- **The crisis of global finance**

(Anton Brender - Associate professor at Paris Dauphine University and director of Economic Studies at Dexia Asset Management)

This presentation tries to explain the increased transfers of savings from emerging countries to developed ones since the late 90’s. It shows how international trade helped the former to grow at a rapid pace despite a propensity to spend far lower than unity. By combating the overvaluation of their currencies, these countries, located mainly in Asia, displaced market shares in their favor, allowing the demand addressed to their economy to grow faster than their domestic expenditure. Advanced economies, the United States in particular, countered the resulting deflationist pressures with credit easing in order to stimulate domestic demand. With demand growing faster than income, these countries have imported the savings the emerging countries had to export to keep growing rapidly.
For these transfers to become possible, the associated financial risks had to be assumed. Financial globalization played here an essential role: as the risks could be split, western operators took on the part the emerging countries did not. While the latter accumulated reserves composed of low risk investments, they mainly took on an exchange rate risk and let the western financial system assume credit and maturity transformation risk. The increased international transfers of saving thus led to a growing accumulation of risk in the western financial system. This accumulation occurred in the less regulated and less supervised part of the system. The size of the financial crisis that began in summer 2007 was thus directly linked to the way savings were transferred in the 2000s.