Policy Brief

Framing Economic Policies to confront global and European imbalances

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Introduction

This Policy Brief confronts the continuing problem of wide disparities in economic growth and current account balances across the globe as well as within Europe itself. In some respects it represents an updating of the results presented in a similar FEPS Policy Brief published in July 2015.

Global economic trends have worsened appreciably since mid-2015. For example, in its April *World Economic Outlook* the IMF downgraded its estimate of the global rate of economic growth for 2016 to 3.2% (INF 2016). This estimate was a downgrading from its estimate of 3.4% published just in January of this year. And the January estimate was, in turn, a downgrading from its estimate of 3.6% in its October 2015 *World Economic Outlook*.

This Policy Brief reports first on historical trends in both GDP growth and current account balances between 2002 and 2016. It then uses a global macro-econometric model, the CAM, to project whether current economic conditions would persist through 2026.

The CAM model is distinctive in being non-equilibrating, demand-led and stock-flow consistent. While the model relies on a huge databank of UN-sanctioned statistics stretching back to 1970, it is deliberately aligned with the latest IMF estimates for 2015 and 2016. Its real strength lies in mapping out medium-term projections. This is why we emphasize its results over the next ten years, to 2026.

At the global level, we focus on four blocs/countries: the European Union (comprising 27 countries), the United States of America, the People's Republic of China and the bloc of 'Other East Asian High-Income Countries'. This latter grouping is dominated by Japan and the Republic of Korea. Together these four blocs have accounted recently for at least two-thirds of global GDP.

After reporting on the trends in GDP growth and current account balances at the global level, we focus on the trends within Europe. For this purpose we focus on disaggregating the EU into Germany, France, the United Kingdom and the Eurozone Periphery. This latter grouping includes mainly Italy, Spain, Portugal and Greece.

Part I. Results from the Baseline Scenario

Baseline Global Trends in Economic Growth

As we have done in previous Policy Briefs, we compare the projections produced by the CAM for a 'Baseline' Scenario (which would incorporate minimal changes in current policies) with an 'Alternative' Scenario (which would test the results from incorporating major policy changes). As prior examples, see the FEPS' Policy Briefs Cozzi and McKinley 2015, Michell 2015, and Cozzi, McKinley and Michell 2014.

We start in this section with the projected *global* trends in GDP growth that are generated by the 'Baseline' Scenario. **Table 1** reports on the historical trends (for 2002-2016) and the projected trends (for 2017-2021 and 2022-2026) for average GDP growth. Note that GDP is calculated by the CAM at market rates.

Table 1. Average GDP Growth (%) (Global Blocs)

	Historical			Projections	
	2002-2006	**2007-2011**	**2012-2016**	**2017-2021**	**2022-2026**
European Union	2.2	0.7	0.9	1.2	1.2
United States	2.9	0.6	2.1	1.2	1.3
China	10.7	10.7	7.1	6.5	6.5
Other East Asia High Income	2.3	1.0	1.2	2.4	2.3
Global	3.4	2.2	2.2	2.3	2.5

Table 1 shows that global growth of GDP (at market rates) has slowed from an average of 3.4% during 2002-2006 (before the global crisis) to 2.2% during the most recent period of 2012-2016.

The CAM projects that global growth over the next ten years will improve, but only slightly. The average GDP growth for the period 2017-2021 would be 2.3% and for the period 2022-2026 still only 2.5%. Hence, continuing economic stagnation appears to be the likeliest medium-term outcome for the global economy.

Within this global context, there would be significant differences across our four major blocs, namely, the European Union, the United States of America, the People's Republic of China and 'Other East Asia High Income' countries (chiefly Japan and the Republic of Korea).

China's growth has declined noticeably over the last 15 years, from an average of 10.7% during 2002-2006 to 7.1% during 2012-2016. But a 7% average rate of economic growth is still impressive. Moreover, the CAM projects that this average will decline only modestly over the next ten years. Between 2017 and 2026, it would still average 6.5%.

'Other East Asia High-Income' countries are projected to improve their growth rates over the next ten years. But during the most recent period of 2012-2016, this bloc had average GDP growth of only 1.2% (primarily because of persistent stagnation in Japan, where economic growth has been below 1%). Over the next ten years, the CAM projects that this bloc's average economic growth would remain at about 2.3-2.4%.

In contrast, both the European Union and the USA are projected to grow even more slowly than East Asian High-Income countries. During 2012-2016 the average economic growth of the EU is recorded as only 0.9%. Over the next ten years, this rate is projected to rise to only about 1.2%. This is, of course, a discouraging projection. Economic stagnation persists.

The growth of GDP in the USA is projected to decline, in fact, from its credible average of 2.1% during 2012-2016 (credible at least for Developed Economies) to only 1.2-1.3% during 2017-2026. This is an alarming prospect.

In other words, the USA would no longer be expected to function as an engine of economic growth for the global economy. Clearly, it is the projected growth of Developed Economies (and principally the USA, the EU and Japan) that appear likely to trap the global economy in future stagnation.

Baseline Global Trends in Current Accounts

In this section we continue investigating global trends, but with a focus on current account balances (as a ratio to GDP). **Table 2** reports on the historical yearly averages and the

projected yearly averages for our four global blocs of countries. The historical data are provided for 2002, 2006, 2011 and 2016 (i.e., every five years). The projected data are provided for 2021 and 2026.

The general results suggest that at the global level the USA has historically been the most prominent current-account *deficit* country. In 2006, for example, its current-account deficit had risen alarmingly to -6.3% of GDP. Thereafter, in the wake of the global crisis of 2008, its deficit moderated, dropping to a negative 3.2-3.4% of GDP. However, the CAM projects that by 2026 the US current account deficit would expand again to -4.8% of GDP.

Table 2. The Current Account as % of GDP (Global Blocs)

	Historical				Projections	
	2002	**2006**	**2011**	**2016**	**2021**	**2026**
European Union	0.9	0.2	0.5	2.0	1.1	0.8
United States	-3.7	-6.3	-3.4	-3.2	-3.9	-4.8
China	2.7	7.9	1.6	4.4	4.6	3.9
Other East Asia High Income	3.3	3.9	2.8	5.2	2.7	2.4

At the global level, the US current-account deficits tend to be counter-balanced by the sizeable current-account *surpluses* of China, Japan and other High-Income East Asian countries. For 2016, for example, the current-account surplus of China is expected to represent 4.4% of its GDP while the corresponding current-account surplus of Other East Asian High-Income Countries would be 5.2%.

Thus, the combined current-account surpluses of the East Asian economies would be 9.6% of GDP. However, this combined current-account surplus is projected by the CAM to decline to 6.3% by 2026.

The historic and projected trends of the *combined* current-account balances of the European Union tend to be positive but in comparative terms they are relatively small at the global level. In 2016 the EU current-account balance is indeed expected to rise to 2% of its combined GDP. But the CAM projects that this balance would decline back down to only 0.8% by 2026. Later in this Policy Brief we will examine the trends in current-account balances *within* the European Union.

Baseline Economic Trends within the European Union

In this section of the Policy Brief we examine the baseline projections for GDP growth and current-account balances for countries and blocs within the European Union. For this purpose we disaggregate the EU into three major countries and one bloc of countries.

The baseline projections assume that 1) EU countries will continue fiscal consolidation, leading to reductions in government spending and 2) private investment will increase only modestly as a result of the implementation of the €315 billion Juncker Plan.

The focus of this exercise is Germany, France and the United Kingdom, the three largest economies in Europe. We have aggregated the countries in the Southern Eurozone Periphery into one bloc. The chief constituent countries are Italy, Spain, Portugal and Greece. However,

for the sake of brevity, we have not reported the results for other countries in Central Europe or for those in North or East Europe.

Economic Growth

Table 3 presents the historical and projected averages for GDP growth for Germany, France, the United Kingdom and the Southern Eurozone Periphery, as well as for the European Union as a whole.

Table 3. Average GDP growth (%) within the European Union

	Historical			Projections	
	2002-2006	**2007-2011**	**2012-2016**	**2017-2021**	**2022-2026**
Germany	1.1	1.3	0.9	2.2	2.0
United Kingdom	2.9	0.3	2.0	1.3	0.5
France	1.8	0.8	0.6	1.0	1.1
Eurozone Periphery	2.3	-0.4	-0.1	1.0	1.8
European Union	2.2	0.7	0.9	1.2	1.2

As Table 3 illustrates, average GDP growth across the board has been relatively low since 2002. Moreover, in all cases, growth has become weaker during 2012-2016 in comparison to the pre-crisis period of 2002-2006.

For example, GDP growth in Germany was only 0.9% during this recent period and in France it was only 0.6%. In the Eurozone Periphery it was still negative, i.e., -0.1%. In the European Union as a whole, it is not surprising therefore that average GDP growth was only 0.9% during 2012-2016. This rate of growth is only marginally higher than it was in 2007-2011, during the height of the global financial crisis.

The only outlier highlighted in Table 3 is the United Kingdom. It appeared to have accelerated its average growth of GDP from only 0.3% during 2007-2011 to a respectable 2% during 2012-2016. Yet the CAM projections suggest that the UK's growth would decline to 1.3% during 2017-2021 and then to a mere 0.5% during 2022-2026. In other words, progressive economic stagnation appears likely.

This dismal outcome for the UK appears to be due to the continuing implementation of the current austerity policy framework, which seeks to concertedly reduce government expenditures, resulting thereby in the dampening of aggregate demand. Most critically, such a policy stance impedes private investment.

In contrast to the UK, France would experience an uptick in economic growth, from only 0.6% during 2012-2016 to a projected 1.1% during 2022-2026. Over the same time frame, economic growth in the Eurozone Periphery would rise from essentially zero to 1.8%. Similarly, economic growth in Germany would rise from 0.9% to 2.0%.

Hence, for some countries and blocs economic growth is projected by the Business-as-Usual scenario to improve over the next ten years. But overall growth in the European Union as a whole would remain fairly stagnant. While just 0.9% during 2012-2016, overall growth would creep up to only 1.2% over the whole ten-year projected period of 2017-2026. Clearly, the economic policies producing such dismal outcomes need to be changed.

Current-Account Balances

Table 4 presents the historical and projected averages for current-account balances (as a % of GDP) across Germany, the United Kingdom, France and the Southern Eurozone Periphery, as well as for the European Union as a whole.

Table 4. Current Account as % of GDP within the European Union

	Historical				Projections	
	2002	**2006**	**2011**	**2016**	**2021**	**2026**
Germany	2.1	5.3	5.4	7.5	5.6	4.9
United Kingdom	-1.8	-2.4	-1.9	-6.1	-6.0	-5.9
France	1.3	0.0	-1.2	0.5	-0.8	-2.0
Eurozone Periphery	-1.9	-5.6	-3.9	2.0	1.1	1.1
European Union	0.9	0.2	0.5	2.0	1.1	0.8

The EU appears to have increased its overall current-account balance between 2002 and 2016—namely, from only 0.9% of GDP to 2.0%. However, at the level of individual countries or blocs, there have been markedly divergent historical trends.

For example, Germany's current-account balance ballooned from a modest 2.1% of GDP in 2002 to a relatively high level of 7.5% in 2016. In stark contrast, the UK's current-account balance widened dramatically from -1.9% of GDP in 2002 to a perilous -6.1% in 2016. France also experienced a decline in its modest surplus—in this case, from 1.3% of GDP to only 0.5%.

The change in direction for the Eurozone Periphery was more pronounced than elsewhere. The Periphery's current-account balance reversed from the deficit of -3.9% of GDP as late as 2011 to a surplus of 2.0% in 2016. This turnaround was clearly linked to its drastic contraction of domestic sources of aggregate demand, which led to a sharp drop in its imports.

The CAM's baseline projections for 2021 (5 years into the future) and 2026 (10 years into the future) suggest that the aggregate current-account surplus for the European Union as a whole would decline from 2% of its aggregate GDP in 2016 to 1.1% in 2021 and then to only 0.8% in 2026. Hence, at the global level, the current account of the European Union would appear to be roughly in balance.

But disaggregation at the country or bloc level tells a different story. For example, while Germany's large surplus would noticeably decline, it would still stand at 4.9% of GDP in 2026. Hence, at the global level, Germany's surplus would remain significant—alongside the substantial surpluses of China, Japan and other East Asian economies.

In stark contrast, the current-account deficit of the United Kingdom would basically remain at about -6% of GDP by 2026, virtually without improvement. In this respect, its current-account deficit would resemble that of the USA. Hence, this imbalance would be one of the most prominent and problematic in the global economy.

CAM projections also suggest that France would have an unenviable current-account deficit by 2026. While it did enjoy a small surplus of 0.5% of GDP in 2016, it would experience, unfortunately, a decline into a deficit of -2% by 2026, contributing thereby to global imbalances.

In contrast, the Eurozone Periphery is projected to still have a current-account surplus by 2026, equivalent to 1.1% of GDP—due, in part, to continued fiscal teightening. Along with Germany, this outcome would contribute to the overall current-account surplus of the European Union as a whole.

Part II. Framing the Alternative Policy Scenario

In order to improve the economic outcomes over the next ten years, we programmed a set of policy changes that were focused on advancing economic growth and current-account balances, both at the global level and within Europe. We call this programming the **Alternative Policy Scenario**.

This scenario encompasses increases in both government income and expenditures, with a focus on countries within Europe. The primary intent of these changes is to provide greater stimulus to the economy since continued austerity has dampened growth, especially through retarding investment, and thereby has held back efforts to reduce debt burdens, particularly in the Southern Periphery of Europe.

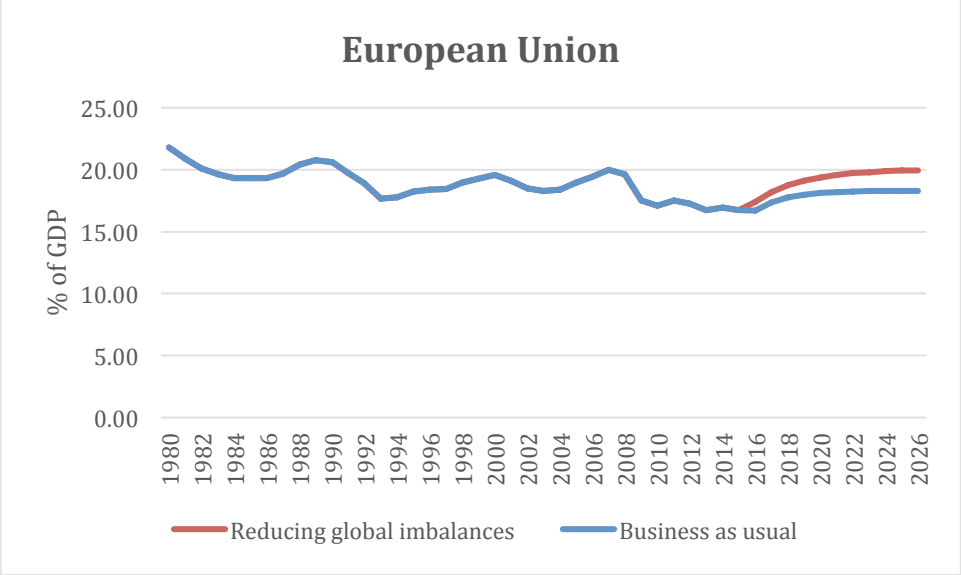
The Alternative Policy Scenario prioritises additional boosts to private and public investment for countries in Europe and the USA. The targets for investment as a ratio to GDP were 20-21% for the countries in Europe. However, a lower, more realistic target of 18.5% was used for the United Kingdom and the USA.

Graphs 1 and 2 illustrate the trend in investment for the European Union as a whole and the United Kingdom. They compare the Baseline Scenario (Business as Usual) to the Alternative Policy Scenario (Reducing Global Imbalances).

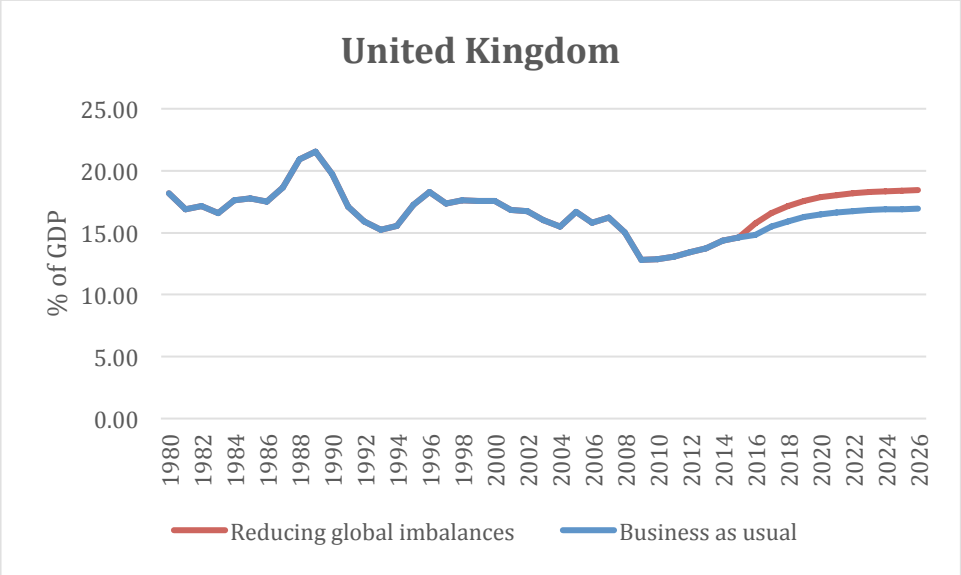
The principal objective of such programming is to have investment play the leading role in reviving economic growth. This approach could be called an 'Investment-Led' recovery strategy. For its rationale see the paper by Griffith-Jones and Cozzi, 'Investment-Led Growth: A Solution to the European Crisis' (Griffith-Jones and Cozzi 2016).

In Europe, this strategy would rely on lending by the European Investment Bank (EIB) and national development banks (SIBs) to leverage the combined effect of public and private investment to accelerate economic growth. Such lending is ideally targeted at expanding infrastructure and advancing new technologies since growth could be sustainably supported by both expanding the stock of physical capital and enhancing the efficiency of both capital and labour.

Graph 1. Investment as a Ratio to GDP, European Union
(Baseline: Blue. Alternative: Red)



Graph 2. Investment as a Ratio to GDP, United Kingdom
(Baseline: Blue. Alternative: Red)



Current-account imbalances at the global level have proven to be more difficult for the Alternative Scenario to reduce. For the USA, UK and China, it was necessary to adjust the real exchange rate in order either to rein in large and growing deficits (such as in the global financial centres of the USA and UK) or to reduce persistently large surpluses (such as in China). The current-account deficits of the USA and the UK have proved to be particularly difficult to contain.

Also for the purposes of reducing large current-account imbalances, we programmed changes in the relationship between savings and consumption for some key countries. Since China, Germany and the bloc of Other East Asian High Income countries continue to generate persistently high current-account surpluses, we focused on increasing consumption (and thus, indirectly, increasing imports). Such a strategy would be in line, for example, with China's long-term strategy of shifting to more consumption-led economic growth.

For the US, UK and France, which exhibit the opposite problem of sizeable and growing current-account deficits, the programming emphasized reductions in domestic consumption. But such reductions would be more than offset by growth-enhancing increases in investment.

The Policy Alternative: Global Trends in Economic Growth

Table 5 presents the results for GDP growth among our four global blocs and countries as well as the world as a whole. It contrasts the results for what is called the 'Business as Usual' scenario (which assumes minimal changes in policy) to the results for the scenario that is called 'Reducing Global Imbalances', which is based on introducing the alternative progressive set of economic policies outlined above.

For the European Union as a whole, the Alternative Policy Scenario does provide a greater boost to GDP growth. The greatest contrast between the 'Business as Usual' scenario and the alternative 'Reducing Global Imbalances' scenario would occur during 2017-2021, when the European Union would grow at only 1.2% for the first scenario but 2.3% for the second.

For the USA the contrast in GDP growth rates between the two scenarios is striking. During 2022-2026, for example, the USA would grow at only 1.3% under 'Business as Usual' but it would achieve a 2.0% growth rate under the Alternative Policy Scenario.

Table 5. Average GDP Growth (%) (Global Blocs)
Alternative Scenario

	Projections		Scenario
	2017-2021	2022-2026	
	1.2	1.2	Business as Usual
European Union	2.3	1.5	Reducing Global Imbalances
	1.2	1.3	Business as Usual
United States	1.8	2.0	Reducing Global Imbalances
	6.5	6.5	Business as Usual
China	5.3	5.6	Reducing Global Imbalances
Other East Asia	2.4	2.3	Business as Usual
High Income	3.5	3.1	Reducing Global Imbalances
	2.3	2.5	Business as Usual
Global	2.8	2.9	Reducing Global Imbalances

Based on the Policy Alternative's programmed reductions in savings and appreciation of its real exchange rate, China's growth rate would decline to 5.6% during 2022-2026 while it would have remained 6.5% under the 'Business as Usual' scenario.

Under the Alternative Policy Scenario, the growth of GDP would improve in the bloc of East Asian High-Income Countries (e.g., Japan and Republic of Korea), even though there were only minimal policy changes, such as boosting consumption. While this bloc's growth rate for 2022-2026 was projected to be 3.1% under the Alternative Policy Scenario, it would be only 2.3% under 'Business as Usual'.

Under the Alternative Policy Scenario, the programmed improvements in economic growth in most of the blocs—as well as some rebalancing of growth, such as away from China—led to a global growth rate of GDP of 2.9% in 2022-2026. This was only a moderate improvement over a 2.5% growth rate under the 'Business as Usual' scenario. Apparently, deeper policy or structural changes would need to be made at the global level.

The Policy Alternative: Global Trends in Current Accounts

As a bloc, the European Union does not contribute significantly to global current-account imbalances. The Alternative Policy Scenario of 'Reducing Global Imbalances' would reduce its small overall surplus to only 0.4% of global GDP by 2026 (see **Table 6**). But this result would not be significantly different from the 0.8% surplus expected under the Baseline Scenario. However, in an ensuing section we will look more closely at current-account imbalances *within* the EU.

Table 6 illustrates that under the 'Business as Usual' scenario, at the global level there would still be significant future disparities in current-account balances across the USA, China and Other East Asian High Income countries. The USA would continue to suffer from large

current-account deficits while China and the East Asian countries would still enjoy notable current-account surpluses.

Table 6. The Current Account as % of GDP (Global Blocs)
Alternative Scenario

	Projections		
	2021	**2026**	**Scenario**
European Union	1.1	0.8	Business as Usual
	0.6	0.4	Reducing Global Imbalances
United States	-3.9	-4.8	Business as Usual
	-3.0	-4.0	Reducing Global Imbalances
China	4.6	3.9	Business as Usual
	2.7	1.8	Reducing Global Imbalances
Other East Asia High Income	2.7	2.4	Business as Usual
	2.3	1.8	Reducing Global Imbalances

For example, by 2026 the USA would have a deficit of almost 5% of GDP while China would have a surplus of almost 4% and the High-Income Countries in East Asia a surplus of 2.4%.

Our Alternative Scenario of 'Reducing Global Imbalances' could help improve these outcomes. For example, the surpluses of both China and the High-Income Countries in East Asia would each fall to under 2% by 2026 under this scenario.

But the current-account deficit of the USA would still be -4% of GDP for the same year. Under the 'Business as Usual' Scenario, it would be slightly worse, i.e., -4.8%. While the USA remains the dominant reserve-currency economy of the world, it will be difficult to fashion a progressive policy alternative that could substantially reduce its persistent structural deficit. The same logic applies, as we will show below, to the United Kingdom

We now turn our attention to trends in GDP growth and current-account balances *within* the European Union.

Alternative Scenario: Trends within the European Union

Economic Growth

Table 7 documents the trends in GDP growth within the European Union—namely, for Germany, the United Kingdom, France and the Eurozone Periphery. It is clear that the Alternative Policy Scenario would succeed in raising economic growth, at least moderately across the board in comparison to the results for the Baseline Scenario.

For example, the growth of GDP of Germany rises to 3.7% during 2017-2021 and continues to be 2.8% during 2022-2026. Both rates would be significantly above the rates projected by the Baseline Scenario.

The Alternative Scenario also does well in stimulating higher growth in the Eurozone Periphery. In this bloc it would reach 2.7% during 2022-2026, in contrast to only 1.8% under the Baseline Scenario.

Table 7. Average GDP growth (%) within the European Union
Alternative Scenario

	Projections		Scenario
	2017-2021	2022-2026	
	2.2	2.0	Business as Usual
Germany	3.7	2.8	Reducing European Imbalances
	1.3	0.5	Business as Usual
United Kingdom	2.8	0.7	Reducing European Imbalances
	1.0	1.1	Business as Usual
France	1.7	1.5	Reducing European Imbalances
	1.0	1.8	Business as Usual
Eurozone periphery	2.4	2.7	Reducing European Imbalances
	1.2	1.2	Business as Usual
European Union	2.3	1.9	Reducing European Imbalances

However, the Alternative Scenario is less successful in stimulating significantly higher economic growth in France and the United Kingdom. During 2022-2026, for example, the growth of GDP would reach 1.5% in France and only 0.7% in the United Kingdom. In addition to being low, these rates would not be much higher than those achieved under the Baseline Scenario.

As a result mainly of the outcomes for France and the UK, the growth of GDP across the European Union as a whole would rise to an average of only 1.9% during 2022-2026. Though clearly higher than the 1.2% growth rate for the Baseline Scenario, this rate should ideally be higher.

Current-Account Balances

Current-account imbalances would definitely remain as a major problem under the Baseline Scenario (see **Table 8**). For example, by 2026 Germany would still have a sizeable surplus of 4.9% of GDP while the United Kingdom would have a dauntingly large deficit of -5.9% of GDP.

In some respects, the Alternative Policy Scenario would succeed in improving on this situation. For example, it would reduce Germany's current-account surplus to 2.5% of GDP by 2026. It would also be able to reduce the UK's current-account deficit to -4.7% of GDP, but this resultant level would still be relatively high.

Table 8. Current Account as % of GDP within the European Union
Alternative Scenario

	Projections		
	2021	**2026**	**Scenario**
Germany	5.6	4.9	Business as Usual
	3.4	2.5	Reducing European Imbalances
United Kingdom	-6.0	-5.9	Business as Usual
	-5.5	-4.7	Reducing European Imbalances
France	-0.8	-2.0	Business as Usual
	-0.4	-1.1	Reducing European Imbalances
Eurozone periphery	1.1	1.1	Business as Usual
	-0.1	-0.7	Reducing European Imbalances
	1.1	0.8	Business as Usual
European Union	0.6	0.4	Reducing Global Imbalances

At the same time, France's current account would remain in deficit, i.e., at -1.1% of GDP. However, this would still be an improvement over the -2% deficit under the Baseline Scenario. Also, the Eurozone Periphery would slip into a small deficit of -0.7%—as a result, no doubt, of a faster rate of growth of domestic aggregate demand combined with the relatively high real exchange rate of the Euro.

Consequently, the overall current-account balance of the European Union would achieve a small surplus by 2026, namely, 0.4% of GDP. Though an improvement, this would not be much below that projected by the Baseline Scenario, i.e., 0.8%.

Concluding Remarks

Our Alternative Policy Scenario does appear to have improved most growth outcomes at the global level over the next ten years. This outcome was moderated, in part, by deliberately programming a slowdown in economic growth in China.

Our alternative scenario has been only partially successful in mitigating global imbalances in current accounts. While it has succeeded in noticeably reducing the surpluses of China and Other East Asian High Income countries and moderating the already small surplus of the EU, it could only partially reduce the large current-account deficit of the USA. This is obviously a structural feature of the global economy that would require deeper economic reforms.

Within the EU, our alternative scenario has indeed been successful in boosting the GDP growth rate in Germany (while lowering its current-account surplus) as well as boosting the growth rate of the Eurozone Periphery. But it has had only marginal success in improving growth rates in the United Kingdom and France. Unfortunately, both countries would remain mired in economic stagnation through 2026.

The growth outcomes in the UK and France appear to be tied, to some degree, to the projected trends in their current accounts. France would still experience a worsening current-account deficit through 2026 though it would remain modest. Though the UK's deficit would improve, it would still remain unsustainably high by 2026. In contrast, Germany's hefty current-account surplus would be appreciably reduced. As the Eurozone Periphery experienced, thankfully, more rapid economic growth, its small current-account surplus in 2016 would be converted into a small deficit by 2026.

Clearly, the Alternative Policy Scenario made little headway with some countries. At the global level the current-account deficits of the USA and the UK would remain stubbornly high over the next ten years. Moreover, economic growth in the UK would remain stagnant. Also, France would exhibit little improvement over the next ten years, either in terms of its currently slow economic growth or its persistent current account deficit. More radical policy measures—either at the global level or within the EU—would have to be introduced to improve the economic prospects of these three countries.

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