

MACROECONOMÍA

¿Un Progreso a los Tumbos?

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GRIETA DE ORIGEN

Keynes vs. Classicals

"...the characteristics of the special case assumed by the classical theory happen not to be those of the economic society in which we actually live, with the result that its teaching is misleading and disastrous if we attempt to apply it to the facts of experience." J.M. Keynes *General Theory*, Chapter 1

Keynes vs. Ricardo

"The completeness of the Ricardian victory is something of a curiosity and mystery. It must have been due to a complex of suitabilities in the doctrine to the environment into which it was projected.

- That it reached conclusions quite different from what the ordinary uninstructed person would expect, added, I suppose, to its intellectual prestige.
- That its teaching, translated into practice, was austere and often unpalatable, lent it virtue.
- That it was adapted to carry a vast and consistent logical superstructure, gave it beauty.
- That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress, and the attempt to change such things as on the whole to do more harm than good, commended it to authority.
- That it afforded a measure of justification to the free activities of the individual capitalist, attracted to it the support of the dominant social force behind authority." J.M. Keynes *General Theory*, Chapter 3.

Samuelson: On Keynes Shock

I think I am giving away no secrets when I solemnly aver—upon the basis of vivid personal recollection—that no one else in Cambridge, Massachusetts, really knew what it (*General Theory*) was about for some 12 to 18 months after its publication. Indeed, until the appearance of the mathematical models of Meade, Lange, Hicks, and Harrod **there is reason to believe that Keynes himself did not truly understand his own analysis.** Lord Keynes and the General Theory, *Econometrica* July 1946.

SIGUEN LOS CASCOTAZOS

Mundell vs. Keynes

"Keynes' *General Theory* was written in the 1930s. Its premises reflect the uncertainties of the decade. Keynes assumed rigid wages, no growth, a closed economy, and exogenous expectations. The Keynesian model is a *short run* model of a *closed* economy, dominated by *pessimistic* expectations and *rigid* wages. ***This model is not relevant to modern economies.***"

R.A. Mundell, *Monetary Theory*, 1971,
Introduction.

HACIA UNA SÍNTESIS

(a regañadientes)

- La curva de Phillips
- Macroeconometría
- Debates serios y empíricos sobre política monetaria y fiscal
- Sigue el acercamiento entre monetaristas y keynesianos
- Aun bajo el sello de las Expectativas Racionales (pero con desconfianza mútua)

LA GRAN MODERACIÓN

Mediados de los 80s Hasta 2008

- Causó una ilusión óptica de que habíamos domado el ciclo económico en economías Avanzadas
- Lo que se iba a transmitir a las Emergentes cuando éstas desarrollaran sus mercados financieros (F. Mishkin, *The Next Great Globalization*, Princeton U Press 2006).
- El rol de *la liquidez* se subestimó casi por completo. E.g.,
 - Real business cycle models
 - Cashless New Keynesian models
 - de Patinkin *Money, Interest and Prices*
 - a Woodford *Interest and Prices*

Robert E. Lucas Jr. vs. (?)

“the central problem of depression-prevention has been solved, for all practical purposes, and has in fact been solved for many decades”
AEA Presidential Lecture, 2003

¿Qué hubiera dicho Rubén Almonacid 1943-2002?

COMIENZO DEL DESCALABRO

CRISIS DE LEHMAN 2008:

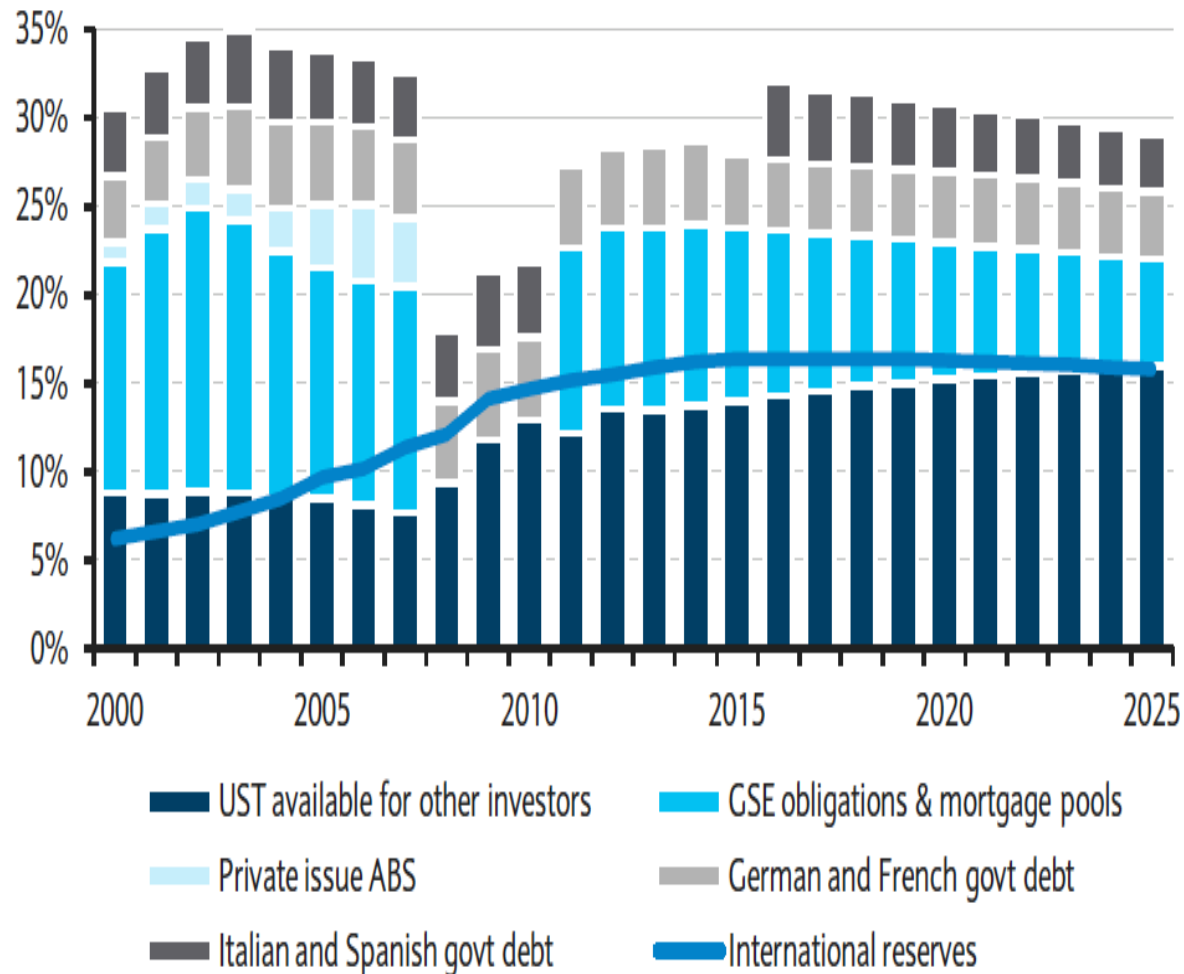
UN VERDADERO BOCHORNO

Vaya sorpresa cuando, **de repente**,

- el stock mundial de activos súper-líquidos cayó más del 10% del producto mundial !!
- el “haircut” sobre colateral muy líquido subió a casi el 50% !!

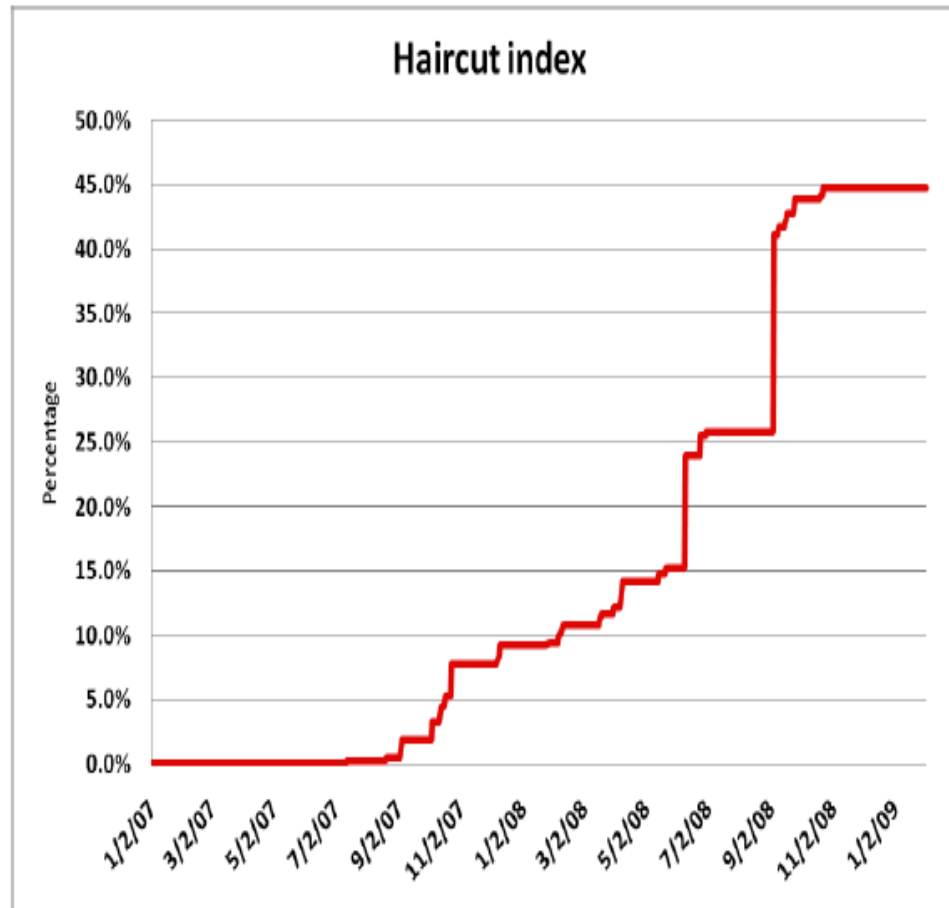
FIGURE 10

The 'safe asset shortage' is not as acute as in 2008-2010, but is set to intensify over time



Note: All variables are measured as a percent of world GDP. 2015-2025 are projections. Source: Barclays Research

Figure 4: The Repo-Haircut Index



Source: Gary Gorton and Andrew Metrick “Securitized Banking and the Run on Repo, Yale University, 2012

EL RETORNO DE LA *LIQUIDEZ* Y LA PROMINENCIA DEL *DÓLAR*

- La palabra ***Liquidez*** aparece **134** veces (mientras que ***Multiplicador*** sólo **46**) en la *Teoría General*.
- Sin embargo, a Keynes sólo se lo asociaba hasta hace poco con la *la Trampa de la Liquidez*
 - que la considerábamos una verdadera rareza!!
- Por otro lado, los economistas teóricos rechazaban y muchos aun rechazan utilizar el concepto de la liquidez en sus modelos, porque no entra naturalmente en las funciones de utilidad o de producción.

LIQUIDEZ NO ES UN “FUNDAMENTAL”

Paper/Fiduciary/Fiat Money (un papelucho sucio)





"You know, I just realized what's so great about money—there's no need to monetize it." New Yorker, March 14, 2016. ©

THE PRICE THEORY OF MONEY

Keynes to the Rescue!

Price Theory of Money (PTM)

"[...] the fact that contracts are fixed, and wages are usually somewhat stable in terms of money, unquestionably plays a large part in attracting to money so high a liquidity-premium" Keynes (GT, Chapter 17, p. 236)

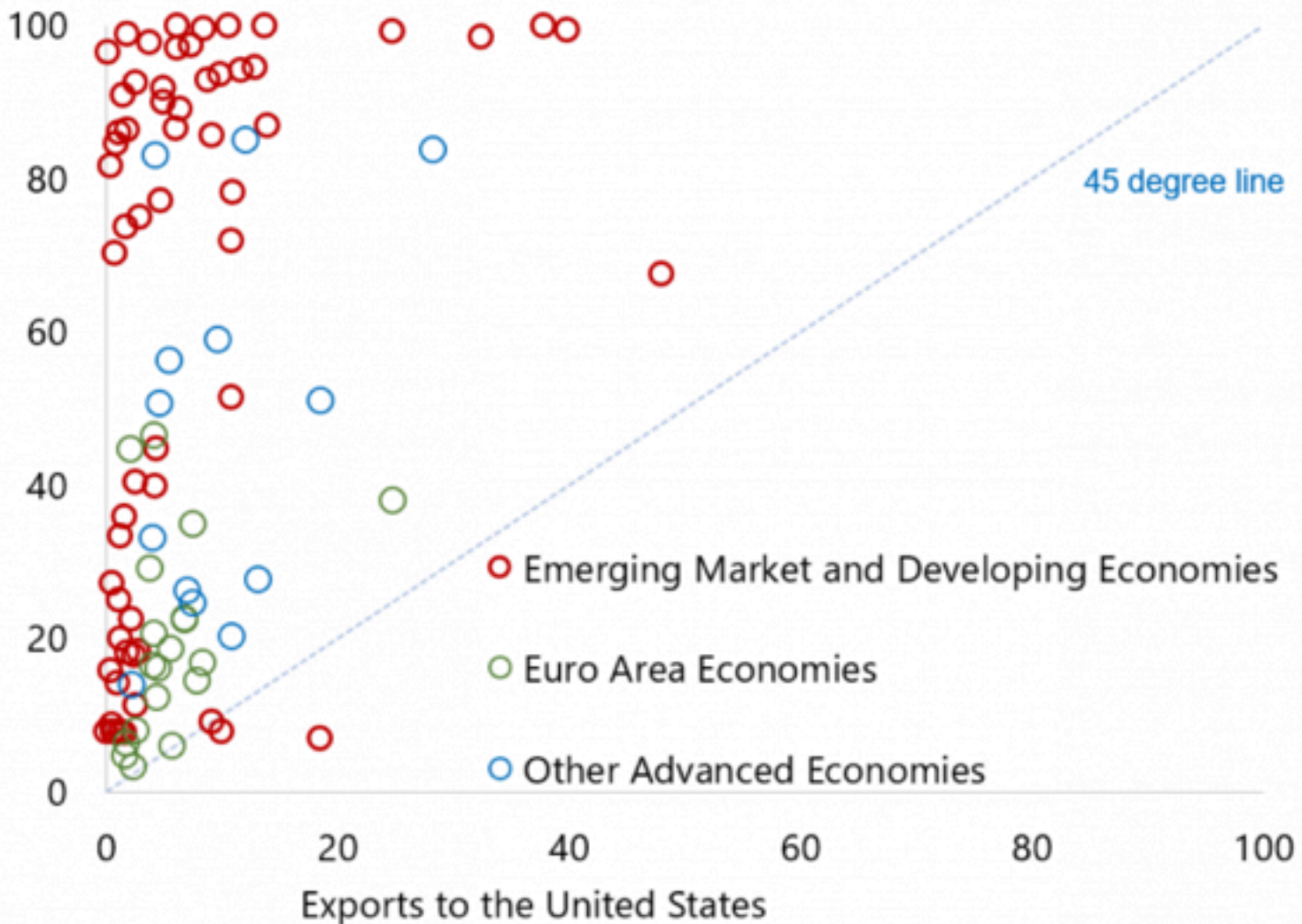
Price Theory of Money: Sticky Prices

- Price setting entails a ground-up commitment to make fiat money valuable in terms of output.
- Under staggered prices, agents are more willing to accept fiat money in exchange for their goods, because most prices will not be modified in the short run.
- PTM could also be labeled “Price in Advance Theory”: the *sustainability* of the output value of money *follows* from setting prices in advance.

Dominant currency pricing

Exports are often invoiced in US dollars even when the destination is not the United States.

(percent of merchandise exports to the US and invoiced in US dollars)





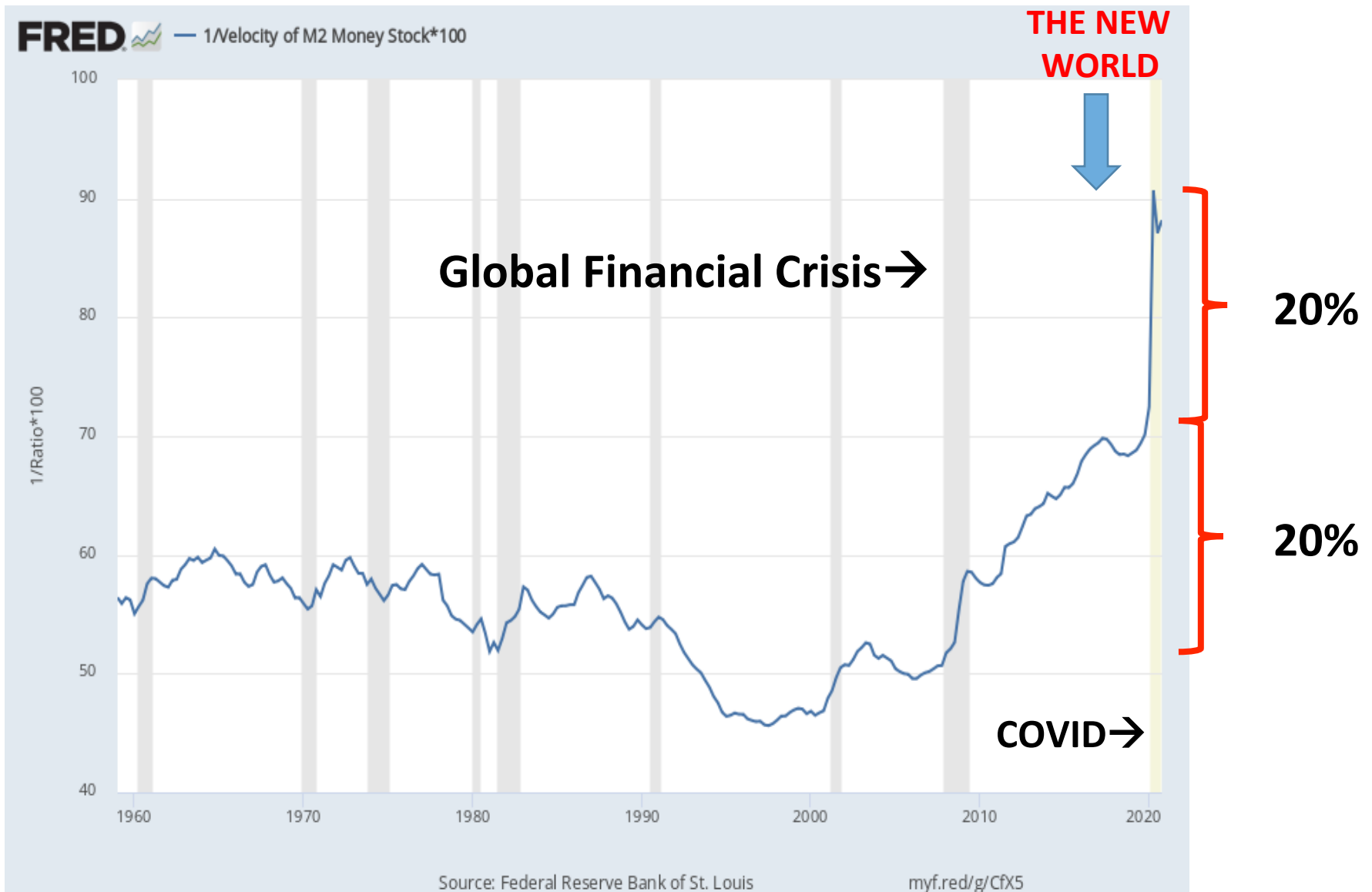
Conjectures

- The US dollar's advantage as Unit of Account may be its global coverage, including commodity prices, and financial transactions.
- **Gold or bitcoins will not become a serious threat to reserve currencies if prices are not denominated in gold or bitcoins.**
- **Floating exchange rates may undermine a currency's credibility.**
 - This may help to rationalize Fear of Floating, Calvo-Reinhart (2002).

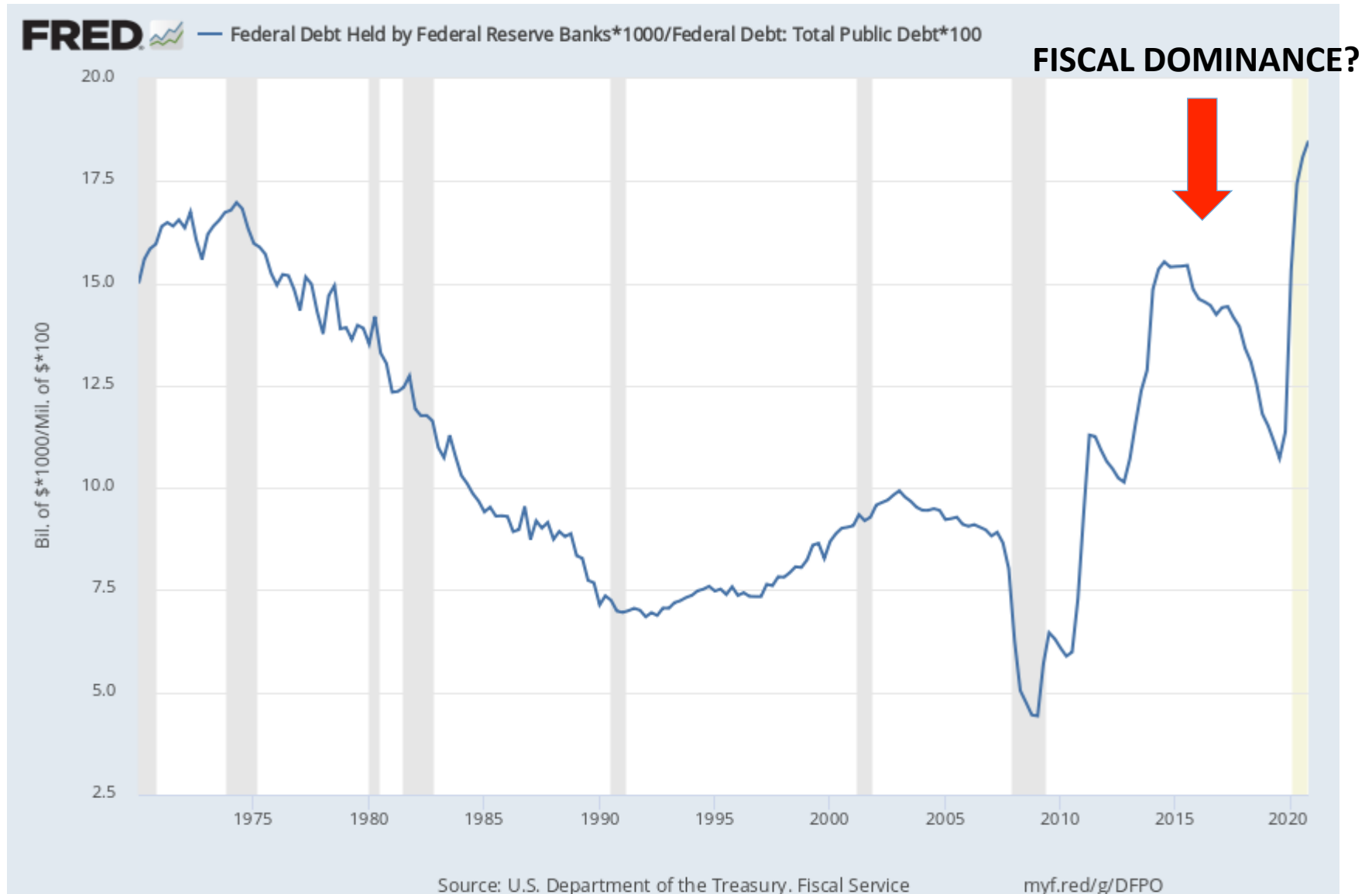
THE MONEY/FISCAL DILEMMA

A View From Emerging Markets

US RAMPANT GROWTH OF M2/GDP (%)



Share of FRB holdings of Federal Debt (%)



COVID Unusual Stock Market Rebound: Is This the New Inflation Brand?



LATAM ICE BOFA CORPORATE YIELD, EFFECTIVE

More Asset Inflation?

FRED — ICE BofA Latin America Emerging Markets Corporate Plus Index Effective Yield



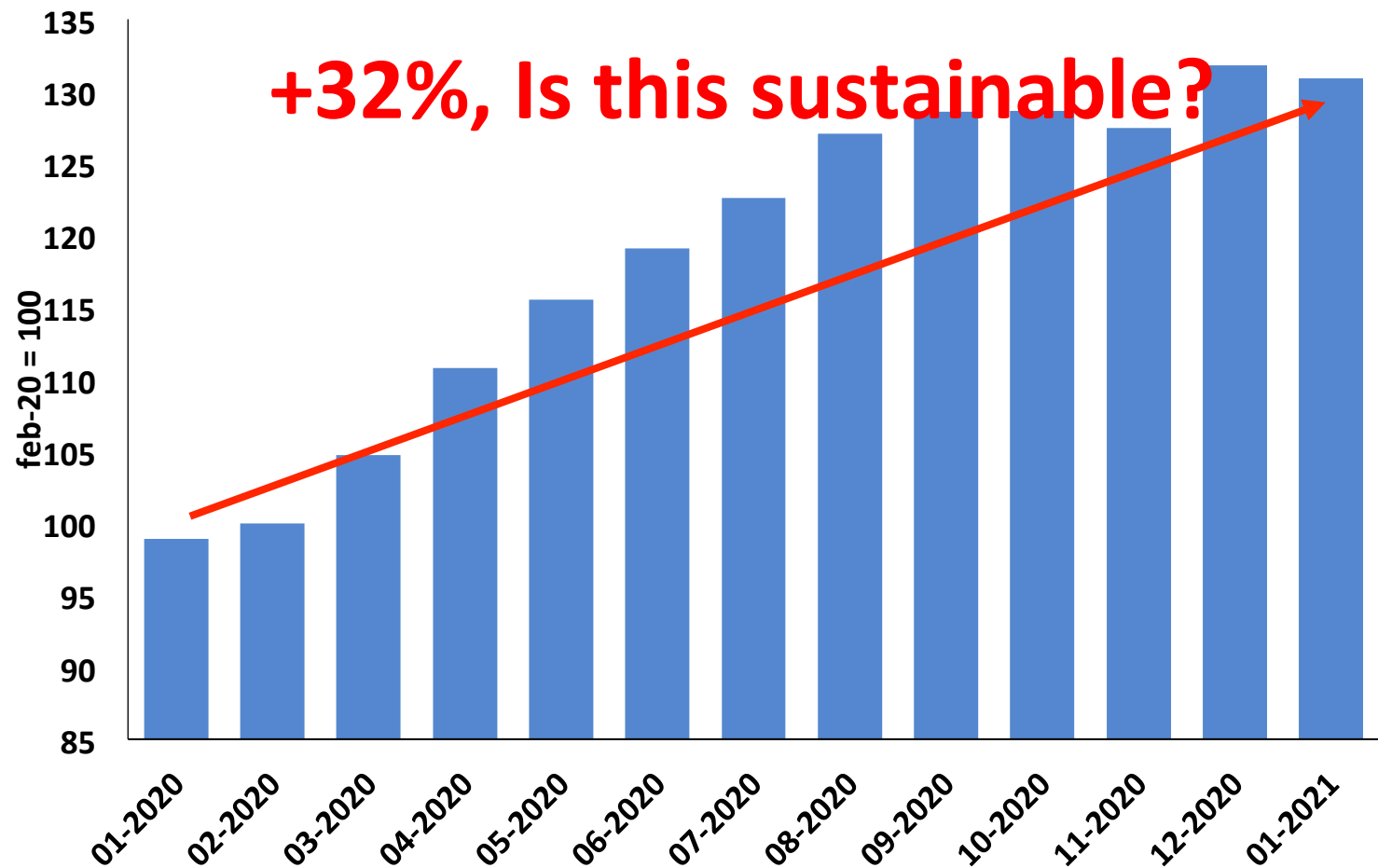
U.S. recessions are shaded; the most recent end date is undecided.

Source: Ice Data Indices, LLC

fred.stlouisfed.org

WHAT IF THE BUBBLE BURSTS?

M1/CPI: Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, India & Turkey



LAC M1 Seigniorage = $\Delta M1 / \text{Average GDP}$

(Feb 2020 to Dec 2020)

Is This Sustainable?

Country	$\Delta M1 / \text{Average GDP}$
Argentina	5.2%
Brazil	2.9%
Chile	11.9%
Colombia	4.0%
Costa Rica	2.8%
Mexico	4.6%
Peru	5.5%

FISCAL BALANCE, IMF

(Percent of GDP)

	Overall fiscal			
	2018	2019	Current Projections	
			2020	2021
World	-3.1	-3.8	-11.8	-8.5
Group of Twenty (G20)	-3.7	-4.5	-13.0	-9.4
Advanced Economies	-2.7	-3.3	-13.3	-8.8
Advanced G20	-3.3	-4.0	-14.3	-9.6
United States ^{1,3}	-5.8	-6.4	-17.5	-11.8
Euro Area	-0.5	-0.6	-8.4	-5.9
Germany	1.8	1.5	-5.1	-3.4
France	-2.3	-3.0	-10.6	-7.7
Italy	-2.2	-1.6	-10.9	-7.5
Spain ²	-2.5	-2.9	-11.7	-8.2
Japan	-2.6	-3.4	-13.8	-8.6
United Kingdom	-2.3	-2.3	-14.5	-10.6
Canada ³	0.3	0.5	-20.0	-7.8
Australia	-1.2	-3.8	-10.4	-11.4
Korea	2.6	0.4	-3.1	-2.7
Emerging Market and Middle Income Economies	-3.8	-4.8	-10.3	-8.6
Excluding MENAP Oil Producers	-4.0	-5.0	-10.3	-8.7
Emerging G20	-4.3	-5.4	-10.9	-9.1
Asia	-4.5	-6.0	-11.1	-10.3
China	-4.7	-6.3	-11.8	-11.0
India	-6.3	-7.4	-11.5	-9.7
Indonesia	-1.8	-2.2	-6.2	-6.1
Europe	0.4	-0.9	-6.6	-4.4
Russia	2.9	1.9	-4.6	-2.3
Turkey	-3.7	-6.4	-7.4	-7.1
Latin America	-5.2	-4.1	-9.8	-4.9
Brazil ⁴	-7.0	-5.9	-14.5	-5.9
Mexico	-2.2	-2.3	-5.2	-3.4
MENAP	-2.9	-3.7	-9.5	-6.8
Saudi Arabia	-5.9	-4.5	-11.7	-4.2
South Africa	-4.1	-6.3	-14.2	-12.2

2020

2021

AE = -13.3% AE = -8.8%

EM = -10.3% EM = -8.6%

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