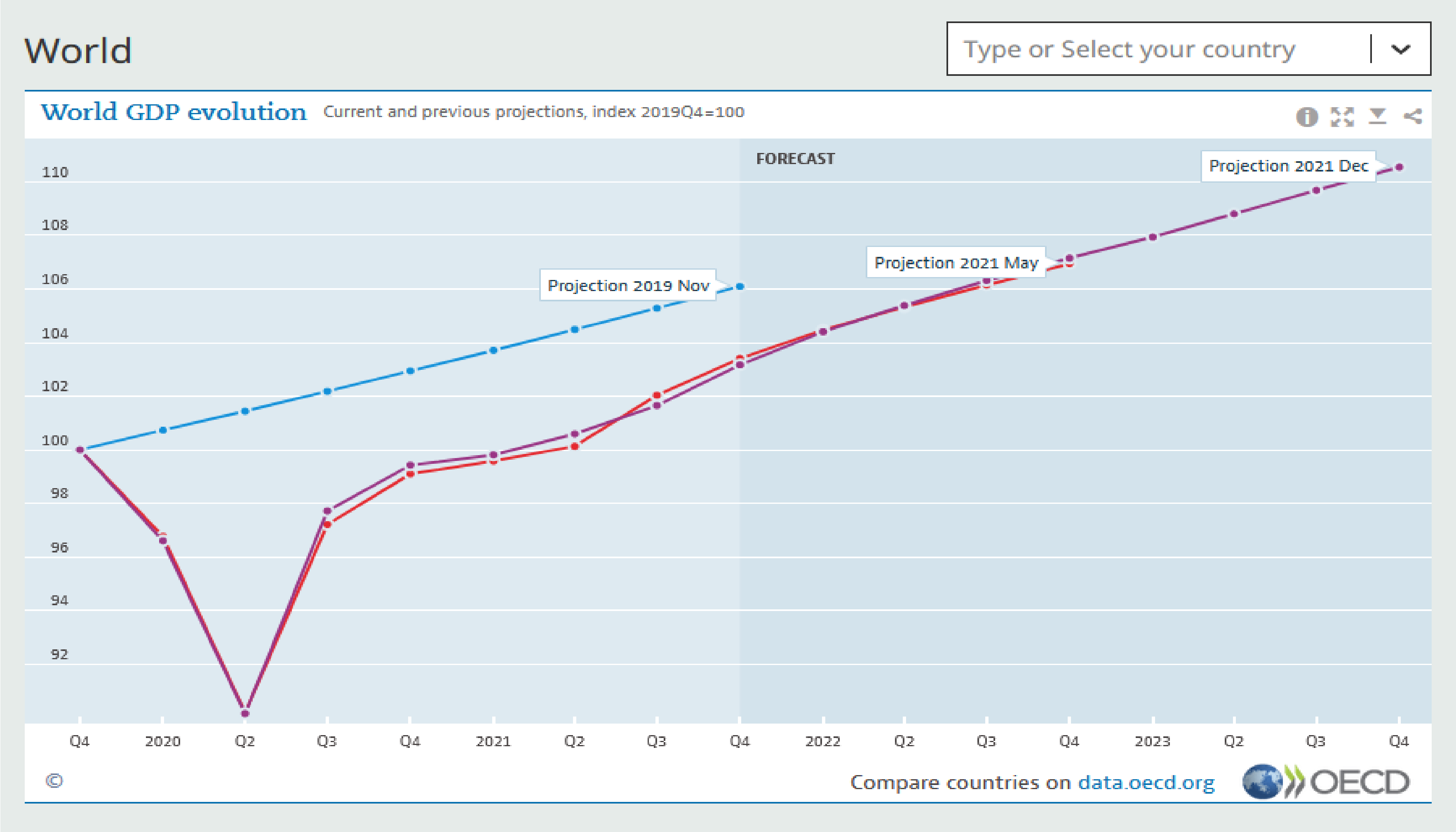
Some Concluding Remarks

Covid 19 second major shock after GFC – and it is not finished



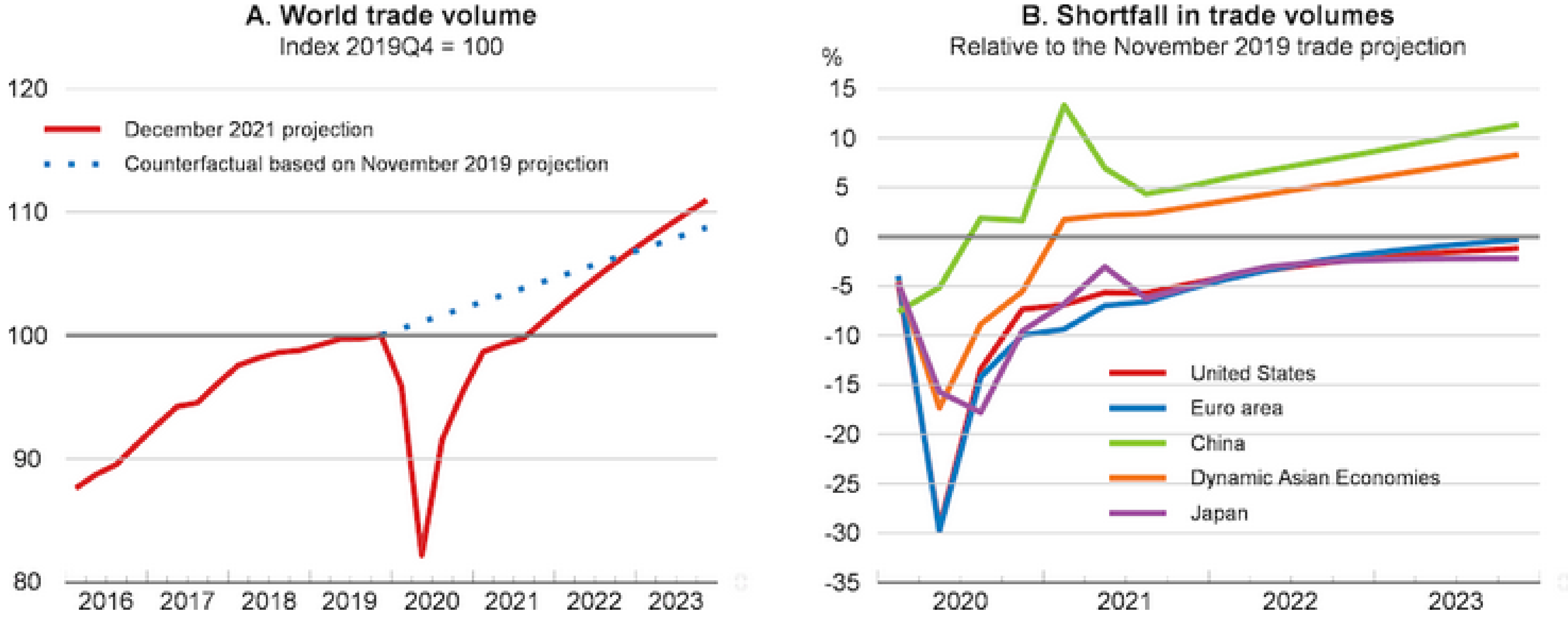
Central scenario:
Monetary & fiscal policies remain supportive.

Global recovery - growth
2021 5.6%
2022 4.5%
2023 3.2%

But imbalances!
Polarity in caseloads
Hospital capacity
Vaccination rates

OECD, *Economic Outlook*, Vol 2021, Issue 2,December 2021.

Figure 1.19. **World trade is rebounding quickly, helped by strong growth in Asian trade**



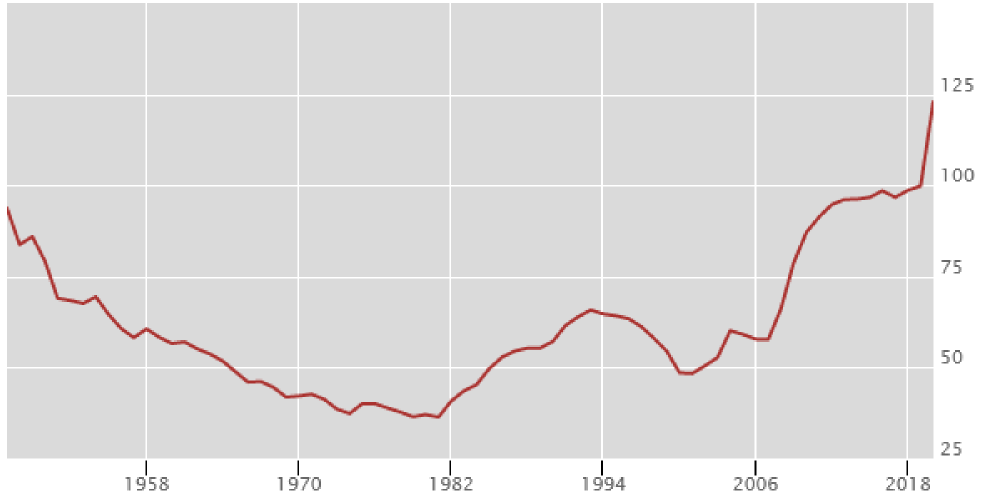
Note: The Dynamic Asian economies are Chinese Taipei, Hong Kong, China, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Source: OECD Economic Outlook 110 database; and OECD calculations.

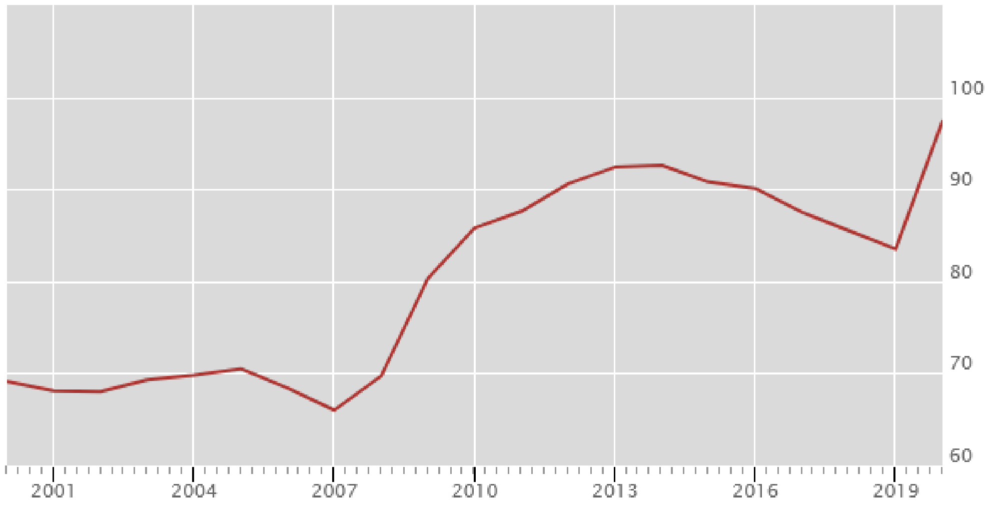
StatLink https://stat.link/m84ne9

Total credit to government sector at nominal value (core debt), as a percentage of GDP: Source BIS

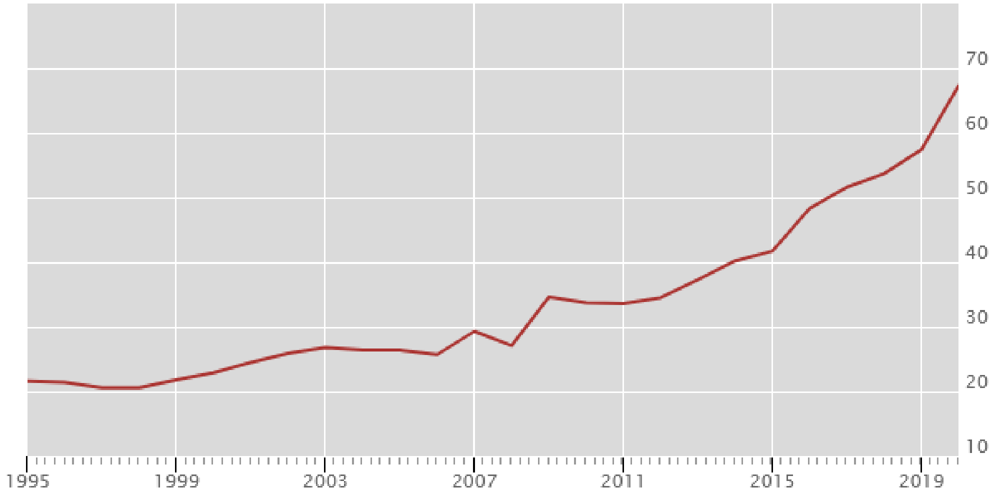
USA



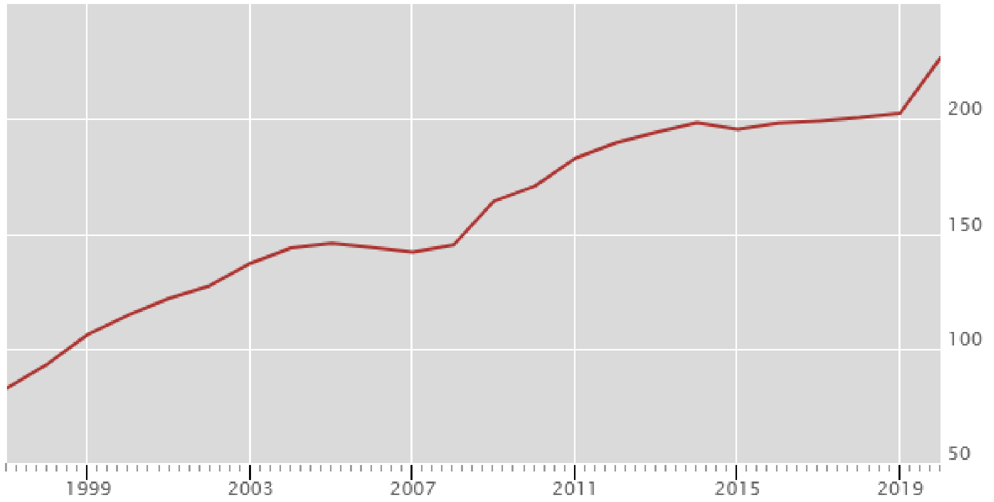
Eurozone



China

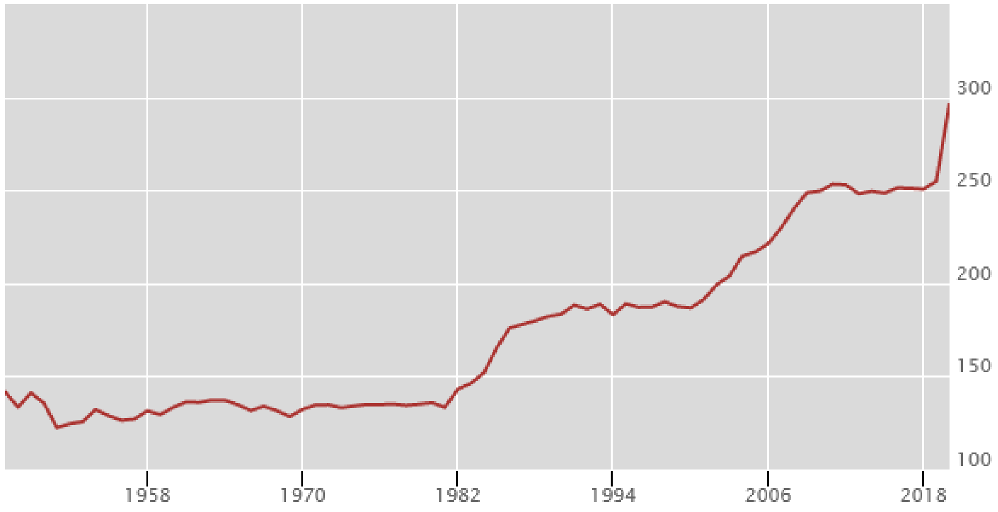


Japan

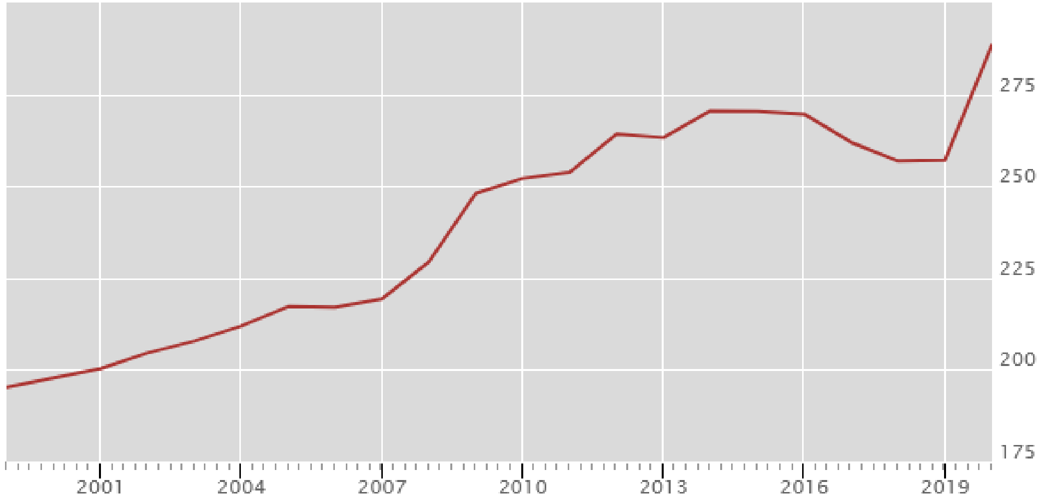


Total credit to the non-financial sector (core debt), as a percentage of GDP: Source BIS

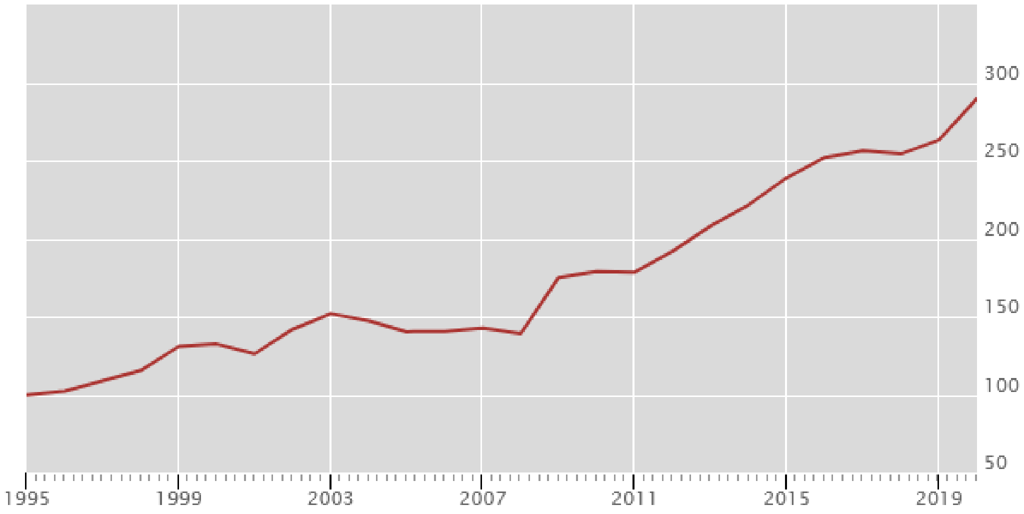
USA



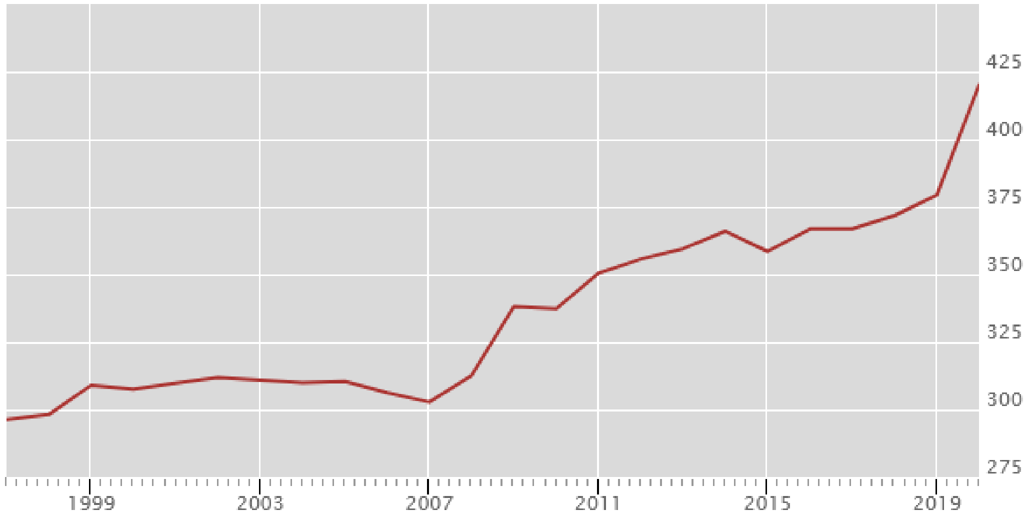
Eurozone



China



Japan



Government debt – the new thinking

Olivier Blanchard, Jan 2019

Long term real interest rates on government debt tend to be less than growth.

NOT a call to profligacy!

BUT public debts maybe more sustainable than previously thought.

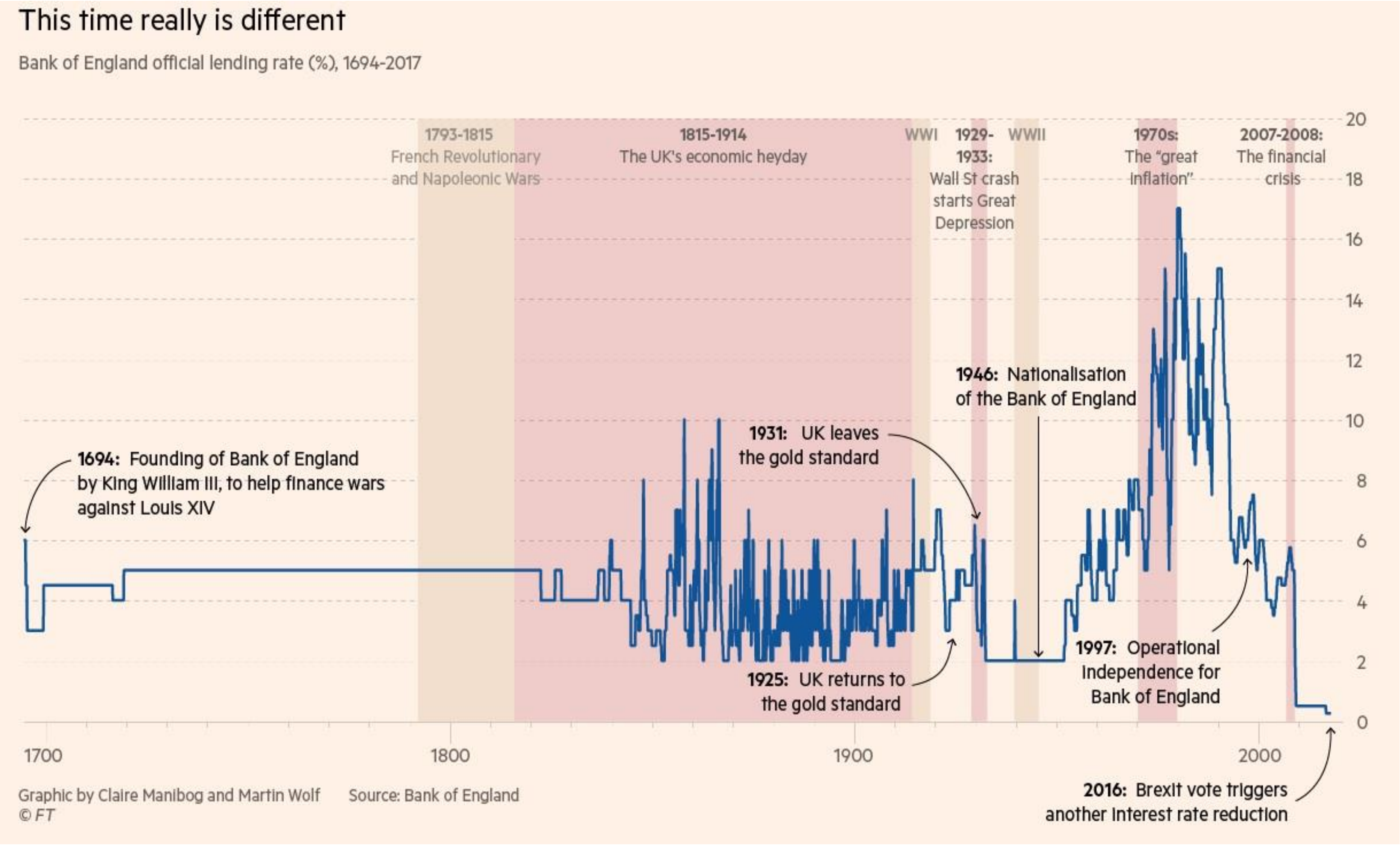
Adam Tooze, August 2020

1/ democratic politics no longer inflationary as labour lost the class war

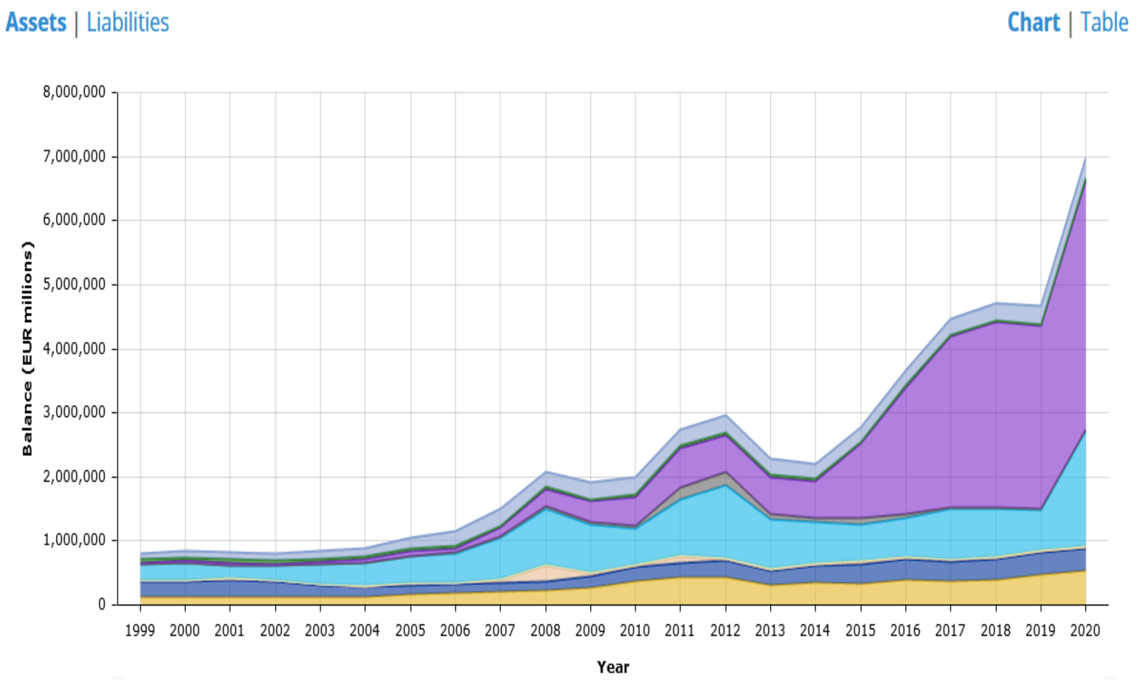
2/ bond markets have been weaker than thought, in the face of a proactive central bank aligned with government

3/ EME inject huge savings into US bond market

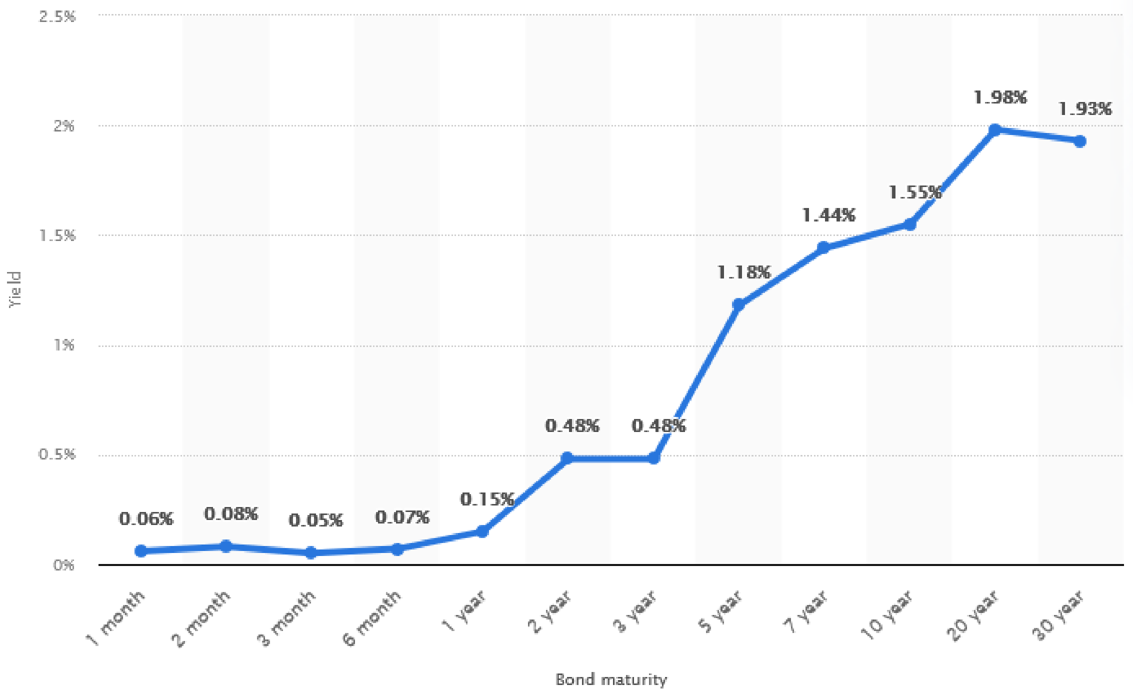
Martin Wolf: "Nothing like this has happened in 323 years", *The Financial Times*, August 16, 2017



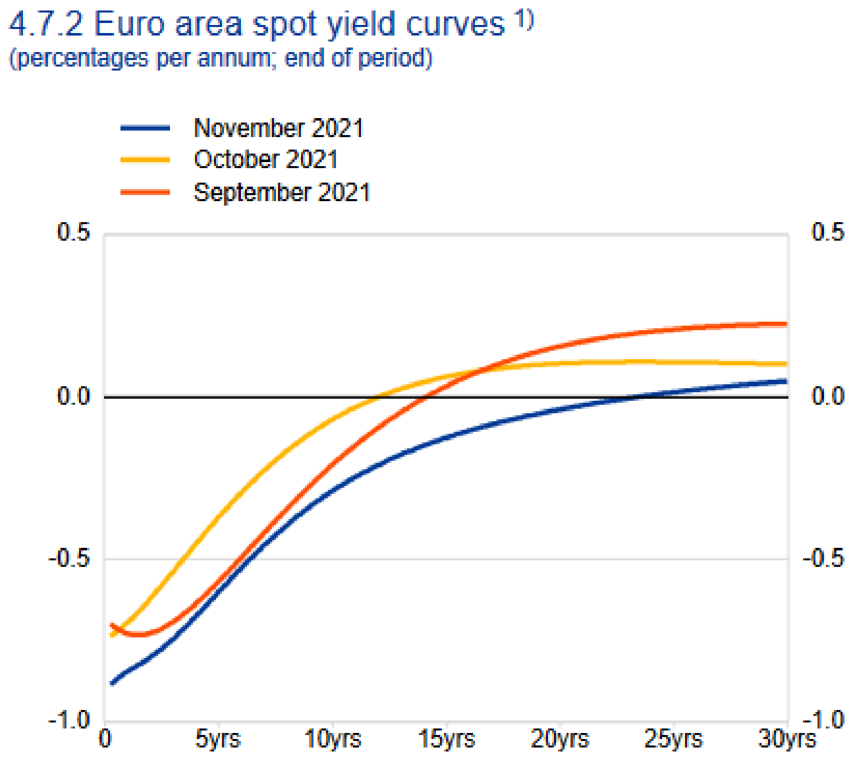
Never-ending QE: Federal Reserve and ECB assets



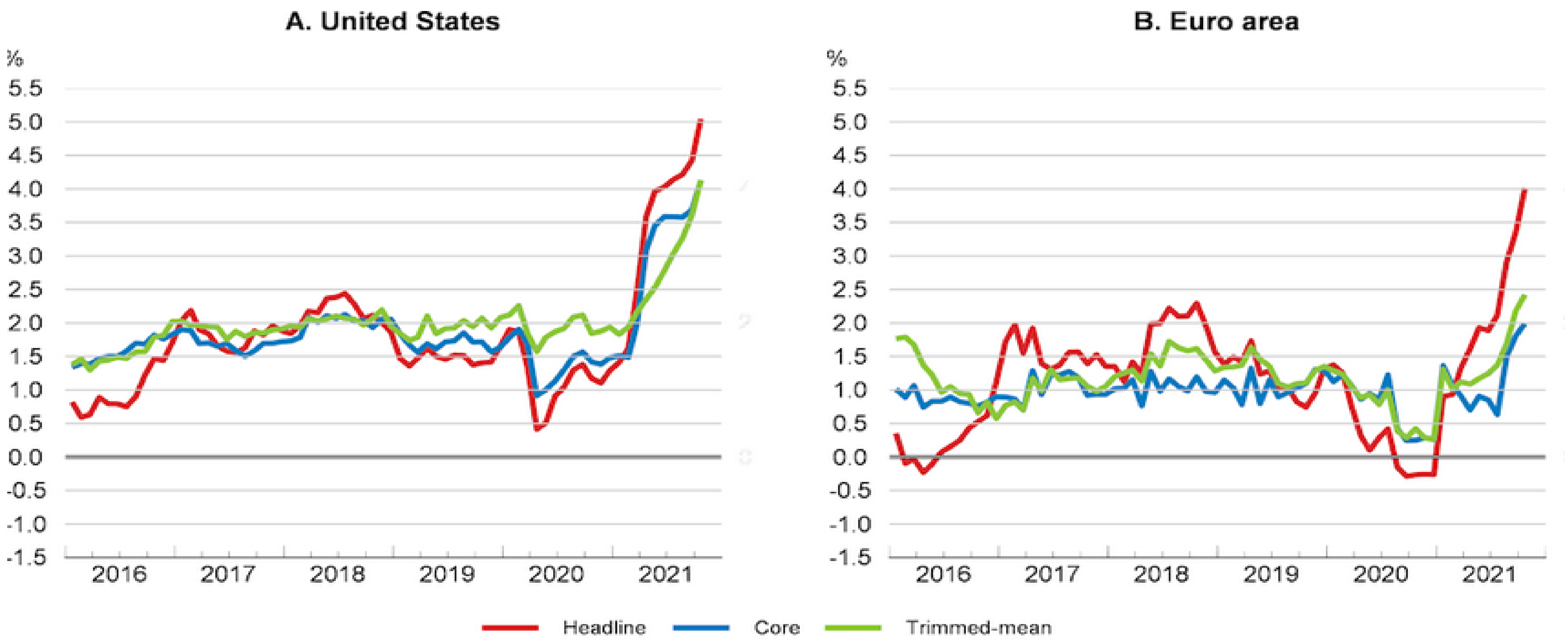
Treasury yield curve in the United States as of October 2021



Euro area spot yield curves (for AAA-related euro area central government bonds)

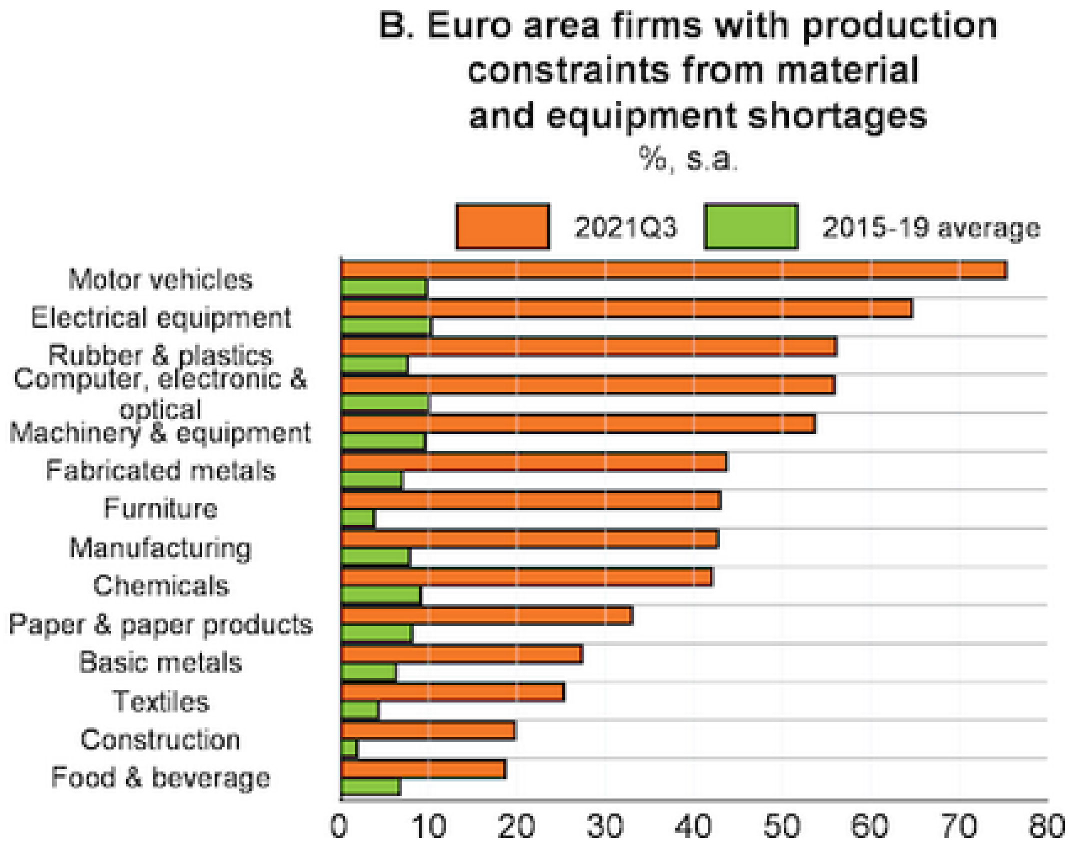


But now inflation is rising… rapidly?



Headline = normal consumer price index; Core = excludes energy and food-related products; Trimmed-mean inflation trims 10% in terms of weights at the top and bottom of the distribution of the year-on-year growth of prices. Ibid OECD.

Bottlenecks: supply chain problems and labour market shifts



The "Great Resignation"?

The Great Demographic Reversal: Ageing Societies, Waning Inequality, and an Inflation Revival, 2020

Charles Goodhart

"When a measure becomes a target, it ceases to be a good measure."

Manoj Pradhan

The great rise of global labour is over:
Women – China – Eastern Europe

(Recalls Immanuel Wallerstein (1983): capitalism goes global not for markets, but for labour)

Inflation, higher interest rates…

… especially with spending on elderly

… but greater equality as labour has more power

Policy-makers are slow to see change!

A heterodox proposal:
Monetary Transition: The Case for Money serving the Common Good

Jézabel Couppey-Soubeyran & Pierre Delandre

etopia_

centre d'animation et de recherche en écologie politique

Institut Veblen pour les réformes économiques

- Monetary regimes have changed historically – in the Middle Ages; in the 19th century ("banking principle" vs "currency principle")
- Inequalities & green transition call for a new mode of money creation
- Direct CB money creation & allocation to govt, households, companies, etc. – with specific purpose

The Future of Money… Eswar S. Prasad (2021)

"Cryptocurrencies" are not really money, but assets – for the moment

But:

Stablecoins/crypto technology has potential in fintech for providing wider banking services/ cross-border settlements, etc.

CBDC – have potential too

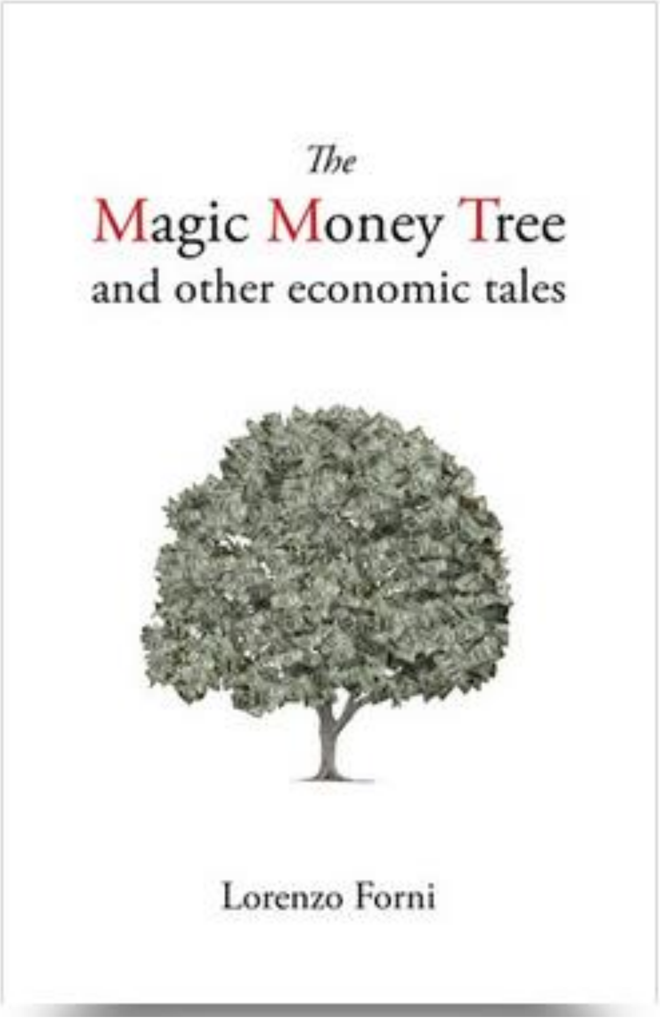
The position of US $ is not threatened – legal protection / Chinese renminbi not convertible

“Original sin” – US (western) domination of global finance

- Only a limited number of countries can borrow (internationally) in their own currency: US, Eurozone, Japan, UK, Switzerland.

- Some governments cannot raise money, long term domestically.

There are always budget constraints



There are always budget constraints! (Forni, July 2021)

Ultimately growth is determined by constraints in the real economy.

Pushing these back involves education, R&D, infrastructure – microeconomic improvements

Higher inflation & higher interest rates

- A monetary shock – like the 1970s and fiat money?
- In asset markets? Bond markets?
- Government finances
- Investor losses
- Lower-bound / negative real interest rates > savings impossible (Ugeux)