

Comments on Pissarides Report

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Discussing the Pissarides Report

- After “A Theory of Everything”,
 - *A Policy for Everything*
- A lot of common background with the authors:
 - *Greek Economists for Reform* (2010-2018)
- No involvement in current report
- A highly informative (for me) involvement in the *National Council on Research and Technology (ΕΣΕΤ)* in 2010-13

A lot to like

- Very broad range of policy issues
- Background research
- Benefit from the experience with the fiscal crisis
- A joint project of committed, recognized Greek academic economists, located in Greece and abroad
- Many fruitful and implementable recommendations

But: Pissarides will not be Fauci or Tsiodras

- Virology versus Economics
- Authoritative prescription versus policy debate
 - Even lockdowns are debated for their economic consequences!
- I will present some of my own ideas and ask (myself and Chris) to what extent they are being addressed in the report

Key Greek Problems

- Very low share of **Investment** in Total Output (I/GDP)
 - Very low private investment!
 - Top role of government in investment

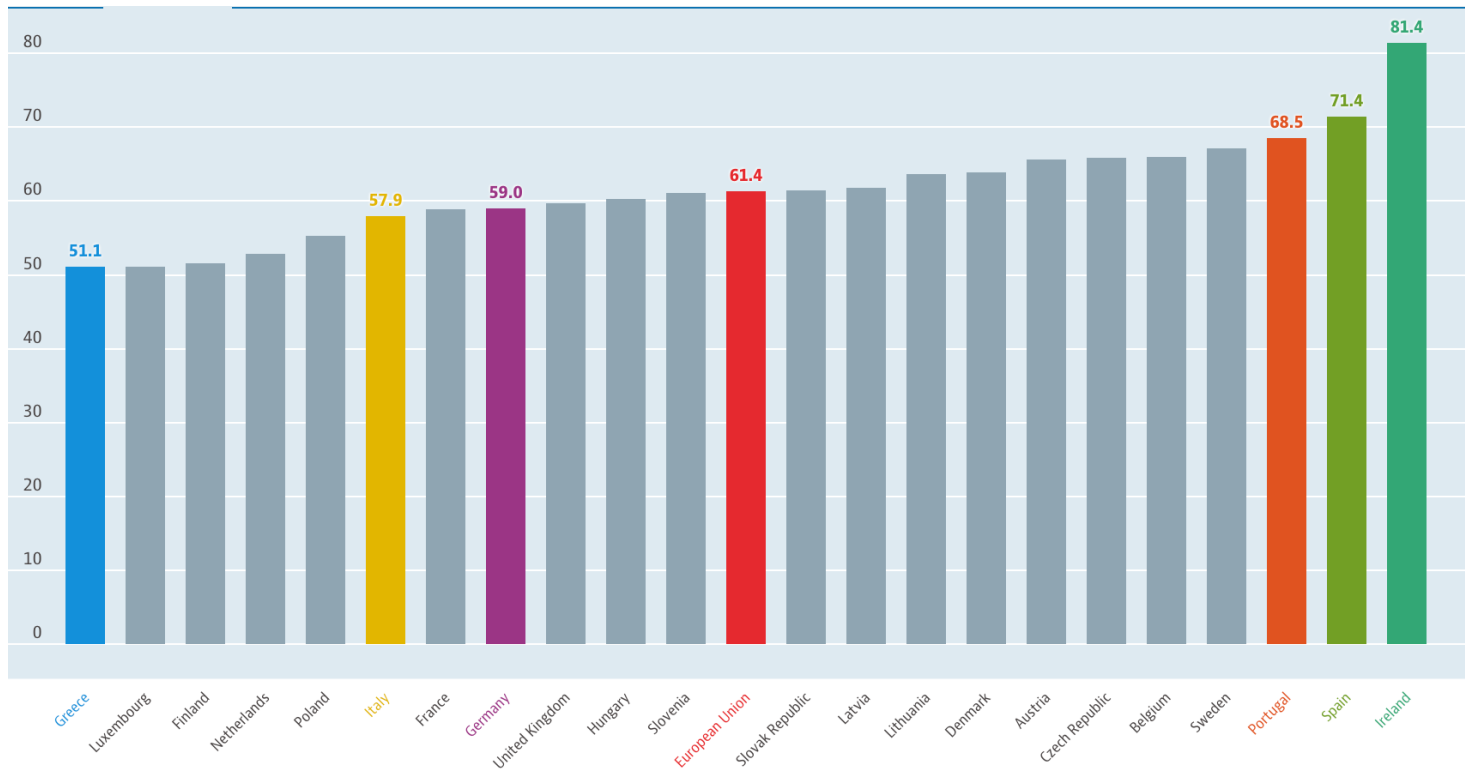
- **Export portfolio**: all eggs in one (breakable) basket
 - Low value-added goods sectors
 - Services: cyclical and "in presence" (tourism)

- **Household finances**: very limited use of financial instruments
 - The largest share of financial assets in bank deposits in EZ
 - The lowest stock market participation rate in the EZ
 - No individual retirement accounts

- One-way mobility: **migration** during the fiscal crisis

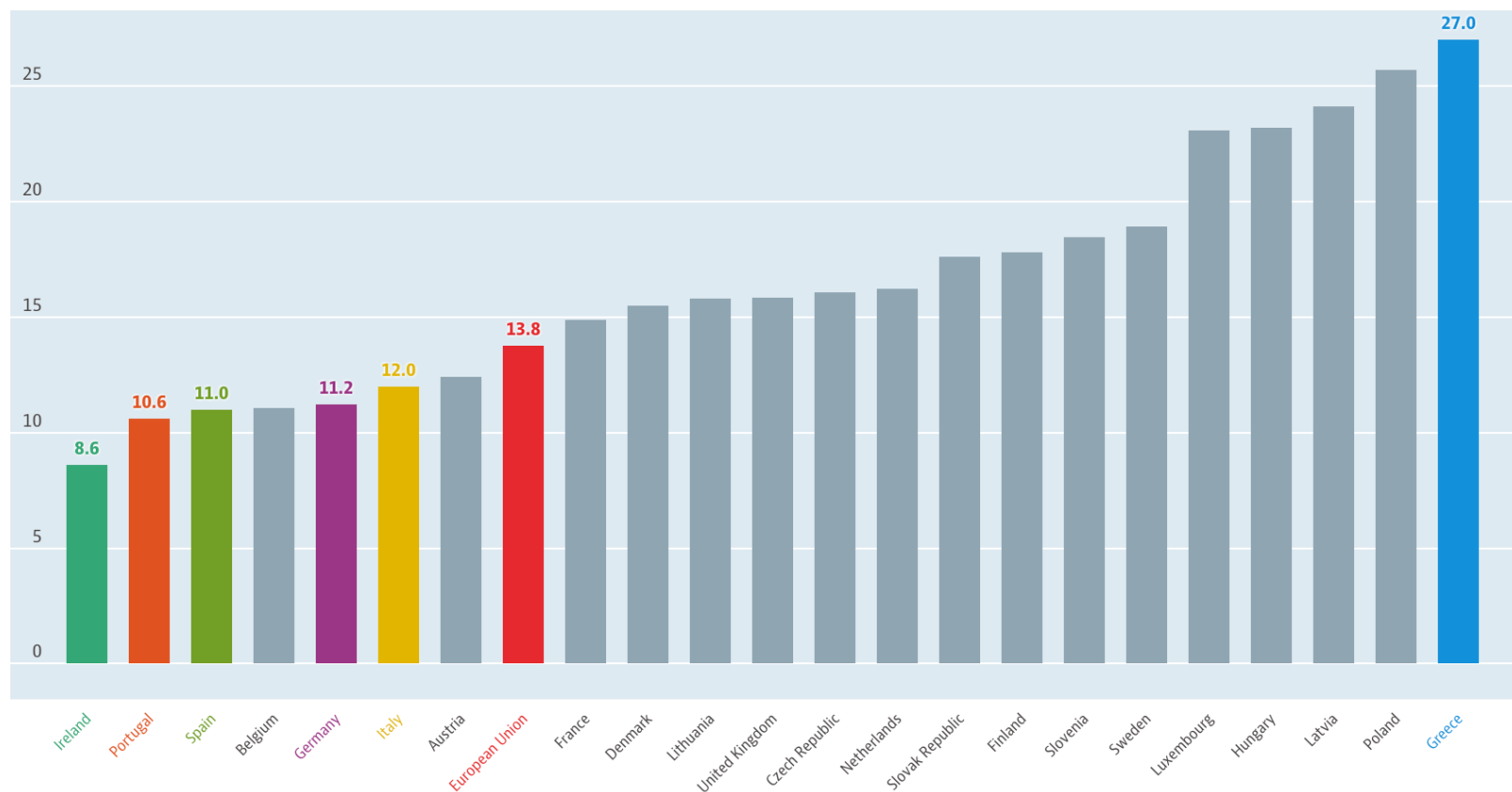
GR is last in the EU in private share of Investment

Source: OECD online 2018



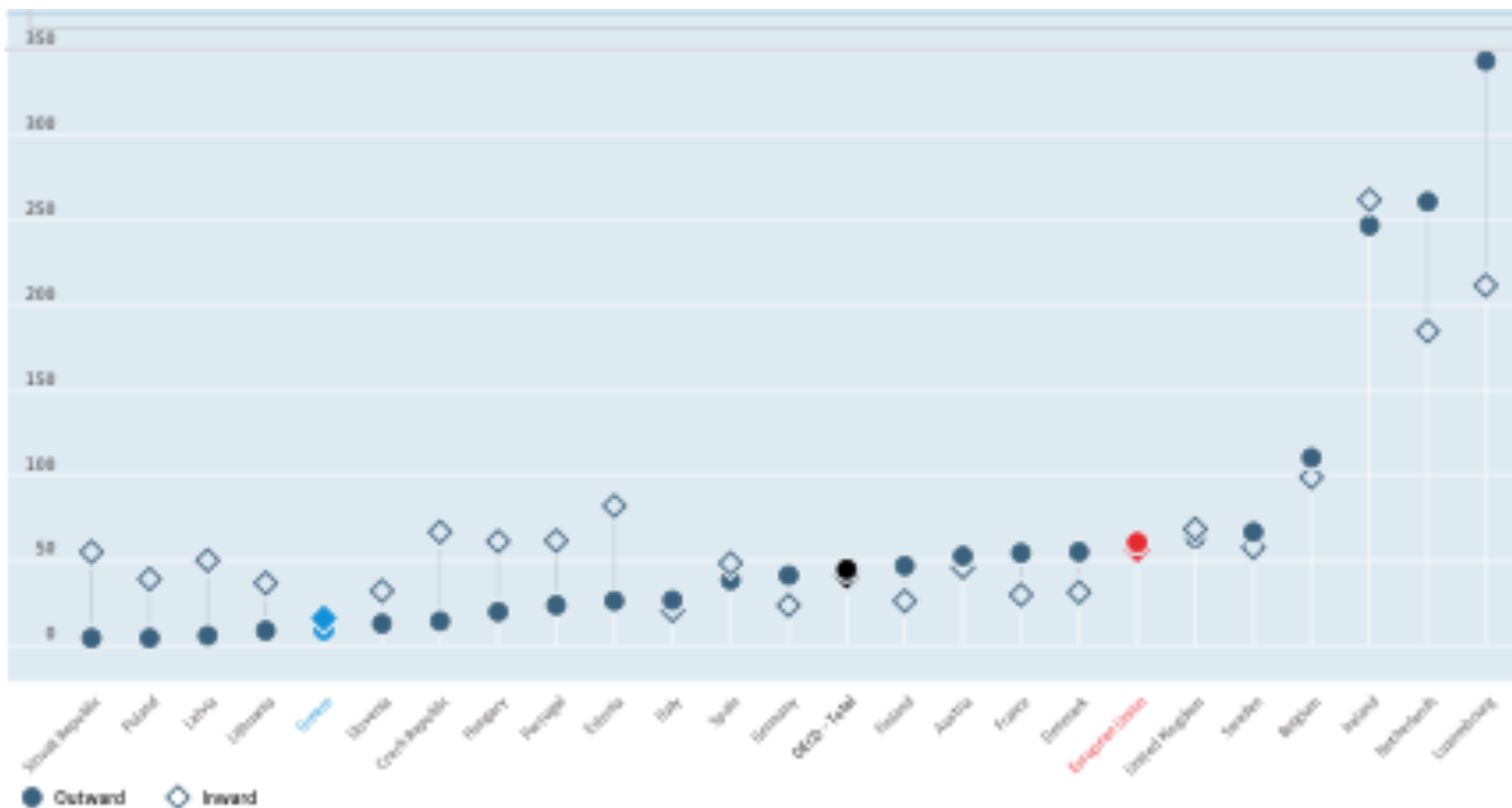
GR is first in the public share of investment

Source: OECD online, 2018, EU countries



GR is last in inward foreign direct investment

2018 or last available. Source: OECD online data

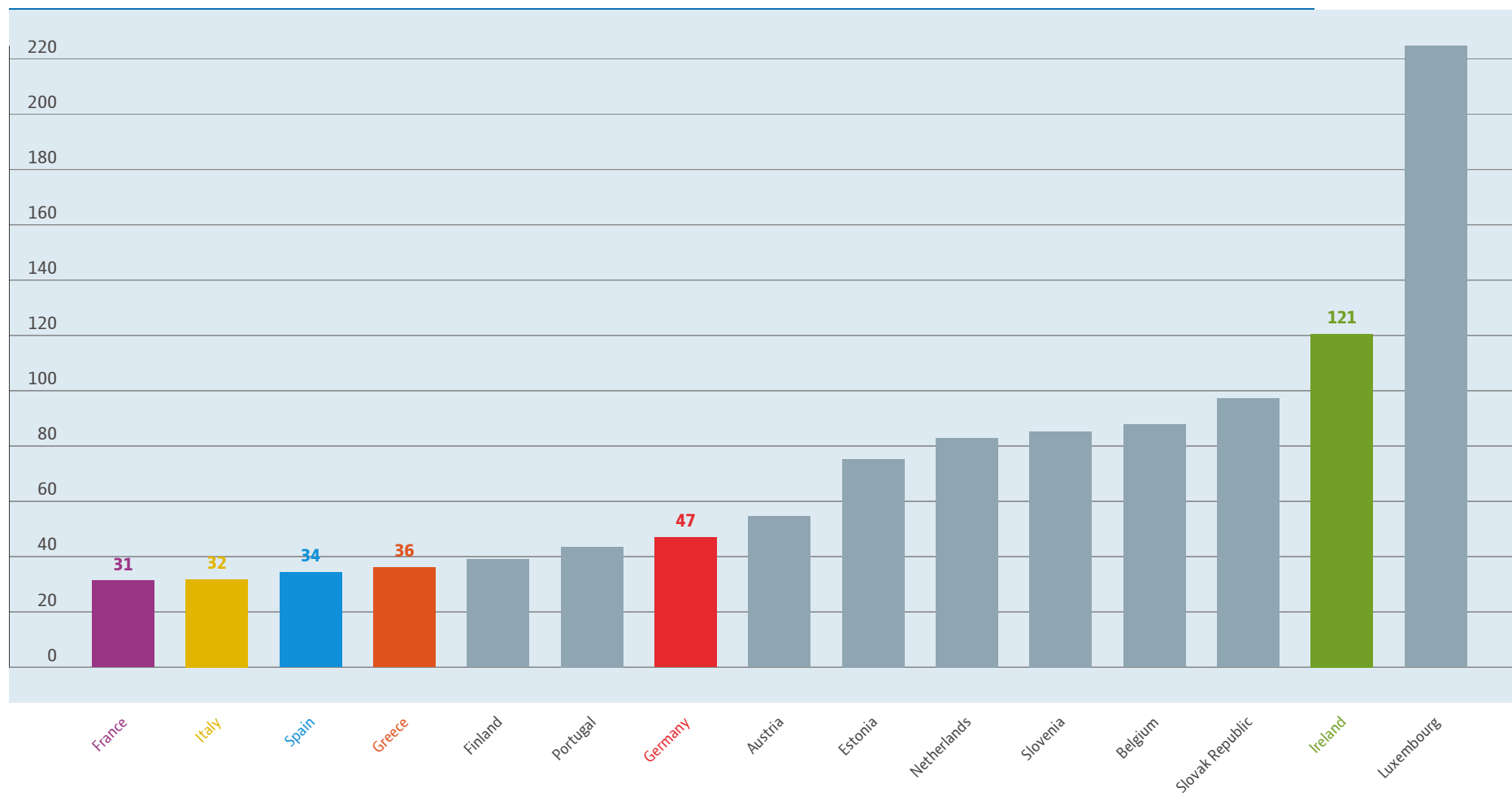


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Share of exports in GDP 2018: low

Source: OECD online data 2018: GR, IT, S, P, IRE



Export composition 2018

Source: Manolis Galenianos, Greek Exports, Presentation at Yale, September 2019

2018 (% of GDP)	GREECE	PORTUGAL	SPAIN
Exports	36.1%	43.6%	34.3%
Refined oil	6.8%	2.1%	1.8%
Primary goods	4.4%	4.9%	4.5%
<i>Industrial goods</i>	8.6%	23.5%	17.3%
Transport	7.3%	2.8%	1.3%
Travel	7.1%	6.7%	5.2%
Other services	1.9%	3.5%	4.0%

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Participation in financial assets

% of households participating, EZ countries 2017

Table C1 Financial assets - participation rates
% of households

	euro area	BE	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI
DA2100i Has financial assets	97.7	97.9	99.5	99.6	94.3	90.6	99.6	99.6	81.9	93.0	83.2	89.1	90.7	97.3	82.1	97.2	99.4	99.7	89.1	96.6	95.2	92.1	100.0
	(0.1)	(0.5)	(0.2)	(0.1)	(0.4)	(1.2)	(0.1)	(0.1)	(1.6)	(0.5)	(1.3)	(1.4)	(1.2)	(0.5)	(0.6)	(0.4)	(0.2)	(0.1)	(0.5)	(0.4)	(0.7)	(0.7)	(0.1)
DA2101i Has deposits	97.6	97.7	99.3	99.6	93.9	90.4	99.6	99.6	80.9	93.0	79.6	87.7	90.4	97.1	81.0	96.4	99.3	99.7	84.9	96.4	94.8	91.6	100.0
	(0.1)	(0.5)	(0.2)	(0.1)	(0.4)	(1.2)	(0.1)	(0.1)	(1.7)	(0.5)	(1.4)	(1.5)	(1.3)	(0.5)	(0.6)	(0.5)	(0.2)	(0.1)	(0.6)	(0.4)	(0.7)	(0.7)	(0.1)
DA2102i Has mutual funds	10.2	21.3	15.6	3.4	3.6	0.3	7.0	8.4	1.4	6.0	0.5	0.5	2.0	11.6	3.3	9.2	13.1	8.5	3.8	2.2	6.2	4.1	31.4
	(0.2)	(1.2)	(0.7)	(0.4)	(0.3)	(0.1)	(0.4)	(0.3)	(0.4)	(0.4)	(0.1)	(0.2)	(0.4)	(0.8)	(0.3)	(0.8)	(0.7)	(0.6)	(0.3)	(0.2)	(0.6)	(0.7)	(0.3)
DA2103i Has bonds	3.2	2.9	3.2	0.4	7.3	0.1	0.4	0.9	0.4	10.0	1.2	0.1	0.7	1.4	5.8	21.7	0.6	2.6	0.8	1.2	0.5	0.8	1.0
	(0.1)	(0.5)	(0.3)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.4)	(0.1)	(0.3)	(0.4)	(0.3)	(1.3)	(0.1)	(0.3)	(0.1)	(0.2)	(0.2)	(0.3)	(0.1)
DA2105i Has shares (publicly traded)	8.6	9.8	10.9	4.4	10.1	0.9	11.7	11.3	4.7	3.1	15.7	0.4	1.0	7.8	1.2	9.9	4.6	5.0	2.3	3.9	5.9	1.8	21.0
	(0.2)	(0.9)	(0.6)	(0.4)	(0.8)	(0.4)	(0.5)	(0.4)	(0.7)	(0.3)	(1.3)	(0.2)	(0.3)	(0.7)	(0.1)	(0.9)	(0.5)	(0.5)	(0.3)	(0.4)	(0.6)	(0.4)	(0.4)
DA2107i Has money owed to household	7.5	5.2	12.8	10.3	2.7	2.9	14.7	4.4	3.3	0.6	6.6	4.6	5.9	7.7	6.5	1.9	6.9	6.9	3.9	8.3	6.2	4.8	M
	(0.2)	(0.6)	(0.7)	(0.7)	(0.3)	(0.5)	(0.6)	(0.2)	(0.6)	(0.1)	(1.0)	(0.8)	(1.0)	(0.8)	(0.4)	(0.4)	(0.6)	(0.6)	(0.3)	(0.6)	(0.6)	(0.6)	
DA2109i Has voluntary pensions/whole life insurance	28.4	42.9	43.2	18.5	15.6	0.3	23.4	38.4	5.6	8.2	24.0	21.8	9.0	17.8	5.8	19.1	26.4	12.3	38.6	13.2	15.4	15.6	29.7
	(0.3)	(1.3)	(0.9)	(0.8)	(0.7)	(0.2)	(0.7)	(0.6)	(1.0)	(0.5)	(1.5)	(1.4)	(2.0)	(1.0)	(0.4)	(1.0)	(0.9)	(0.7)	(0.9)	(0.6)	(0.9)	(1.2)	(0.5)
DA2199i Has other types of financial assets	7.7	3.4	16.7	3.3	3.9	0.8	3.6	7.7	0.7	2.9	1.4	0.4	1.6	4.7	0.6	2.5	2.2	1.4	2.1	0.8	1.6	1.0	18.6
	(0.2)	(0.5)	(0.8)	(0.4)	(0.4)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(0.5)	(0.2)	(0.4)	(0.6)	(0.1)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)	(0.4)

Source: Household Finance and Consumption Survey - wave 2017. Preliminary data for Ireland and Spain. Preliminary standard errors for France (see endnote FR6).

Wealth inequality grew during the fiscal crisis

Source: Household Finances and Consumption Reports, 2013 and 2017

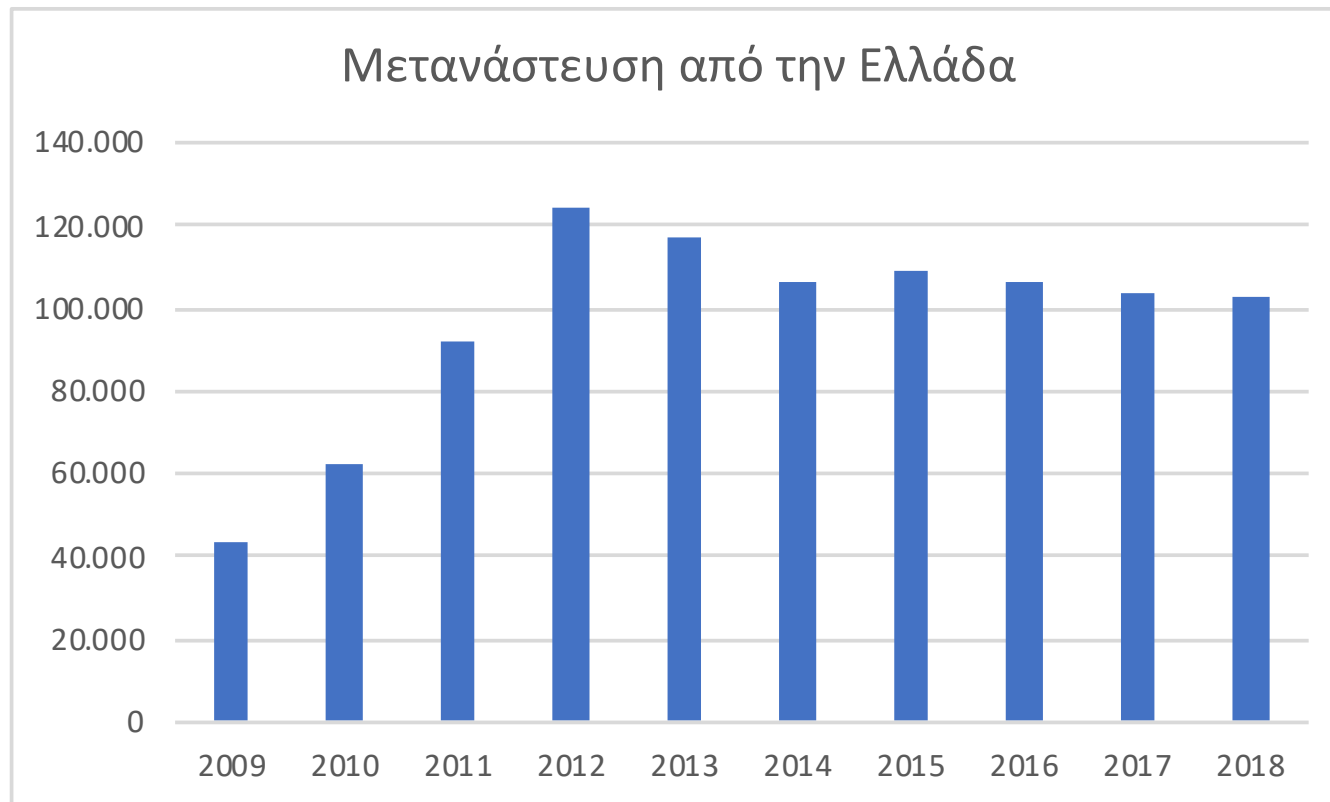
	Share of top 5%		Share of top 10%		Share of 50-90%		p90/p50		p80/p20		Gini coefficient	
	2010	2014	2010	2014	2010	2014	2010	2014	2010	2014	2010	2014
EZ	37.2	37.8	50.5	51.2	43.6	43.0	4.7	4.8	40.1	41.0	0.680	0.685
DE	45.6	46.3	59.2	59.8	38.0	37.7	8.6	7.7	74.9	111.4	0.758	0.762
GR	25.4	28.8	38.8	42.4	48.8	46.9	3.3	3.7	14.7	21.7	0.561	0.599
ES	30.9	33.3	43.4	45.6	43.6	42.4	3.3	3.4	7.0	7.7	0.580	0.599
IT	32.1	29.7	44.8	42.8	44.9	47.3	3.3	3.5	20.9	30.1	0.610	0.603
CY	42.5	43.6	56.7	56.7	35.8	37.2	5.5	4.8	12.9	16.1	0.698	0.717
PT	39.3	36.5	51.4	52.1	39.9	40.8	3.9	5.1	16.6	25.9	0.660	0.678

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Outward migration from Greece

Source: Eurostat



Key unexploited assets

- **Highly educated labor force** is out of balance with R&D
 - E.g. share of scientists and engineers disproportionately high relative to the share of R&D Expenditure in GDP

- **Huge diaspora** in a variety of countries and professions
 - In industry and services abroad
 - In academia and research centers

- **Greek champions** in industrial and in academic research
 - High potential for innovation!
 - What happened to them in the fiscal crisis?
 - Map them, like ESET (2010-13) did!

Global Competitiveness Index WEF: Greece

Source: World Economic Forum, Global Competitiveness Reports
 2019

Global Competitiveness Index 4.0 2019 edition

Rank in 2018 edition: 57th/140

Performance Overview 2019 Key ◊ Previous edition ▲ High-income group average ◻ Europe and North America average



Bottom: Rank (among 141 countries)

Top: the top country

Right:

- ◻ Diamond: score 2018
- ◻ Triangle: mean performance in the same income group
- ◻ Square: mean performance in the same region

Key modern ways forward

- Promote **financial literacy** and **financial health**
- **Overcome fear** of private initiatives and entrepreneurship
- Promote and coordinate **research**
- Improve **connectivity within** the country
- Improve **connectivity with diaspora** and rest of the world

Key modern ways forward

- Promote **financial literacy and financial health**
 - Empower households to:
 - **plan and budget** their expenses to avoid financial distress
 - participate in **broad (diversified) portfolios** that offer higher expected returns with smaller risks
 - search and **evaluate loans** and mortgage offers
 - open **individual retirement accounts** to supplement their public pensions
 - access **cross-border opportunities**: current and to be opened by the Capital Markets Union in the EU
 - Not advisable to direct savings solely to domestic firms
 - promote the **Pan-European Personal Pension Product** and other instruments that foster international mobility with alternating stays/work in Greece and abroad
 - Establish a framework for **investor/borrower protection**

Key modern ways forward

- Overcome **fear of private initiatives** and **entrepreneurship**
 - Distinguish between the **obligation of the State** to provide and **monopoly** in provision
 - Best example: university education!
 - **Introduce tough Independent Authorities where in doubt!**
 - Independent regulators (coordinating with EU)
 - Independent (international) accreditation boards

Key modern ways forward

- Promote and coordinate **research**
 - A **Greek NSF** (National Science Foundation)
 - For **basic** research but also for excellent **applied** research
 - **Basic:** continuity and predictability in Calls for Projects
 - **Applied:**
 - **Coordinate** with the elected government setting policy priorities
 - **Remove segmentation** of research funds across ministries
 - **Actively promote international collaboration** in research projects
 - Provide **salary enhancement** for active researchers

Key modern ways forward

- Improve **connectivity within** the country
 - Research/Academia and industry
 - Promote and set up clusters (e.g., of the type of Corallia), innovation hubs, science parks

Key modern ways forward

- Improve **connectivity with diaspora** and rest of the world
 - Teleworking, online interaction, joint ventures and projects
 - International Gig Economy:
 - Contribute small parts to big projects: e.g., a small part to NASA, specialized software, a machine part