

Global Economic Governance: Asymmetric Delivery

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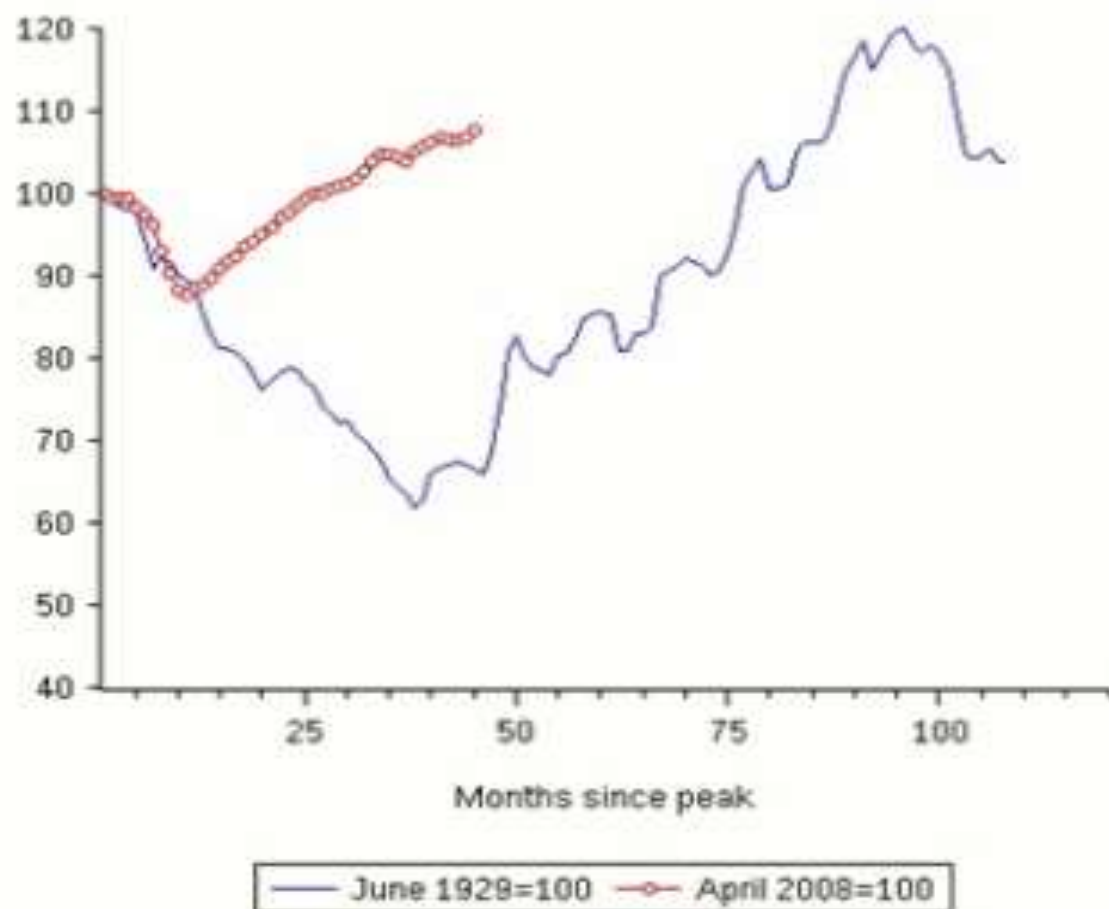
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- Since the Great Recession began, there has been no shortage of scorn for the state of global economic governance among pundits and scholars.
- Nevertheless, a closer look at the global response to the financial crisis reveals a more optimistic picture for the advanced economies (AEs)
- The same is unfortunately not true for the EMEs and less developed countries.

General Dysfunction

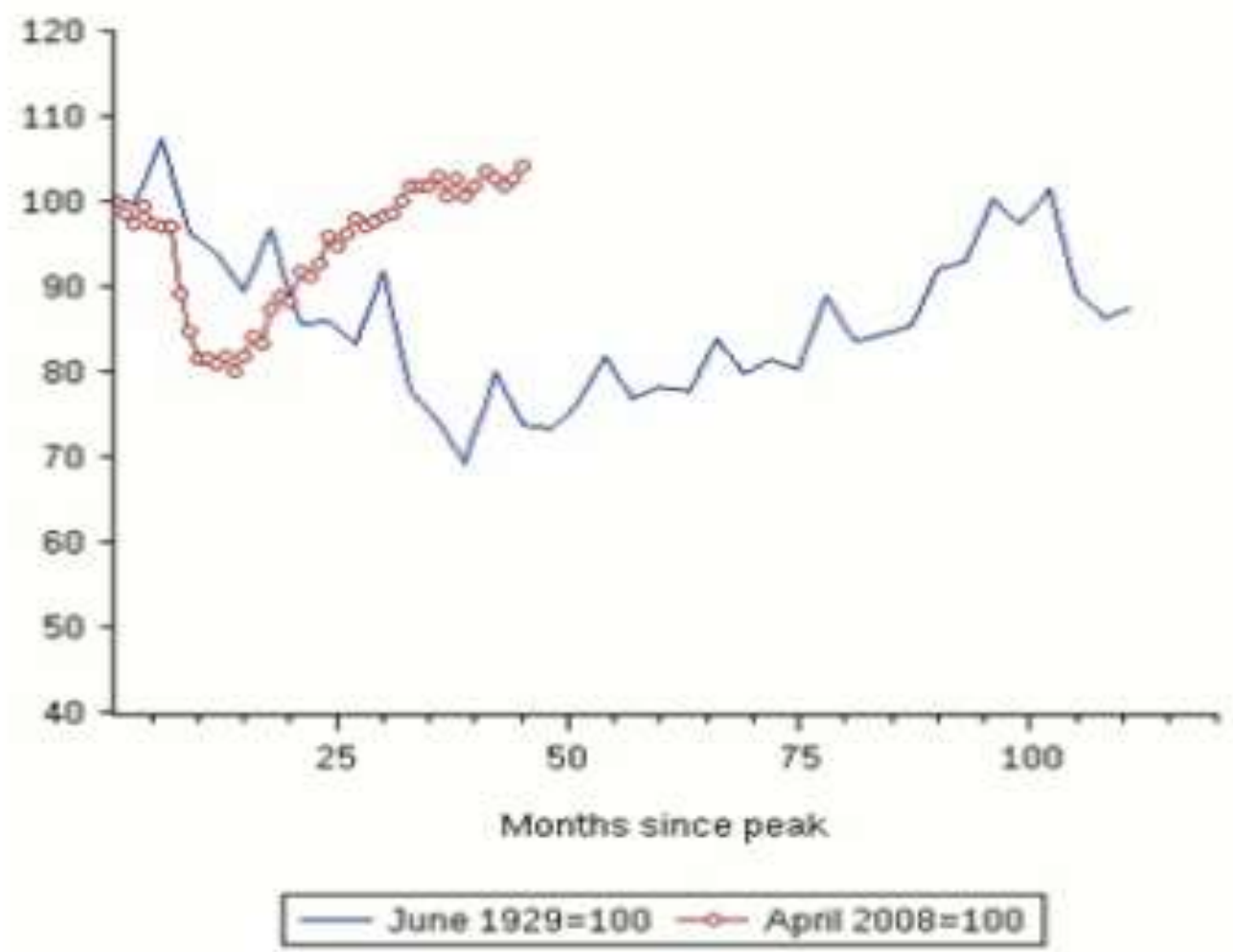
- The collapse of the Doha round
- The breakdown of macroeconomic policy consensus at the 2010 Toronto G20 summit
- The escalation of Europe's sovereign debt crisis

Figure 1. World Industrial Production: Great Depression vs. Great Recession



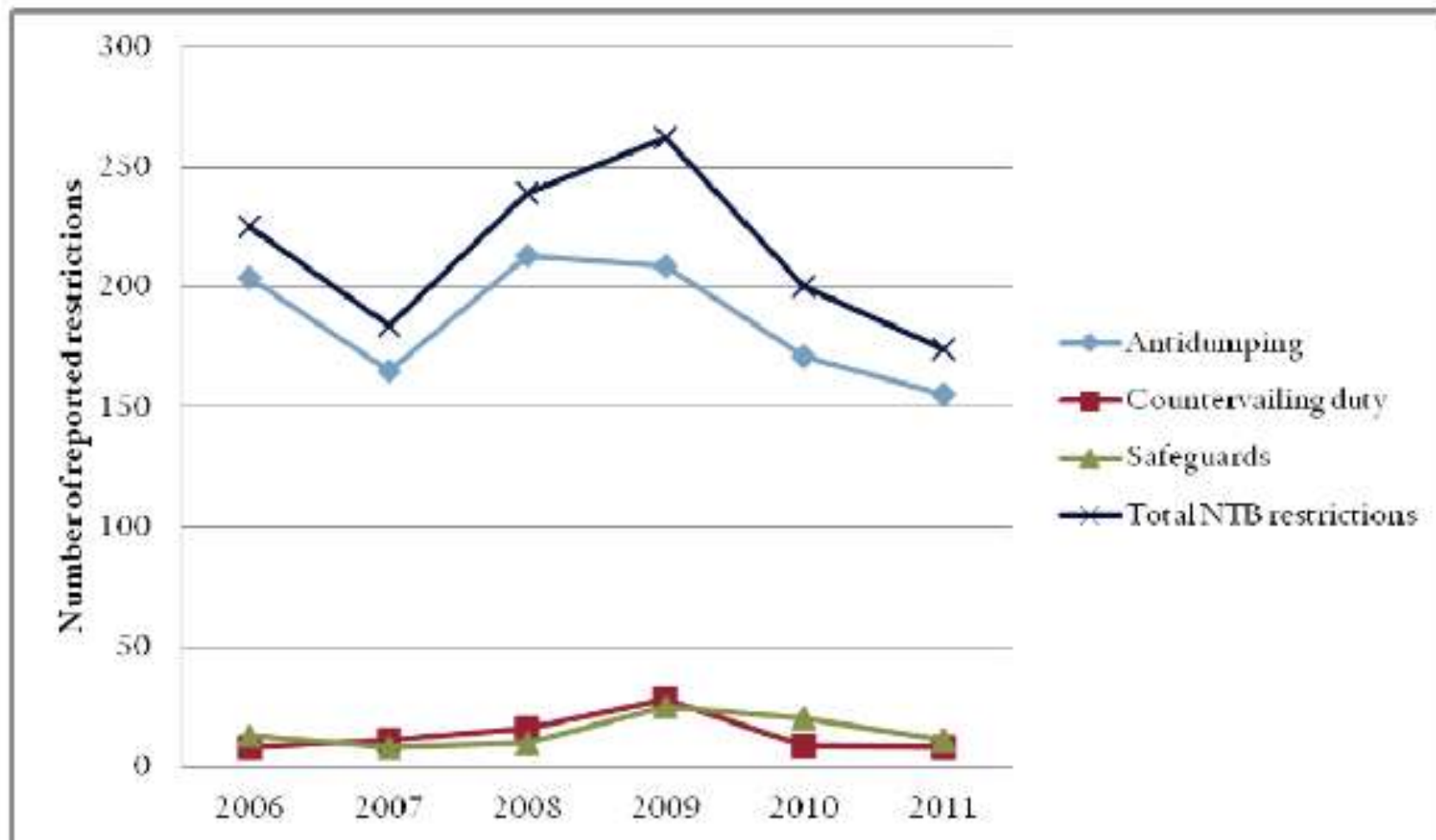
Source: Eichengreen and O'Rourke, "A tale of two depressions redux."

Figure 2. World Trade Volumes: Great Depression vs. Great Recession



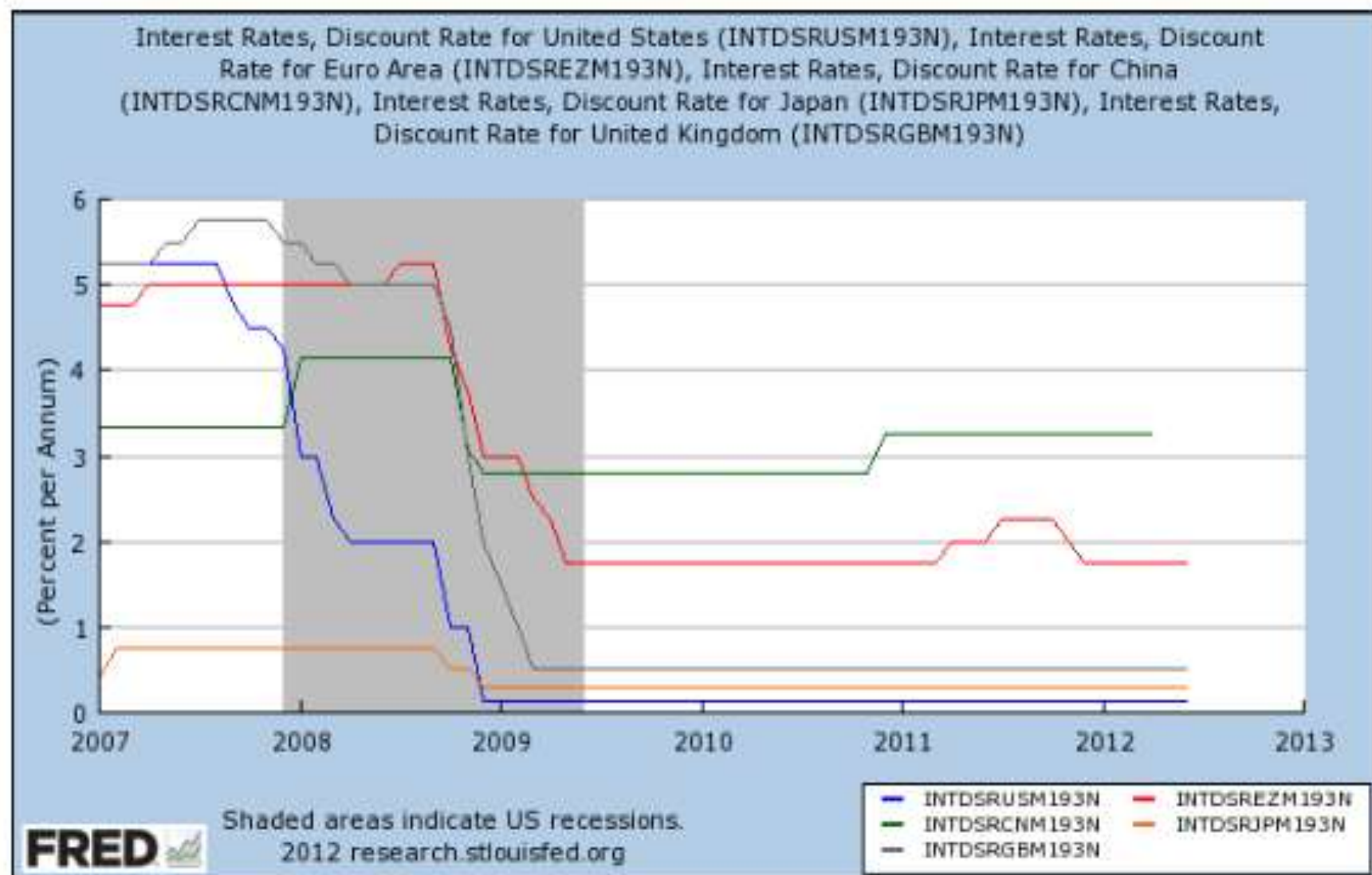
Source: Eichengreen and O'Rourke, "A tale of two depressions redux."

Figure 3. Trade Restrictions, 2006–2011



Source: WTO

Figure 4. Major Policy Interest Rates, 2007–2012



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

(In %)

	At market exchange rates		At PPP	
	AD economies	EMDEs	AD economies	EMDEs
1990	79.9	20.1	69.3	30.7
2000	79.7	20.3	62.8	37.2
2008	68.7	31.3	54.5	45.5
2013	60.7	39.3	49.1	50.9

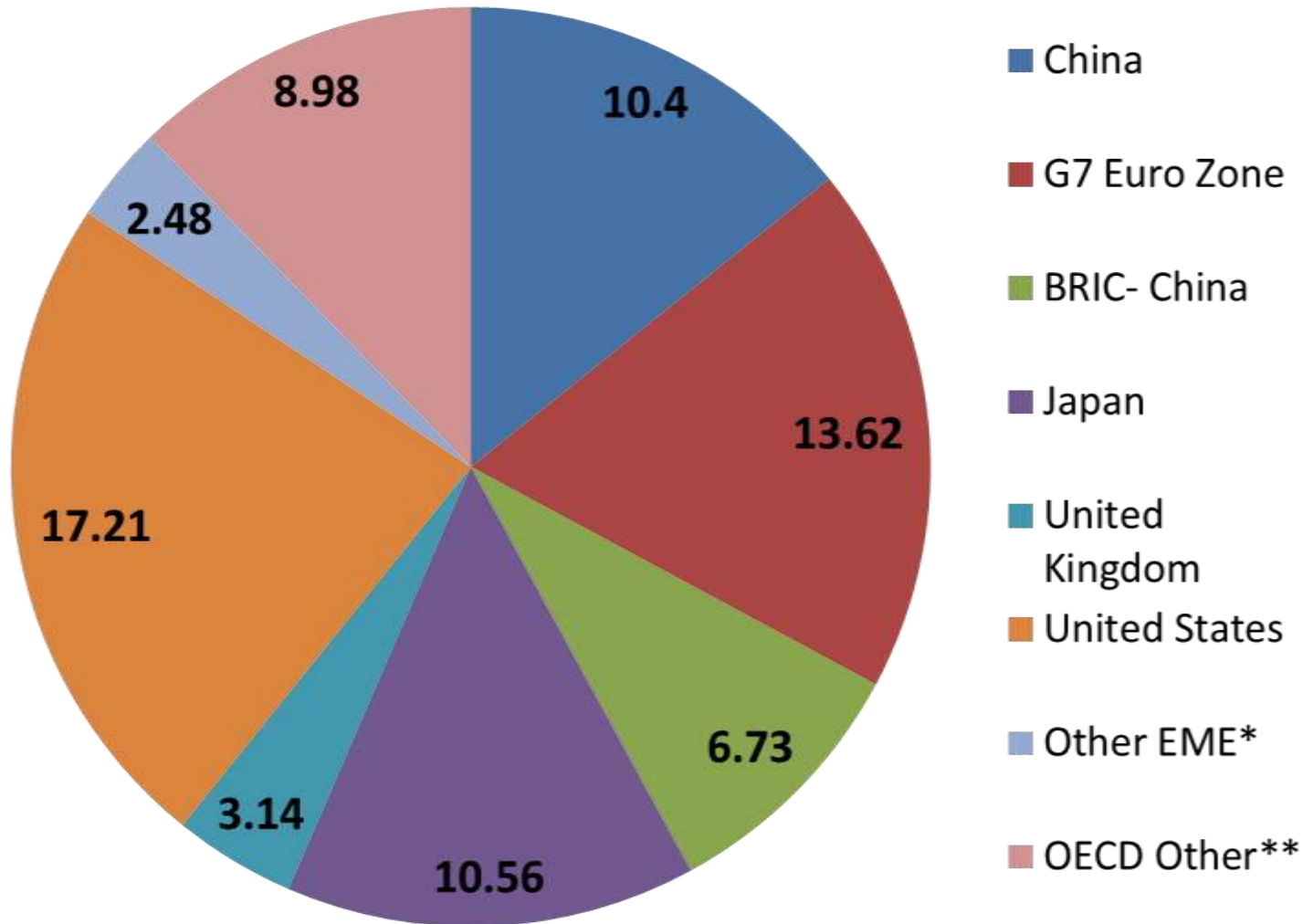
PPP: Purchasing power parity

AD economies: Advanced economies

EMDEs: Emerging market and developing economies

Source: WEO April 2013, International Monetary Fund

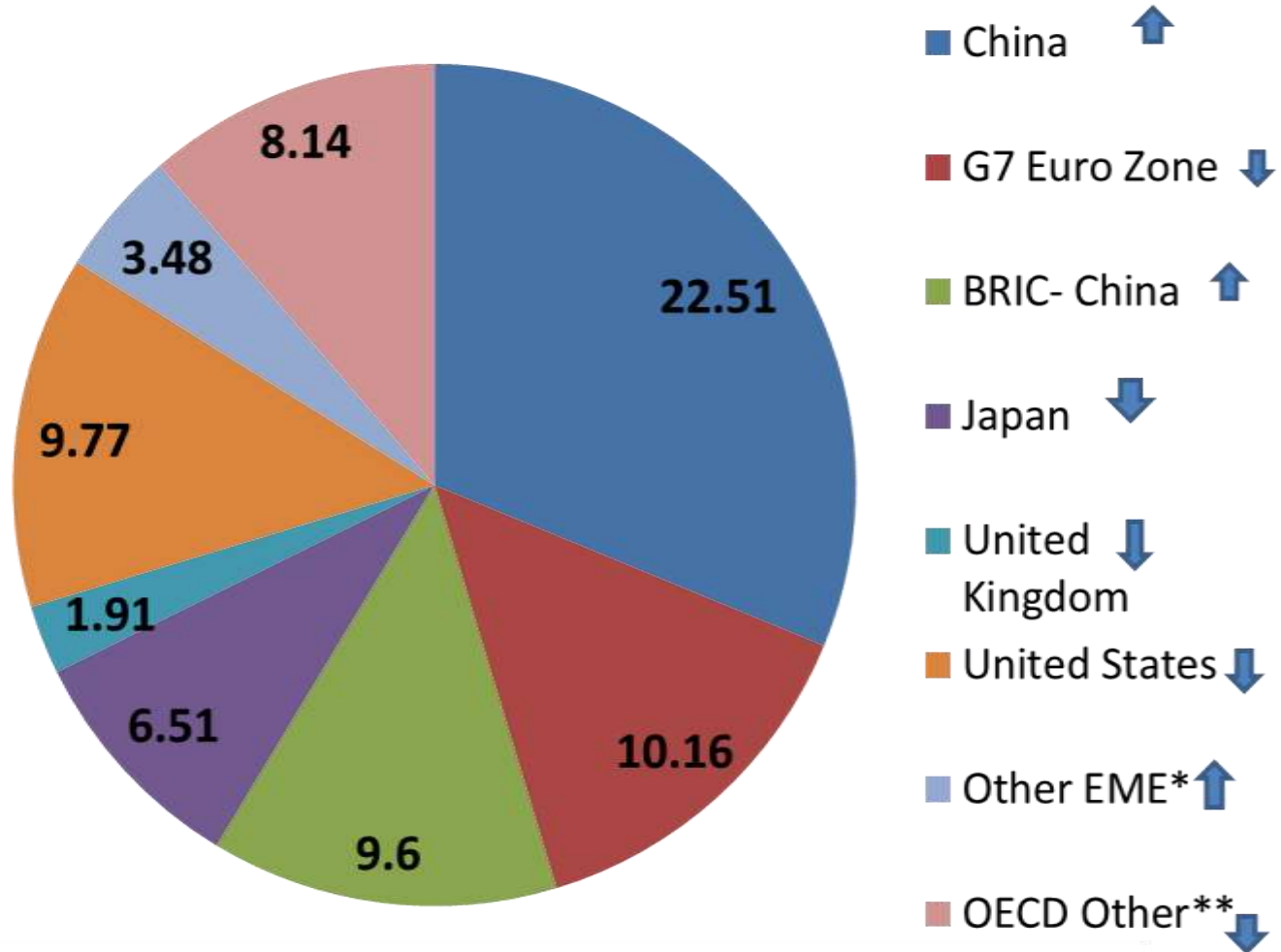
2005



*Includes Indonesia, Turkey, South Africa and Argentina

** Includes Mexico, Canada, Australia and South Korea

2011



*Includes Indonesia, Turkey, South Africa and Argentina

** Includes Mexico, Canada, Australia and South Korea

Game changers and results

- 1st Summit: Macroeconomic co-ordination and diagnosis ✓ ✓ ✓
- 2nd Summit: Recovery packages ✓ ✓ ✓
- 3rd Summit: BWI reform and structural framework ✓
- 4th Summit: Fiscal consolidation ✗
- 5th Summit: Development ✗ ✗ ✗
- 6th Summit: Austerity vs Stimulus ?
- St Petersburg: (When not Syria)
 - Exit from unconventional monetary policies ?
 - Base erosion and profit sharing ?