Development and Change / Volume 42, Issue 1 / p. 228-261

Debate

Global Imbalances, Under-consumption and Over-borrowing: The State of the World Economy and Future Policies

Francis Cripps, Alex Izurieta, Ajit Singh

First published: 14 March 2011 https://doi.org/10.1111/j.1467-7660.2011.01687.x Citations: 20

ABSTRACT

This contribution addresses the question of whether growth convergence can be sustained in the global economy without compromising welfare and without causing major crises. It employs a simplified stock-flow analytical framework to examine the proposition that the pace and pattern of global growth is conditioned by 'under-consumption' in some regions of the world and 'over-borrowing' in other regions. A baseline projection using the Cambridge-Alphametrics model (CAM) illustrates consequences of resumed global imbalances after the 2008–2009 crisis. An alternative scenario exemplifies the case in which China and India shift towards internal income redistribution and domestic demand-orientated policies and suggests that this will not be sufficient to correct global imbalances or induce improved growth rates in other developing regions. Finally a more ambitious development perspective is simulated. Such a scenario requires internationally-coordinated policy efforts, with a greater role for governments in the management of demand, income distribution and environmental sustainability, as well as measures to reduce instability of exchange rate and commodity markets.

 \checkmark

REFERENCES

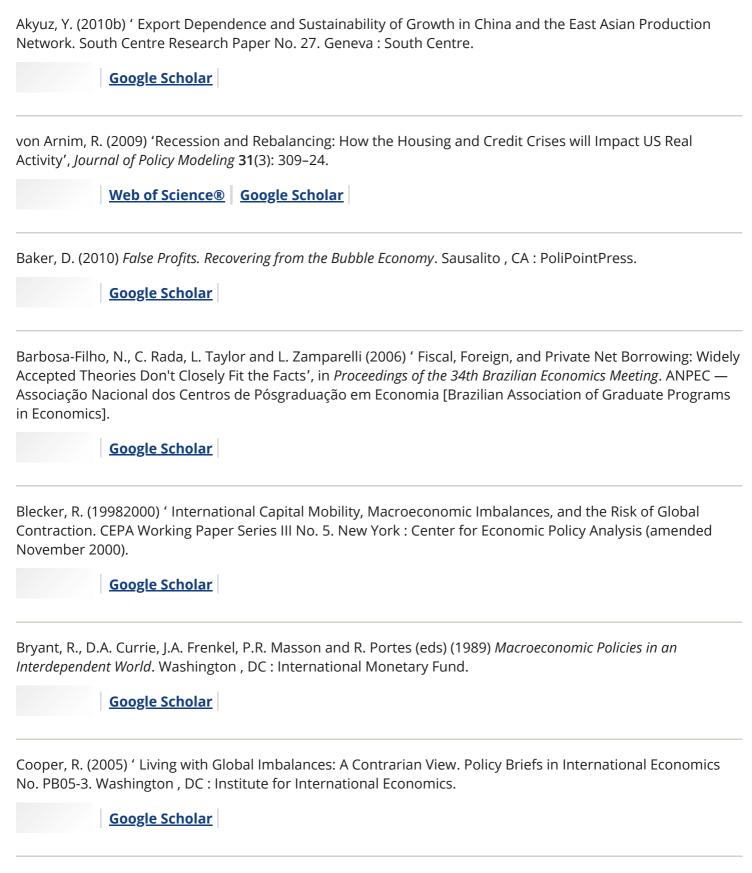
Akyuz, Y. (2008) ' Managing Financial Instability in Emerging Markets: A Keynesian Perspective. Turkish Economic Association Discussion Paper No. 4. Ankara : Turkish Economic Association.

Google Scholar

Akyuz, Y. (2009) ' Policy Response to the Global Financial Crisis: Key issues for Developing Countries. South Centre Research Paper No. 24. Geneva : South Centre.

Google Scholar

Akyuz, Y. (2010a) 'China Cannot Be a Global Locomotive but it Must Adjust. *IDN—In Depth News Viewpoint* 8 April. (http://other-news.info/index.php?p=3349; accessed 22 July 2010).



Cornia, G.A. (2010) ' Economic Integration, Inequality and Growth: Theory and Comparative Assessment. UN/DESA World Economic and Social Survey 2010 Background Paper. http://www.un.org/esa/policy/wess/wes s2010workshop/wess2010_cornia.pdf (accessed 22 July 2010)

<u>Google Scholar</u>

Cripps, F. and W. Godley (1978) 'Control of Imports as a Means to Full Employment and the Expansion of World Trade. The UK Case', *Cambridge Journal of Economics* **2**: 327–34.

Cripps, F., J. Eatwell and A. Izurieta (2005) 'Financial Imbalances in the World Economy', *Economic and Political Weekly* **40**(52): 5453–56.

<u>Google Scholar</u>

Cripps, F., G. Gudgin and J. Rhodes (1979) 'Technical Manual of the CEPG Model of World Trade', *Cambridge Economic Policy Review* **3** (June).

Web of Science® Google Scholar

Cripps, F., A. Izurieta and T. McKinley (2007) ' Developing a Global Model for Trade, Finance and Income Distribution. Technical Paper No. 1. Brasilia : UNDP International Poverty Centre. http://www.ipc-undp.org/pu b/IPCTechnicalPaper1.pdf

Google Scholar

D'Arista, J. (2007) ' US Debt and Global Imbalances. PERI Working Paper Series No. 136. Amherst , MA : Political Economy Research Institute.

Google Scholar

Davidson, P. and J. Kregel (1994) *Employment, Growth and Finance. Economic Reality and Economic Growth*. Cheltenham : Edward Elgar.

Google Scholar

Dos Santos, C. and Antonio C. Macedo e Silva (2010) ' Revisiting "New Cambridge": The Three Financial Balances in a General Stock-flow Consistent Applied Modeling Strategy. Levy Economics Institute Working Paper Series No. 594. Annandale-on-Hudson , NY : Levy Economics Institute of Bard College.

Google Scholar

Dos Santos, C. and G. Zezza (2008) 'A Simplified "Benchmark" Stock-flow Consistent (SFC) Post-Keynesian Growth Model', *Metroeconomica* **59**(3): 441–78.

Web of Science® Google Scholar

Felipe, J. and F.M. Fisher (2003) 'Aggregate Production Functions: What Applied Economists Should Know', *Metroeconomica* **54**(2–3): 208–62.

Google Scholar

Felipe, J. and J.L.S. McCombie (2006) 'The Tyranny of the Identity. Growth Accounting Revisited', *International Review of Applied Economics* **20**(3): 283–312.

Galbraith, J.K. (2008) *The Predator State. How Conservatives Abandoned Free Market and Why Liberals Should Too*. New York : Free Press.

<u>Google Scholar</u>

Galbraith, J.K. (2010) 'Inequality in the World Economy. An Empirical Investigation. Seminar delivered for the OECD Directorate for Employment, Labour and Social Affairs. ELSA Seminars Series (18 June).

Google Scholar

Galbraith, J.K. and E. Garcilazo (2004) 'Unemployment, Inequality and the Policy of Europe: 1984–2000', *Banca Nazionale del Lavoro Quarterly Review* **228**: 3–28.

Google Scholar

Godley, W. (1995) ' The US Balance of Payments, International Indebtedness and Economic Policy. Levy Economics Institute Public Policy Brief No. 23. Annandale-on-Hudson , NY : Levy Economics Institute of Bard College.

Google Scholar

Godley, W. (1999) ' Seven Unsustainable Processes: Medium-term Prospects and Policies for the United States and the World'. Levy Economics Institute Strategic Analysis, January (revised October 2000) . Annandale-on-Hudson , NY : Levy Economics Institute of Bard College.

Google Scholar

Godley, W. (2003) ' The US Economy: A Changing Strategic Predicament'. Levy Economics Institute Strategic Analysis, March . Annandale-on-Hudson , NY : Levy Economics Institute of Bard College.

Google Scholar

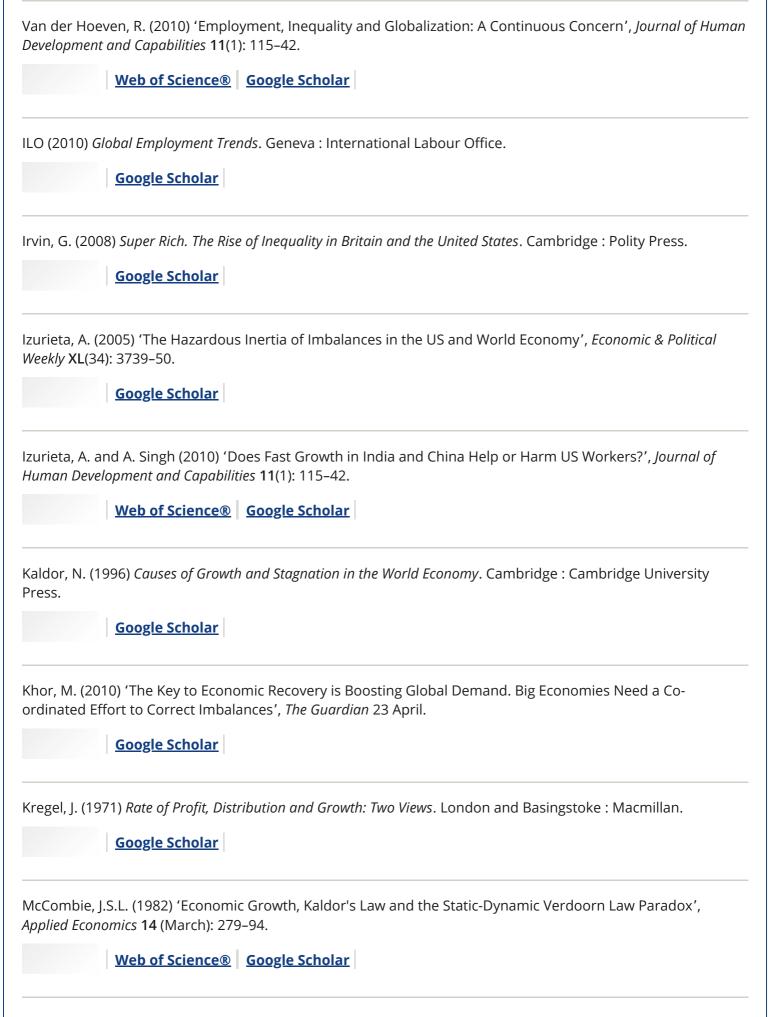
Godley, W. and M. Lavoie (2007) *Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth*. New York : Palgrave Macmillan.

Google Scholar

Harcourt, G.C. (1972) *Some Cambridge Controversies in the Theory of Capital*. Cambridge : Cambridge University Press.

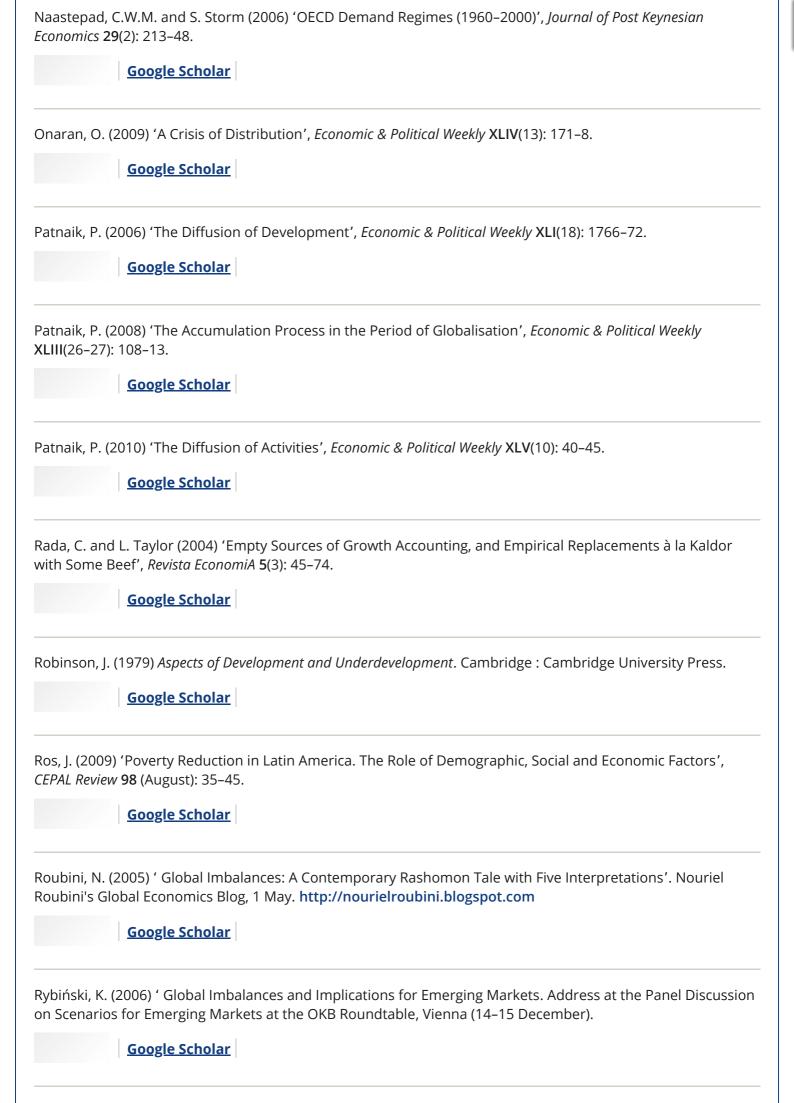
Google Scholar

Harcourt, G.C. (2006) *The Structure of Post-Keynesian Economics. The Core Contributions of the Pioneers*. Cambridge : Cambridge University Press.

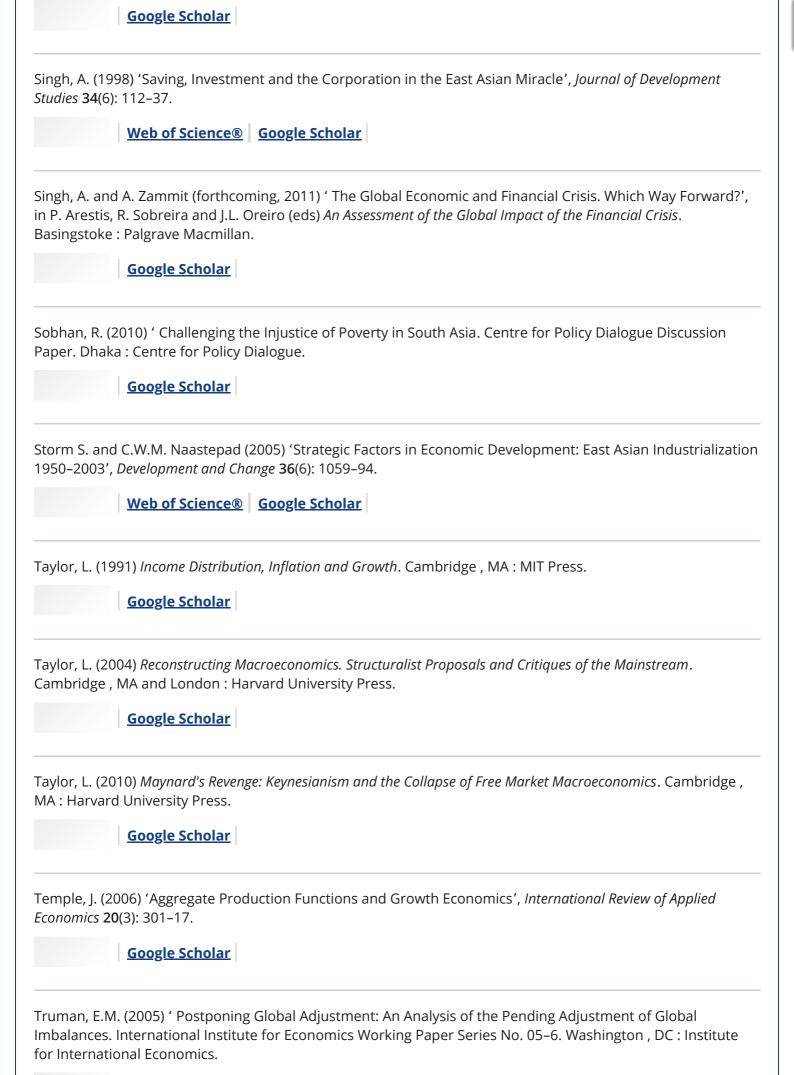


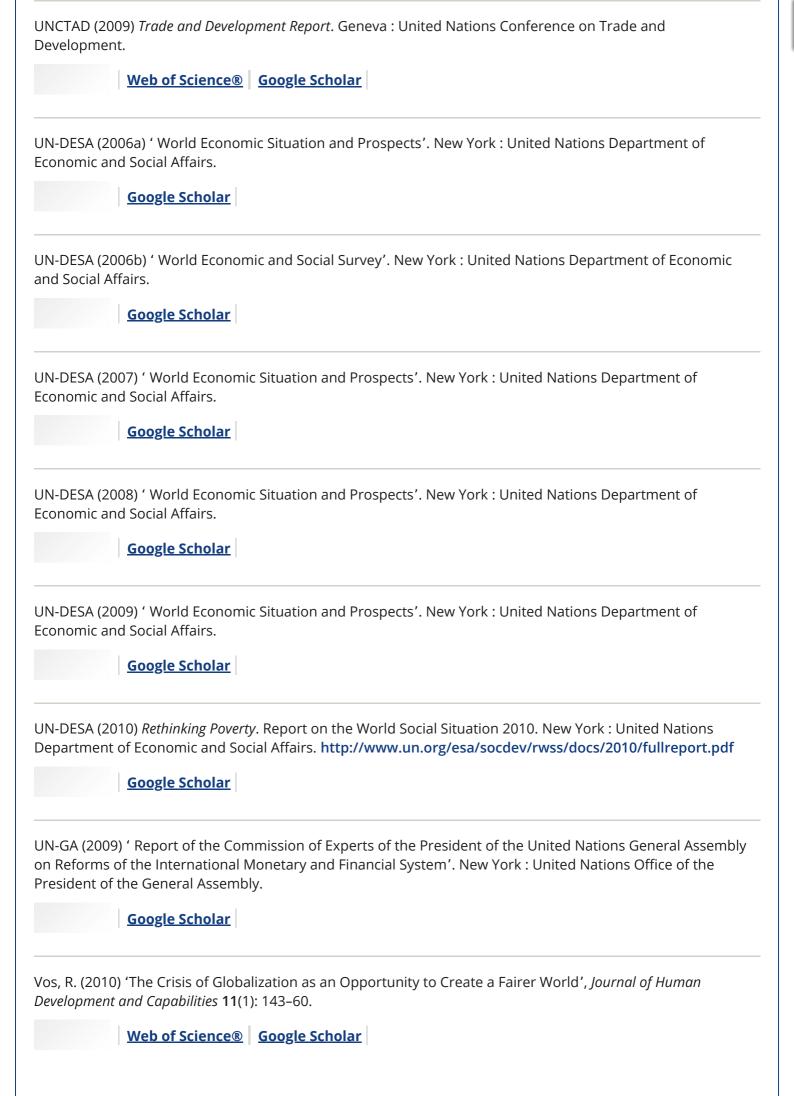
Montalvo, J.G. and M. Ravallion (2010) 'The Pattern of Growth and Poverty Reduction in China', *Journal of Comparative Economics.* **38**: 2–16.

Web of Science® Google Scholar



Setterfield, M. (ed.) (2010) Handbook of Alternative Theories of Economic Growth. Cheltenham : Edward Elgar.





Vos, R., L. Taylor and R. Paes de Barros (eds) (2002) *Economic Liberalization, Distribution and Poverty. Latin America in the 1990s.* Cheltenham and Northampton , MA : Edward Elgar.

<u>Google Scholar</u>

White, W. (2010) ' Opening Remarks', delivered at the INET Conference 'Anatomy of Crisis — The Living History of the Last Thirty Years: Economic Theory, Politics and Policy?', King's College , Cambridge , UK (9 April).

Google Scholar

Citing Literature

Download PDF

 \checkmark

ABOUT WILEY ONLINE LIBRARY

Privacy Policy Terms of Use About Cookies Manage Cookies Accessibility Wiley Research DE&I Statement and Publishing Policies Developing World Access

HELP & SUPPORT

Contact Us Training and Support DMCA & Reporting Piracy

OPPORTUNITIES

Subscription Agents Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network Wiley Press Room

Copyright © 1999-2025 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY