

---

EUROPEAN CENTRAL BANK CONFERENCE: STRUCTURAL REFORMS IN THE EURO AREA

# Session 1: Reforms, productivity, resilience and long-term well-being

*Clemens Fuest*

# Agenda

---

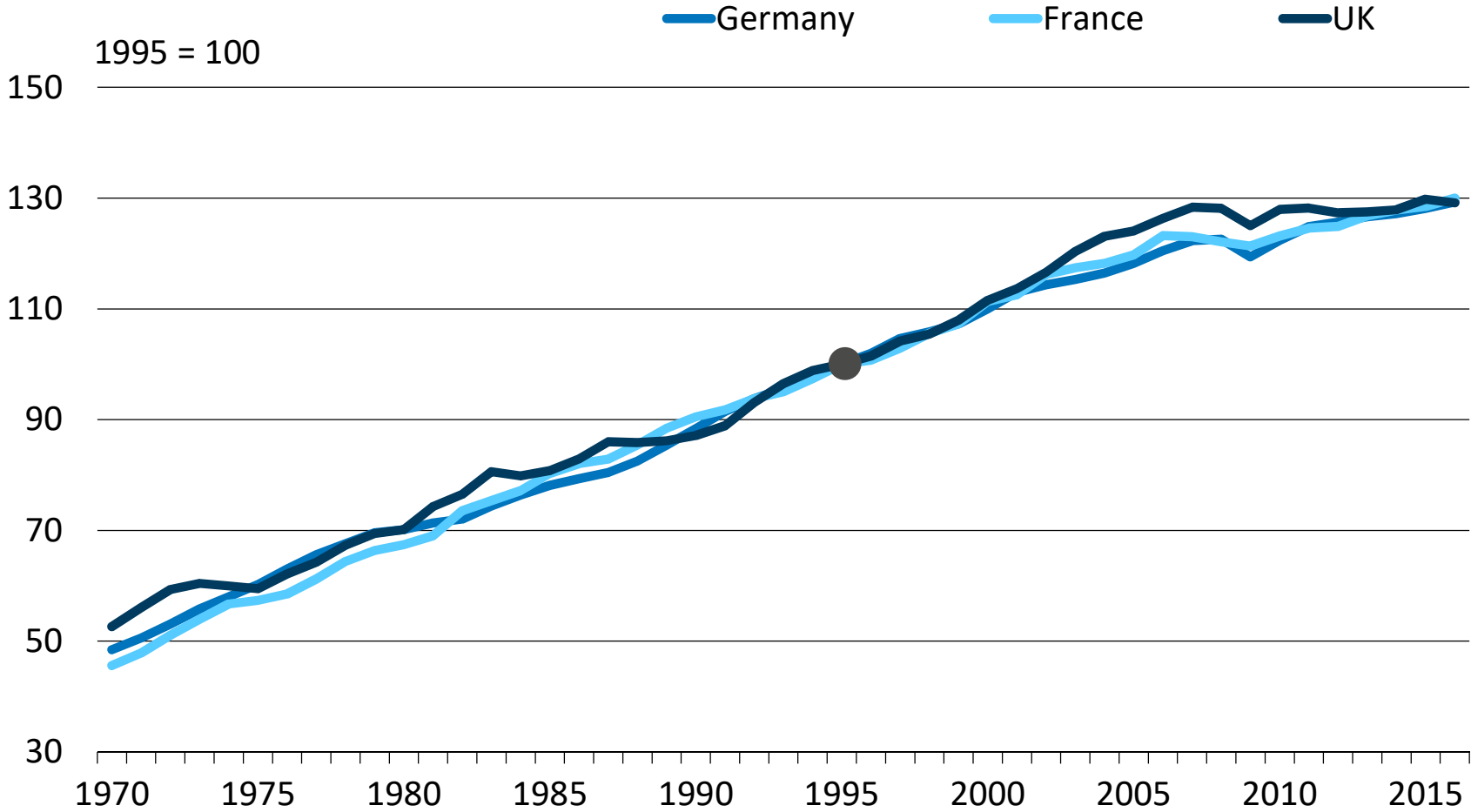
- 01 Productivity Divergence: The 'Italian question'
- 02 Implications of lower growth for European fiscal governance
- 03 Is there credible evidence that we can achieve more growth by reducing inequality?

**01**

---

# **Productivity Divergence: The ‘Italian question’**

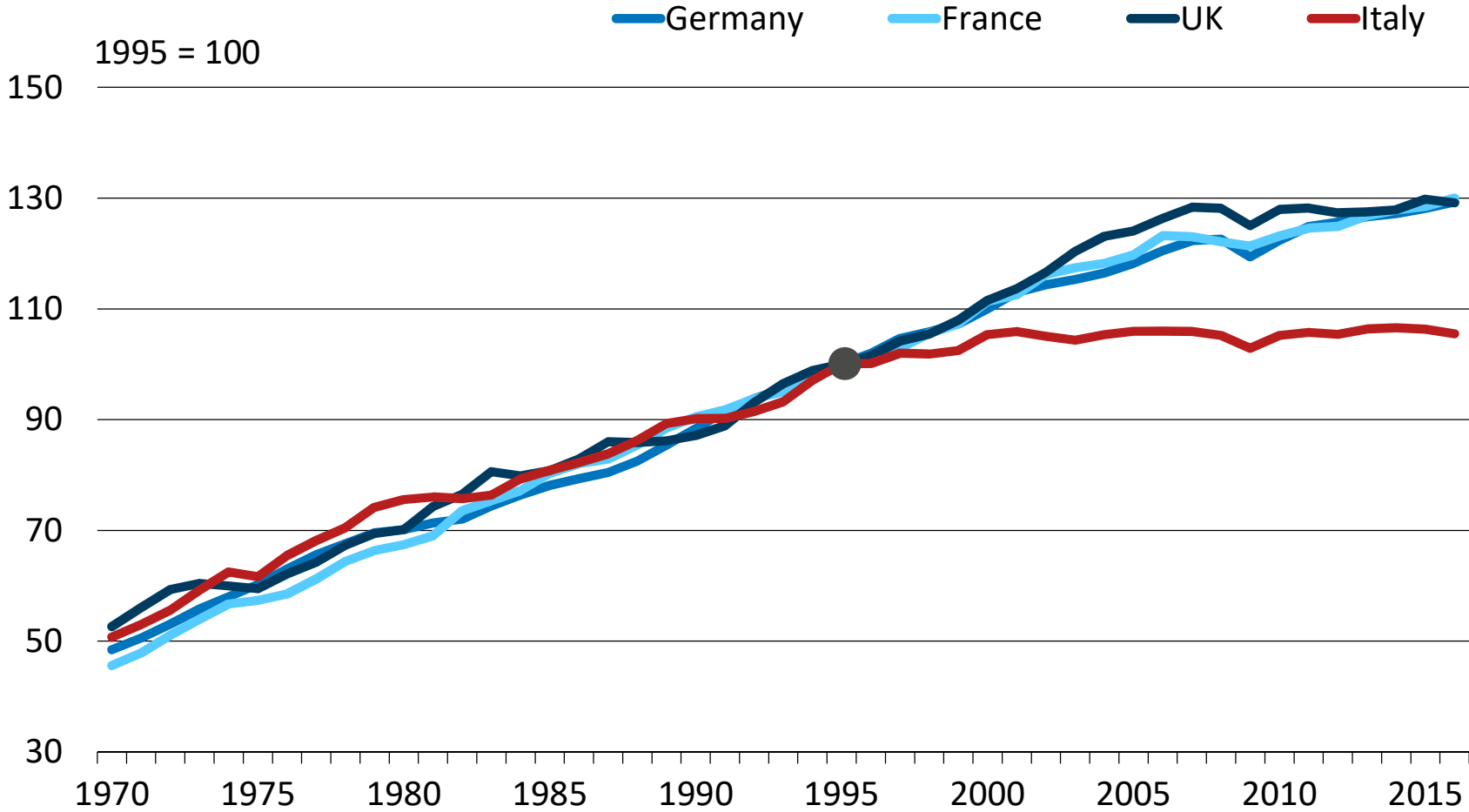
# Labour Productivity 1970 – 2016 (real GDP per hour worked)



Source: OECD.

© ifo Institute

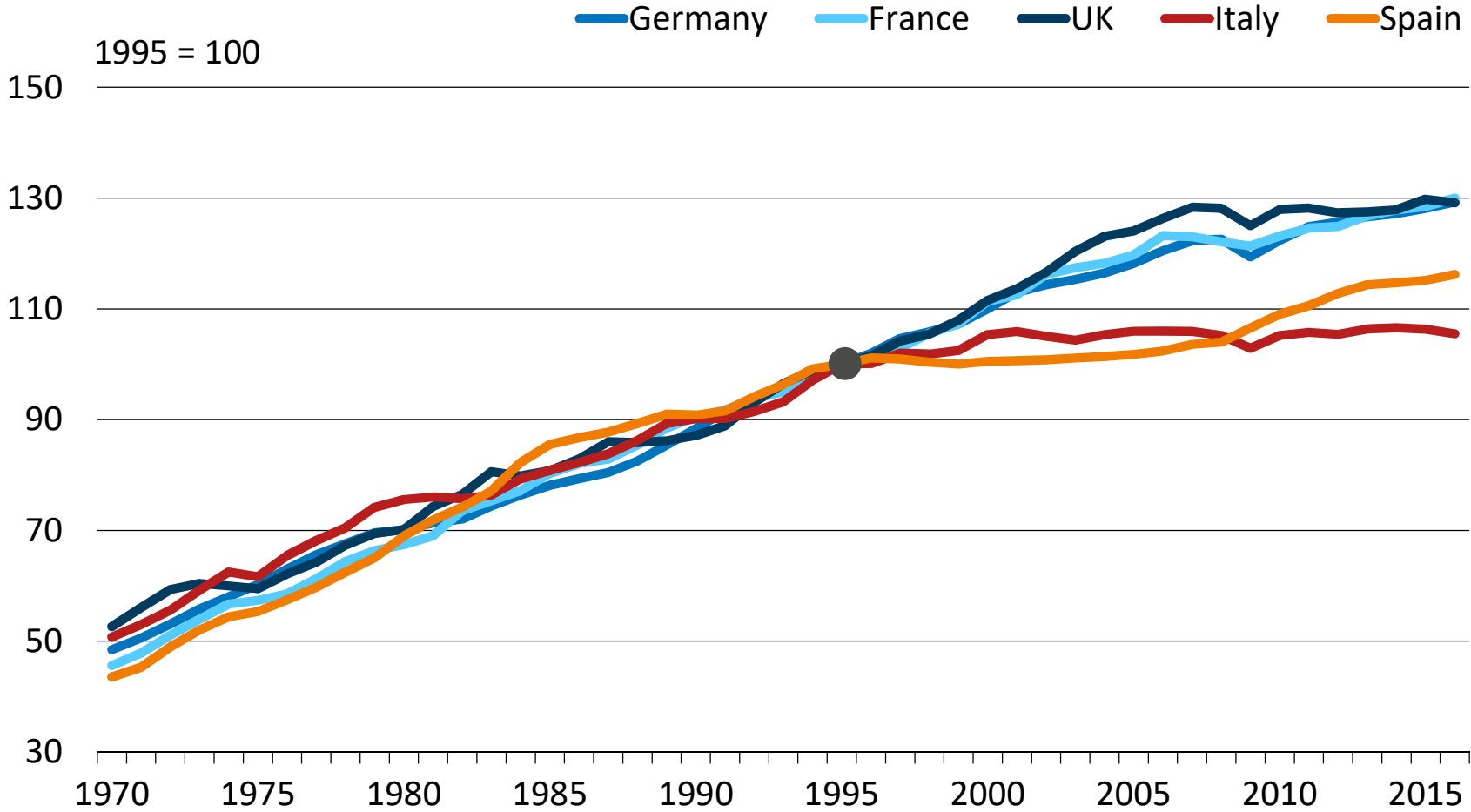
# Labour Productivity 1970 – 2016 (real GDP per hour worked)



Source: OECD.

© ifo Institute

# Labour Productivity 1970 – 2016 (real GDP per hour worked)



Source: OECD.

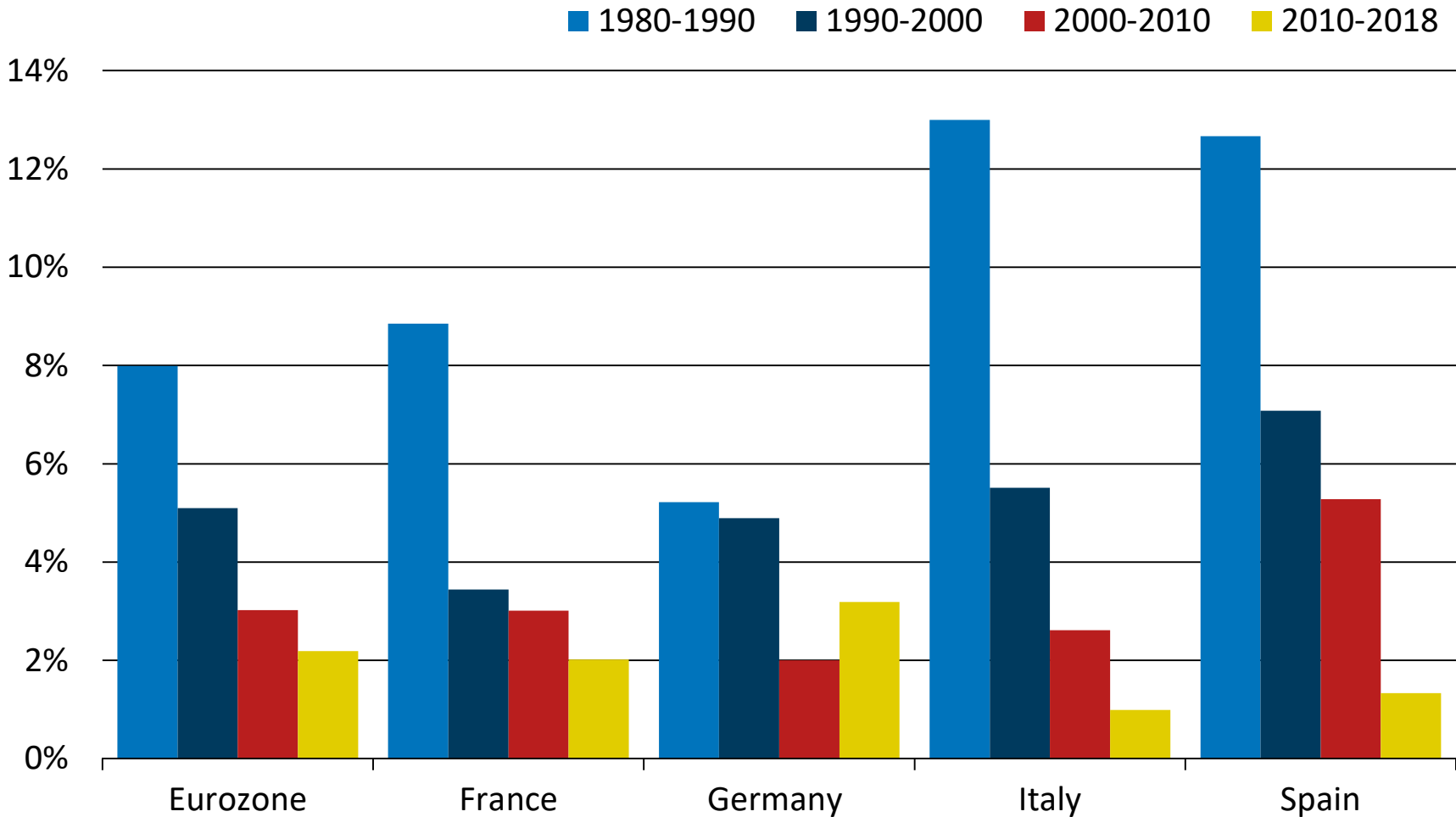
© ifo Institute

02

---

# Implications of lower growth for European fiscal governance

# Nominal GDP growth



Source: IMF.

© ifo Institute



**Is there credible evidence that we can achieve more growth by reducing inequality?**

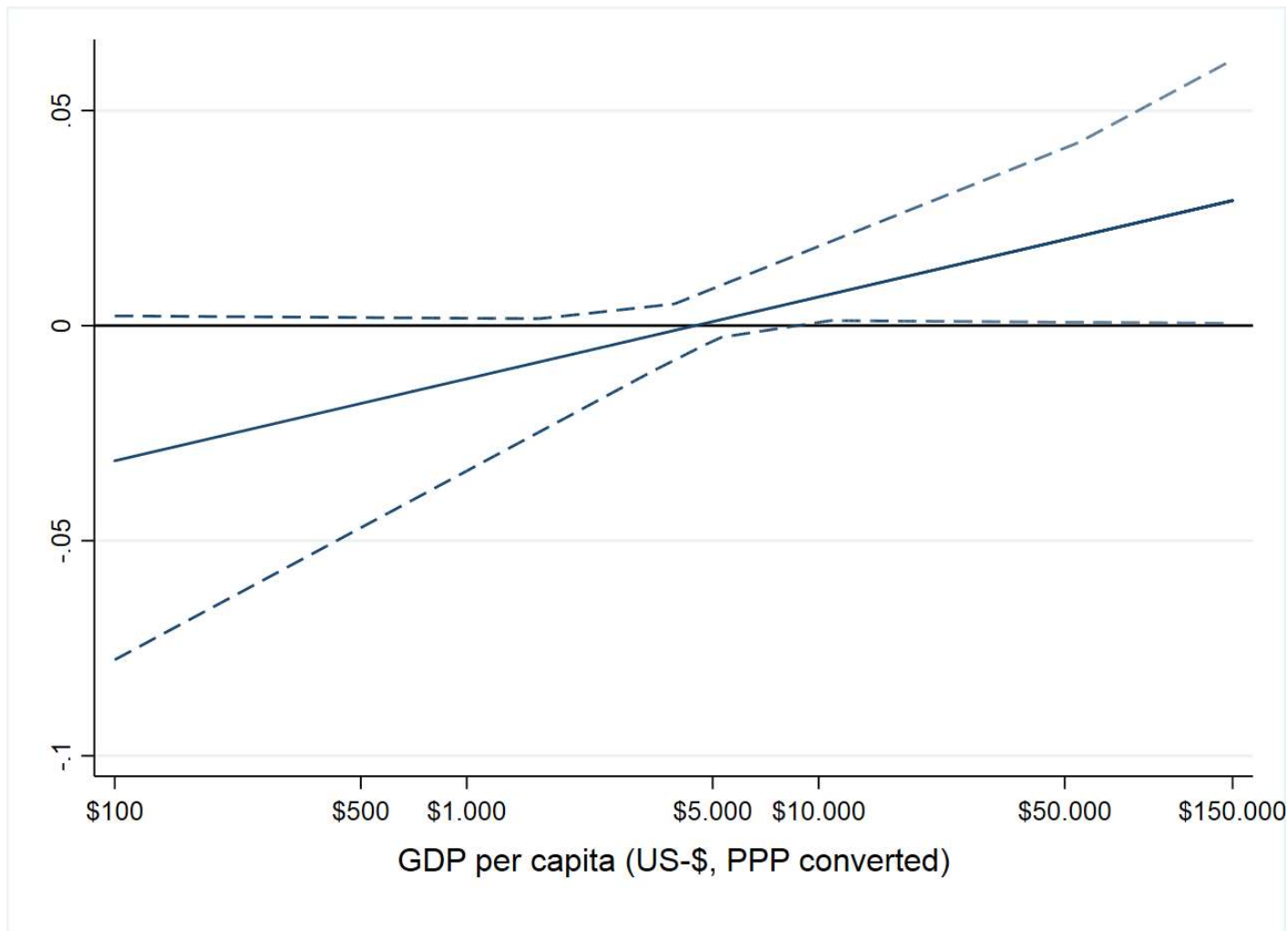


## Revealed: how the wealth gap holds back economic growth

## **Larry Elliott, economic editor**

Tuesday 9 December 2014 00.02 GMT

The west's leading economic thinktank on Tuesday dismissed the concept of trickle-down economics as it found that the UK economy would have been more than 20% bigger had the gap between rich and poor not widened since the 1980s.



Notes: Ordinate shows the effect of a change of the Gini coefficient on the growth rate of GDP per capita. The solid line indicates the average marginal effect across 16 specifications, the dashed lines indicate the minimum and maximum marginal effect. Abscissa has logarithmic scale. Source: Fuest et al. (forthcoming).

# Thank you!

---



Follow the CESifo Group and me on Twitter:

- [twitter.com/CESifoGroup](https://twitter.com/CESifoGroup)
- [twitter.com/FuestClemens](https://twitter.com/FuestClemens)