Index

9/11 terrorist attacks 72
Akaike information criterion (AIC) 142
ASEAN 106, 137
ASEAN + 1 100, 101, 105
ASEAN + 3 100, 101, 105, 137
Asian Development Bank 3
Asian financial crisis (1997–8) 49, 141–3
auto-adjustment mechanism 39
autoregressive-distributed lag model 80
Bank of England 30, 32, 40
Bank for International Settlements (BIS) 5, 40, 81
Basel accords 15, 212
Brazil 34, 40, 49
Bretton Woods monetary agreement 38
bullwhip effect 89–91
capital adequacy 20–21, 24
capital insurance policy 21
capital performance 50–51
Czech Republic 56, 57
Hungary 52, 53
Japan 60, 61
Morocco 54, 55
Tunisia 58, 59
Caribbean 34
central banks 38, 198
China 40
Taiwan 5, 8, 12, 16, 23
United States 197
‘Chimerica’ 36
China 29–30, 41, 45, 149–62
bank credit 157
budget-deficit-to-GDP ratio 157
capital output ratio 154
Central Bank 40
central government finances 157
Chinese yuan (renminbi) currency bloc 41
commercial bank credit 157
consumer price index 149
deflation 156
‘dollar trap’ 160
domestic demand 43
economic growth rate 34, 131
Eleventh Five-Year Plan 42–3
energy crisis and the economy 194, 198
equilibrium between aggregate demand and supply 152–4
excess-demand-gap-to-GDP ratio 153–4
export demand 155–6
export dependency 149, 150
‘export overshooting’ 69, 71, 72, 73–4, 76, 77, 79
exports decline 149–50
exports and investment growth rates 150
exports-to-GDP ratio 150
fixed asset investment (FAI) 150–54
foreign exchange reserves 160–61
GDP components (2000–2020) 42
GDP growth rate 149–50
growth pattern, features of 150–56
incremental capital-output ratio 159
inflation 155–6, 160–61
infrastructure investment 159
interest rates 159–60
investment rates 151–2, 158
Lehman Brothers bankruptcy 149
liquidity 158, 160
local government 157
Ministry of Finance 157
monetary expansion 157–60
The impact of the economic crisis on East Asia

National Development and Reform Commission (NDRC) 157
Open-Door Policy reform 34
overcapacity 150, 151–6, 158
overheating 151–6
People’s Bank of China (PBOC) 157–8
People’s Congress 156–7
Producer Price Index 149
rebalancing of economy 160–61
share of current account surplus in GDP 156
shares of world industrial output (1800–1900) 32
State Council 157
steel production capacity 154–5
Stimulus Package 156–7, 158–60
and Taiwanese imports 12
Tenth Five-Year Plan 42
and US Treasury securities 34, 36, 160–61
world nominal gross domestic income (GDI) shares 35
world shares of trade amounts and export amounts 35
climate change/global warming 190–91, 200
Cobb–Douglas production function 173
consumer price index 149
Crédit Agricole du Maroc SA (Morocco) 52–4, 55
credit-rating agencies 14
crowding-out effects 174, 184, 187
currency composition of official foreign exchange reserves (COFER) 41
Czech Republic 48, 54–7, 62
debt-smoothing model 170–71
deflation 156
demand, worldwide 71, 81
democratic capitalism’ 117–18
dollar trap’ 160
dot-com crisis 72–3, 77, 166, 197
earnings performance 50–51
Czech Republic 56, 57
Hungary 52, 53
Japan 60, 61
Morocco 54, 55
Tunisia 58, 59
emerging Asia shock and vector autoregression (VAR) technique 141–5
endogeneity problem 80
energy crisis and the economy 190–203
Cambridge Energy Research Associates (CERA) 199
climate change/global warming 190–91, 200
coping strategies 201–203
Easter Island 200
Energy Information Administration (EIA) (United States) 199
energy intensities of selected countries 195
energy prices 194
energy subsidies 203
energy tax or carbon tax 202, 203
fossil fuels 190–91, 194, 198, 200
government failure 196–7
‘green’ energy industry development in Taiwan 102, 103, 105, 109–111
greenhouse gas emissions 191, 196, 200
Hartwick rule 202
Hotelling rent/rule 196, 201, 202
income effect 194–5
International Energy Agency (IEA) 193, 198–9
interplays between energy and financial crisis 196–8
Kyoto Protocol 191
Malthusian constraint 199–201, 203
market distortion 201
market failure 196–7, 201, 203
non-subsidization of energy use 202
‘oil crunch’ 199, 200–201
oil depletion 193–4, 195
oil and futures market 193
oil and lead time 193
oil prices 190, 191–3, 194–5, 196, 198–9
oil production 198–9, 200
oil shock 198
oil supply and demand 194–5
post-financial crisis challenge 198–9
Index

price distortion 196–7, 203
R&D subsidies 203
removal of caps on energy prices 202
scarcity of energy and natural resources 200–201
scarcity rent 202
supply and demand vs. speculative trading 191–3
error correction model 80–81, 82, 84, 86, 87, 88
European Union 4
direct impact of global financial crisis 132
economic growth 2008 and 2009 131
euro currency bloc 41
‘export overshooting’ 68, 71, 72, 74, 77, 78
finance ministers 21
sovereign debt problem 45
world nominal gross domestic income (GDI) shares 35
exchange rates 9, 39, 71, 81–2, 137–8, 145–6
‘export overshooting’ 67–92
Asian countries 86, 88
bullwhip effect 89–91
China 69, 71, 72, 73–4, 76, 77, 79
developed countries 87
endogeneity problem 80
error correction model 80–81, 82, 84, 86, 87, 88
European Union 68, 71, 72, 74, 77, 78
exchange rate volatility 81–2
export growth 68–9
foreign direct investment 75–7
Forrester effect on demand variability 88–9
fundamental factors 71
growth rates of exports by country 71
growth rates of GDP for OECD, non-OECD and world 70
ICT 73
impact of economic crisis on exports 72–5
impacts, variation in timing and duration of across countries 78–9
Indonesia 69, 71, 72, 79
industry structures 75–7
Japan 68, 71, 72, 73, 74, 77, 78
Korea 68, 71, 73, 77, 78
Malaysia 69, 71, 72, 73, 77, 79
non-OECD countries 85–6
number of months for export contraction to bottom out 87
OECD countries 85–6
outsourcing 75–7
persistence problem 80
Philippines 69, 71, 72, 73, 79
Singapore 68, 71, 72, 73, 77, 78
Taiwan 68–9, 70–71, 72, 73, 74, 75–7, 78
Thailand 69, 71, 72, 79
United States 68, 71, 72, 73, 75, 77, 78, 81
variable statistics and definition 83
Vietnam 79
‘wealth effect’ 73

Federal Deposit Insurance Corporation (FDIC) 38
Federal Reserve System (Fed) (United States) 3, 16, 20, 198
financial crisis (2000–02) 72, 74, 85, 89
fiscal discipline 165–88
debt as percentage of GDP in United States and United Kingdom 165
debt-smoothing model 170–71
debt-to-GDP ratio 169, 171, 178, 187
debt-to-output ratio 167–8, 172, 181, 187–8
distortionary taxation 168–9
dynamic general equilibrium model of tax policy 169, 188
dynamic recursive stochastic equilibrium model 169
equilibrium solutions 172–3
expansionary monetary or fiscal policy 166–7
fiscal capacities, initial 178–81
fiscal expansions 168
fiscal initial capacity 187
fiscal policy 169, 171, 188
fiscal policy options 174–8, 184
government – fiscal policy specification 171–2
government debt yield curve 167

government spending increase and
decrease in both tax rates 174,
177, 178, 181, 182, 184, 186

government spending increase only
174, 175, 178, 179, 181, 183

labor tax rate decrease only 174,
176, 178, 180, 181, 184, 185

lump-sum finance 168

managed debt policy 172

policy implications 184–7

regimes 181–4, 187

stimulus packages 184, 187–8

strong fiscal position 178, 181, 187,
188

transition probabilities 171–2, 178,
188

United States 137

federal funds rates 166

House Price Index 167

weak fiscal position 178, 181, 187,
188

foreign direct investment 5–6, 8, 75–7,
81, 82, 137

Forrester effect on demand variability
88–9

fossil fuels 190–91, 194, 198, 200

France 31, 32

G7 countries 40

G20 countries 4, 40

Germany 31, 32, 35, 146

Gini coefficient for income distribution
121–2

global deleveraging 145

global imbalances 29

global monetary and financial systems,
prevention of collapse of 42–5
‘global saving glut’ 13

global shock and vector autoregression
(VAR) technique 141–5

gold standard 30–32

system demise 32, 37–40

Goldman Sachs 15

government-owned banks and
de-privatization 47–62

Crédit Agricole du Maroc SA
(Morocco) 52–4, 55

Investiční a Poštovní Banka AS
(Czech Republic) 54–7

Kereskedelmi & Hitelbank RT
(Hungary) 50–52, 53

Mitsubishi UFJ Financial Group
(Japan) 60–62

Société Tunisienne de Banque
(Tunisia) 57–9

Greece 4, 37

greenhouse gas emissions 191, 196, 200

Greenspan, Alan 13, 127

Gulf Cooperation Council 40

Hartwick rule 202

Hong Kong 7, 8, 23, 131

Hotelling rent/rule 196, 201, 202

Hungary 48, 50–52, 53, 62, 184

Iceland 3

India 32, 131

Indonesia 131

‘export overshooting’ 69, 71, 72, 79

inflation 155–6, 160–61

interest rates 11, 159–60, 166, 173,
174

International Monetary Fund 3–4, 40,
45, 121

intra-regional trading increase 41–2

Investiční a Poštovní Banka AS (Czech
Republic) 54–7

Ireland 4

Italy 32

Japan 11, 48, 62, 131–48

alternative measures of real effective
exchange rate of the yen
137–8

Bank of 133

capital equipment exports 134–6,
137, 145

cleaner durables exports 134–6,
137, 145

contributions to real GDP growth
141

direct impact of global financial
crisis 132

domestic demand 146

economic growth 131

‘export overshooting’ 68, 71, 72, 73,
74, 77, 78

exports 145

exports by destination 138
Index

exports decline 134–6
exports, imports, net exports and trade openness 140
exports to emerging Asia by product category 135–6
exports to United States by product category 135–6
exports to western Europe by product category 135, 136
exports-to-GDP ratio 139, 145, 146
Financial Product Exchange Act 17
free trade arrangement 146
growth rates of GDP and its components 133
immigration policy 146
impulse responses of GDP 143
incremental capital-output ratio 159
industrial production 134
industrial structure 136, 137–40
industrial supplies exports 134–5, 137, 145
intra-regional foreign direct investment 137
intra-regional trade 137, 145
Lehman Brothers shock 133, 134
manufacturing production 134
Mitsubishi UFJ Financial Group 60–62
negative terms of trade shock (2008) 132, 133
non-tradable goods 138, 139, 145, 146
real effective exchange rate 145–6
shares of world industrial output (1800–1900) 32
shock and vector autoregression (VAR) technique 141–5
stock prices decline 133
structural change 140–45
‘toxic’ assets 132
tradable goods 138, 139, 146
trade openness increase 146
trade structure 136, 137
and US Treasury securities 34
variance decomposition of GDP 144
world nominal gross domestic income (GDI) shares 35
world shares of trade amounts and export amounts 35
Kereskedelmi & Hitelbank RT (Hungary) 50–52, 53
key performance indicators (KPIs) 106–108, 111, 112
Keynes, J.M. 43
Korea 11, 115–29
Bankruptcy Prevention Accord 121
business spending 126
capital account liberalization 120
Capital Market Integration Act 17
chaebols 120–21
collateralized debt obligations (CDOs) 116–17
‘democratic capitalism’ 117–18
deregulation 120, 126–8
economic growth 2008 and 2009 131
exchange rate fluctuations 9
‘export overshooting’ 68, 71, 73, 77, 78
financial industry’s value added/GDP ratio 125
financial transparency, lack of 120
Gini coefficient for income distribution 121–2
household and corporate sector borrowing 123–4
human resources and education 126
leverage ratio (borrowings/GDP) by private sector 124
leverage-driven speculation 116–17
liquidity 125
market confidence loss 120
mortgage-backed derivatives 119
predatory lending practices 116–17
price/earnings (P/E) ratio 8
regulation 127
restructuring measures 121
savings and spending and income distribution imbalances 117–19
skilled labour shortage 126
state-led growth strategy 120
stock exchange index (Kospi) 7
structural reform 125
subprime mortgage crisis 116–17
‘supercapitalism’ 118, 122
Kyoto Protocol 191
Lehman Brothers bankruptcy 149
Japan 133, 134
Taiwan 6–7, 18, 19
The impact of the economic crisis on East Asia

liquidity performance 50–51
Czech Republic 56, 57
Hungary 52, 53
Japan 60, 61
Morocco 54, 55
Tunisia 58, 59

Malaysia 131
‘export overshooting’ 69, 71, 72, 73, 77, 79

Malthusian constraint 199–201, 203
management performance 50–51
Czech Republic 56, 57
Hungary 52, 53
Japan 60, 61
Morocco 54, 55
Tunisia 58, 59
mark-to-historic cost rule 15
mark-to-market accounting rule 15, 21

Markov process 169
mergers and acquisitions 36, 48
Mexico 198
Mitsubishi UFJ Financial Group
(Japan) 60–62
Morgan Stanley 15
Morocco 48, 52–4, 55, 62
Mundell, Robert 45

Nigeria 49
non-OECD countries and ‘export overshooting’ 85–6
nonlinear second-order stochastic difference equation 173

North American Free Trade Agreement (NAFTA) 100

Obama administration 14, 19
financial reform plan 4, 16, 18
oil exporters and US Treasury securities 34
prices 41
see also energy crisis and the economy

Organization for Economic Cooperation and Development (OECD) countries 49, 85–6, 198
originate and distribute model 14
originate and hold model 14
Pakistan 32
panel data regression techniques 80
periodic ordering 89
persistence problem 80
Philippines and ‘export overshooting’ 69, 71, 72, 73, 79
policy role hypothesis 48
Portugal 37
price/earnings (P/E) ratio 7–8
privately owned banks 49
privatization effect 49
Producer Price Index 149
pseudo wealth effect 194, 197
quasi-gold standard 38
rationing 89
reversion 171
Russia 32, 34
S&L debacle 13
securitization 13–15
Singapore 137
economic growth 2008 and 2009 131
exchange rate fluctuations 9
‘export overshooting’ 68, 71, 72, 73, 77, 78
price/earnings (P/E) ratio 8
stock exchange index (Straits Times) 7
and Taiwan 23
Société Tunisienne de Banque
(Tunisia) 57–9
Spain 37
special drawing rights (SDR) mechanism 45, 161
special sales promotion 89
standard log-utility function 173
steady-state level 184, 187
stimulus packages 156–7, 158–60, 184, 187–8
stress tests 20–21
‘supercapitalism’ 118, 122
Taiwan 3–26, 94–113, 137
agriculture 96
see also high value-added agriculture below
bank loans-to-deposits ratio 10
Banking Act 16–17
biotechnology industry (Diamond Promotion Plan) 102, 103, 105
bonus system 20
brand development 111
capital adequacy 20–21, 24
capped energy prices 194
causes of global financial crisis 12–15
Central Bank 5, 8, 12, 16, 23
cross-industry integration 111–12
cross-strait collaboration with China 12, 112–13
cultural and creative industry 102, 104, 105
deposits and interest rates 11
disclosure 20
discount rate reduction 12
distribution channel development 111
diversification 111–12
economic contribution rate by individual industries 96
economic cooperation framework agreement (ECFA) 100, 101–102, 104–105, 108, 109
economic growth 2008 and 2009 131
electronics industry 95–6
emerging markets development 112
exchange rate fluctuations 9
executive compensation 19–20
Executive Yuan (Cabinet) 8, 10, 11
see also Financial Supervisory Commission below
‘export overshooting’ 68–9, 70–1, 72, 73, 74, 75–7, 78
export performance 94
exports 75–7
exports decline 11–12, 96
exports and economic growth 12
financial institutions 23
Financial Services Act 17
Financial Supervisory Commission (FSC) 5, 6, 16–17, 18, 21
fiscal policy 97, 99, 109
foreign direct and portfolio investments 5–6, 8
full deposit insurance policy lifting 10–11
globalization 23
government-controlled banks 9–10, 21–3
‘green’ energy industry development 102, 103, 105, 109–111
healthcare (Healthcare Industry Upgrading Plan) 102, 103, 105
high-value-added agriculture 102, 103, 105
‘i-Taiwan 12 Projects’ initiative 99–100, 104
ICT sector 6, 12, 23, 96, 109–111
impact of crisis on industrial structure and overall economy 95–7
industry and universities, strengthening communication with 108
infrastructure investment 109–111
innovation 111
Insurance Act 16–17
intermediate goods 98
Investor Protection Center 18–19
investor protection and securitized assets 17–19, 24
IT sector 95–6
key performance indicators (KPIs) 106–108, 111, 112
Legislative Yuan 21
Lehman Brothers bankruptcy 6–7
manufacturing sector 95, 96
medium- and long-term policies 100–101, 104, 109
metallurgical industry 96
mining 96
Ministry of Finance 5
Ministry of Foreign Affairs 99
monetary policy 97, 99, 109
original equipment manufacturing and original design manufacturing 97
overseas assets decline 6–7
price/earnings (P/E) ratio 7–8
regulatory integration 16–17
research & development 111
restructuring 111
'saving glut' 6
Securities and Exchange Act 16–17, 19
Securities Investment Trust and Consulting Act 19
Securities Investor and Futures Trade Protection Act 19
securitizations regulation 7
semiconductor (DRAM) industry 97
service sector 96, 97, 108, 112, 113
short-term policies 99–100, 104, 109
six Flagship industries plan 102–104, 105–108, 109, 112
'soft' infrastructure (education and HR development) 109–111
Stock Exchange (Taiex) index 5, 7–8
TFT-LCD panel industry 97
'Three Supports Policy' initiative 8–10
tourism industry promotion 102, 103–104, 105
'toxic' assets 6
transparency 20, 21
Trust Act 19
and United States market 12
zombie banks 22
Thailand 131
‘export overshooting’ 69, 71, 72, 79
thirty year Treasury yield 167
‘toxic’ assets 6, 14, 132
Tunisia 48, 57–9, 62
United Kingdom 3, 40
debt as percentage of GDP 165
economic growth 2008 and 2009 131
economic strength, decline of 31
and gold standard 30–32
shares of world industrial output (1800–1900) 32
and United States 36
and US Treasury securities 34
United States 29–30, 45
budget balance 33
capital share 173
Central bank 197
and China, relationship with 36, 42
Congressional Budget Office 33
debt as percentage of GDP 165
direct impact of global financial crisis 132
economic growth 2008 and 2009 131
economic strength, decline of 31
energy crisis and the economy 193, 194, 198
Energy Information Administration (EIA) 199
exchange rate with other countries 39
‘export overshooting’ 68, 71, 72, 73, 75, 77, 78, 81
Federal Deposit Insurance Corporation (FDIC) 38
federal funds rates 166
Federal Reserve System (Fed) 3, 16, 20, 198
fiscal deficit 33
fiscal discipline 137, 166, 167
Government Accountability Office 21
government spending ratio 174
House Price Index 167
House of Representatives 20
personal savings 43, 44
real interest rate 173
regulatory authorities 127
savings shortage 13
Securities and Exchange Commission 15, 20
shares of world industrial output (1800–1900) 32
and Taiwan imports 12
Treasury Department 20
Treasury Inflation Protected Securities 161
Treasury securities 33–4, 36, 41, 117, 160–61, 197
world nominal gross domestic income (GDI) shares 35
world shares of trade amounts and export amounts 35
see also US dollar
US dollar, perspective on 29–45
fall of the United States and rise of China 32–7
<table>
<thead>
<tr>
<th>Term</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>global monetary and financial systems, prevention of collapse</td>
<td>42–5</td>
</tr>
<tr>
<td>gold standard demise and dollar standard rise</td>
<td>37–40</td>
</tr>
<tr>
<td>intra-regional trading increase</td>
<td>41–2</td>
</tr>
<tr>
<td>United Kingdom and gold standard</td>
<td>30–32</td>
</tr>
<tr>
<td>vector autoregression (VAR) technique</td>
<td>140–45</td>
</tr>
<tr>
<td>Vietnam and ‘export overshooting’</td>
<td>79</td>
</tr>
<tr>
<td>‘wealth effects’</td>
<td>73, 174</td>
</tr>
<tr>
<td>world industrial output (1800–1900)</td>
<td>32</td>
</tr>
<tr>
<td>world nominal gross domestic income (GDI) shares</td>
<td>35</td>
</tr>
<tr>
<td>world shares of trade amounts and export amounts</td>
<td>35</td>
</tr>
<tr>
<td>World War I</td>
<td>31–2</td>
</tr>
<tr>
<td>Zhou Xiaochuan</td>
<td>45</td>
</tr>
<tr>
<td>zombie banks</td>
<td>5, 22</td>
</tr>
</tbody>
</table>