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Policy Brief #2010/01: Global imbalances – China-bashing is no solution

Future Social Market Economy Policy Brief #2010/01

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The discussion over global current account imbalances has intensified. Notions such as currency wars have come to dominate the debate. Many economists and politicians consider the rapid revaluation of the yuan to be a panacea for global imbalances. However, such a one-dimensional approach runs the risk of triggering a global economic slump. Moreover, an abrupt and massive revaluation of the yuan will do little if anything to address the low U.S. savings rate and the trade surpluses run by other Asian emerging economies. Thus, the elimination of global imbalances demands instead a mix of measures involving action by deficit-running countries as well as countries with a trade surplus.

Project

- Global Economic Dynamics (GED)