THE FAILURE TO PREDICT THE GREAT RECESSION. A VIEW THROUGH THE ROLE OF CREDIT

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Abstract
Much has been written about why economists failed to predict the latest crisis. Reading the literature, it seems that this crisis was so obvious that economists must have been blind not to see it coming. We approach this failure by looking at one of the key variables in this analysis, the evolution of credit. We compare the conclusions reached in the recent literature with those that could have been drawn from an ex ante analysis. We show that the effect of credit on the business cycle can not be exploited from a policymaker’s point of view. (JEL: C22, E32)

The editor in charge of this paper was Fabio Canova.

Acknowledgments: We acknowledge the constructive comments made by the Editor and three anonymous referees; this version owes much to them. We are also grateful to Oscar Jorda and the participants in the CFE-2012, SAE-2013 and EEA-ESEM-2013 Conferences, the Research Seminars of the Bank of Spain, the Carlos III University, the the European Economic Institute, the University of Alicante, the University of Navarra, the University Autonoma de Barcelona, the European Central Bank and the Workshop ”The Econometric Analysis of Recurrent Events in Macroeconomics and Finance” for their very useful comments and suggestions. We are also indebted to Aitor Erce for his very helpful discussion and for sharing his data with us. Maria Dolores Gadea acknowledges the financial support of the Ministerio de Ciencia y Tecnología under grant ECON2008-03040 and ECO2011-30260-C03-02, and of the Bank of Spain under the fellow visiting program. The views expressed here are those of the authors and do not represent the views of the Bank of Spain or the Eurosystem. Perez-Quiros is a member of CEPR.

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