

THE TELEGRAPH

NATIONALISM COULD DESTROY

GLOBAL ECONOMY,

WARNS CHRISTINE LAGARDE

by

Szu Ping Chan

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<http://uk.finance.yahoo.com/news/nationalism-could-destroy-global-economy-195915813.html>

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IMF managing director warns of increased risk of global discord as balance of power shifts away from advanced economies towards emerging markets

Tensions in the global economy risk creating "more frequent and more damaging" crises unless countries put global interests above national gain, Christine Lagarde has warned.

The managing director of the International Monetary Fund (IMF) said there was an increased risk of global discord as the balance of power shifted away from advanced economies towards emerging markets, which will account for two thirds of global output within the next decade, up from half today.

"This will be a more diverse world of increasing demands and more dispersed power, she told the annual Richard Dimbleby lecture in London. "In such a world, it could be much harder to get things done, to reach consensus of global importance."

Ms Lagarde said while closer financial integration had benefited the global economy, the 2008 financial crisis triggered by the collapse of the US mortgage market demonstrated countries could collapse like dominos if they did not work together. She said the \$1 trillion stimulus package agreed in 2009 by the G20 in London had saved the world from global meltdown.

"When linkages are deep and dense, they become hard to disentangle," she said. "The channels that bring convergence can also bring contagion."

In her lecture, Ms Lagarde also said mass migration to fill the growing skills gap in advanced economies left by an ageing population would help to release some pressure, but could also "inflame tensions".

• The eurozone has begun preparing a third bail-out package for Greece of up to €20bn (£16.5bn) on top of existing loans totalling €240bn. The new bail-out, which will be decided in April, was discussed at a eurozone meeting last week, according to German magazine Der Spiegel .

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