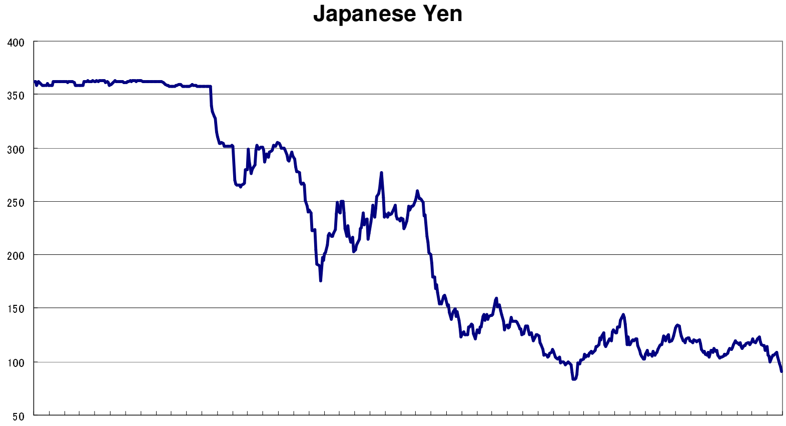
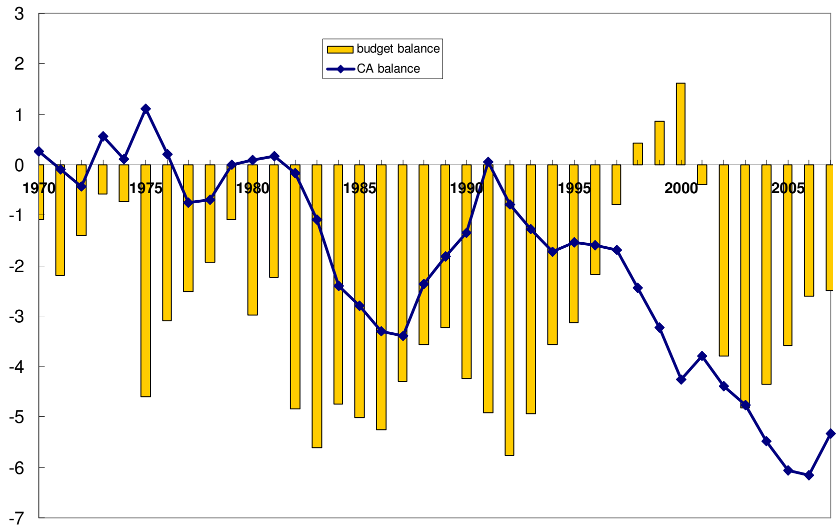
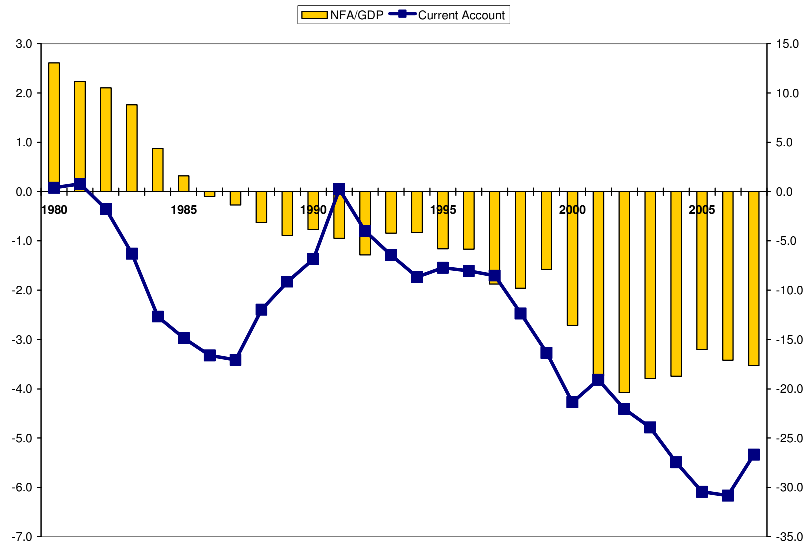
The World Economy since the 1980s



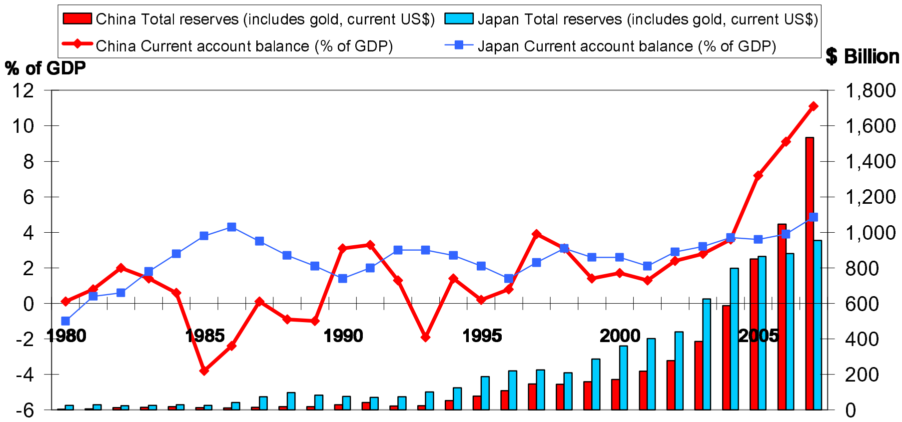
US Budget Balances and Current Account Balances as a ratio to GDP, 1970 - 2007



U.S. CAB and Net External Foreign Asset, 1980 – 2007



CAB and IR Holdings of China and Japan, 1980 - 2007



Arguments against Japan in the early 1980s

- **Japan** is the *biggest contributor* to U.S. CA deficit
- **Japan** *manipulates its currency value* and maintain it at *undervalued* values, so that it can keep *dumping exports* to U.S. markets
- **Japan** *needs to change its currency policy* and *revalue* the currency. Otherwise, it deserves some trade sanctions. Also,
- **Japan's** *financial markets are underdeveloped and closed. Therefore,* its enormous saving is not *recycled within the country (or the region), but keeps flowing to the U.S.* Therefore,
- **Japan** *needs to liberalize its financial markets*, so that
- **Japan's** *excessively high levels of saving* will come down and be effectively used locally.

Arguments against China in the 2000s

- **China** is the *biggest contributor* to U.S. CA deficit
- **China** *manipulates its currency value* and maintain it at *undervalued* values, so that it can keep *dumping exports* to U.S. markets
- **China** *needs to change its currency policy* and *revalue* the currency. Otherwise, it deserves some trade sanctions. Also,
- **China's** *financial markets are underdeveloped and closed. Therefore,* its enormous saving is not *recycled within the country (or the region), but keeps flowing to the U.S.* Therefore,
- **China** *needs to liberalize its financial markets*, so that
- **China's** *excessively high levels of saving* will come down and be effectively used locally.