Since 2008, real (inflation-adjusted) cumulative growth in the developed economies has amounted to a mere 5-6%. While China's GDP has risen by about 70%, making it the largest contributor to global growth, this was aided substantially by debt-fueled investment. And, indeed, as that stimulus wanes, the impact of inadequate advanced-country demand on Chinese growth is becoming increasingly apparent.

Growth is being undermined from all sides. Leverage is increasing, with some $57 trillion having piled up worldwide since the global financial crisis began. And that leverage – much of it the result of monetary expansion in most of the world's advanced economies – is not even serving the goal of boosting long-term aggregate demand. After all, accommodative monetary policies can, at best, merely buy time for more durable sources of demand to emerge.

Moreover, a protracted period of low interest rates has pushed up asset prices, causing them to diverge from underlying economic performance. But while interest rates are likely to remain low, their impact on asset prices probably will not persist. As a result, returns on assets are likely to decline compared to the recent past; with prices already widely believed to be in bubble territory, a downward correction seems likely. Whatever positive impact wealth effects have had on consumption and deleveraging cannot be expected to continue.

The world also faces a serious investment problem, which the low cost of capital has done virtually nothing to overcome. Public-sector investment is now below the level needed to sustain robust growth, owing to its insufficient contribution to aggregate demand and productivity gains.

The most likely explanation for this public investment shortfall is fiscal constraints. And, indeed, debt and unfunded non-debt liabilities increasingly weigh down public-sector balance sheets and pension funds, eroding the foundations of resilient, sustainable growth.

But if the best way to reduce sovereign over-indebtedness is to achieve higher nominal GDP growth (the combination of real growth and inflation), cutting investment – a key ingredient in a pro-growth-strategy – is not a sound approach. Instead, budget rules should segregate public investment, thereby facilitating a differential response in fiscal consolidation.

Increased public-sector investment could help to spur private-sector investment, which is also severely depressed. In the United States, investment barely exceeds pre-crisis levels, even though GDP has risen by 10%. And the US is not alone.

Clearly, deficient aggregate demand has played a role by reducing the incentive to expand capacity. In some economies, structural rigidities adversely affect investment incentives and returns. Similarly, regulatory opacity – and, more broadly, uncertainty about the direction of economic policy – has discouraged investment. And certain types of shareholder activism have bred short-termism on the part of firms.

There is also an intermediation problem. Large pools of savings in sovereign wealth funds, pension funds, and insurance companies could be used, for example, to meet emerging economies' huge financing needs for infrastructure and urbanization. But the channels for such investment – which could go a long way toward boosting global growth – are clogged.

Meanwhile, technological and market forces have contributed to job polarization, with the middle-income bracket gradually deteriorating. Automation, for example, seems to have spurred an unexpectedly rapid decline in routine white- and blue-collar jobs. This has resulted in stagnating median incomes and rising income inequality, both of which constrain the private-consumption component of aggregate demand.

Even the one factor that has effectively increased disposable incomes and augmented demand – sharply declining commodity prices, particularly for fossil fuels – is ultimately problematic. Indeed, for commodity-exporting countries, the fall in prices is generating fiscal and economic headwinds of varying intensity.

Inflation – or the lack of it – presents further challenges. Price growth is well below targets and declining in many countries. If this turns to full-blown deflation, accompanied by uncontrolled rising real interest rates, the risk to growth would be serious. Even very low inflation hampers countries' ability to address over-indebtedness. And there is little sign of inflationary pressure, even in the US, which is near "full" employment. Given such large demand shortfalls and output gaps, it should surprise no one that even exceptionally generous monetary conditions have proved insufficient to bolster inflation.

With few options for fighting deflation, countries have resorted to competitive devaluations. But this is not an effective strategy for capturing a larger share of tradable global demand if everyone is doing it. And targeting exchange-rate competitiveness doesn't address the aggregate demand problem.

If the global economy remains on its current trajectory, a period of intense volatility could destabilize a number of emerging economies, while undermining development efforts worldwide. That's why policymakers must act now.

For starters, governments must recognize that central banks, however well they have served their economies, cannot go it alone. Complementary reforms are needed to maintain and improve the transmission channels of monetary policy and avoid adverse side effects. In several countries – such as France, Italy, and Spain – reforms designed to increase structural flexibility are also crucial.

Furthermore, impediments to higher and more efficient public- and private-sector investment must be removed. And governments must implement measures to redistribute income, improve the provision of basic services, and equip the labor force to take advantage of ongoing shifts in the economic structure.

Generating the political will to get even some of this done will be no easy feat. But an honest look at the sorry state – and unpromising trajectory – of the global economy will, one hopes, help policymakers do what's needed.