

# OFF THE NEWS

## A Taxing Proposition

Italy will include prostitution and illegal drug sales in the gross domestic product calculation this year, a boost for its chronically stagnant economy and Prime Minister Matteo Renzi's effort to meet deficit targets.

Drugs, prostitution, and smuggling will be part of GDP as of 2014 and prior-year figures will be adjusted to reflect the change in methodology, according to the Istat national statistics office.

—Bloomberg

## What Bubble?

Shadow banking has seen explosive growth and is now 25 percent of the global financial system. In China, the shadow financial system jumped by more than 40 percent in 2012. Global shadow banking has jumped to more than \$70 trillion.

—Financial Stability Board



Efe Bal, left, is one of a group of Italian prostitutes demanding the right to pay taxes and receive a pension. The Italian tax code does not recognize their profession, though paying for sex in Italy is legal, and has tried to fine prostitutes for tax evasion.



A creative accountant:  
Italian Prime Minister  
Matteo Renzi

## Extraordinary Month

Texas oil drillers produced an average of 2.924 million barrels of crude each day during the month of February 2014. This is the largest daily oil production in Texas in any single month since January 1981.

—MARK J. PERRY,  
American Enterprise Institute

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## Overseas Parking

Companies listed on the S&P 500 index have, over the last decade, increased the amount of profits earned outside of the United States by more than 400 percent, to nearly \$2 trillion.

—*The IFI Group*

## Capital Flows Still Matter

“Despite a significant contraction from 2007 to 2009, resulting from the deep global recession, the combined value of financial flows and trade in goods and services was 36 percent of global GDP in 2012—1.5 times higher than in 1980.

“The report also confirms that greater openness to global flows has been a significant source of economic growth for individual countries and worldwide. Overall, the research estimates that global flows have contributed 15–25 percent of global growth each year, with more interconnected countries receiving 40 percent more of the growth benefits than less interconnected ones. This is consistent with economic theory: Interconnectedness fosters growth via productivity gains from specialization, scale, competition, and innovation.”

—LAURA TYSON, *Haas School of Business at the University of California, Berkeley,*  
and SUSAN LUND, *McKinsey Global Institute*

## Bank Lending Blues

Although bank lending has begun to increase, banks since the 2008 financial crisis have lent out roughly 70 percent of their deposits, down from 90 percent before the crisis.

—*Federal Deposit Insurance Corporation*

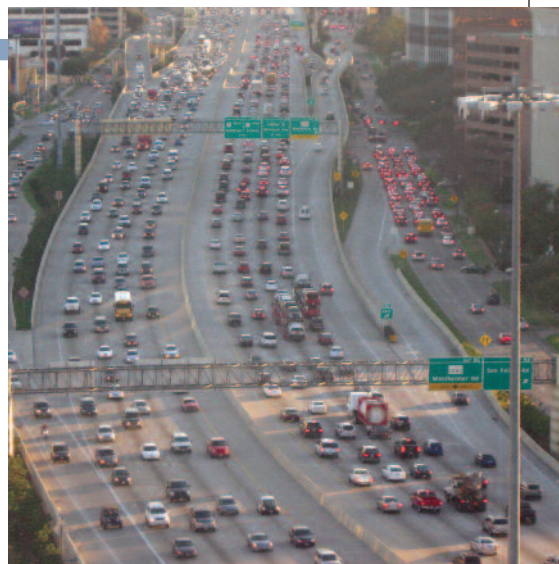
## Good News/Bad News

Californians pay nearly 11.5 percent of their income in state and local taxes. Floridians pay 9.2 percent. Texans pay only 7.5 percent.

Yet only three states—Arizona, Florida and Georgia—have governments that spend less per resident than Texas.

—*Tax Foundation and U.S. Census Bureau*

*Traffic in Houston. The booming economy in Texas has led to choking traffic congestion. Can the state's infrastructure be improved without increased revenues and investment?*



## Inconvenient Truth I

**F**or the first quarter of 2014, U.S. private sector wages and salaries jumped by the slowest rate since March 1980.

—Bureau of Labor Statistics

## Inconvenient Truth II

**O**ver the last nineteen quarters of the U.S. recovery, the economy has grown by 2.2 percent, with total output jumping roughly 11 percent. For all recoveries since 1960, the average growth rate during this period was roughly 4 percent. Total output has jumped by more than 21 percent.

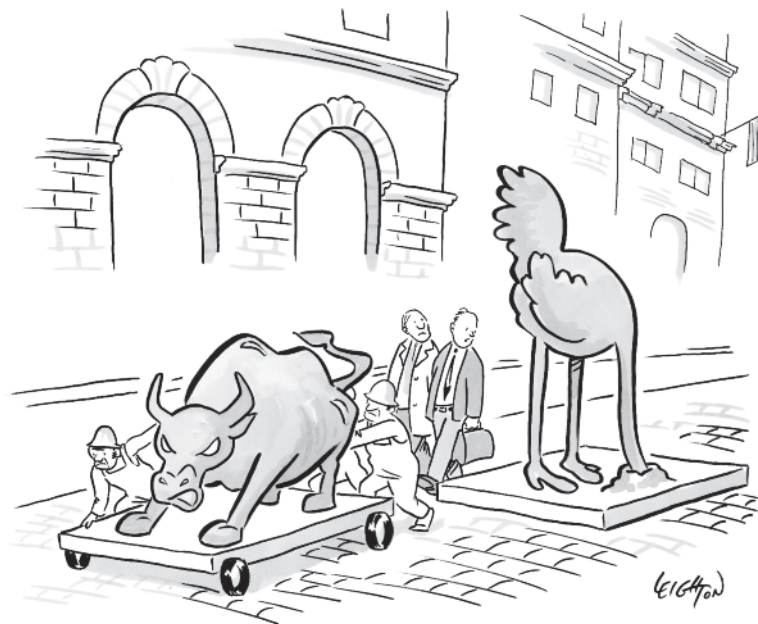
—Joint Economic Committee,  
U.S. Congress

## Bonds Versus Bank Financing

**B**ank lending to U.S. businesses still remains 6 percent below its 2008 high. In the eurozone, such lending is down by 11 percent since its peak in 2009. The decline in Britain is almost 30 percent.

Meanwhile bond markets continue to grow. In 2007, the value of outstanding corporate bonds issued by U.S. firms was roughly 29 percent of GDP. In 2013, that number jumped to 42 percent, as estimated by McKinsey.

—The Economist



"I think the head's in the wrong place."

ROBERT LEIGHTON: THE NEW YORKER COLLECTION/THE CARTOON BANK