

World in a “polycrisis”

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The world in a “polycrisis”

1. Ten threats
2. Shifts
3. Shocks
4. Fragilities
5. Scenarios

1. Threats

1. We do not know what is going to happen.
2. That is normal. We never do know, even when we think we do.
3. What is abnormal today is our awareness that we do not know
4. Will that awareness help us?

1. Ten threats

- Shifts:

1. Rise of China
2. De-globalisation
3. Global warming
4. Artificial Intelligence

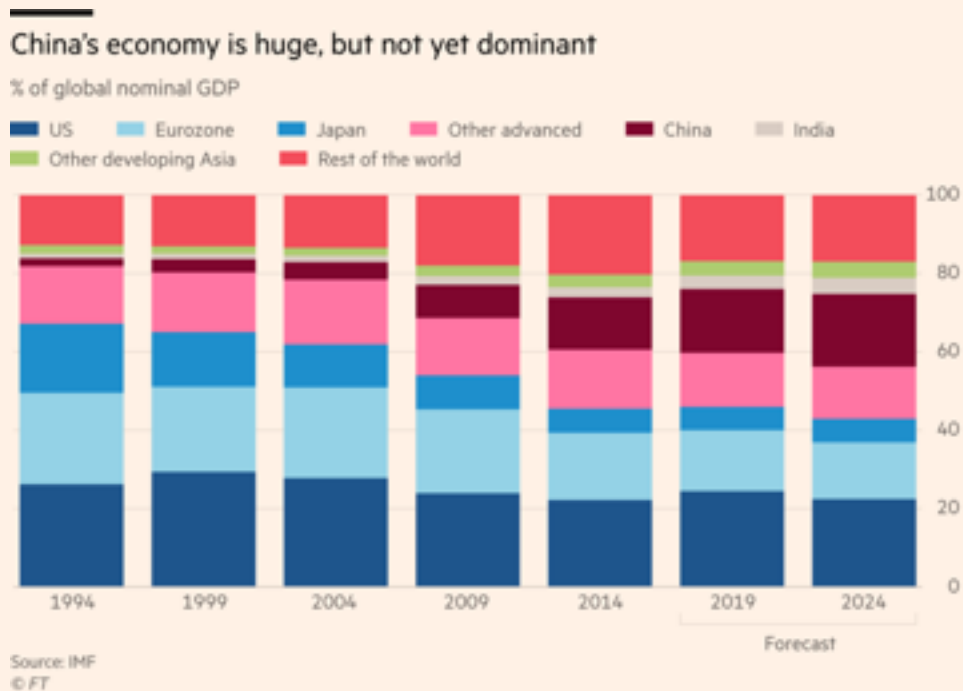
- Shocks

1. Pandemic
2. War & energy
3. Inflation

1. Threats

- Fragilities:
 1. Debt
 2. States
 3. Politics
- What next?

2. Shifts: rise of China



2. Shifts: de-globalisation

A previous era of globalisation turned into one of deglobalisation

Global merchandise trade as a share of GDP (%)



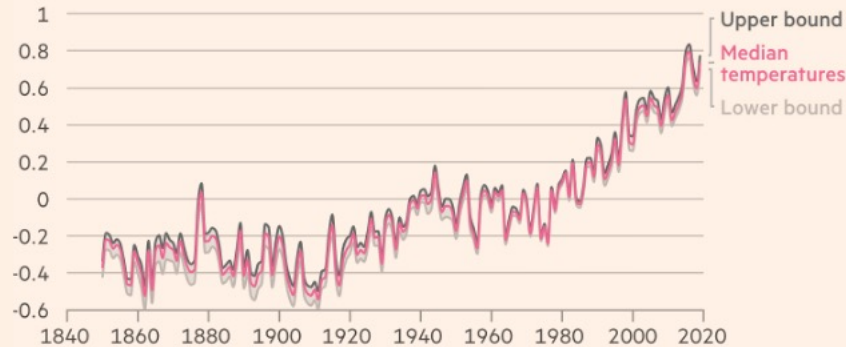
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Sources: Fouquin and Hugot (CEPII 2016), Our World in Data, IMF

2. Shifts: global warming

Global average temperatures have increased by more than 1C since pre-industrial times

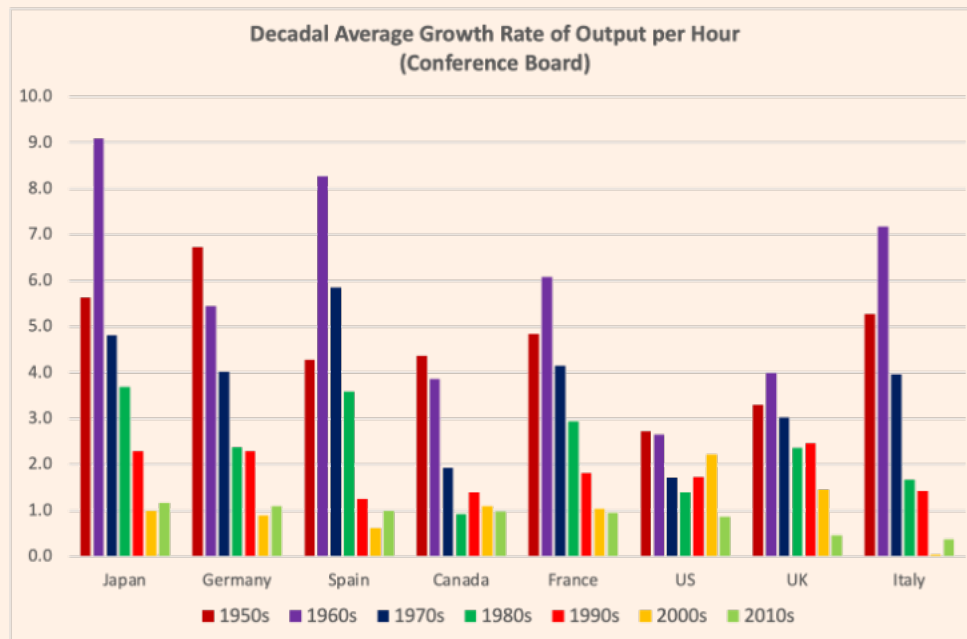
Average land-sea temperature anomaly relative to the 1961-1990 average temperature



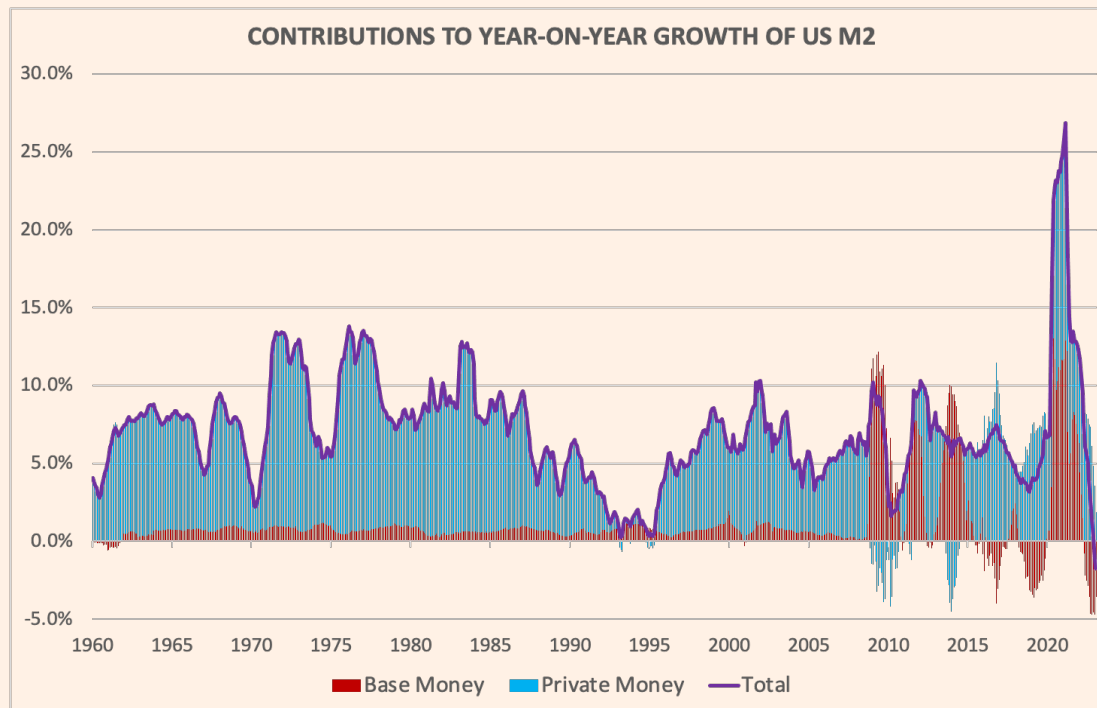
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Sources: Hadley Centre (HadCRUT4), Our World in Data • *Anomaly from 1961-1990 average

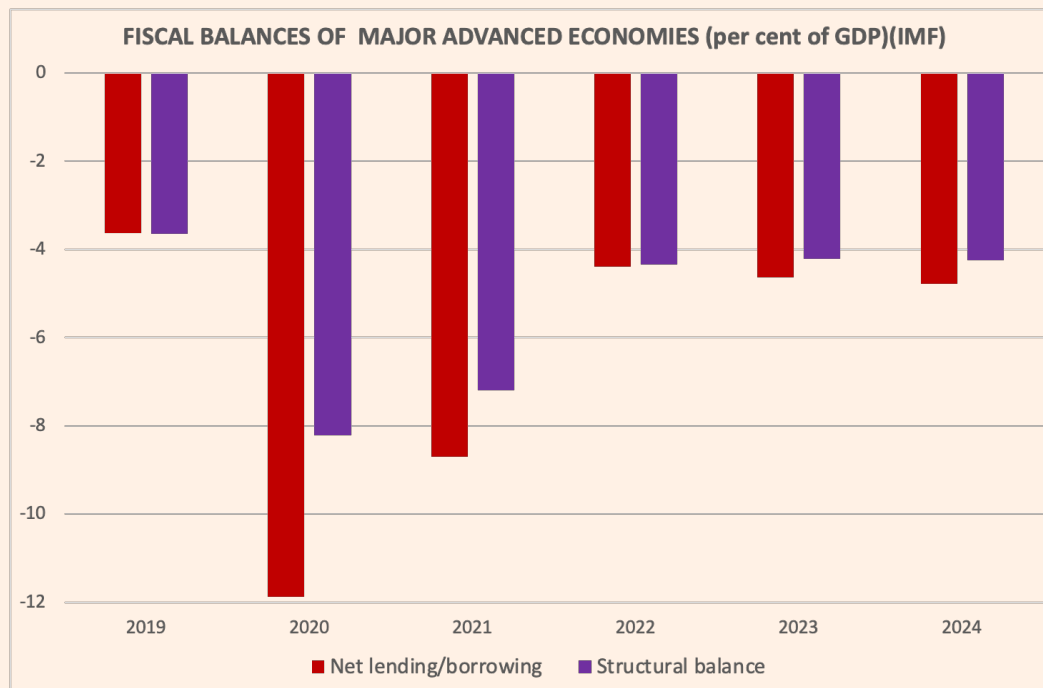
2. Shifts: artificial intelligence?



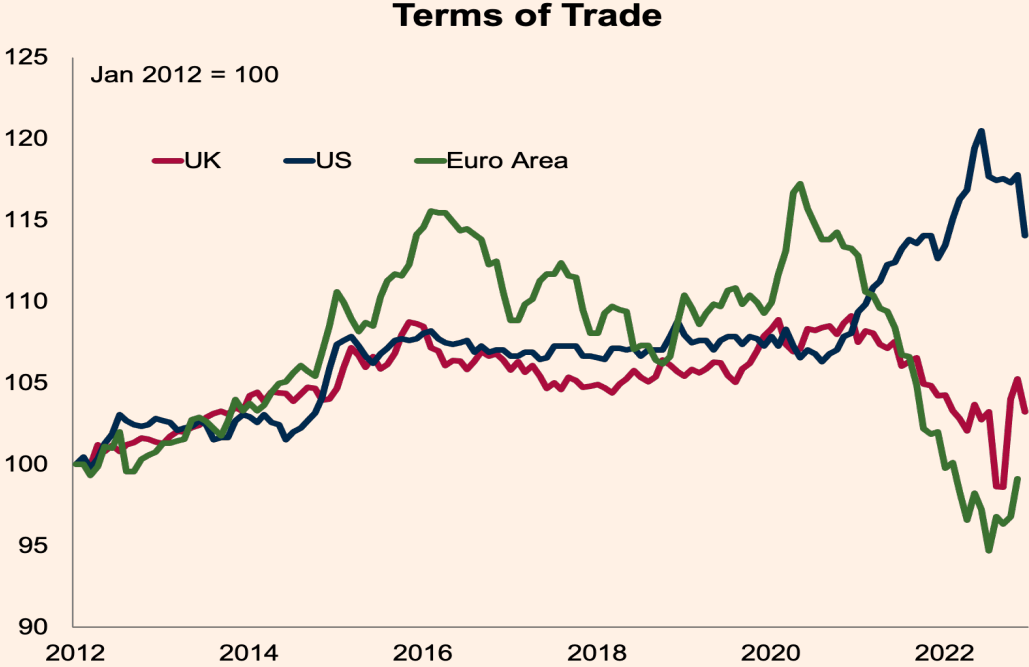
3. Shocks: pandemic



3. Shocks: pandemic



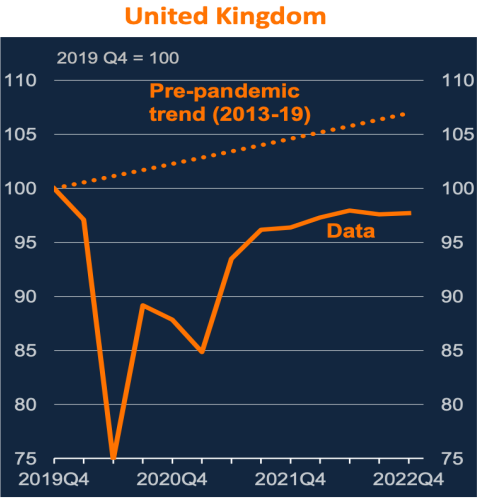
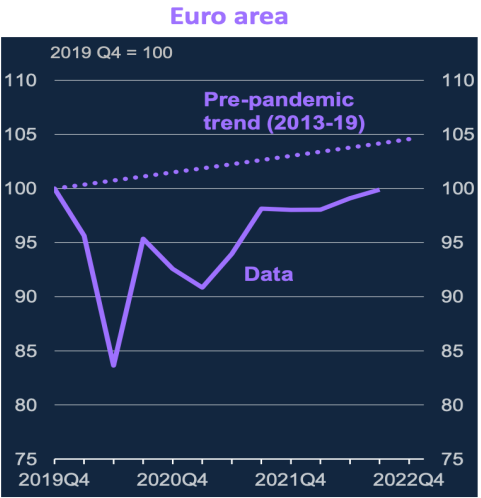
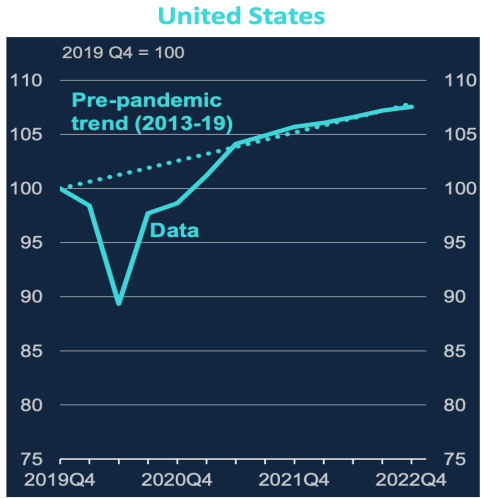
3. Shocks: energy



3. Shocks: energy

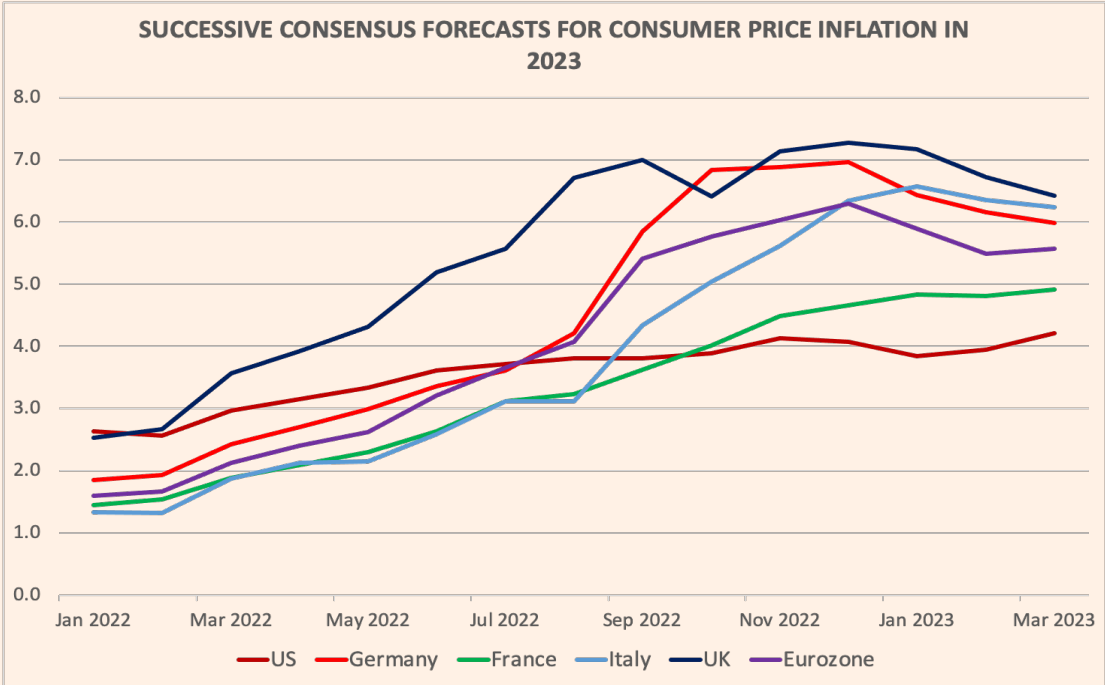
Terms of trade patterns reflected in household consumption

Real household consumption

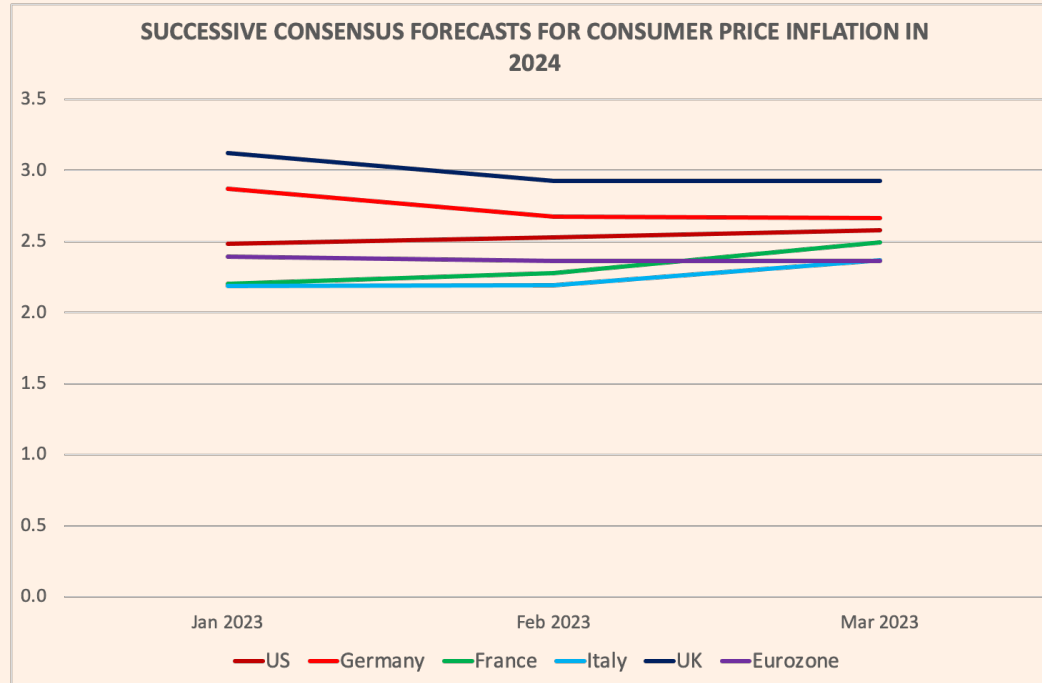


Sources: US Bureau of Economic Analysis, Eurostat, ONS and Bank calculations.

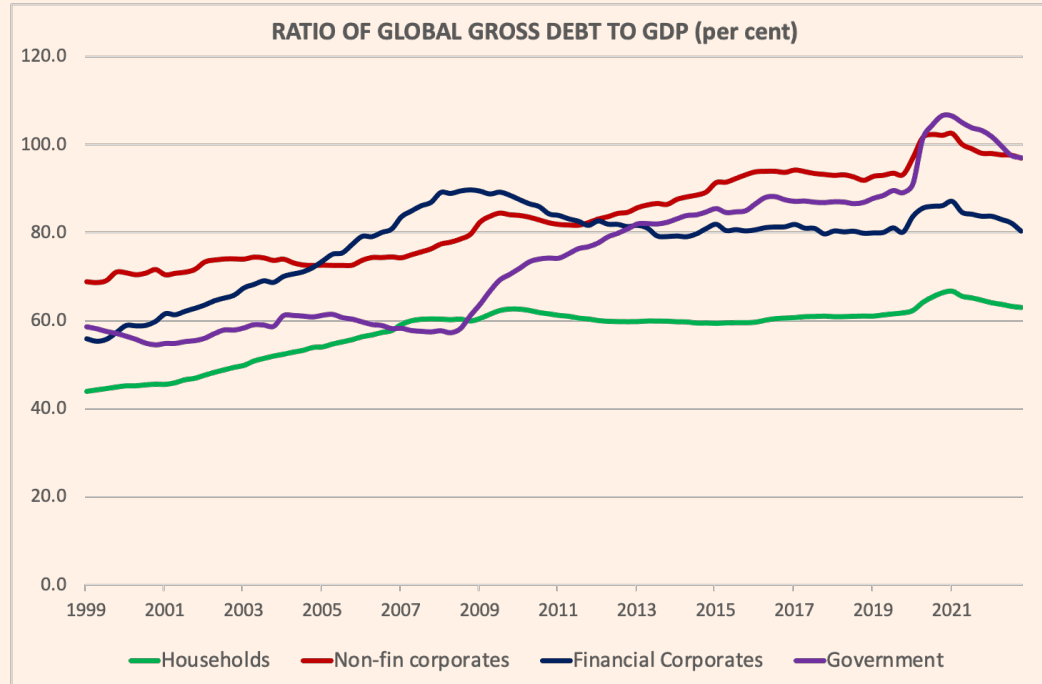
3. Shocks: inflation



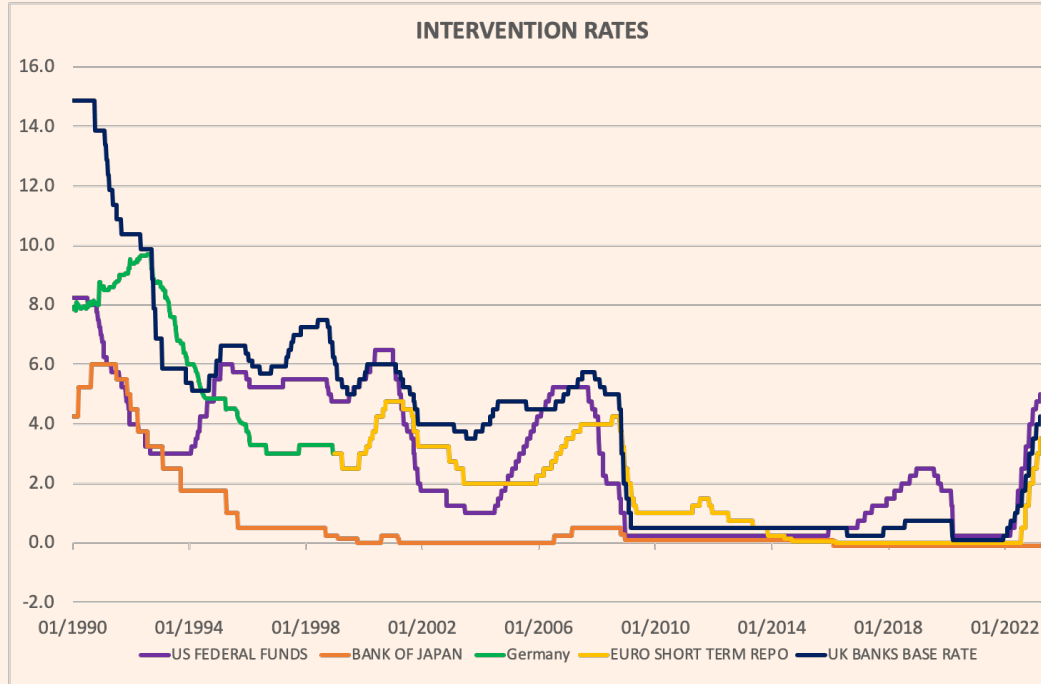
3. Shocks: inflation



4. Fragilities: debt



4. Fragilities: interest rates



4. Fragilities: interest rates

The 30-year decline in real interest rates is a remarkable fact

Yield on 10-year index-linked bond (%)

— UK — US



Source: Refinitiv
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4. Fragilities: interest rates



4. Fragilities: states and politics

- Government spending and debts reaching high levels in advanced countries
- Politics becoming increasingly populist and divisive
- Rise of autocracy worldwide
- Threats from autocracies
- War

5. Scenarios: global politics

- Business almost as usual:
 - Great power relations stabilize.
 - But the world is still more divided and more fractious than before 2008.
- World divided:
 - We move to a divided world with a democratic western block confronting a China-Russia block and countries choosing between them
- West divided:
 - Populism transforms the West
- Shocks abound:
 - Israel attacks Iran; China attacks Taiwan; Russia uses a nuclear weapon in Ukraine; another pandemic;

5. What next: global economics

- Business almost as usual:
 - Inflation falls, interest rates decline, globalisation stabilises, rather than collapses, AI generates a new upsurge in growth and change; yet..
 - The world economy remains more divided and fractious than before 2008
- World divided:
 - China and the US substantially decouple. Countries are forced to choose between them. The blocs become more protectionist, even on capital flows
- West divided:
 - Even relations between the US and EU are threatened
- Shocks abound:
 - US default; new eurozone crisis; financial shocks and crises; trade wars