

The Great Slump.

Some facts

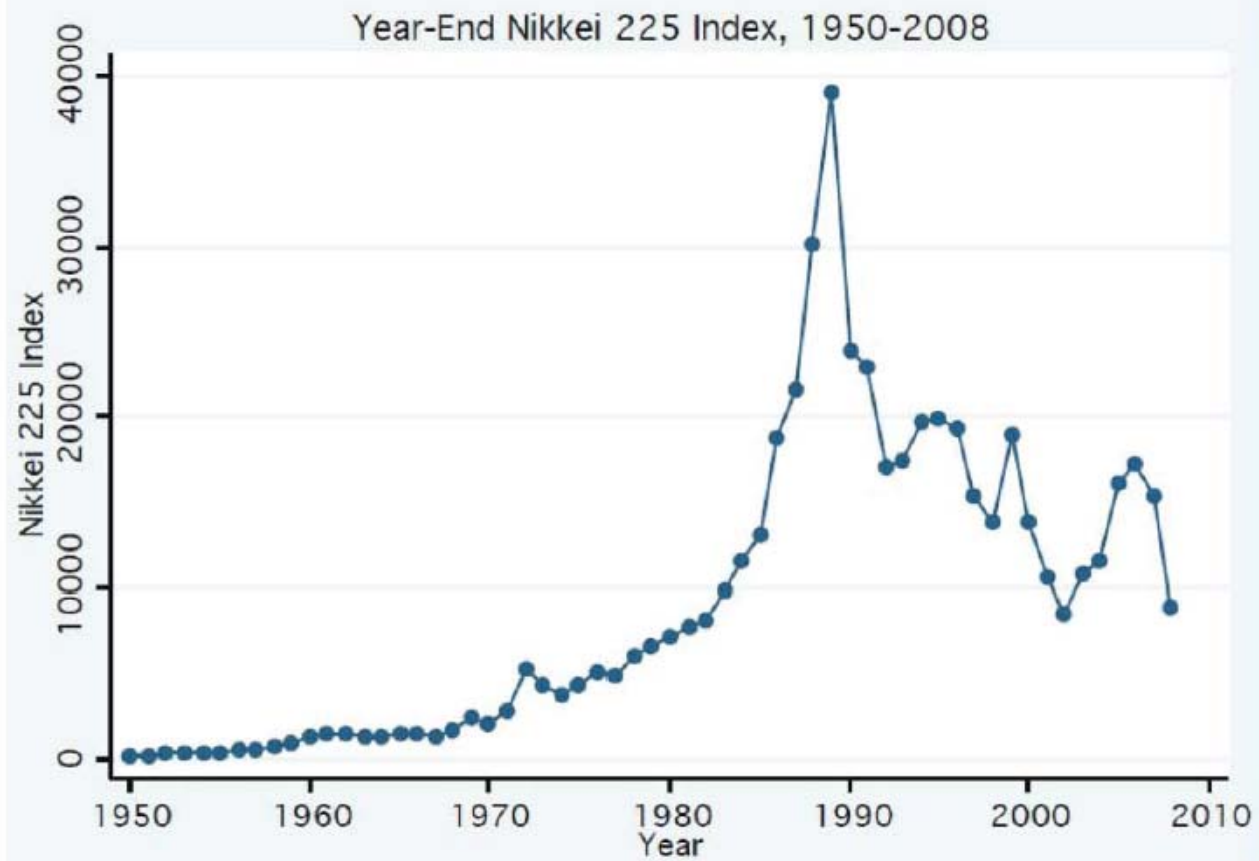
Dany Rodrik: Blame the economists, not economics.

Eric Maskin: Contrary to popular perception, economic theory did a good job of foreseeing the financial crisis, it's just that no one was paying any attention.

NN: Serious economic downturns often begin with a financial crisis and a credit crunch.

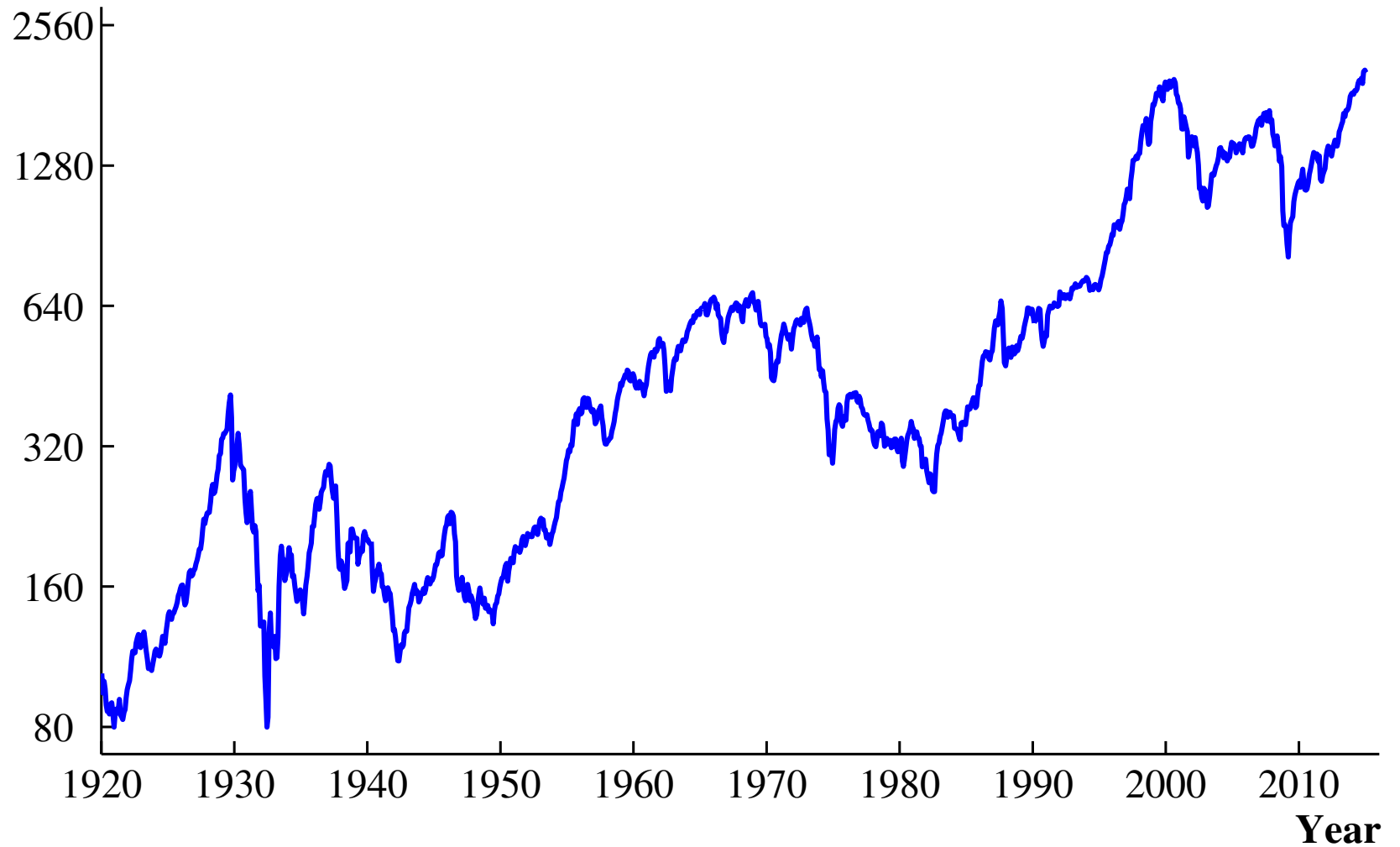
Christian Groth, University of Copenhagen, Sept. 2016 (with a lot of borrowing from Chad Jones' "Updated graphs", Stanford University).

The Japanese Bubble



The S&P 500 Stock Price Index (real)

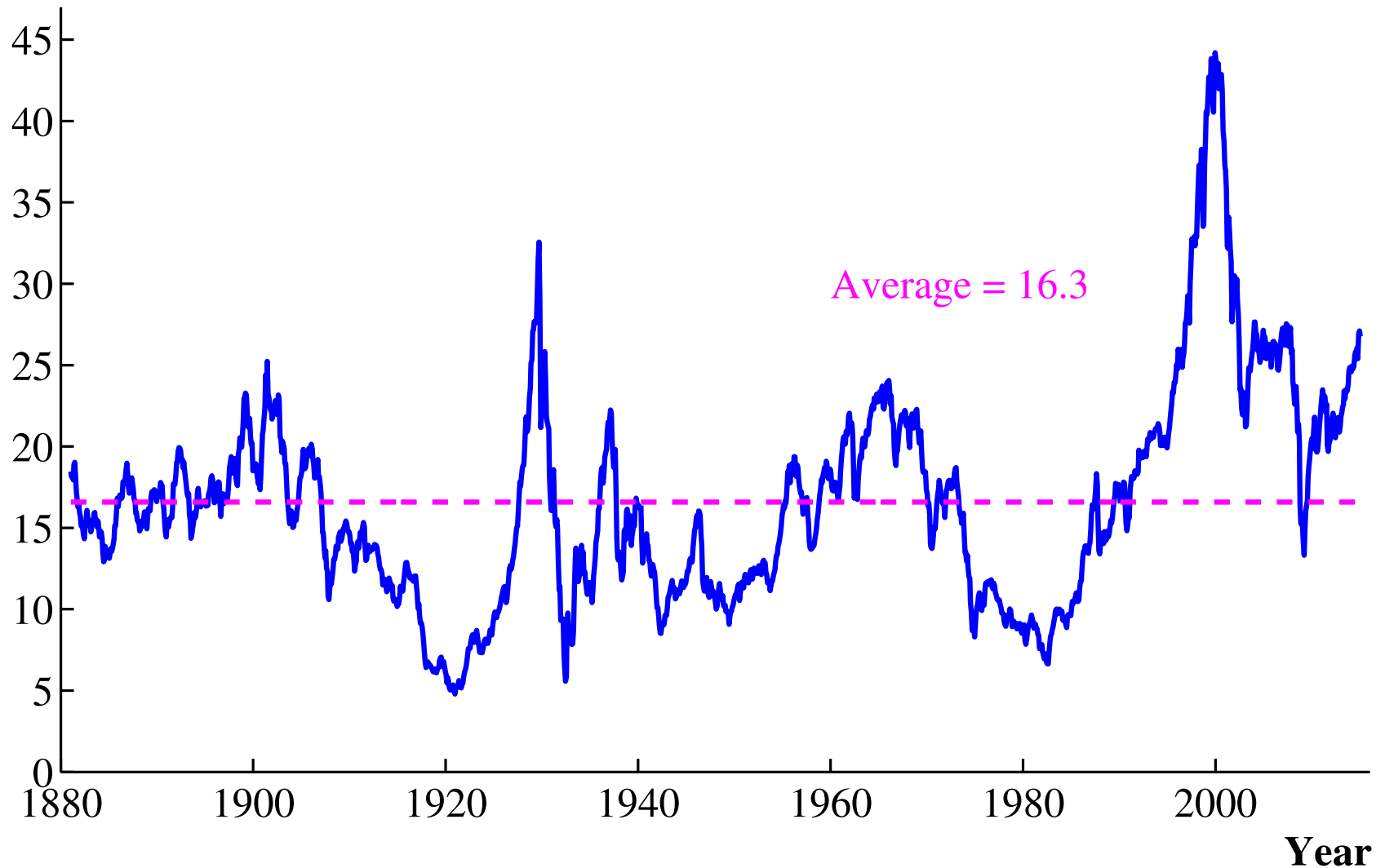
Real Stock Price Index (ratio scale)



Source: Robert Shiller, <http://www.econ.yale.edu/~shiller/data.htm>

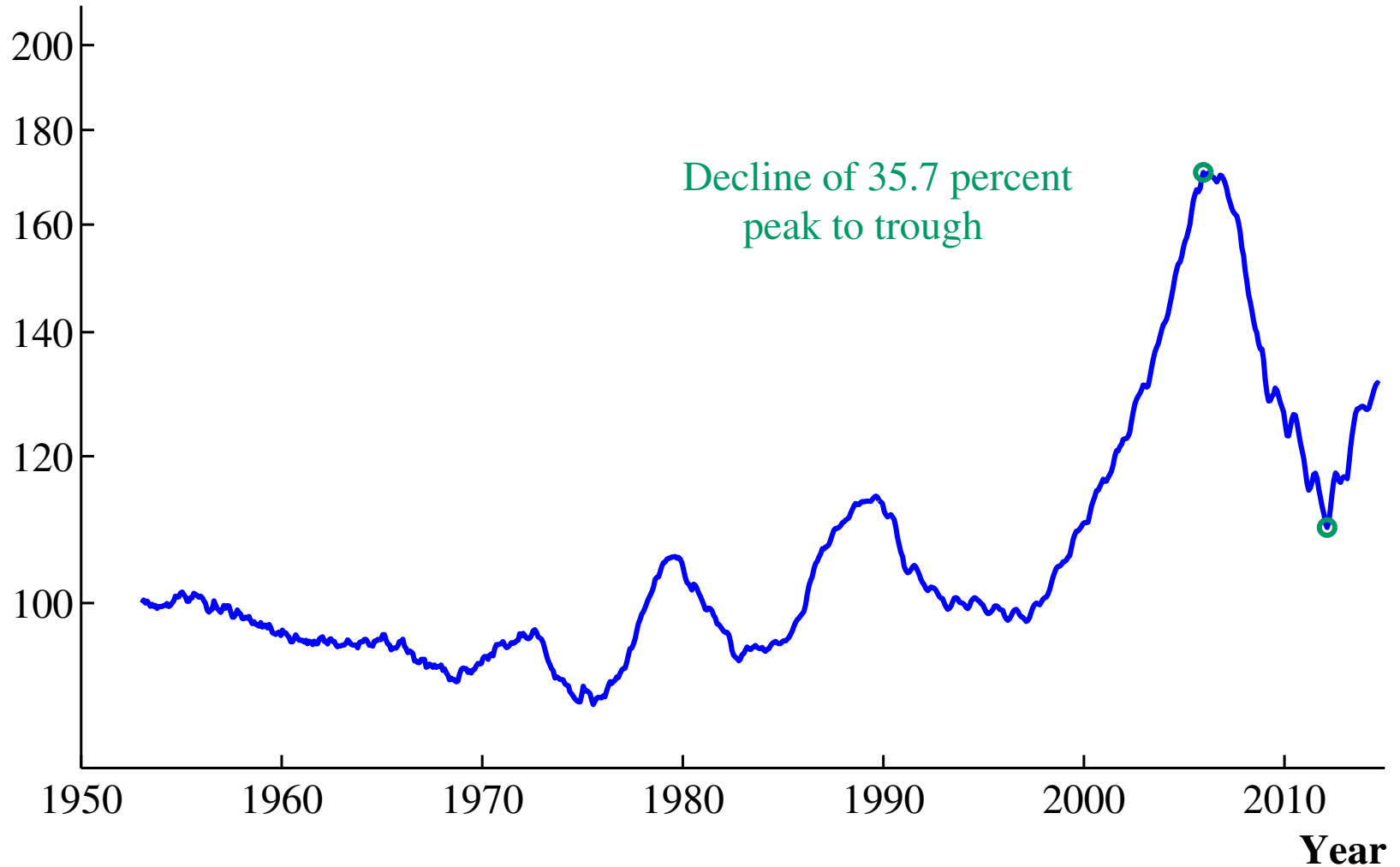
Bubbles in the stock market?

P/E Ratio



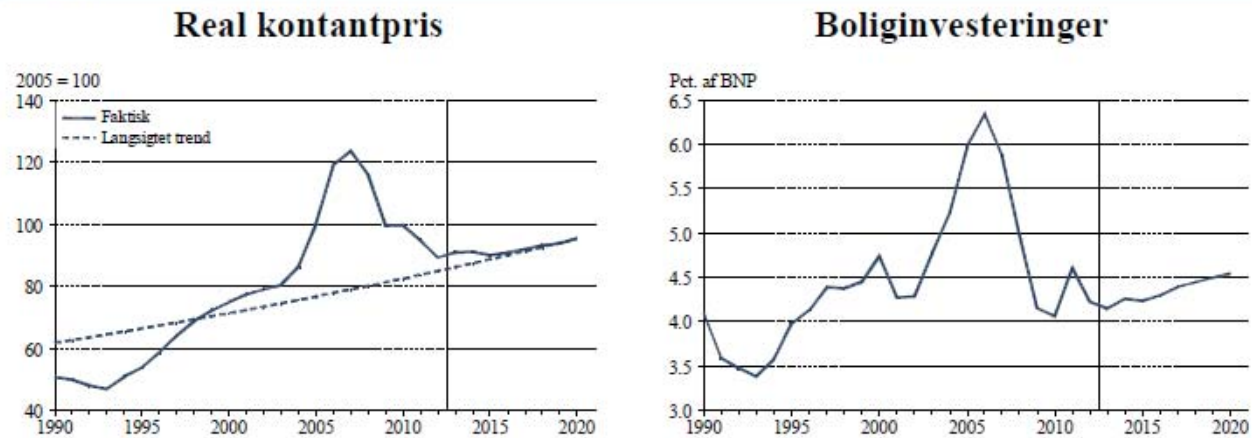
Bubbles in housing prices?

Real Home Price Index (1953=100, ratio scale)



Source: Robert Shiller, <http://www.econ.yale.edu/~shiller/data.htm>

Figur I.8 Boligmarkedet



Anm.: Boliginvesteringerne er opgjort i faste priser.

Kilde: Danmarks Statistik, ADAM's databank og egne beregninger.

G.B. Eggertsson and Paul Krugman: Debt, Deleveraging, and the Liquidity Trap, WP, Feb. 14, 2011.

Table 1: Household debt as % of disposable personal income

	2000	2008
US	96	128
UK	105	160
Spain	69	130

Source: McKinsey Global Institute (2010)

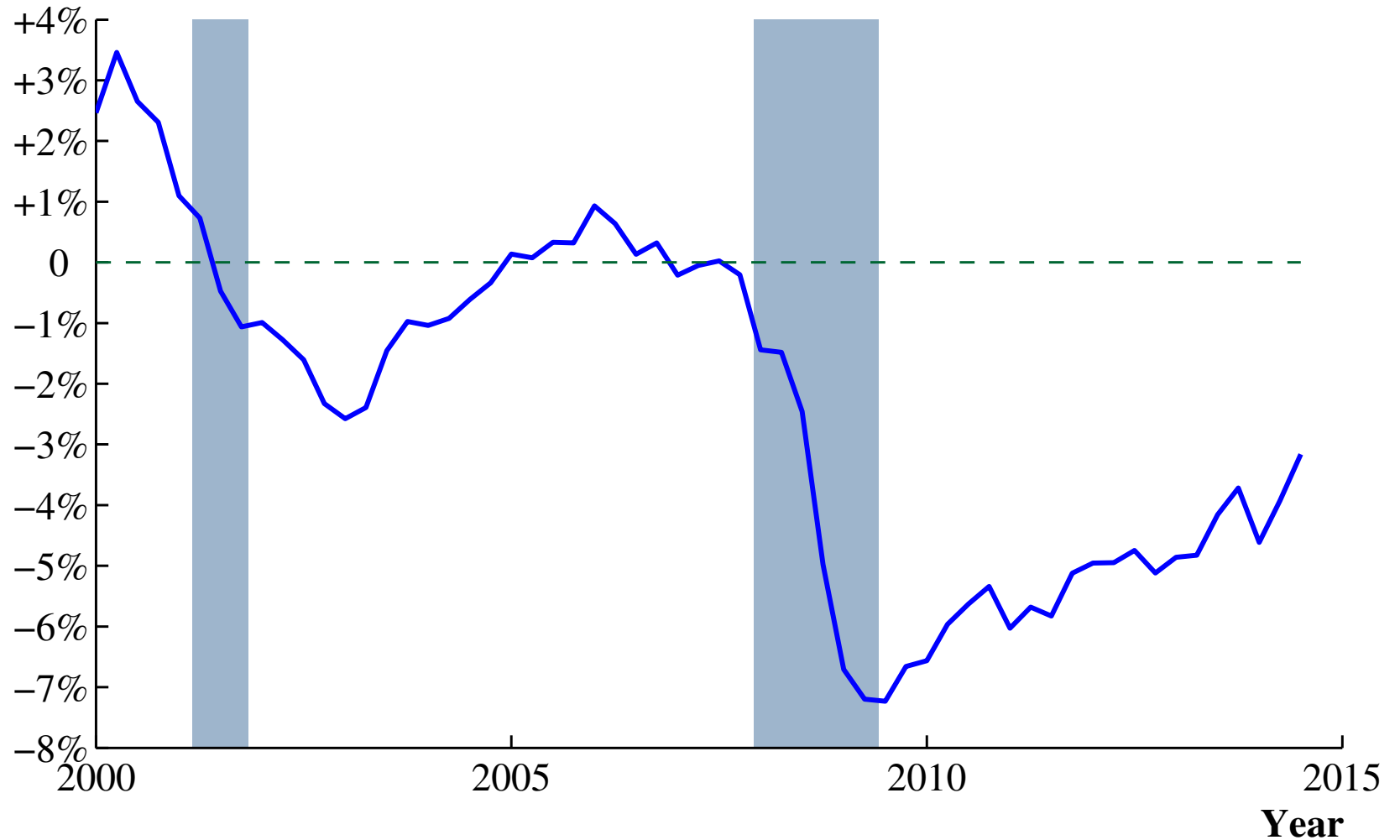
Table 3: A Hypothetical Bank's Balance Sheet (billions of dollars)

Assets		Liabilities	
Loans	1000	Deposits	1000
Investments	900	Short-Term Debt	400
Cash and reserves	100	Long-Term Debt	400
<i>Total Assets:</i>	2000	<i>Total Liabilities:</i>	1800
		<i>Equity (net worth)</i>	200

Note: The net worth of a company is the difference between its total assets and its total liabilities. Because net worth is usually small relative to assets, a modest decline in the value of assets can render a company bankrupt.

Fig 10.7: U.S. Economic Fluctuations since 2000

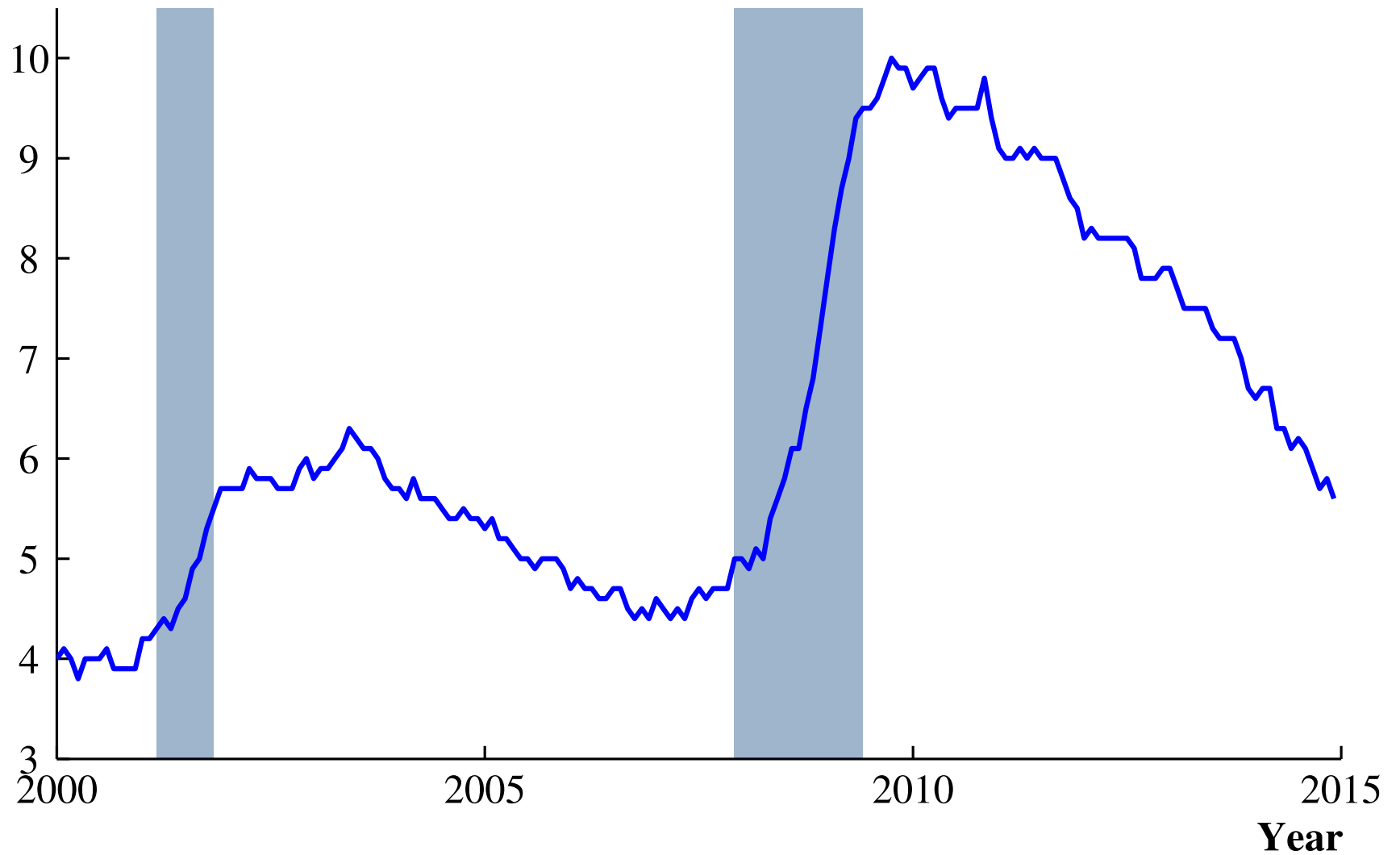
Short-run output, Y_{tild}



Source: Federal Reserve Economic Data

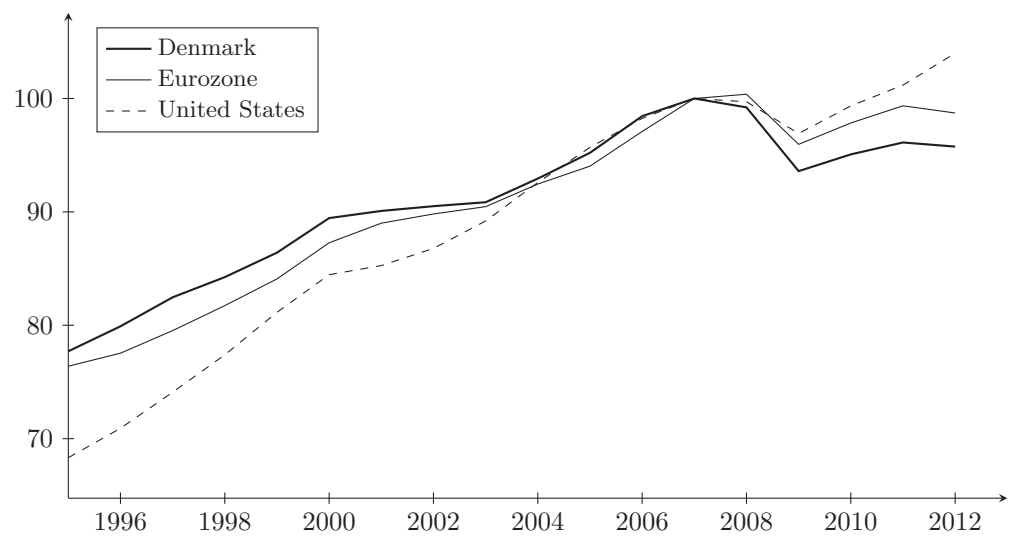
Fig 10.8: U.S. Unemployment Rate

Percent

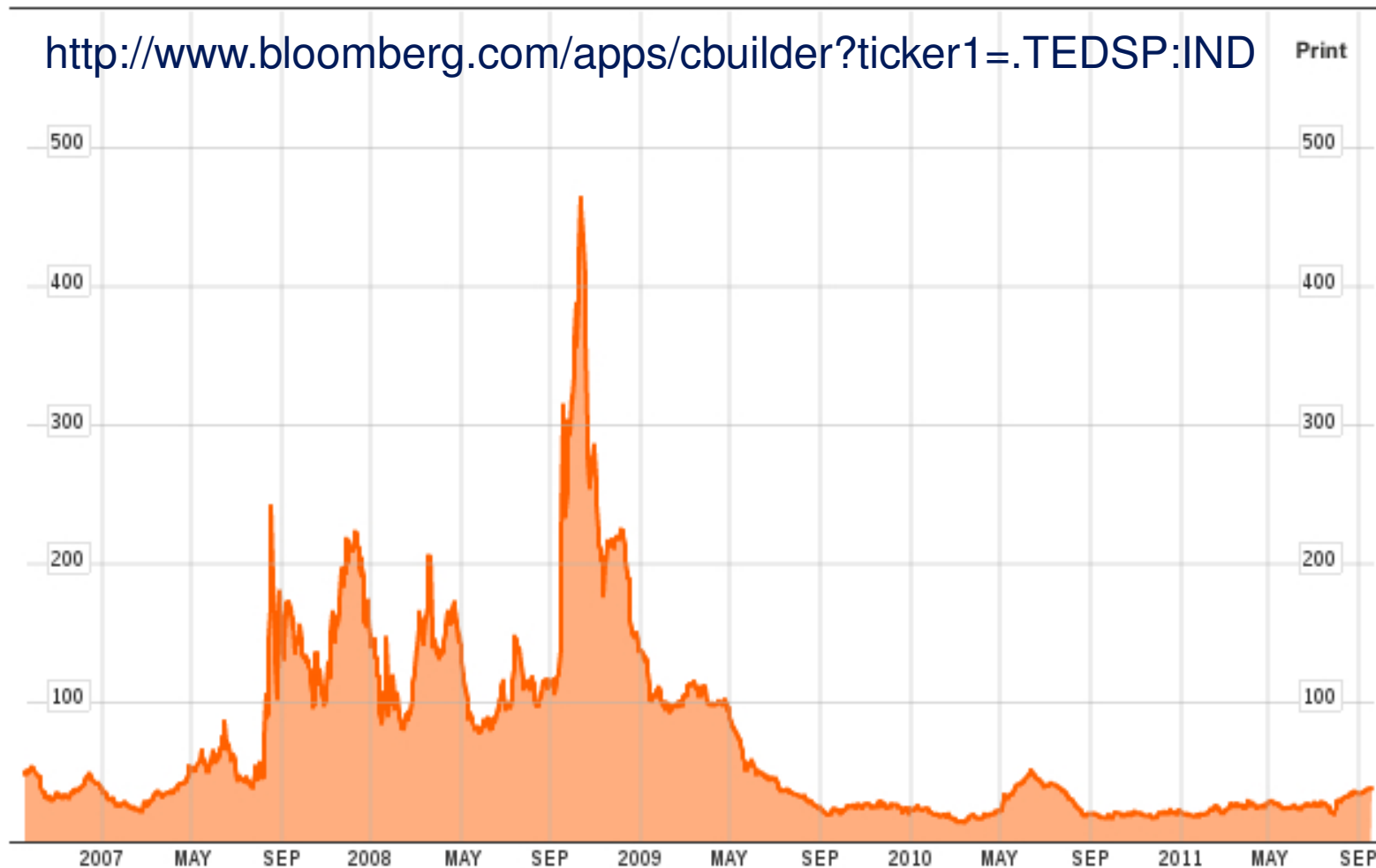


Source: Federal Reserve Economic Data

GDP. Denmark, Eurozone, and the US.



Risk spreads in interbank lending



TED Spread: difference between the 3-month LIBOR rate and the 3-month U.S. treasury yield

Dropping the Fed Funds rate to zero

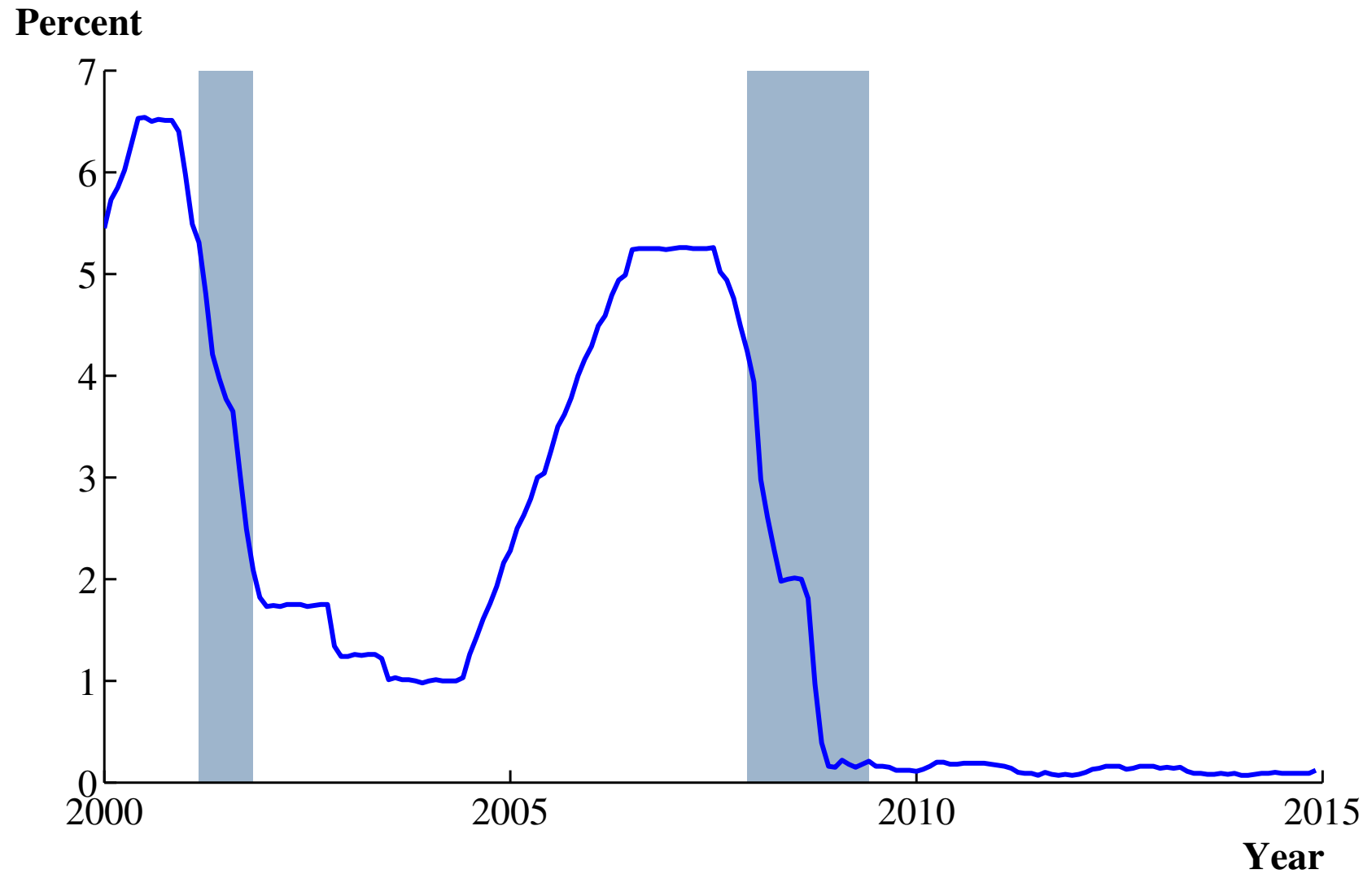


Fig 14.1: Ten Year Bond Spreads

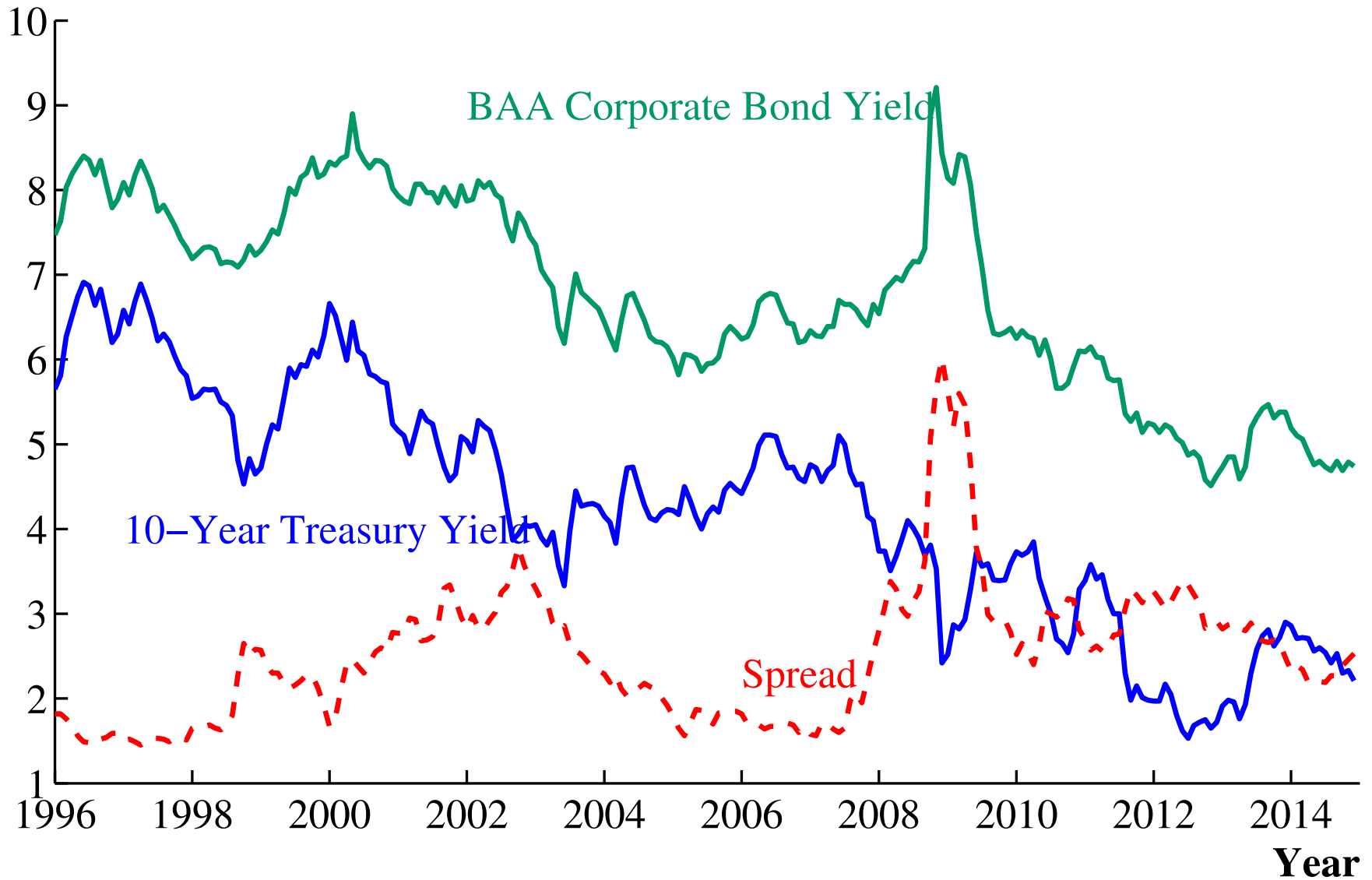
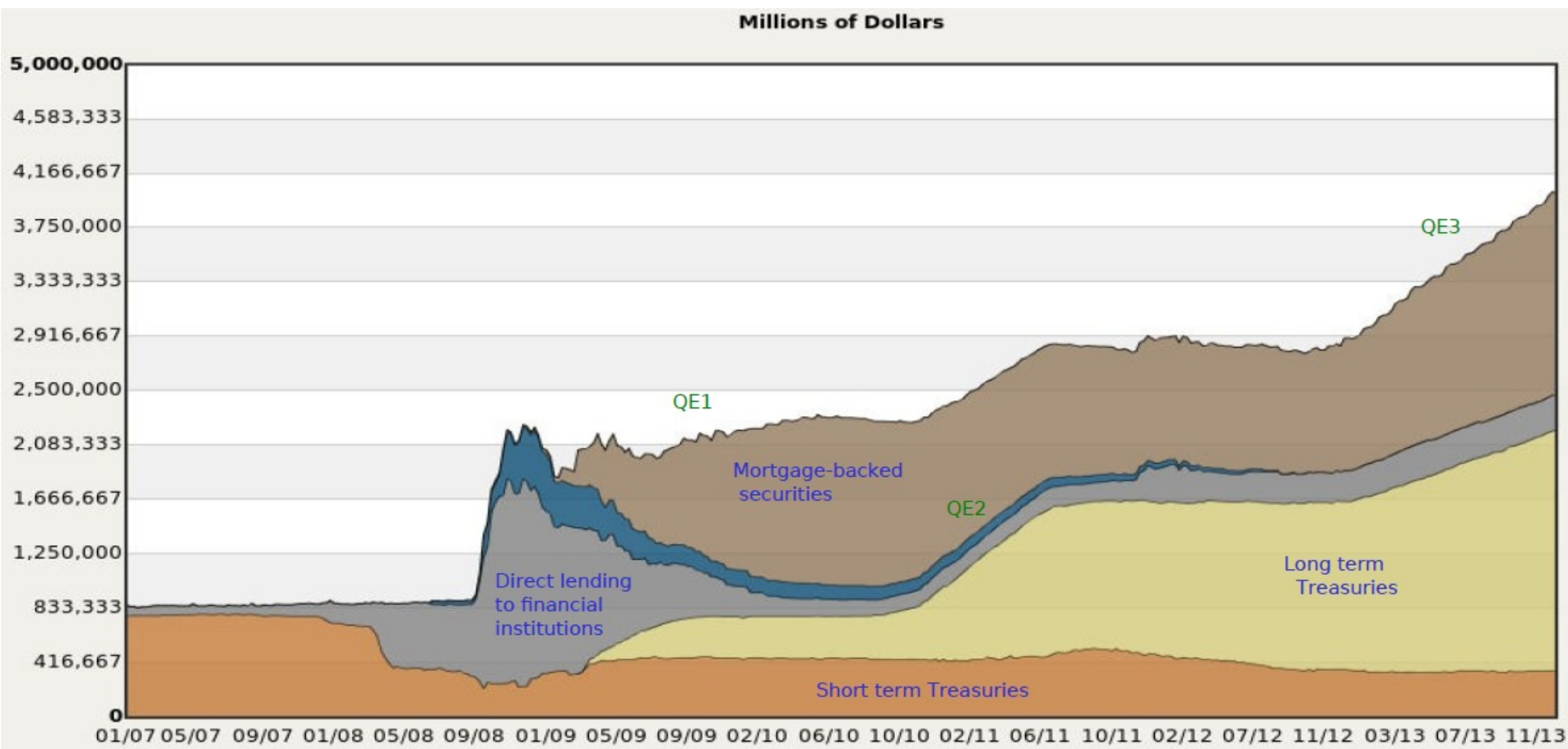


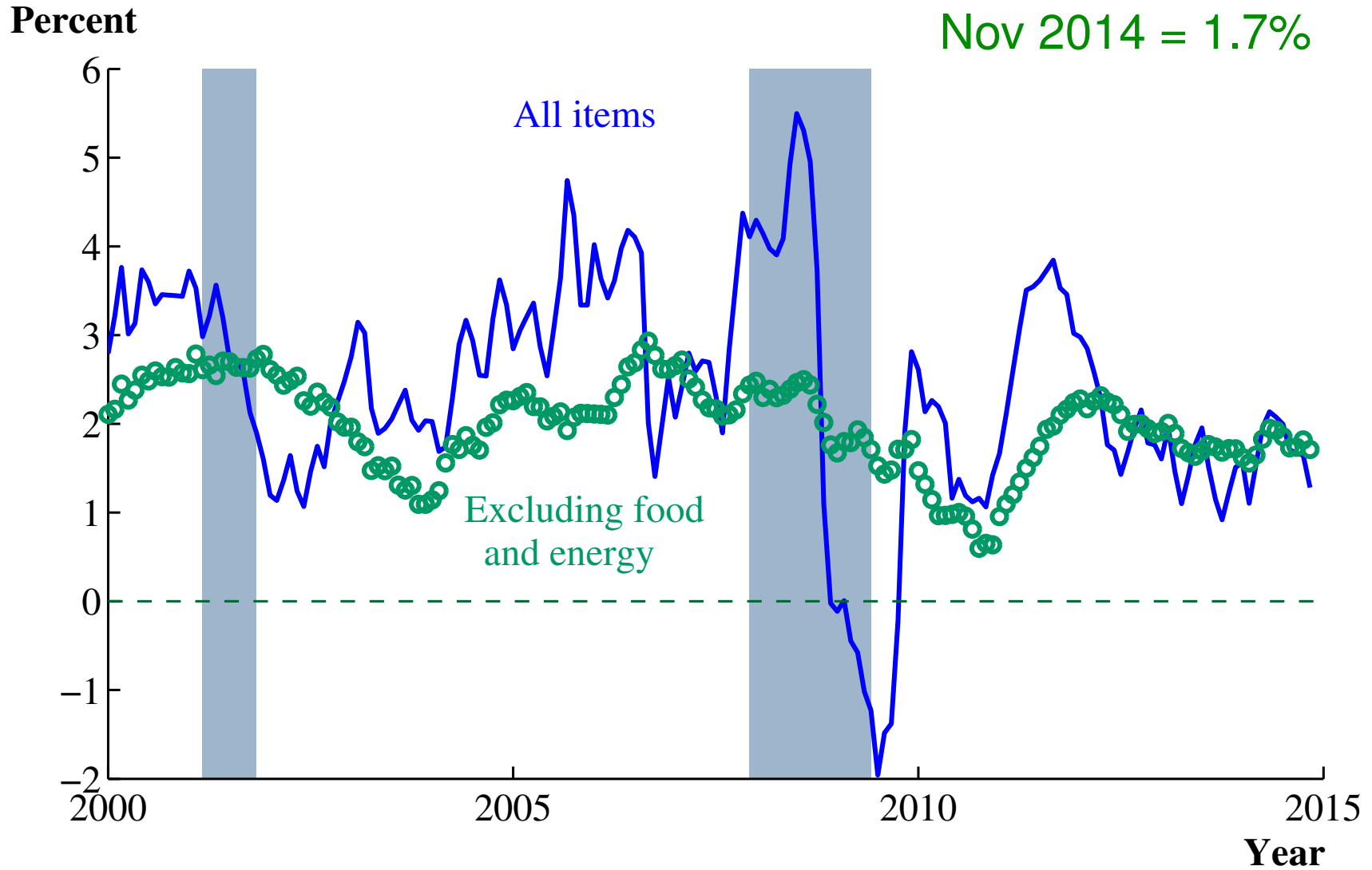
Fig 14.8: The Fed's Use of Unconventional Policies



Source: http://www.clevelandfed.org/research/data/credit_easing/index.cfm

Fig 10.10: Inflation in the U.S.

Dec 2007 = 2.4%
Dec 2010 = 0.6%
Nov 2014 = 1.7%



Source: Federal Reserve Economic Data

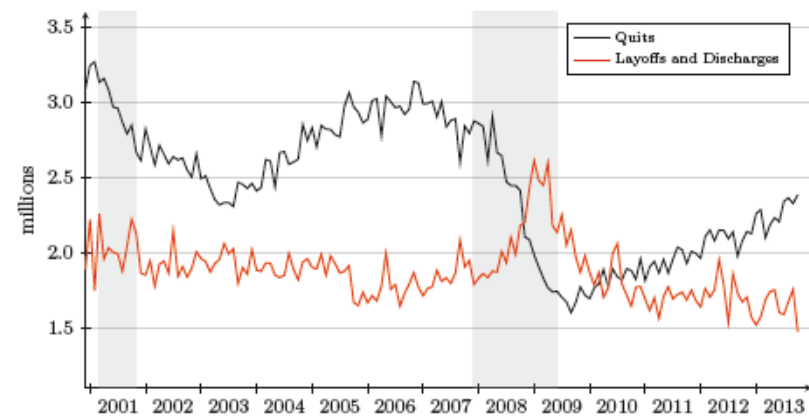


Figure 28.3: Quits and layoffs and discharges (seasonally adjusted). USA December 2000 - October 2013. Recessions according to NBER in gray. Source: Bureau of Labor Statistics.