

Workshop “External imbalances: causes, consequences and rebalancing”

October 14, 2016

LEM-CNRS (UMR 9221), University Lille 1

and

Research axis “Sustainable and International Finance”

of the European Research Group (GdRe) *Money, Banking, Finance*

Venue: Université Lille 1, Cité scientifique, Faculté des Sciences Economiques et Sociales
Building SH2, First floor, Room “Salle du conseil”

Subject

The global financial crisis of 2008-2009 and the subsequent sovereign debt crisis in the Euro area revealed that the rising indebtedness of both the public sector and private sector had come along with serious external imbalances. For some countries, aggregate demand was a major cause of current account deficits. Were financial inflows a major culprit in fueling domestic spending? For some other countries, the main problem was price competitiveness in foreign trade due to rising relative unit labour costs and real exchange rates imbalances. What are the strategies for rebalancing? They obviously differ according to the causes of imbalances. So there's a need to identify these causes in order to assess the available options. Moreover, global imbalances mean that large current account deficits of some countries are somehow met by large current account surpluses. Do the factors of these surpluses come from trade or foreign investment? How come some countries have succeeded in correcting current account deficits, but external debt is still growing? Are adjustments less harmful with a floating exchange rate than with a fixed exchange rate or a common currency?

Topics include:

- Causes of external imbalances
- Private or public sector indebtedness and external imbalances
- Exchange rates, competitiveness and external imbalances
- External debt sustainability
- The role of financial flows in the adjustment of current accounts
- Policy options for rebalancing
- Role of the exchange rate regime in adjustments

Scientific committee

António AFONSO (University of Lisbon), Michael ARGHYROU (Cardiff University), Sophie BRANA (University of Bordeaux), Cécile COUHARDE (University of Paris Ouest Nanterre La Défense), Christian DREGER (DIW Berlin), Balazs EGERT (OECD), Etienne FARVAQUE (University Lille 1), Florence HUART (University Lille 1), Jean-Christophe POUTINEAU (University of Rennes 1), Hélène RAYMOND (University of Paris Ouest Nanterre La Défense), Piotr STANEK (Cracow University of Economics), Fabien TRIPIER (University Lille 1), Lukas VOGEL (European Commission)

Local organization

Contact: Florence Huart (florence.huart@univ-lille1.fr)

PROGRAM

8:30 Welcome coffee

9:00-12:15 Session 1

Chair: Etienne Farvaque

“Financial Heterogeneity and Monetary Union”

Simon Gilchrist (Boston University and NBER), Raphael Schoenle (Brandeis University), **Jae Sim** (Federal Reserve Board of Governors) and Egon Zakrajsek (Federal Reserve Board of Governors)

Discussant: Fabien Tripier (University of Lille, CLERSE and CEPII)

“Trilemma, Dilemma and Regime-Switching”

Samuel Ligonniere (LEM-CNRS, University of Lille)

Discussant: Cécile Couharde (University of Paris Ouest Nanterre La Défense, Economix)

10:30-10:45 Coffee break

“Dealing with external imbalances and public debt objectives in the euro area: a dilemma?”

Christophe Blot (OFCE), Jérôme Creel (OFCE & ESCP Europe), Bruno Ducoudré (OFCE), Xavier Timbeau (OFCE) and Sébastien Villemot (OFCE)

Discussant: Piotr Stanek (Cracow University of Economics)

“External debt in Europe: sustainability and vulnerability”

António Afonso (ISEG – University of Lisbon and UECE), **Florence Huart** (LEM-CNRS, University of Lille), João Jalles (IMF and UECE) and Piotr Stanek (Cracow University of Economics)

Discussant: Etienne Farvaque (University of Lille, LEM)

12:15-13:15 Lunch (Room at the documentation centre, SH2, First floor)

13:15-14:15 Keynote address

Philippine Cour (European Central Bank and Institut d’Études Politiques de Paris)

“Euro Area external imbalances through the lenses of TARGET”

14:30-17:45 Session 2

Chair: Jean-Christophe Poutineau

“Step away from the zero lower bound: Policy options for small open economies in a world of secular stagnation”

Giancarlo Corsetti (University of Cambridge), Eleonora Mavroeidi (Bank of England), **Gregory Thwaites** (Bank of England and London School of Economics) and Martin Wolf (Bank of England)

Discussant: Jean-Christophe Poutineau (University of Rennes 1, CREM)

“Tradability of Output and the Current Account: An empirical investigation for Europe”

Roman Stöllinger (The Vienna Institute for International Economic Studies)

Discussant: Rémi Generoso (University of Lille, LEM)

16:00-16:15 Coffee break

Chair: Christophe Blot

“Current account deficits during heightened risk: menacing or mitigating?”

Kristin Forbes (Bank of England, MIT-Sloan School of Management and NBER), Ida Hjortsoe (Bank of England) and **Tsvetelina Nenova** (Bank of England)

Discussant: Florence Huart (University of Lille, LEM)

“Export dynamics since the Great Trade Collapse: a cross-country analysis”

John Lewis (Bank of England and Centre for Macroeconomics) and Selien De Schryder (University of Ghent)

Discussant: Clément Nedoncelle (University of Lille, LEM)

17:45-18:00 Coffee break

18:00-19:00 Keynote address

Guillaume Gaulier (Banque de France, Université Paris 1 Panthéon-Sorbonne and CEPII)

“Current account imbalances in the euro area: competitiveness or demand shock?”