

A Perspective of the U.S. Dollar after the Current Financial Crisis --Lessons from the Fall of the Pound Sterling and the Gold Standard after World War I¹

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Abstract: Global imbalances have been one of the important and puzzling policy issues in the international policy arena since 2003. A global imbalance consists of a number of related and remarkable developments primarily in the United States (the U.S. hereinafter) and East Asia, namely, large U.S. current account deficits, large Chinese current account surpluses, a large accumulation of foreign reserves among the Asian countries, low global real interest rates, and the large current account surpluses of oil-producing nations. Such imbalances might be expected to point to substantial dollar depreciation and Chinese currency appreciation. This paper, by examining the history of the great powers, explores the possibility of a dying away of such global imbalances following the current financial crisis.

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