

***Economic Society of Singapore (ESS)  
and  
NTU Economic Growth Centre (EGC)***

present

**“Persistent Slowdowns: How Can Policy Help?”**



**Professor Seppo Honkapohja**  
Deputy Governor of the Bank of Finland

**About the Speaker:**

Seppo Honkapohja, D.Soc.Sc., is Deputy Governor of the Bank of Finland. Seppo Honkapohja has been member of the board since 1 January 2008. Honkapohja is responsible for the Bank of Finland’s scientific research and currency supply. When the Governor is unable to attend, Deputy Governor Honkapohja will be his alternate at meetings of the Governing Council and General Council of the ECB. Dr Honkapohja joined the Bank of Finland from the academic world. He was Professor of International Macroeconomics at the University of Cambridge in 2004–2007. His prior career included work with the Academy of Finland, University of Helsinki and Turku School of Economics and Business Administration.

**Abstract:**

The sluggish macroeconomic performance of advanced market economies in the years after the Great Recession has raised interest in the possibility of the economy becoming stuck in a stagnation state for long periods. Many central banks lowered their interest rates very close to zero which is thought to be a lower bound (ZLB) for these rates. One possible explanation for the stagnation state is that it is caused by a wide-spread lack of confidence on the part of economic agents. A persistent stagnation regime or a steady state with low output, deflation and interest rates constrained by the ZLB may be a self-fulfilling outcome. I examine efficacy of fiscal policy in a New Keynesian model with adaptive learning determining expectations. Pessimistic expectations may sink the economy into a stagnation regime or even a steady-state with deflation. Then a large temporary fiscal stimulus is needed to avoid or emerge from stagnation. A modest stimulus is sufficient if implemented early. Large scale asset purchases (APP) have been used as a tool for easing of monetary policy in the ZLB regime. I comment on the various APP programs and outline a theoretical approach to analyze efficacy of APPs using a New Keynesian model.

**Chaired by:**

**Mr. Philip Chua**  
*Council Member, ESS*  
*Former Senior Country Executive*  
*American Express Bank Ltd*

**Date: 10 November 2017 (Friday)**

**Time: 4.00pm to 5.30 pm**

**Venue: The Regent Singapore**

**Tanglin III-IV (Level II)**

**1 Cuscaden Rd, Singapore 249715**

**Registration & tea reception start at 3.30pm**

***Seats are very limited.***

***Admission is only by confirmation of registration***

***Please register online at [d-egc@ntu.edu.sg](http://d-egc@ntu.edu.sg) on or before 5 November 2017***