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CNBC Debate on the
Global Economy

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THURSDAY, October 17, 2019

12:00PM - 1:00PM, IMF HQ1 Atrium (HQ1-1-700)

CNBC Debate on the Global Economy

Sponsored by the IMF's Communications Department and Research Department

Escalating trade tensions are taking a toll on the global economy and have spread into sensitive areas like technology and currencies. Many central banks have appropriately lowered interest rates, but there are limits with this strategy. What other options do policymakers have?



Adler, Gustavo, Luis Cubeddu, and Gita Gopinath. 2019.

[“Taming the Currency Hype.” IMFBlog, August 21.](#)

Facing sluggish growth and below-target inflation, many advanced and emerging market economies have appropriately eased monetary policy, yet this has prompted concerns over so-called beggar-thy-neighbor policies and fears of a currency war. But one should not put too much stock in the view that easing monetary policy can weaken a country’s currency enough to bring a lasting improvement in its trade balance through expenditure switching. Monetary policy alone is unlikely to induce the large and persistent devaluations that are needed to bring that result.

Aslam, Aqib, Johannes Eugster, Giang Ho, Florence Jaumotte, Carolina Osorio-Buitron, and Roberto Piazza. 2018.

[“Globalization Helps Spread Knowledge and Technology Across Borders.” IMFBlog, April 9.](#)

Technological progress is a key driver of improvements in incomes and standards of living. But new knowledge and technologies do not necessarily develop everywhere and at the same time. Therefore, the way technology spreads across countries is central to how global growth is generated and shared across countries. The article takes a closer look at how technology travels between countries. We find that the spread of knowledge and technology across borders has intensified because of globalization. In emerging markets, the transfer of technology has helped to boost innovation and productivity even in the recent period of weak global productivity growth.

Blanchard, Olivier, and Lawrence H. Summers. 2019.

[“Secular Stagnation Requires Rethinking Macroeconomic Policy, Especially Fiscal Policy.” Peterson Institute Blog, May 13.](#)

Secular stagnation is a significant threat to advanced countries. With the likelihood of neutral rates remaining low for longer, a major rethinking of macroeconomic policy, and in particular of fiscal policy, is in order.

Eichengreen, Barry. 2019.

[“The Return of Fiscal Policy.” Project Syndicate Blog, May 13.](#)

Public debt is not a free lunch in an economy close to full employment. But when investment demand

tends to fall short of saving, as it does when monetary policymakers are unable to push inflation higher to reduce real interest rates, there is a risk of chronic underemployment – and a stronger argument for deficit spending.

Eugster, Johannes, Florence Jaumotte, Margaux MacDonald, and Roberto Piazza. 2019.

[“Economic Forces, Not Tariffs, Drive Changes in Trade Balances.” IMFBlog, April 3.](#)

What drives bilateral trade balances (the difference in the value of exports and imports between two countries) is macroeconomics. We find that most of the changes in bilateral trade balances over the past two decades were explained by the combined effect of macroeconomic factors—which include fiscal policy, credit cycles, and, in some cases, exchange rate policies and widespread subsidies to tradable sectors. In contrast, changes in tariffs played a much smaller role.

Cerutti, Eugenio, Gita Gopinath, and Adil Mohommad. 2019.

[“The Impact of US-China Trade Tensions.” IMFBlog, May 23.](#)

US-China trade tensions have negatively affected consumers as well as many producers in both countries. The tariffs have reduced trade between the US and China, but the bilateral trade deficit remains broadly unchanged. While the impact on global growth is relatively modest at this time, the latest escalation could significantly dent business and financial market sentiment, disrupt global supply chains, and jeopardize the projected recovery in global growth.

James, Harold. 2016.

[“New Concept, Old Reality.” Finance & Development 53 \(4\): 18-21.](#)

Globalization is a recent term, but the internationalization of markets, people, ideas, and cultures is nothing new. Although almost everyone who thinks about it today agrees that a revolt against globalization is underway, many consider the fundamental process both inevitable and irreversible. A look back through history helps us understand the dynamics of revolts against globalization—the movement of money, goods, people, ideas, technologies, and cultures across frontiers.

Goldberg, Pinelopi K. 2019.

[“The Future of Trade.” Finance & Development 56 \(2\): 20–23.](#)

Trade has always been seen as an important driver of growth. Against this backdrop, recent trade tensions are of concern, compounded by the slowdown in global trade growth, which was evident even before the onset of the current trade tensions. And increasing inequality within advanced economies has certainly contributed to creating an environment that is receptive to protectionism if not actively demanding it. What is the future of trade in this challenging environment? Are we about to witness the end of the open, rules-based trading system that fostered globalization? Or can we rescue the system through judicious reform?

web of life. This should on its own make us think globally. But there are other reasons to do so, both moral and practical.

Rodrik, Dani. 2017.

[“Economics of the Populist Backlash.” VOXEU Blog, July 3.](#)

Populism has been on the rise for quite some time, and it is doubtful that it will be going away. This column argues that the populist backlash to globalization should not have come as a surprise, in light of economic history and economic theory. While the backlash may have been predictable, however, the specific forms it took were less so, and are related to the forms in which globalization shocks make themselves felt in society.

Slaughter, Anne-Marie. 2017.

[“Nationalists and Globalists.” Project Syndicate Blog, March 23.](#)

Populism means a politics of the people, juxtaposed against a politics of the elites. But, at least in the US, President Donald Trump’s ideology – which has little to do with traditional Republican conservatism – frames the axis of division not as the many versus the few, but as nationalists versus globalists.

Wolf, Martin. 2019.

[“The Case for Sane Globalism Remains Strong.” Financial Times, July 16.](#)

A philosophical and practical call for globalism: Homo sum: humani nihil a me alienum puto (I am a human being. I consider nothing human foreign to me). These words by Terence, a second century BC Roman playwright, make a noble motto for our time. Human beings are closely related. They are a part of a complex

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