MINISTÈRE DE L'ÉCONOMIE ET DES FINANCES

CONCOURS INTERNE POUR L'ACCES AU CORPS D'ATTACHE ECONOMIQUE DE LA DIRECTION GENERALE DU TRESOR

SESSION 2018

EPREUVE ECRITE D'ADMISSIBILITE DU 22 JANVIER 2018

TRADUCTION ECRITE EN FRANÇAIS D'UN TEXTE EN ANGLAIS

(Durée : 1 heure - Coefficient : 1)

L'usage d'ordinateur, de calculatrice et de tous documents autres que ceux distribués par les surveillants est strictement interdit.

REMARQUES IMPORTANTES :

- les copies doivent être rigoureusement anonymes et ne comporter aucun signe distinctif ni signature, même fictive, sous peine de nullité.
- le candidat s'assurera, à l'aide de la pagination, qu'il détient un sujet complet.

TOUTE NOTE INFERIEURE A 8 SUR 20 EST ELIMINATOIRE

Global debt is the danger: beware the butterfly moment

(Financial Times – Opinion FT – January 4, 2018)

If China suffers a hard landing the fallout could be substantial

Pascal BLANQUE and Amin RAJAN

The world economy is recovering but it is still panic stations for central banks. For them, global debt is like the sword of Damocles – an ever-present danger.

It stands at about 330 per cent of annual economic output, up from 225 per cent in 2008, according to the Bank of International Settlements.

After 2008-09 financial crisis, the hope was that a combination of economic recovery, inflation and austerity would shrink the debt mountain. This, though, was too optimistic. Growth has been below par, inflation subdued and austerity self-defeating.

While governments backslide on fiscal and industrial reform, the very toxin that sparked the crisis is relied on to reboot economies in the Americas and Europe.

Its hidden dangers – complacency and financial excess – were highlighted again last month by the International Monetary Fund.

No one knows all the cracks into which excess liquidity has seeped – or what risks are being stored up.

Debt means consumption brought forward while low rates mean the survival of zombie borrowers and companies. They face liquidity risks as credit matures. Additionally, investors' capacity to absorb higher rates is a key concern.

In two respects, the global economy is living on borrowed time.

First, global economic growth is so debt-addicted that no big economy can cope with a rapid tightening in monetary conditions. This means that substantive deleveraging, when it comes, will hurt growth.

Second, central banks need to reverse their policies, since continuing low rates and excessive leverage may well result in an explosive cocktail of multiple asset price bubbles. Reversal, however, means that central banks will be unable to control volatility and keep a floor under asset values - something they have relied on to promote excessive risk-taking.

What is less certain is whether the current level of debt can spark a 2008-style credit crunch caused by runaway debt in the financial and household sectors. Today, high leverage appears most evident in the corporate sector, especially in the US and China.

Whether China can avoid a hard landing is arguable. As yet, its banks are not major players like their western peers. The psychological fallout from banking failures could, however, be substantial for world markets.

In any event, spiraling global debt appears to be so out of control that the world will struggle to pay off the interest, let alone make a material dent in its size.

The global economy is vulnerable to the butterfly effect, the part of chaos theory that says small changes can lead to big outcomes. Rates will have to remain lower for longer, forcing investors seeking decent returns to move ever higher on the risk curve.

High debt is not intrinsically bad so long as it is used to fund investments that deliver profits or create financial assets worth more than the debt. Data on this score are hard to come by.

One thing is clear, though. The origins of the current worries predate the 2008 crisis which was caused when lending standards went from responsible to reckless : the siphoning of money into dodgy ventures such as subprime mortgages, covenant-light loans or sovereign lending based on creative accounting.

Ironically, all this happened in two decades often described as the age of "great moderation". The sins of the past may well take just as long to redeem.