

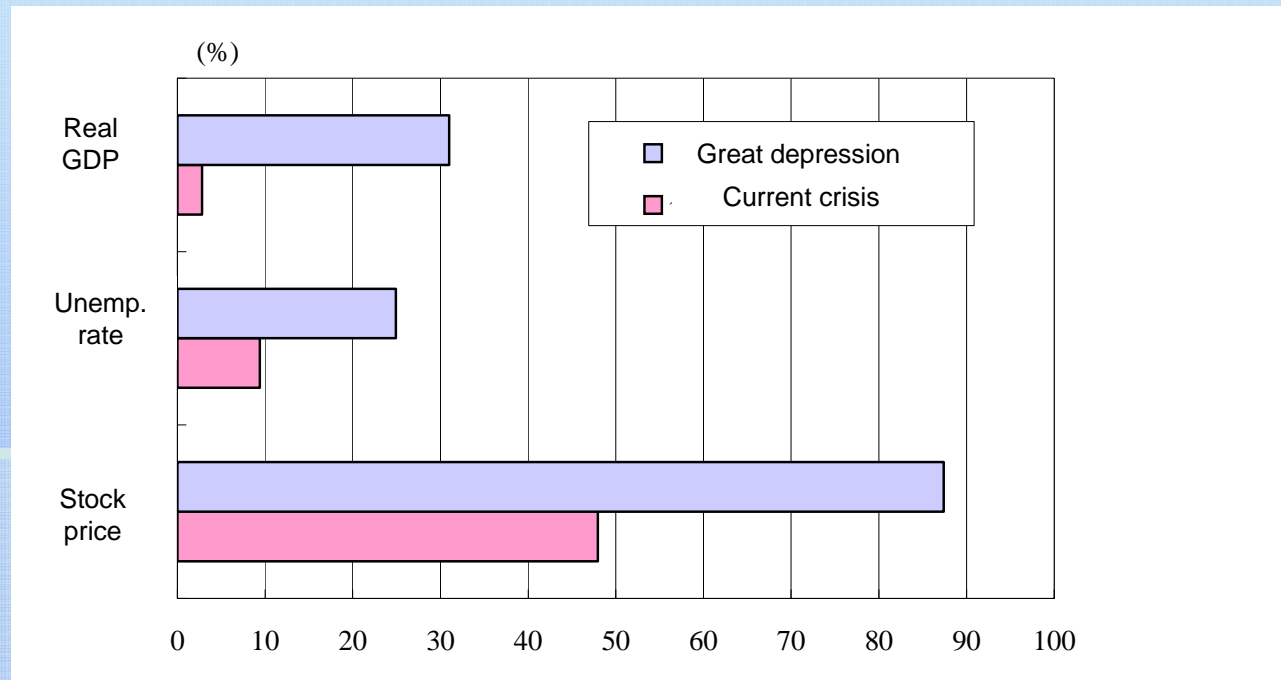
Comments on Professor Yu's Paper

RIETI Seminar Oct.8, 2009

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Large and Immediate Impact -Background-

- US as source of impact



Note: changes before and after crisis

Source: MacMillan, FACTSET

Background(2)

- Close links among countries owing to globalization

Impulse Response of Annual GDP to Counterpart's GDP Shock

Great Dipression (1920-40)

	German	France	UK	Canada	Austraria	Japan
US GDP → Other	x	x	2	2	x	x
Other → US	2	x	x	x	3	x

1970-2010

	German	France	UK	Canada	Austraria	Japan
US GDP → Other	2	2	2	2	2	2
Other → US	2	x	x	x	x	x

2000's

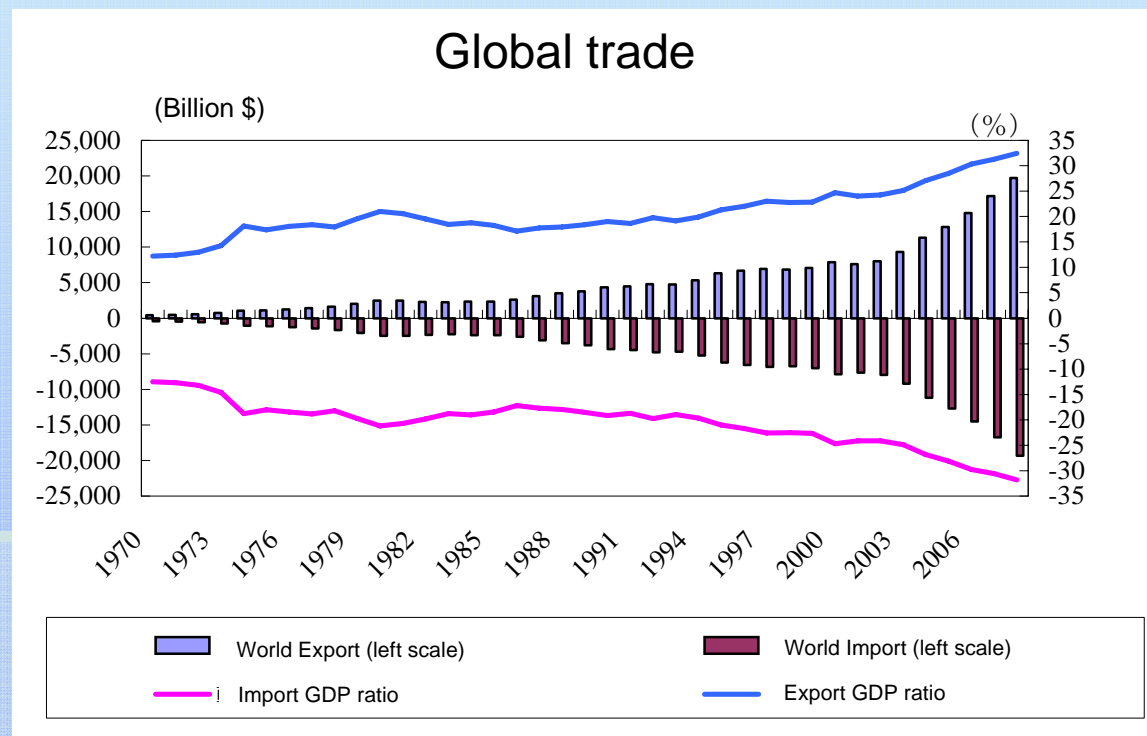
	German	France	UK	Canada	Austraria	Japan
US GDP → Other	0	0	0	0	0	0
Other → US	x	x	x	x	x	x

Source: Mitsubishi Research Institute

Globalization(1)

- International trade -

- China and Japan consists of the core



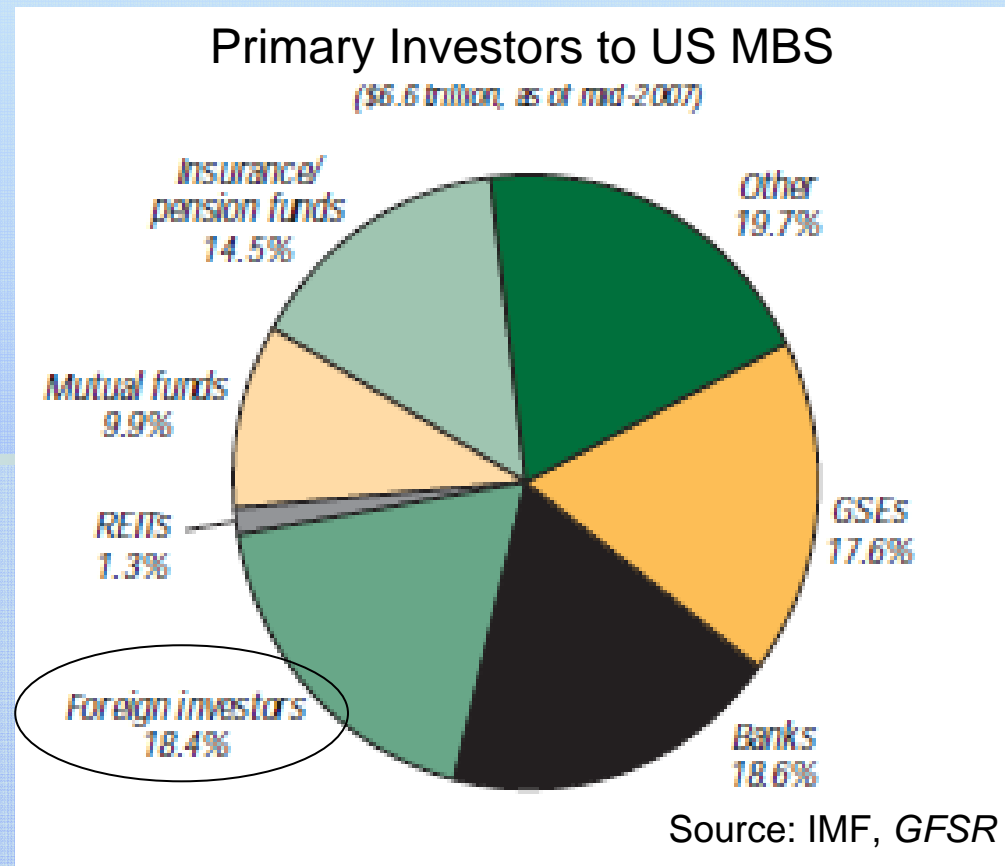
Source: IMF, *World Economic Outlook*

⇒ But policy implication is relatively weak....

Globalization(2)

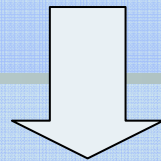
- Financial transactions -

- Both volume and channels expanded
- Strong policy implication



Increasing channels of capital flow

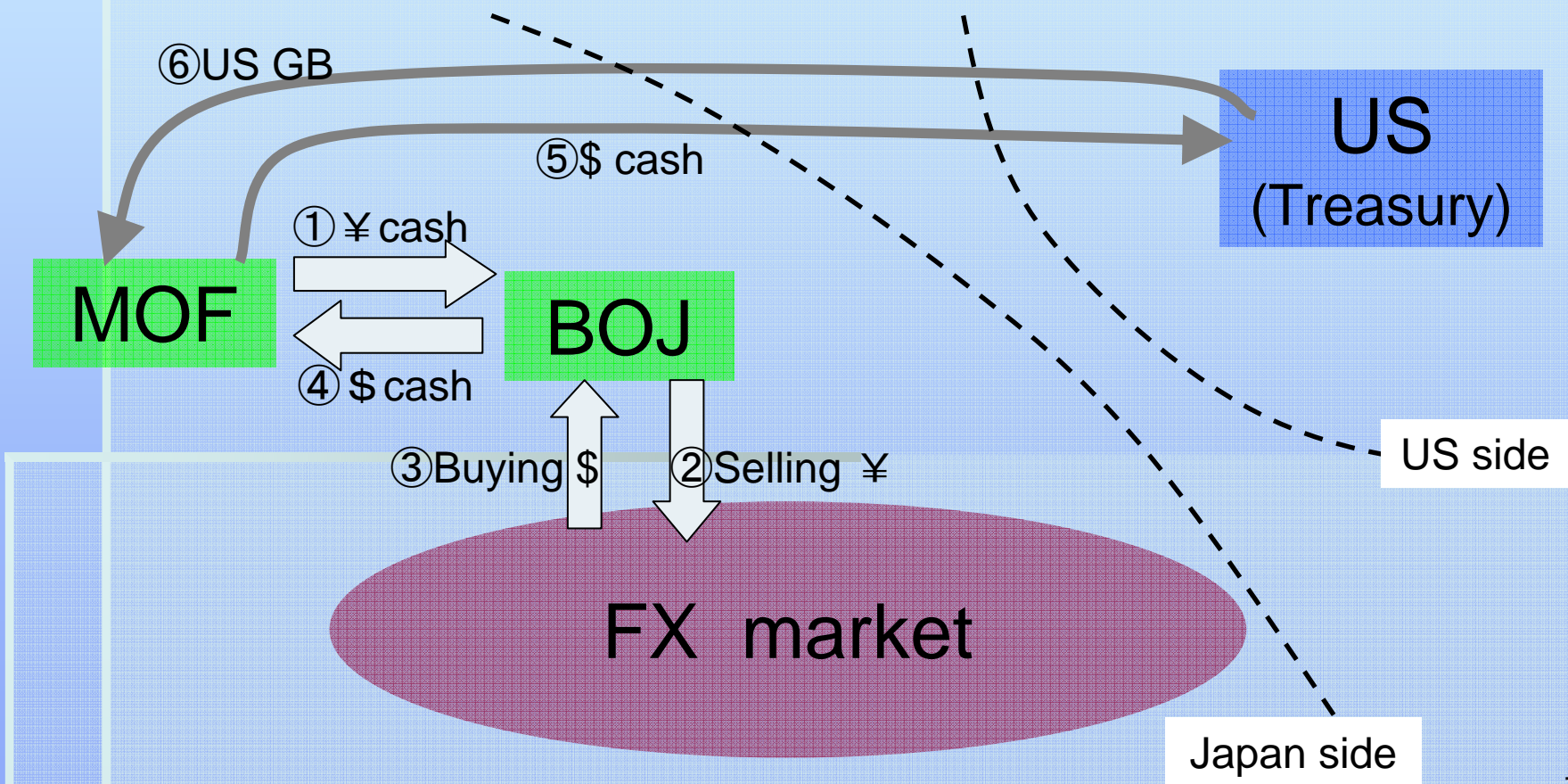
- Liberalization of financial transaction
- Financial tools including derivatives
- Natural resources including oil
- Forex intervention and reserves



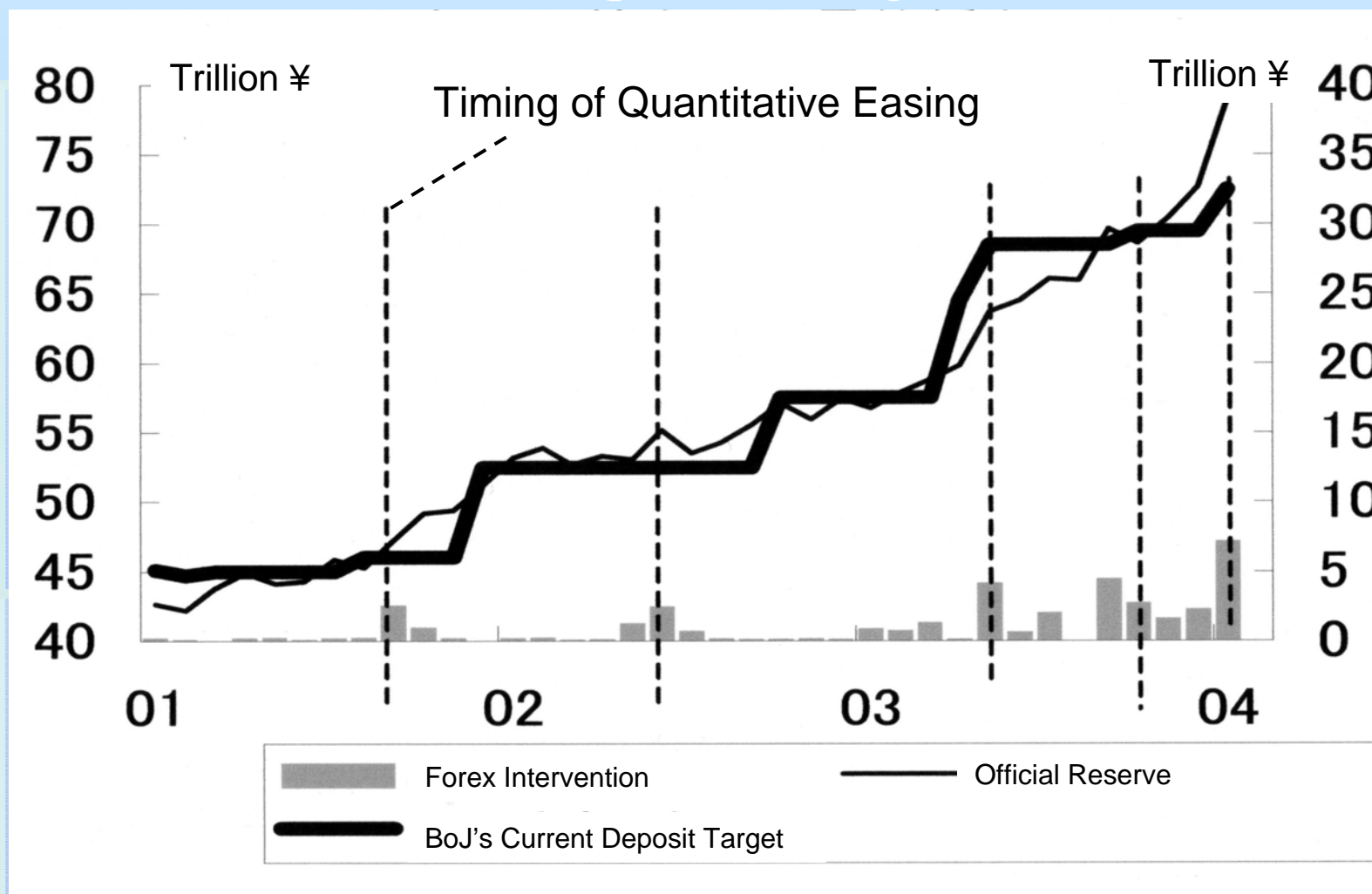
A kind of global monetization ?

Case of Japan -early 2000's-

- Unofficial “Cooperation” among BOJ, MOF and US



Contemporaneous Forex intervention and quantitative easing in early 2000's



Source: BoJ, MoF

Lessons for Japan

- China's case: much more drastic "monetization" for US, in a sense
 - More difficulty of international monetary control than before
- Should consider drastic fall in US\$ and depreciation of foreign reserves
 - Emergent needs for new international system
- Is preference for "Weak Yen" appropriate?