



## Active is: Sharing insights

# Global Economy & the Three Bears

Today's global economy is doing surprisingly well. It's not too hot, nor too cold.

But it remains overburdened by debt and excessively accommodative policies from global central banks globally. This is something Goldilocks will soon find out for herself as she sneaks around the bear's house – Papa Bear (the US), Mama Bear (Europe) and Baby Bear (Asia-Pacific) – in search of the perfect porridge (central bank) and chair (politics).

What does she make of each bear's offering? And will she escape unharmed? Time will tell, but like many cautionary tales, this Goldilocks story may not end happily ever after.

## CHAPTER 1 Central Banks



**US: Papa bear gets his nourishment from ultra-low rates and too much fiscal stimulus.** Delicious for now, but he'll be hungry again before dinner.



**Europe: Mama bear gets her nourishment from negative rates, bank subsidies, and zombie companies.** Quite a salty combination, which does little to sustain hungry stomachs.



**Asia-Pacific: Baby bear gets its nourishment from a longer-term fiscal vision and strong state reforms.** A healthy portion size and flavoursome too.



Goldilocks picks the appetizing Baby bear's porridge...

She's a greedy girl and gobbles it up quickly, but starts feeling queasy. **Looks like Goldilocks needs somewhere to relax and invest her time wisely..."**



## CHAPTER 2 Politics & Employment



**Papa bear likes to sit on a threadbare chair that's been stripped back by isolationism and hollowed-out manufacturing.** Comfortable for now, but it won't do his back(bone) any favours in the future.



**Mama bear likes to sit on a lumpy chair caused by too many agendas, not enough reform, and rising populism (Brexit, Italian election, French strikes).** No matter how or where she sits, there's always something uncomfortable poking her.



**Baby bear likes to sit on a perfectly proportioned chair thanks to rising living standards and solid growth.** It's snug, comfortable, and built to last for many years to come.



**Goldilocks picks the welcoming Baby bear's chair.** It provides momentary respite before breaking from the weight of her indebtedness.

But it's too late to fix it! Goldilocks can see the bears coming back and makes her getaway. How will they react to her trail of destruction?



## CHAPTER 3 The Reckoning



**US: Who tried my lunch? Who didn't like my chair?**

Don't they understand I deserve the biggest bowl because I'm the biggest bear? That's it, I'm done helping out everyone else.



**Europe: Who tried my lunch? Who didn't like my chair?**

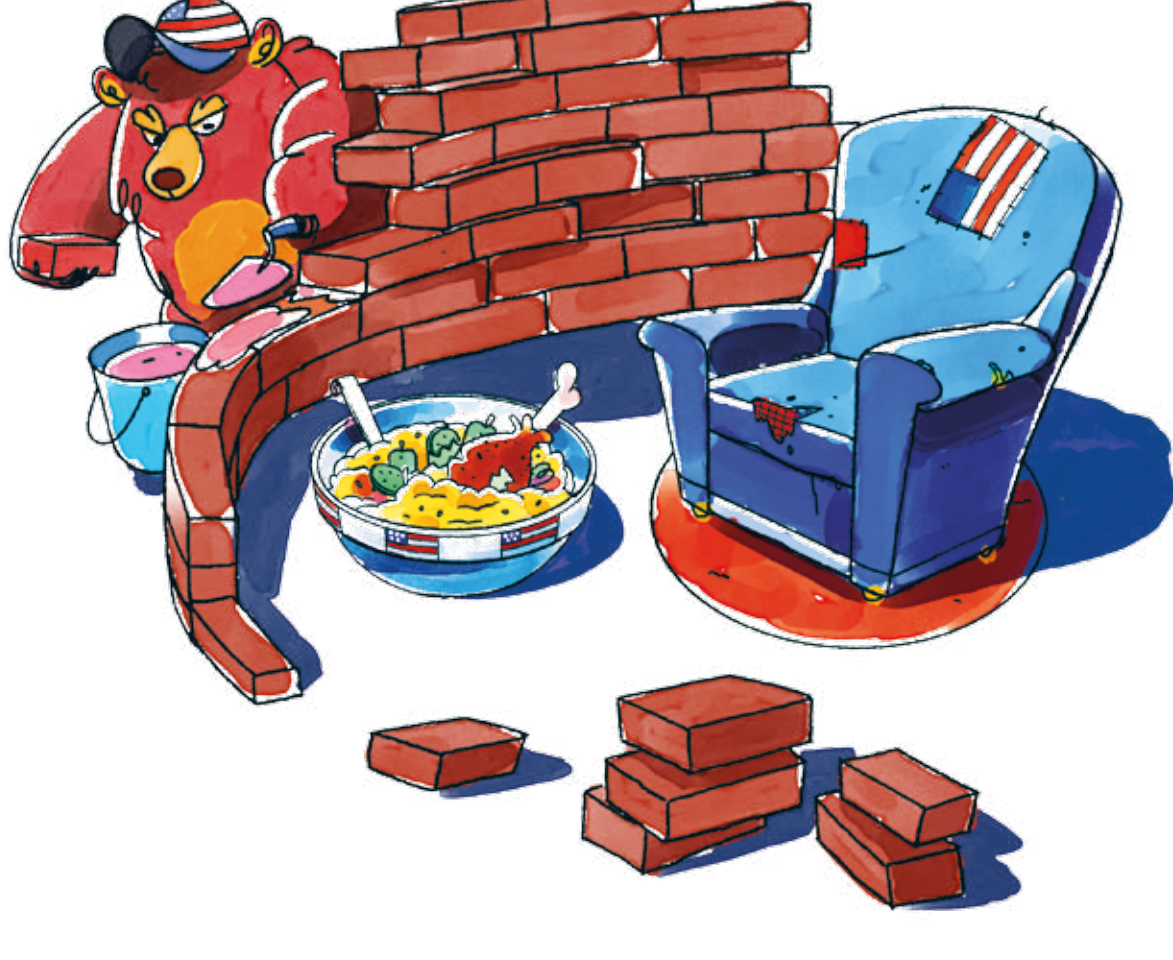
Don't they understand we're all in this together and must carry on regardless? There's no reason to change.



**Asia-Pacific: Who ate my lunch? Who broke my chair?**

Oh well, at least they liked the taste of my porridge. I can always build a better chair too.

## CHAPTER 4 The Aftermath



**I still can't believe they didn't like my porridge. I haven't changed the recipe for years.** As for my chair, they obviously don't appreciate progressive design...

**Nobody is allowed near my porridge or my chair.** By keeping everyone else out, they'll be more for me. I should have done this years ago...



**Maybe everyone would like my porridge. I think I'll share the recipe!** I just hope they don't eat too much or my chair will keep on breaking.



After her porridge-eating, chair-breaking binge, Goldilocks runs into the woods and escapes punishment.

Some say she keeps taking advantage of the bears, while others believe her poor health and obesity of debt could soon be gobbled up by Baby bear.

Depending on the version you read, Goldilocks will either live happily ever after or come to a regrettable end. The same could be said for today's central bank experiment.

Central banks globally have been abusing the hospitality of economies and savers instead of forcing proper capital and market reallocations. This has caused dissonance and misallocations on a scale not seen since the global financial crisis.