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COMUNICATO n. 1283 del 08/06/2016

Causes and Prospects of the Global Slowdown

With the world economy experiencing one of the longest periods of recession in history, Senior Vice President and Chief Economist at the World Bank, Kaushik Basu, discussed the roots, influences, and future prospects of this global problem during the first day of the 11th edition of Trento Festival of Economics "Where growth takes place".

As the global economy is interconnected, the subprime mortgage crisis in the USA quickly evolved into a sovereign debt crisis in Europe, and as a result, there has been a clear slow down of the emerging economies.

These financial crises, and today's migration conflicts contribute to the global slowdown.

"It is a worker versus capital problem." Continued inequality of both developed and emerging economies is seen through two changes in technology. First is the rapid development in labor saving technology and the second is seen in labor linking technology. While the invisible hand plays an important role, the role of civil society and interventionist mechanism must still take place.

In the attempt to build from these global challenges, the European Monetary Union specifically should have a scope for joint liability where one larger state can help much smaller ones in need. But this is prevented by the technicalities lying in the Treaty of Lisbon.

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