

List of Projects

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Balance of payments constrained growth: Thirlwall's Law extended (*wiiw Team Leader*)

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Thirlwall's Law represents an important approach to international macroeconomics. The Law parsimoniously characterises the link between economic growth and (balanced) external trade. However, since the early 1990s the theory and practice of the mainstream international economics has failed to incorporate the lessons derived from the Law and did not pay due attention to external imbalances. The post-2007 crisis has brought these imbalances to the fore. Controversies over the mode of 'rebalancing' within the euro area continue, necessitating the development of simple, yet powerful, ways to analyse the links between real growth and developments on external balances. This project not only reconsiders the original version of the Law (and some of its past extensions) but also propose some important modifications. The modified versions of the Law serve as the basis for empirical models to be specified also for the EU Member States.