

Economist's View

« [Financial Reform in China | Main | CPI, New Jobless Claims, and Inventory Reports Released](#) »

September 15, 2005

The Institute of International Finance Worries About Global Imbalances

The Institute of International Finance is worried about the economic risks posed by global imbalances between the U.S. and other countries. The IIF highlights the risks in a letter and accompanying press release from Mr. Charles Dallara, Managing Director of the IIF, to the Ministers of Finance and Central Bank Governors who meet in Washington in a little over a week. Here are Andrew Balls and Chris Giles of *The Financial Times* on this issue. A note on the IIF recommendations for monetary policy follows the discussion by Balls and Giles:

G7 leaders urged to act on global imbalances, by Andrew Balls and Chris Giles, *Financial Times*: The world's largest banks and financial institutions ... urged the leaders of the global economy to act together to reduce "increasingly worrisome" global economic imbalances.

The Institute of International Finance also called on the Group of Seven leading industrialised countries to add China, India, Russia and Brazil to its ranks... In its twice-yearly open letter to finance ministers and central bank governors, the IIF said Hurricane Katrina should remind the world of the global economy's vulnerability to shocks. "Existing imbalances and the increasing seriousness of the energy situation pose risks to the sustainability of a healthy growth environment and deserve the special attention of policymakers and market participants," ...

The tone of the IIF's letter indicates that private sector financial institutions are increasingly concerned about rapidly growing trade deficits in the US with corresponding surpluses in Europe, Asia and among oil exporters. For the past two years

Google

Google Search

Web This Site

Recent Posts

[Flexicurity](#) (5)

[Fields of Expertise](#) (8)

[Fed Watch: The Perils of Calling the Top](#) (0)

[What's Wrong with Our Patent System?](#) (1)

[Bernanke: The Yield Curve and Monetary Policy](#) (2)

[Is Bush a Big Spender?](#) (5)

[Reconsidering the Privatization of Water Systems in Developing Countries](#) (17)

[Paul Krugman: Bogus Bush Bashing](#) (15)

[Snow Says High CEO Compensation Justified High Productivity](#) (15)

[IP and GDP](#) (4)

[Social Justice and Global Trade](#) (9)

[Fair Enough?](#) (3)

[The Economic Effects of the Money Immigrants Send Home](#) (3)

[Is Employment Increasing Because Hires are Going Up, or Because Separations are Going Down?](#) (9)

[Does Lack of Interoperability Threaten Competition in Online Music Sales?](#) (3)

["Only in a Humpty-Dumpty World"](#) (5)

2115 01

finance ministers and central bank governors of the G7 leading economies have regularly exhorted fiscal retrenchment in the US ... and greater flexibility in exchange rates in countries where it is lacking...

The recent talk of increasing deficits

Grassley compared spending for hurricane recovery to the steps taken after terrorist attacks, when Congress simply spent what was necessary. "In that instance you don't worry about the debt," Grassley said in a conference call with Iowa reporters...

and reducing taxes

"I can assure you that the House Ways and Means Committee has not abandoned trying to extend the dividend tax cut and the capital gains tax cut. We think that is critical. We have not given up on that," Rep. Jim McCrery, a Louisiana Republican, told a news conference.

cannot help the perception of growing risk expressed by the IIF. One additional note. The letter also urges the Fed to use caution in imposing further rate increases in light of Katrina, though the letter does note the Fed should be mindful of inflation.

Posted by Mark Thoma on September 15, 2005 at 02:43 AM in [Budget Deficit](#), [China](#), [Economics](#), [International Finance](#) | [Permalink](#)

TrackBack

TrackBack URL for this entry:

<http://www.typepad.com/t/trackback/3189709>

Listed below are links to weblogs that reference [The Institute of International Finance Worries About Global Imbalances](#):

Comments

Institute of International Finance is channeling Steve Roach???? Steve has a sore throat singing the same tune for years. This slow motion train wreck is getting boring.

Water Fights (20)

Looking for the Goalpost (7)

Measuring Corruption (4)

The Economics of Capital Punishment - Part I (11)

The Economics of Capital Punishment - Part II (7)

Recent Comments

anne on **Fields of Expertise**

anne on **Flexicurity**

a on **Flexicurity**

anne on **Fields of Expertise**

ilsm on **Fields of Expertise**

a on **Fields of Expertise**

save_the_rustbelt on **Flexicurity**

save_the_rustbelt on **Flexicurity**

Robert on **Bernanke: The Yield Curve and Monetary Policy**

bailey on **Fields of Expertise**

anne on **Fields of Expertise**

ilsm on **Is Bush a Big Spender?**

ilsm on **Fields of Expertise**

anne on **Fields of Expertise**

reason on **Flexicurity**

ivan on **What's Wrong with Our Patent System?**

Winslow R. on **Bernanke: The Yield Curve and Monetary Policy**

a on **Social Justice and Global Trade**

Add me to your TypePad People list

Blogroll this site

Subscribe to feed (Atom) All Posts

Subscribe to feed (Atom) Economics Category

Subscribe to feed (XML) All Posts