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Investment stimulus after the crisis: Kick-starter or non-starter?

Opening Remarks

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World economy: Vibrant issues

- Ultra-expansionary monetary policy
 - » Exit strategies
 - » Uncertainty about timing more harmful than normalization as such?
- Currency risks
 - » Flipside of monetary policy
 - » Spiral of devaluation for Keynesian „beggar-my-neighbor“ policies?
- Risk of a hard landing in China
 - » Fragile financial system
 - » Policy makers still in the driver’s seat?
- Refugees
 - » Challenges and opportunities for host countries
 - » Role of social security systems and labor market regulations
- **Investment stimulus**

Investment – a worldwide academic and public debate

- A global savings glut?
(Summers/v. Weizsäcker)
- EU: Investment Plan for Europe
(European Fund for Strategic Investments)
- Increasing investment in Germany
(Expert commission on behalf of BMWi)

Stimulating the debate on investment stimulus

- Capital stock
 - » Intertemporal intermediate consumption
 - » Value derived from future final consumption only
- Popularity among policy makers
 - » Future consumption possibilities ...
 - » ... or instrument for present stimulus?
- Public investment spending – fiscal space for higher deficits?
 - » Micro-level vs. aggregate level
 - » Mackenroth-theorem?
- What about distressed countries like Greece?
 - » Recovery via external trade (= trade surpluses)?
 - » Higher capital imports (= trade deficits) for increasing productivity?
- Ultra-low interest rates: Need for further stimulus?

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