

Dear Wise Men

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I understand that it is too late for the gifts to arrive on time for the 6th, but not all of them are needed tomorrow and this is not about items that may already be depleted within the sacks on the camels' backs. I would like to ask you for a little help so that the global economic scenario of 2018 can end up looking like what we are hoping for: high levels of well-synchronised growth among the main geographical areas of the world, and no nasty surprises in the financial markets or in geopolitics. I will skip the part in which I go back over how well we have behaved this year, and how much we deserve our gifts, in order to explain better why they are needed and what elements will be relevant in the global economic scenario in 2018.

First of all I would like to ask for good decisions by the central banks. Surely you know that since 2008 they have had to be particularly active in the pursuit of price stability, facing up to the risk of deflation that arose from the financial crisis unleashed 9 years ago, something new to all of us except Japan. The Federal Reserve, the Bank of Japan, the ECB and the Bank of England acted decisively, in line with their respective mandates and the situations of their economies, with a growing panoply of instruments. These included cutting benchmark interest rates, setting targets for sovereign bond yields (where we could once again namecheck Japan) and the increase in liquidity through purchases of financial assets. With the risk of deflation having disappeared, and with disinflation subsiding, it is necessary to withdraw stimuli in a way that is especially careful given the importance that central banks have taken on, and not just in monetary policy. The objective is to avoid tremors in the valuation of financial assets, or an increase in volatility that could curb consumption and investment, and even more so with high debt, where its servicing depends on interest rates. Hopefully their decisions will be wise.

Secondly, I would like to ask for a boost for policies of cooperation between countries and, in particular, for everything related to world trade. The crisis was dominated by an erroneous approach too focused on the short-term, which sought to protect employment and domestic activity through barriers to imports, and whose most recent reflection is the lack of any relevant progress at the World Trade Organization (WTO) meeting in Buenos Aires. It is not solely due to the recent shift by the US towards bilateralism, understanding trade as a zero-sum game in which one country's profits are losses for the rest. Maybe it would not hurt to distribute some copies of David Ricardo's book with the theory of comparative advantage in trade, which teaches how when we trade everyone wins. By the way, this need for collaboration also applies in other areas, such as reforms to strengthen the European Union before the next crisis arrives, so it is not necessary to have to act at the eleventh hour like in the past.

Thirdly, I would like to ask for something that will last well beyond 2018: ambition to face up to digital transformation and automation, which are not on the way; they are already here. This disruption involves risks: inequality in the distribution of income, polarisation in the growth of employment towards time-intensive activities in caring for people and training-intensive activities to produce goods and services, but also opportunities: new types of jobs, improvement in productivity and income, just like what occurred in the past with previous technological revolutions. Educational policies, training and redistributive policies that reduce

transition costs will be vital in the coming years. And ambition is needed to undertake reforms whenever the improvement of the economic cycle invites complacency.

In summary, for 2018 to be a year that improves on the figures of 2017, the actions of central banks will continue to be essential, and governments must reinforce their collaboration policies by thinking beyond the short term and their domestic sphere. That is the best way to put the interests of one's country first. Good decisions and ambition to avoid complacency: that's not much to ask, is it?

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