

Industrial Revolutions and Global Imbalances

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Research Question

- Background

Global imbalance

- Big Question

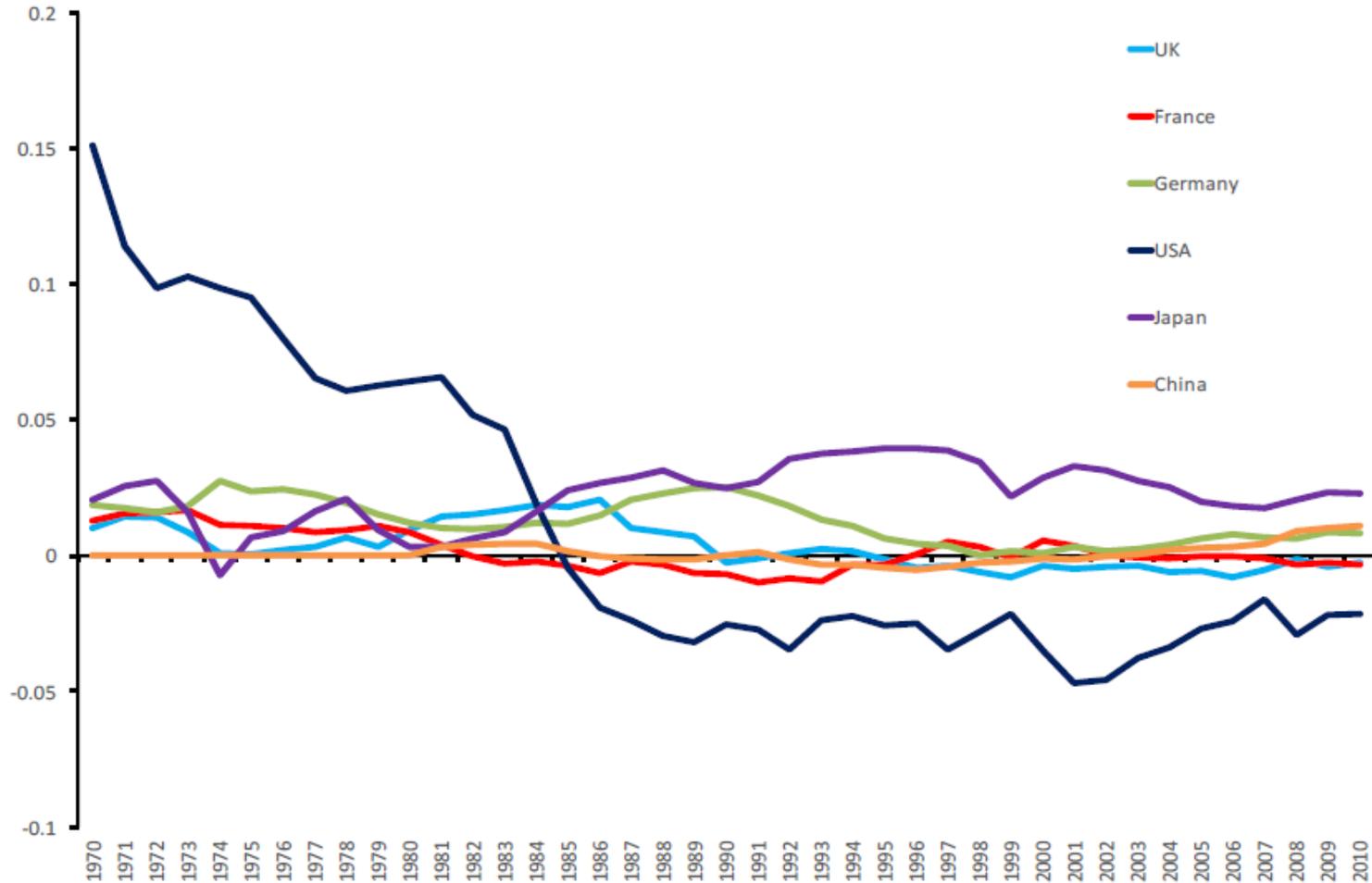
Why do some countries (e.g., China, Germany, and Japan) have persistent surplus?

Main Takeaways

- Introduces stylized facts
 - Global imbalances have always existed in the world since the United Kingdom experienced the Industrial Revolution.
 - Newly industrialized countries drives the global imbalances.

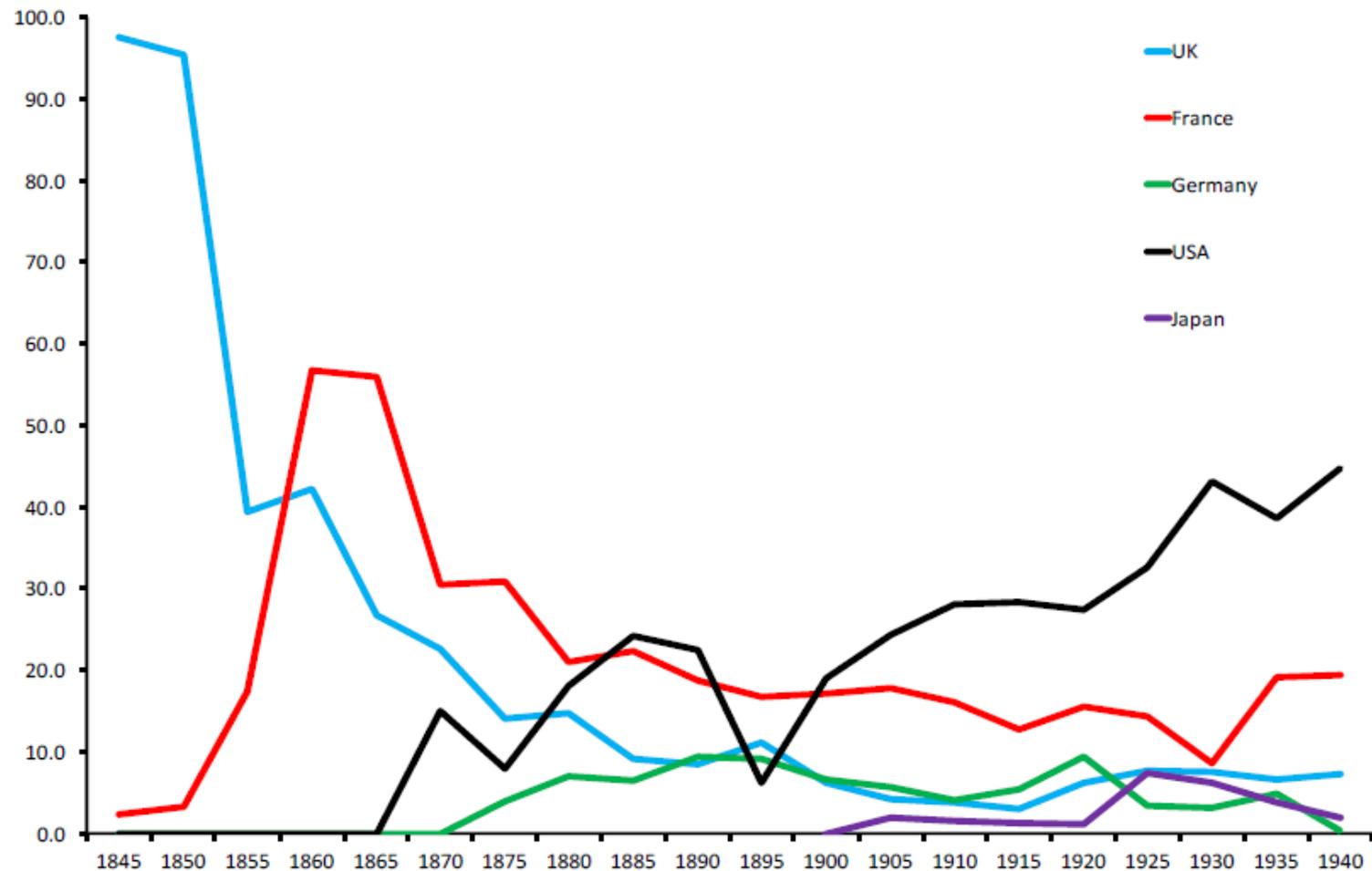
Main Takeaways

Figure 3. Net Foreign Assets, World Share (%), 1970-2010



Main Takeaways

Figure 4. World Gold Holdings Share (%), 1845-1940



Main Takeaways

- Model
 - Industrial revolution
 - Alternating productivity shocks
- Key implications of the model
 - Capital employed in each country's representative firm is proportional to the productivity level
 - In period 1, the first industrializing country attracts capital
 - In period 2 and onwards, a new taking-off country grows most rapidly and accumulates international assets most quickly

Summary

- Interesting stylized facts
- New perspective
- Ambitious objective—to provide a unifying framework to explain the global imbalances

Comment 1

- One unifying framework – industrial revolution
- How to incorporate and compare with other plausible determinants of global imbalance?
 - E.g., Ju and Wei (2010) for China
 - The role globalization?
 - The role of international monetary order?
 - The role of political economy (e.g., war)?

Comment 1

- Other differences between early take-off and later take-off countries?
 - Demographic structure
 - Social welfare system
 - Independently may affect savings motive

Comment 2

- Model set-up
 - No more productivity shock for early take-off countries
 - Leading to alternating waves of industrial revolution and global imbalance patterns
- How true is this in data? How do we define industrial revolutions or productivity shocks?
 - How shall we think about the US post 1980s?
 - Additional productivity shock: internet in the 1990s?
 - AI or other ongoing digital revolution?
 - Yet persistent deficit for the U.S.