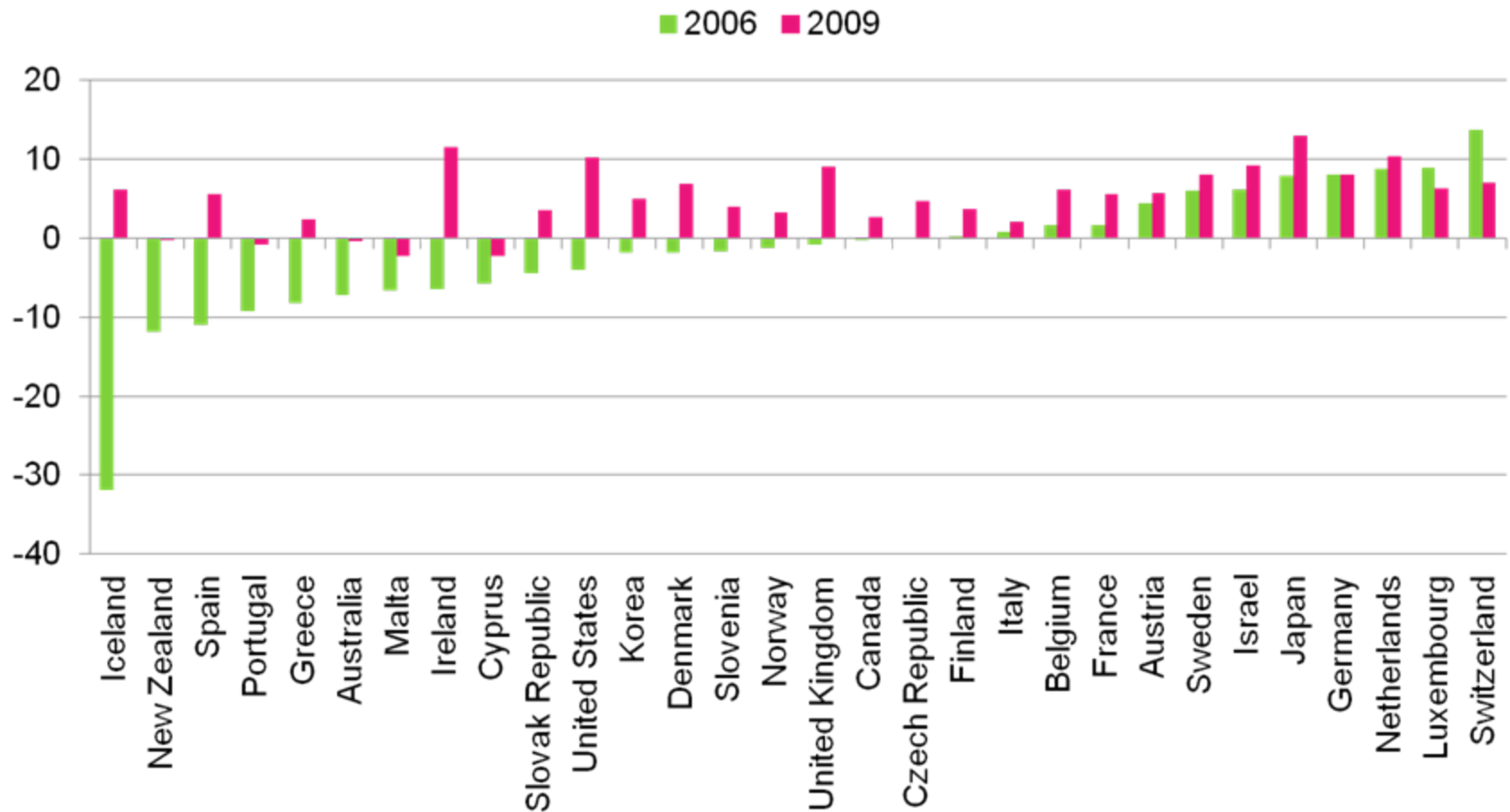


THE MARKET IS DEAD,  
LONG LIVE THE  
MARKET!

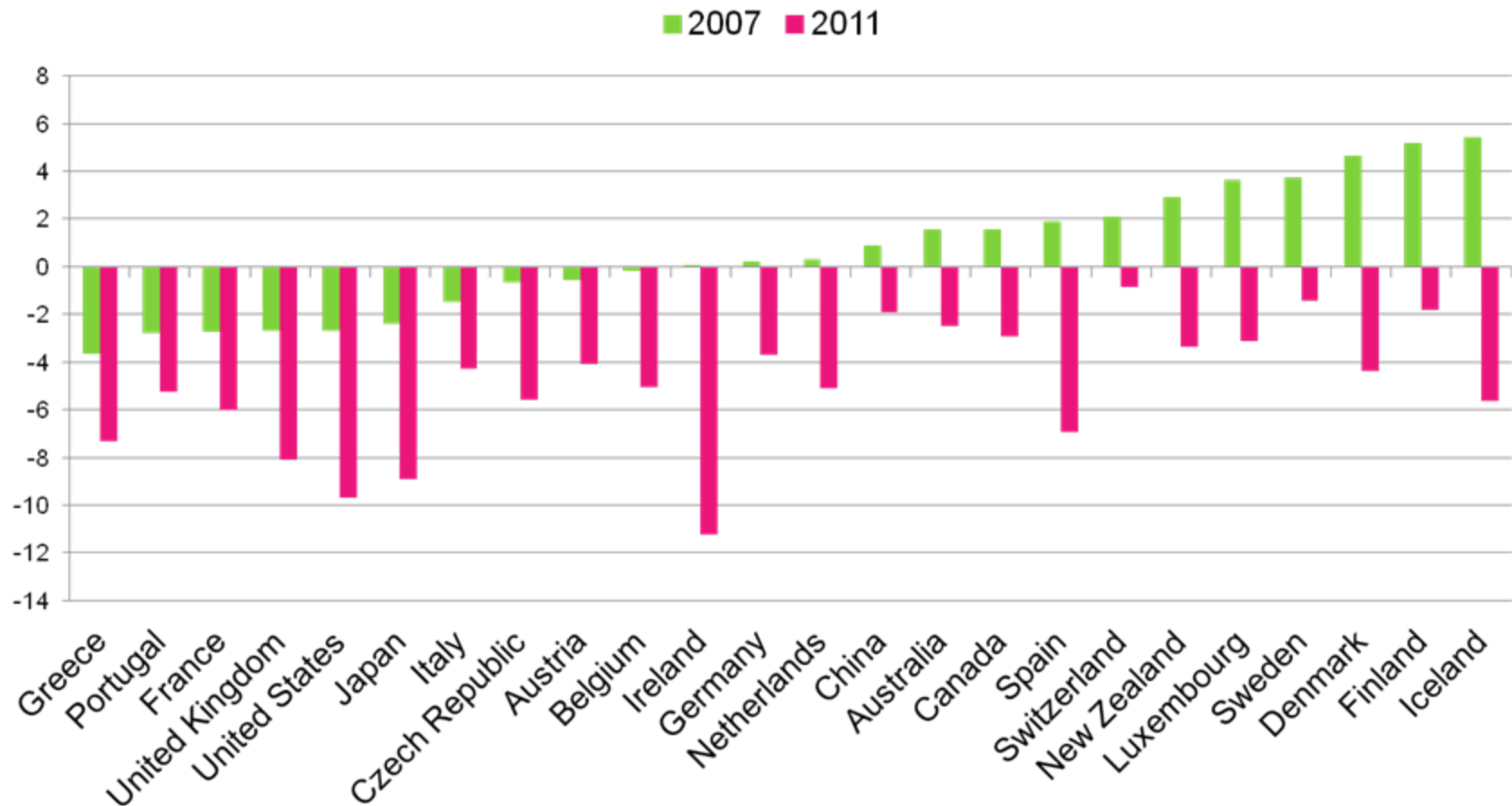
Peter Bofinger

# „The 2008-2009 crisis was not caused by a sudden large increase in personal saving“



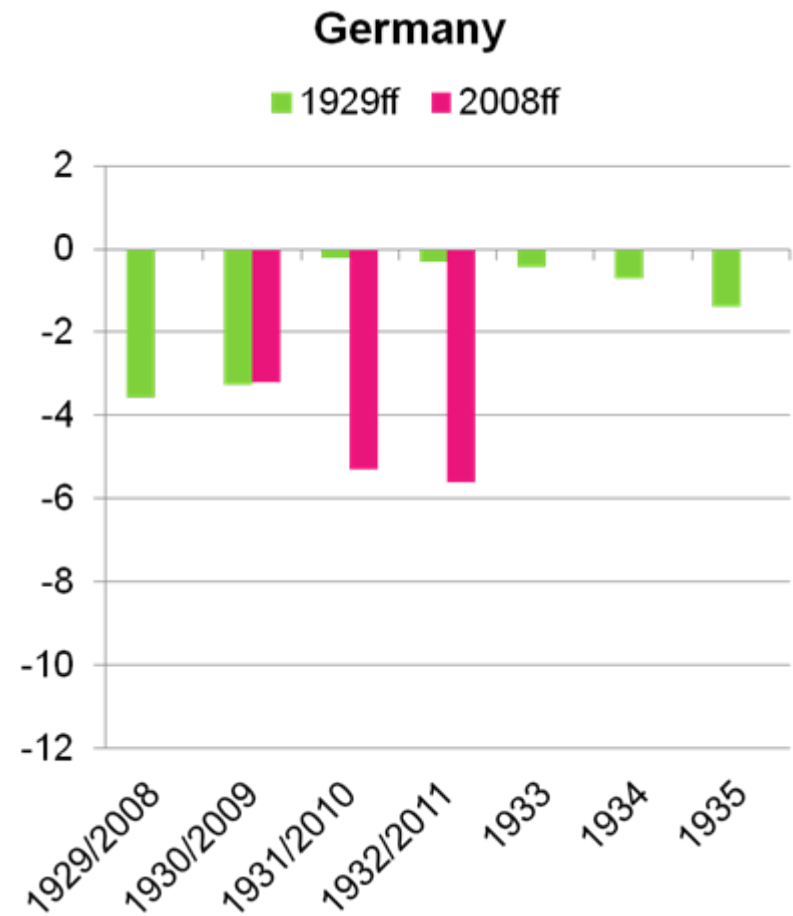
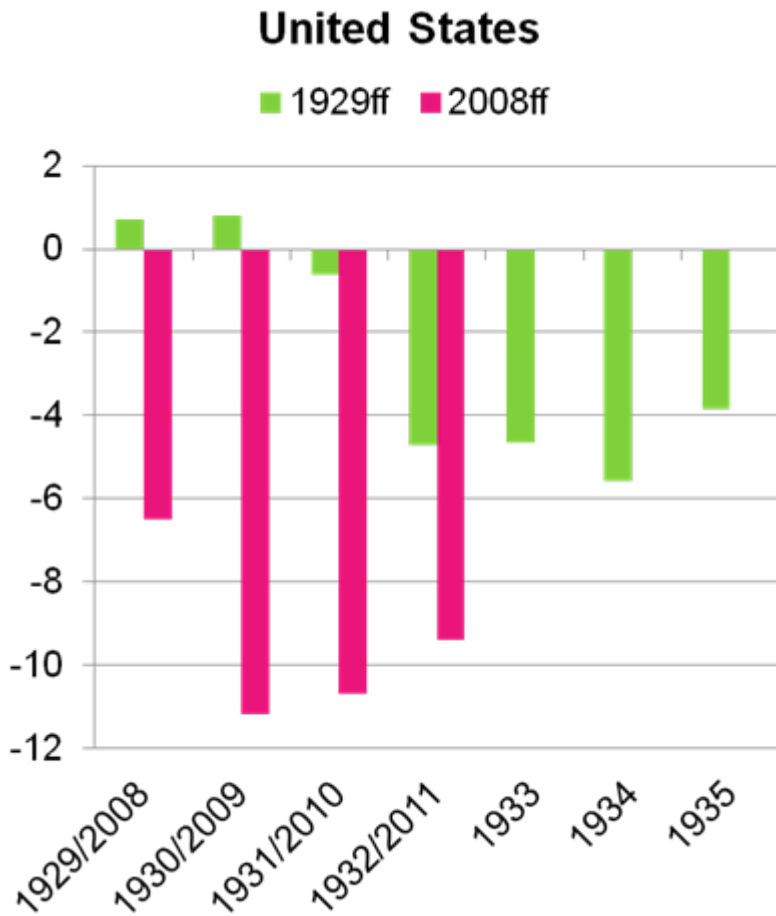
Private sector financial balances (=current account – general government balance) in % of G

# „Imbalances must be reduced, not financed even at the cost of higher unemployment“



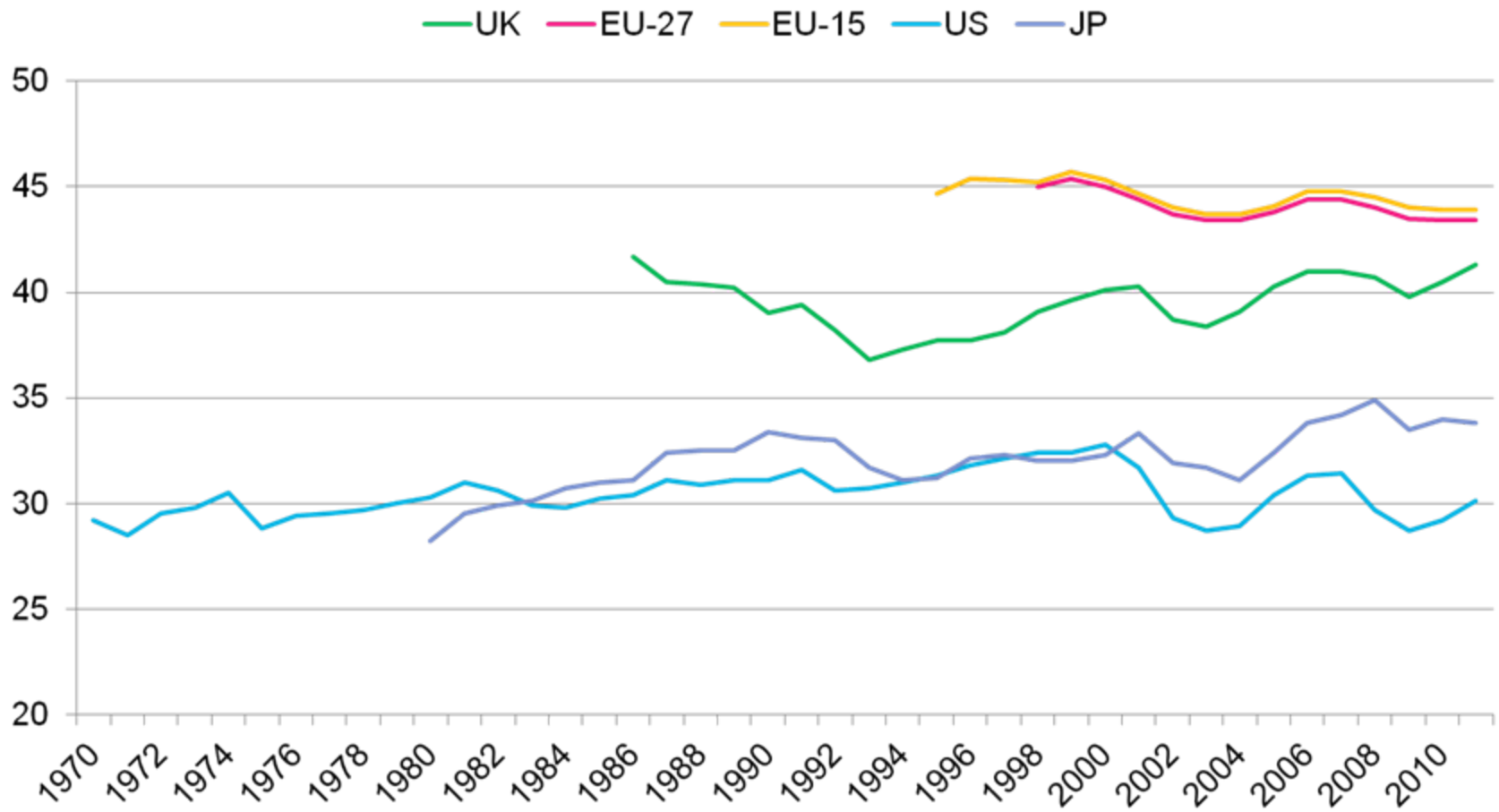
General government fiscal balance (in % of GDP)

Frequent references to the Great Depression did not recognize the huge differences that existed between the decades of the 1920s and 1930s and the current decade



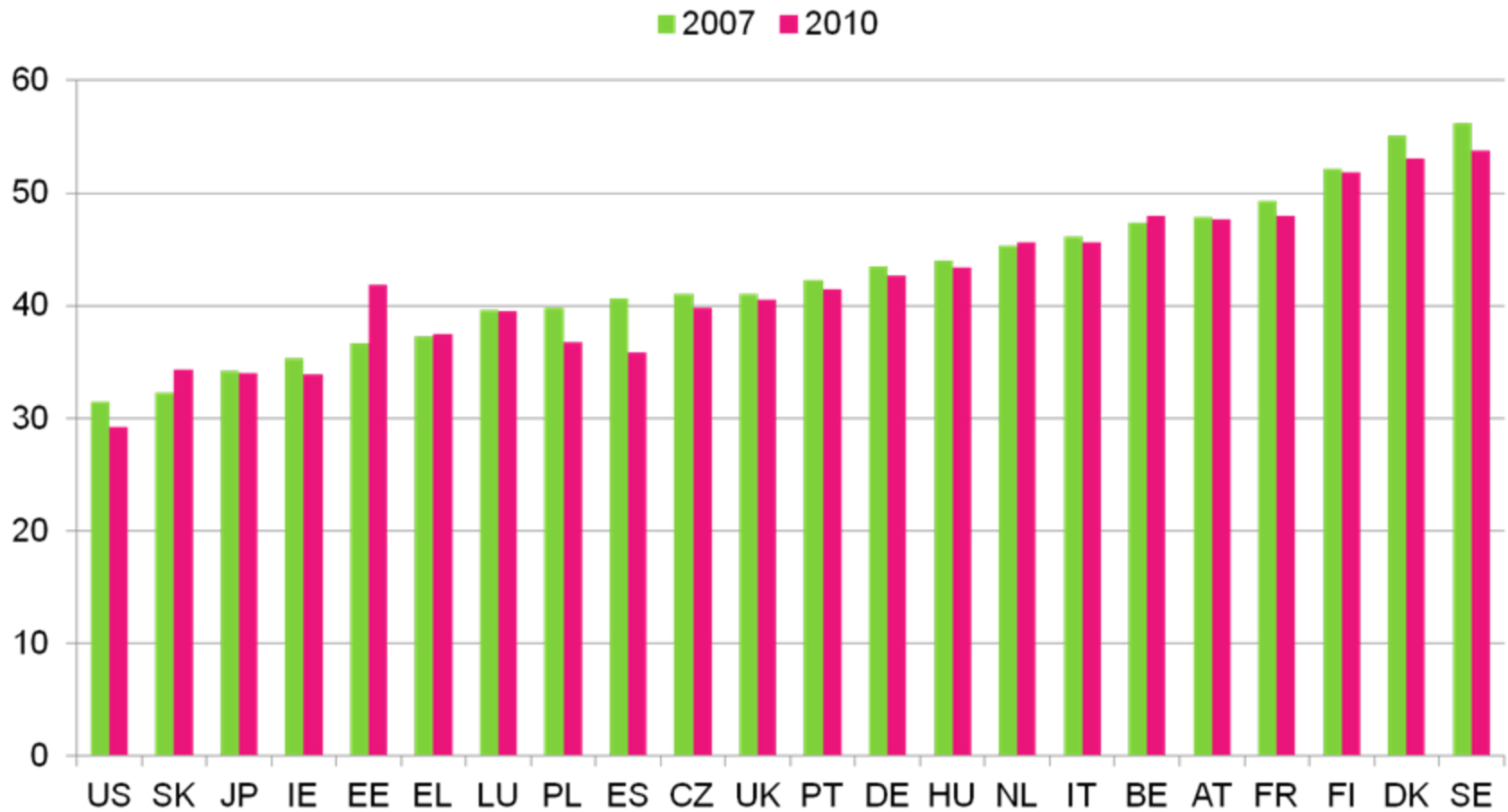
Government balance in % GDP

# „Fiscal termites are making it progressively more difficult for countries to maintain high tax levels“



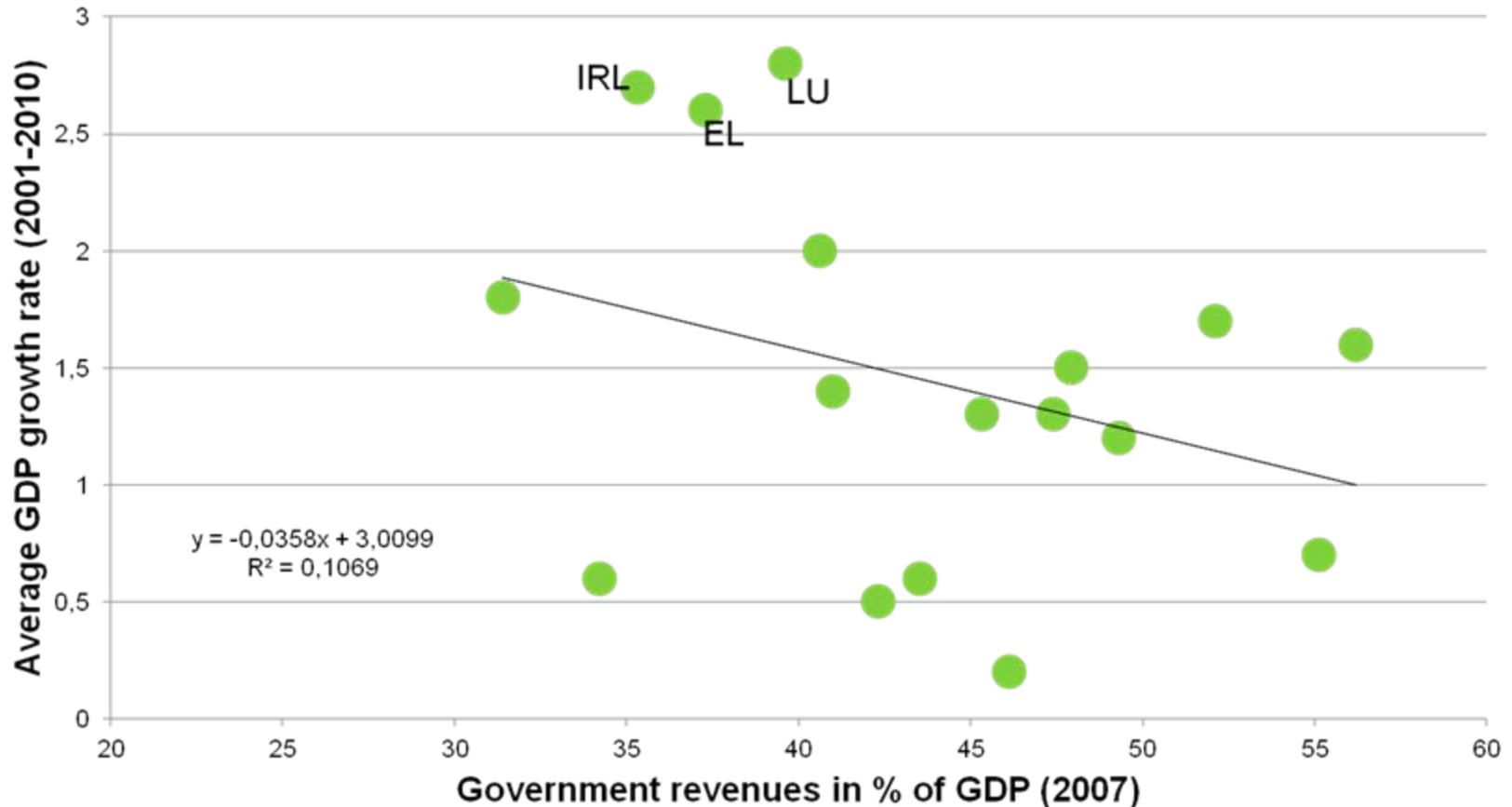
Government revenues in % of GDP. Source: Eurostat

„Revenue-raising possibilities are modest due to the fact that taxes are already high in many countries“



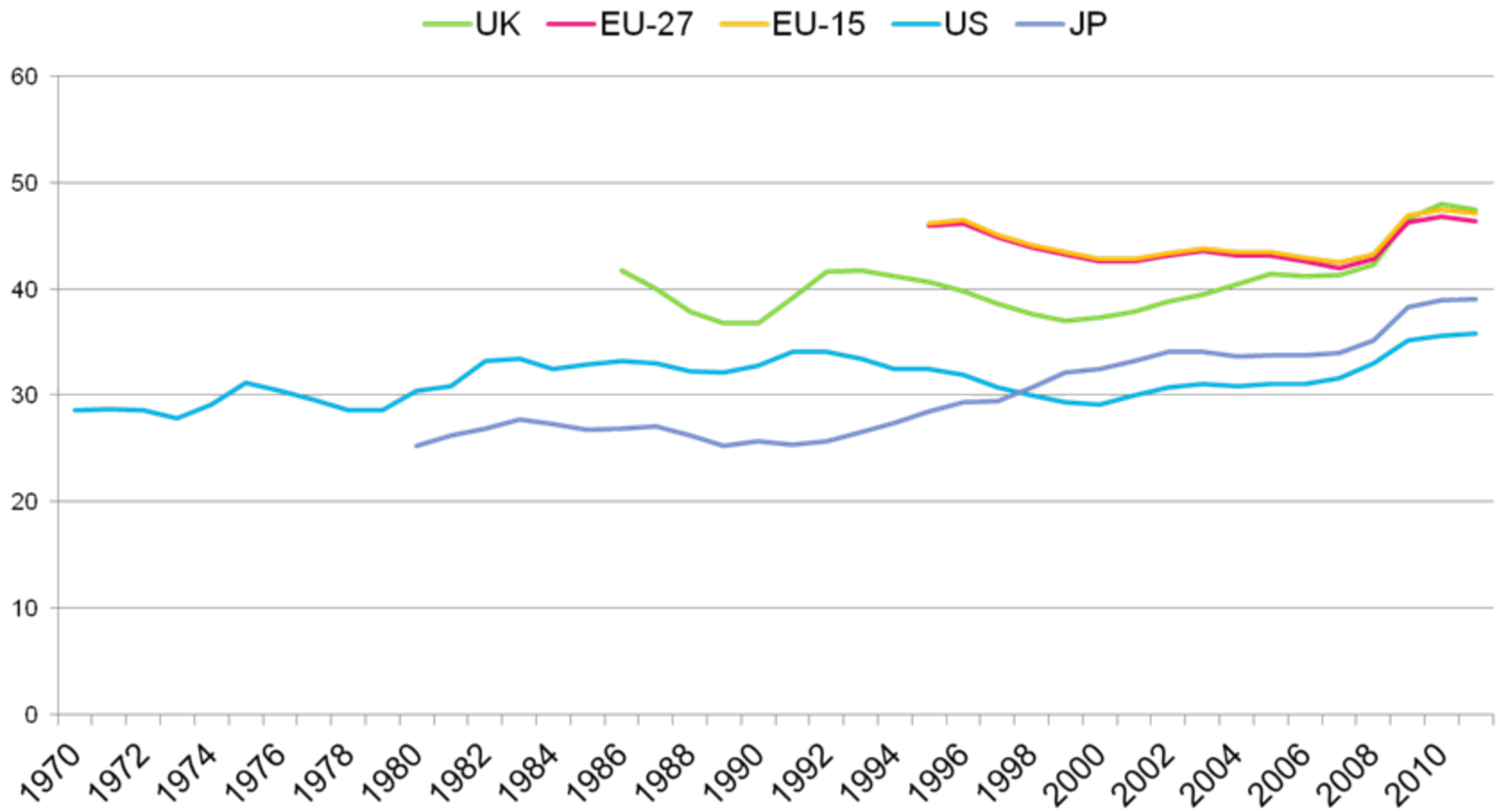
Government revenue in % of GDP

# „Increasing taxes may create stronger disincentive effects“



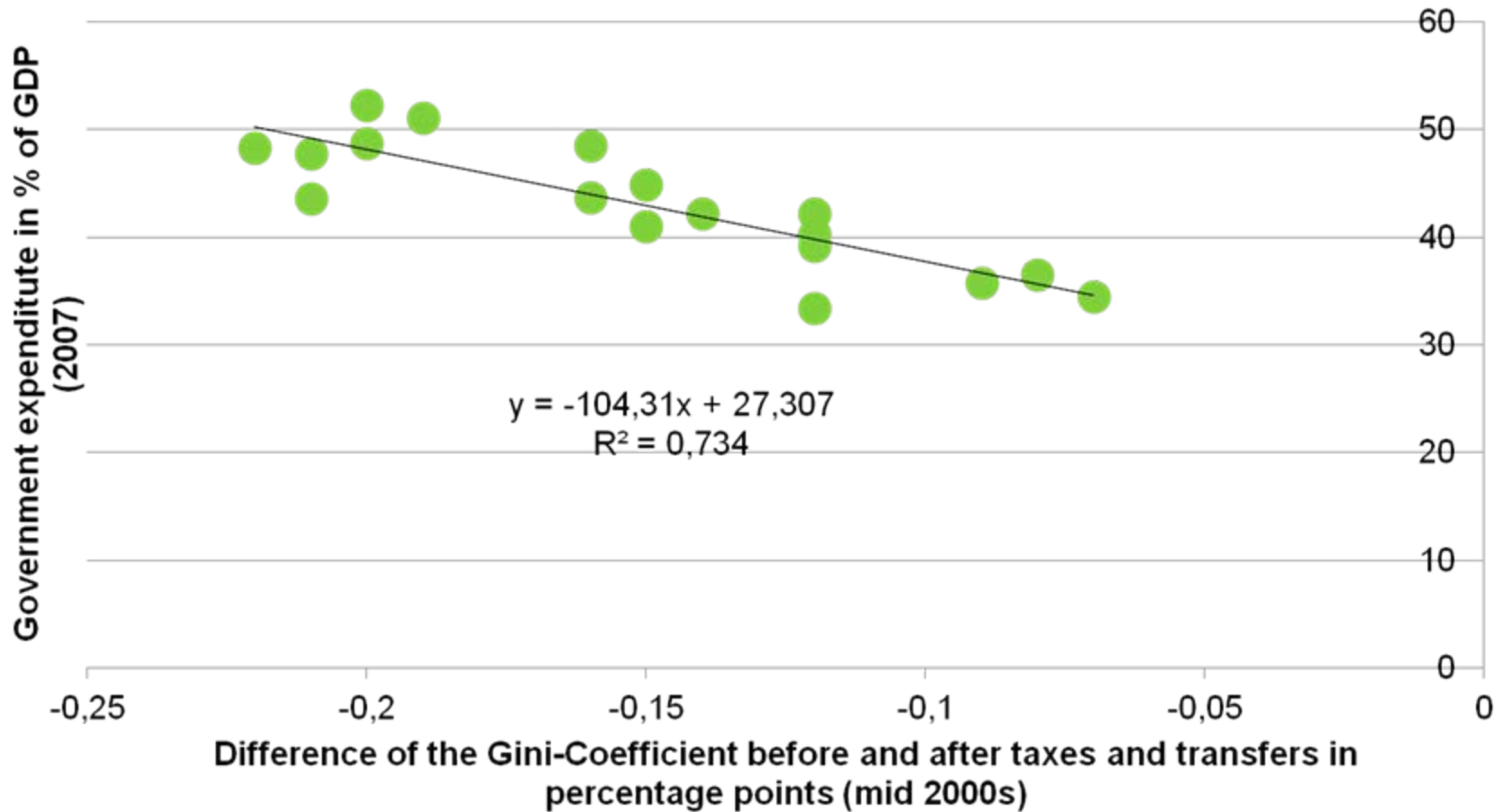
EU-15 countries plus US and Japan. Source: IMF and European Economy

„The spending side has accumulated more fat over the years“



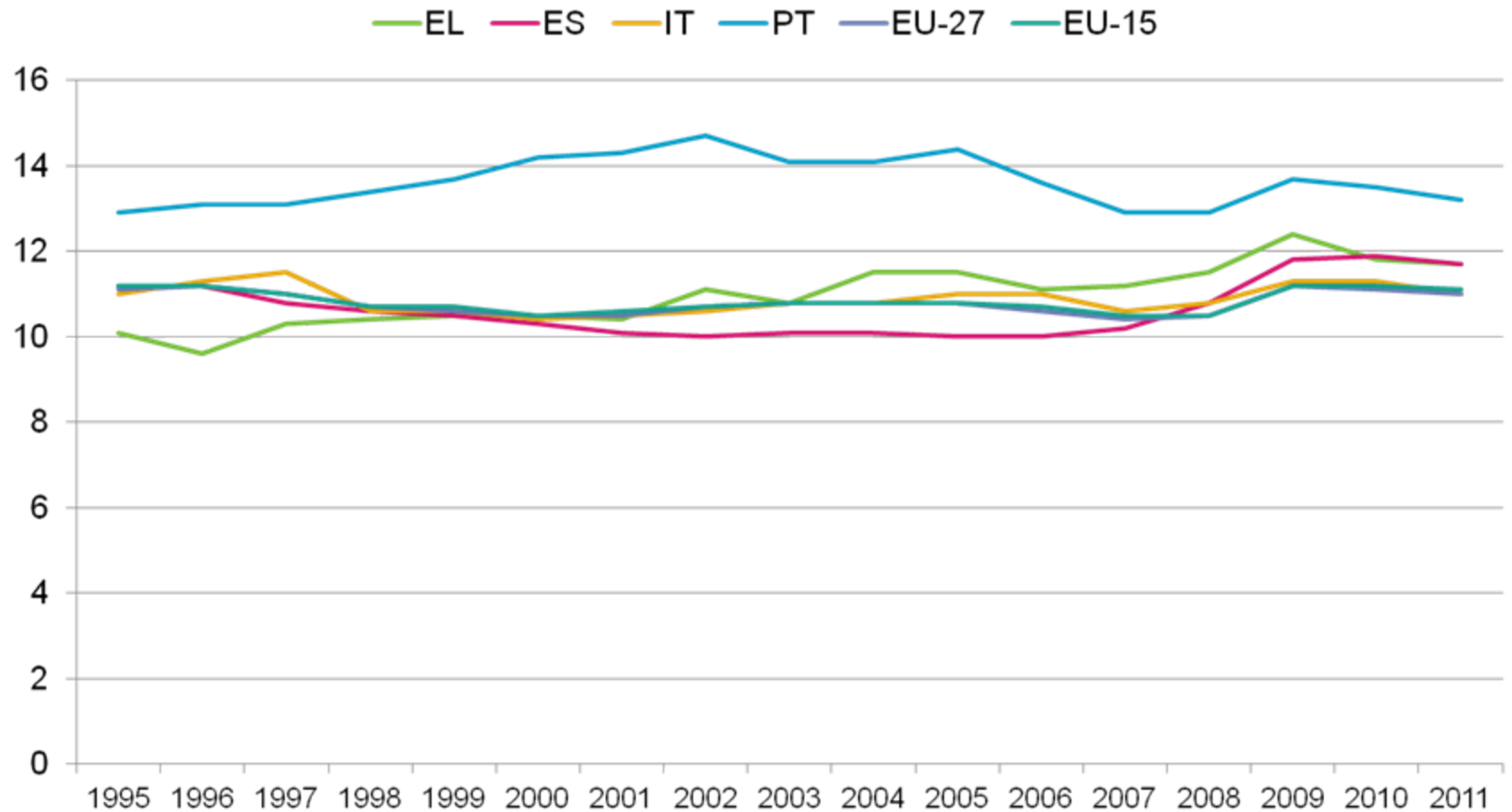


„It may be possible to reduce spending without affecting the very poor“



Source: OECD

„In Southern Europe the size of public sector employment has been expanding, reaching astonishing levels in Greece.“



General government, compensation of employees in % of GDP. Source: European

„In my opinion cutting back on some fast trains, some fourth lanes in some highways are not going to have large negative effects on growth“



„In my opinion cutting back on some private investments and providing more funds to the public sector is going to have positive effects on growth“

