



The World after the Lehman Shock

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Pandora's Box Opened



(The Economist)

A Broad Array of Emergency Measures

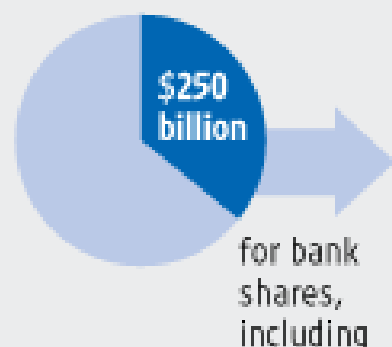
A New Set of Tools

Major elements of the federal government's expanded response to the financial crisis:

TREASURY will:

- Use up to \$250 billion from the \$700 billion financial rescue package to purchase senior preferred shares in banks. In addition to the nine banks at right, thousands of others may participate

\$700 billion
rescue plan



Value of shares, in billions

Bank of America	\$25	■
J.P. Morgan Chase	25	■
Citigroup	25	■
Wells Fargo	25	■
Goldman Sachs	10	■
Morgan Stanley	10	■
Bank of N.Y. Mellon	3	■
State Street	2	■

FDIC will:

- Guarantee 100% of newly issued senior unsecured debt of banks, thrifts and some holding companies for three years
- Provide unlimited deposit insurance for bank accounts used by small businesses through Dec. 31, 2009

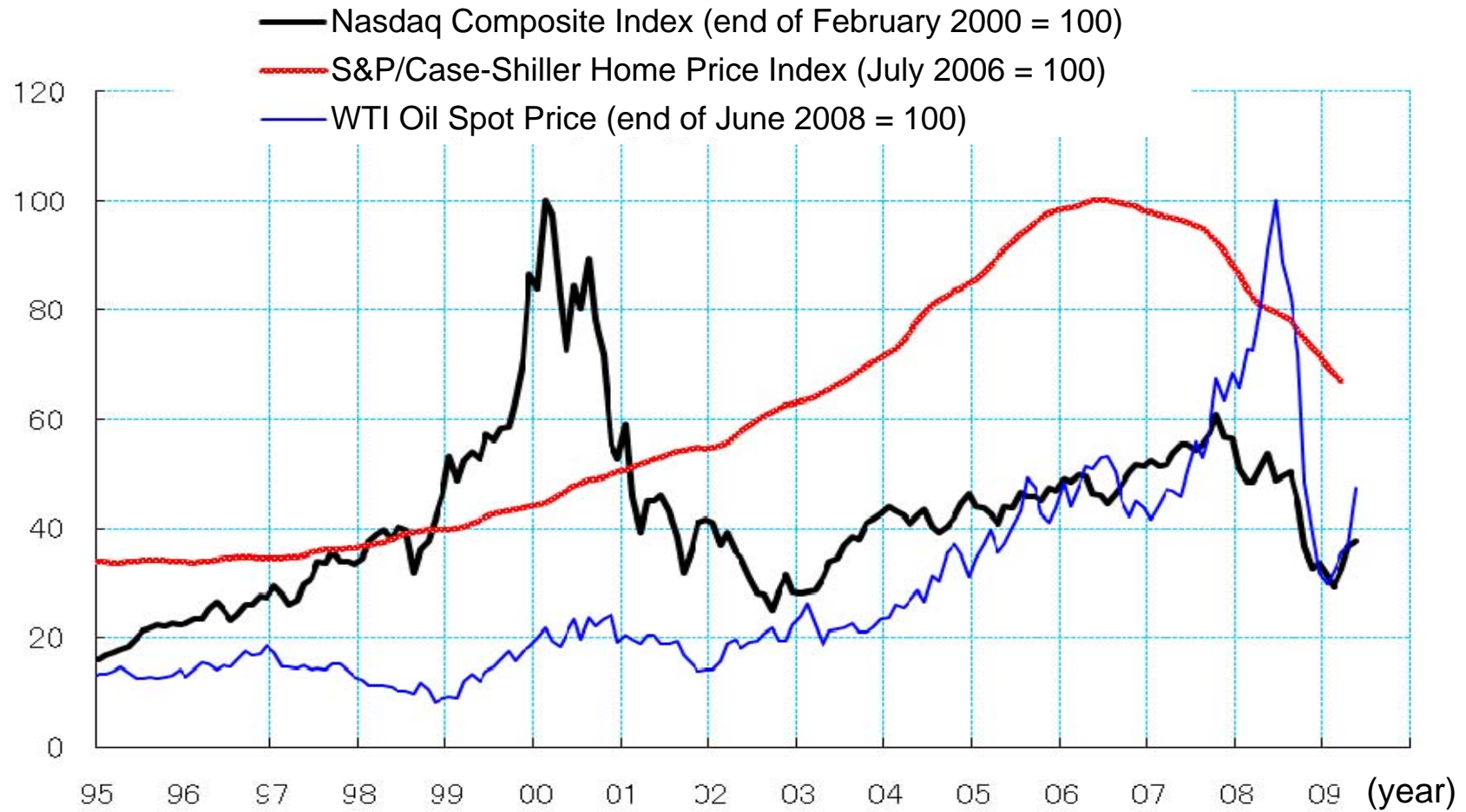
FEDERAL RESERVE will:

- Buy high-quality, three-month maturity commercial paper through April 30, 2009, backstopping a market used by major corporations to pay for day-to-day operations

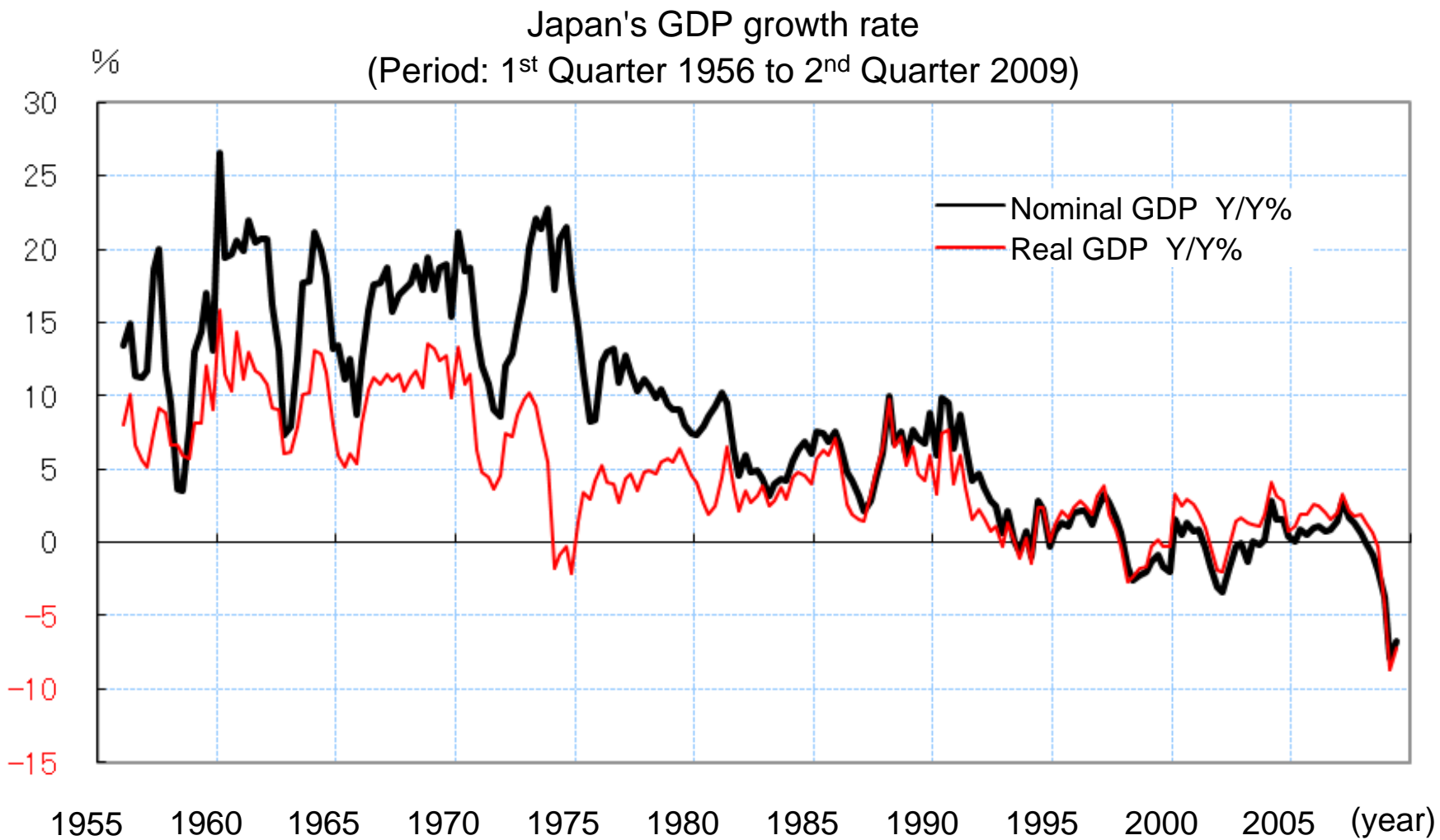
BANKS involved will:

- Issue preferred stock carrying a 5% annual dividend, rising to 9% after five years
- Face caps on executive compensation, restrictions on dividend payments and more pressure to help homeowners and to lend money

Bubble Mountains



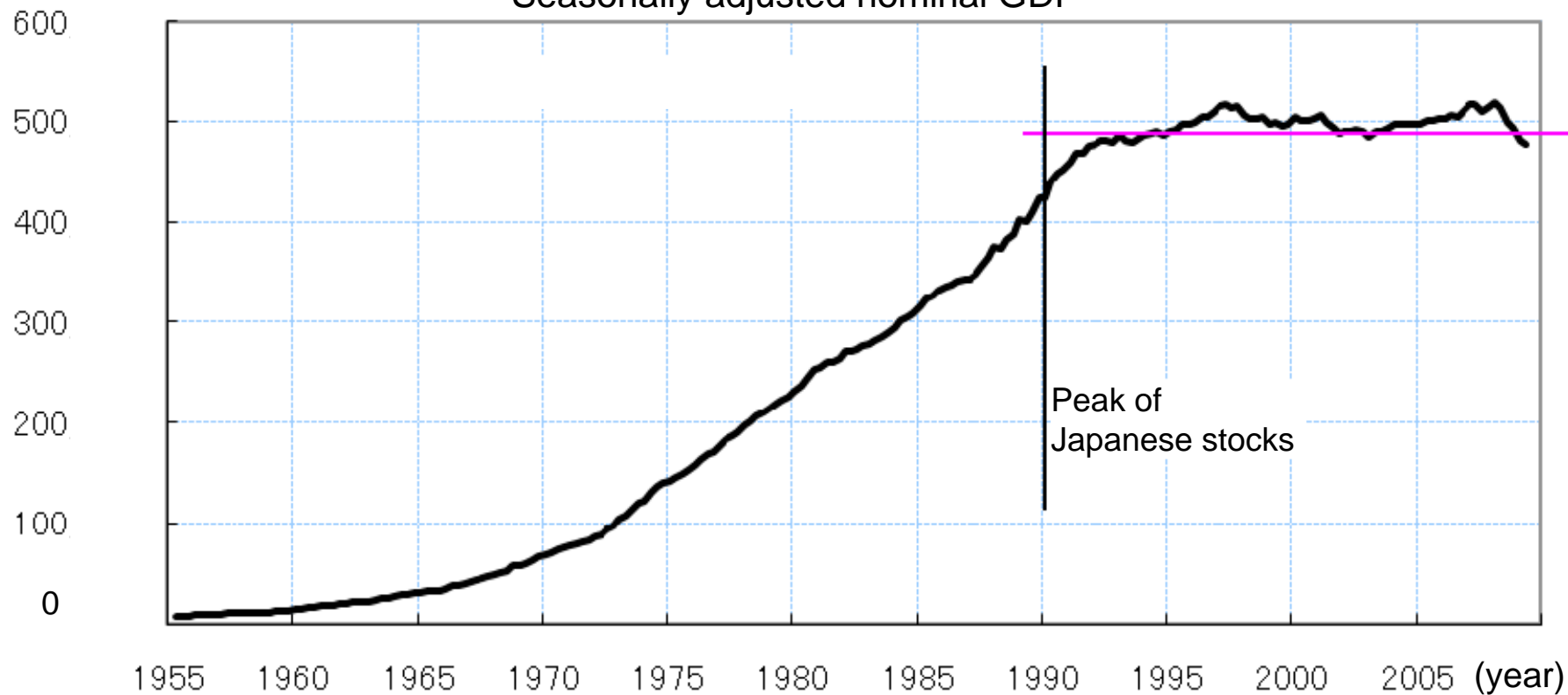
The Lesson of Japan



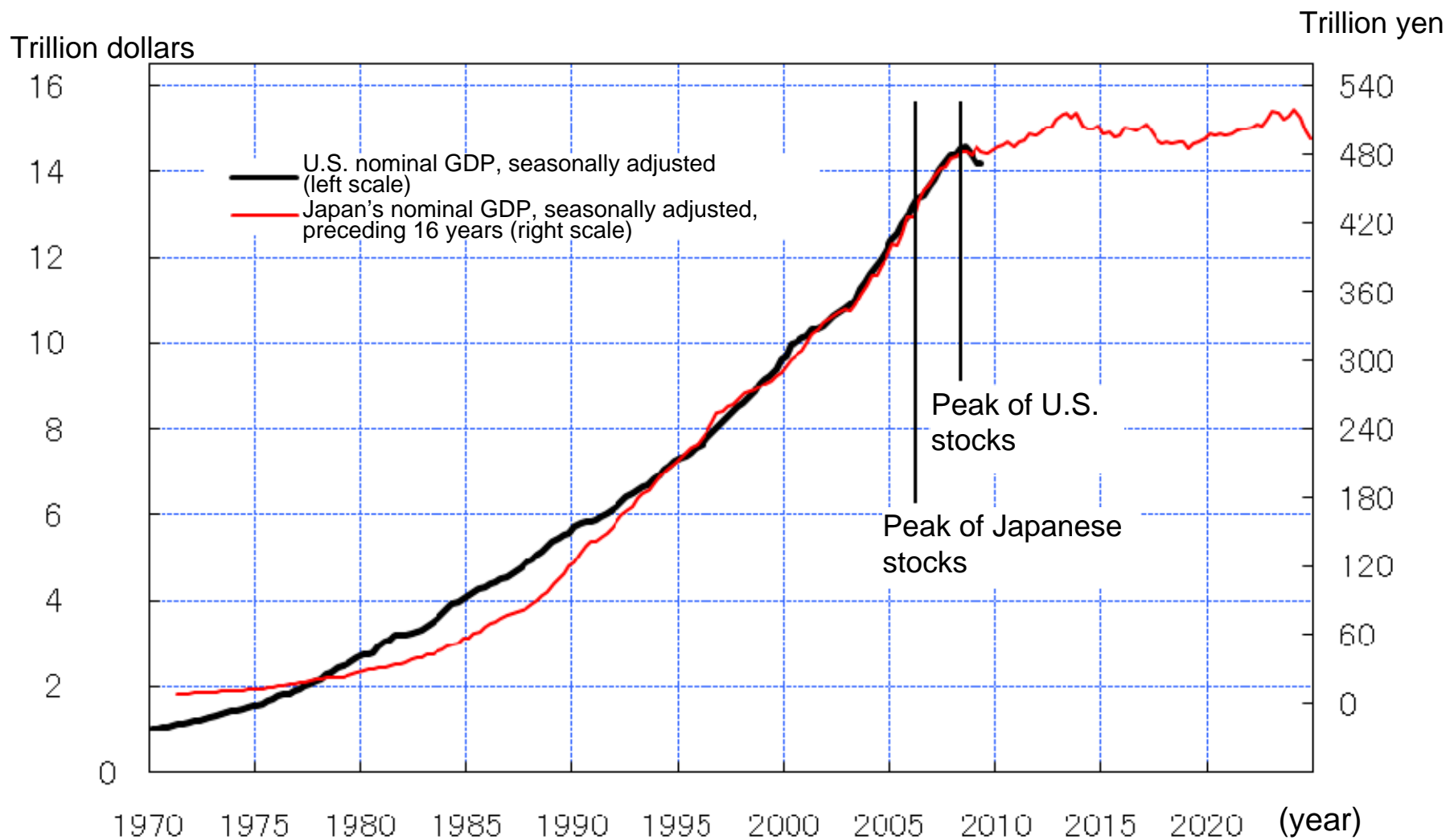
The Lesson of Japan (continued)

Trillion yen

Seasonally adjusted nominal GDP



What does the future hold for the United States?





Huge Public Support for Financial Institutions

	U.S.	U.K.	Euro
Amount of public support	10,440 bn. dollars	2,060 bn. dollars	2,310 bn. dollars
% of GDP	73%	88%	18%
Scale of central bank	2,090 bn. dollars	220 bn. pound	1,730 bn. euro
% of GDP	15%	15%	19%

(The Bank of England)



Responsiveness of Those in Charge of Policies

■ G20 financial summit in Pittsburgh (Sep. 25, 2009)

In the short term, economic stimulus measures are being continuously implemented. It is necessary to formulate a process to return from the exceptional measures to ordinary conditions that should be followed once sufficient recovery is confirmed. Finance ministers are requested to continue the preparation of cooperative and harmonious exit strategies at the November meeting based on the recognition of differences in scale, timing and other factors according to country and policy measures.

We will need to cooperate with each other to make a smooth transition to more balanced patterns of world growth.

■ G7 Finance Ministers' meeting in Istanbul (Oct. 3, 2009)

Since projected growth remains weak and labor market conditions have not yet improved, there is no room for self-satisfaction. We will maintain our economic support measures until recovery is secured.

The excessive fluctuations and chaotic movements of exchange rates have a negative effect on the stability of economy and finance. We will continue to watch the exchange market closely and cooperate suitably. We welcome China's continued commitment to a shift toward more flexible exchange rates. This will continue to increase the value of the renminbi on an effective basis, and will contribute to the facilitation of the more balanced growth of the Chinese economy and the entire global economy.

The Global Landscape Has Changed

Each country's nominal GDP on a dollar basis (unit: billion dollars)

IMF estimate for 2008 and beyond

Country	2004	2005	2006	2007	2008	2009	2010	2011
Brazil	664	882	1,089	1,334	1,573	1,482	1,724	1,822
Russia	592	764	989	1,294	1,677	1,255	1,364	1,533
India	669	784	875	1,101	1,207	1,243	1,339	1,449
China	1,932	2,236	2,658	3,382	4,327	4,758	5,263	5,844
BRICs subtotal	3,857	4,666	5,612	7,111	8,784	8,737	9,691	10,648
United States	11,868	12,638	13,399	14,078	14,441	14,266	14,704	15,327
Euro area	9,765	10,152	10,740	12,328	13,646	12,276	12,713	12,936
Japan	4,606	4,552	4,363	4,380	4,911	5,049	5,187	5,267
Korea	722	845	952	1,049	929	800	855	927
Others	11,157	12,532	14,050	16,323	18,206	16,101	17,344	18,324
World	41,974	45,385	49,115	55,270	60,917	57,228	60,495	63,429

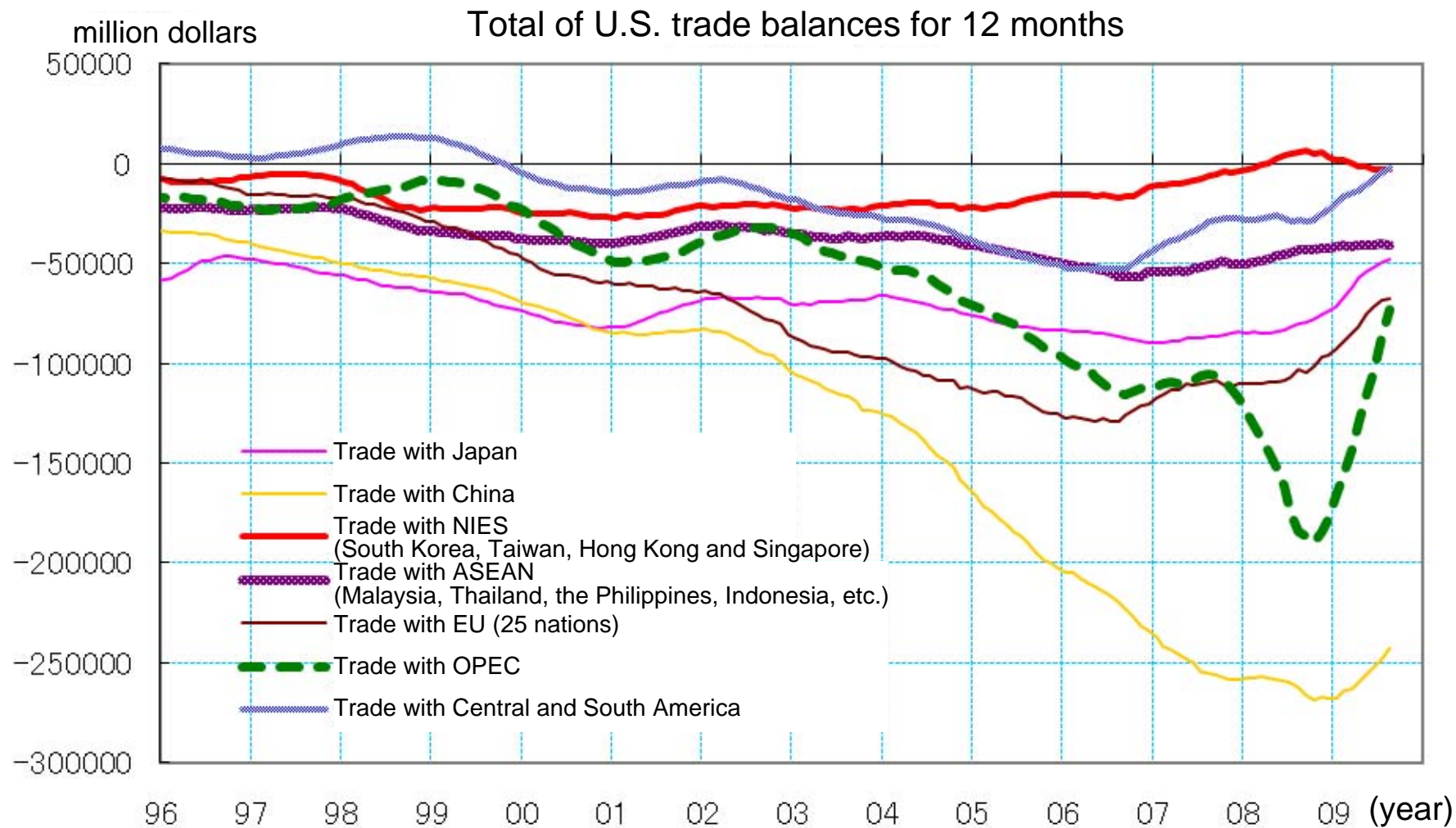
The Global Landscape Has Changed (Continued)

**Increased amount of each country's nominal GDP on a dollar basis
(unit: billion dollars)**

IMF estimate for 2008 and beyond

Country	2004	2005	2006	2007	2008	2009	2010	2011
Brazil	111	218	208	244	239	-91	243	98
Russia	160	172	225	305	382	-422	109	169
India	96	115	91	226	106	36	97	110
China	291	304	422	725	945	430	506	580
BRICs subtotal	659	810	946	1,499	1,672	-47	955	956
United States	726	771	761	679	364	-175	438	623
Euro area	1,234	387	588	1,588	1,318	-1,370	437	223
Japan	377	-54	-190	18	530	138	139	80
Korea	78	123	107	97	-120	-129	55	72
Others	1,600	1,375	1,518	2,273	1,883	-2,106	1,243	980
World	4,673	3,411	3,730	6,155	5,647	-3,689	3,267	2,934

Corrections of External Account Imbalances



Two Faces of the Dollar

