. No descarta un escenario peor que resulta en el fin del euro si afecta a Italia y España. Descuenta como seguro un rescate a España y nos adelanta los futuros problemas de Estados Unidos y de China. En fin, todo un ejercicio de pesimismo realista.

## Resumen de la charla

*“The structural mistake of the Europeans when they created the monetary union was to pretend it was possible without integration”*

*“The Eurozone requires contingency plans because Greece will exit the Eurozone”*

*“The tough times for the United States are ahead”*

*“Emerging markets are becoming enamored of the Chinese State capitalism model”*

*“Next year we could have a perfect storm”*

- I would describe the global economy as a glass half full and half empty: positive and negative.
- On the positive side:
  - There is a global world recovery, fragile, yes, but recovery after a strong crisis.
  - There is the rise of trading power of emerging markets. They are growing robustly with a larger share of global growth.
  - The balance sheets of big corporations are quite strong. Other sectors may be weak.
  - There is still an ongoing process of globalization.
  - There is still an ongoing amount of technological innovation, from energy to information technologies and biotech. In the long run, it is positive for long term economic growth.
- On the negative side:
  - Recovery in most advanced economies is very weak and will remain weak for a while.
  - The economic financial and fiscal problems of the Eurozone, in particular the periphery of the Eurozone.
  - There is still significant downside risk to growth even in the United States. At worse, it could turn into a double dip recession.
  - There is still a lot of instability in the Middle East: all prices are still high and were confrontation to spike up it could lead to an overall shock.
  - The latest economic data suggest a slowdown of growth: China, Argentina, Brazil, Turkey, and Mexico...

- This was not a typical recession: it was caused by a financial crisis. As such, they are caused by too much debt and leverage in the private sector (household, banks, and corporate sector). In response, there has been a massive increase in the deficits and debts of the public sector. Some countries in the Eurozone are in the risk of severe solvency problems. So what started as too much private debt now there is too much public debt.

- o There is a painful process of deleverage: spend less and consume less both in private and public sector, in order to reduce this debt over time. Economic growth for many years will be anemic and in some cases, a double dip recession such as in the Eurozone and United Kingdom. The cleaning up of balance sheets have barely started.

- o Some European countries, Spain, Italy, Ireland, Portugal, Cyprus that have a different degrees of difficulties. Greece has the worst situation, although all of them share two sets of problems:

- There are stock imbalances: too much private and public debt.
- They have lack of economic growth, lack of competitiveness (high unemployment and low productivity).

- o The recession in the periphery of the Eurozone is getting worse and even the latest data for the whole of the Eurozone suggests that economic activity is becoming flat. This recession is not going to bottom out in the next few quarters:

- There is fiscal austerity in the periphery of Europe. It is necessary, but in the short run raising taxes, cutting transfer payments, cutting government spending makes the recession worse. You reduce disposable income and aggregate demand.
- No only austerity is recessionary, but also the reforms have on the short run negative effect on the economy. Everyone agrees that labour rigidity in Spain and Italy was high. Now these countries are passing laws to flexibilize the markets. They are good news over time, but on the short run, it will increase unemployment and reduce confidence.

- Why is the recession going to get worse?

- o The periphery of the Eurozone needs a weaker value of the euro and it should fall to the parity with the dollar. The Euro is falling too slowly in value. The strength of the euro drags the economic growth.

- o Many banks have problems of liquidity, capital and debt assets and non-performing loans. The European Central Bank (ECB) has quenched these problems by injecting liquidity through the LTRO (Long-Term Refinancing Operation). The result is a credit contraction. Even medium-small sized enterprises have no access to credit or working capital. Many are shutting down not because they are insolvent.

- o Political and police uncertainty is becoming worse in Europe. There is austerity fatigue spreading to the core of the Eurozone: the results of the elections in France with Hollande's success and the results in the German Lander elections suggest it.

- o There is also bail-out fatigue in the core of the Eurozone. Many taxpayers are reluctant to plow in more money into the system. They are taking more credit risk for what benefits? A lot of Germans, Dutch, and Finnish want to pull the plug.
- o Euro-paralysis for political gridlock: after 18 summits European leaders are postponing key decisions. They do not have a plan because there are 17 countries, governments and coalitions. The position has been to muddle through, kick the can down to road, extend and pretend.
- Critical time for Europe:
  - o There are two options for the Eurozone: either you move forward implying:
    - Greater integration.
    - Fiscal union.
    - Joint supervision regulation.
    - Economic union.
    - Political integration.
  - o Or you can move backwards, with subsequent risk of disintegration. Greece will exit the euro this year or the next. Greece might not be the only one in this scenario.
  - o Historically, all monetary unions have led to a fiscal union and eventually to a political union. Check out Italy, Germany and United States.
  - o There was one attempt a hundred years ago: a monetary union without a political union: the Latin Union: Italy, Belgium and France. It fell apart in a matter of 10 years.
  - o The structural mistake of the Europeans when they created the monetary union was to pretend it was possible without common taxes, common public debt, common financial system, common supervision, common deposit insurance, etc.
  - o In a scenario of one or two small economies exiting the Eurozone, it could yet survive, despite massive amount of contagion and bail-outs for countries such as Spain or Italy.
  - o However, if the problem in the Eurozone was to become so severe and Italy and Spain were to lose market access, it would break up without them.
  - o Greece will not be able to restore trade balance without exiting the Eurozone. This could happen this year if Greek voters do not support a pro-European government. The Eurozone requires contingency plans.
- The tough times for the United States are ahead. Growth in the United States (US) since the beginning of this recovery has been anemic below trend. Potential growth is around 3%. Unemployment is still high (8%) and goes to 10% if you include discouraged workers. Next year it could be worse for two reasons:

- o The US has postponed its fiscal austerity. The growth is stolen from the future. In the United Kingdom (UK), on the other hand, they are confronting it and as a result have a double-dip recession.
- o The US has re-leveraged the public sector. Eventually, taxes will go up and there will be a fiscal drag that will slow down the economy.
- o Democrats and republicans are in a gridlock.
- The covert war between Iran and Israel and US is going on. Next year, after the elections, the US will want a clear commitment of Iran not to develop nuclear weapons. Otherwise, they are not bluffing and they will attack.
- The entire Middle East is a total mess. It is a real source of geo-strategic risk. Any type of social instability could push higher the price of oil. The gas revolution will not be in effect in less than 5 years.
- Slowdown in emerging markets economies because they cannot decouple from global economy. I see significant amount of fragility.
  - o They did not have the advanced economies' balance sheet problems.
  - o There is room for policy stimulus in case trouble occurred.
  - o There is less opportunity for exporting goods and services to US or Japan because they are growing meekly.
  - o These emerging markets are postponing the structural reforms and they are moving to a structural capitalism with a stronger role of the government in the economies. Reforms should be market oriented, developing private-sector firms. These markets are becoming enamored of the Chinese State capitalism model. And indeed it has been successful for a while, but it cannot be successful in the future.
  - o China suggests a hard landing. China's growth model was based on exports (through a weak currency) and fixed investment. Consumption is very slow (30% of GDP). There is a Real Estate bubble too and excess capacity in industry and manufactory. So fixed investment will eventually go down. The problems of the future in China will be:
    - Surge of non-performing loans in the banking system.
    - Large increase in public debt (it is 80% of GDP right now, although the official number states 25% GDP for central government).
    - Every episode of strong fixed investment has resulted in a high landing.
    - The model has to move to national consumption, to increase the income of the household and reduce incentives to save. Otherwise, by 2013-2014 China could have a hard-landing.

- Governments are running out of policy bullets. Four years ago, we could:
  - o Cut rates.
  - o Do quantitative easing.
  - o Do Fiscal stimulus.
  - o Bail-out financial institutions and corporations.
- Every country has weakness of growth because domestic demand is weak due to deleveraging of all incumbents. The only way to restore economic growth is by having an improvement of the trade balance. But every country needs an improvement of its trade balance and to achieve that you need the weakening of its currency. Everyone needs it: US, periphery of Europe, United Kingdom, Japan, China even Switzerland. This is a zero-sum trading balance.
- So we live in a world of uncertainty and volatility. There is an option value of wait and see. But if you wait and see things get worse: if you are worried about the future and you stop spending, it gets worse. Lack of political actions is noxious.
- The good news is that we have survived a terrible economic crisis. There is an economic recovery after all.
  - o The average growth of advanced economies is barely 2-2,5% GDP. Instead, in emerging markets it has been 6% GDP. If all countries were to grow in potential, growth will be more balanced. The G-7 is now the G-20. Demand for commodities will go higher (more oil, more coal, more energy, more copper...). Corporations with emerging markets exposure will be more successful.
  - o This is not about Chindia anymore. It is Eastern Europe, Kazajstan, Peru, Colombia, Uruguay, sub-Saharan Africa.
- The positive trends are long term, but the down-side risks are short term. If we survive the short run, the long run has good things in store for us.

## Notas Como Speaker

- Habla de pie sobre atril, con un inglés heterodoxo.
- No se mueve por la sala, es bastante estático.
- Es una conferencia muy formal, con un tono muy monótono, aunque enfatiza el inicio de las frases.
- Es lógico que las conferencias de economía sean más densas y menos entretenidas que las inspiracionales, pero para ello hay que poner más carne en el asador: pasarse, hacer participar, sorprender, contar historias...
- Por tanto, el ponente, aunque ampliamente solicitado en conferencias internacionales, tiene muchos puntos de mejora y está lejos de ser un profesional.



## Transparency Vow

El autor de este resumen no conoce al ponente.  
Sí conoce a la empresa organizadora y a su director (HSM).

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