Integrated Economy and Society: Diversity, Creativity, and Technology
16–18 May 2018
Naples • Italy
Management, Knowledge and Learning International Conference 2018
Technology, Innovation and Industrial Management

AN ANALYSIS OF ECONOMIC PERFORMANCE IN THE 10TH YEAR ANNIVERSARY OF THE GREAT RECESSION OF 2008.

Pellegrino Manfra
City University New York, United States
pmanfra@qcc.cuny.edu

Abstract:
This article examines and analyzes the world economies in the 10th year anniversary since the Great Recession of 2008.
This year will be 10 years since Lehman Brothers filed for Chapter 11 throwing the U.S. and much of the world into the greatest financial crisis since the Great Depression. The financial crisis has since reshaped world economies and financial markets and its effects are still being felt ten years later. With near zero percent interest rate and massive injection of quantitative easing (QE) the U.S and world economy are far below the pre crisis era. Growth rates in U.S. Europe and the rest world in the last ten years have been averaging below 2007 pre crisis period. World trade, foreign direct investment and productivity have not gained since the financial crisis of 2007. They are all significantly below pre crisis era.
The third millennium has started with two extensive financial crisis: the dot com bubble in 2000 and the housing crisis that caused the Great Recession 2008 – both started in the U.S. In both cases there is evidence that the Federal Reserve System (FED) first had low interest rate causing the bubbles in the financial markets -later increased interest rate to pop the bubbles. Never before had the Federal Reserve (FED), European Central Bank(ECB), Bank Of Japan (BOJ)and Bank of England (BOE) with other banks all worked together to try to ward off the threat of global depression.
More than $16 trillion of quantitative easing (QE) and liquidity was injected in world economies.
This modern financial engineering is unprecedented and no one knows how will end.
Today the FED is on contractionary monetary policy whereas the ECB, BOJ and BOE is on expansionary path. The FED has stopped with the purchase of mortgage back securities and its QE program and are now on quantitative tightening (QT) but the ECB and BOJ has continued at a diminished rate its QE program – about 30 billion euro a month. Confronting the recent high unemployment in the EMU the ECB has announced a continued round of quantitative easing (QE) to stimulate the European Economy bringing the interest rate to zero and negative rates on deposits.

In the paper, I will argue that major central banks have embarked on a strategy unprecedented in history with many risks.
Despite all the massive QE, World growth, world trade, foreign direct investment and productivity have not gained since the financial crisis of 2007 and are all significantly below pre crisis era. All four major central banks have record balance sheet and the FED – to date - is the only central bank thinking about shrinking its balance sheet.

Keywords: Financial crisis, Economy, United States,