

PhD Defence: Bédhat Jean-Marc Atsebi

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Pôle Tertiaire - Site La Rotonde - 26 avenue Léon Blum - 63000 Clermont-Ferrand

Room 313 Pascal

Essays on Financial Crises and Growth Surges

JURY

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ABSTRACT

This dissertation studies two phenomena that have been widespread in many countries of the world through history and have huge implications for development, namely the financial crises and growth surges. The first part, comprising two chapters (chapters 2 and 3), analyzes the sectoral trade and output costs of financial crises in the context of developing and emerging countries. It also examines the channels by which financial crises affect trade and output and assess the role of fiscal policy and space to alleviate the output costs. The second part, comprising also two chapters (chapters 4 and 5), turns our attention to the determinants of growth surges in countries and the International Monetary Fund's role in igniting growth surges. Chapter 2 studies the response of different types of trade (i.e. agricultural, mining, and manufactured goods, and services) following various types of financial crises (i.e. debt, banking, and currency crises) in 41 emerging countries over the period 1980-2018. It reveals that the collapse of total trade anthem aftermath of financial crises is long lasting and mainly driven by the fall of manufacturing trade. Also, trade in both mining goods and services declines following several types of financial crises,

while trade in agricultural goods seems to benefit from a possible substitution effect particularly following debt crises. These trade costs are reinforced for combined crises and can be explained by compositional and structural (trade structure and diversification), demand-side (fall in demand for goods and services), and supply-side channels (disruption of financial development, fall of net capital inflows and deterioration of credit ratings). Chapter 3 studies how fiscal policy space shapes the dynamics of output losses in the aftermath of financial crises and normal recessions in a sample of 35 developing and 56 emerging countries over the period 1985-2017. It reveals that the availability of fiscal space in the aftermath of financial crises and normal recessions generates a mixed fiscal environment with different output losses of shocks. In countries with enough fiscal space, governments can enact credible fiscal policy expansion by increasing their deficit and using their fiscal space to alleviate the costs of financial crises and normal recessions. In such a situation, private consumption and investment, as well as net capital in flows, increase, which favors a rapid recovery. In countries with limited fiscal space, the story is different and painful; governments immediately trade output stabilization goals out to address the debt sustainability issues while implementing fiscal consolidations, which deepens the recessionary forces. Besides, in these countries, private consumption and investment, as well as net capital inflows, are depressed, and recovery, if any, is a distant and uncertain prospect. Chapter 4 studies the determinants of growth surges. It identifies 132 episodes of growth surges in 117 countries over the period 1980-2010 and finds that improvements in macroeconomic stability and external factors and endowments favor a higher probability of growth surge. They are followed by structural reforms, investments, labor and productivity, trade diversification and quality, and lastly by institutions. Besides, it shows that countries can maximize the likelihood of igniting growth surges if they jointly achieve significant improvements in macroeconomic stability and external conditions and endowments, on one hand, and other determinants, on the other hand. Moreover, significant changes in macroeconomic stability, and to some extent, external factors and endowments may be considered as dominant strategies to ignite a growth surge, as no improvements in these determinants, generally constraint the other determinants to have a smaller effect on growth surges. Chapter 5 engages and contributes to the debate on the effectiveness of the IMF in promoting growth. It concludes that IMF-supported programs (more PRGT than GRA programs) have significantly and positively contributed to boosting medium-to long-term growth in countries, particularly in the 2000s than previous decades, and in all countries around the world, regardless of their geographical position and levels of development. It has done so by pursuing macroeconomic stability and implementing structural reforms, but also creating the pre-conditions to boost investments, labor, and productivity and benefit more from favorable external and endowments conditions.

KEYWORDS

Trade costs; Output losses; Financial crises; Fiscal policy space; Growth surges; Macroeconomic stability; Structural reforms; International Monetary Fund

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