POST PANDEMIC POLICY CHALLENGES AT THE ELB

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Monetary and fiscal policies to the rescue

**GDP, index 2019=100**

- United States
- Euro area
- Japan

**Equity prices, index 1Jan2020=100**

- United States
- Euro area
- Japan

**Debt levels, annual**

- United States
- Euro area
- Japan (rhs)

**Long-term interest rates, % annual**

- United States
- Euro area
- Japan

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*Note: Projections are based on the single-hit scenario.*

*Source: OECD Economic Outlook 107 database; and Refinitiv.*
Challenges to monetary policy

Note: Stylised calculations assuming average maturity of 5.3 years with the longest tenor of 12 years for new debt, initial net debt of 100% of GDP (no financial assets), a constant primary balance deficit of 1.5% of GDP, constant nominal GDP growth of 3%, and a delayed normalisation of interest rates.

Source: OECD calculations.
The issue of perceived fiscal space

Official estimates of financial help to the economy

Subsidies vary significantly across the EU
State aid approved by the European Commission during the crisis
Total = 1.95 trillion euros

Note: For country-specific notes, see the Annex. Shows official estimates, when available, of financial help included in emergency packages announced by governments in response to the COVID19 crisis, as of 15 June. In many cases, they are highly uncertain due to an unknown duration of the crisis and take-up of various programmes by the private sector, and may not be comparable across countries.

Source: LHS: OECD calculations based on official estimates; RHS: European Commission
Uncertain inflation landscape

US imports
Share of goods by country of origin in total imports, %

US import price index
All commodities

Note: Following the BLS definition, industrialised countries are Western Europe, Australia, Canada, Japan, New Zealand and South Africa. Other countries are the remaining countries. LHS: 6-month moving average. RHS: Base 100 = January 1996.
Source: IMF Direction of Trade Statistics; BLS; and OECD calculations.
If \( r \) has limited downside, \( g \) needs to go up

**Note:** Based on enterprises with minimum 20 employees.

Mario Draghi, Jackson Hole 2014:

“Without determined structural reforms, aggregate demand measures will quickly run out of steam and may ultimately become less effective. The way back to higher employment, in other words, is a policy mix that combines monetary, fiscal and structural measures”
Sources

OECD Economic Outlook

ECOSCOPE blog