

The collapse of globalised finance*

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Brussels, October 15, 2009

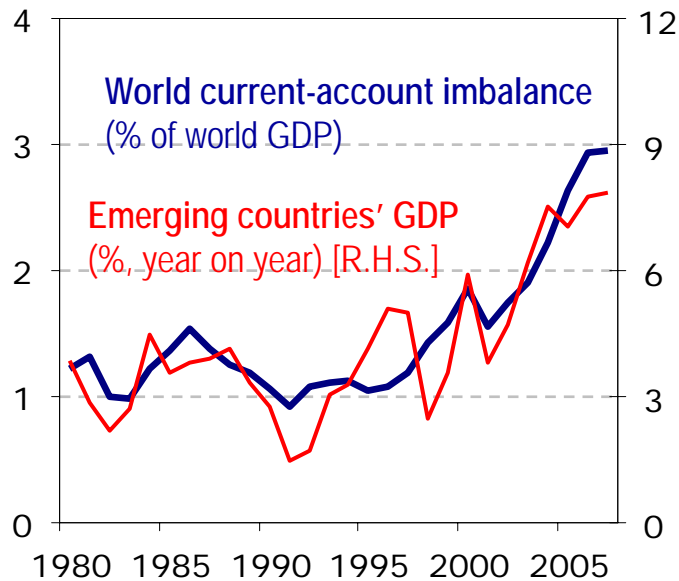
(* See Anton Brender and Florence Pisani, *Globalised finance and its collapse*, 2009
<http://www.dexia-am.com/globalisedfinance/>

Money does not perform. People do.

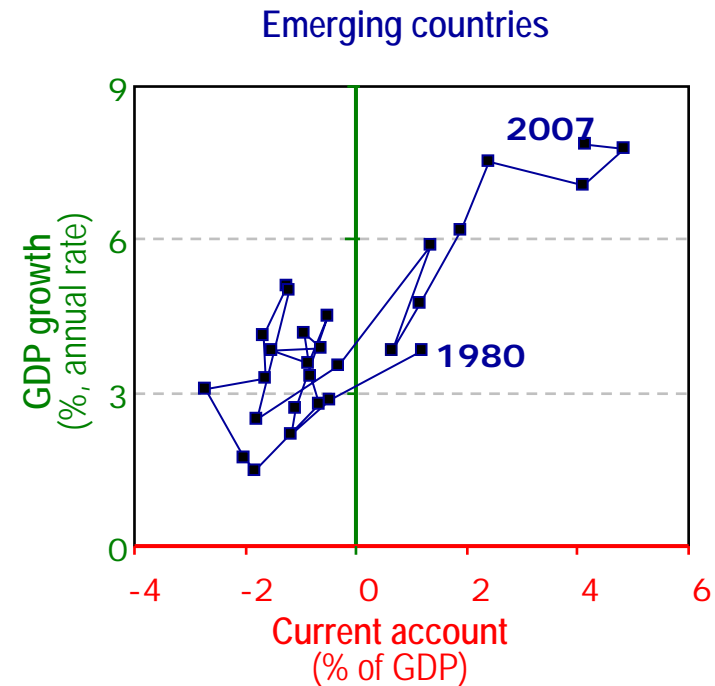
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The huge savings transfers made possible by financial globalization are at the origin of the present crisis

International transfers of savings and growth of emerging regions, 1980-2007

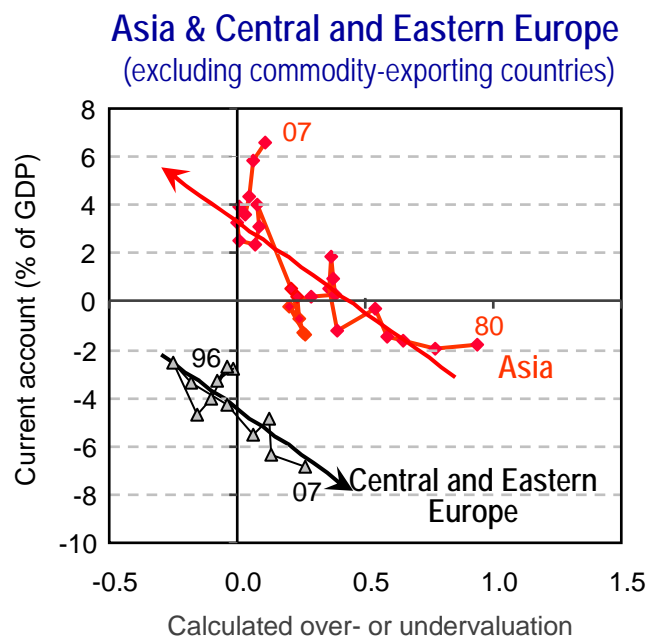
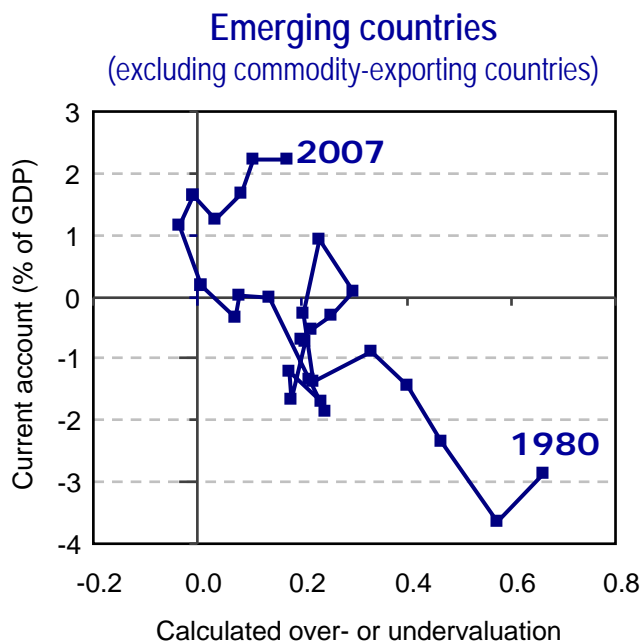


Current accounts and growth, 1980-2007



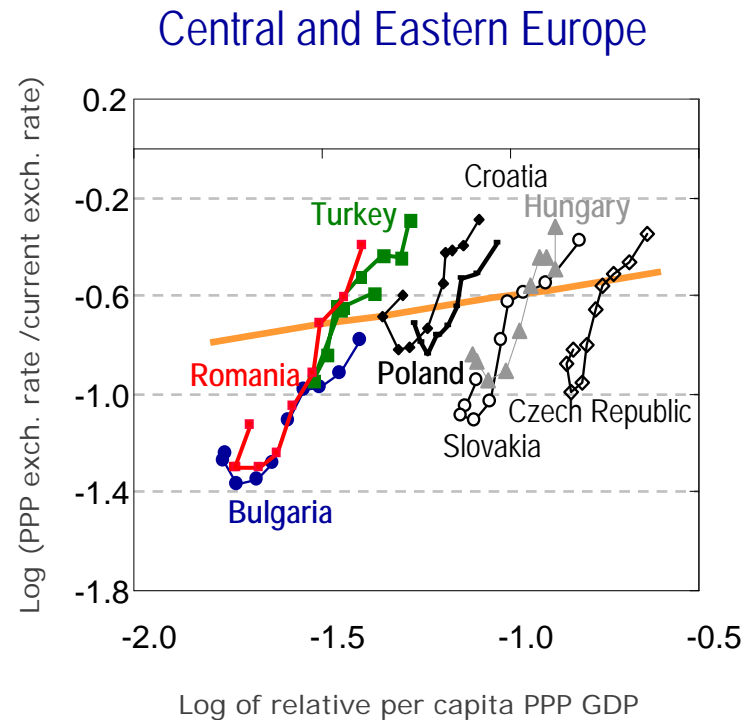
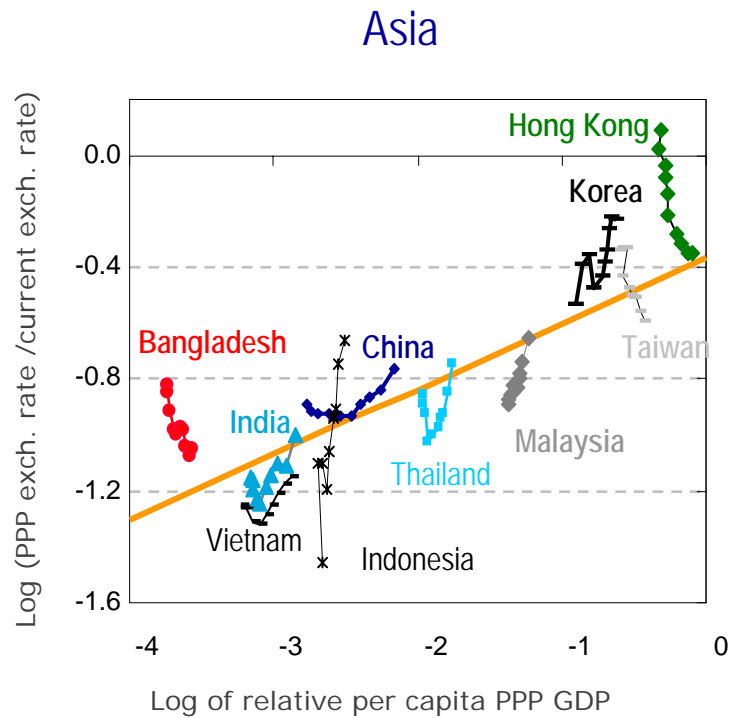
By controlling their exchange rate, high saving propensity emerging countries managed to export huge amounts of savings

Real exchange-rates and current accounts



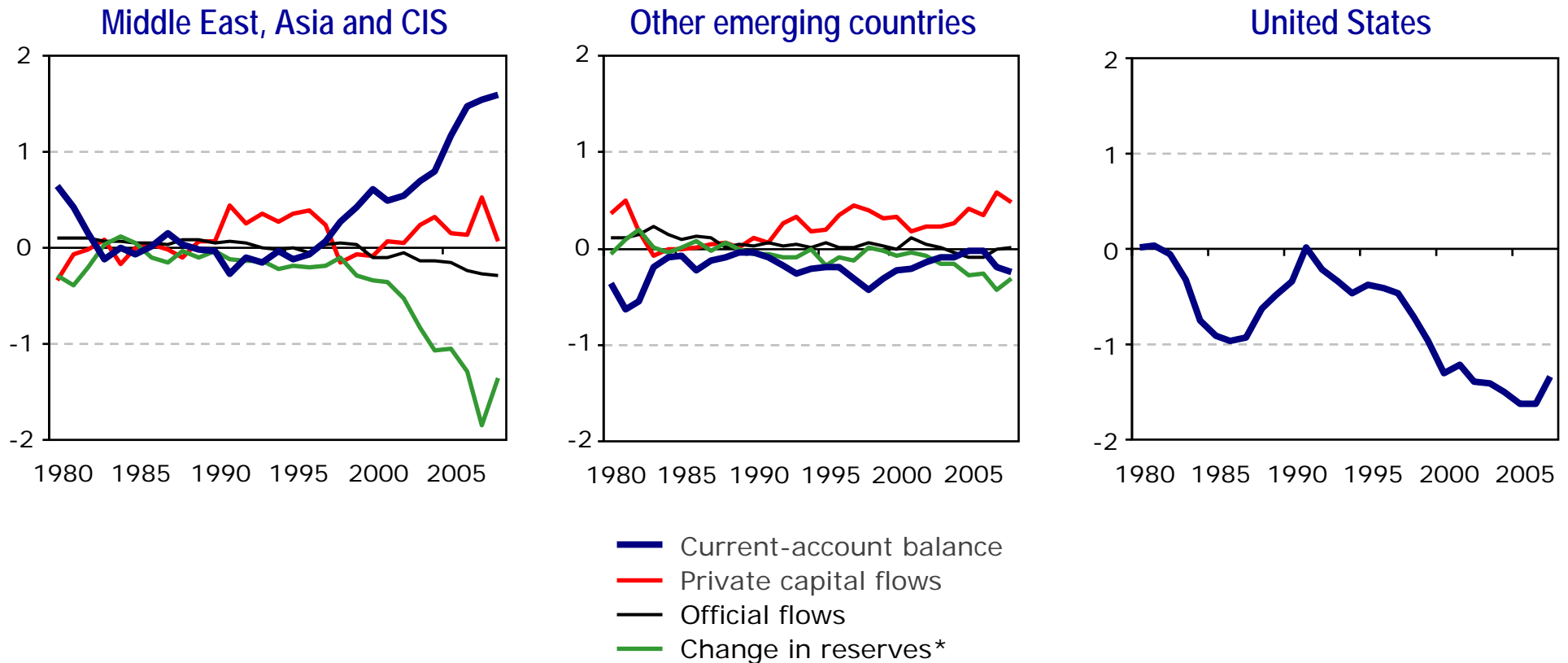
The contrast in Emerging Asian and European exchange rate policies has been striking

Real exchange rates and development levels, 1998-2007



The savings, exported mainly through reserve accumulation, were largely imported by the United States

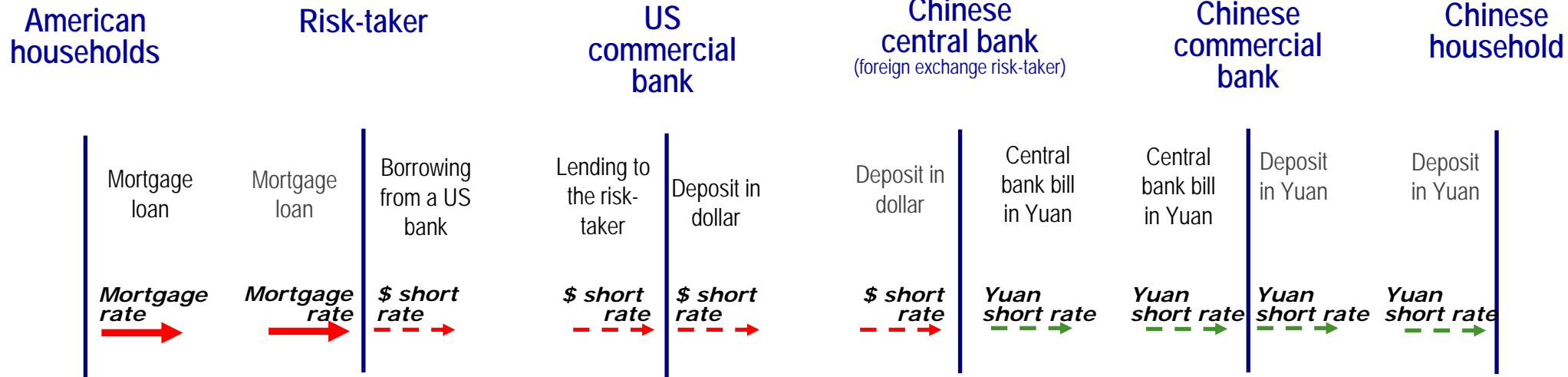
Current accounts, 1980-2007 (% of world GDP)



(*) A negative figure indicates a positive accumulation of exchange reserves.

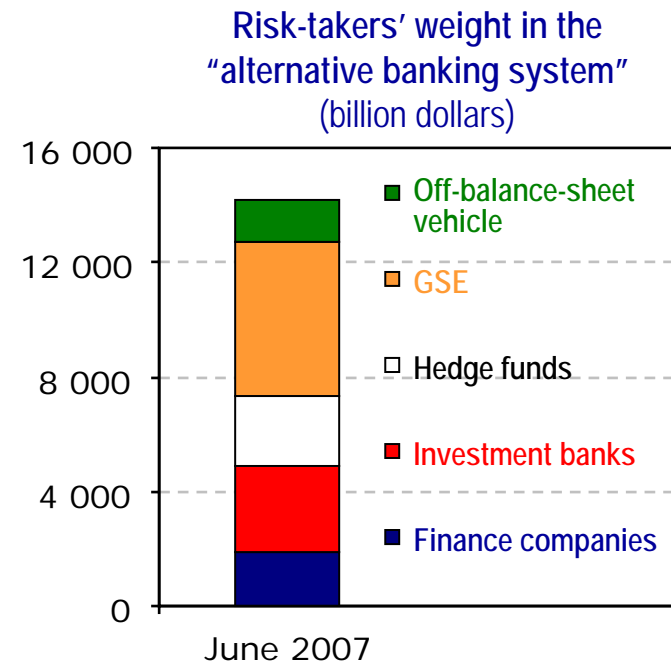
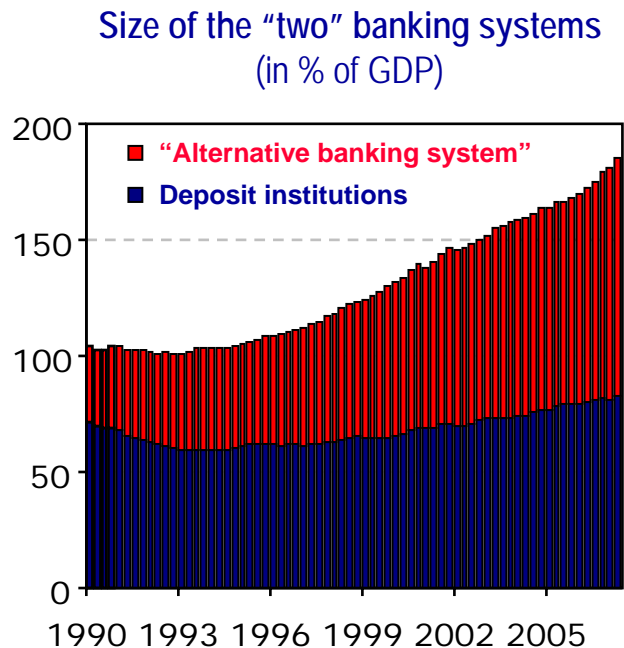
Risk-taking chains helped take on a large part of the various risks implied by those transfers of savings...

A "global" chain of risk-takers



... at the cost, however, of an accumulation of risks, mainly in the less supervised part of the system (the so-called “shadow” banking system)

Size and components of the US “alternative banking system”



The rise in risk aversion triggered by the subprime shock has led to a painful deleveraging process



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