Una Historia de Grandes Recesiones y Crisis en el Largo Siglo 20

Andrés Solimano

- Centro Internacional de Globalizacion y Desarrollo, CIGLOB
- Presentacion Instituto de Asuntos Publicos, INAP- U de Chile,
- Junio 25, 2021.

Temas de la presentación

- Una panorámica de recesiones y crisis
- Crisis globales (1930s, 1970s, 2000s, 2020), regionales y nacionales.
- Guerras y recesiones (WWI y WWII).
- Hiperinflacion y recesiones (1920s, 1940s, 1980s, 1990s, 2000-10s)
- Transición post-socialista en la decada de 1990.
- America Latina y Este de Asia.
- Crisis Covid (2020-21).
- Conclusiones

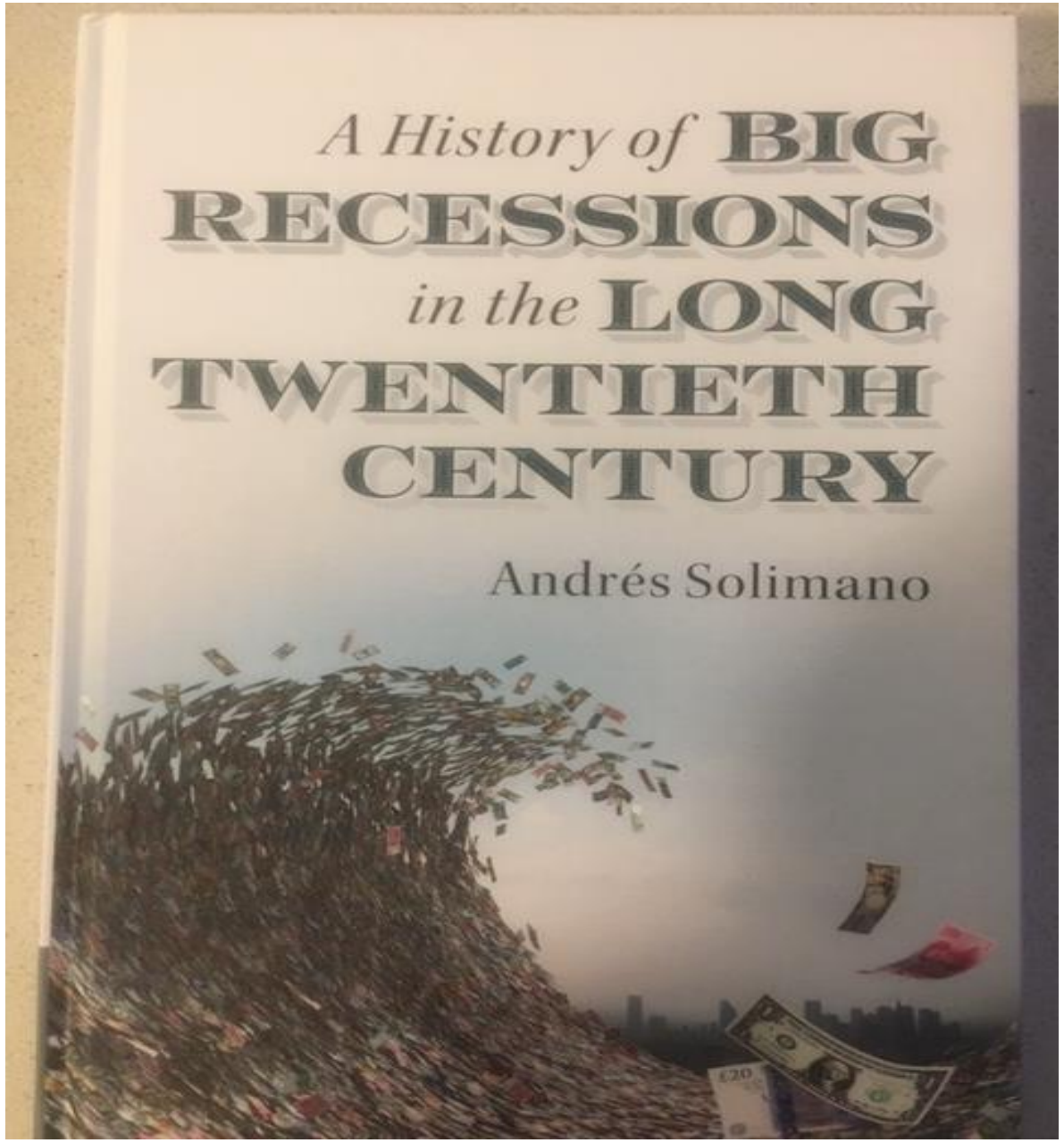
Recesiones y crisis en la Historia (siglo 20-21)

- Crisis Económicas globales
- La gran depresión de los 1930s.
- Estanflación en los 1970s.
- La crisis financiera global de 2008-09
- Crisis del Covid 2020.
- Crisis Económicas regionales.
- La crisis de la deuda de los 1980s en America Latina, Turquia, Filipinas.
- La crisis Asiatica de 1997-98
- Contracciones economicas en Europa Central y del Este en los 1990s.
- Multiples crisis económicas nacionales. En Chile, crisis grandes ocurrieron en 1931-32, 1975, 1982-83.

Otras crisis y eventos extraordinarios.

Guerras: Primera y Segunda Guerra Mundial.

- Pandemias: Gripe Española (1918-19), Covid -19 (2020-?).
- Hiperinflaciones (Alemania 1923, Argentina 1989-90, Venezuela 2017-?)
- Cambio climatico y desestablización ecológica.
- Crisis nuclear


A History of BIG
RECESSIONS
in the LONG
TWENTIETH
CENTURY
Andrés Solimano

Capítulos del libro (Cambridge University Press, 2020)

- Chapter 1. Introduction
- Chapter 2 . Recessions and Depressions: Theories and Empirics
- Chapter 3. World War I, Hyperinflation in the 1920s and World War II.
- Chapter 4. The Great Depression of the 1930s.
- Chapter 5. Stagflation in the 1970s, Globalization and the Financial Crisis of 2008-09
- Chapter 6. Two Depressions in the Early 21st Century: The Cases of Latvia and Greece
- Chapter 7. Soviet-type of Socialism and the Post-Socialist Transition
- Chapter 8. Economic Crises in Latin America and East Asia.
- Chapter 9. Summary and conclusions.

Intensidad y Frecuencia de Recesiones, 1900-2017 (variación porcentual del PIB per capita)

Type of decline		1900-2017		1900-1950		1951-2017	
		Obs.	Percent	Obs.	Percent	Obs.	Percent
Recessions	Mild recession (less than 3%)	335	45.0%	115	32.7%	220	56.1%
	Moderate to large recession (between 3% and 10%)	261	35.1%	141	40.1%	120	30.6%
	Severe recession (between 10% and 15%)	61	8.2%	42	11.9%	19	4.8%
Depressions	Depression (between 15% and 30%)	59	7.9%	34	9.7%	25	6.4%
	Mega depression (more than 30%)	28	3.8%	20	5.7%	8	2.0%
Total		744	100.0%	352	100.0%	392	100.0%

Principales regularidades empíricas

- Around 50 percent of the episodes of economic contraction are “mild recessions”, GDP falls by 3 percent.
- Near 85 percent of the episodes are moderate to large recessions, GDP falls between 3 and 10 percent
- Depressions represent around 10—12 percent of the cases declining in the period 1950-2017.
- Mega-Depressions (GDP falls by more than 30 %) only 2-4 percent of the cases.

Causas de grandes recesiones y crisis en la historia.

- The analysis of world economic crisis during the long 20th century, have shown that they can take place because of several factors:
  I. Armed conflicts such as World War I and II
  II. Hyperinflation
  III. Banking crises
  IV. Supply shocks (oil, disruption in production-chains)
  V. Health crisis (pandemics)
  VI. Shock treatment and systemic change (Chile 1975, Poland 1990-91, post socialist transition in the former USSR, Central and Eastern Europe in the 1990s),
  VII. Macroeconomic populism, political destabilization, trade embargoes.
  VIII. Adverse terms of trade shocks and "sudden stops" (cuts in capital inflows).

Teorias.

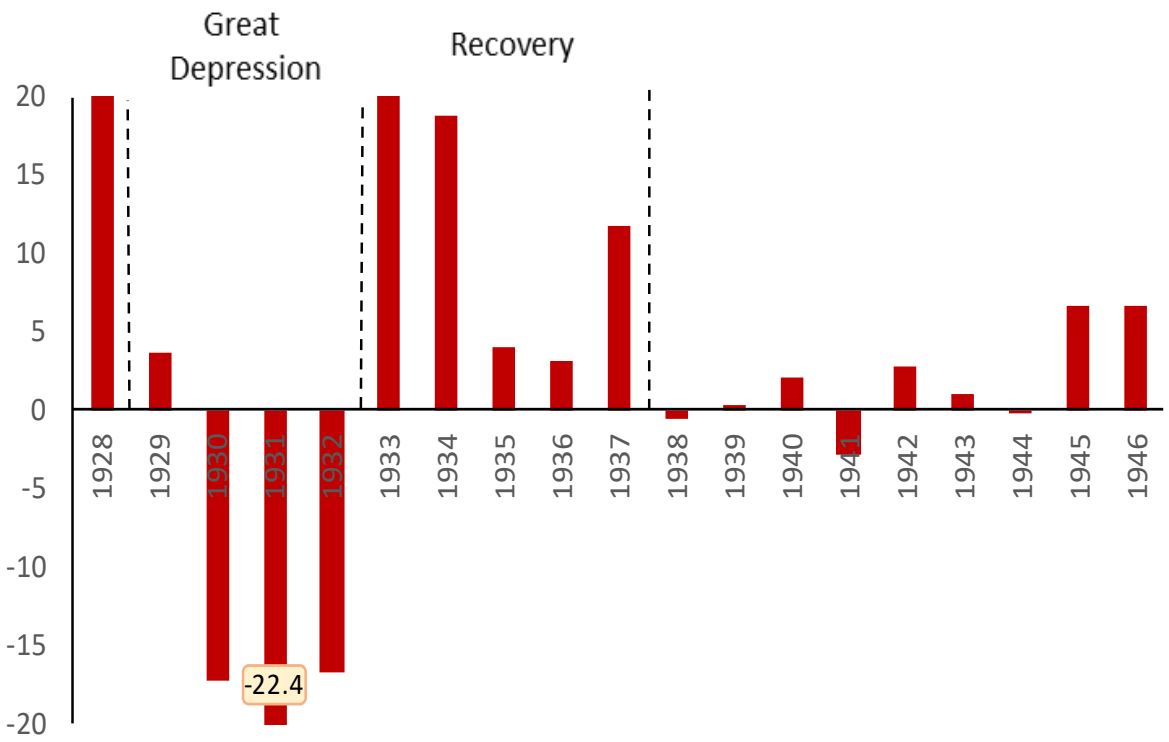
- *Monetarism* → Milton Friedman (central bank's mistakes). The Austrians (Central Banks interfere savings/investment process) .
- *Debt deflation theory* → Irving Fisher (too much debt)
- *Aggregate demand failures* → John Maynard Keynes (too little spending)
- *Credit Crunch* → Ben Bernanke (lack of funding)
- *Financial theories of recession* → Hyman Minsky (inherent financial instability in capitalism)
- *Psychological factors behind crisis* → Charles Kindleberger (watch episodes of euphoria, stress, panics)
- We need a theory for mega-depressions: often related to war and hyperinflation

La Gran Depression de los 1930s.

- It was preceded by the stock market crash of 1929.

- Amplified by the straightjacket of the gold standard (no nominal currency depreciation, fiscal and monetary restraint).
- Bank failures in Austria, Alemania and USA.
- Effects on the periphery of the world economy.
- Lack of international policy coordination (British hegemony was waning and America was still unwilling to become a global hegemon).
- Rol de la deflacion sobre el valor real de la deuda.
- Hoover versus Roosevelt.

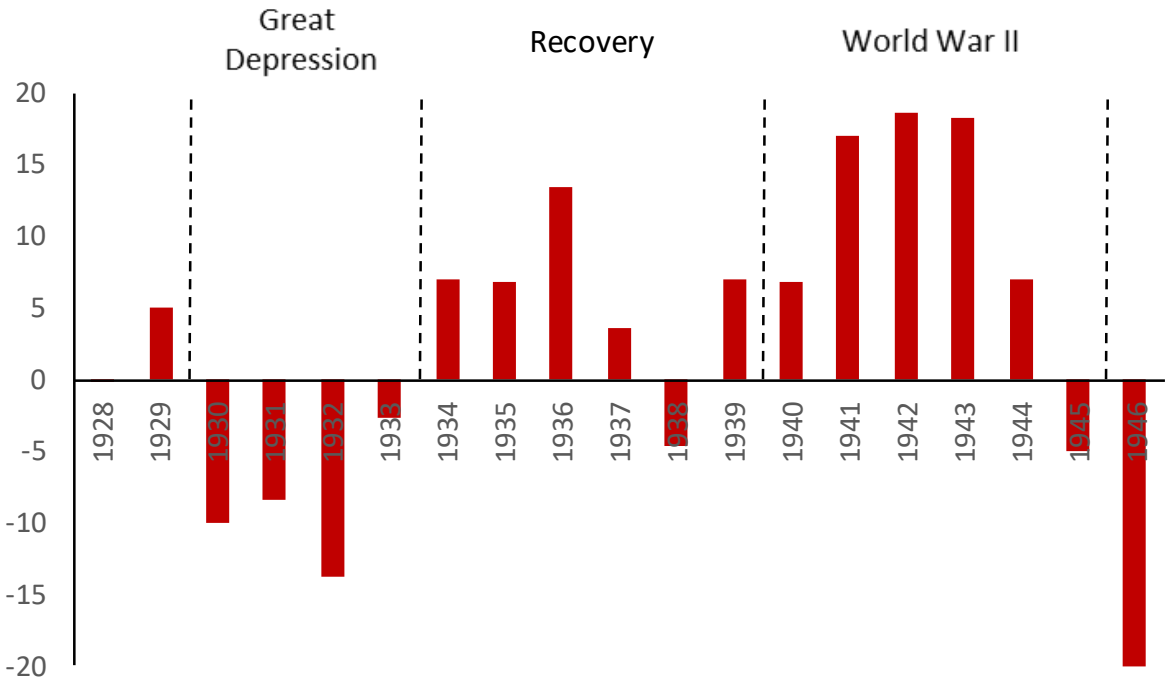
Chile: Rate of growth of GDP per capita (percent), 1928-1946



Source: Own elaboration based on The Maddison-Project,

http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version

United States: Rate of growth of GDP per capita (percent), 1928-1946



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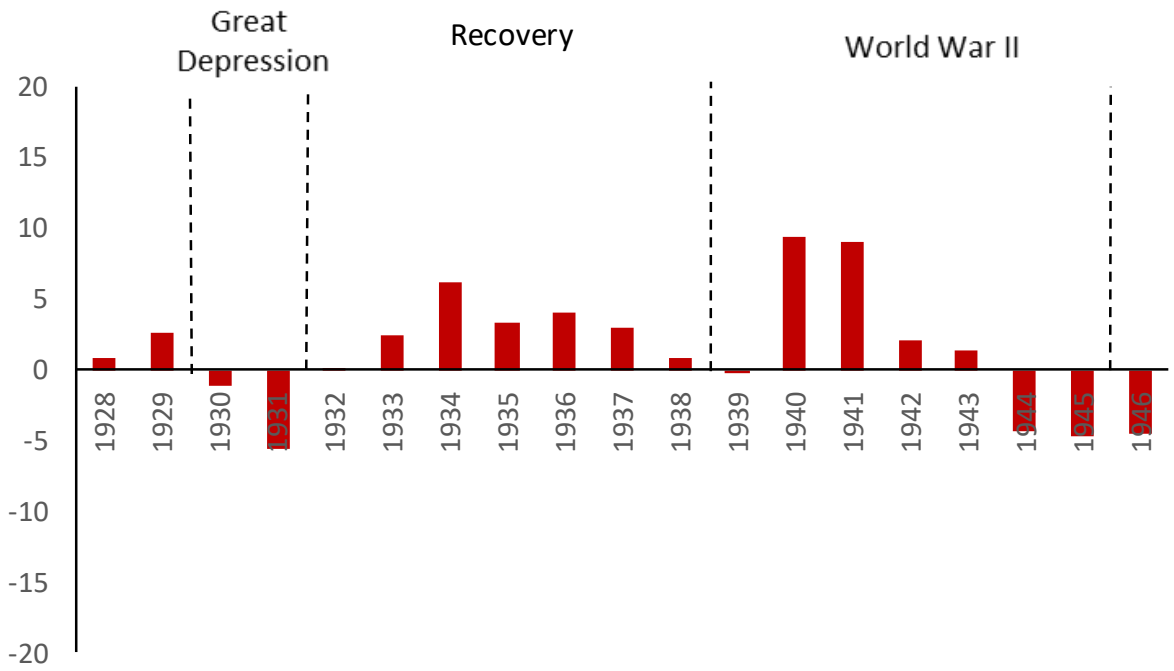
United Kingdom: Rate of growth of GDP per capita (percent), 1928-1946



Source: Own elaboration based on The Maddison-Project,

http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version

La Estanflación de los 1970s.

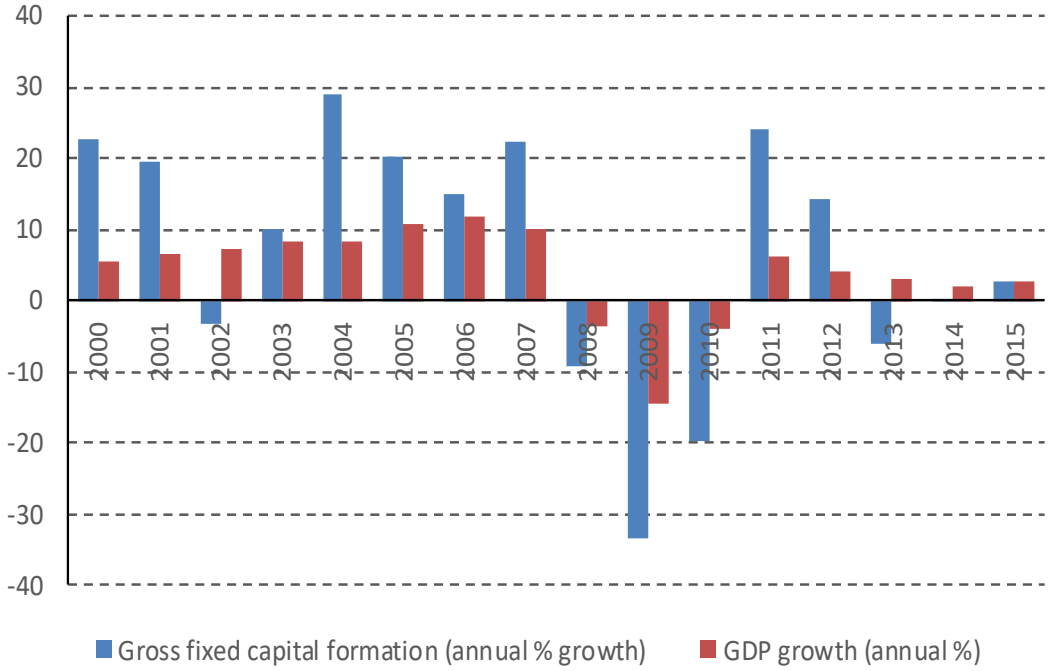
- Main events that triggered it :
- the abandonement of Bretton Woods parities. The USA devalues the dollar vis a vis gold in 1971 (closing of the “dollar window”).
- The oil price shock of 1973 and 1979.
- Inflation and currency instability.
- Volatile social conditions and geopolitical context: strong labor militancy, Vietnam war, Iran crisis, challenges to US hegemony.

La crisis financiera global de 2008-09

- It originated in the real estate market in the USA (sub-prime loans), then spill into the financial system and then propagated internationally to Europe.
- It was a crisis mainly of the core/central economies.
- Strong growth in China helped to ameliorate global effects.
- Developing countries and emerging economies suffered less than core economies.

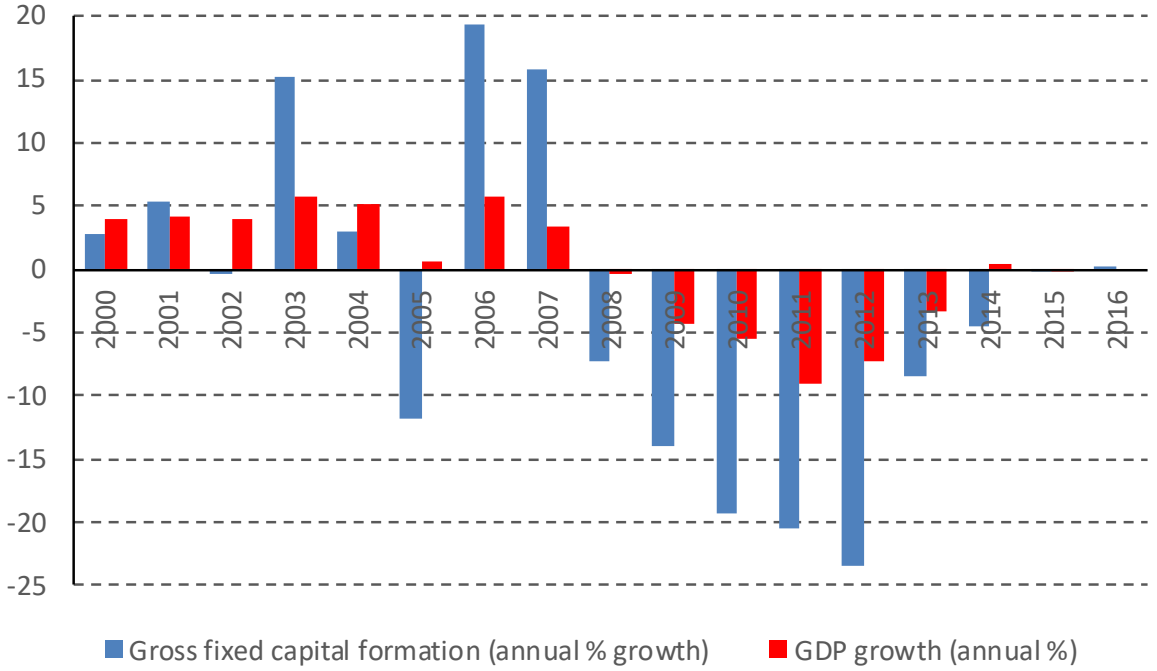
Austeridad: Grecia y Latvia

Latvia: GDP growth and Investment Growth (percent change, 2000-2015)



Source: World Development Indicators, The World Bank 2017

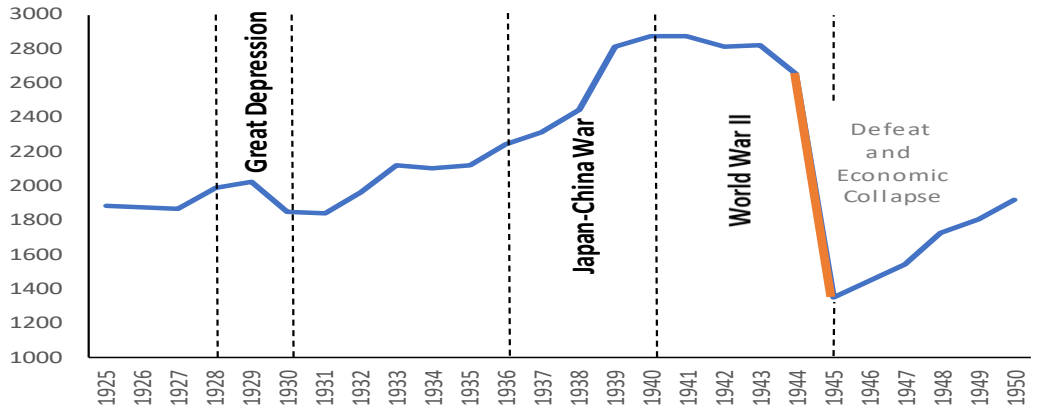
Greece: GDP growth and Investment Growth (percent change, 2000-2015)



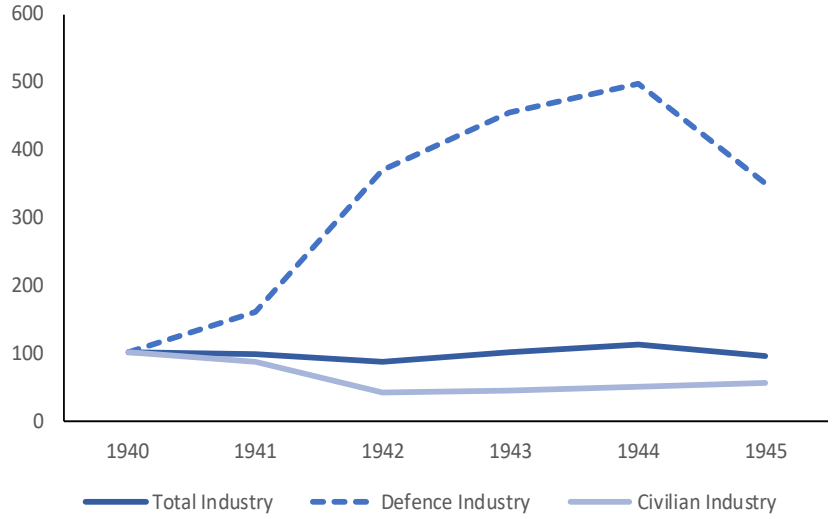
Source: World Development Indicators, The World Bank 2017

Contracciones en Guerras

Japan: GDP per capita level 1944-1945, (1990 int. dollars, 1925-1950)



Soviet Industry, Output Index (1940-1945, 1940=100)



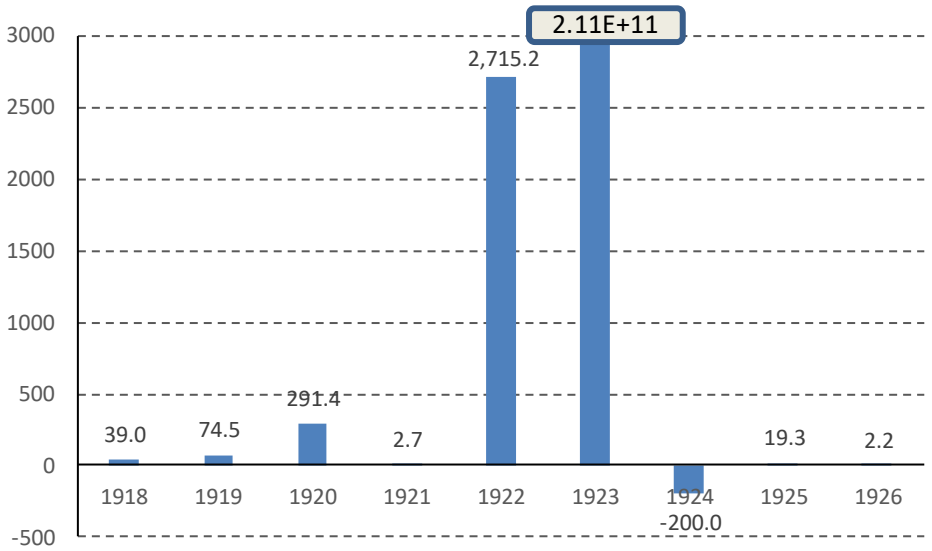
Hiperinflaciones

- Germany in 1923
- Argentina in 1988-90.
- Venezuela in 2017-2019
- Other: Austria, Hungary, Poland, Soviet Russia (early 1920s), Hungary and Greece (1940s), Bolivia (1985), Peru (1998-89), Nicaragua (1987-91), Yugoslavia (early 1990s), Zimbabwe (2008).

Hiperinflación en Alemania en los 1920s (1918-1926)

Germany: Inflation

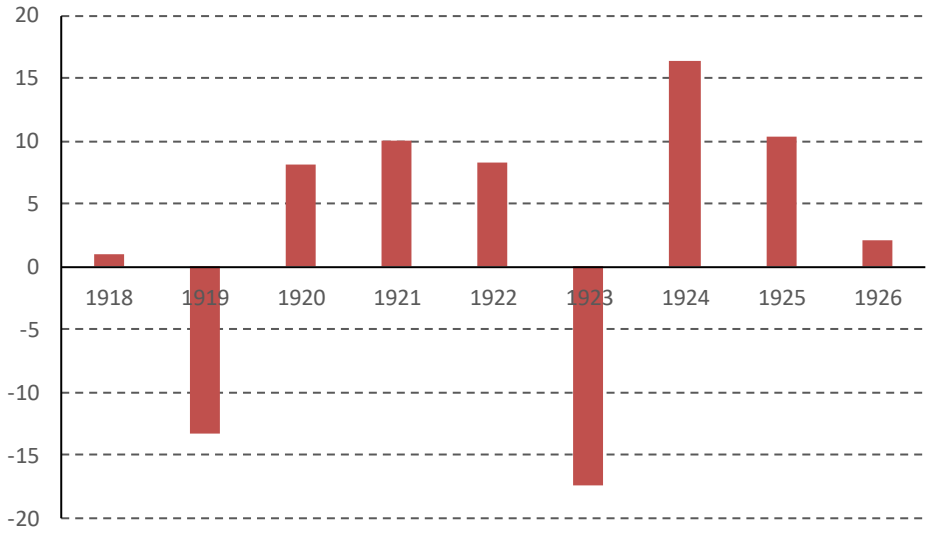
(annual percent change in Consumer Price Index, 1918-1926)



Source: Reinhart & Rogoff (2010)

Germany: GDP per capita

(annual percent change, 1918-1926)

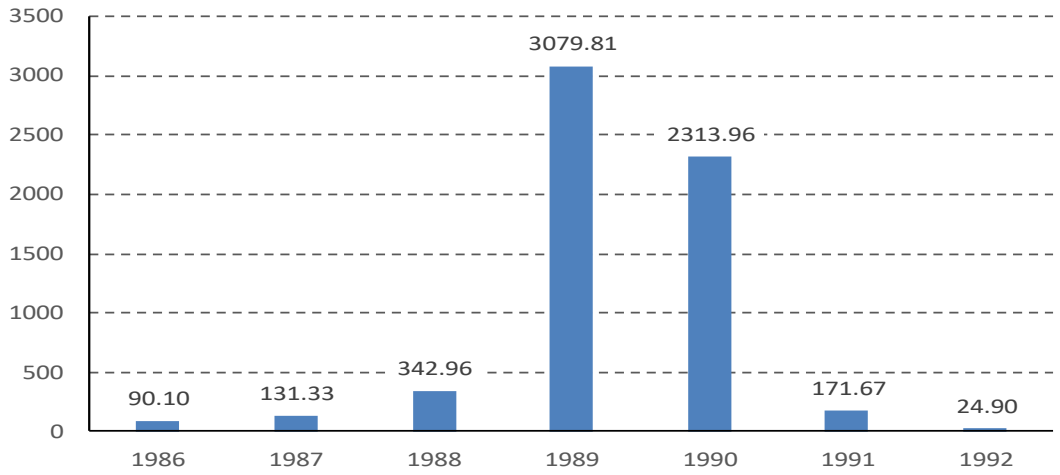


Source: Maddison (2013)

Hiperinflación en Argentina en 1989-1990 (ciclo 1986-1992)

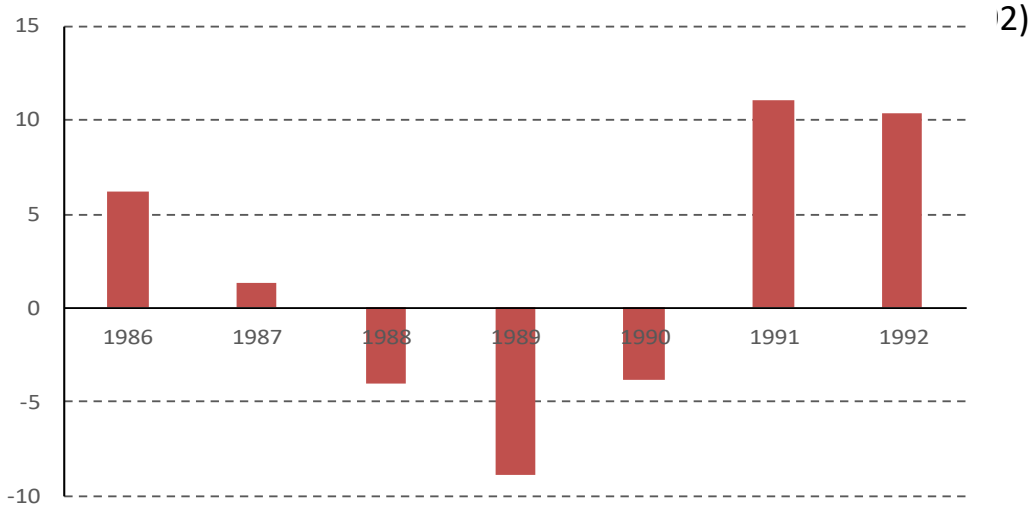
Argentina: Inflation

(annual percentage change, CPI. 1986-1992)



Source: INDEC

Argentina: Output collapse during hyperinflation

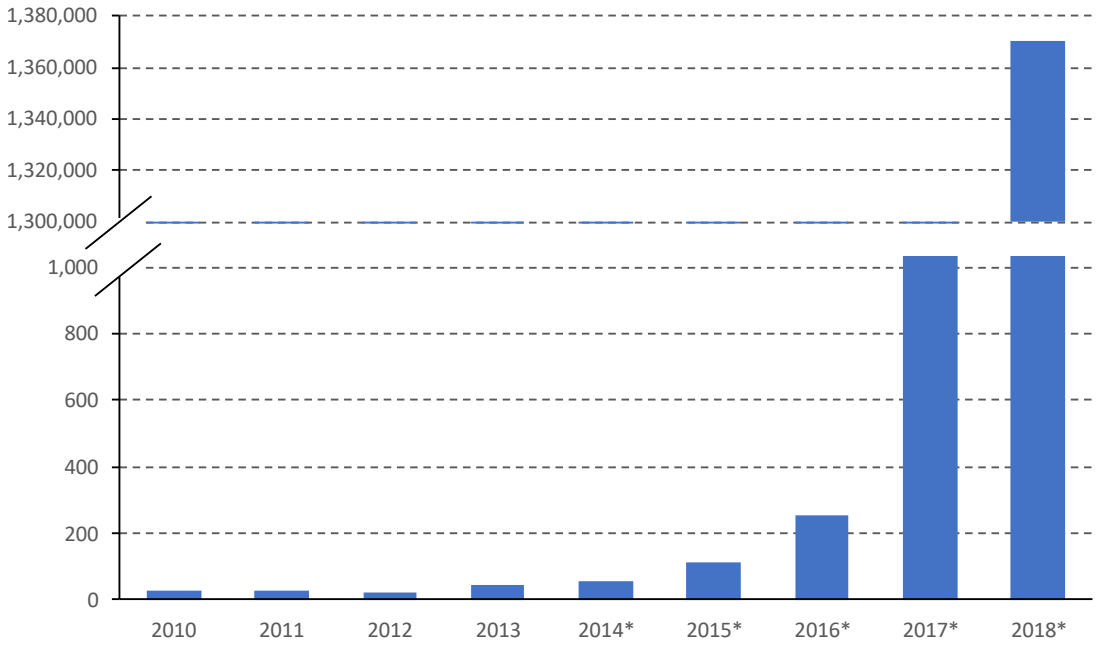


Source: WDI, The World Bank 2018

Hiperinflacion en Venezuela desde 2017 (periodo 2010-2018)

Venezuela: Inflation rates

(annual percentage change, CPI. 2010-2018)



Source: INDEC

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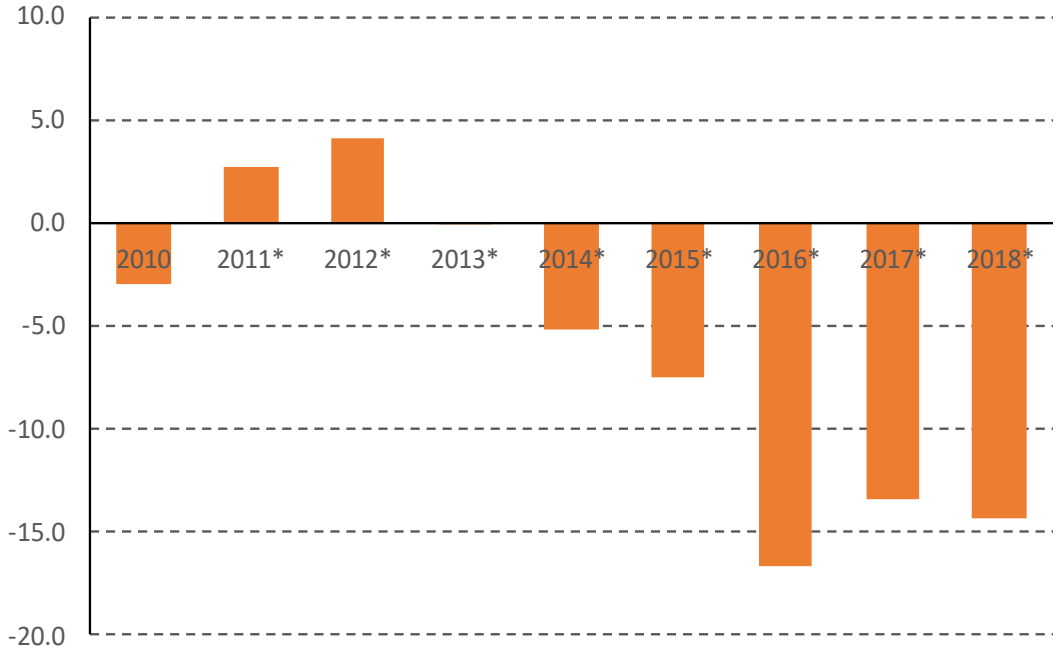
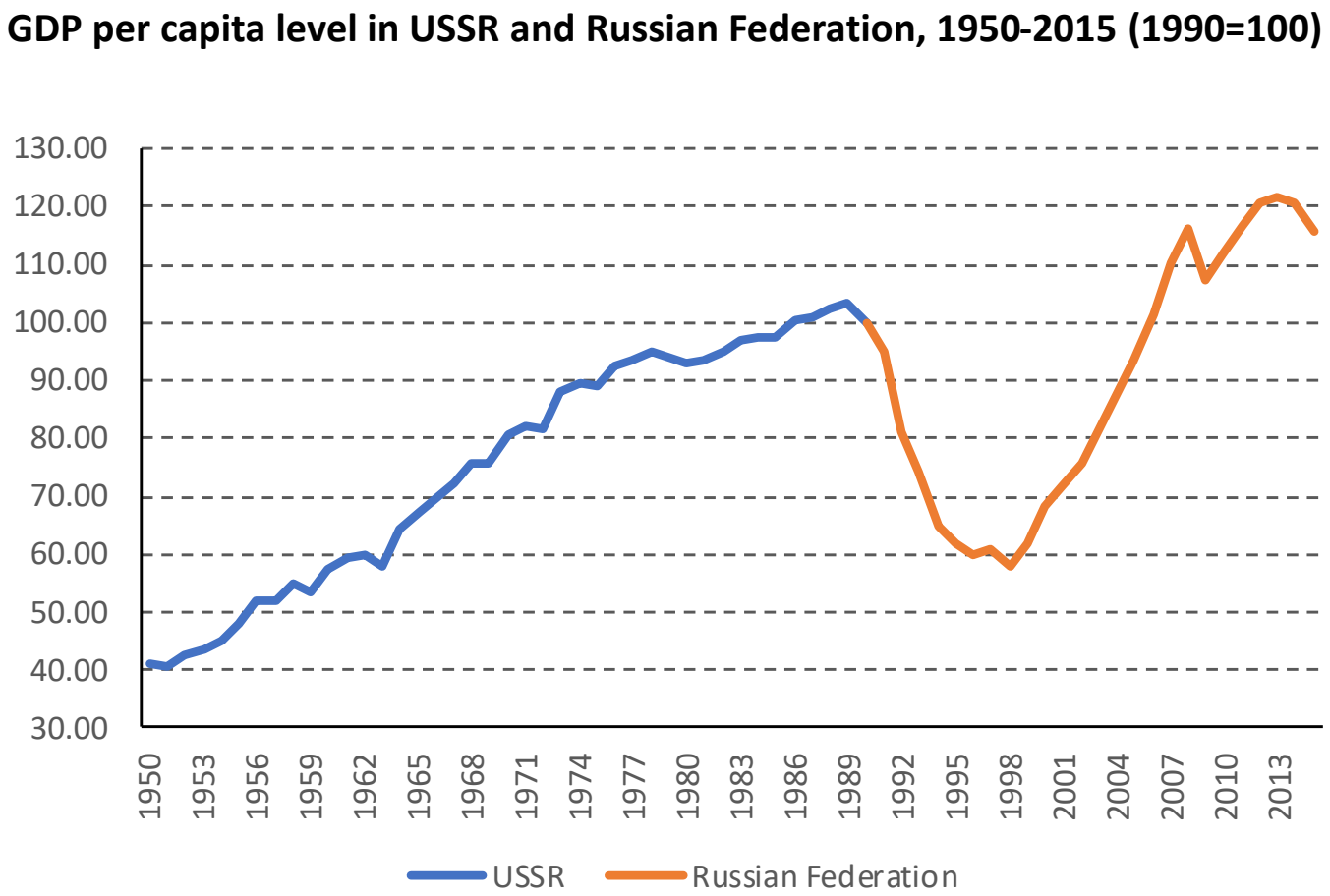


Source: WDI, The World Bank 2018

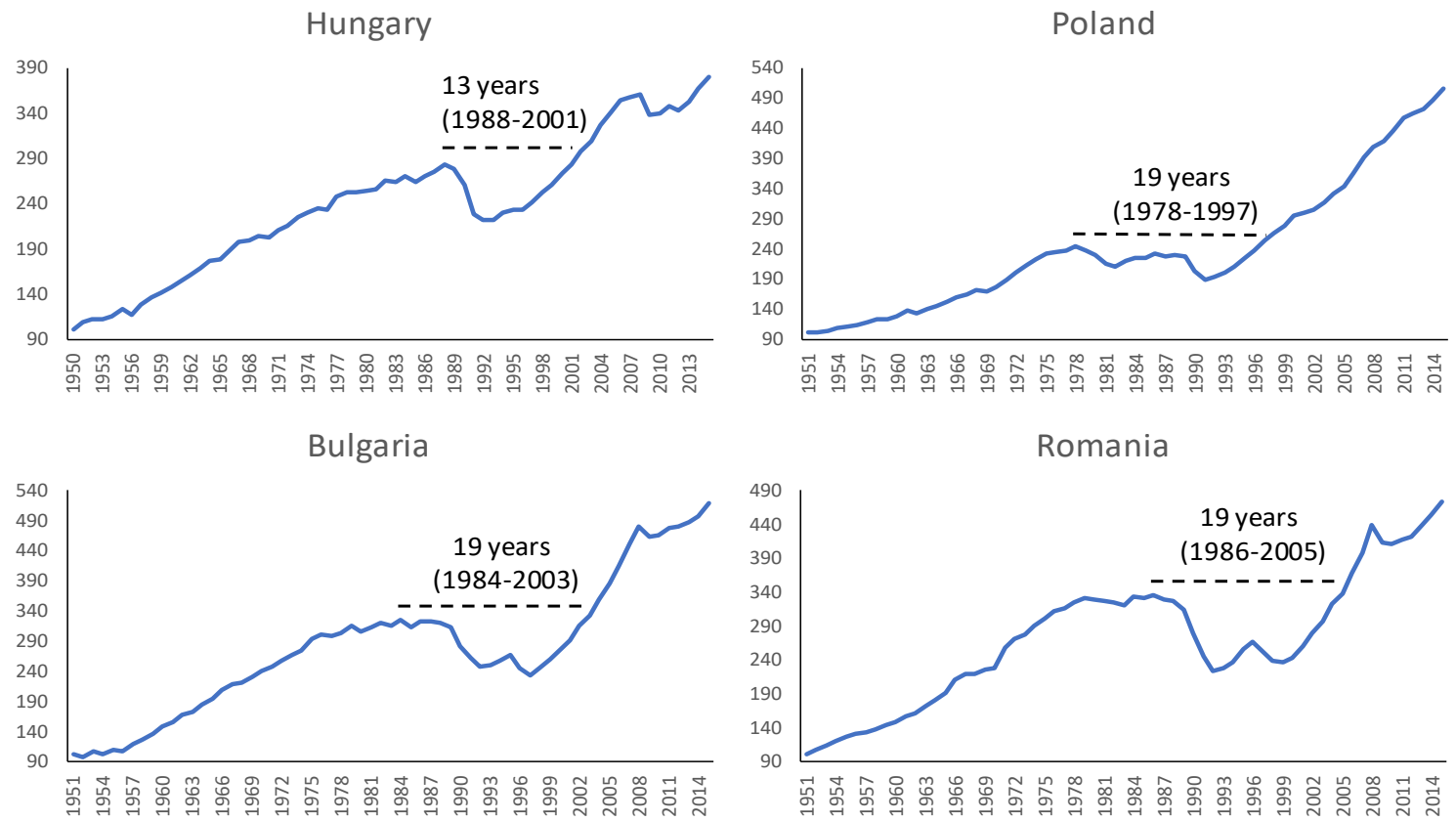
Transiciones Post-Socialistas --USSR - Russia



Source: Data for 1951-1990 period from The Maddison-Project, http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version; and for 1991-2015 period from World Development Indicators, The World Bank 2017

Hungary , Poland , Bulgaria y Rumania

GDP per capita, 1950-2015 (1950=100)



Source: Data for 1950-1999 period from The Maddison-Project, http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version; and for 2000-2015 period from World Development Indicators, The World Bank 2017

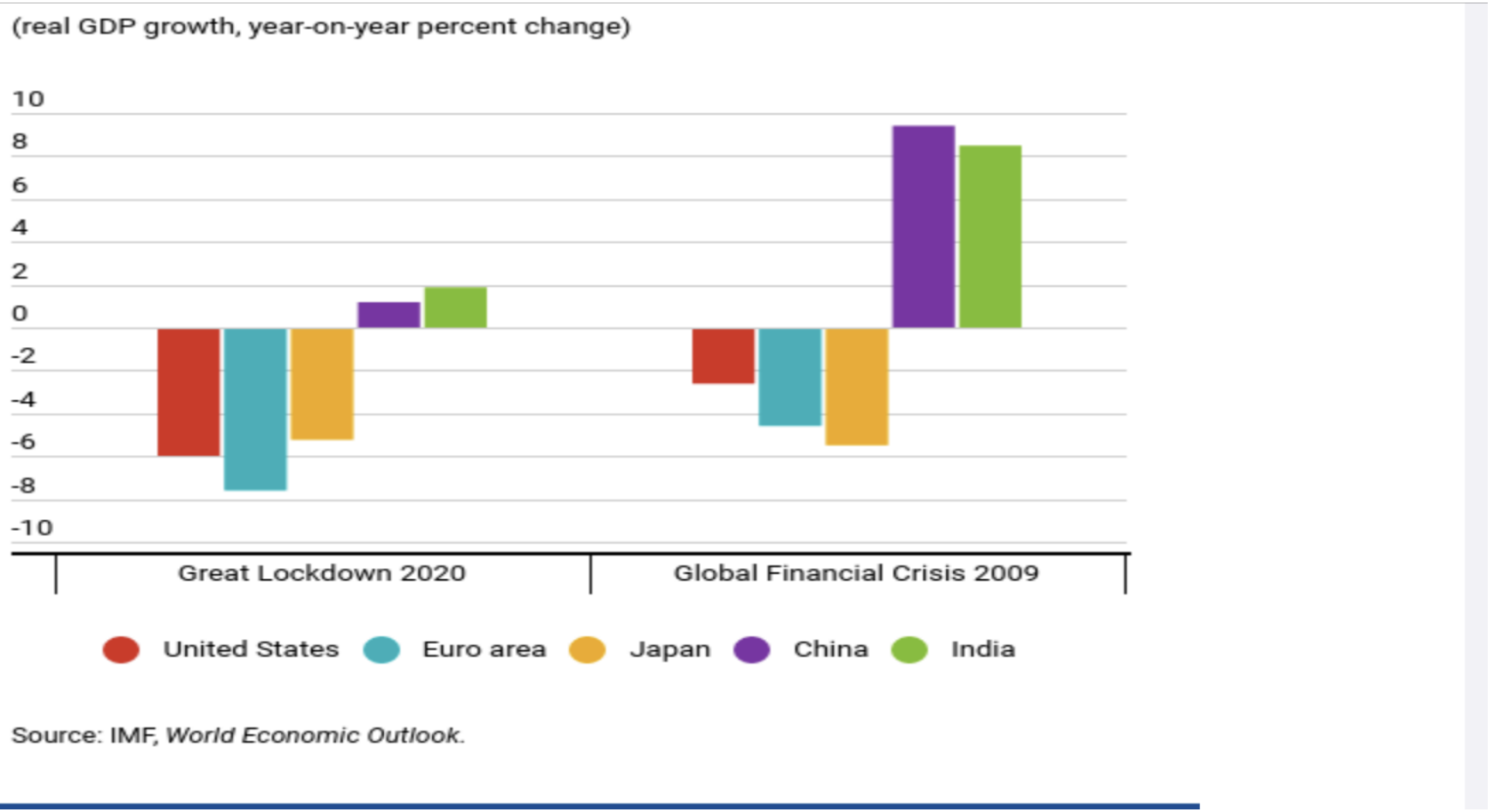
Crisis en America Latin America y Este de Asia (1)

- Latin America is a net exporter of commodities, inequality is high and distributive conflicts make policy consensus often difficult to attain.
- In Chile and Argentina, in the early 1970s left-wing governments implemented over-expansive fiscal, credit and wage policies. This led to economic and political destabilization, followed by military coups and democracy collapse.
- Right-wing military regimes embraced free-market therapy and shock treatment with adverse output consequences. The 1980s was the “lost decade” in Latin America as a consequence of the debt crisis, high inflation and severe output contraction.
- There has been episodes of hyperinflation in Bolivia (1985) Nicaragua (1986-91), Peru(1988-90), Argentina (1999-90) and more recently Venezuela (2017-).
- Venezuela, enjoyed a windfall of high oil prices in the 1970s, maintained democracy at a time other Latin American countries turned to authoritarian regimes. Then severe economic and political crisis in the 2016-2019.

Crisis en America Latin America y Este de Asia (2)

- The economies of East Asia in the period 1970-2018 were affected in different ways by the cycles of the international economy, domestic economic policies and other factors.
- The economies of East Asia in the period 1970-2018 had a much lower frequency of episodes of economic contraction and more rapid recoveries than in Latin America.
- China and Vietnam had their recessions in the 1970s but avoided output contractions in subsequent decades.
- The worst meltdown was during the financial crisis of 1997-99 that hit hard Indonesia, Korea, Thailand, Malaysia and the Philippines.
- The global financial crisis of 2008-09 led to output declines in the Philippines (small), Thailand, Malaysia, Hong Kong and Singapore.

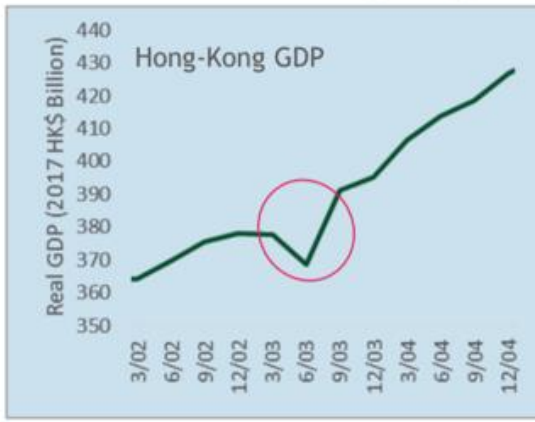
Crisis del Covid 2020.

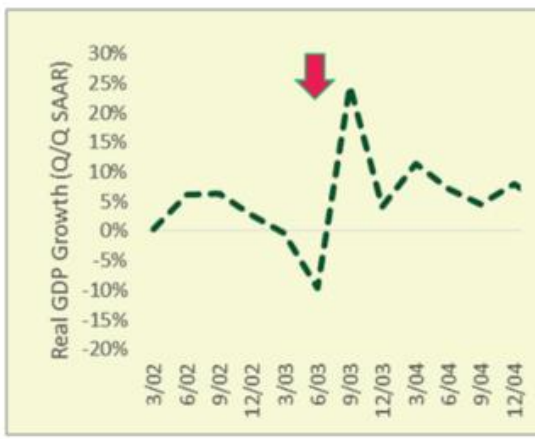


Empirically, flu shocks have all been 'V-shape'

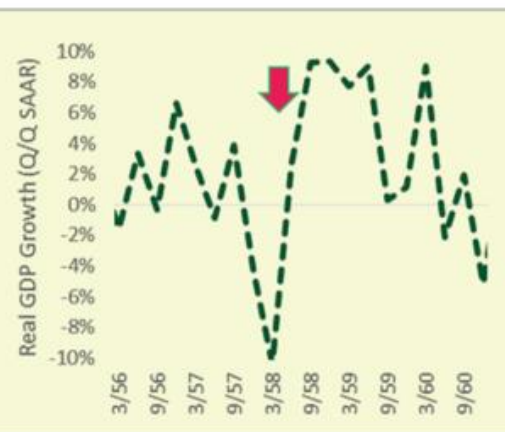
Historical precedents interesting, not deterministic

2003 SARS
(299 deaths in Hong Kong)

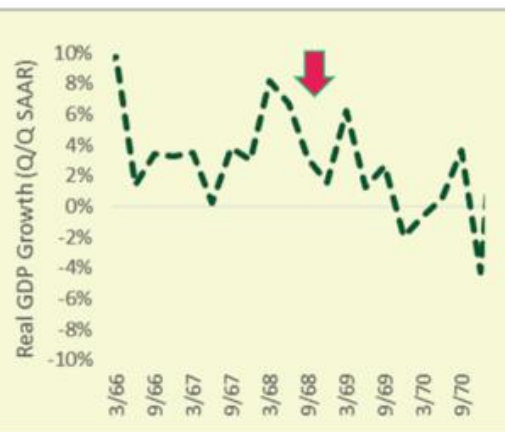




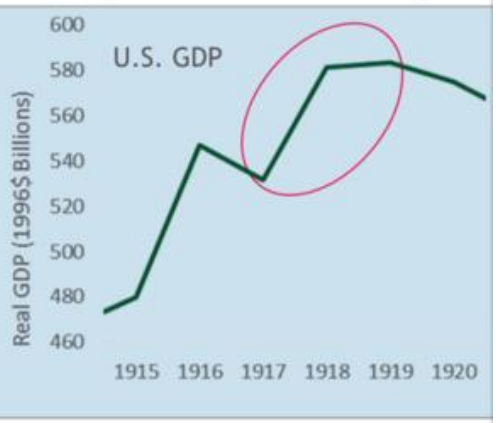
1957/58 H2N2
(116k deaths in U.S.)

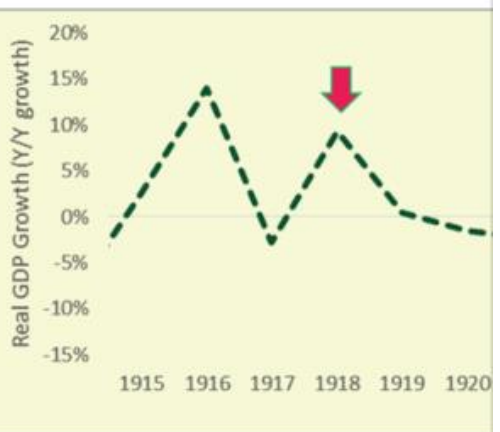


1968 H3N2
(100k deaths in U.S.)

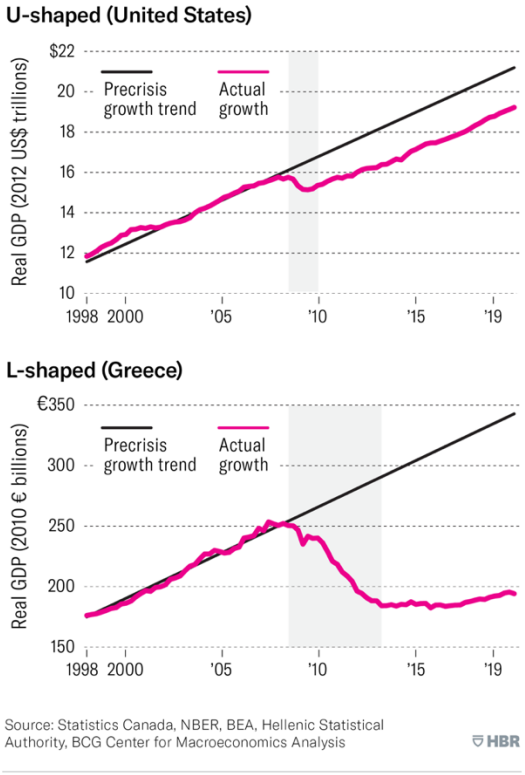


1918 Spanish Flu
(675k deaths in U.S.)





Otras formas de recuperacion: forma U (USA despues del 2008-09) y forma L (Grecia 2008-2015)



(real GDP, annual percent change)	2020	PROJECTIONS 2021	2022
World Output	**-3.3**	**6.0**	**4.4**
Advanced Economies	**-4.7**	**5.1**	**3.6**
United States	-3.5	6.4	3.5
Euro Area	-6.6	4.4	3.8
Germany	-4.9	3.6	3.4
France	-8.2	5.8	4.2
Italy	-8.9	4.2	3.6
Spain	-11.0	6.4	4.7
Japan	-4.8	3.3	2.5
United Kingdom	-9.9	5.3	5.1
Canada	-5.4	5.0	4.7
Other Advanced Economies	-2.1	4.4	3.4
Emerging Market and Developing Economies	**-2.2**	**6.7**	**5.0**
Emerging and Developing Asia	-1.0	8.6	6.0
China	2.3	8.4	5.6
India	-8.0	12.5	6.9
ASEAN-5	-3.4	4.9	6.1
Emerging and Developing Europe	-2.0	4.4	3.9
Russia	-3.1	3.8	3.8
Latin America and the Caribbean	-7.0	4.6	3.1
Brazil	-4.1	3.7	2.6
Mexico	-8.2	5.0	3.0
Middle East and Central Asia	-2.9	3.7	3.8
Saudi Arabia	-4.1	2.9	4.0
Sub-Saharan Africa	-1.9	3.4	4.0

Conclusiones.

- The biggest recessions/depressions take place in cases of war, hyperinflation and extreme social destabilization.
- Financial crises, supply shocks, demand shocks, change in international hegemonies behind global crises.
- The Great Depression of the 1930s led to political change (new Deal in the USA), Nazism and war preparation in Germany, Popular Front in France in 1936 and changes of economic paradigm (rise of Keynesianism).
- The stagflation of the 1970s led to neoliberalism (retreat of Keynesianism).
- The sub-prime crisis of 2008-09 led to the rise of populism and de-globalization.
- After Covid: Post-Neoliberalism?