D. Acemoglu

The world our grandchildren will inherit
Impressive rise of political rights

Figure 1
Unrelenting growth of GDP p.c. since the industrial revolution

![Graph showing GDP per capita growth since the industrial revolution.](image)
Great increase of inequalities since 1900
rich vs poor; moderately rich vs moderately poor

Figure 3
Changes in professions, advanced countries, 1990-2010

Annual change in employment shares

Craft, trade, operators, assemblers

Clerks

Services, sales, elementary

Officials, managers, professionals, technicians

[Graphs showing changes in employment shares for different professions, with bars indicating the annual change for countries like France, Germany, Netherlands, Sweden, UK, and US.]
Widening gaps between rich and middle, low incomes, since 1965

Evolution of 10th, 50th and 90th percentiles of the U.S. wage distribution

Figure 5
General increase in the quota of wages going to the rich, 1970 vs 2008

Distribution of wages in the U.S.

Figure 6
Spectacular increase in international trade and factors mobility

International trade

Figure 8
Century of war, century of peace

International battle deaths

Deaths per 100,000 population

Year

1900 1920 1940 1960 1980 2000

Ten year moving average, PRIO/UPSALA Battle deaths, 1900–1997.
Yearly deaths, PRIO/UPSALA Battle deaths, 1900–1997.

Figure 9
Trend in homicide rates is mixed, though recently declining.
Income inequality rises in the US and the UK, rather than in Europe

Figure 14
Divergence between the US and the rest

Figure 15
Increasing pressure

Global CO2 emissions and concentration

Figure 16
Quality of Institutions. Doing business in Italy, 2019 (ranking: 1-190)

Rankings on Doing Business topics - Italy

- Starting a Business: 67
- Dealing with Construction Permits: 104
- Getting Electricity: 37
- Registering Property: 23
- Getting Credit: 112
- Protecting Minority Investors: 72
- Paying Taxes: 118
- Trading across Borders: 1
- Enforcing Contracts: 111
- Resolving Insolvency: 22
Doing business in Italy, 2016
a comparison with OECD countries

Still difficult to do business

Ease of Doing Business survey - Italy - 2016 results

- Trading Across Borders: 1
- Registering Property: 10
- Protecting Minority Investors: 16
- Starting a Business: 19
- Resolving Insolvency: 20
- Getting Electricity: 29
- Dealing with Construction: 29
- Getting Credit: 30
- Enforcing Contracts: 32
- Paying Taxes: 34
- Total: 29

Rank across the 34 countries of the OECD

Sources: World Bank (Ease of Doing Business survey database), SG Cross Asset Research/Economics. Note: Italy got a perfect score in the “Trading Across Border” category of the survey along with 13 other OECD countries – mainly due to being within the eurozone.
The making of inequality
Capital, labour and the distribution of income

Maurizio Franzini and Mario Planta
Fig. 3. Labour productivity and wages advanced countries, 1991-2013
Fig. 4. The very rich (10%) US and Europe, 1900-2010
Fig. 5. The ultra rich (1%) income share in advanced countries, 1980-2010
Fig. 6. The P90/P50 ratio (employees earnings) advanced countries, 1980-2010
Fig. 7. Gini index of inequality in household nominal incomes 1985-2010
Fig. 8. Gini index of inequality in household disposable income 1985-2010
Fig. 9. Gini index of inequality with public services 2007

- France
- Germany
- Netherlands
- Denmark
- Sweden
- Italy
- United Kingdom
- United States
Fig. 11. Wealth inequality in the US and Europe 1910-2010 (top 1 and 10%)
New perspectives on old inequalities: Italy’s North-South divide

Pier Francesco Asso
Università di Palermo
Italy’s North-South divide: the picture I
Valued added per capita, 2016
Italy’s North-South divide: the picture II

GDP per capita, 1871-2011 (Italy=1)

- 1890s, the gap: N-W becomes industrial
- Interwar years: the gap worsens. Exports collapse
- 1951-1971: the glorious 20s. Convergence is also due to migration
- 1971 - ... divergence: the tale of 2 Italies
- Top record. 1971: about 70%; Low record. 2014: about 56%.
- Purchasing power parity reduces the gap
Poverty levels

Income distribution x quintiles (1st is the poorest)
Economic fragility

% of families unable to cope with unexpected expenses
Collapse of public investments

Public works: South vs Centre-North, 1981-2017

Fonte: Elaborazioni SVIMEZ su dati ISTAT, Banca d’Italia, ANCE e SVIMEZ.
Value Added/Employee by province
Levels p.c. (Blue) and variability (Red), 2015
Technical Efficiency, manufacturing firms

Levels p.c. (Blue) and variability (Red), 2015
Exports
Levels p.c. (Blue) and variability (Red), 2009-2016

Few international cities in a «closed» environment
Patents
Average n.xmn inhab. (Blue) – variability (Red), 2003-13

Production of new knowledge is inexistent and highly concentrated (few cities, Abruzzo)
Entrepreneurial density
Jacob index x province average (Blue) – variability (Red)

Isolated firms with few exceptions
Human capital

Differences in results (ita+math). “Elite schools” vs “ghetto schools”

- Differences in attainment increase as we move from primary to secondary school;
- Disparities between macroareas do not depend on family backgrounds and on the socio-economic conditions;
- No clear territorial pattern in investments (buildings, resources, services);
- Disparities exist on the way students are distributed.
- Multiplying effects (peer)
Quality of Institutions
average x province (Blue) and variability (Red)

Similar results for other IQ and social capital indicators: government efficiency trust; social participation; civicness.
Relevance of «strong ties» is the exception levels (Blue) - variability (Red), 2013

Levels of cooperation with friends and family members
Exports and innovations. A virtuous circle

Exporting firms perform better and record increasing exports and innovations.
Exporting firms, networking and cooperation
The returns of cooperation
National average, 2013

Cooperative (green) and non-cooperative (red) firms
The relative returns of cooperation

Differences between coop/non-coop firms, N-S

- R&D
- Innovations
- Export
- Turnover growth
- Cash flow/Value added
- Profits/Value added
- ROI
- ROE

Red: South  Green: Center-North
The curse of informal «strong ties», South

Cooperations with external subjects outperform cooperations according to «strong ties» (families, friends)
Aid from who?
Informal institutions do it better
D. Rodrik - The disappointments of financial globalization

S. Schmukler, Benefits and risks of financial globalization
Major explosions of financial flows

Gross inflows to developing countries have more than doubled in terms of GDP
Major explosions of financial flows, due to liberalization and the Washington consensus

Figure 1

Net Capital Flows to Developing Countries, 1970–2001

By type of flow

- Bank and trade-related lending
- Equity
- Bonds
- Foreign direct investment
- Official development assistance and official aid

Net capital flows to emerging economies, 1970-2001 ... by types of flows and by ...
Major explosions of financial flows, due to liberalization and the Washington consensus

and by ... receiving country
Increased participation of developing countries in US equity market

Capital raised by companies in developing countries
Role of politics in generating capital mobility

Figure 2: Index of capital account openness

Source: Chinn and Ito (2007)
Increase of foreign investments

Figure 3: Investment rates, by region
Net investment flows often go in the wrong direction

Capital flows to emerging and developing economies

[Graph showing capital flows with data points for years 1997 to 2007, indicating trends in gross capital inflows, gross capital outflows, and net flows. The graph highlights 11% of EM GDP and 16% of EM GDP at different points in time.]
Short run effects of liberalization: more volatility

**Figure 5**

Average Boom-Bust Cycles and Financial Liberalization

Developed countries

Normalized stock prices

<table>
<thead>
<tr>
<th>Year</th>
<th>-6</th>
<th>-5</th>
<th>-4</th>
<th>-3</th>
<th>-2</th>
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Developing countries

Normalized stock prices

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<th>Year</th>
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<td>70</td>
<td>60</td>
<td>50</td>
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<td>50</td>
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</tbody>
</table>

Legend:
- After three years of financial liberalization
- Within three years of financial liberalization
Risk sharing and consumption smoothing: the picture for developing countries is bleak

Figure 5: risk diversification and consumption smoothing
Insurance effects after the crisis: the third world builds up foreign reserves assets: insurance effects are very costly ...

Figure 6: Foreign reserves (excluding gold) in months of imports in industrial and non-oil developing countries
Stocks of international reserves (% of GDP), advanced and emerging countries, 1990-2015

Stocks of International Reserves, 1993–2015

Emerging and developing economies

Advanced economies
Figure 7: Undervaluation is good for growth: cross section evidence
Is devaluation good for growth? some empirical evidence

Figure 9: Undervaluation is good for growth: sustained real depreciations as a precondition to growth
The euro zone crisis

Its dimensions and implications

MR Anand
GL Gupta
Ranjan Dash
Figure 2a
Source: OECD data

Figure 2b
Source: Eurostat data
Figure 3a,
Source: IMF, IFS data

Figure 3b
Source: FT.com
**Figure 4a**  
Source: Eurostat

**Figure 4b**  
Source: Eurostat
Figure 6
Source: Datastream
### Table 1: Percentage of debt held abroad

<table>
<thead>
<tr>
<th>Country</th>
<th>Govt. debt / GDP ratio</th>
<th>% of bonds held abroad</th>
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<tbody>
<tr>
<td>Greece</td>
<td>140.2</td>
<td>58.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>97.4</td>
<td>54.2</td>
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<tr>
<td>Portugal</td>
<td>82.8</td>
<td>66.0</td>
</tr>
<tr>
<td>Spain</td>
<td>64.4</td>
<td>38.7</td>
</tr>
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</table>

Source: Economist Jan 15, 2011, pp72

### Table 2: Bank exposure to Euro zone periphery

**USD Billion Position as of March 2011**

<table>
<thead>
<tr>
<th></th>
<th>Greece</th>
<th>Portugal</th>
<th>Ireland</th>
<th>Italy</th>
<th>Spain</th>
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<td>Direct</td>
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<td>France</td>
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<tr>
<td>Indirect</td>
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</tr>
<tr>
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<td>US</td>
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<td>49.4</td>
<td>59.7</td>
<td>248.0</td>
<td>154.6</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>65.8</td>
<td>34.0</td>
<td>55.4</td>
<td>495.9</td>
<td>183.7</td>
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<tr>
<td>Germany</td>
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<td>51.4</td>
<td>155.3</td>
<td>226.5</td>
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<tr>
<td>UK</td>
<td>19.2</td>
<td>31.3</td>
<td>184.2</td>
<td>98.9</td>
<td>131.0</td>
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<tr>
<td>US</td>
<td>47.0</td>
<td>55.0</td>
<td>118.6</td>
<td>292.1</td>
<td>212.5</td>
</tr>
</tbody>
</table>

Source: BIS, July 2011, Preliminary International Banking Statistics, Q1, 2011
Central Bank Policies in recent years

Background paper by Charles Goodhart

Prof. Pier Francesco Asso
(Università di Palermo)
Inflation targeting in Canada

Chart 1
On target
Long-term inflation expectations in Canada have been very well anchored to the 2 percent inflation target.

Source: Haver Analytics, and Consensus Economics.
Why is QE needed?

Core consumer prices*
% change on a year earlier

- Cyprus, Greece, Ireland, Italy, Spain, Portugal

Euro area

ECB deposit rate, %

Sources: Bruegel; Thomson Reuters; central banks

Central bank balance-sheets
Assets as a % of GDP, January 2007=100

Bank of England

Federal Reserve

ECB

Bank of Japan

*Excluding energy and unprocessed food