



Research for new economic policies



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Annual Dónal Nevin Lecture

**A Financial Sector
To Serve The Real Economy
Dónal Nevin Lecture 2014**

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Challenges ahead

- Acceleration of growth, especially in some countries. Fall in output and demand were larger than expected, as multipliers bigger than expected
- Recovery of investment urgent, also to fund structural transformation. Credit to SMEs crucial. Collaboration with institutions like EIB/others for this. Quartet instead of troika.
- High levels of unemployment in some countries, like Ireland, especially among the young, very negative social, economic and political effects. Urgent action needed on sufficient scale

Private investment as % of GDP

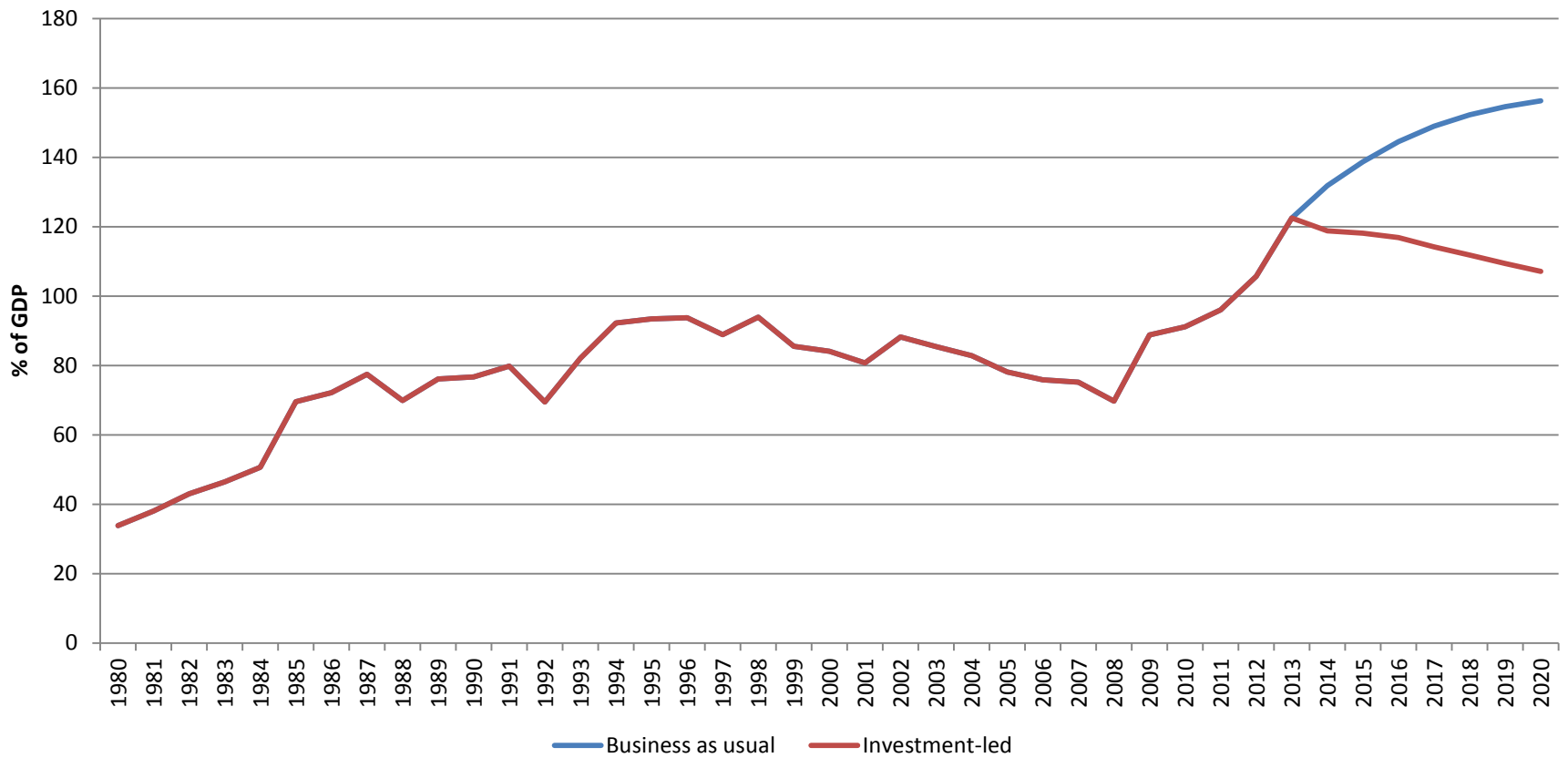
		2007 (actual)	2012 (actual)	2014	2015	2016	2017	2018	2019	2020
South Eurozone	Business as usual	21.7	14.5	12.4	12.1	12.1	12.1	12.2	12.3	12.5
South Eurozone	Investment-led			14.0	14.4	14.9	15.5	16.0	16.4	16.7
North Eurozone	Business as usual	17.7	16.4	15.1	15.0	15.2	15.3	15.5	15.6	15.8
North Eurozone	Investment-led			15.9	16.2	16.3	16.4	16.5	16.6	16.7
United Kingdom	Business as usual	15.9	11.0	10.6	10.7	10.9	11.1	11.3	11.5	11.8
United Kingdom	Investment-led			11.2	11.4	11.8	12.2	12.7	13.1	13.5

Total employment (millions of persons)

		2000	2008	2012	2014	2016	2018	2020
South Eurozone	Historical	47.7	55.8	52.8				
	Business as usual				51.4	51.3	51.3	51.4
	investment-led				52.1	53.0	53.7	54.3
	difference				0.7	1.6	2.4	2.9
North Eurozone	Historical	79.1	85.6	86.3				
	Business as usual				86.1	86.8	87.3	87.4
	investment-led				86.7	87.8	88.3	88.5
	difference				0.6	1.0	1.1	1.1
United Kingdom	Historical	27.3	29.2	28.9				
	Business as usual				28.6	28.7	28.7	28.6
	investment-led				28.8	29.1	29.3	29.4
	difference				0.2	0.5	0.6	0.8

Debt to GDP Ratios

South Eurozone



Policy Proposals

- Further 10 Billion Euro increase in EIB capital would allow additional lending
- More funding via National Development Banks very valuable
- New Irish SBCI (Strategic Banking Corporation) excellent initiative
- Speed and sufficient scale crucial to deal with challenge of funding and encouraging private investment and employment