

Comments on “Global Macroeconomic Outlook, Vulnerabilities and Spillovers” by Celasun and Huang

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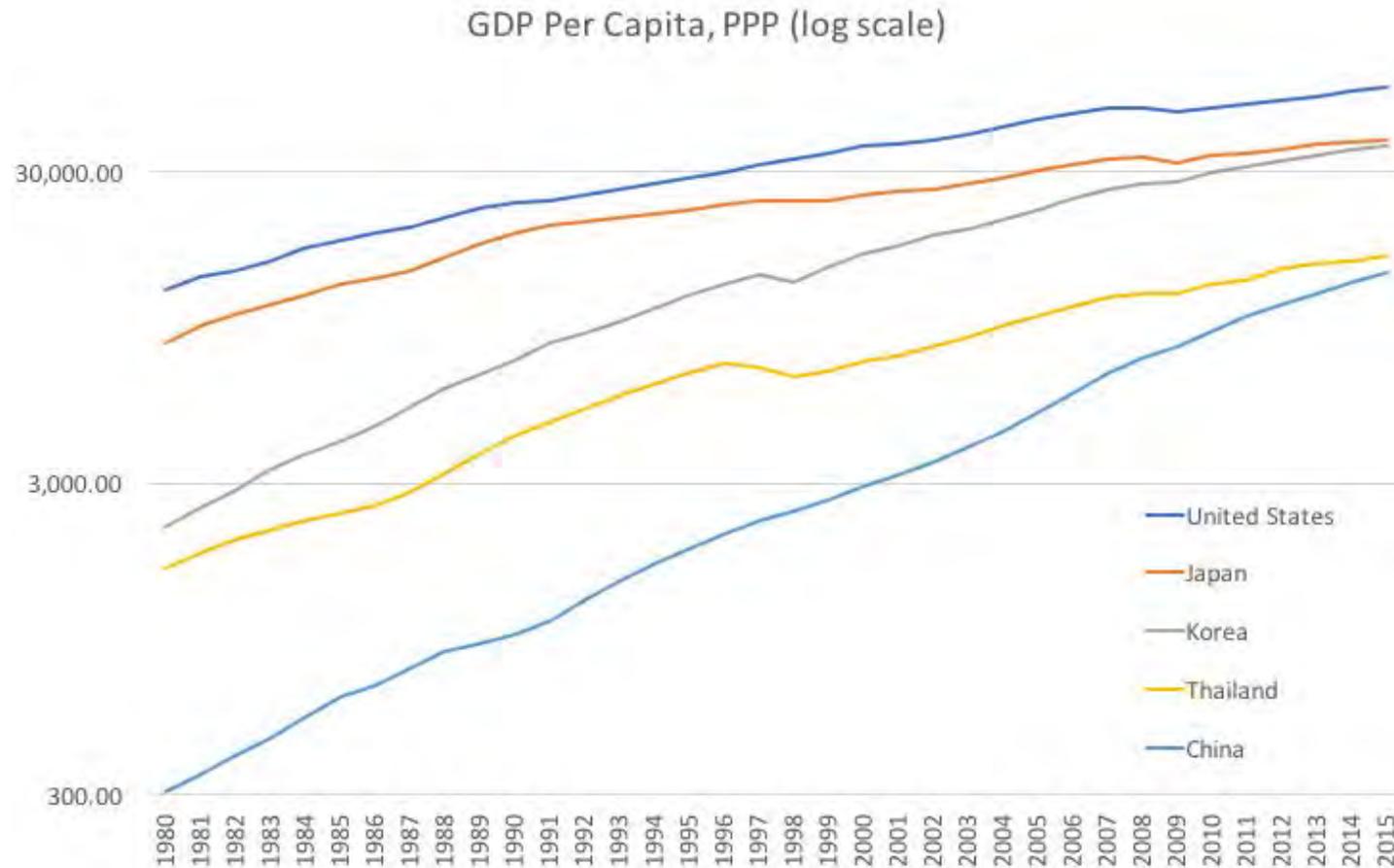
**U Tokyo PARI - IMF OAP Conference on
Coping with Macroeconomic Vulnerabilities and Spillovers
November 7-8, 2016, in Tokyo (InterContinental Tokyo Bay)**

Overview

- ✦ Most reliable description of current and near future forecasts on world economy by Celasun and on China by Huang.
- ✦ Most likely scenario: Not rosy but not so gloomy.
- ✦ Presented and briefly discussed almost complete list of risks.
- ✦ However, Ch 1 would become more valuable if it add more sharper policy-related discussions from new analyses or updated past analyses on policy effectiveness.
- ✦ In doing so, it would benefit from discussing not only short-run business cycles but also long- and mid-term perspectives.

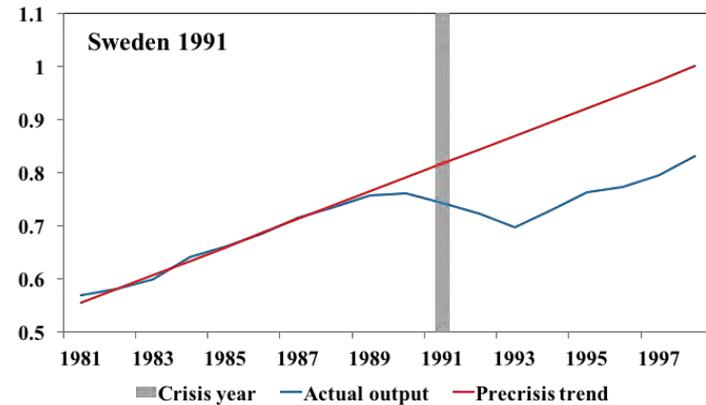
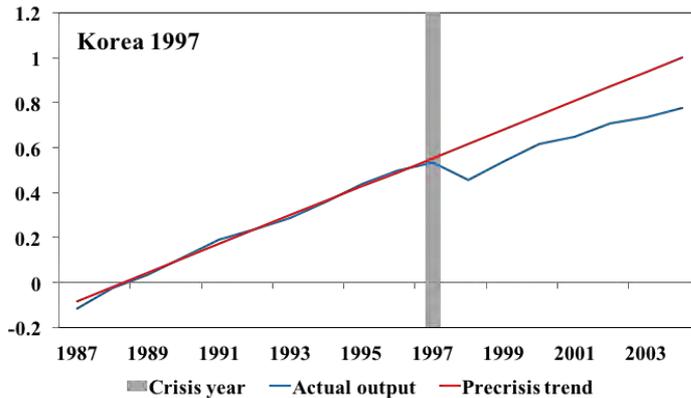
Asia: Long-term View: Catch-up Process

Mid-term View: Post Crisis Growth

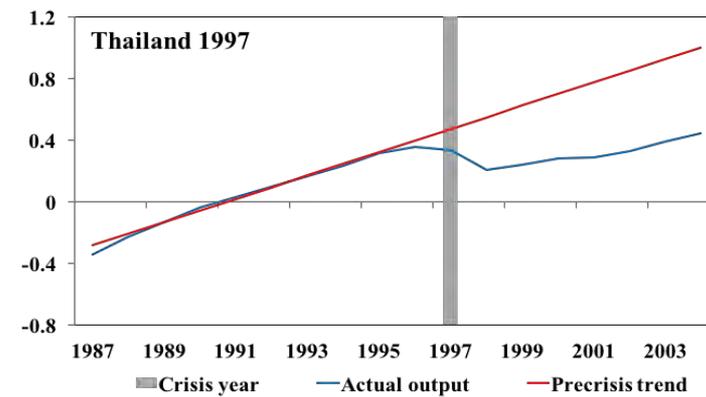
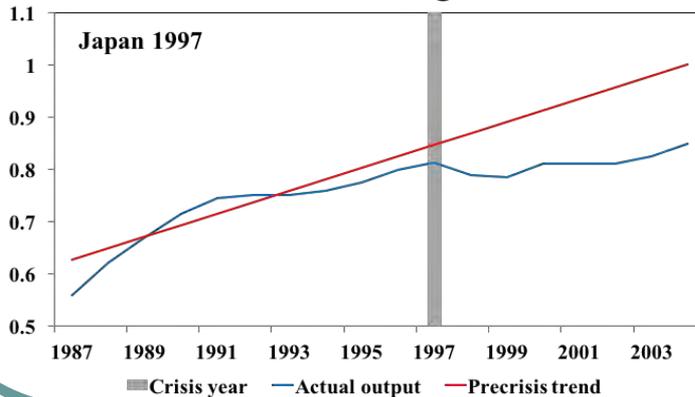


Closer look (Claessens, et al 14; chapter by Abiad, et al.)

Lower level but the same growth rate

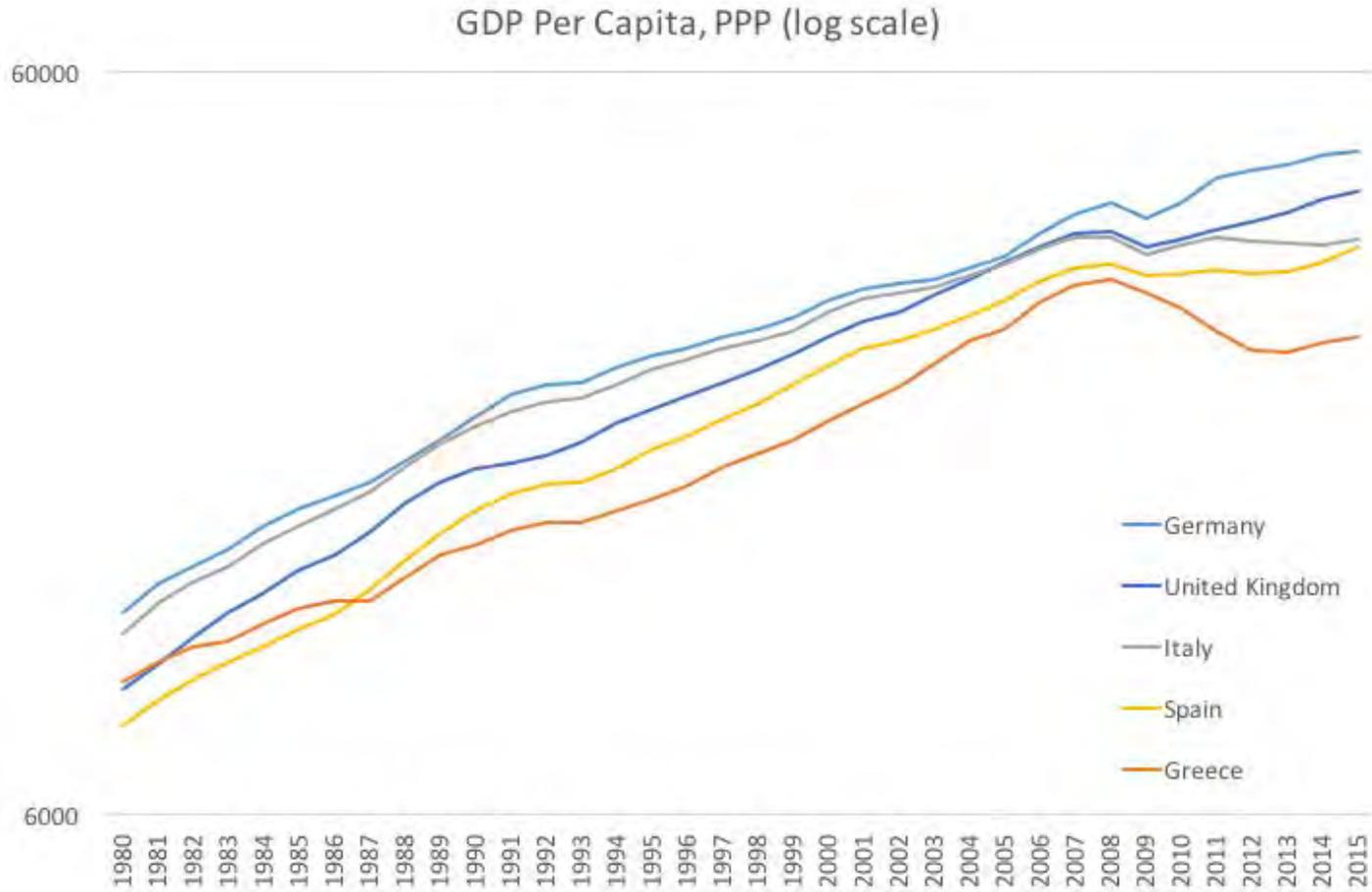


Lower level and lower growth rate



Europe: Mid-term View: Post-Crisis Growth

Long-term View: EU / EMU



Post-crisis slow growth: sharper policy analyses needed (e.g. Great Depression)

- ✦ Traditional Keynesian fiscal policy: New Deal fiscal policy was the key but adopted too little too late → slow recovery
- ✦ Monetarist (Friedman and Schwartz 63; Christiano, et al 04): Money growth was too low → slow recovery
 - ✦ gold standard effectively increased money supply (Romer 92)
- ✦ Real business cycle view (Cole and Ohanian 04): Under New Deal, industry cartelization with labor protections (fix price and wage) created more structural rigidities → slow recovery
- ✦ Protectionism: trade barriers, financial barriers, beggar-thy-neighbor policies → slow recovery (→ call for IMF/WB/WTO)

Keep discussing on-going evaluations on current policies

✦ Monetary and fiscal policies

- ✦ How effective? (Many WEO) Wider evidence than the IMF model?

✦ Structural policies

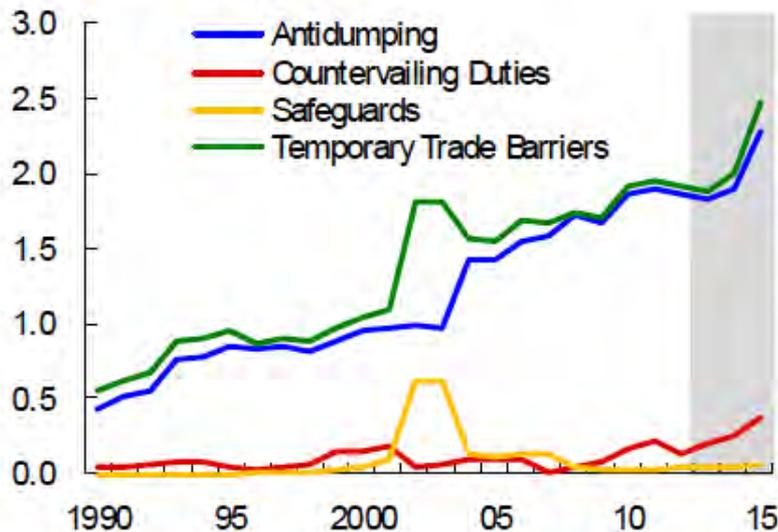
- ✦ Industrial policies: Any distortions like New Deal cartel policy?
- ✦ Labor market rigidities: How to reform? (Excellent work in the last WEO) May have increased in the name of “inclusive growth”?

✦ International economic system

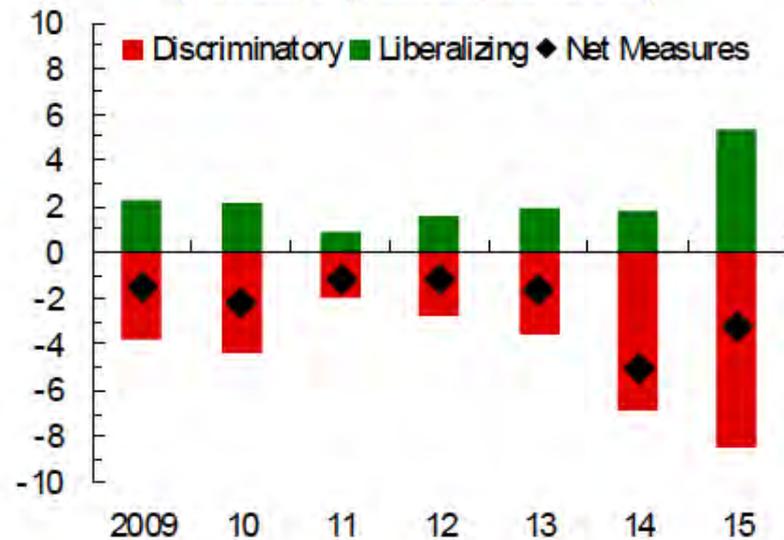
- ✦ Trade barriers: Ch 2 current WEO
- ✦ International financial fragmentation: GFSR Apr 15
- ✦ EU/EMU: Like “gold standard” but with free trade / financial / labor flows. Pros and cons, which are bigger? Any reform suggestions?

Updates needed: e.g. trade barriers

Temporary Trade Barriers
(Percent of products)



Measures Implemented
(Number of products, thousands)



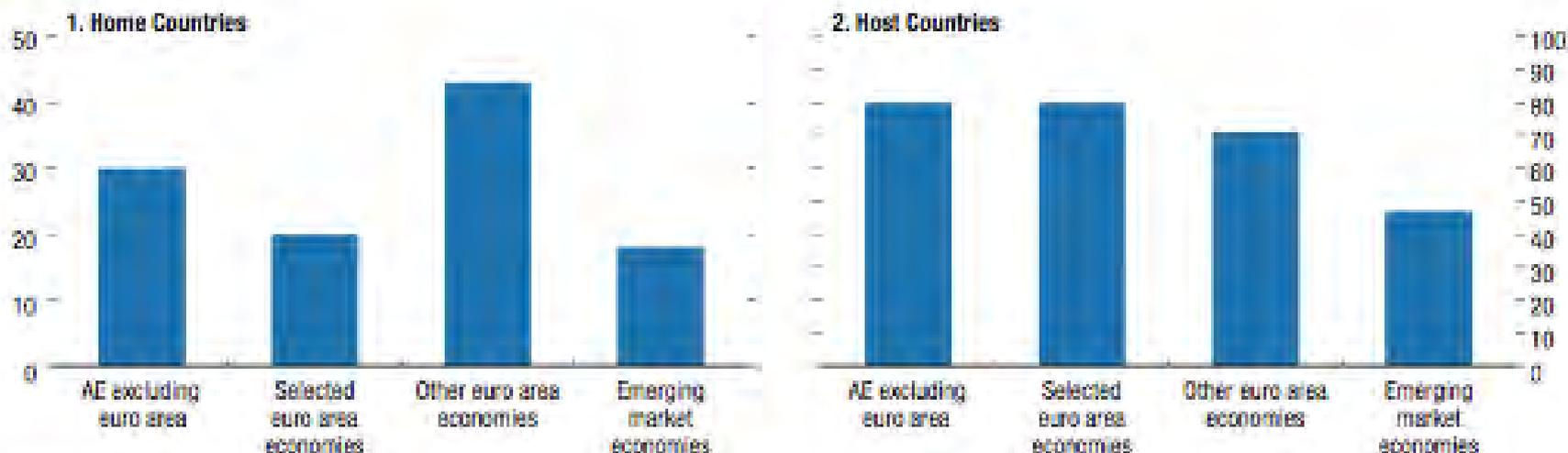
Sources: Bown 2016; Global Trade Alert database; World Bank Temporary Trade Barriers database; and IMF staff calculations.

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Also, financial barriers (GFSR 15)

Figure 2.9. Share of Countries that Tightened Regulations on International Banking Operations between 2006 and 2014, by Region

(Percent)



Source: IMF staff calculations.

Note: AE = advanced economies. Selected euro area economies are those with high borrowing spreads during the 2010–11 sovereign debt crisis and comprise Greece, Ireland, Italy, Portugal, and Spain. Other euro area economies comprise Austria, Belgium, Finland, France, Germany, Luxembourg, and the Netherlands. Countries that tightened regulations are defined as countries with a positive index of changes in regulations on banks' international operations (see Annex 2.1).