

Ciclos e crises económicas

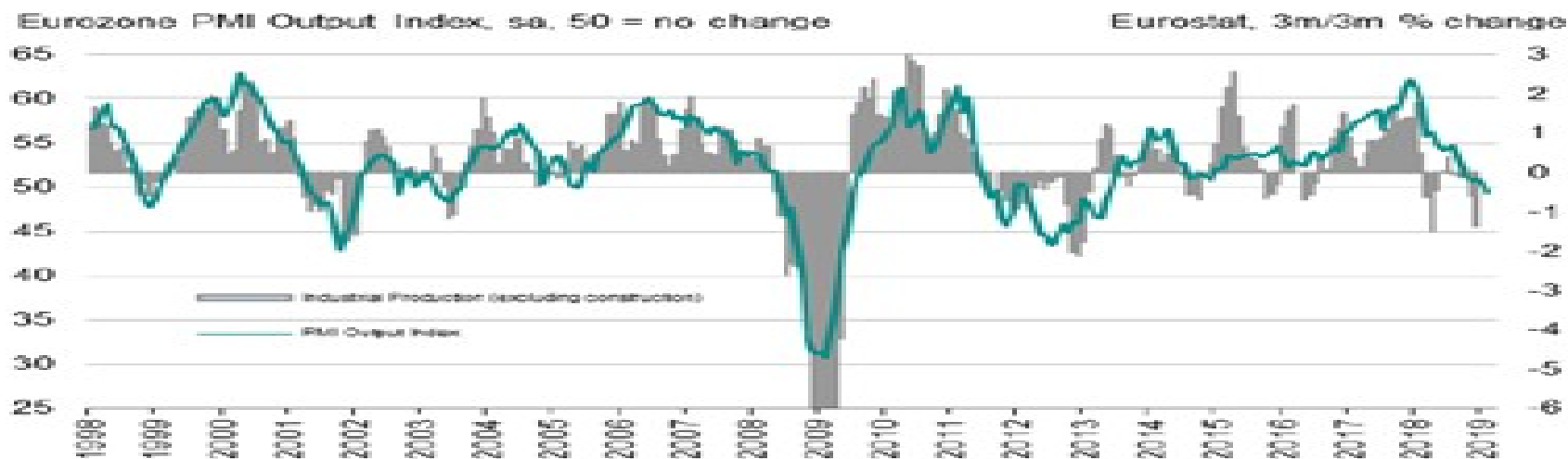
Aula 5 e 6

Crise de 1929 e Grande
Depressão

Riscos de desaceleração (em Março 2019)

Countries ranked by Manufacturing PMI: February

Greece	54.2	9-month high
Ireland	54.0	2-month high
Netherlands	52.7	32-month low
Austria	51.8	37-month low
France	51.5 (flash: 51.4)	5-month high
Spain	49.9	63-month low
Italy	47.7	69-month low
Germany	47.6 (flash: 47.6)	74-month low



Sources: IHS Market, Eurostat

Riscos em 9 março de 2020

Monday, March 9, 2020

The New York Times

World U.S. Politics N.Y. Business Opinion Tech Science Health Sports Arts Books Style Food Travel Magazine T

The Daily Listen to 'The Daily' A test for abortion rights.

Modern Love Listen: 'Modern Love' Podcast Lesley Manville reads an essay about breast cancer and kinship.

Sign Up: 'Coronavirus Briefing' An informed guide to the global outbreak.

S&P Dow Nas

Global Markets Plunge as Coronavirus and Oil Shake Investors

London and Frankfurt Stock Markets Were Down 8 Percent

- Asian markets were also down, and oil prices and bond yields tumbled.
- Wall Street looked set to follow. Here's the latest.

Live 4m ago 71 comments

The New York Federal Reserve moved to keep money markets calm amid the turmoil.

13m ago



Opinion >

David Leonhardt

The Simple Reason t

Step one: Care more ;

March 8 721 comments

Jill Filipovic

Watching 'Hillary' ir the Wake of Elizabeth Warren's Exit

A new documentary ; Hillary Clinton conjur déjà vu.

4h ago 74 comments

Raphael Rashid

Being Called a Cult

THE WALL STREET JOURNAL

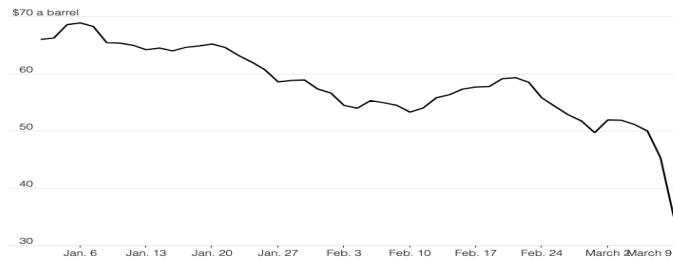
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Global Markets in Turmoil as Oil Plunges

Brent crude futures prices this year



Source: FactSet

Markets shuddered in the face of a price war for oil and the economic fallout from the coronavirus outbreak, with frightened investors seeking shelter in the safety of government bonds and propelling yields to unprecedented lows.

MORE COVERAGE

- Live Updates: The Virus and Business
- Saudi Pledge Triggers Crude Collapse
- Fed Increases Short-Term Funding to Keep Lending Markets Stable
- Heard on the Street: Keeping Calm Amid Market Panic
- Turmoil Cascades Through Currencies
- Heard on the Street: OPEC, R.I.P.

S&P 500
INDEXSP: .INX



2 972,37 0,00 (0,00%)

6/03, 17:01 GMT-5 · Exclusão de Responsabilidade

1 dia 5 dias 1 mês 6 meses AATD 1 ano 5 anos Máx.



Os temas desta aula:

- Como surgiu a crise de 1929
- Como se resolveu a crise de 1929
- O que é uma crise económica e uma recessão económica
- As principais interpretações da crise de 1929 e as suas leituras hoje
- Elementos de comparação com a recessão actual (a segunda grande depressão? A estagnação secular?)

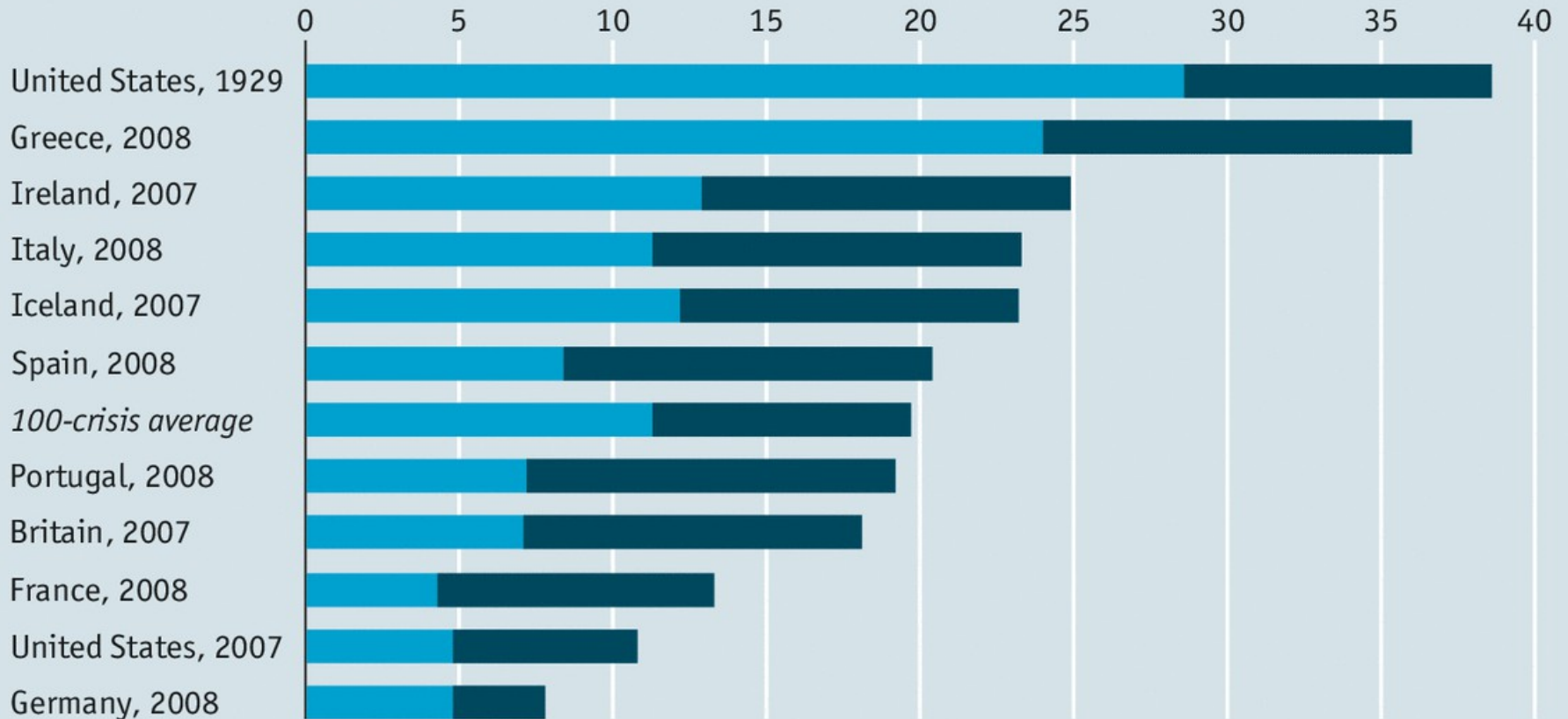
1929: the Great Crash

21st century crises compared to that of 1929

Les misérables

Severity index, selected financial crises:

- Real GDP per person, % decrease from peak to trough
- Number of years to regain pre-crisis level of output*



Source: Carmen Reinhart and Kenneth Rogoff

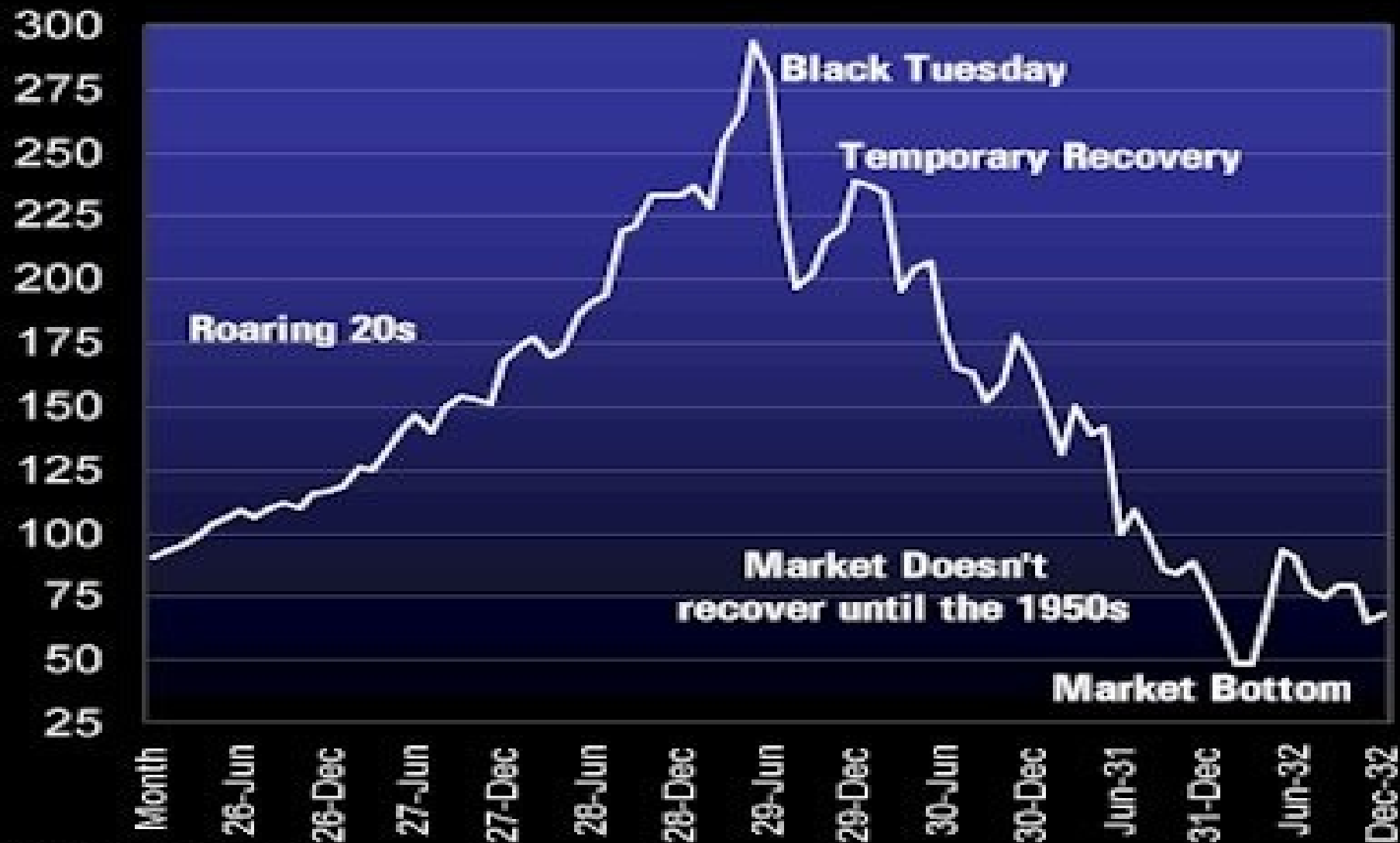
* Forecasts, except for US and Germany

Poverty and misery in the 1930s

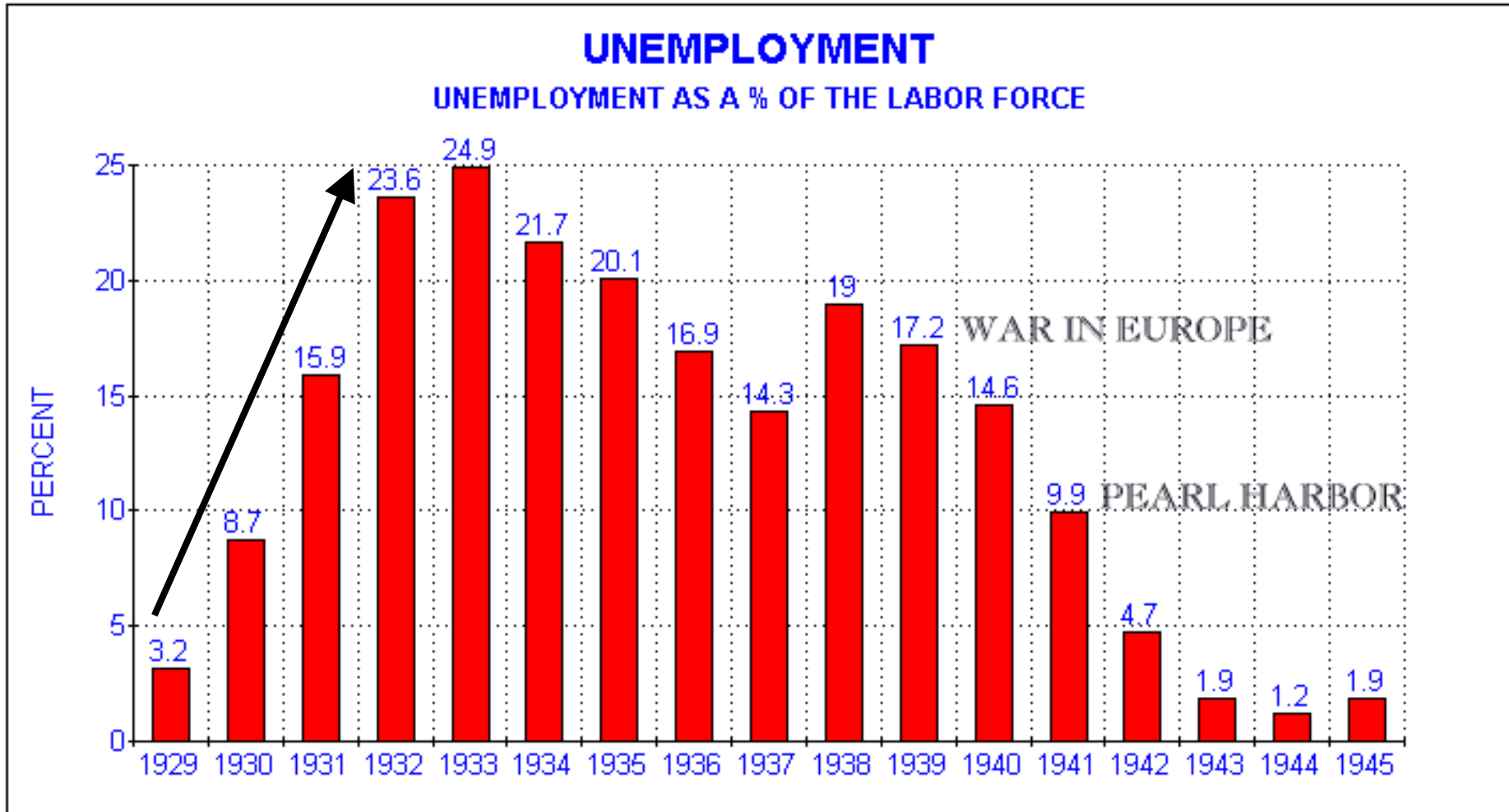


1929 Crash Using S&P 500 Data

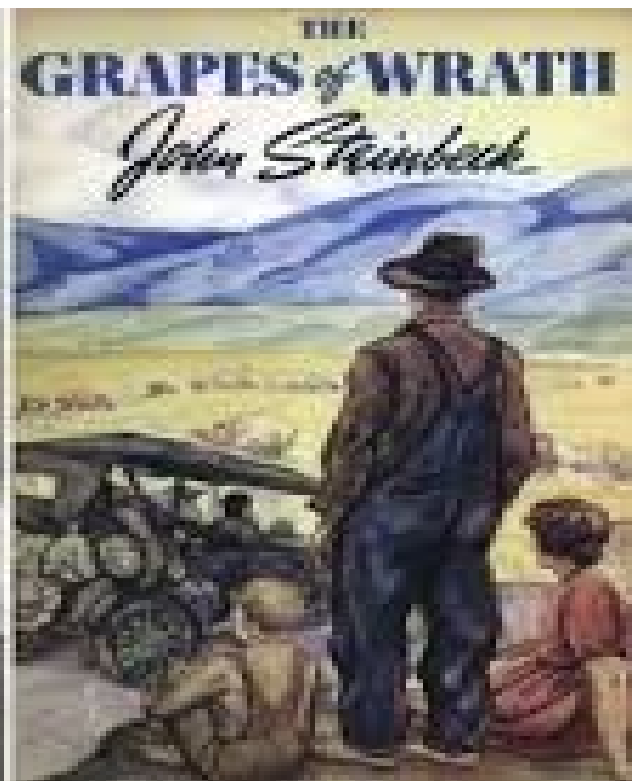
Growth of \$100



Desemprego após 1929



Uma interpretação literária da crise: “As Vinhas da Ira”, de John Steinbeck



Presidentes Hoover (até 1933) e Roosevelt (toma posse em 1933)




Medidas de tipo Keynesiano para enfrentar a depressão

- Roosevelt (reune com Keynes em 1934): **“é mais um matemático do que um economista político”**
- **1933-4**, 1º New Deal: abolição proibição do álcool, reforma do sistema bancário (Glass-Steagall), medidas de apoio social de emergência, *National Recovery Administration* e *Agricultural Adjustment Administration*, suspende padrão-ouro, corte pensões e salários
- **1935-8**, 2º New Deal: ampliação dos direitos sindicais, sistema de segurança social, subsídio de desemprego
- Mas: **não há grandes trabalhos públicos e reduzido *deficit spending***

Propaganda da Lei sobre Segurança Social

**MORE SECURITY FOR
THE AMERICAN FAMILY**



**THE WIDOW OF A QUALIFIED
WORKER WILL RECEIVE MONTHLY
BENEFITS AT AGE 65. IN CERTAIN
CASES, AN AGED DEPENDENT
PARENT MAY GET BENEFITS. ...**

FOR INFORMATION WRITE OR CALL AT THE NEAREST FIELD OFFICE OF THE
SOCIAL SECURITY BOARD

Medidas fiscais

- **Hoover:** taxa máxima (de IRS) sobe de 25 para 63%
- **Roosevelt:** a taxa marginal acima de 200 mil dólares sobe para 94%

6 famílias de explicações

- **Irving Fisher**
- **John Maynard Keynes**
- **Milton Friedman**
- **Joseph Schumpeter**
- **Friedrich Hayek**
- **John Kenneth Galbraith** (textos discutidos nas aulas)

1. Irving Fisher and expectations

According to **Fisher (1930)**: Prices in 1929 reflect expectations of higher future cash flows.

Drop in 1930: change in expectations but investors are supposed to be rational (\neq ex ante and realization ex post)

The Great Depression and how economists got it wrong

- **Irving Fisher:** «Stock Prices are low», they reached a “permanent plateau” (*New York Times*, October 22, 1929)
-
- Fisher lost his fortune in 1929. The Yale University was forced to pay for his house in order not to get evicted



**Irving Fisher
(1867-1947)**

2. Keynes (posição em Setembro 1929)

- 1) não sair do padrão-ouro (só em 1931 o passa a defender)
- 2) redução geral de salários e rendimentos?
- 3) subsídios a empresas (e não alterar salário mais baixo)
- 4) racionalização da indústria (com capacidade excedentária)
- 5) proteção alfandegária (1931: taxa de 15%)
- 6) investimento em obras públicas
- 7) concertação dos bancos centrais

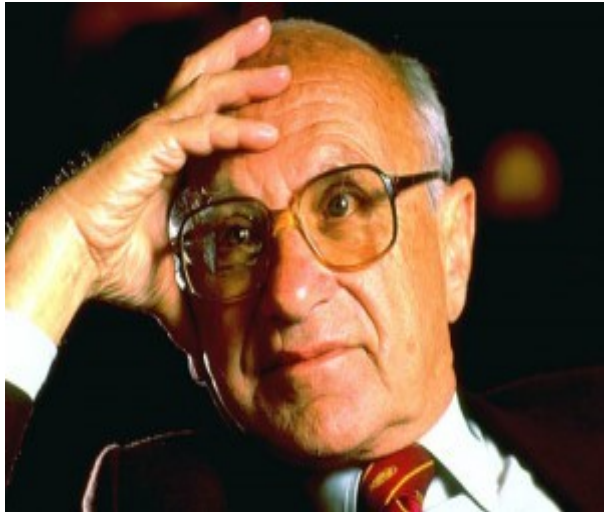
Treatise on Money (1930)

- Distinção entre decisões de Poupança (S) e de Investimento (I) e portanto risco de crise
- Função essencial do Banco Central (operações de *open market* para controlar o crédito e determinar o juro)
- Controlo de capitais para controlar tx juro
- Mas em 1931 volta a defender a saída do padrão-ouro

3 e 4. Contrasting explanations: Friedman and Hayek

- **Milton Friedman:** mistakes of the Fed
- But monetary policy is effective: Friedman and Schwartz (1963) document that growth in the money supply of “46 per cent from 1933 to 1937” (p.498) was associated with a 59 percent increase in real output over the same period, “an average rate of growth [of] 12 per cent per year” (p.493).
- Romer (1992, p.757) finds that “nearly all the observed recovery of the U.S. economy prior to 1942 was due to monetary expansion.”

Milton Friedman



***1963, A Monetary History of the US,
1867-1960, with Anna Schwartz***

**Failure of government action, no
rescue of the banks, reduction of the
monetary supply and recession**

Milton Friedman's explanation

Four “natural experiments” in monetary policy:

1. 1928-1929: Fed reduces M, given its fear of speculation. Two months before the crash, GDP was reducing at an annualized rate of -20%.
2. Sept 1931: UK out of the gold standard, the Fed increases the interest rate, 522 banks out of business
3. April 1932: expansionary monetary policy, open market purchases of financial assets, GDP recovers
4. Jan-March 1933: Roosevelt takes office, out of the gold standard, expansion

Ben Bernanke, 2002, Friedman's nineteenth anniversary

“Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton and Anna: Regarding the Great Depression. You’re right, we did it. We’re very sorry. But thanks to you, we won’t do it again.”

Hayek: money matters and explains the perturbations

Hayek proposed “to show why, and how, monetary influences directly bring about regular disturbances” in the economic system (Hayek 1933a, p.102).

“He sought to integrate the concept of non-neutrality of money (spillovers from monetary disequilibrium to real variables) with capital theory to create a monetary theory of real movements in the structure of production during the business cycle.”

(Thomas L. Hogan and Lawrence H. White (2016),
“Hayek, Cassel, and the Origins of the Great Depression”,
George Mason University WP)

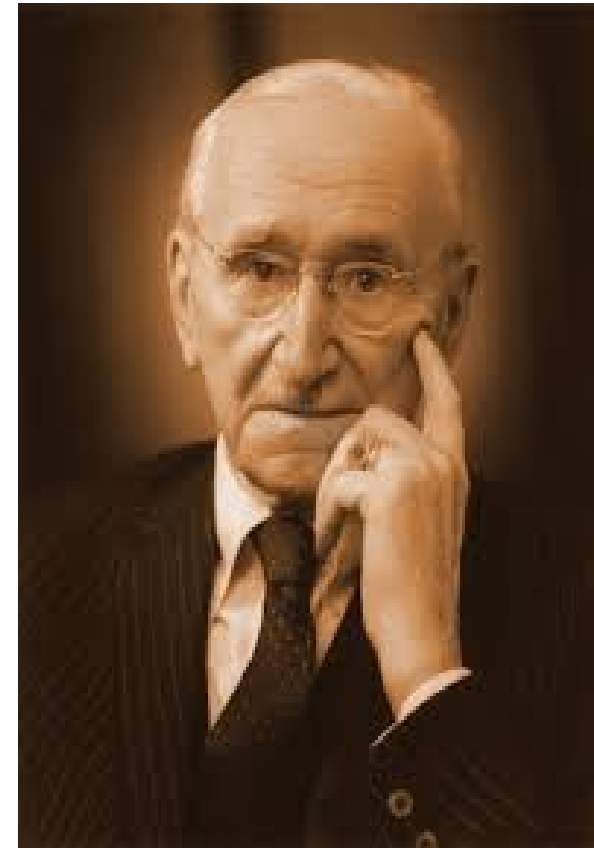
Hayek: against an overexpansion of monetary policy

(according to Hayek) “By creating an excess supply of money and thereby temporarily lowering the real interest rate (because money injected through lending or bond purchases shifts the real supply of loanable funds curve to the right), monetary expansion increases consumption spending, total investment, and especially investment in relatively interest-sensitive (capital-intensive) sectors of production beyond their equilibrium levels.”

Thomas L. Hogan and Lawrence H. White (2016),
“Hayek, Cassel, and the Origins of the Great Depression”,
George Mason University WP

Therefore, Keynes versus Hayek

- Keynes, the mistake is $S > I$, too much saving and not enough investment
- Hayek, the mistake is $S < I$, too much investment, and the possibility of expansionary monetary policy is suspect, given the central bankers' inclinations



5. Schumpeter e a lógica da inovação destruidora

Joseph Schumpeter: perda de capacidade de inovação e substituição das PME por grandes conglomerados burocráticos

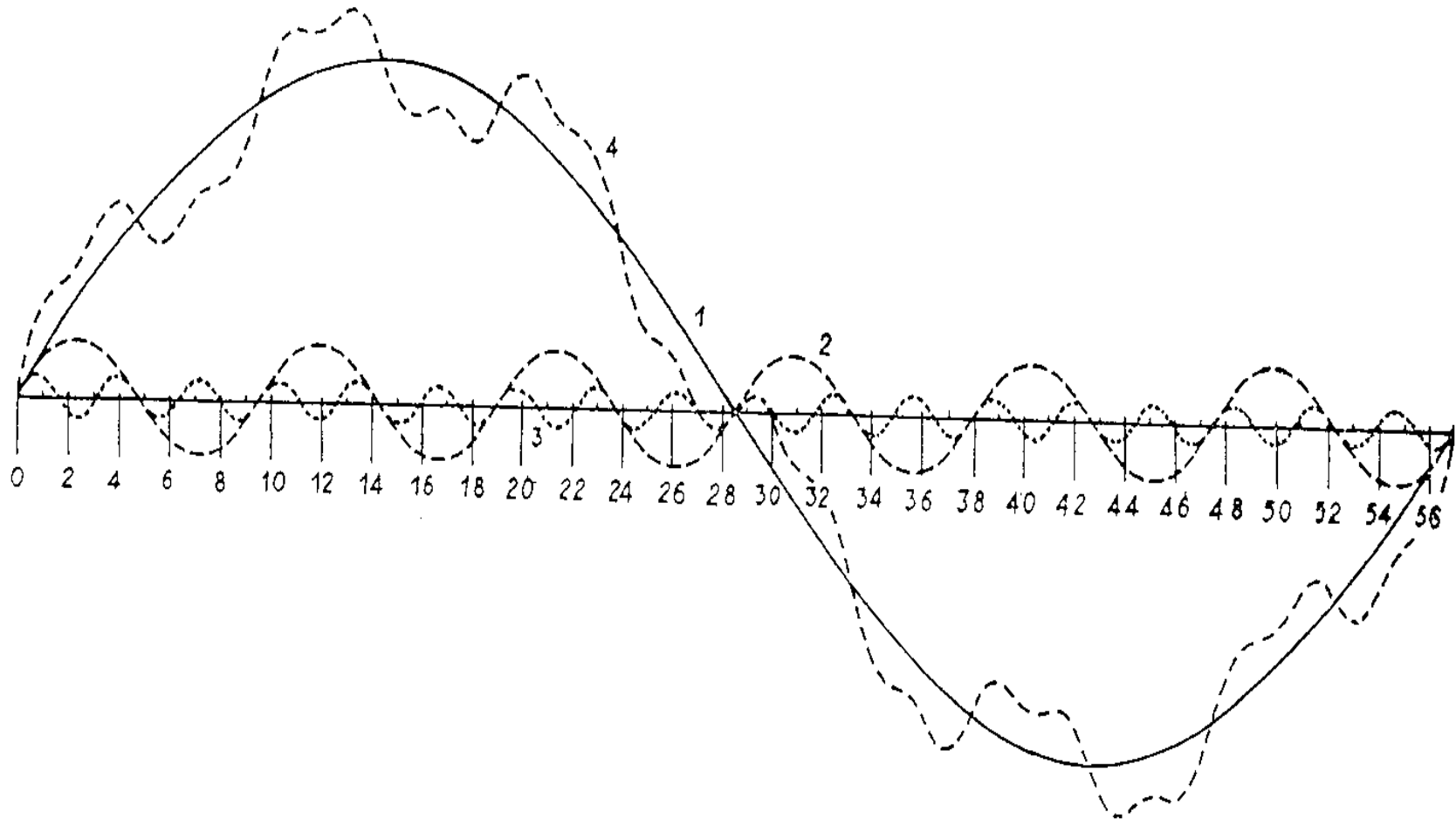
Mas anti-keynesiano: “acho a teoria estagnacionista desenvolvida pelo falecido Lord Keynes espantosa (pelo facto) de não ter sido pura e simplesmente expulsa da corte com gargalhadas”

Economia do lado da oferta e não da procura agregada

Schumpeter on capitalism

“industrial mutation – if I may use the biological term – that incessantly revolutionises the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism.”(CSD, 1942: 83)

Economic cycle (from Schumpeter, 1939)





Epílogo: Bretton Woods, 1944 (Morgenthau e Keynes)



Bibliografia

- “Sombras”: cap. 1-2-3 e Anexo I (também para a próxima aula)
- “Crises e Ciclos no Capitalismo Global”: cap. 3 da 2ª parte