

Global Imbalances from the Historical Perspective

Marcela Veselkova

Abstract

This dissertation examines the global imbalances from the historical perspective. The main aim is to examine the factors that determine the current account balances. To this end, this dissertation relies on the combination of the historical narrative and econometric analysis. The former traces changes in the current account imbalances and their reflex influence exerted on the course of economic and political events. The latter determines the short- and medium-run determinants of the current account balances in two eras of globalization. The results of Chapter 5 suggest that the transitory shocks to income are the main source of variation in the trade balance, whereas the permanent shocks to income determine the changes in the income. Thus, in the short-run it is possible to increase the current account balance by fiscal or monetary tightening. Chapter 6 investigates the medium-run determinants of the current account balances for 14 countries in the period of 1865-1913 and 107 countries in the period of 1970-2007. The comparison has yielded several similarities. In both periods, the excess saving was redistributed to relatively rich countries with developed financial markets, high quality institutions and high proportion of dependent persons in the population. Second, the results suggest that the global savings glut and the twin deficits hypothesis are not mutually exclusive. But whereas the former holds for both eras of globalization and both developed and developing countries, the latter holds only in the short-run in the pre-War period and for developing countries in the period of 1970-2007.