

Public Affairs 854  
**Macroeconomic Policy and  
International Financial Regulation**

1/23/13: Intro

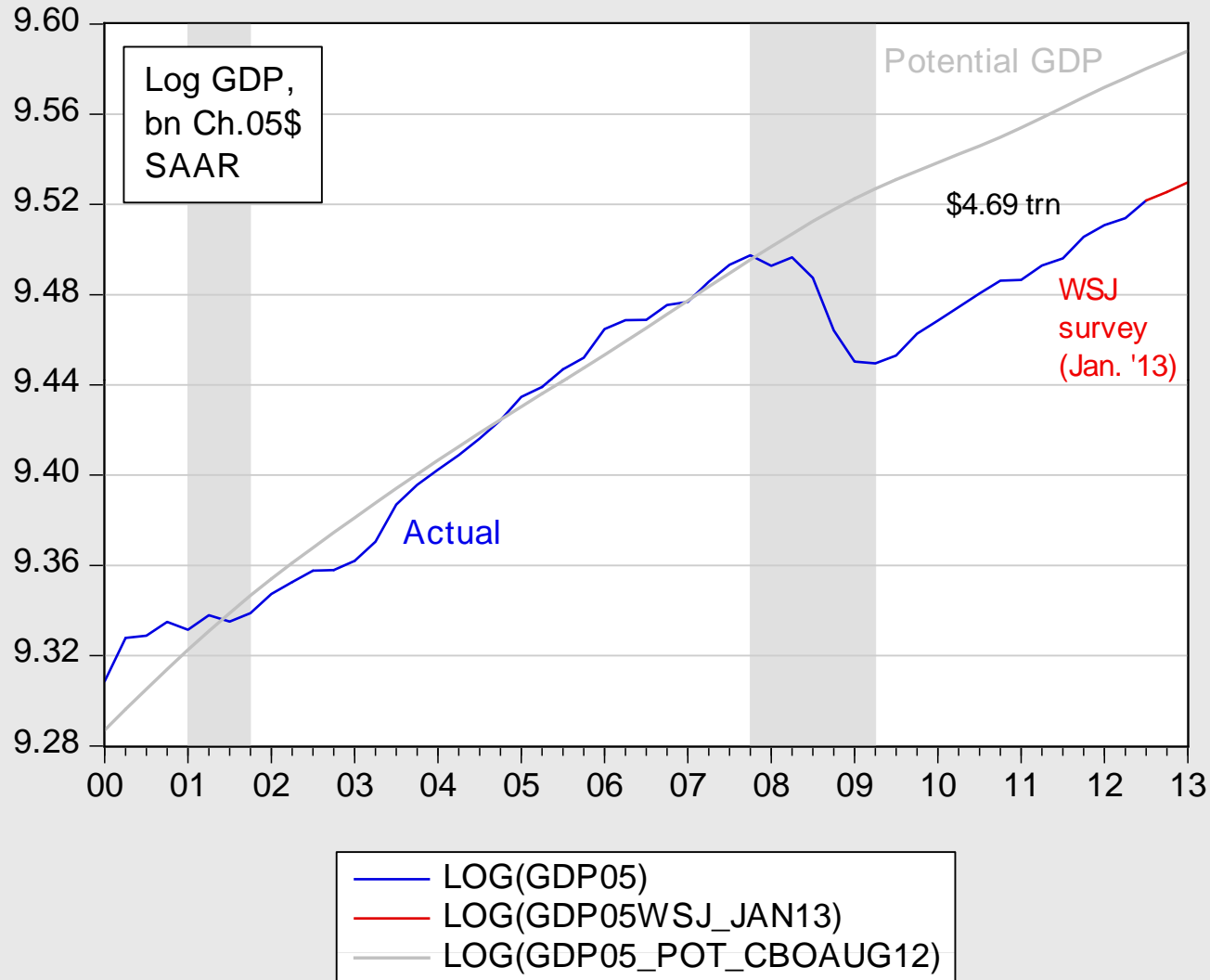
Prof. Menzie Chinn  
La Follette School of Public Affairs  
Spring 2013

# The Global Landscape

	2012	2013	2014	2012	2013				2014				2012	2013	2014	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 / Q4		
	Per cent															
<b>Real GDP growth</b>																
United States	2.2	2.0	2.8	3.0	1.2	2.1	2.0	2.3	2.6	2.9	3.0	3.3	3.5	1.8	2.2	3.2
Euro area	-0.4	-0.1	1.3	-0.1	-1.3	-0.2	0.4	0.8	1.2	1.3	1.6	1.7	1.9	-0.5	0.6	1.6
Japan	1.6	0.7	0.8	-3.5	-0.4	1.5	1.9	1.9	2.7	2.8	-5.0	1.0	1.0	0.3	2.0	-0.1
Total OECD	1.4	1.4	2.3	1.1	0.5	1.5	1.8	2.1	2.3	2.5	1.9	2.7	2.8	1.0	1.9	2.5
<b>Inflation<sup>1</sup></b>																
	year-on-year															
United States	1.8	1.8	2.0	1.5	1.8	1.5	1.8	1.9	1.8	2.0	2.0	2.0	2.0			
Euro area	2.4	1.6	1.2	2.5	2.1	1.8	1.7	1.6	1.4	1.4	1.3	1.2	1.2			
Japan	0.0	-0.5	1.3	-0.3	-0.2	-0.9	-0.7	-0.3	-0.3	-0.3	1.8	1.8	1.8			
Total OECD	2.1	1.7	1.9	2.0	2.0	1.7	1.8	1.8	1.7	1.8	2.0	2.0	2.0			
<b>Unemployment rate<sup>2</sup></b>																
United States	8.1	7.8	7.5	8.1	7.9	7.9	7.8	7.8	7.7	7.7	7.6	7.5	7.4			
Euro area	11.1	11.9	12.0	11.3	11.5	11.7	11.9	12.0	12.1	12.1	12.0	12.0	11.9			
Japan	4.4	4.4	4.3	4.2	4.4	4.4	4.4	4.3	4.3	4.3	4.3	4.3	4.3			
Total OECD	8.0	8.2	8.0	8.0	8.1	8.1	8.2	8.2	8.1	8.1	8.0	8.0	7.9			

Source: OECD, *Economic Outlook*, Nov. 2012.

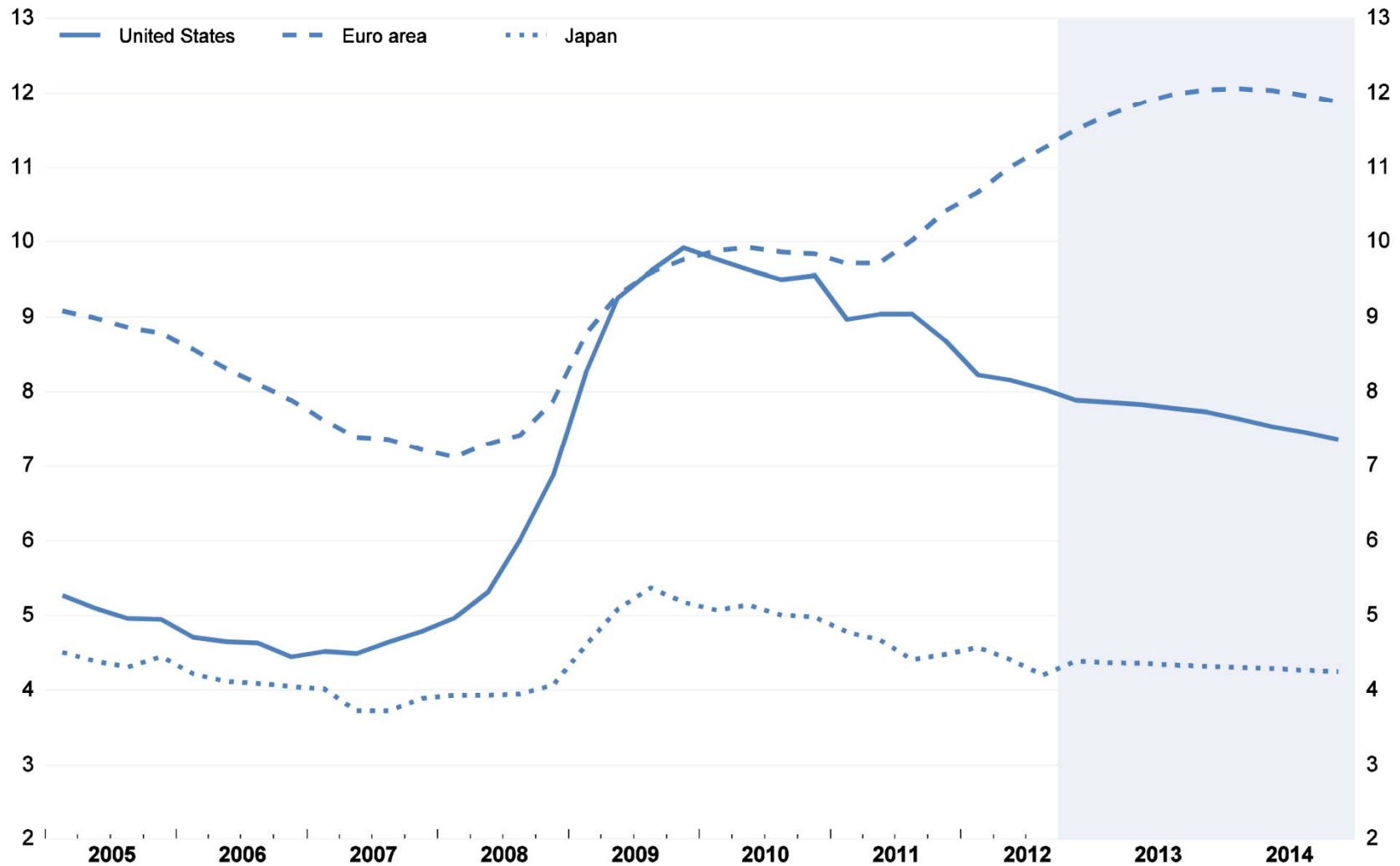
# America in “recovery”



Log real US GDP. Source: BEA, 2012Q3 3rd release, CBO, Aug. '12, *WSJ* Jan. '13 survey

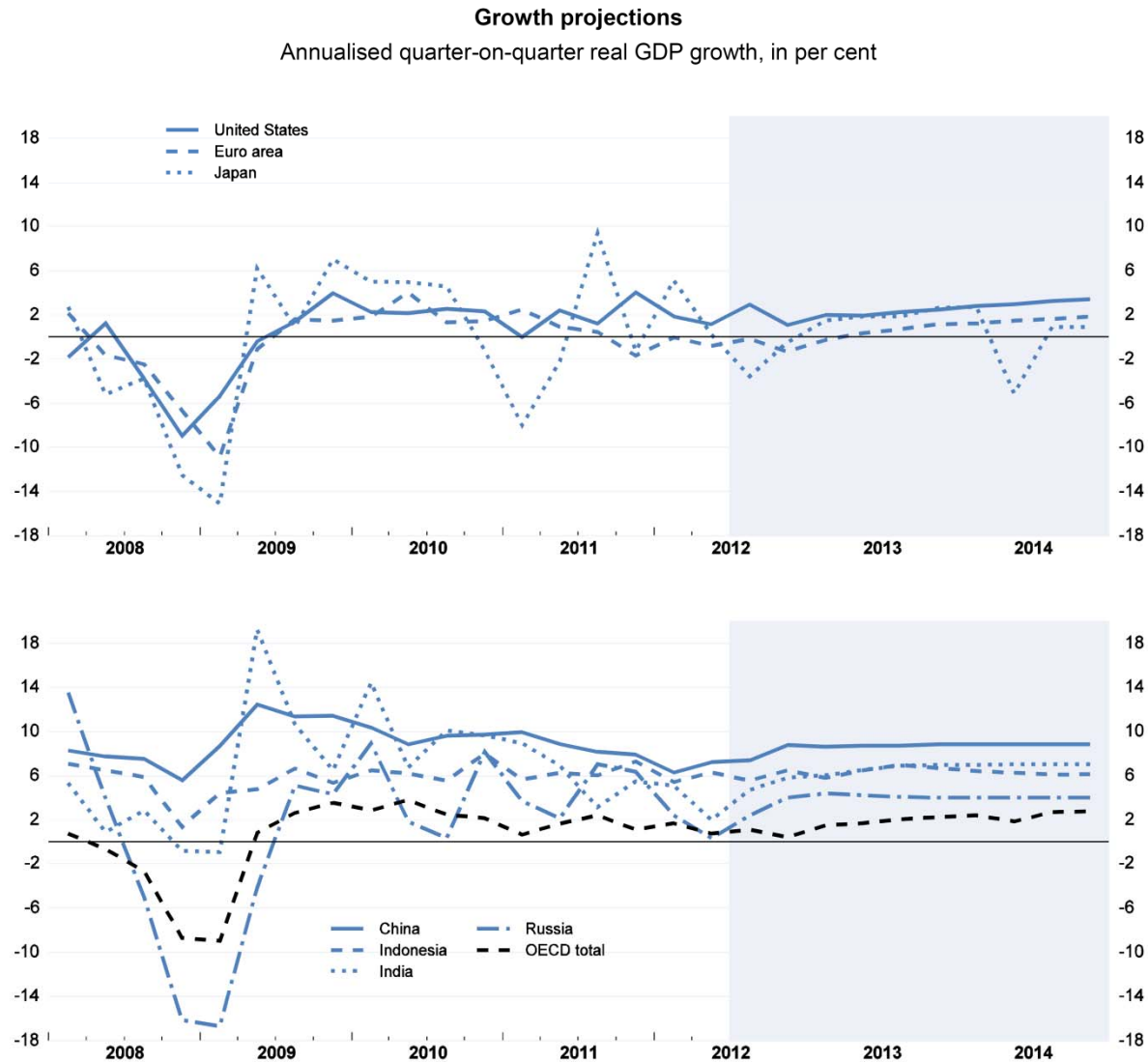
# The Rest of the World

Unemployment in the three main regions  
Unemployment rate, percentage of labour force



Source: OECD Economic Outlook 92 database.

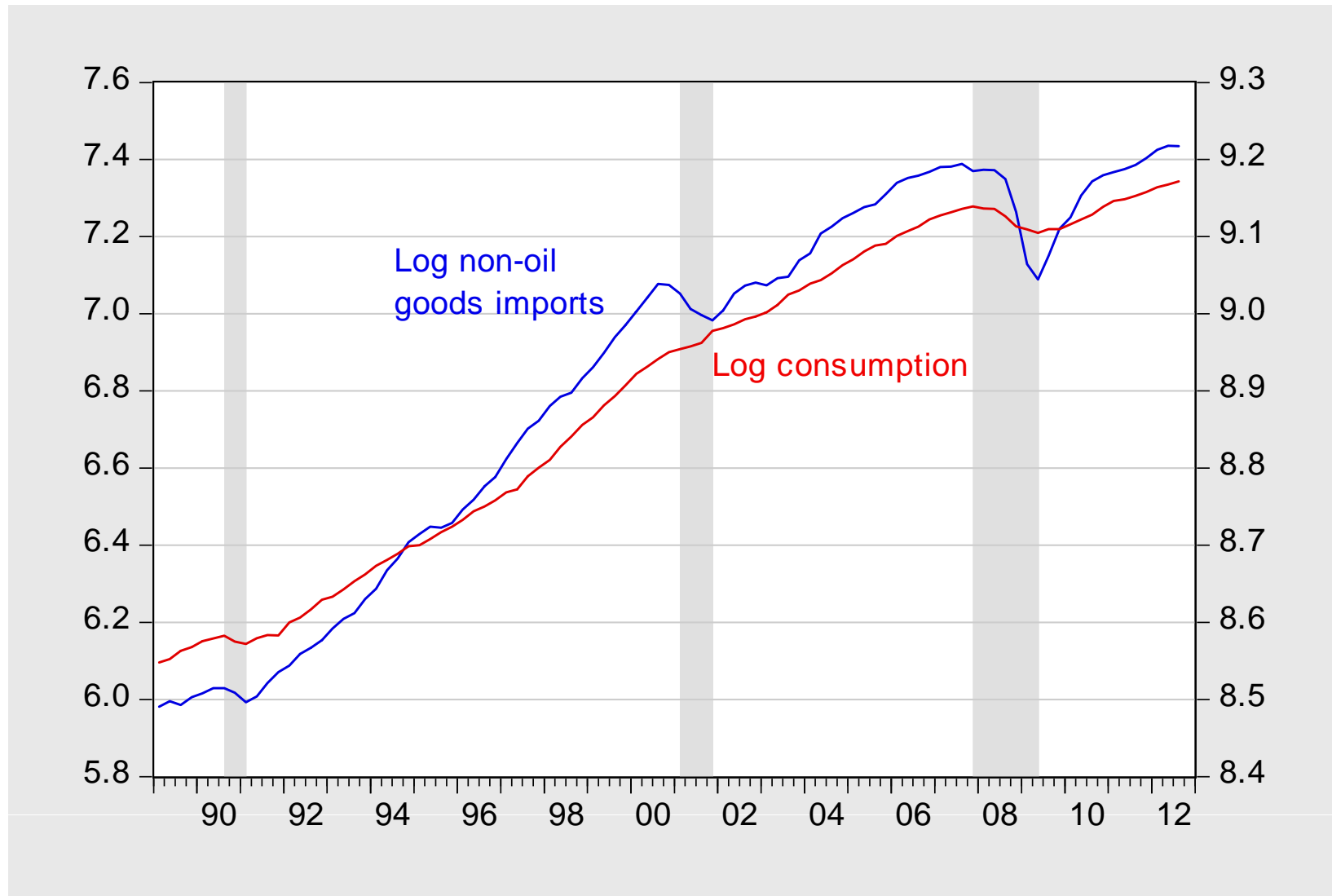
# The Rest of the World (II)



Source: OECD Economic Outlook 92 database.

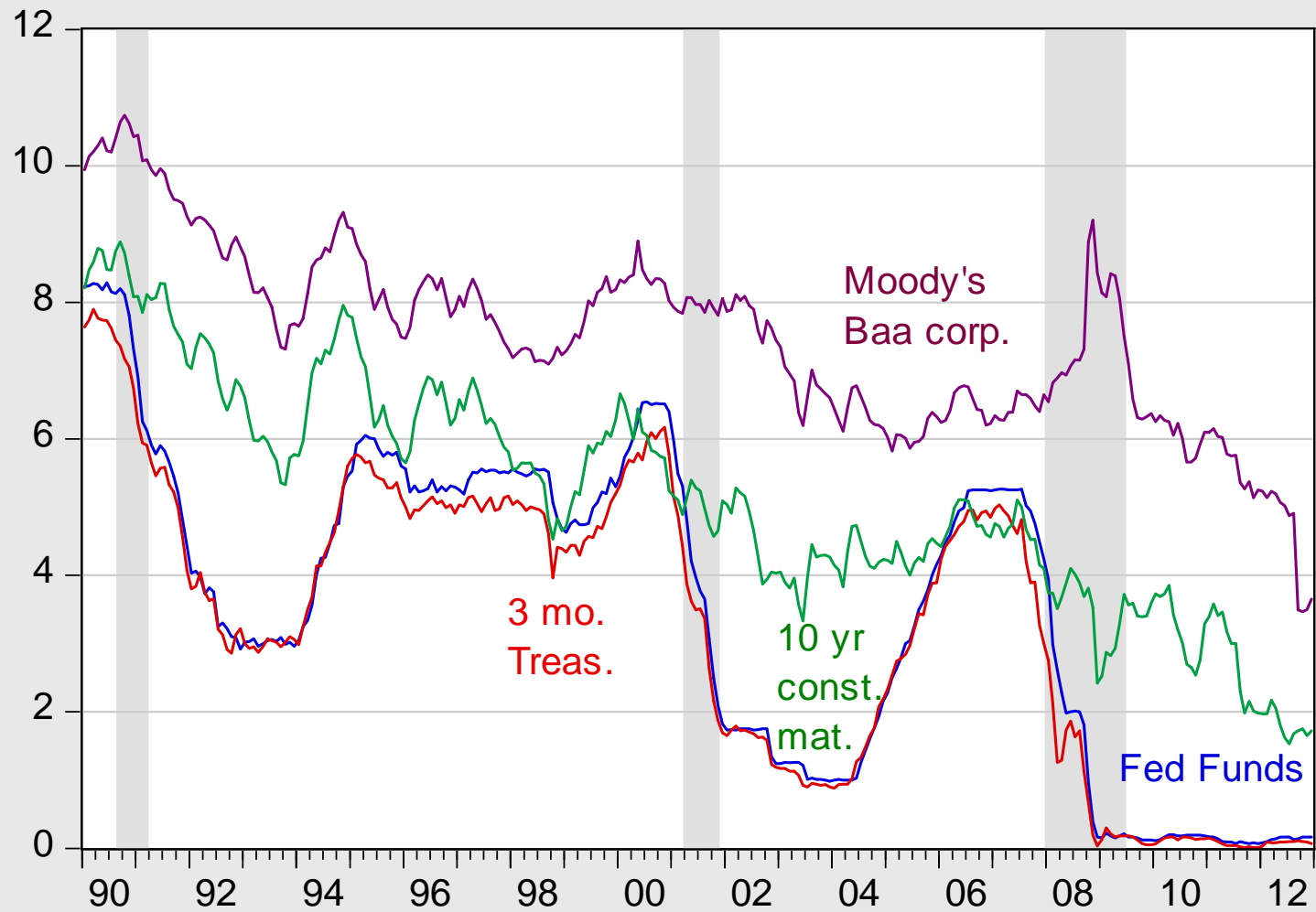
Source: OECD, *Economic Outlook*, Nov. 2012.

# America: No longer consumer of last resort

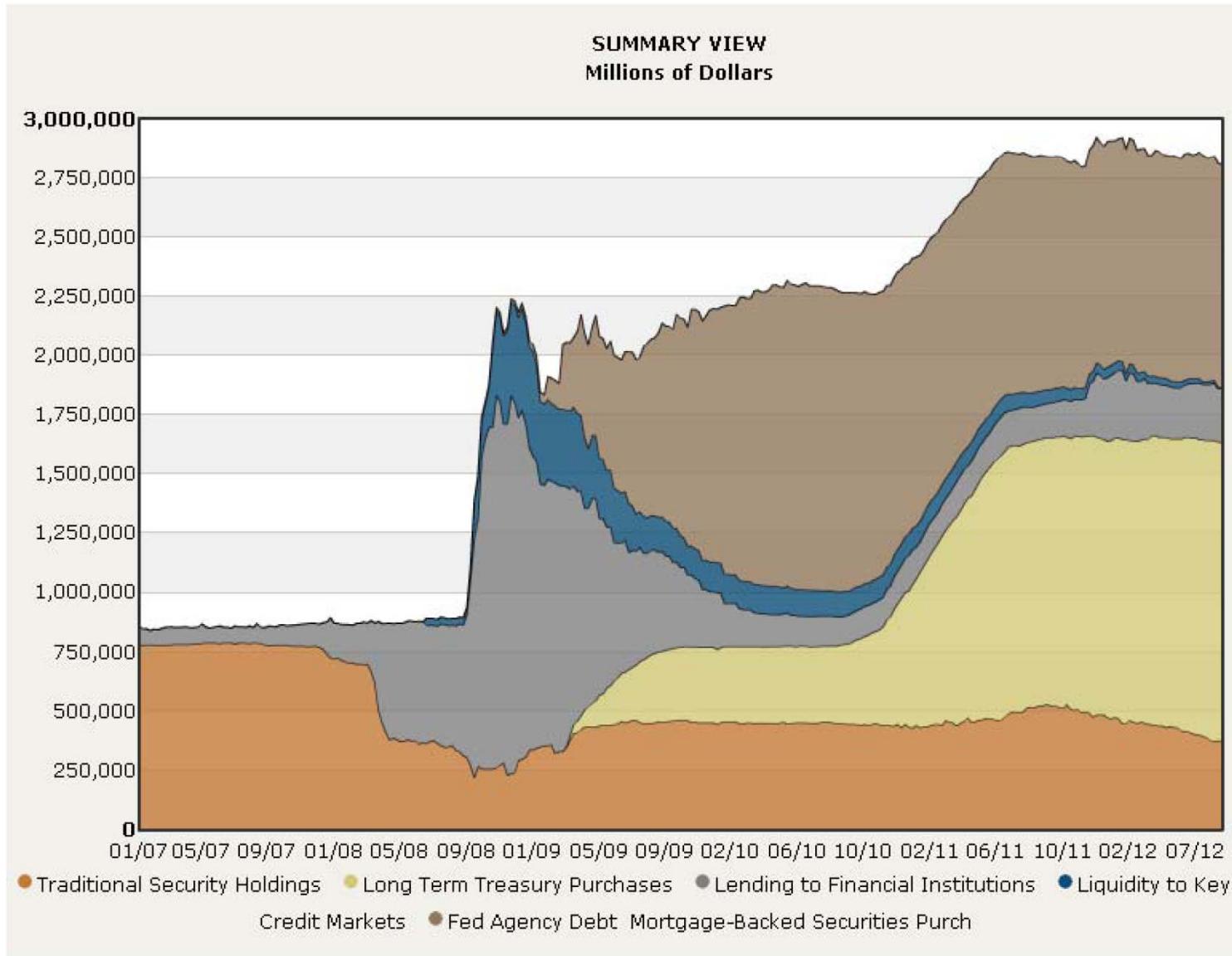


Log real imports of goods ex.-oil, and real consumption. Source: BEA, Dec. '12), NBER

# Monetary Policy



# Fed interventions



[http://www.clevelandfed.org/research/data/credit\\_easing/index.cfm](http://www.clevelandfed.org/research/data/credit_easing/index.cfm)



# Fiscal stimulus

- US: Another 2-6% on top of 1%
- Germany: 2%
- Japan: 1.2% (cumulative)
- China:
  - 2% central gov p.a.
  - 2% provincial p.a.
  - SOE's, etc.
  - stimulus via bank lending

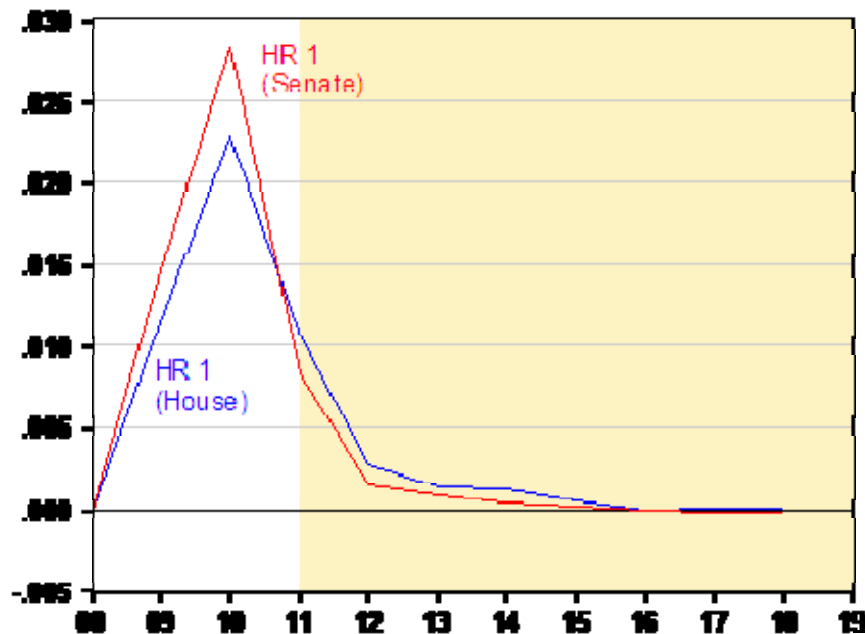
# US Stimulus Plans

Table 7. Estimates of the Effects of the ARRA on GDP Growth

	2009:Q2	2009:Q3	2009:Q4
	Percentage Points, Annual Rate		
CEA: Projection Approach	+2.6	+2.8	+2.7
CEA: Model Approach	+2.8	+3.9	+1.8
CBO: Low	+2.4 <sup>a</sup>	+2.4 <sup>a</sup>	+1.2
CBO: High	+6.5 <sup>a</sup>	+6.5 <sup>a</sup>	+3.1
Goldman Sachs	+2.2	+3.3	+2.0
IHS/Global Insight	+2.1	+2.5	+2.2
James Glassman, J.P.Morgan Chase	+4.5	+2.2	+3.1
Macroeconomic Advisers	+2.1	+2.0	+1.5
Mark Zandi, Moody's Economy.com	+2.8	+3.2	+2.0

Sources: See text for details.

Note: a. Second- and third-quarter effects show the average for these quarters.

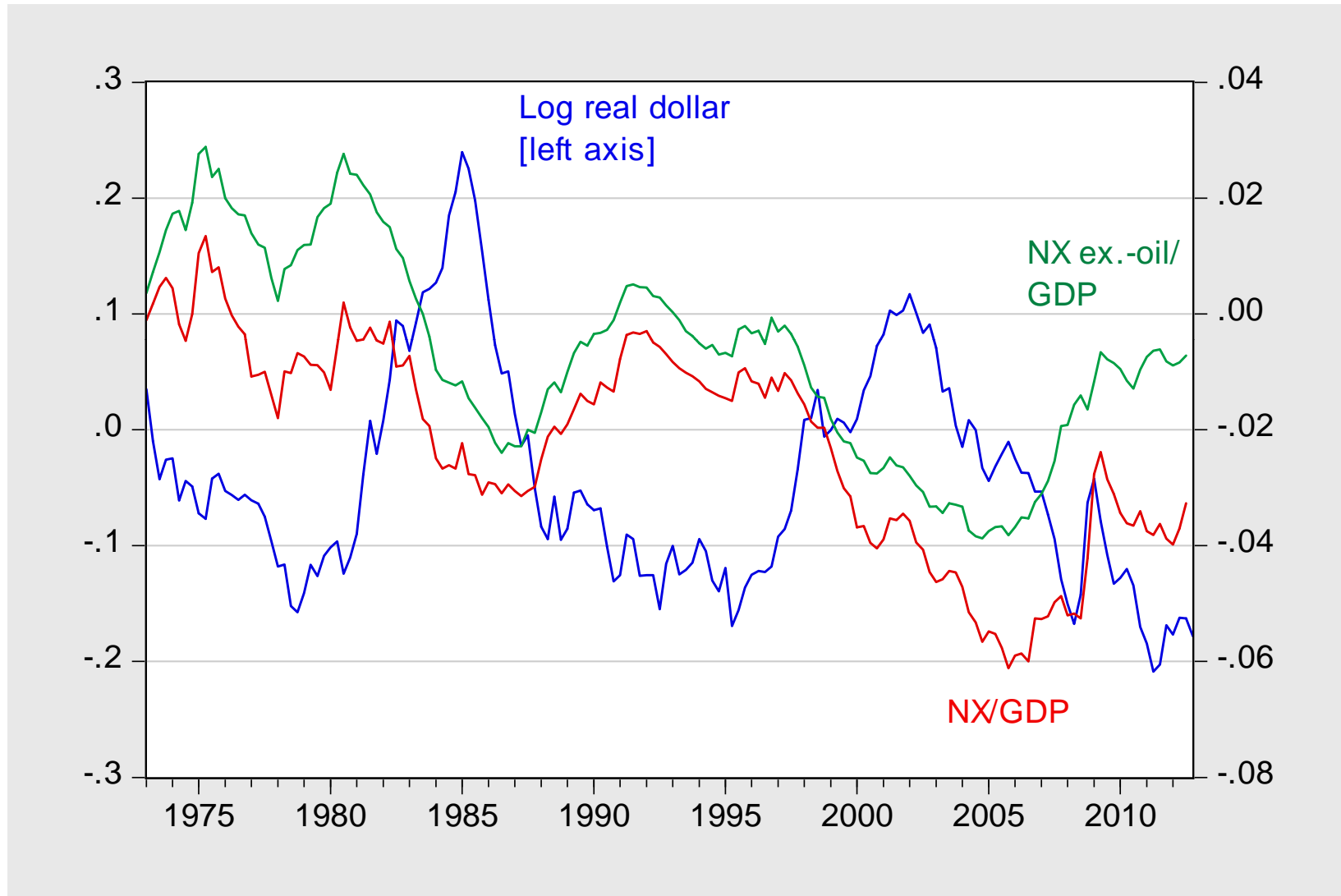


Source: Above: CEA (Jan. '10).  
Left: Chinn, Econbrowser,  
Feb. 9, 2009.

# Looking ahead

- Deleveraging implies easy credit is over for...
- European sovereign debt crisis
- Emerging market overheating
- Rebalancing is key

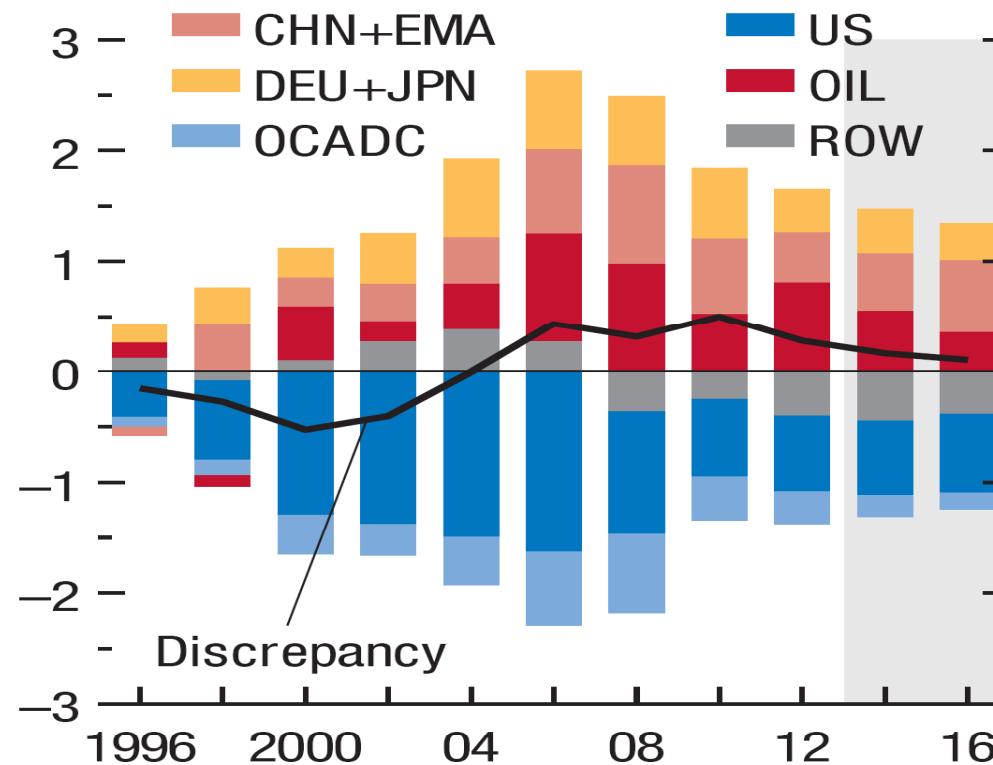
# Net Exports and the Dollar



Source: Federal Reserve Board, and BEA, 2012Q3 GDP 3rd release

# Global Imbalances Return

## 1. Global Imbalances (percent of world GDP)



Source: OECD, Economic Outlook, Nov. 2011