The Macroeconomic Effects of Structural Reforms

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Italy

The figures and slides in this part of the presentation are from the following sources: Slides 3 and 4: Pinelli, I., I. Székely, and J. Varga, "Italy's Productivity Challenge," *VOX-EU*, December 22, 2015. Slide 5: World Bank *Doing Business* Database, 2017.



Figure 1. Italy's income per capita relative to OECD and Eurozone average

Figure 2. TFP in Italy compared to other OECD and Eurozone countries

Source: Authors' calculation. GDP data are from OECD national accounts, in 2010 purchasing power standards.

Source: Authors' calculation. TFP data are from OECD productivity database.

Figure 7. Private equity investment, 2014

Figure 8. Venture capital investment, 2014



Source: Authors' calculation. Data from Eurostat.

Source: Authors' calculation. Data from Eurostat.

Topics	DB 2017 Rank	DB 2016 Rank <u>info_outline</u>	Change in Rank	DB 2017 DTF (% points) <u>info_outline</u>	DB 2016 DTF (% points) <u>info_outline</u>	Change in DTF (% points) <u>info_outline</u>
Overall	50	44	♣ 6	72.25	71.97	1.28
Starting a Business	63	57	♣ 6	89.40	89.39	1 0.01
Dealing with Construction Permits	86	82	♣ 4	69.41	69.31	★ 0.10
Getting Electricity	51	45	♣ 6	80.70	80.69	1 0.01
Registering Property	24	24	-	81.69	81.67	1 0.02
Getting Credit	101	97	♣ 4	45.00	45.00	-
Protecting Minority Investors	42	40	₽ 2	63.33	63.33	-
Paying Taxes	126	134	1 8	61.65	59.33	1 2.32
Trading across Borders	1	1	-	100.00	100.00	-
Enforcing Contracts	108	106	♣ 2	54.79	54.79	-
Resolving Insolvency	25	23	♣ 2	76.59	76.14	1.45

✓ = Doing Business reform making it easier to do business. X = Change making it more difficult to do business.

When?

The figures in this part of the presentation are from Cacciatore, M., R. Duval, G. Fiori, and F. Ghironi (2016): "Market Reforms in the Time of Imbalance," *Journal of Economic Dynamics and Control* 72: 69-93.



Figure 1. Home product market reform, normal times (continuous lines) versus recession (dashed lines). Responses show percentage deviations from the initial steady state. Unemployment is in deviations from the initial steady state.



Figure 2. Home firing costs reform, normal times (continuous lines) versus recession (dashed lines). Responses show percentage deviations from the initial steady state. Unemployment is in deviations from the initial steady state.



Figure 8. Home product market reform in a recession, open capital account (continuous lines) versus financial autarky (dashed lines). Responses show percentage deviations from the initial steady state. Unemployment is in deviations from the initial steady state.

And What Role for Macro Policy?

The figures in this part of the presentation are from the following papers:

Slide 11: Cacciatore, M., G. Fiori, and F. Ghironi (2016): "Market Deregulation and Optimal Monetary Policy in a Monetary Union," *Journal of International Economics* 99: 120-137.

Slides 12-13: Cacciatore, M., G. Fiori, and F. Ghironi (2015): "The Domestic and International Effects of Euro Area Market Reforms," *Research in Economics* 69: 555-581.







Fig. 1. Home product and labor market reform, historical policy (continuous lines) versus Ramsey-optimal policy (dashed lines). Responses show percentage deviations from the high-regulation steady state under historical policy (zero steady-state inflation). Unemployment and inflation are in deviations from the steady state.





Fig. 4. (b) Home product and labor market deregulation, productivity and labor reallocation effects.

Extras

The figures in this part of the presentation are from the following papers:

Slide 15: Cacciatore, M., R. Duval, G. Fiori, and F. Ghironi (2016): "Market Reforms in the Time of Imbalance," *Journal of Economic Dynamics and Control* 72: 69-93.

Slides 16-19: Cacciatore, M., G. Fiori, and F. Ghironi (2015): "The Domestic and International Effects of Euro Area Market Reforms," *Research in Economics* 69: 555-581.



Figure 3. Home unemployment benefits reform, normal times (continuous lines) versus recession (dashed lines). Responses show percentage deviations from the initial steady state. Unemployment is in deviations from the initial steady state.



Fig. 2. (a) Home product market deregulation, flexible regulation in foreign. Historical policy (solid) versus optimal policy (dashes).



Fig. 2. (b) Home product market deregulation, productivity and labor reallocation effects.



Fig. 3. (a) Home labor market deregulation, flexible regulation in Foreign. Historical policy (solid) versus optimal policy (dashes).



Fig. 3. (b) Home labor market deregulation, productivity and labor reallocation effects.