

Macroeconomics – Econ202A

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1 / 11

The First Oil Price Shock

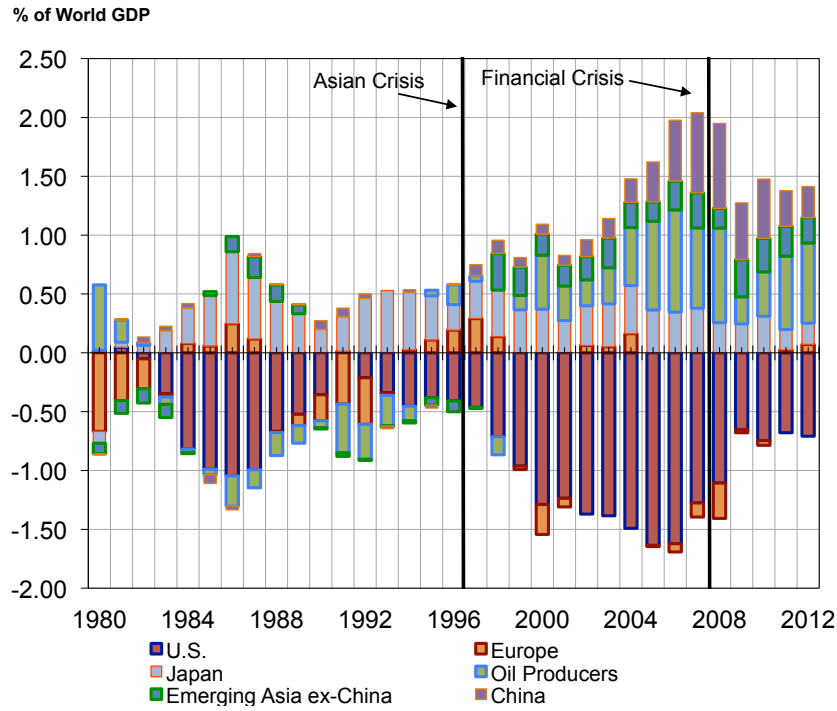
Table 1. Nominal and Inflation-Adjusted Current Accounts, Major Regions, 1968–79^a

<i>Item</i>	<i>1968</i>	<i>1969</i>	<i>1970</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
Nominal current account (billions of U.S. dollars) ^b												
Developed countries	3.4	4.0	6.8	11.2	8.6	10.9	-25.1	4.9	-13.7	-19.5	13.5	-28.4
Nonoil LDCs	-6.0	-4.7	-8.8	-12.2	-6.3	-7.3	-25.6	-35.0	-25.2	-19.9	-24.8	-34.3
OPEC	0.8	-1.3	-0.6	1.2	0.4	5.4	54.9	23.5	26.6	20.1	-1.5	39.7
Inflation-adjusted current account (billions of U.S. dollars)^c												
Developed countries	2.1	2.5	5.2	9.5	7.1	8.6	-26.6	5.1	-13.3	-18.4	14.5	-27.5
Nonoil LDCs	-4.3	-2.5	-6.4	-9.6	-3.9	-3.1	-18.1	-27.3	-19.4	-11.0	-10.0	-17.7
OPEC	-0.9	-1.4	-0.6	1.1	0.2	5.0	51.4	17.9	22.0	12.7	-12.8	27.3
Inflation-adjusted current account (billions of 1975 U.S. dollars)												
Developed countries	3.3	3.6	7.1	12.4	8.9	10.2	-29.0	5.1	-12.6	-16.5	12.1	-21.2
Nonoil LDCs	-6.6	-3.6	-8.8	-12.6	-4.9	-3.7	-19.8	-27.3	-18.4	-9.8	-8.3	-13.6
OPEC	-1.4	-2.0	-0.8	1.5	0.3	5.9	56.2	17.9	20.9	11.4	-10.7	21.1

Source: Sachs (1981), Table 1.

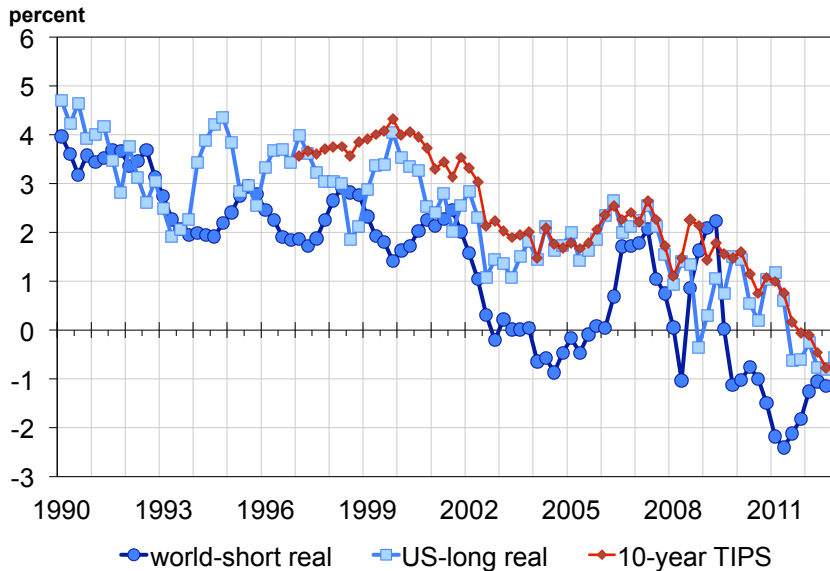
2 / 11

Global Imbalances



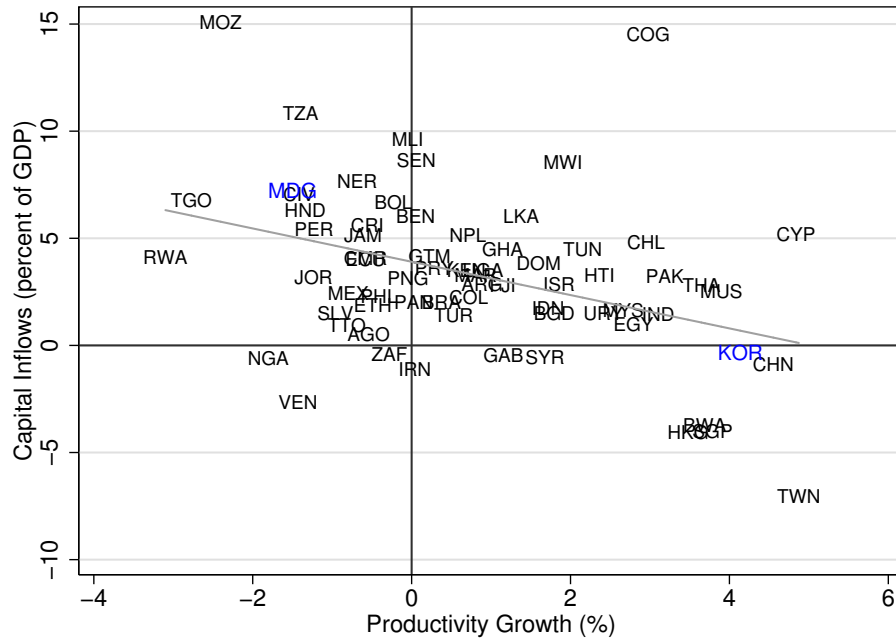
Source: Oil Producers: Bahrein, Canada, Kuwait, Iran, Libya, Nigeria, Norway, Mexico, Oman, Russia, Venezuela, Saudi Arabia. Emerging Asia ex-China: Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand. Europe: European Union. Data Source: IMF WEO, Various Issues

World Interest Rates



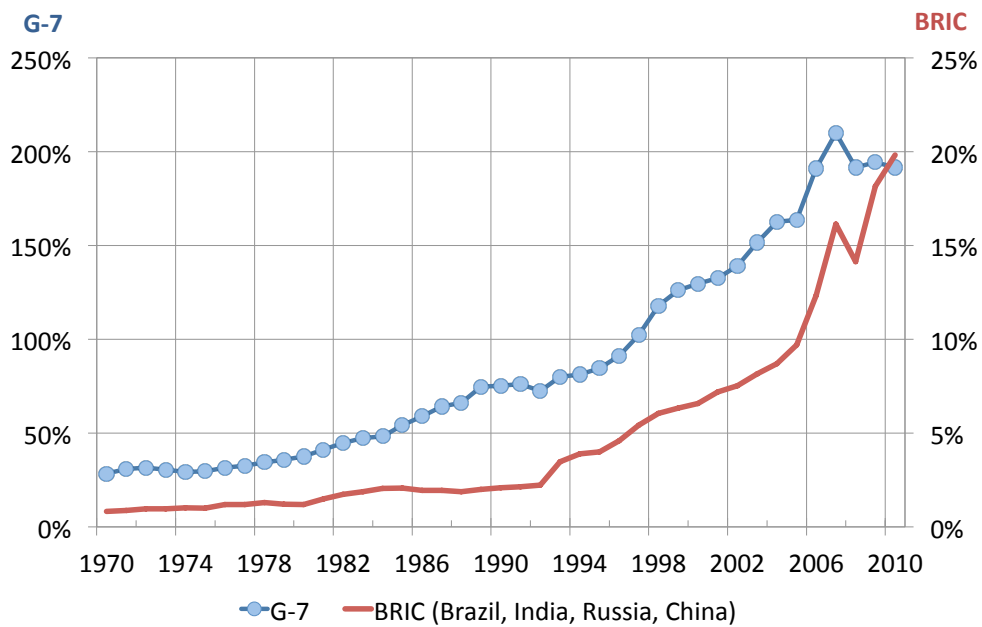
Source: world-short real: ex-post 3-month real interest rate for the G-7 countries (GDP weighted). U.S.-long real: 10-year yield on U.S. Treasuries minus 10-year expected inflation. 10-year TIPS: yield on inflation indexed 10-year Treasuries. Source: Global Financial Database, IMF International Statistics, OECD Economic Outlook, Survey of Professional Forecasters

Allocation Puzzle



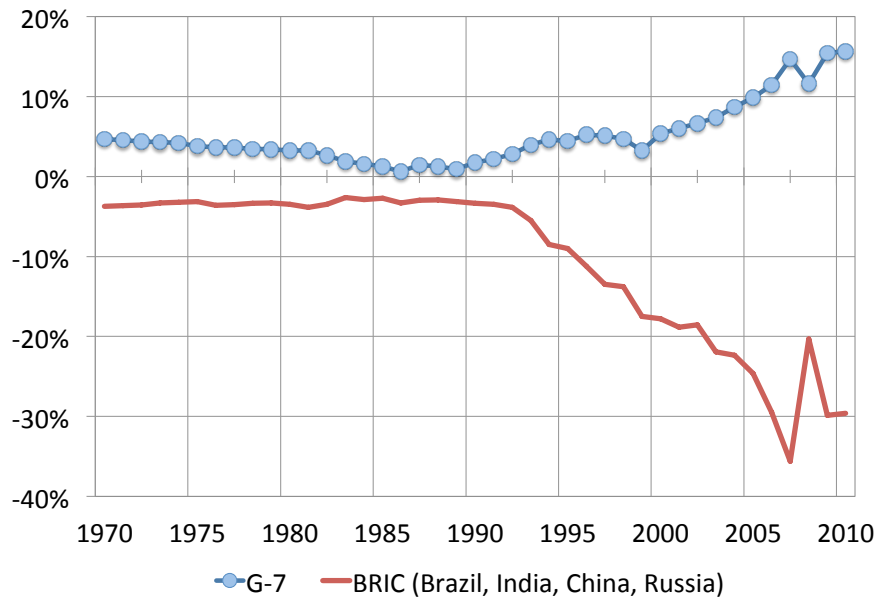
Average Productivity Growth and Capital Inflows Between 1980 and 2000. Note: Sample of 68 developing economies. Source: Gourinchas and Jeanne (2013)

Cross-Border Asset and Liabilities (% of World GDP)



Cross-Border Assets and Liabilities Defined as the Sum of Gross External Assets and Liabilities. Source: Lane and Milesi-Ferretti (2007a) updated to 2010

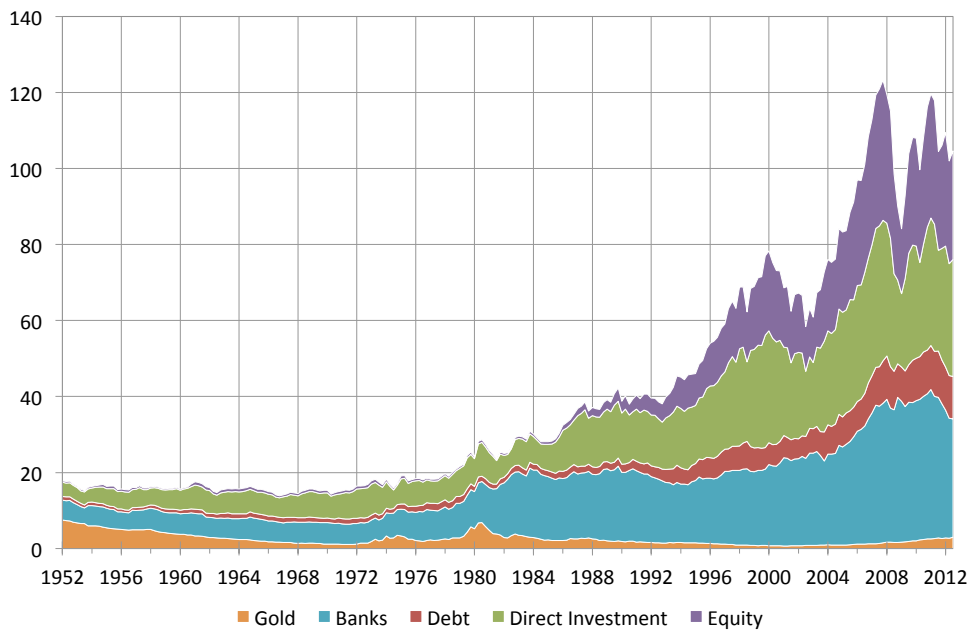
Heterogeneity in International Portfolios: Net Risky Position



Net Risky Position Defined as Equity and Direct Investment Assets, Minus Equity and Direct Investment Liabilities. Source: Lane and Milesi-Ferretti (2007a) updated to 2010

7 / 11

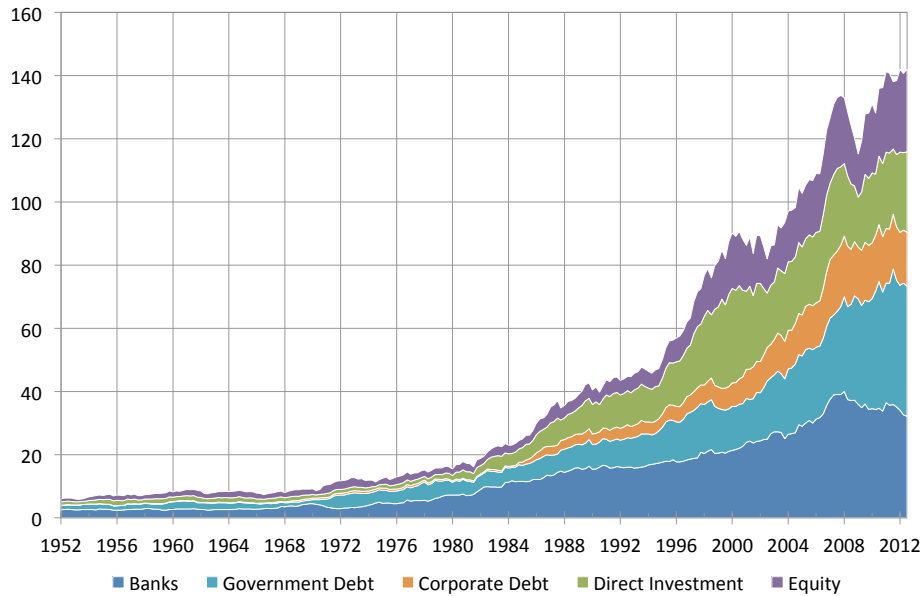
US Gross Asset Position (percent of output)



Source: BEA, SCB, 1941-43 Treasury Surveys. Gourinchas, Rey & Govillot (2013)

8 / 11

US Gross Liabilities Position (percent of output)



Source: BEA, SCB, 1941-43 Treasury Surveys. Gourinchas, Rey & Govillot (2013)

9 / 11

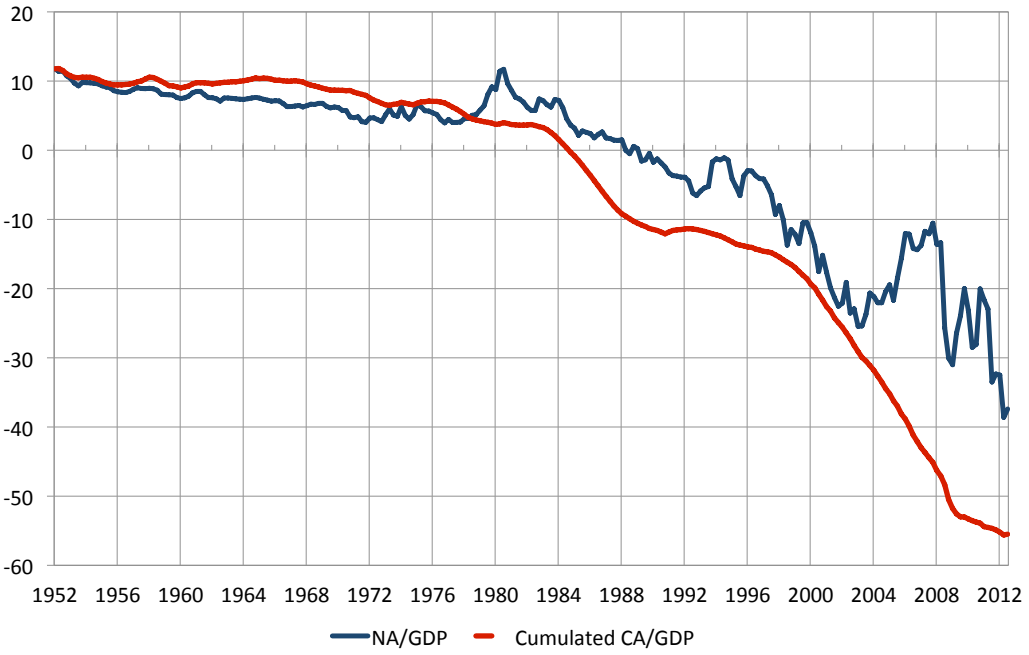
Change in US IIP

Line	Type of investment	Yearend position, 2012	Change in position in 2013					Yearend position, 2013
			Total	Attributable to:				
				Financial-account transactions	Other changes in position			
			Total	Price changes	Exchange-rate changes ¹	Changes in volume and valuation n.i.e. ²		
1	U.S. net international investment position (line 4 less line 35)	-4,578,245	-804,751	-370,658	-434,093	(⁽¹⁾)	(⁽¹⁾)	-5,382,996
2	Net international investment position excluding financial derivatives (line 5 less line 36)	-4,636,321	-820,521	-372,305	-447,615	(⁽¹⁾)	(⁽¹⁾)	-5,458,542
3	Financial derivatives other than reserves, net (line 6 less line 37) ³	57,776	15,770	2,248	13,522	(⁽¹⁾)	(⁽¹⁾)	73,546
4	U.S. assets	22,520,346	1,189,497	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	23,709,843
5	Assets excluding financial derivatives (sum of lines 7, 10, 21, and 26)	18,900,585	1,989,423	644,763	1,344,660	1,616,523	-260,451	20,890,008
6	Financial derivatives other than reserves, gross positive fair value (line 15)	3,619,761	-799,926	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,819,835
7	By functional category:							
7	Direct investment at market value	5,938,327	1,141,731	408,243	733,488	775,024	-15,791	7,080,058
8	Equity	4,980,979	1,089,023	352,106	736,917	775,024	-22,316	6,070,002
9	Debt instruments	957,348	52,708	56,137	-3,429	-3,429	-3,429	1,010,056
10	Portfolio investment	7,957,014	1,216,046	489,877	726,169	960,123	-237,606	9,153,060
11	Equity and investment fund shares	5,311,509	1,132,723	275,244	857,479	1,054,948	-209,309	6,444,232
12	Debt securities	2,655,505	83,323	214,633	-191,310	-94,825	-28,297	2,738,828
13	Short term	414,309	31,801	45,373	-13,572	-13,572	-1,705	446,710
14	Long term	2,240,596	51,522	169,260	-117,738	-84,825	-26,591	2,292,118
15	Financial derivatives other than reserves, gross positive fair value	3,619,761	-799,926	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,819,835
16	Over-the-counter contracts	3,585,781	-802,734	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,783,047
17	Single-currency interest rate contracts	2,973,245	-765,553	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,207,692
18	Foreign exchange contracts	280,217	11,717	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	291,934
19	Other contracts	332,219	-48,898	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	283,421
20	Exchange-traded contracts	33,980	2,898	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	36,788
21	Other investment	4,422,876	-244,319	-250,260	5,941	-4,740	10,682	4,178,557
22	Currency and deposits	2,052,987	-80,838	-115,641	34,803	798	34,005	1,972,149
23	Loans	2,314,165	-153,042	-137,978	-15,054	-5,422	-9,642	2,161,123
24	Insurance technical reserves	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25	Trade credit and advances	55,724	-10,438	3,359	-13,797	-116	-13,681	45,286
26	Reserve assets	572,368	-120,058	-3,097	-120,858	-118,624	-2,314	448,333
27	Monetary gold	433,434	-118,459	0	-118,459	-118,459	0	314,975
28	Special drawing rights	55,050	134	22	112	112	0	55,184
29	Reserve position in the International Monetary Fund	34,161	-3,411	-3,438	27	27	0	30,750
30	Other reserve assets	49,723	-2,299	319	-2,618	-166	-2,453	47,424
31	Currency and deposits	24,933	-4,044	3	-4,047	-567	-3,480	20,889
32	Securities	23,471	-2,035	315	-2,350	-165	-2,079	21,436
33	Financial derivatives							
34	Other claims	1,319	3,780	1	3,779	193	3,586	5,099
35	U.S. liabilities	27,098,591	1,994,249	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	29,092,840
36	Liabilities excluding financial derivatives (sum of lines 38, 41, and 56)	23,536,606	2,809,945	1,017,669	1,792,276	1,799,257	-29,164	26,346,551
37	Financial derivatives other than reserves, gross negative fair value (line 50)	3,561,985	-815,696	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,746,289
38	By functional category:							
38	Direct investment at market value	4,670,942	1,119,609	294,972	824,637	871,100	-46,463	5,790,551
39	Equity	3,409,913	1,052,065	226,834	825,231	871,100	-45,869	4,461,978
40	Debt instruments	1,261,029	67,544	68,138	-694	-694	-694	1,328,573
41	Portfolio investment	13,978,875	1,524,317	490,943	1,033,374	928,157	-26,306	131,523
42	Equity and investment fund shares	4,545,371	1,276,116	-85,407	1,361,523	1,285,442	0	76,081
43	Debt securities	9,433,504	248,201	576,351	-328,150	-357,285	-28,306	55,441
44	Short term	844,743	47,912	46,718	1,194	1,194	9	852,655
45	Treasury bills and certificates	661,654	24,382	24,382	0	0	0	686,036
46	Other short-term securities	183,089	23,530	22,336	1,194	1,194	9	206,619
47	Long term	8,588,761	200,289	529,632	-329,343	-357,285	-28,315	8,785,050
48	Treasury bonds and notes	4,908,828	199,028	406,878	-207,848	-221,130	13,282	5,108,856
49	Other long-term securities	3,679,933	1,261	122,756	-121,495	-136,155	-26,315	3,680,194
50	Financial derivatives other than reserves, gross negative fair value	3,561,985	-815,696	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,746,289
51	Over-the-counter contracts	3,527,668	-817,922	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,709,746
52	Single-currency interest rate contracts	2,912,113	-769,254	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	(⁽¹⁾)	2,142,859

Source: BEA IIP Table 1.3. Millions of USD. SCB July 2014

10 / 11

US Net Foreign Asset Position (percent of output)



Source: BEA, SCB, 1941-43 Treasury Surveys. Gourinchas, Rey & Govillot (2013)