Deutsches Martimimes Institut/griephan | Berlin, 8th November 2022
MARITIME CONVENTION 2022: Die nationale Sicherheitsstrategie & Deutschlands maritime Interessen

Disruption, Decoupling, Deglobalization – Quo vadis: World Economy

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Multiple crises: Risk of losing track

Eroding faith in the strength of

Western-style societies

Two mistakes

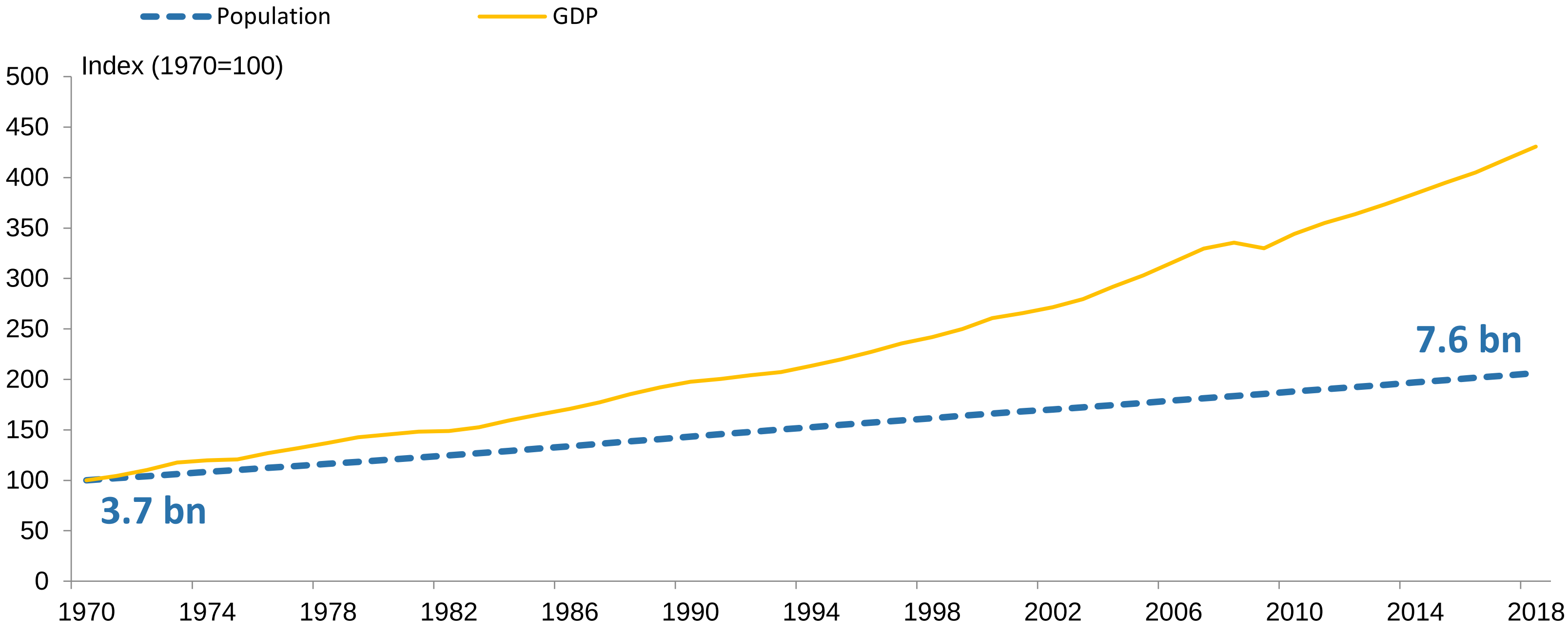
Taking things for granted (which are not).

Being led astray by wrong narratives.

5 decades of economic progress

KIEL INSTITUTE FOR THE WORLD ECONOMY

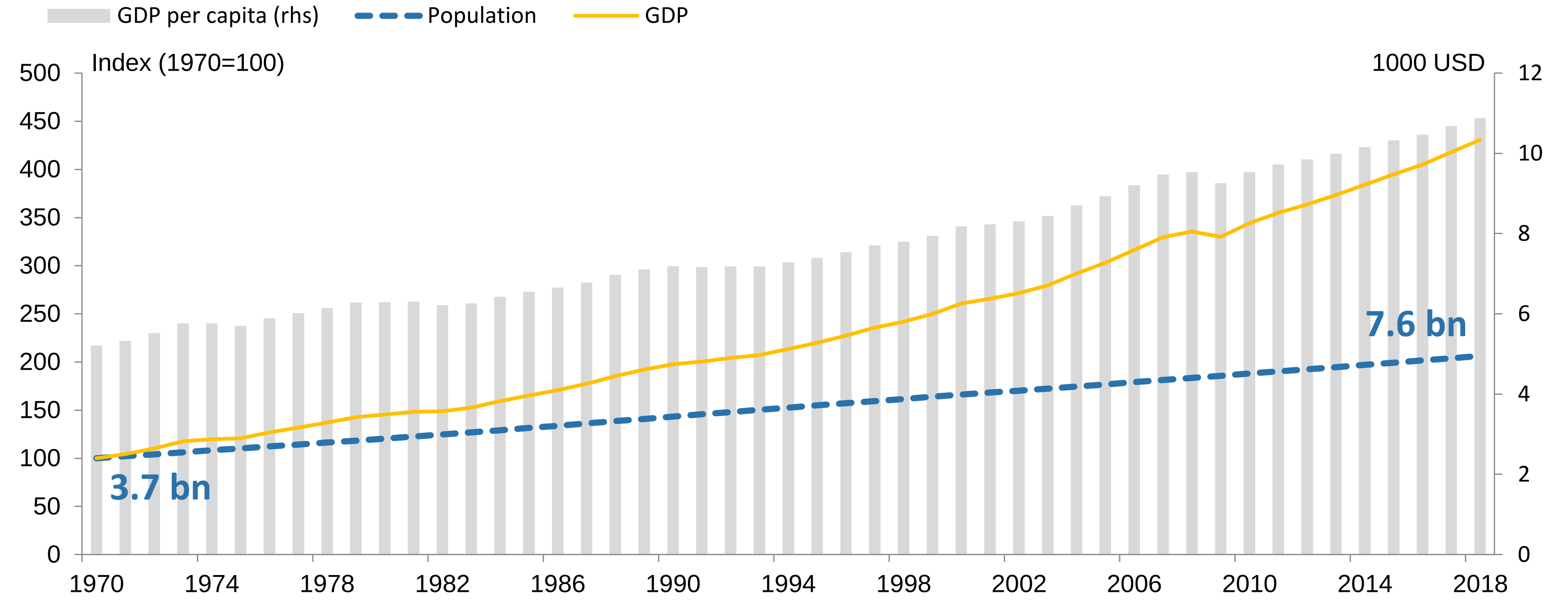
Global population and economic activity



Annual data. GDP: Constant 2010 USD prices.
Source: World Bank, World Economic Indicators; IfW calculations.

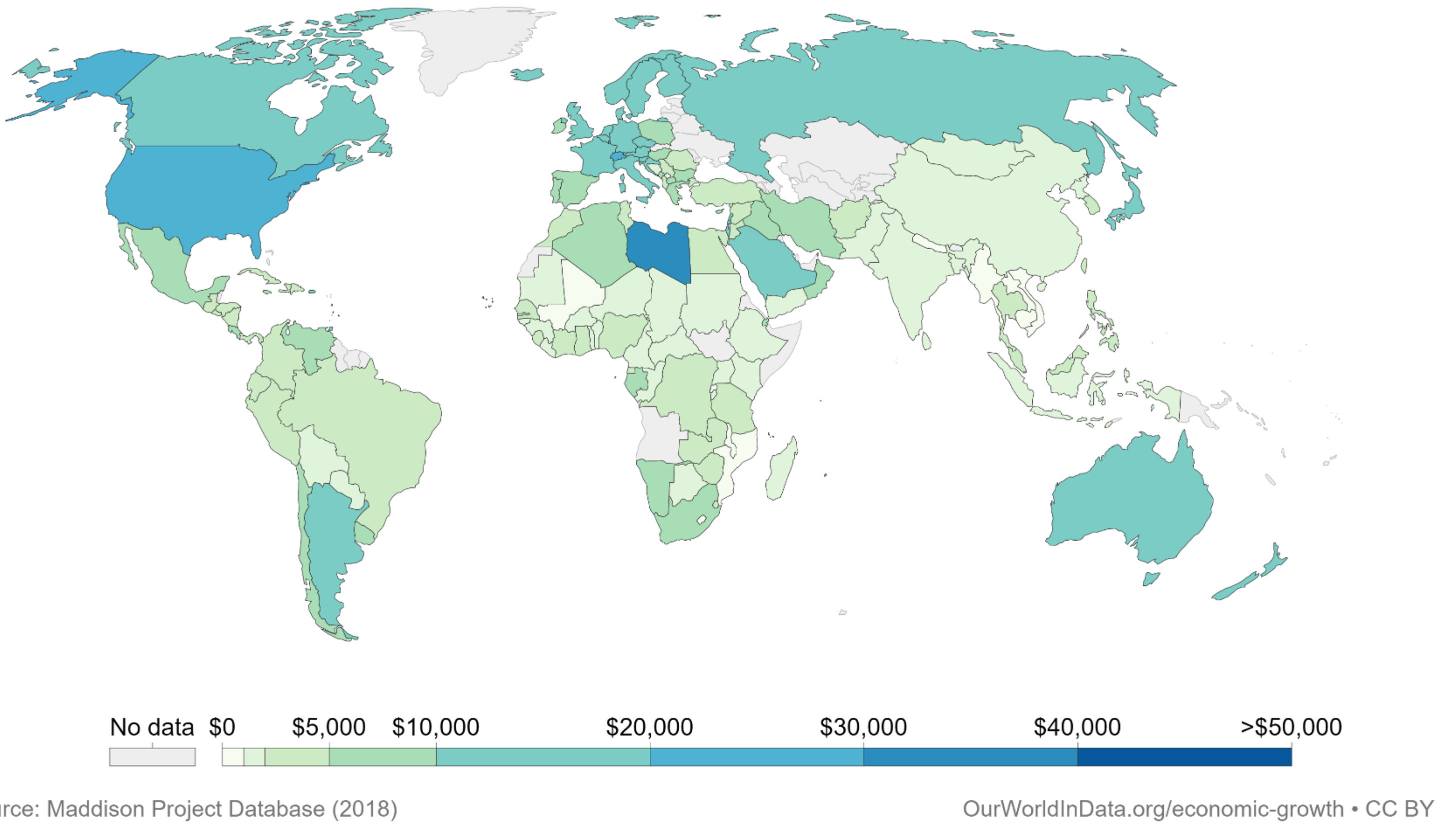
5 decades of economic progress

Global population and economic activity

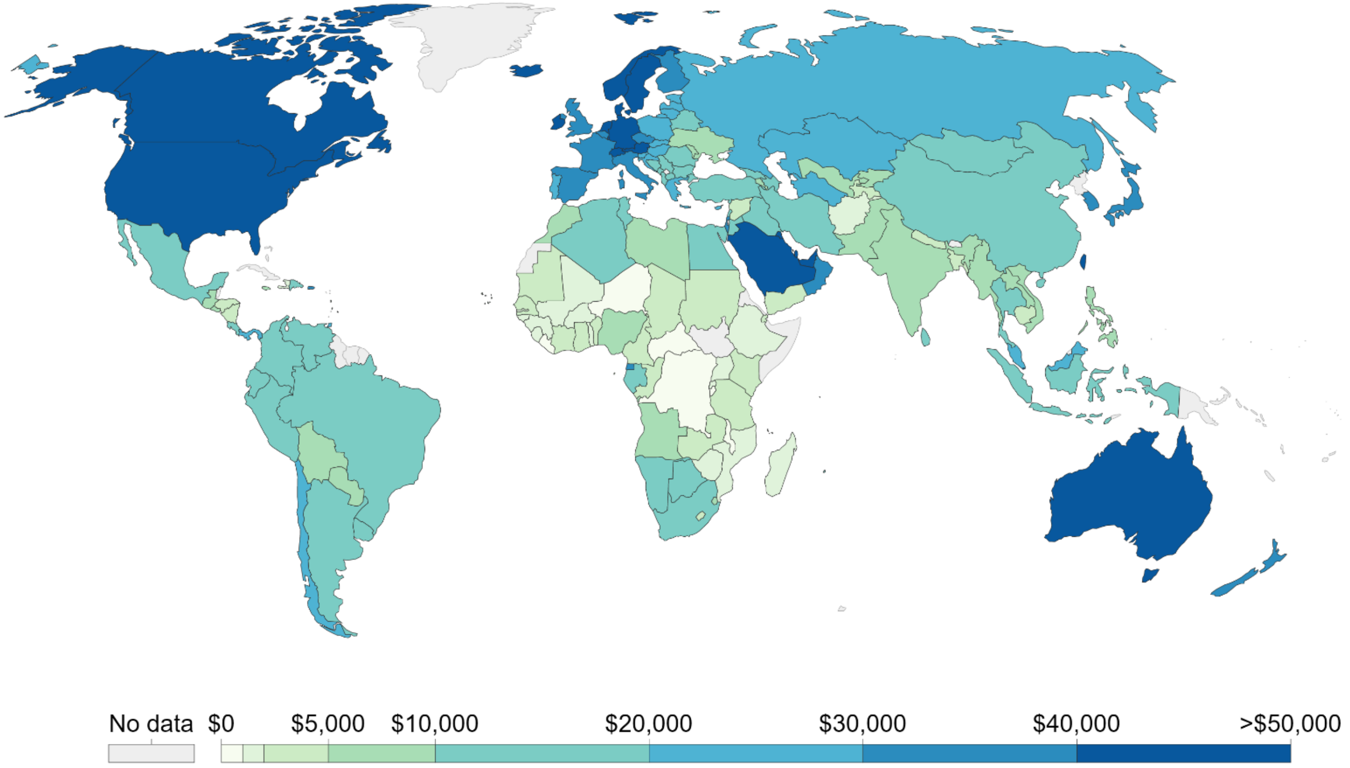


Annual data. GDP: Constant 2010 USD prices.
Source: World Bank, World Economic Indicators; IfW calculations.

GDP per capita 1970

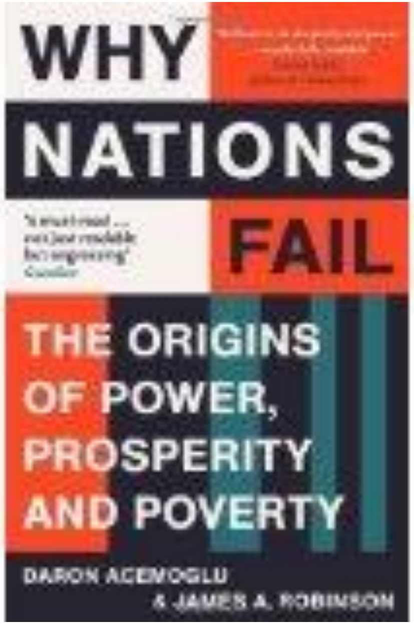


GDP per capita 2016



Source: Maddison Project Database (2018)

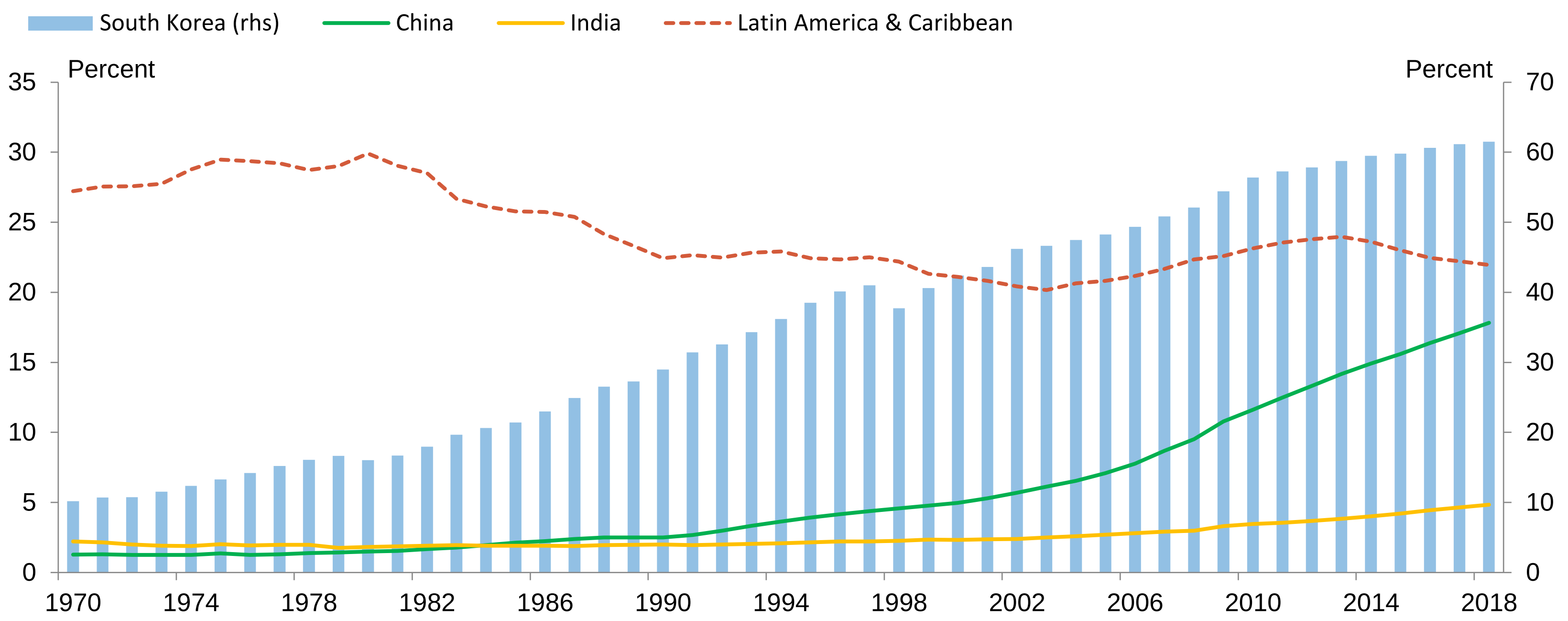
Institutions matter



Inclusive vs. extractive institutions

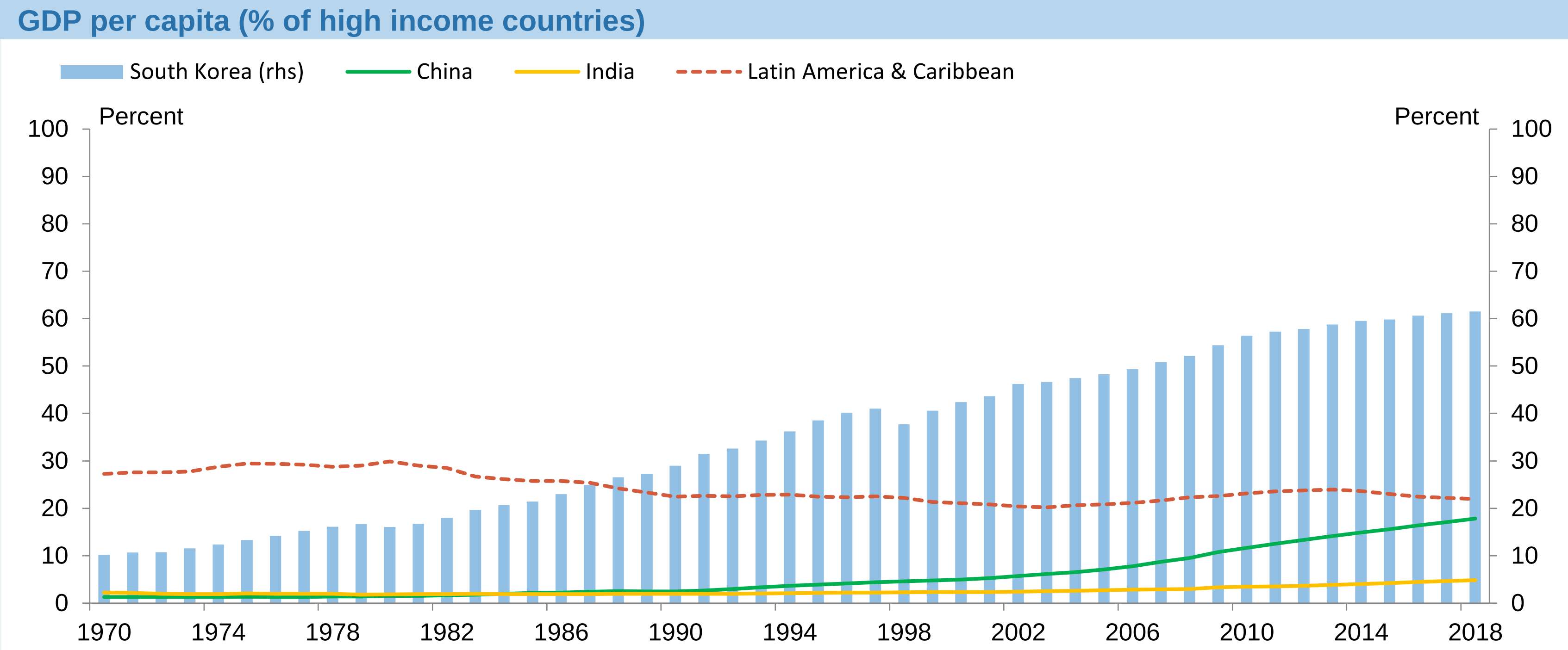
Catching up is on its way (no automatism!) …

GDP per capita (% of high income countries)



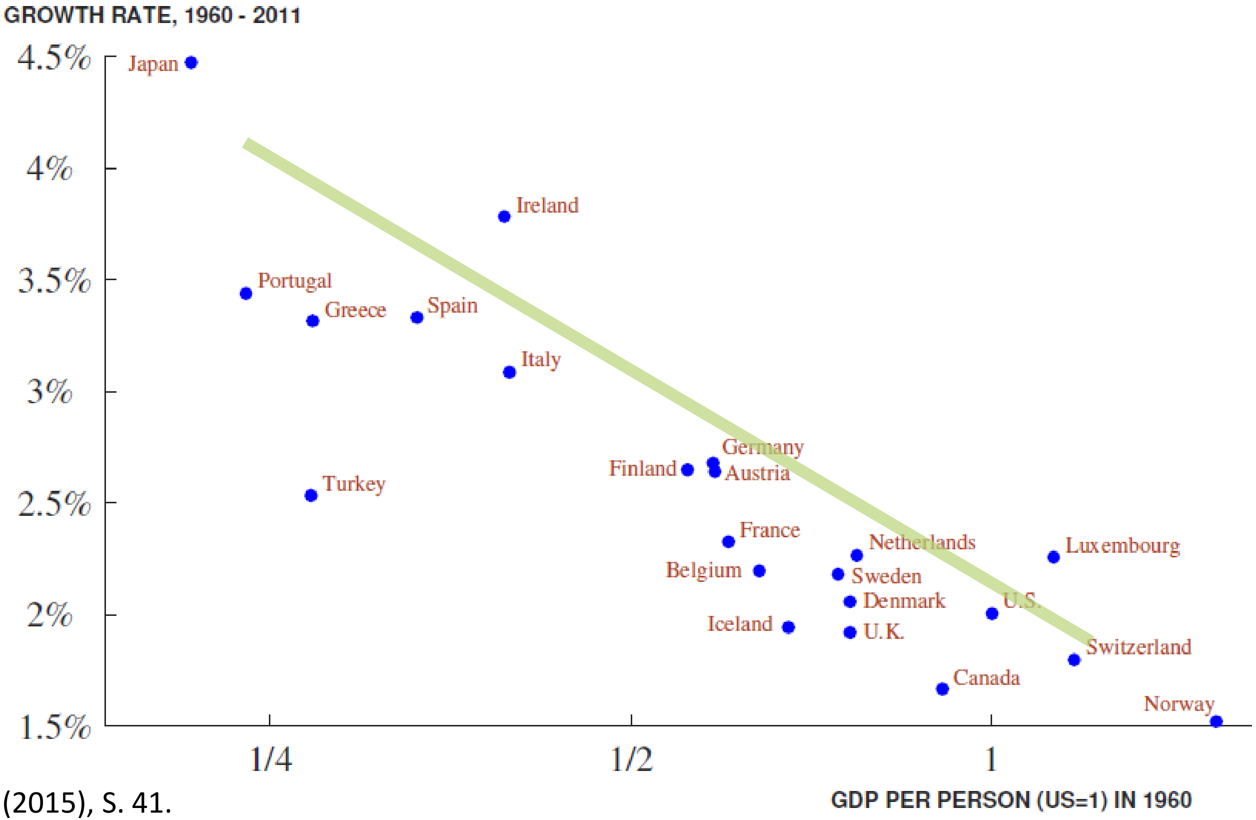
Annual data, GDP per capita: constant 2010 USD.
Source: World Bank, World Economic Indicators; IfW calculations.

… but there is still a long way to go



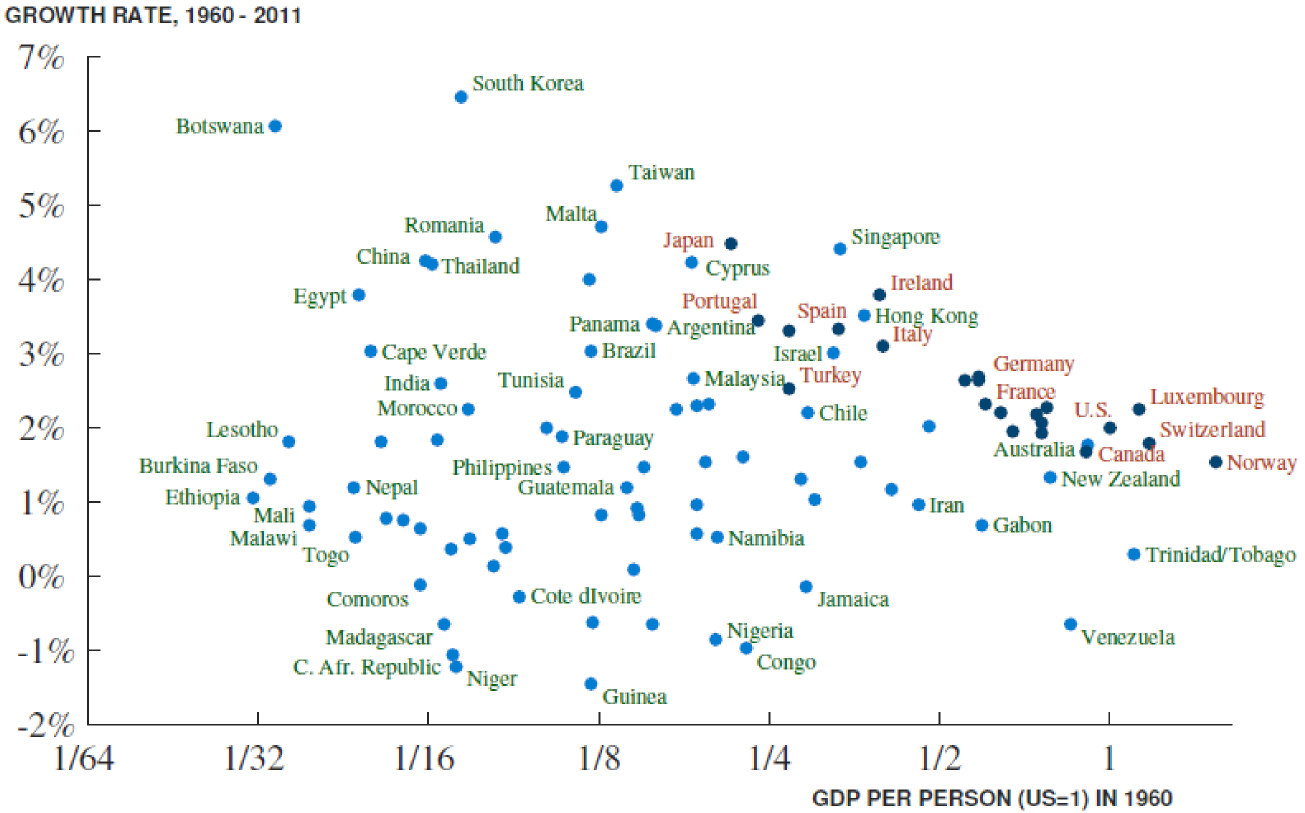
Annual data, GDP per capita: constant 2010 USD.
Source: World Bank, World Economic Indicators; IfW calculations.

OECD world: Convergence



Source: Jones (2015), S. 41.

Whole world: No convergence



Source: Jones (2015), p. 42.

Globalization at work

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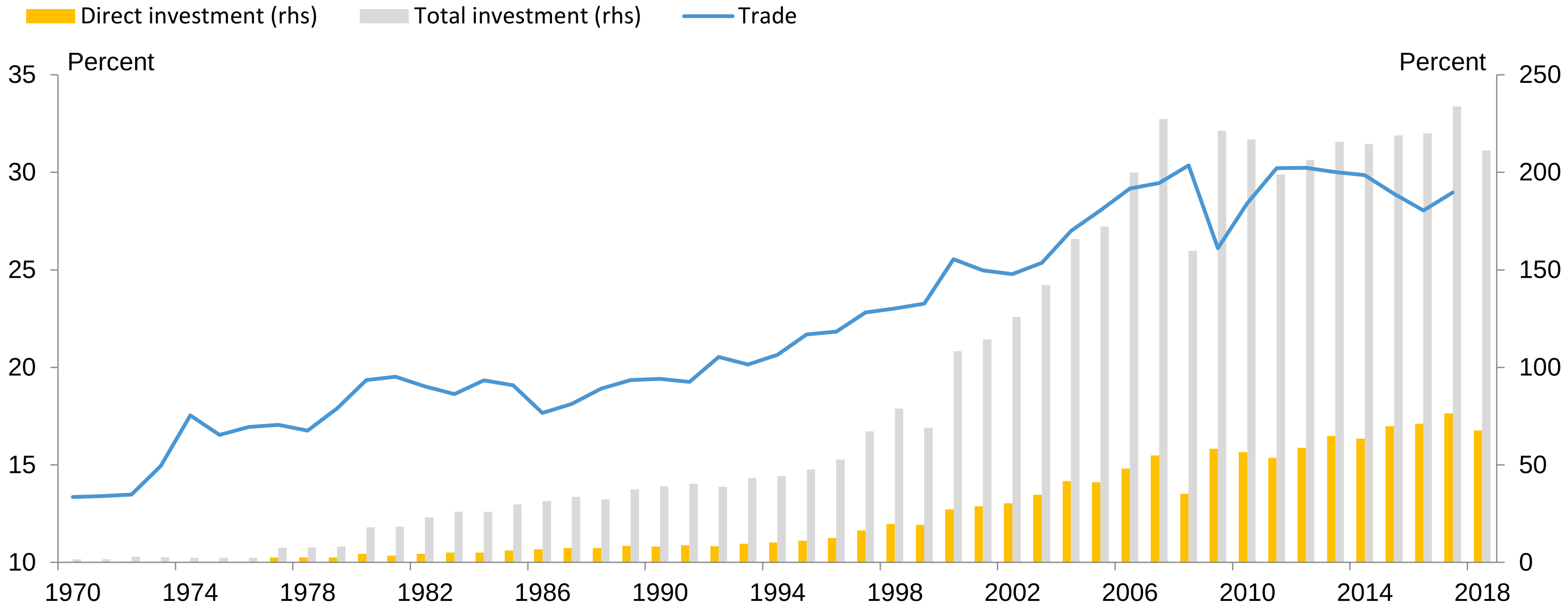
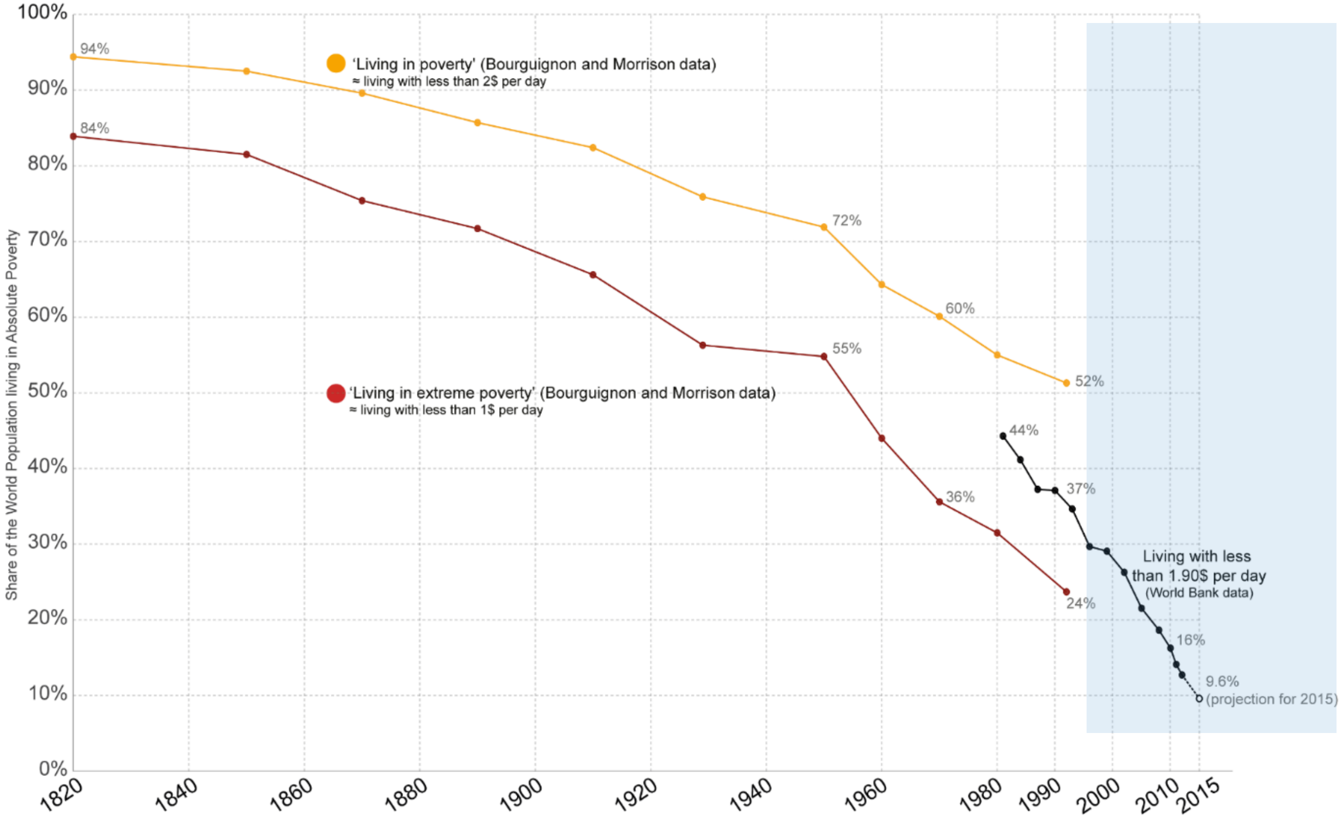
Global cross border trade flows and foreign investment positions



Annual data, percent of GDP; Trade: Average of exports and imports of goods and servies; Investment: Average of assets and liabilities.
Source: World Bank, World Economic Indicators; IMF, International Investment Position; IfW calculations.

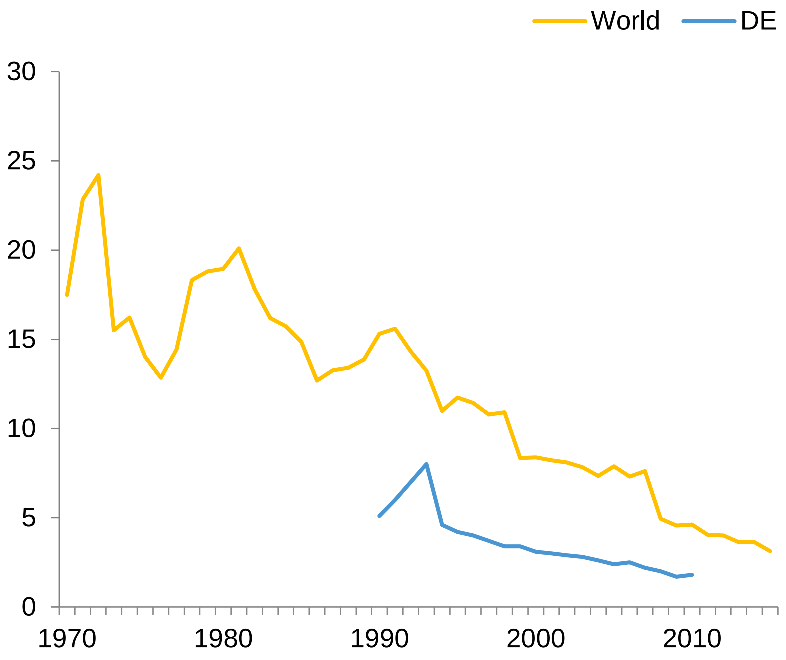
Absolute poverty almost wiped out



Source: Our World in Data.

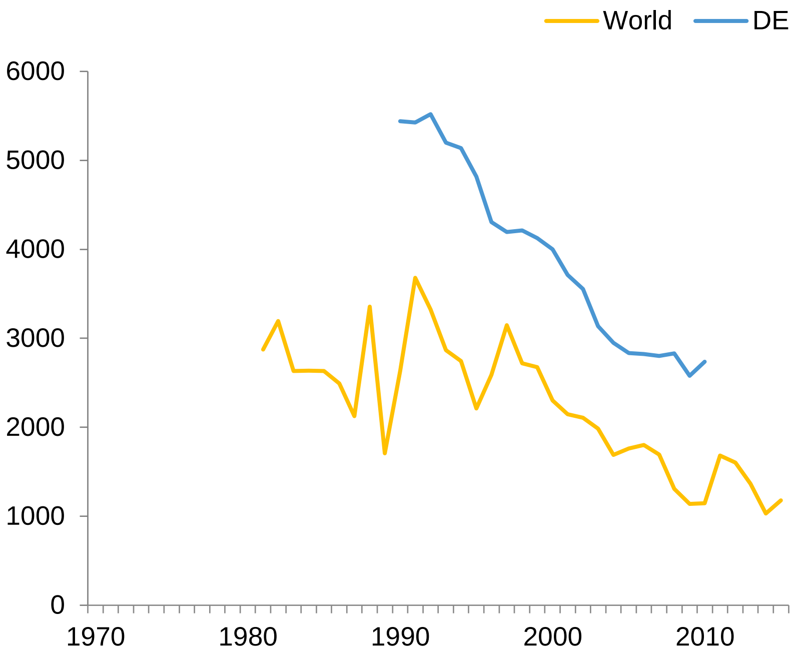
Working conditions are improving

Fatal Occupational Injuries



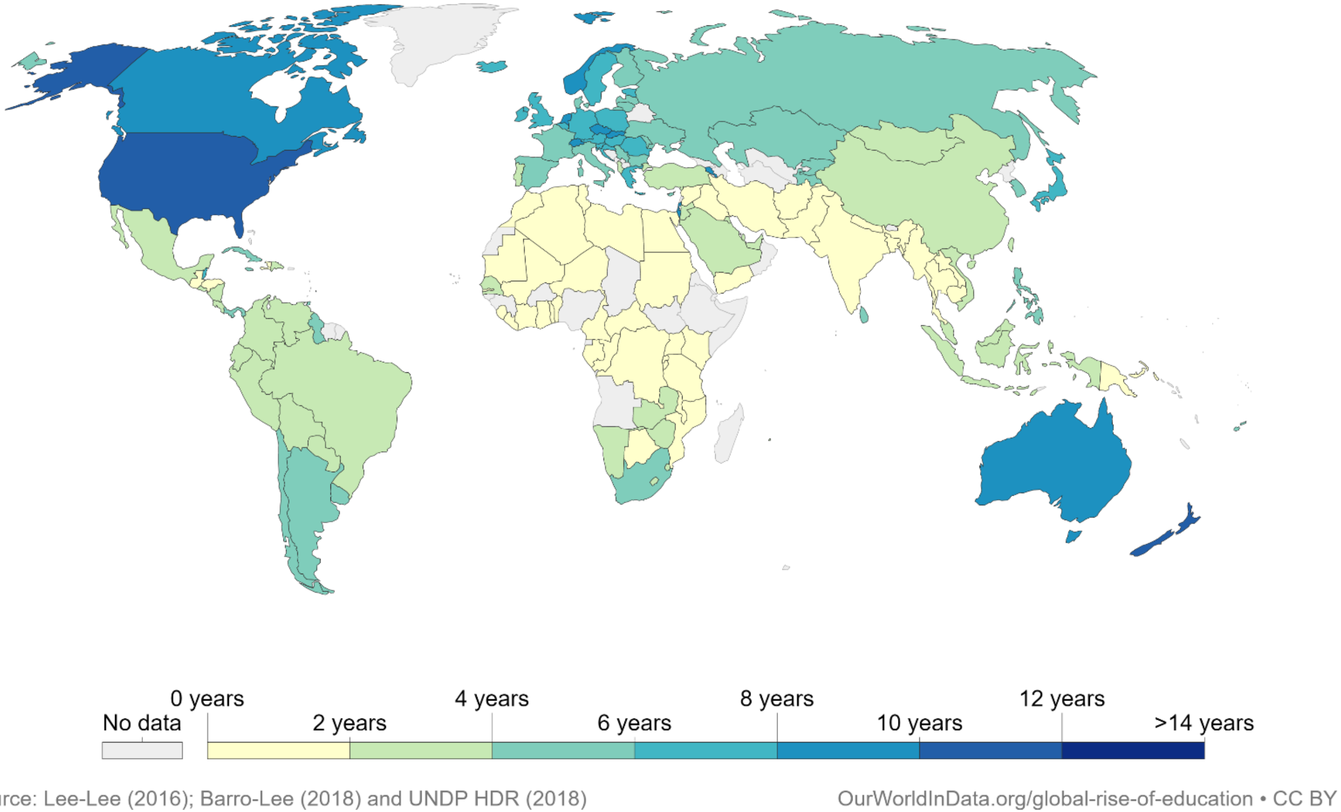
Annual Data (last observation: 2015). Cases per 100'000 workers .
Source: ILO; IfW calculations.

Non-fatal Occupational Injuries

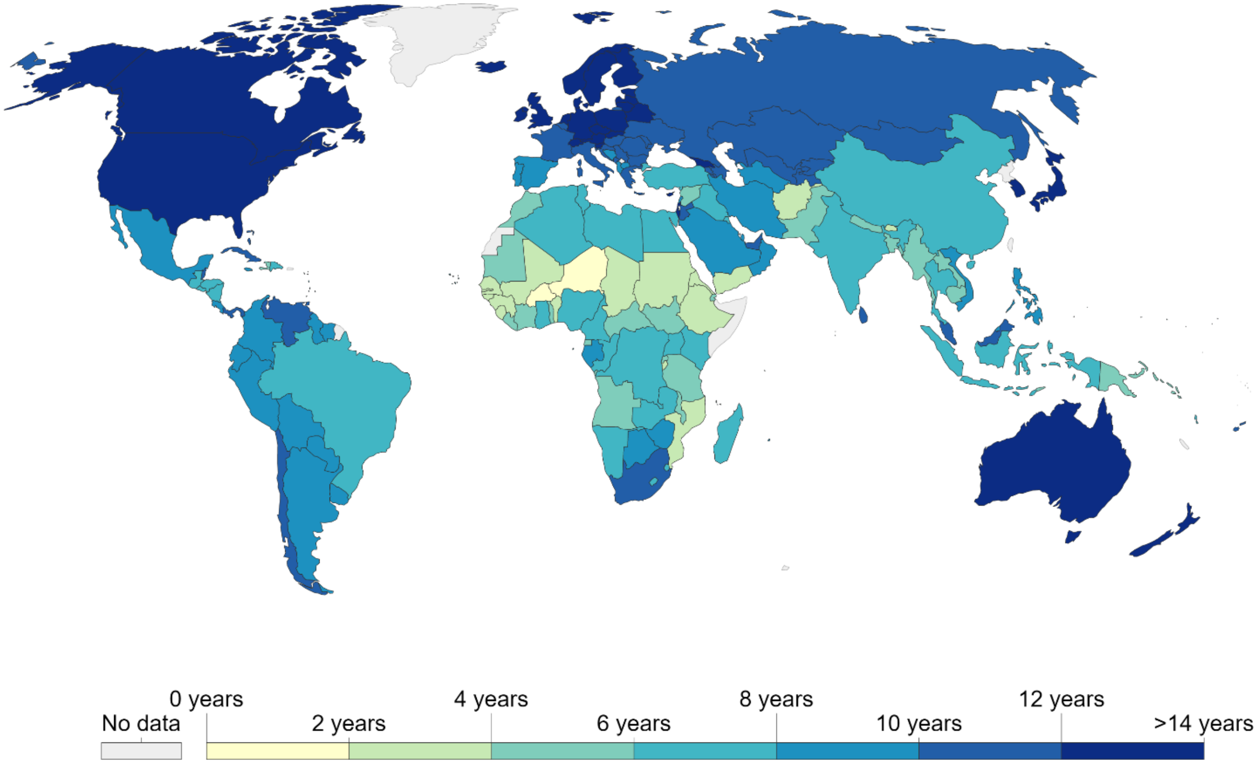


Annual Data (last observation: 2015). Cases per 100'000 workers .
Source: ILO; IfW calculations.

Mean years of schooling 1970



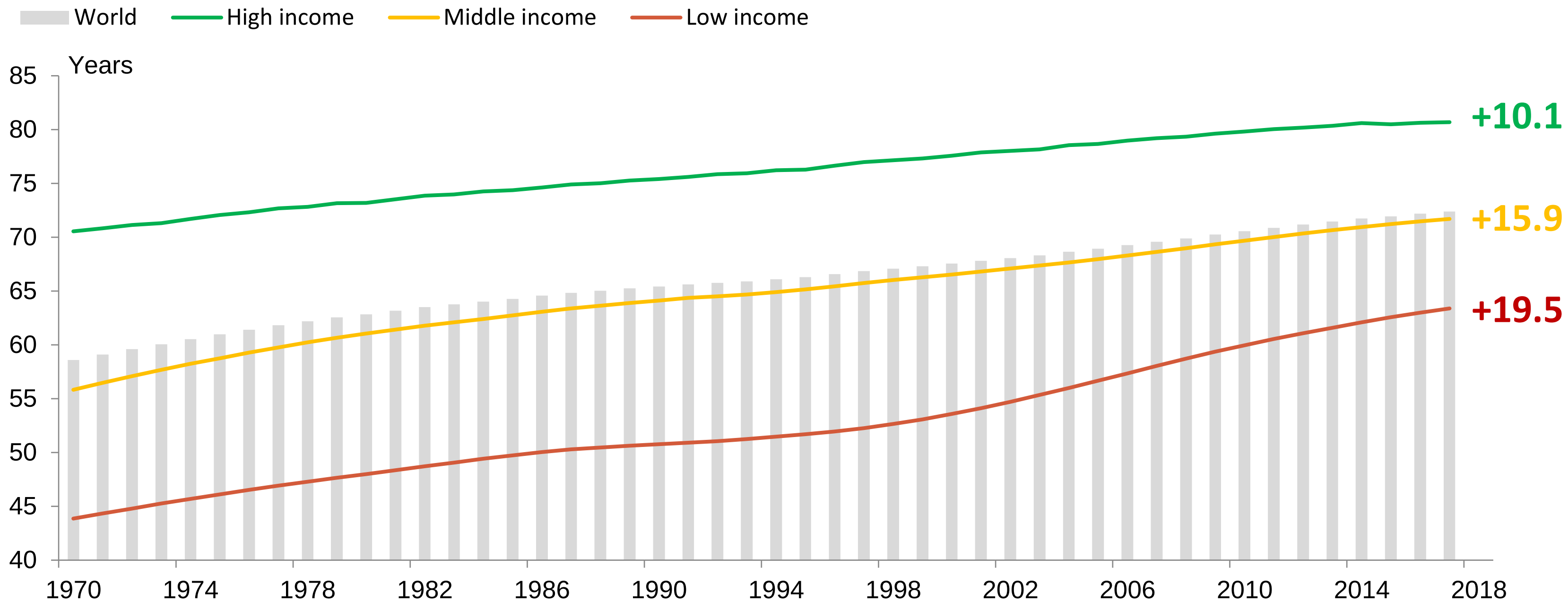
Mean years of schooling 2017



Source: Lee-Lee (2016); Barro-Lee (2018) and UNDP HDR (2018)

Living for longer

Life expectancy



Annual data. Life expectancy at brith, years, total population.
Source: World Bank, World Economic Indicators; IfW calculations.

Child mortality 1970

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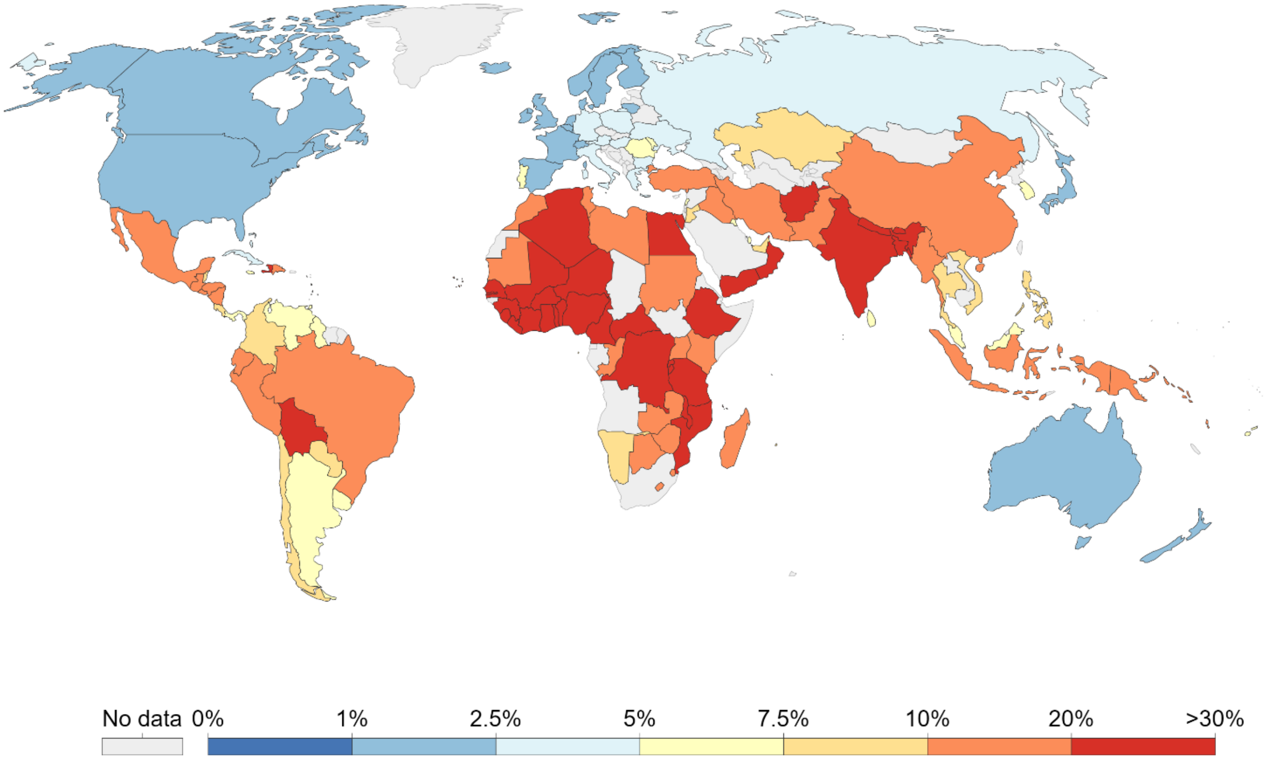
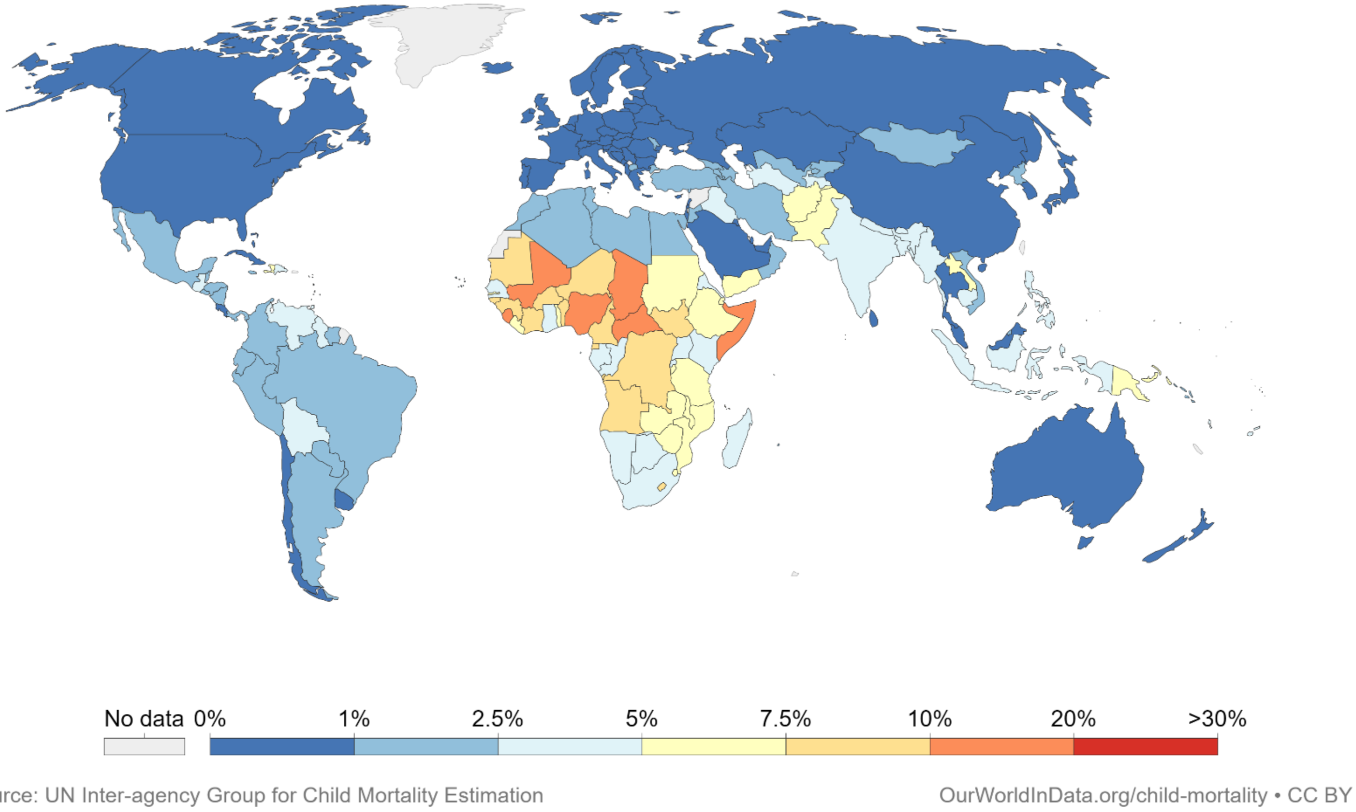


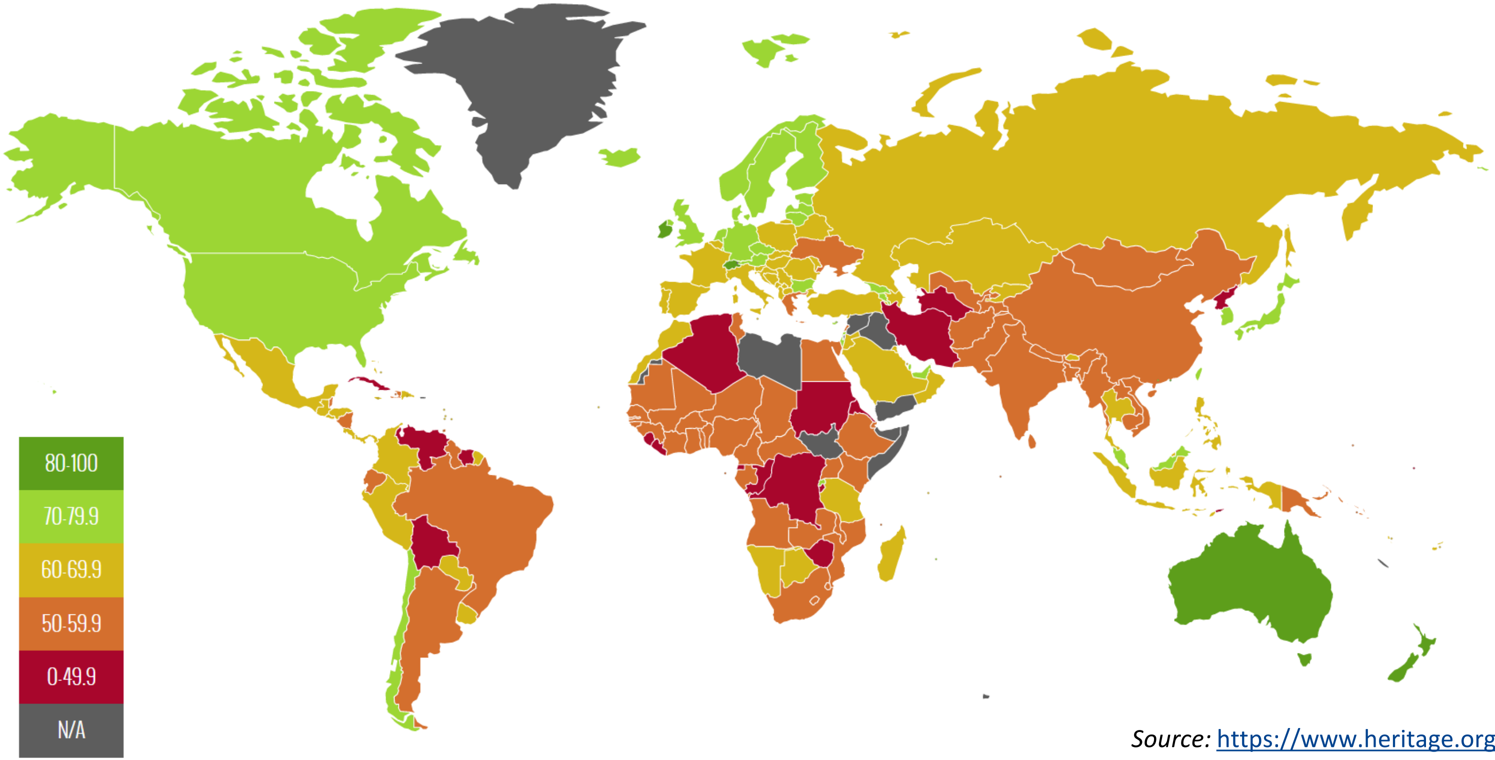
Source: UN Inter-agency Group for Child Mortality Estimation

OurWorldInData.org/child-mortality •

Child mortality 2017



Heritage Foundation: Economic freedom around the world (2020)



Source: https://www.heritage.org/index/

Western model

Free market economy

Global economic integration

Liberal democracy

Economic ties and conflict avoidance

Capitalist peace

vs.

Nationalist war

Political fitness

Democracy
(non-violent change of government)

Political agility

Authoritarian regime
(pretense of superior knowledge)

Political sclerosis

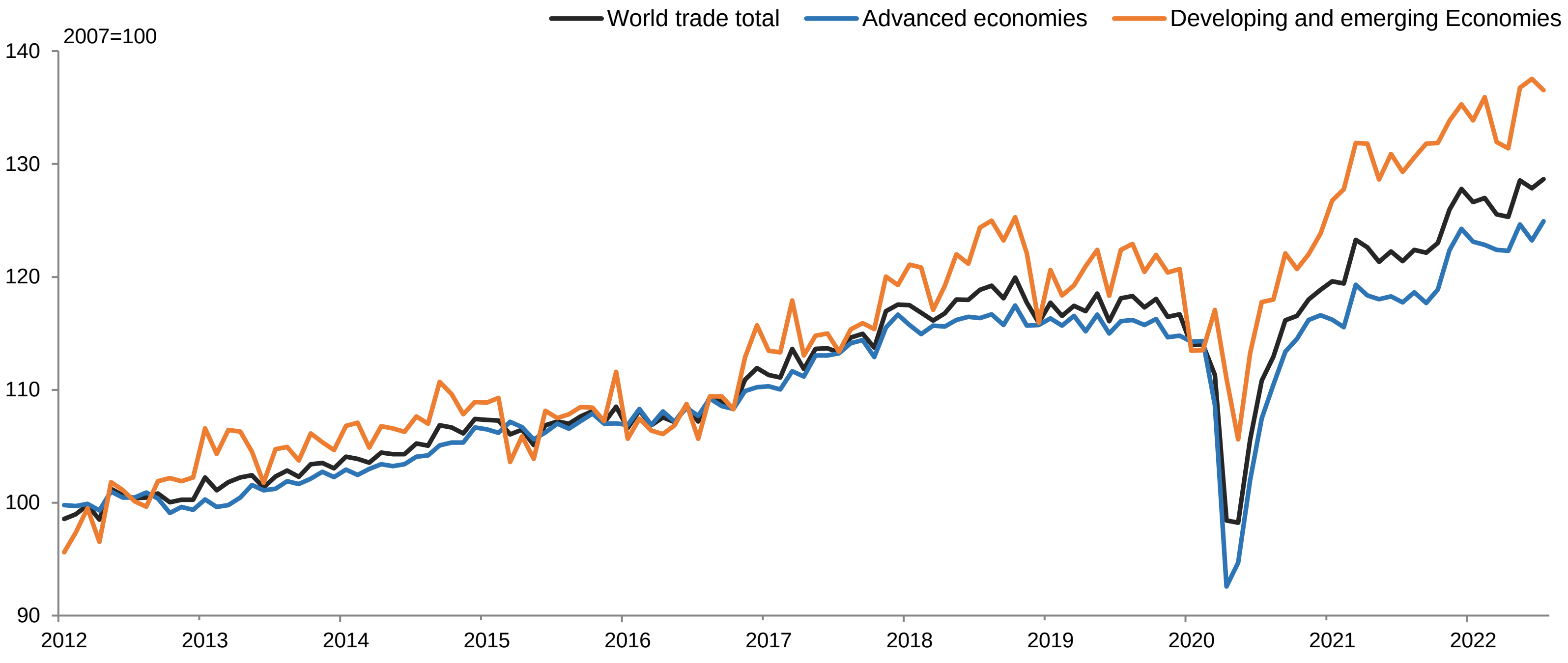
Resilience

Independence of an individual country …

… including your own country.

World economy: Trade as troublemaker?

World Trade



Monthly data; price and seasonally adjusted.
Source: CPB, World Trade Monitor; Kiel Institute calculations.

Resilience: Political overshooting

Shock mode:

Neglecting frequency of disruptive events

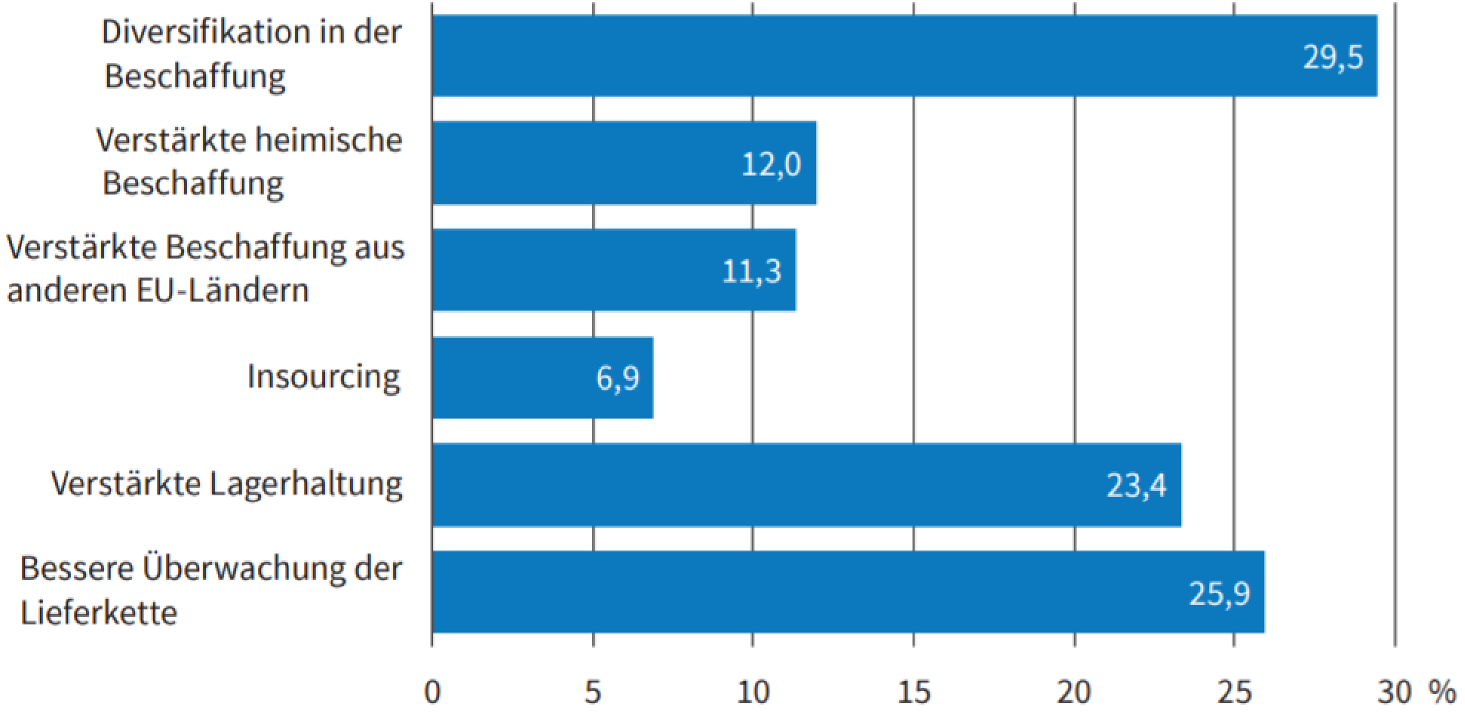
Resilience: Market response

Robustness of value chains/business models

Entrepreneurial task

Risk pricing via capital markets

Crisis response by German manufacturing firms



Quelle: Flach et al. (2021); ifo Konjunkturumfragen, Mai 2021.

Response to interventionist policies elsewhere

Avoiding mirror measures,
exploiting foreign subsidies

↓

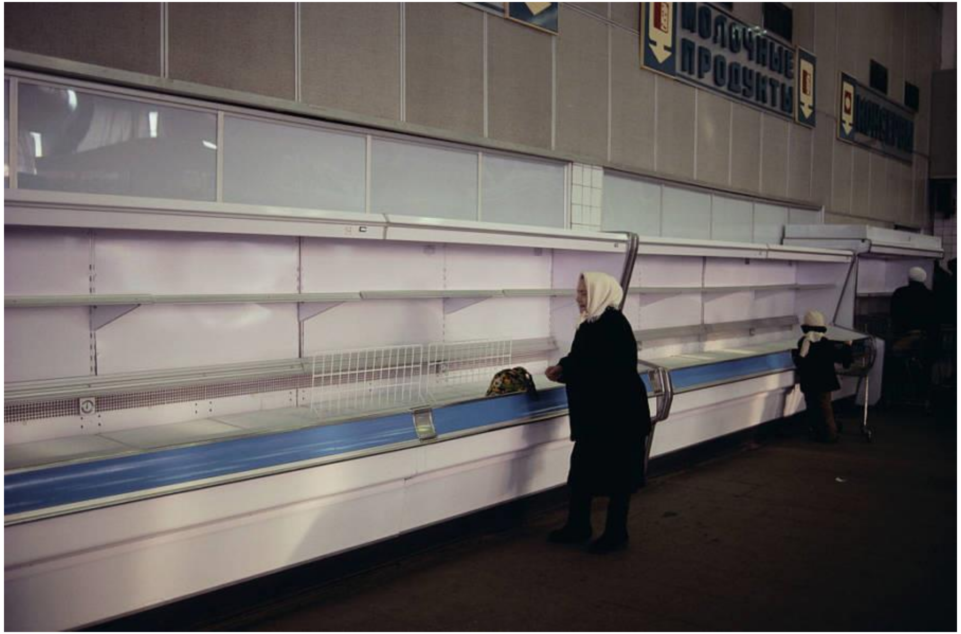
Increasing adjustment flexibility

Strategic industrial policies?

Opening the door for **vested interests**,

while ignoring the fundamental **knowledge problem**.

Interventionism: Technocrat sovereignty



Market economy: Consumer sovereignty

Subsidies inside

New block building?

Western hemisphere:

Strengthening the Western DNA

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