

GLOBAL IMBALANCES AFTER 2008



STRUCTURE

- Gross domestic product
 - Employment and unemployment
 - Current account imbalances
 - Misaligned exchange rates
 - Interest rates, volatile capital flows and exchange rate instability
 - Financial liberalization and the financialization of commodity markets
 - Global rebalancing and recovery contributions
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GROSS DOMESTIC PRODUCT

- The fast shifting balance in the world economy is reflected in the decline in the share of developed countries in global gross domestic product (GDP).



EMPLOYMENT AND UNEMPLOYMENT

- The lasting labour market impact in major developed countries poses fresh challenges and risks to the continuation of positive runs in job creation and poverty reduction in the developing world.



CURRENT ACCOUNT IMBALANCES

- Current account imbalances may arise for a number of reasons and are not indicative per se of a systemic problem that needs coordinated intervention. Rather, it is the loss of competitiveness at the national level that causes an unsustainable current account deficit.



MISALIGNED EXCHANGE RATES

- Since the end of the multilateral Bretton Woods exchange rate system, non-orderly floating of currencies has prevailed, featuring large exchange rate swings and persistent misalignments.

Globalization:
Good Or Bad?



INTEREST RATES, VOLATILE CAPITAL FLOWS AND EXCHANGE RATE INSTABILITY

- In the absence of proper global governance, global finance has become dominated by herd-like short-term risk-reward calculations that may ignore the gradual build-up of economic imbalances and related financial fragilities for a long time.



FINANCIAL LIBERALIZATION AND THE FINANCIALIZATION OF COMMODITY MARKETS

- Greater market transparency and tighter regulatory measures are called for to contain the price impact of financial investors and the associated risk of price bubbles.



Financial liberalization

GLOBAL REBALANCING AND RECOVERY CONTRIBUTIONS

- Developing countries at large have contributed disproportionately to global rebalancing and recovery, while an increasing number of them have reached the point where rising current account deficits signal future risks of fragility and crisis.



LITERATURE

- <https://stats.unctad.org/Dgff2012/chapter2/2.html>
- <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/globalizations-critical-imbalances>
- <https://blogs.imf.org/2020/08/04/global-imbalances-and-the-covid-19-crisis/>