



Policy Note

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GLOBAL IMBALANCES AND THE TRADE WAR¹

JAN KREGEL

How the World Has Changed Since the 1940s

Before we can design a new international financial system capable of dealing with increasingly large international trade imbalances, it is necessary to analyze the information that we have about the structure of trade and finance in the current system.

Under the Bretton Woods system established after the Second World War, the major concern was reconstruction of the European economies and the resumption of normal trade flows. Thus, the international financial system was designed to support the reestablishment of trade between the industrialized countries—we can say that consideration of the trading system determined the structure of international finance. Indeed, the Articles of Agreement of the International Monetary Fund (IMF) state that supporting the return of free international trade was one of the central purposes of the IMF's promotion of financial stability. At the time, it was a system in which trade took place primarily in the form of the bilateral exchange of domestically produced final goods and services.

In the 1960s, the major concern among those studying the international financial system was the role of what were then called transnational corporations (now called multinational enterprises). The rise of these corporations brought about the first change in the structure of

Senior Scholar JAN KREGEL is director of research at the Levy Economics Institute and director of the Institute's Graduate Programs in Economic Theory and Policy.

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international trade. As noted, in the immediate postwar years, trade was primarily bilateral exchange of finished goods, what we call final goods and services. Although developing countries highlighted the problems faced by primary commodity producers and the difficulties created by the trend decline in the terms of trade, developing country trade was not a primary concern at the Bretton Woods Conference (the problems faced by developing countries in the international trading system were only brought to light in the United Nations Conference on Trade and Development in 1964). Rather, the focus at Bretton Woods was on restoring trade among industrialized countries.

Although trade theory predicted that comparative advantage would lead to specialization in a country's export profile, instead what occurred was the restoration of what is called "intra" industry trade. For example, the US export of Ford automobiles and the import of Mercedes Benz automobiles. The theory said that only one country should specialize in automobiles where it had comparative advantage, but after European reconstruction the recovery of trade was not of that type; it was the exchange of similar industrial products. The impact of transnational companies was to substitute the trade in final goods with the movement of production facilities into foreign markets to sell in those markets. This was the case with US corporations' investment in Latin America—to produce inside tariff barriers that protected domestic markets—and then in Europe after the creation of the European Economic Community (EEC) with its common external tariff barrier.

Today, things are quite different. There is still trade in final goods and movement of corporate investments, but the goods and investments are not within a single country. The production is through geographically distributed investment in productive facilities located in the lowest-cost producers of intermediate inputs, and trade is now dominated by the import and export across borders of these semifinished goods. The main driving factors today are thus trade of intermediate, semifinished goods—not finished products—and internationally diversified corporate investments. This has a major impact on how we measure the system, as the trade figures from the 1960s do not represent the same underlying economic reality as in the 2000s. It also means that simple propositions, such as the impact of a depreciation of the exchange rate on export prices and competitiveness, will be different in a world in which trade is primarily in the export of domestically produced finished goods versus one in which recorded exports are in semifinished goods, since

a number of different value transactions will occur before the finished goods enter into trade and, even more importantly, because multinational corporations may use internal transfer prices to determine final prices.

Today's trading system is thus dramatically different in two respects. The first is that finance now dominates trade and corporations seek the lowest-cost production platforms to maximize profits on global production, a reversal of the presumption at Bretton Woods. The second is that trade and production in the current system take place in a multilateral environment that is a reflection of the existence of global supply chains that dominate production in a world of multinational enterprises.

But there is another important change in the operation of the international system when the structure of trade changes. We know that every transaction that is financed produces assets and liabilities. International exchange of goods and services are thus inseparable from financial transactions because imports and exports are denominated in different national units of account. Thus, even though economists like to think of international trade as the balancing of the exchange of real goods and services, it could not take place without financial intermediation. Added to this fundamental proposition is the fact that international free trade in goods and services has not only been accompanied by increased trade of financial assets across borders, in many cases it has preceded it. The most important determinant of the spread of global corporations and global production chains has been the internationalization of finance and financial service institutions.

Trade versus Finance

Indeed, this is not the first period in history in which the internationalization of finance has driven international trade in goods and services. In this sense, Bretton Woods was an anomaly in the historical development of capitalism. In addition to globalization of private sector financial service providers, governments have increasingly resorted to sovereign debt financing in foreign markets for the import of goods and services or to meet private sector imbalances. As more and more intermediate products have been traded, they have brought about cross-border funding, and an increasing number of financial institutions have located in foreign markets, providing an increase in the global exchange of financial assets that is independent of trade flows.

This background clarifies a puzzling trend in the evolution of the growth rates of international trade and finance. After the war, international trade grew more rapidly than national income in industrialized countries. This was largely the result of the reconstruction of the European economies, important participants in transatlantic and Asian trade; the creation of the EEC to increase intra-European trade; and the reduction in tariff barriers resulting from the various rounds of the General Agreement on Tariffs and Trade. However, the impact of these factors faded—until the 1990s when trade again started to grow more rapidly than GDP. If trade was undertaken simply in terms of domestically produced final goods, this would be inexplicable: How can you trade more goods than you produce? It is explicable when the shift to global production chains is taken into account—every final good traded may have given rise to three, four, or even many more cross-border trades in semifinished goods before final assembly and export to global markets.

Finance and Growing Global Imbalances

The 1990s is also the period in which global imbalances started to become massive, surpassing those that had caused concern in the 1980s, when Japan was the outlier with a large external surplus with the United States. While this was initially very beneficial for Japan, the elimination of this surplus in the 1990s condemned Japan to virtual stagnation from which it has still not recovered. This expansion of imbalances was largely due to the rise of private financing of trade imbalances and global investment flows, which commenced after the breakdown of the stable exchange rates implicit in the Bretton Woods system. Under the Bretton Woods system, each member country pledged to keep its exchange rate stable at a par value in gold or the US dollar. A trade imbalance meant that foreign exchange reserves had to be used to fill the gap between foreign exchange earned from exports and the payment of foreign exchange for a greater value of imports. Normally, countries would keep three or four months of imports as exchange reserves. When the trade imbalance came near this amount, the country would have to approach the IMF for access to its quota of foreign exchange to preserve the parity rate. However, the IMF would usually impose conditions on access in excess of the initial gold tranche, and those conditions were domestic policies to reduce imports and increase exports—that is, to reduce growth by reducing demand, and, in extreme circumstances, a devaluation of the

parity. This placed very clear limits on the size of cumulative external imbalances; when they became too large to preserve parity, the IMF would commit to return the country to external balance.

All of this changes with the collapse of the Bretton Woods system and the introduction of flexible exchange rates. Indeed, it was not that the flexible rates ensured external balance—they did not—but the rise of private finance enabled balance of payments deficits to be supported. As long as a country provided a sufficient incentive to private financial markets in terms of interest rates on sovereign debt or access to profitable domestic investment, virtually any size external deficit could be financed. But the payment of these incentives would nonetheless require foreign exchange, and when international investors became dubious of the possibility of being repaid, they would withdraw support in what came to be called “capital reversals.” These reversals produced an exchange rate crisis as well as a domestic banking and corporate crisis, since both domestic banks and corporations had usually borrowed foreign exchange at lower international rates, which then had to be repaid from domestic earnings converted at a depreciated exchange rate. This is the process in which finance came to dominate trade, as well as the beginning of the period of much higher bilateral trade imbalances.

First Japan, Now China

It was the bilateral imbalance between Japan and the United States that dominated the 1970s and 1980s. By the end of the 1990s, China had taken the place of Japan as the outlier with respect to its external surplus, and in particular in terms of its bilateral imbalance with the United States. Clearly, neither the interests of Japan nor those of the United States were well served by the international financial system. The question is whether a reform of the system can prevent China from following the Japanese path back to more balanced external trade.

Many developing countries have attempted to expand their participation in international trade after the crises of the late 1990s by involvement in global production chains. However, for most of them the benefits have been meager because they have attracted foreign production units on the basis of extremely low domestic wages. Normally, development economists support the creation of a manufacturing sector in developing countries because of the possibility of economies of scale increasing

productivity and increasing real wages. However, if a country's manufacturing exports are simply the assembly of imported semifinished goods, then there is little possibility of exploiting economies of scale and higher productivity, because wages have to be kept lower than in other potential assembly platforms in other countries. Thus, competition among countries to attract investment through low wages breaks the link between manufactured exports and higher domestic value added. The recent Trade and Development Report (UNCTAD 2018) notes that China is the country that has been able to generate the highest domestic value added from its manufactured exports linked to global production chains.² Most countries have failed to enjoy a rise in value added from participation in international trade, and as there is little beneficial impact on domestic income growth, this has led to the widening inequality between developed and developing countries.

Measuring Trade and Finance

The impact of these global production chains on international imbalances can be seen in the data produced by the US Bureau of Economic Analysis (BEA). The BEA data distinguishes between the trade imbalances of the United States as a country and those figures adjusted by the national identity of the enterprises that produce those flows—that is, a measure of the trade imbalances of US corporations on their global operations rather than on their operations within the national boundaries of the United States. When the former measure is used, the US imbalance is dramatically reduced. For example, a US corporation with a joint ownership venture operating in China should be credited with 49 percent of the operation's exports from China to the United States, thus reducing Chinese exports to the United States by the same amount, since they are export earnings of a US corporation, even though it happens to be located in China. However, such a correction is not made in the official national accounts data, which is why the official figures do not truly reflect imbalances or trade flows. Most of the statistical data we use to measure trade imbalances is effectively misleading, if not wrong.

More importantly, current account balances include the earnings on loans, profits from foreign investment, and labor services performed abroad. As more countries have started to support their current account deficits with foreign borrowing, the importance of these flows has increased. For example, the

earnings of foreign exchange reserves held on deposit with the New York Federal Reserve as US Treasury securities produce interest payments that enter the US current account as a debit and in the Chinese balance as a credit, making the imbalance even greater than that accounted for by simple bilateral trade flows.

There are thus a number of questions raised by the changed structure of the international trading system that are not reflected in the official statistics. First, the rise in the growth of trade is not the same in the 2000s as it was in the 1960s. Second, bilateral trade imbalances are relatively meaningless in a trading world that is characterized by global supply chains. Thus, while China has a large but declining bilateral imbalance with the United States, it has a deficit in its trade with the rest of Asia. Third, the international adjustment mechanisms that normally work on the basis of exchange rate depreciation may be of little relevance in a world of multilateral global production chains, since the reduction in export prices may be more than compensated for by the increase in import costs. And when large imbalances are financed by international borrowing and lending, the factor service payments may increase the size of the bilateral imbalances due to the role of the dollar as the invoice and settlement currency for all countries' imbalances.

Global Imbalances and Global Growth

Finally, there is the question of how bilateral adjustments can be achieved without producing a negative impact on national and global growth. That is, how can the system be designed to avoid a repetition of the Japan problem or the lost decades in Latin America? Many countries want to solve the problem of imbalances by tariff adjustment. This is easy to do for the trade of finished products, but when international trade and international finance have nothing to do with the trade of finished products (being undertaken primarily in intermediate products), they may not produce the desired result.

It thus seems clear that once the structure of trade in the current international system is understood, the emphasis on bilateral imbalances is not only irrelevant, it is a mistaken representation of the trading relations between countries. In the current geopolitical environment, the basic question to be answered is whether it is trade or finance that drives international current account imbalances.

Why should we worry about current account imbalances? At the macroeconomic level it is generally accepted that imports of goods and services compete with domestic production and thus may reduce domestic income and employment, while exports do just the opposite. Also, imports generate a need for foreign borrowing and exports create foreign lending, both of which are capital account entries, but generate debt service payments or income receipts that are entries in the factor services balance of the current account. It is thus impossible to completely separate the trade flows from the financial flows. In addition, the current or capital account balance will generate either claims on foreign residents or foreign resident claims on the domestic economy, which will require the payment or receipt of foreign currency and will therefore influence the exchange rate. In addition, the exchange rate will affect both the competitiveness of domestic output and the terms of trade, which will influence domestic incomes.

A net surplus is beneficial to domestic demand and employment, but it reduces the supply of domestic goods available for consumption by the domestic population and requires foreign lending. In short, when the domestic economy consumes less than it produces, it saves in the form of exports of the unconsumed goods and the transfer of savings to foreigners. Alternatively, if foreigners have a financial demand for your currency or other financial assets, then they will desire to export their goods and lend to allow you to acquire more goods and services, increasing domestic consumption financed by foreign borrowing. The problem of resolving financial imbalances comes from the fact that not all countries can be net savers at the same time—it is a zero sum game. And it is finance that allows these imbalances to occur.

Trade and Finance: Self-Referential

As noted, a country has to lend abroad to finance net exports, and the rest of the world has to be willing to borrow in order to finance their import surplus. Since a net import or export balance requires offsetting net borrowing or lending abroad, the current account balance must be just offset by the balance on capital account.

In simple terms, Current Account = Goods + Services + Factor Services + Transfers, where Factor Services include interest and profits due to foreign investors or interest profit earned on foreign investments.

As a result, imbalances will be jointly determined by the factors that influence these components, in particular by financial market policies that determine investment flows and trade policies that determine flows of goods and services, as well as the exchange rate regime. In a multilateral system, one should only be concerned with the net balances across all trading partners. However, in the current context the emphasis has been on bilateral imbalances, as noted: first between Japan and the United States and more recently between China and the United States. What is different is the emphasis on the use of tariffs to try to reduce these imbalances. Thus, in what follows we will examine two-country trade, which, as noted above, ignores the basic characteristic of the current trading system—global production chains. The analysis of two-country trade by definition excludes such production chains and implicitly assumes the Bretton Woods characteristics of intra-industry trade in domestically produced final manufactures.

From national income accounting, the income of country A would be determined by expenditures on consumption, investment, government, and net foreign demand:

$$Y_A = C_A + I_A + G_A + \text{Net}X_A$$

Writing $S_A = Y_A - C_A$ allows us to determine the condition required for the preservation of the current level of income as $(I_A - S_A) + (G_A - T_A) + (X_A - M_A) = 0$, where Y = income, S = private saving, I = private investment, C = private consumption, X = goods and services exports + interest on foreign lending, M = goods and services imports + interest on foreign borrowing, G = government expenditures, and T = taxes.

Let us now enquire how a country might influence its external imbalance for a given level of income and employment. Define $I_A > S_A = X_A < M_A$ (and to simplify, assume a balanced government budget $G_A - T_A = 0$) as the external deficit, or $S_A > I_A = X_A > M_A$ as an external surplus. Net saving countries must have external surpluses and net dissaving countries have external deficits.

These relations show that a lower external deficit requires higher saving ($S_A = Y_A - C_A$), which can only be done if domestic consumption is lower. But since net exports must sum to zero for all countries taken together, it must be true that bilateral trading partner country B must have an external surplus, with $S_B > I_B$ and $X_B > M_B$. This means that success in reducing the deficit in country A must be associated with lower saving

$(S_B = Y_B - C_B)$ and higher consumption in country B. If country B does not cooperate, then country A cannot achieve its desired reduction in its net deficit. Note that this is independent of the actual policies employed to achieve (or to offset) the required changes in consumption and saving in the two countries.

As noted above, the consumption/saving decisions have a financial counterpart: when a sector net saves it will acquire financial assets. Equally, when a sector net dissaves it issues financial liabilities. Thus, when the private sector (firms and households) net saves ($Y - C > 0$) it acquires financial assets such as cash, bonds, and equity, and when it net dissaves it must issue these liabilities. These are the cross-border financial flows that allow imbalances to exist. As a result, it would also be possible for the deficit in country A to be lower if B's lending to A were lower and A's borrowing from B were lower, which would be the mirror image of the changes in consumption and saving already presented above.

Now we can consider the role of government surplus or deficit balances. For a government deficit, it net dissaves ($G > T$), which means that the private sector acquires government liabilities ($G > T = S > I$, if $X = M$). The same thing happens if the private sector in country A dissaves in the absence of a government deficit: $X_A < M_A$ (with $G - T = 0$), then $S_A - I_A = X_A - M_A$ and country A will have to borrow from country B to finance the external deficit while country B will have to lend to finance its external surplus. Thus, a private sector surplus may be offset by a government sector deficit without any impact on the external balance. We could have just as easily used the relation $(I_A - S_A) + (G_A - T_A) = - (X_A - M_A)$, and, for example, $(I_A < S_A) < (G_A > T_A) (X_A < M_A)$ where government dissaving exceeds private sector saving leading to an external deficit.

The result of these accounting exercises is that external imbalances depend on the share of consumption in GDP in A and B and the borrowing and lending in A and B. Since assets always equal liabilities, it is clear that they are interdependent.

But the level of the imbalance depends on which relation is the dominant one. In countries with controls on capital market lending, consumption and trade dominates. This was the initial idea behind Bretton Woods: low or controlled capital flows so domestic demand was the primary determinant of external trade, and imbalances kept to a minimum via Keynesian-style demand management fine-tuning. On the other hand, with open capital markets, finance dominates, since it determines

the financing of trade imbalances. Adjustment of imbalances depends on control of the dominant variable.

As noted in the introduction, the Bretton Woods system evolved from one in which finance was the handmaiden of trade to one in which the IMF was displaced by private capital flows. Today, adjustment of imbalances requires management of capital flows. It is clear that in the short term tariffs have little direct impact on capital flows.

In summary, any adjustment of imbalances must recognize the international constraint (given $G - T = 0$):

$$\text{Country A: } S_A - I_A = X_A - M_A$$

$$\text{Country B: } S_B - I_B = X_B - M_B$$

Bilateral reciprocity in a closed trading system means ($X_A = M_B$) and ($X_B = M_A$). And this gives the external balance as ($X_A = M_A$) and ($X_B = M_B$), with no net acquisition of financial assets—no borrowing or lending between A and B. Here it is also clear that any capital flows independent of trade flows will produce an imbalance in trade flows—a case of finance determining trade.

A trade imbalance in country A means that $X_A > M_A = S_A > I_A$ and in country B that $X_B < M_B = S_B < I_B$. Reducing imbalances then requires each to move toward external balance, that is, domestic adjustment in S or I in *both* country A *and* country B. And since $S < I$ in one and $S > I$ in the other, this means foreign lending or borrowing and lower imbalances require adjusting domestic financial asset creation in *both* A and B.

A and B: United States and China

In the case of the bilateral imbalance between the United States and China, this would mean that the United States (country A) should spend less and save more, while China (country B) should spend more and save less. What is interesting in the trade dispute between the United States and China is that this has been the announced policy of the Chinese government for some 20 years,³ but only recently has it produced visible results.⁴ It has also been the announced policy of the US government for more than 20 years, but with very little success. It is paradoxical that both countries seek the same adjustment but neither has been able to achieve it, that it requires cooperation to do so, and that the instrument chosen to achieve this result (tariffs) is the one that has the least possibility of success. Rather, reliance on

tariffs will lead to a failure to meet the constraint of adjustment with no change in income: $(I_A - S_A) + (G_A - T_A) + (X_A - M_A) = 0$, which means that both countries may end up worse off because of the failure to achieve their desired results.

There is an additional factor that complicates adjustment. We have shown above how the government balance would impact these relations when the assumption $G - T = 0$ is not met in both countries. For the United States, this is clearly an unrealistic assumption, while for China it is closer to actual conditions for the central government balance, though less so for local governments. When $G_A > T_A$, dissaving in country A is even greater and the external deficit is even greater. This means that for adjustment to occur, the United States should reduce its government deficit in addition to lowering consumption, while China should increase its government deficit and raise private consumption.

An external deficit is considered a negative influence on domestic demand and employment, while the policies that would eliminate the imbalance require reducing private and government expenditure, which would also have a negative impact on growth and employment. This seeming paradox makes it clear why the adjustment of imbalances is so difficult and why it requires global policy coordination. The reduction in domestic demand that would result from increasing domestic saving to reduce the external deficit can only succeed if exports increase by enough to offset that reduction in demand—that is, if foreign countries decrease their saving and increase their demand for imported goods. If this does not occur, then the net result is a decrease in global demand, income, and employment, with very little impact on external imbalances.

Can We Resolve the Imbalances with Tariffs?

As noted, an alternative to managing domestic demand is through control or management of domestic and international capital markets, via domestic monetary policy influencing interest rate differentials, capital flows, and the exchange rate.

Another alternative would be a reform of the international financial system. While most reform proposals are designed to replace the US dollar as the reserve currency, the problem is not the US dollar, but the denomination of international financial flows in the currency of an individual country (Kregel 2010). The situation would not be ameliorated if the renminbi were to replace the dollar.

This brings us to the end of the story. Will tariffs be able to solve the international imbalances? The answer is that they are a very inefficient tool because they have no direct impact on domestic behavioral consumption conditions or on the investment expenditures of domestic industry; nor do tariffs have any direct impact on domestic financial conditions or on international capital flows or exchange rates, and the current system is one in which imbalances are primarily determined by financial flows, not trade flows. On the other hand, tariffs do disrupt established production (global supply chains) and financing conditions and thus increase uncertainty and adjustment costs, reducing global investment and saving.

Keynes: Lessons from History

This is not the first time in history that these problems have occurred. The most serious trade imbalance occurred after World War II, when the United States possessed virtually all the world's gold and had its productive structure intact while the European and Asian belligerents had no financial resources or capacity to produce output. This was the period of so-called dollar scarcity because Europe needed imports from the United States but had no capability to produce exports to pay for them. Before his death, when the United States was enjoying a very large current account surplus because its trade partners' productive power was destroyed during World War II, John Maynard Keynes wrote down his views on how to adjust these massive imbalances. Keynes noted

In the long run more fundamental forces may be at work, if all goes well, tending towards equilibrium . . . I find myself moved . . . to remind contemporary economists that the classical teaching embodied some permanent truths of great significance . . . There are in these matters deep undercurrents at work, natural forces . . ., which are operating towards equilibrium. . . . The United States is becoming a high-living, high-cost country beyond any previous experience. . . . [T]hey will discover ways of life which, compared with the ways of the less fortunate regions of the world, must tend towards, and not away from, external equilibrium. . . . [I]f the classical medicine is to work, it is essential that import tariffs and export subsidies should not progressively offset its influence. . . . We have here [in the Havana Charter]

sincere and thoroughgoing proposals, advanced on behalf of the United States, expressly directed towards creating a system which allows the classical medicine to do its work. (Keynes 1946, 185–86)

And this is indeed what occurred as the US external surplus was eventually eliminated.

But what were these “natural forces operating towards equilibrium”? He also noted that “it is obvious that no country can go on forever covering by new lending a chronic surplus on current account without eventually forcing a default from the other parties” (Keynes 1946, 184). Keynes was referring to the United States as a surplus country that was bankrupting the restructuring deficit countries in Europe and the developing economies, because the repayment of US foreign lending would eventually require the borrowers to earn the dollars required to at least meet debt service—which could only be done by means of a US external deficit. The financial stability of the system would require a movement to reduce the imbalances.

However, in the present, with the United States the major foreign borrower, this movement to equilibrium does not seem to function. Why is this? It is because these classical forces do not function when the major deficit country is also the issuer of the international reserve currency. If surplus countries are willing to hold infinite dollar balances to support their export surpluses, then there is no pressure on the deficit country. Developing countries following export-led growth strategies, such as China, are willing to do this. But eventually the growth in their per capita incomes will no longer require external stimulus and imports will increase, reducing their current account surplus. The solution to the US deficit is thus to be found in the growth in foreign employment and per capita incomes—and would require an international financial system that is not centered on US global financial institutions and the US currency.

Some suggest that the renminbi should serve as an international reserve currency. However, that is not completely appropriate. As long as it is a national currency—even if it is turned into an international reserve currency—it cannot solve the inherent problem of global imbalances. My suggestion is that we should take Keynes’s advice given in his proposal for the international clearing union (see Kregel 2015a, 2015b). The international clearing union can create liquidity but it is not based on a national currency, so it can promote multilateral

cooperation. The IMF has not yet established cooperation on this front; hopefully an international clearing union can do so.

Notes

1. Presentation to the 2018 Shanghai Development Research Foundation Symposium on Global Finance: New Challenges to the Global Financial System, October 15–16, 2018.
2. “Trade in Value-Added (TiVA) data show that China . . . managed to increase their shares of manufacturing domestic value added in gross exports (with a 12 percentage point increase between 1995 and 2014). Of 27 other developing countries recorded in TiVA, only 6 experienced increases, albeit of much smaller magnitudes” UNCTAD (2018, x).
3. The 2013 work report to the incoming government recommended to

“unswervingly” take expanding domestic demand as the government’s long-term strategy for economic development “The difficulty in and key to expanding domestic demand lie in consumption, and that is also where the potential lies.” . . . To expand individual consumption . . . the government should enhance people’s ability to consume, keep their consumption expectations stable, boost their desire to consume, improve the consumption environment and make economic growth more consumption-driven. . . . [The National Development and Reform Commission’s] draft plan promised to raise the income of low- and middle-income groups, set up a sound mechanism for regularly increasing workers’ wages, raise farmers’ income and improve the social security system that covers both urban and rural residents. (Xinhua 2013)

4. According to China Daily (2019), “consumption has been the main driver of China’s economic growth for five consecutive years,” and “consumers are expected to spend more on services in 2019 as the economy becomes increasingly consumption-driven.” Nonetheless, growth of total retail sales of consumer goods slowed in 2018 in the presence of declining demand and “consumption downgrading.”

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