Global Economic Governance: Asymmetric Delivery

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• Since the Great Recession began, there has been no shortage of scorn for the state of global economic governance among pundits and scholars.

• Nevertheless, a closer look at the global response to the financial crisis reveals a more optimistic picture for the advanced economies (AEs).

• The same is unfortunately not true for the EMEs and less developed countries.
General Dysfunction

- The collapse of the Doha round
- The breakdown of macroeconomic policy consensus at the 2010 Toronto G20 summit
- The escalation of Europe’s sovereign debt crisis
Figure 1. World Industrial Production: Great Depression vs. Great Recession

Source: Eichengreen and O’Rourke, “A tale of two depressions redux.”
Figure 2. World Trade Volumes: Great Depression vs. Great Recession

Source: Eichengreen and O’Rourke, “A tale of two depressions redux.”
Figure 3. Trade Restrictions, 2006–2011

Source: WTO
Figure 4. Major Policy Interest Rates, 2007–2012

Interest Rates, Discount Rate for United States (INTDSRUSM193N), Interest Rates, Discount Rate for Euro Area (INTDSREZM193N), Interest Rates, Discount Rate for China (INTDSRCNM193N), Interest Rates, Discount Rate for Japan (INTDSRJPM193N), Interest Rates, Discount Rate for United Kingdom (INTDSRGBM193N)

Shaded areas indicate US recessions.

Source: St. Louis Federal Reserve Bank.
• Central banks and finance ministries also took coordinated action during the fall of 2008 to try to ensure cross-border lending as to avert currency and solvency crises.

• The IMF created the Short-Term Liquidity Facility designed to “establish quick-disbursing financing for countries with strong economic policies that are facing temporary liquidity problems.”

• In 2009 the G20 agreed to triple the IMF’s reserves to $750 billion.

• In 2012, in response to the worsening European Sovereign debt crisis, G20 countries combined to pledge more than $430 billion in additional resources.
## SHARE IN GLOBAL GDP

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<th>At market exchange rates</th>
<th>At PPP</th>
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<td>AD economies</td>
<td>EMDEs</td>
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<td>1990</td>
<td>79.9</td>
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<td>2008</td>
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<td>2013</td>
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PPP: Purchasing power parity
AD economies: Advanced economies
EMDEs: Emerging market and developing economies
Source: WEO April 2013, International Monetary Fund
2005

- China: 17.21%
- G7 Euro Zone: 13.62%
- BRIC- China: 10.56%
- Japan: 10.4%
- United Kingdom: 8.98%
- United States: 6.73%
- Other EME*: 3.14%
- OECD Other**: 2.48%

*Includes Indonesia, Turkey, South Africa and Argentina
** Includes Mexico, Canada, Australia and South Korea
2011

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Game changers and results

• 1\textsuperscript{st} Summit: Macroeconomic co-ordination and diagnosis

• 2\textsuperscript{nd} Summit: Recovery packages

• 3\textsuperscript{rd} Summit: BWI reform and structural framework

• 4\textsuperscript{th} Summit: Fiscal consolidation

• 5\textsuperscript{th} Summit: Development

• 6\textsuperscript{th} Summit: Austerity vs Stimulus?

• St Petersburg: (When not Syria)
  ➢ Exit from unconventional monetary policies?
  ➢ Base erosion and profit sharing?