2016 Global Economic Outlook

Juyeol Lee, Governor, Bank of Korea (Keynote Speaker)
Dr. Laurence Kotlikoff, Professor of Economics, Boston University
Esko Aho, Former Prime Minister of Finland
Dr. Nouriel Roubini, Chairman, Roubini Global Economics
Richard Koo, Chief Economist, Nomura Research Institute
Dr. Qiren Zhou, Professor, Peking University
William Pesek, Syndicated Columnist

"After 14 years in this region," said William Pesek, "I think 2016 may be the most fascinating year of all." Mr. Pesek, a syndicated economics columnist who has covered Asia since 2001, was one of seven speakers at the 2015 World Knowledge Forum event titled "2016 Global Economic Outlook."

The event opened with a keynote speech by Juyeol Lee, governor of the Bank of Korea, who spoke about the negative impact of uncertainty on the world economy. Afterwards, the other experts each gave statements on their opinions on the future of the global economy.

While most of the experts took a short-term view of their region of expertise, Dr. Laurence Kotlikoff, professor of economics at Boston University, took a longer-term view of the future of the United States economy. "I think there's too much of a focus on the short term," said Dr. Kotlikoff. "We look at data which are often dramatically revised within a year or two." He argued that transfer payments to the elderly as a percentage of GDP are continuously rising, causing constant growth in the fiscal gap, which is the sum of all the future expenditures the country has committed to that it cannot pay. According to Dr. Kotlikoff, the official national debt is $13 trillion, but the fiscal gap, which he called the "true measure of debt," is closer to $200 trillion. "The U.S. is actually bankrupt," he said. "And it's not becoming bankrupt in 20 years, or 30 years, or 50 years. It's bankrupt today." He continued by calling the system of transfer payments to the elderly a "Ponzi scheme." Because of it, he concluded, "The U.S. is probably in worse fiscal shape today than Greece."

Dr. Nouriel Roubini, Chairman of Roubini Global Economics, took a position less dire on the United States' outlook and focused more on its global role, arguing that the recent slowdown in its economy was good for the rest of the world as it would cause the Federal Reserve to raise interest rates more slowly.

Richard Koo, Chief Economist of Nomura Research Institute, agreed that the United States' interest rate hike would have a large impact on the global economy. He said that because the United States and many other countries practiced quantitative easing to stimulate their economies after the global financial crisis, they will soon be stuck in "QE traps" with unpredictable interest rates that will cause repeated shocks to the economy. "We could end up having an unstable world for many years to come," said Mr. Koo. He also said that these QE traps would occur in many of China's trading partners, adding further volatility to the country's currency.

Dr. Qiren Zhou, a professor at Peking University, confirmed that this issue was important because China is still reliant on the global economy for success. The "China Miracle" of dramatic growth since the 1980s, he said, was not driven primarily by the nation's own efforts; rather, it was the result of its interactions with the rest of the world.

Mr. Pesek noted that, in stark contrast to that period of rapid Chinese growth, many countries now rely on China for continued economic success. "It worries me," he said, "that a more advanced economy like Korea has to hitch its future to a developing nation like China."

Esko Aho, former Prime Minister of Finland, compared the current global economy to that of the fallen Soviet Union. When asked to sum up the Soviet Union's economy in one word, former leader Mikhail Gorbachev answered, "Good." When asked to sum it up in two words, he answered, "Not good."

This captured the near unanimous tone of the panel that, despite recent tenuous growth, there was still potential for a critical relapse. However, Mr. Aho argued that crisis is not necessarily a bad thing. "Crisis is like a new normal now," he said. "Crisis is the indication that something has to happen. I'm quite pessimistic about companies' and governments' capacities to make radical changes without these crises, and in that sense, I think this is the only way to make those changes."