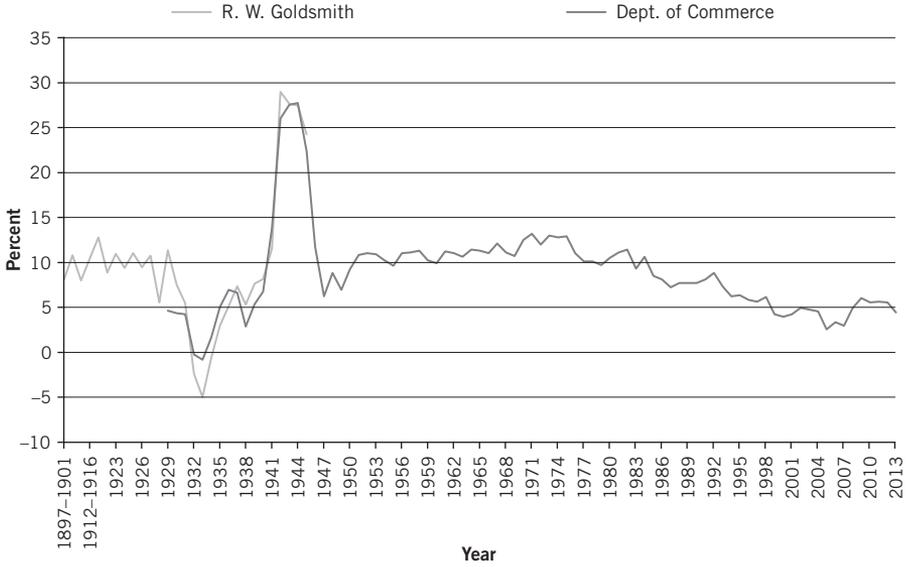


EXHIBITS

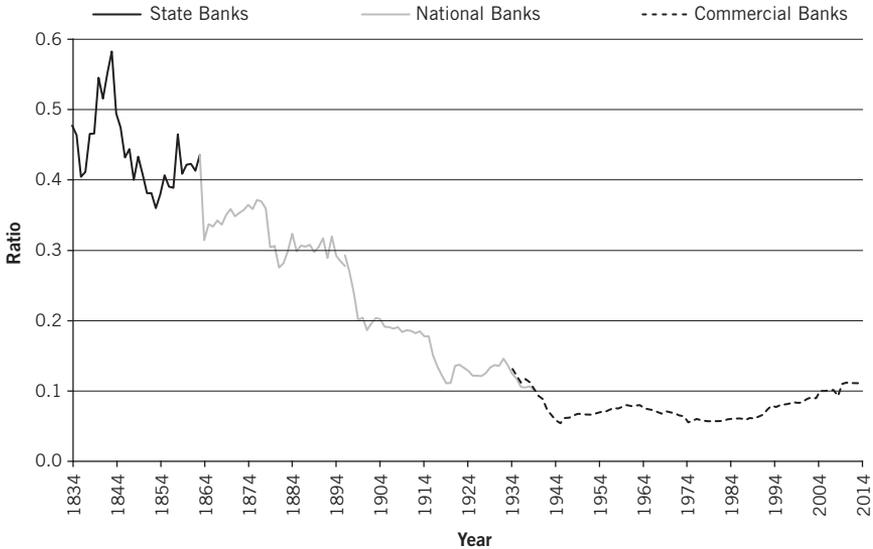
Exhibit 1.1
Personal Saving Rate, 1897–2013



Source: R. W. Goldsmith, "A Study of Saving in the United States" (1955); U.S. Department of Commerce.

Exhibit 2.1

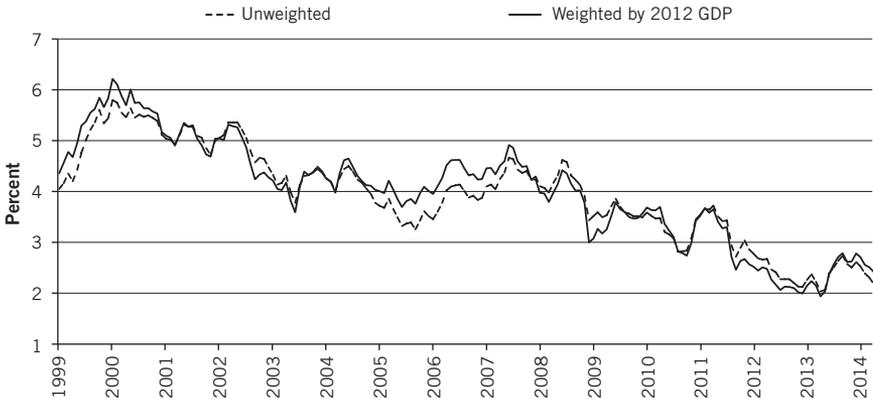
Ratio of Equity Capital to Assets in the Banking Sector, 1834–2013



Source: Federal Deposit Insurance Corporation; Office of the Comptroller of the Currency; Federal Reserve Board.

Exhibit 3.1

Nominal Yields on 10-Year Government Debt, Average for 15 Countries,* monthly

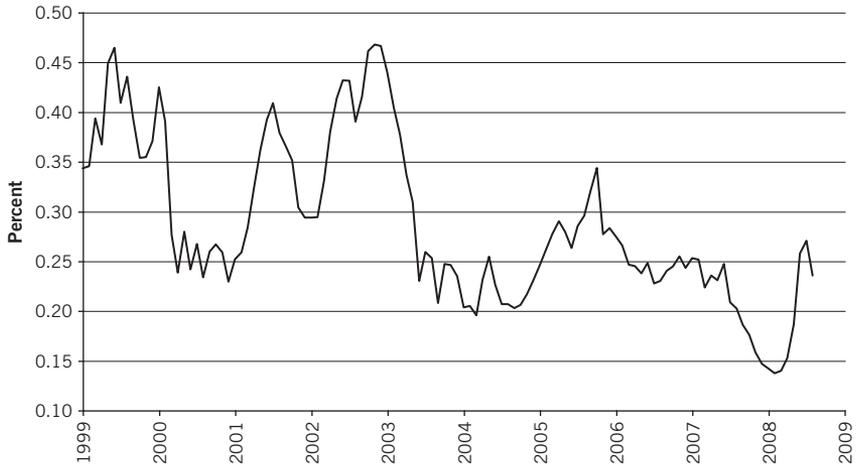


Source: Various official data sources.

*The countries are Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Exhibit 3.2

Variance of Interest Rates: 10-Year Government Debt in 15 Countries,* Monthly



Source: Various official data sources.

*The countries are Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States

Exhibit 3.3

Dependent Variable (Time Period: Jan. 1991–Dec. 2005, 180 obs.)

m/m %Δ in: CoreLogic Home Price Index (Seasonally Adjusted, Single Family Combined, Distressed Included)

Independent Variable(s)

Freddie Mac 30-Year Fixed-Rate Mortgage Rate, % p.a. (3 months ago)

Coefficient

-0.299

t-Statistic*

-8.637

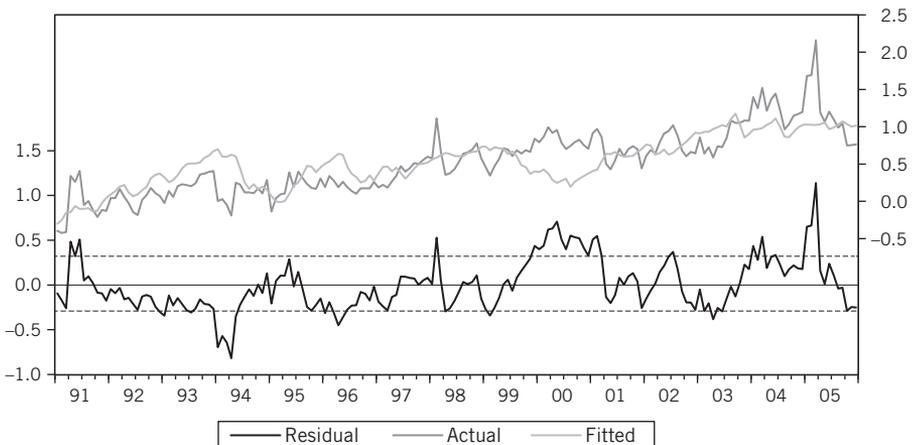
Adjusted R-sq

0.560

Durbin-Watson

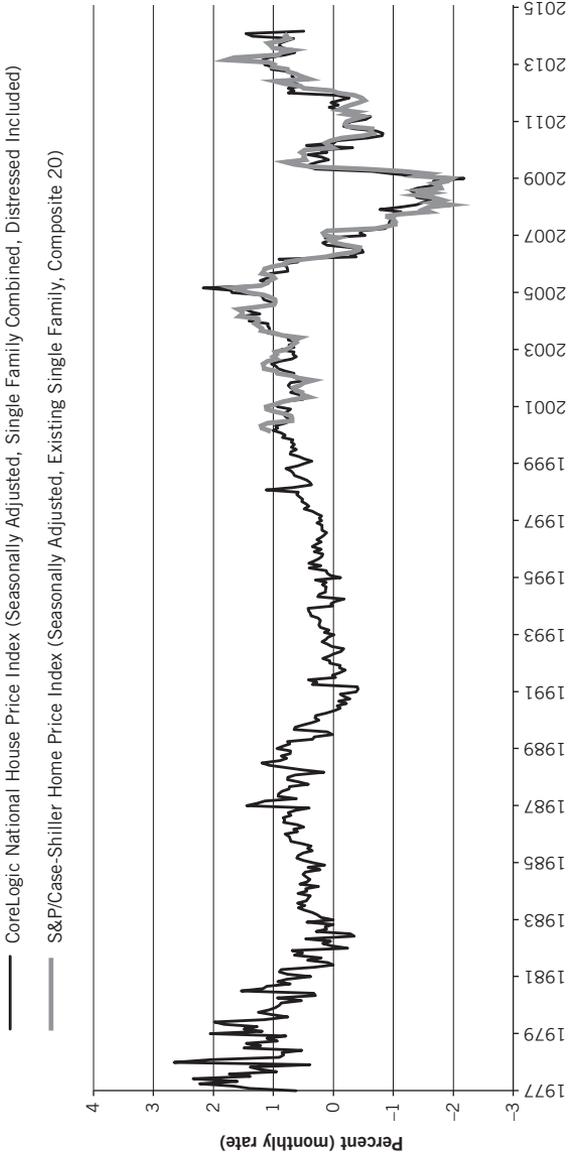
0.405

*t-statistic calculated using Newey-West HAC standard errors and covariance.



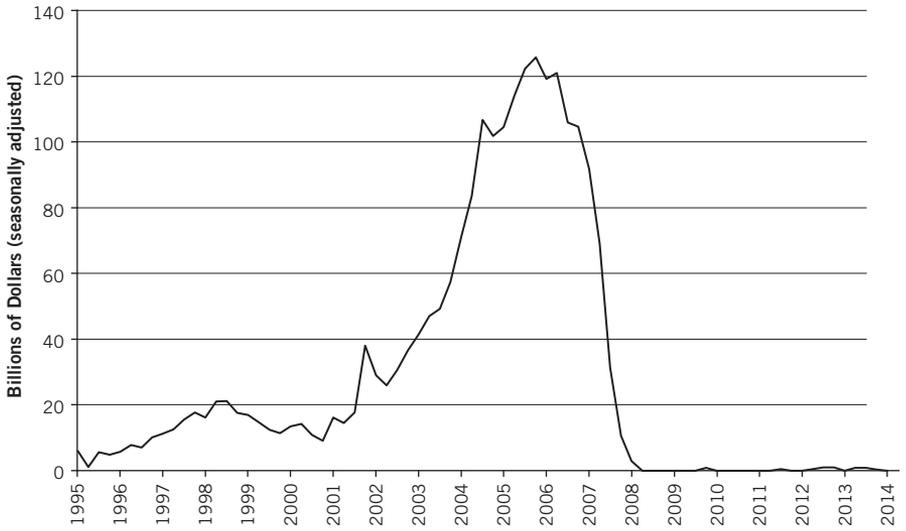
Source: Federal Home Loan Mortgage Corporation; CoreLogic.

Exhibit 3.4
Monthly Changes in Home Prices, January 1977–March 2014



Source: CoreLogic, S&P/Case-Shiller.

Exhibit 3.5
Issuance of Subprime Mortgage-Backed Securities, Q1 1995–Q1 2014



Source: Inside Mortgage Finance.

Exhibit 3.6

Holdings and Market Shares of Subprime Mortgage-Backed Securities by Fannie Mae and Freddie Mac, 2000–10

*Fannie Mae and Freddie Mac single-family private-label mortgages retained in their portfolios**

| Year | Change in total subprime MBSs (billions of dollars) | | Change from end of previous year | | As percent of total subprime MBSs | | As percent of change in total subprime MBSs outstanding | |
|------|---|---|----------------------------------|-------------|-----------------------------------|-------------|---|-------------|
| | Total subprime MBSs outstanding (billions of dollars) | subprime MBSs outstanding (billions of dollars) | Billions of dollars | outstanding | subprime MBSs outstanding | outstanding | Billions of dollars | outstanding |
| 2000 | 95.7 | | | | | | | |
| 2001 | 128.7 | 33.0 | 19.0 | 14.8 | | | | |
| 2002 | 198.9 | 70.2 | 24.7 | 12.4 | | 5.7 | | 8.1 |
| 2003 | 298.1 | 99.2 | 64.9 | 21.8 | | 40.1 | | 40.5 |
| 2004 | 476.4 | 178.3 | 150.6 | 31.6 | | 85.8 | | 48.1 |
| 2005 | 673.4 | 197.0 | 179.2 | 26.6 | | 28.6 | | 14.5 |
| 2006 | 840.4 | 167.0 | 169.0 | 20.1 | | -10.2 | | -6.1 |
| 2007 | 758.8 | -81.6 | 133.4 | 17.6 | | -35.6 | | 43.6 |
| 2008 | 594.9 | -163.8 | 99.4 | 16.7 | | -34.0 | | 20.7 |
| 2009 | 479.5 | -115.4 | 82.1 | 17.1 | | -17.3 | | 15.0 |
| 2010 | 407.0 | -72.5 | 72.6 | 17.8 | | -9.5 | | 13.1 |

Sources: Federal Housing Finance Agency, 2010 Report to Congress, LoanPerformance data, and author's calculations.

*Fannie Mae publishes its subprime securities holdings for each year from 2002 to 2010. For 2001 the sum of subprime and alt-A holdings is approximately reported, with the division between them guided by shares of total outstanding subprime and alt-A mortgage-backed securities (MBSs). Freddie Mac publishes similar data for 2006–10. With minor assumptions, estimates are made for the sum of subprime and alt-A holdings for earlier years. The separation is made essentially to reflect the ratio of total outstanding subprime and alt-A MBSs.

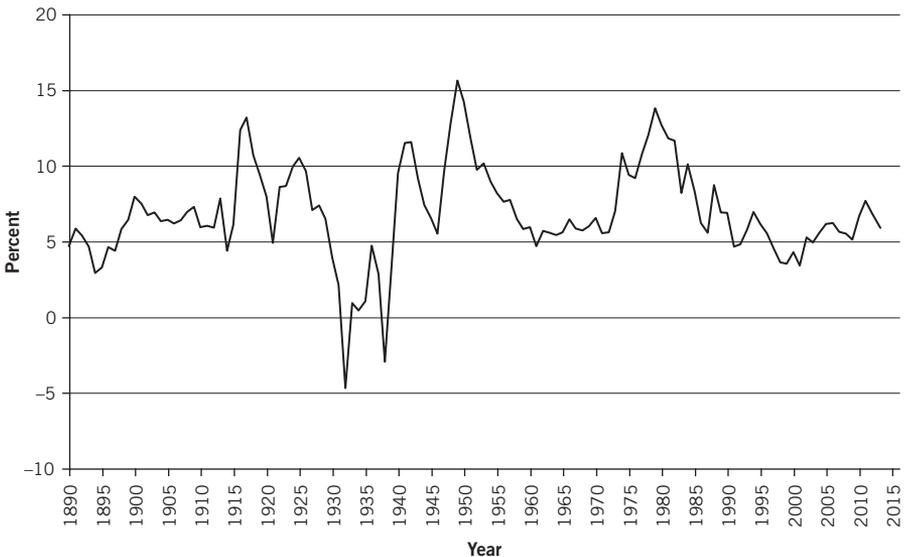
Exhibit 3.7
Yield Spread of Bonds Rated CCC and Lower over 10-Year
Treasury Notes, Daily, August 1988–May 2014*



Source: Bank of America Merrill Lynch; Federal Reserve Board.

*Average yield on Bank of America high-yield cash pay bonds rated CCC and lower minus yield on 10-year Treasury notes at constant maturity.

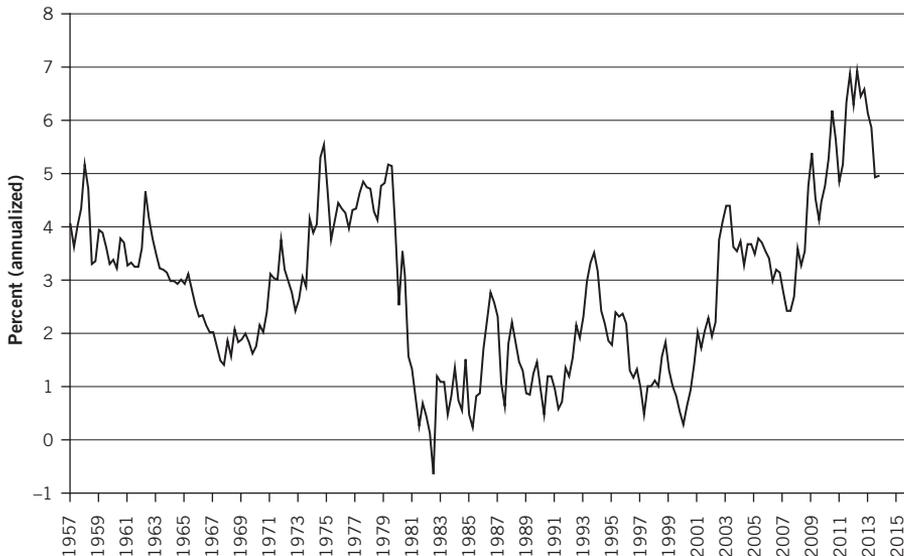
Exhibit 4.1
U.S. Common Stock Earnings Yield, 1890–2013



Source: Cowles Comm dividend yields converted to earnings yields using U.S. Interstate Commerce Comm railroad stock dividend payout ratios (1980–1946), S&P 500 as reported earnings yield (1947–1987) and operating earnings yield (1988–2012).

Exhibit 4.2

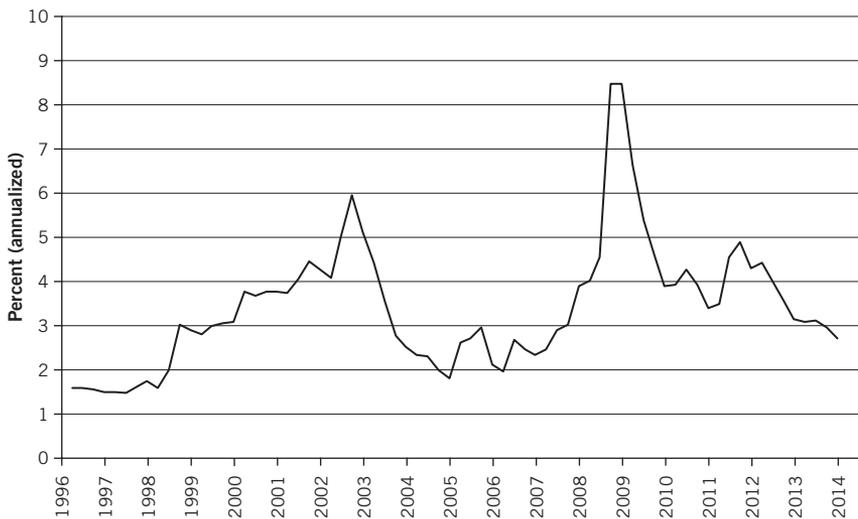
U.S. Equity Risk Premium, Quarterly, 1957–2013



Source: J.P. Morgan

Exhibit 4.3

Yield Spread: S&P Industrials 10-Year BB+ Bonds less 10-Year Treasury Notes, Quarterly



Source: Standard & Poor's; Federal Reserve Board.

Exhibit 4.4

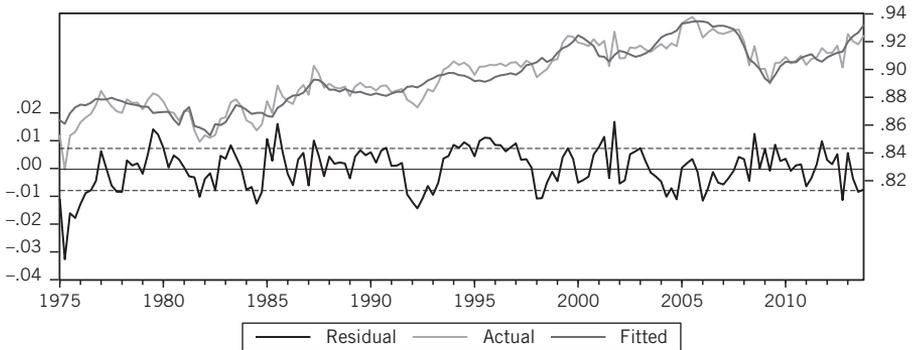
Dependent Variable (Time Period: Q1 1975–Q4 2013, 156 obs.)

Personal Consumption Expenditures (*SAAR, Bil.\$) / Disposable Personal Income (SAAR, Bil.\$)

| Independent Variable(s) | Coefficient | t-Statistic** |
|---|----------------------|---------------|
| Household (incl. NPOs) Stock Net Worth (Period Avg, Bil.\$) / DPI | 0.0293 | 15.18 |
| Household (incl. NPOs) Homeowners' Equity (Period Avg, Bil.\$) / DPI | 0.0355 | 6.78 |
| Household (incl. NPOs) All Other Net Worth (Period Avg, Bil.\$) / DPI | 0.0134 | 2.88 |
| 6-Month Certificates of Deposit (% p.a./100) (3 quarters ago) | -0.2394 | -7.99 |
| Adjusted R-sq | Durbin-Watson | |
| 0.886 | 1.884 | |

*Seasonally adjusted annual rate.

**t-statistic calculated using Newey-West HAC standard errors and covariance.



Source: Federal Reserve Board; U.S. Department of Commerce.

Exhibit 4.5

1952–2013:

$$(\text{Personal Savings} + \text{Interest} + \text{Transfers}) \div \text{Disposable Personal Income (DPI)} = 0.0968$$

$$\begin{aligned} \text{PCE} \div \text{DPI} &= (\text{DPI} - \text{Personal Savings} - \text{Interest} - \text{Transfers}) \div \text{DPI} \\ &= 1 - [(\text{Personal Savings} + \text{Interest} + \text{Transfers}) \div \text{DPI}] \\ &= 1 - 0.0968 = 0.9032 \end{aligned}$$

$$\text{Household Net Worth (NW)} \div \text{DPI} = 5.48$$

PCE caused by Net Worth (PCE_{NW}) = Weighted Average Regression Coefficient x NW

$$\text{PCE}_{\text{NW}} = 0.020 \times \text{NW}$$

$$\text{PCE}_{\text{NW}} = 0.020 \times (\text{NW} \div \text{DPI}) \times \text{DPI}$$

$$\text{PCE}_{\text{NW}} = 0.020 \times 5.48 \times \text{DPI}$$

$$\text{PCE}_{\text{NW}} = 0.1096 \times \text{DPI}$$

$$\text{Therefore, } (\text{PCE}_{\text{NW}} \div \text{DPI}) = 0.1096$$

PCE caused by DPI (PCE_{DPI}) = $(\text{PCE} - \text{PCE}_{\text{NW}}) / \text{PCE}$

$$= [(\text{PCE} \div \text{DPI}) - (\text{PCE}_{\text{NW}} \div \text{DPI})] / (\text{PCE} \div \text{DPI})$$

$$= (0.9032 - 0.1096) / 0.9032$$

$$= 0.7936 / 0.9032$$

$$\text{Therefore, } \text{PCE}_{\text{DPI}} = 0.8787$$

Source: Federal Reserve Board; U.S. Department of Commerce.

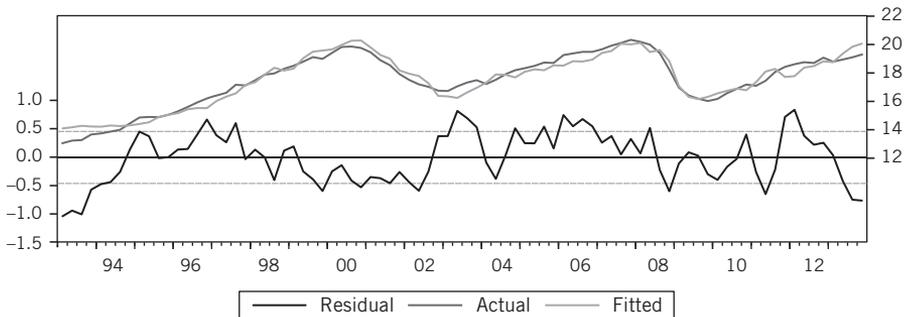
Exhibit 4.6

Dependent Variable (Time Period: Q1 1993–Q4 2013, 84 obs.)

Real Pvt Nonres Fixed Invst (SAAR, Bil.Chn.2005\$) / Pvt Nonres Fixed Assets (2005 = 100)

| Independent Variable(s) | Coefficient | t-Statistic* |
|---|----------------------|--------------|
| S&P 500 (1941 – 43 = 10) / Pvt Nonres Fixed Invst Price (SA, 2005 = 100) (1 quarter ago) | 0.534 | 17.801 |
| Nonfarm Operating Rate (SA, % of capacity) (3 quarters ago) | 0.175 | 6.143 |
| Structures' share of nominal Pvt Nonres Fixed Invst | 5.885 | 4.328 |
| Adjusted R-sq | Durbin-Watson | |
| 0.939 | 0.535 | |

*t-statistic calculated using Newey-West HAC standard errors and covariance.



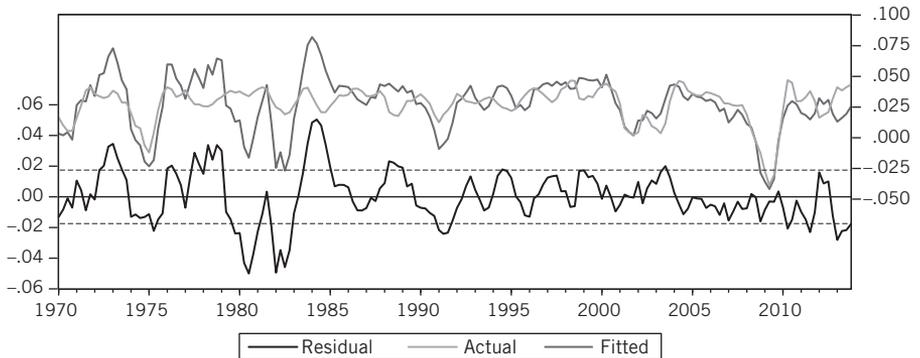
Source: U.S. Department of Commerce; Standard & Poor's; Federal Reserve Board; author's calculations.

Exhibit 4.7

| | | |
|--|----------------------|---------------------|
| Dependent Variable (Time Period: Q1 1970–Q4 2013, 176 obs.) | | |
| ln [Real GDP / Real GDP (4 quarters ago)] | | |
| Independent Variable(s) | Coefficient | t-Statistic* |
| ln [**Corp & Home Equity, Period Avg (1 quarter ago) / | 0.121 | 9.476 |
| **Corp & Home Equity, Period Avg (5 quarters ago)] | | |
| Adjusted R-sq | Durbin-Watson | |
| 0.395 | 0.353 | |

*t-statistic calculated using Newey-West HAC standard errors and covariance.

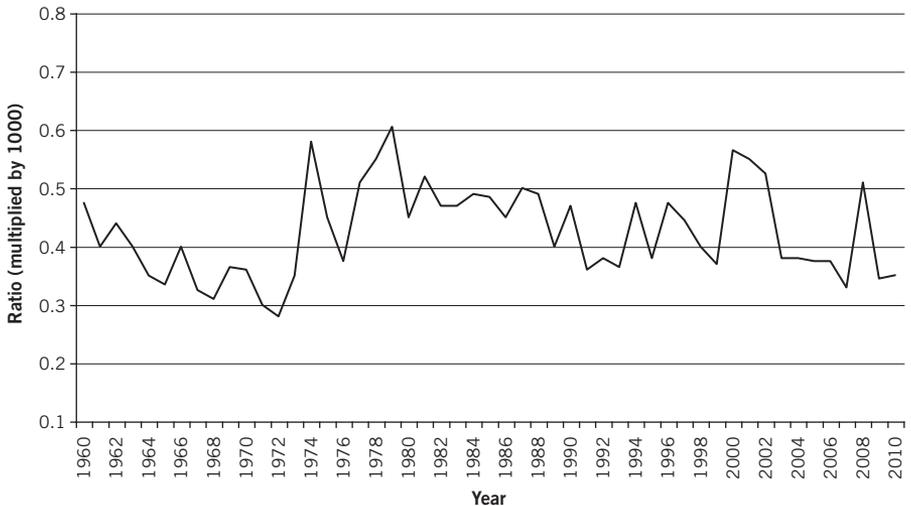
**Domestic holdings of domestic corporate equities and foreign corporate equities, at market value.



Source: U.S. Department of Commerce; Federal Reserve Board.

Exhibit 5.1

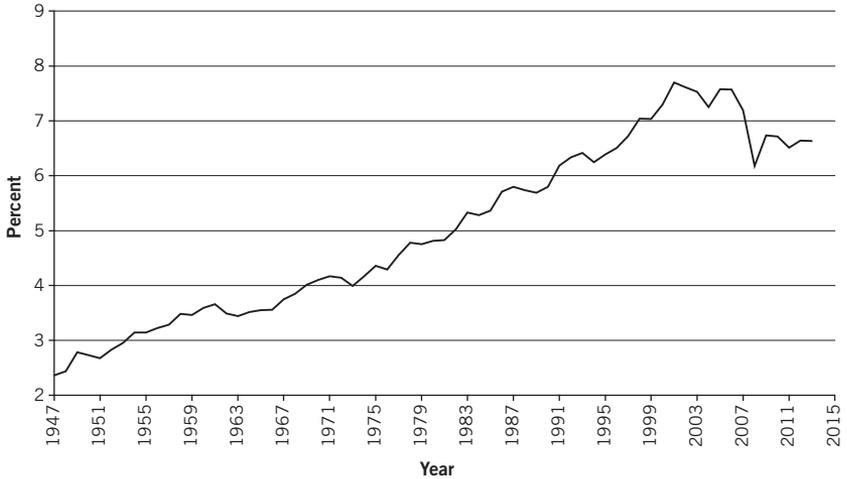
500 Largest American Corporations: Average CEO Pay to Average Market Value, 1960–2010



Source: Steven N. Kaplan, "Executive Compensation and Corporate Governance in the U.S.: Perceptions, Facts and Challenges," Chicago Booth Paper No. 12-42, July 2012.

Exhibit 5.2

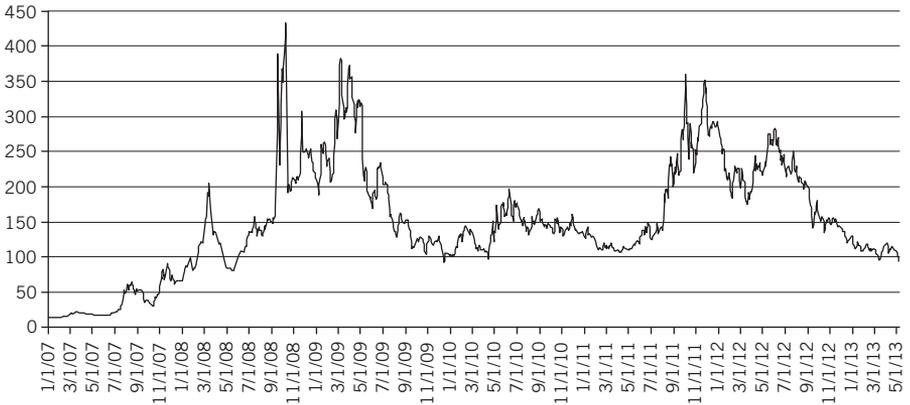
Share of Finance and Insurance in GDP for the U.S., 1947–2013



Source: U.S. Department of Commerce.

Exhibit 5.3

Price of 5-Year Bank Credit Default Swaps* (Basis Points**)



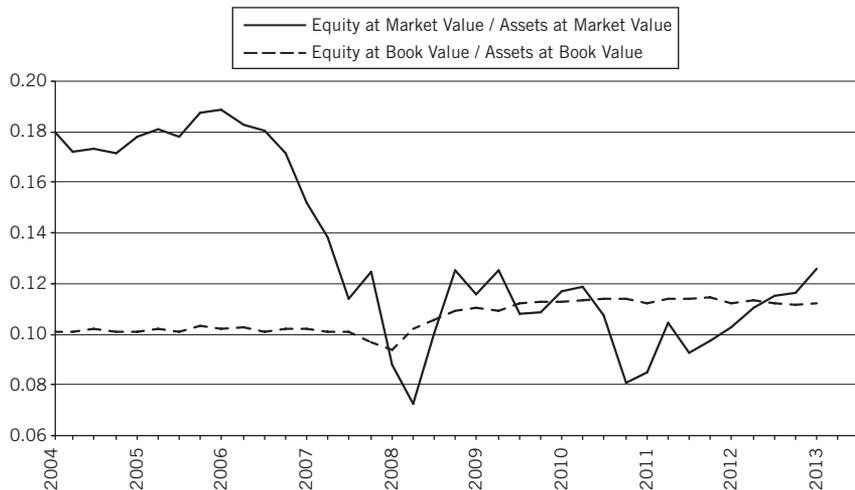
Source: Author's calculations; Bloomberg.

* Unweighted average prices of CDSs issued by Bank of America, Citigroup, Goldman Sachs, J.P. Morgan, Wells Fargo, and Morgan Stanley.

** Hundredths of a percent of the notional value of the underlying swap contract.

Exhibit 5.4

Equity-to-Assets Ratios at FDIC-Insured Commercial Banks, EOP, Q4 2004–Q4 2013



Source: Federal Deposit Insurance Corporation; Bloomberg; author's calculations.

Exhibit 5.5

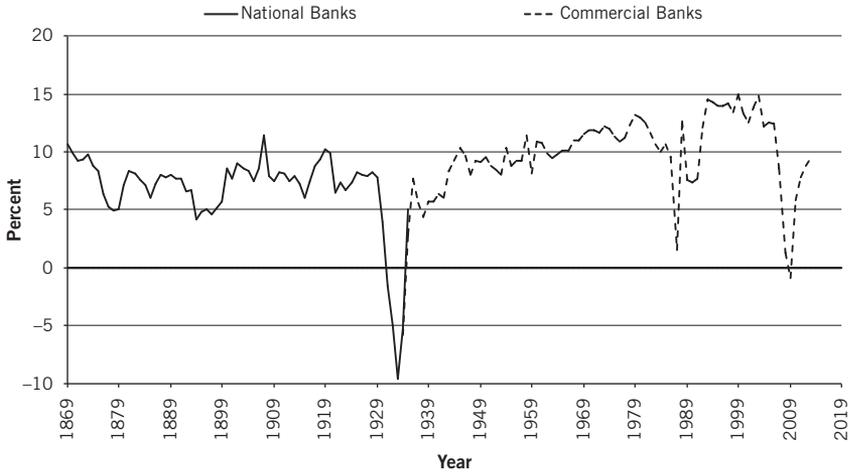
CDS and LIBOR-OIS Spreads at Various Maturities September 2009, March 2010, and May 2014

| Basis Points | | | |
|------------------|--------------------|----------------|--------------|
| Maturity | September 15, 2009 | March 31, 2010 | May 22, 2014 |
| CDS | | | |
| 10 years | 133 | 121 | 126 |
| 5 year | 135 | 117 | 82 |
| 3 year | 137 | 98 | 52 |
| 1 year | 134 | 69 | 27 |
| LIBOR-OIS | | | |
| 3 months | 12 | 11 | 15 |
| 1 month | 7 | 8 | 6 |

Source: British Bankers' Association; Bloomberg (CMA New York); Reuters.

Exhibit 5.6

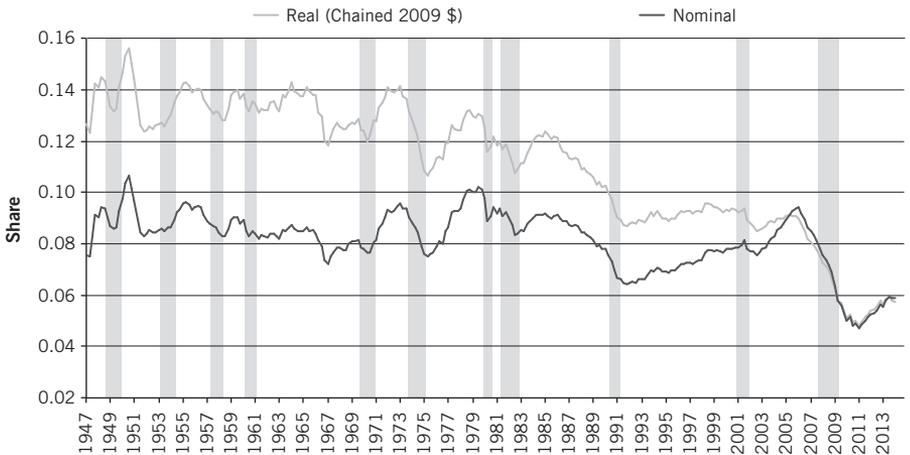
Ratio of Net Income to Equity in the Banking Sector, 1869–2013



Source: Federal Deposit Insurance Corporation; U.S. Department of Commerce.

Exhibit 7.1

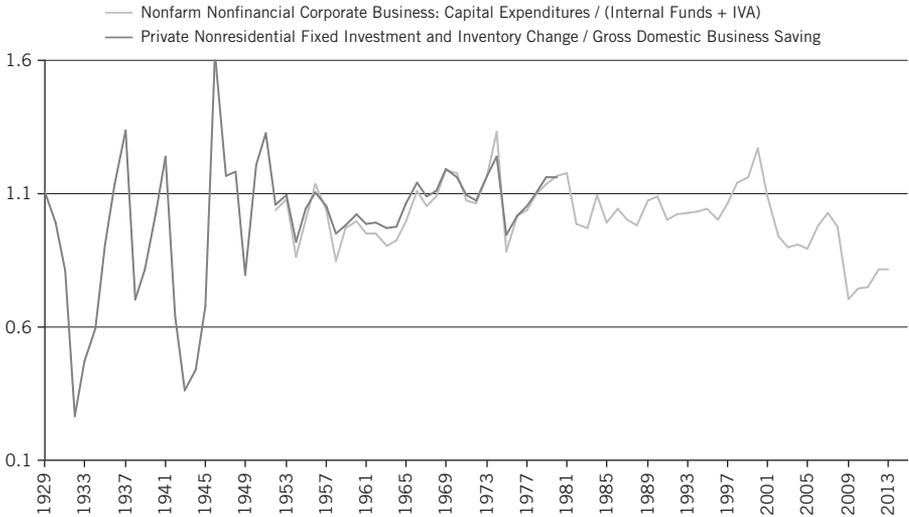
Private Fixed Investment in Structures as a Share of Total GDP, Quarterly, Q1 1947–Q1 2014 (with NBER Recessions Shaded)



Source: U.S. Department of Commerce; National Bureau of Economic Research.

Exhibit 7.2

Capital Expenditures as a Share of Savings, Plotted Through 2013



Source: Federal Reserve Board; U.S. Department of Commerce.

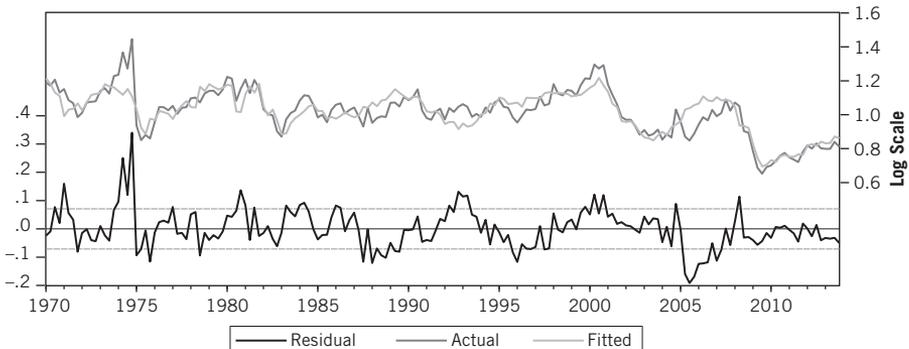
Exhibit 7.3

| Dependent Variable (Time Period: Q1 1970-Q4 2013, 176 obs.) | | |
|--|----------------------|--------------|
| U.S. Nonfinancial Corporate Business: Capital Expenditures/Cash Flow | | |
| Independent Variable(s) | Coefficient | t-Statistic* |
| [1 + (**Cyclically Adjusted U.S. Federal Deficit / GDP)] (1 quarter ago) | -2.561 | -5.344 |
| Nonfarm Operating Rate (Seasonally adjusted, %) (1 quarter ago) | 0.0451 | 12.239 |
| **Deficit & Cyclically Adjusted U.S. Treasury Spread: ***30 yr-5 yr (% p.a.) (1 quarter ago) | -0.0718 | -8.600 |
| Adjusted R-sq | Durbin-Watson | |
| 0.729 | 0.972 | |

*t-statistic calculated using Newey-West HAC standard errors and covariance.

**Adjusted to decrease multicollinearity between independent variables.

***20-year Treasury substituted for 30-year Treasury prior to Q2 1977.

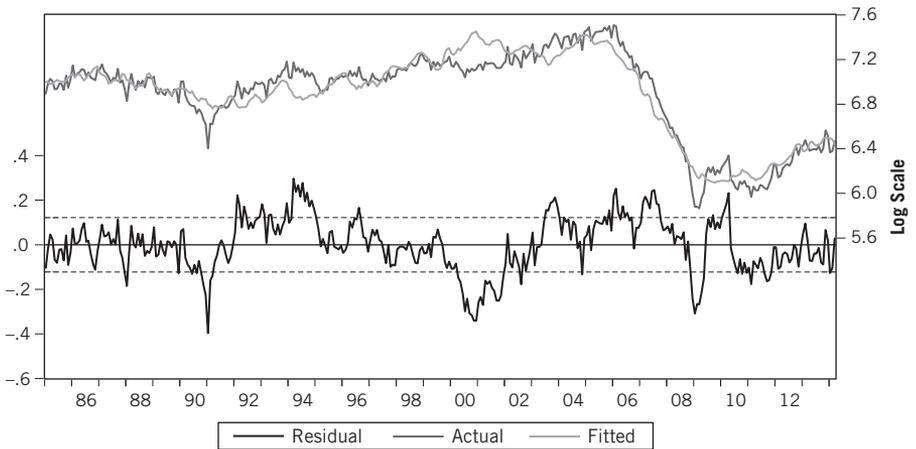


Source: U.S. Department of Commerce; Federal Reserve Board; author's calculations.

Exhibit 7.4

| Dependent Variable (Time Period: January 1985–March 2014, 351 obs.) | | |
|--|----------------------|---------------------|
| ln [Single-Family Housing Starts (SAAR, Thous.Units)] | | |
| Independent Variable(s) | Coefficient | t-Statistic* |
| CoreLogic Home Prices, Distressed Excl (SA, Jan. 2000 = 100) [current / 3yr moving avg] | 1.273 | 6.139 |
| Civilian Unemployment Rate: 16 yr + (SA, %) | -0.062 | -5.253 |
| Total Vacant Housing Units (Period Average, Thous) | -0.00014 | -12.574 |
| Homeownership Rate (%) | 0.111 | 10.568 |
| Freddie Mac 30-Year Fixed-Rate Mortgage Rate (%) | -0.061 | -5.560 |
| Adjusted R-sq | Durbin-Watson | |
| 0.903 | 0.305 | |

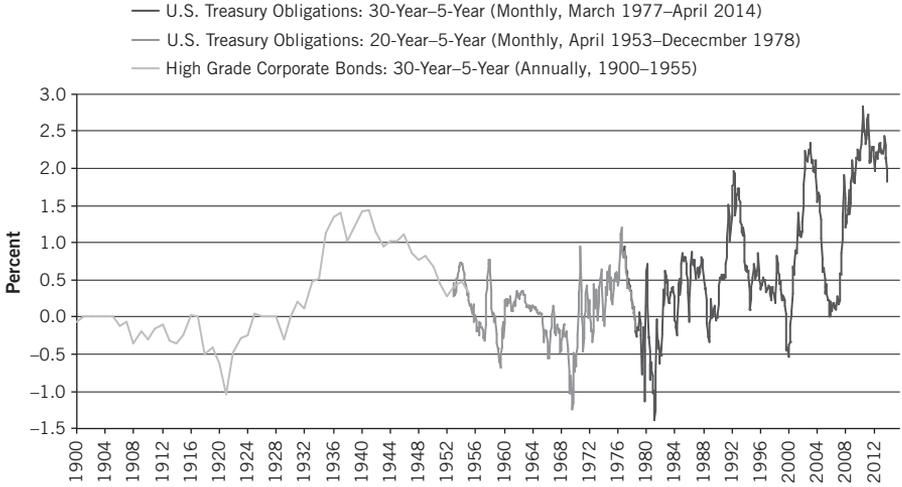
*t-statistic calculated using Newey-West HAC standard errors and covariance.



Sources: U.S. Department of Commerce; CoreLogic; U.S. Department of Labor; Federal Home Loan Mortgage Corporation.

Exhibit 7.5

Yield Spreads (Percent, Average)*, 1900–2014

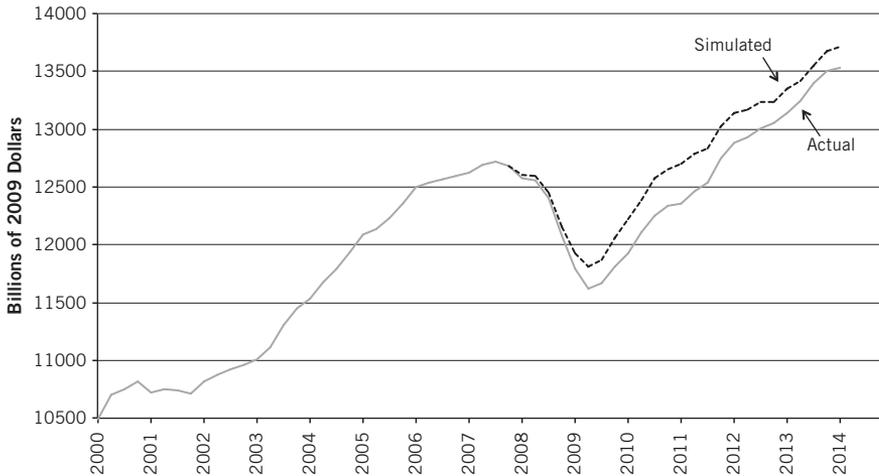


Source: Federal Reserve Board; National Bureau of Economic Research.

*Historical high-grade bond yields are annual averages, U.S. Treasury yields are monthly averages.

Exhibit 7.6

Real Private Domestic GDP (SAAR), Quarterly, Q1 2000–Q1 2014



Source: U.S. Department of Commerce; author's calculations.

Exhibit 7.7

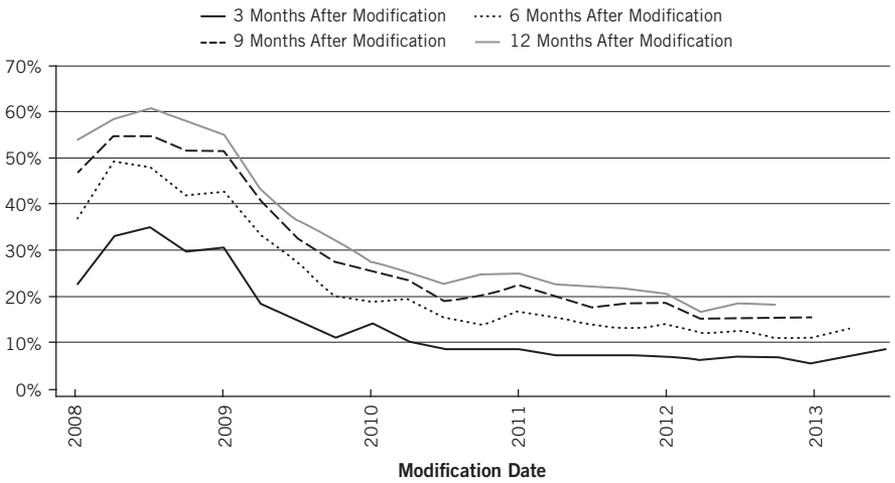
Real U.S. Output Gap (as a Percent of Real Potential GDP)



Source: Congressional Budget Office; Haver Analytics.

Exhibit 7.8

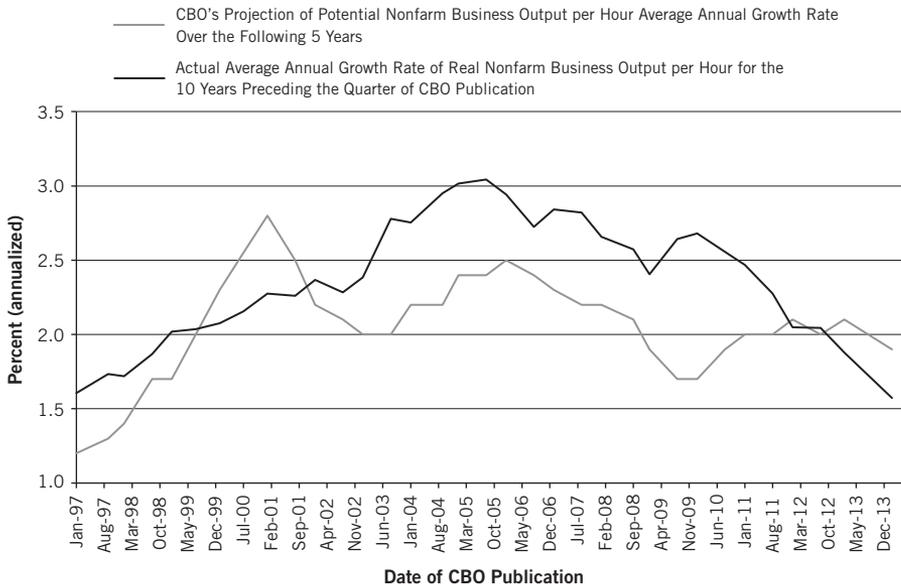
Re-default Rate of Modified Loans: 60 or More Days Delinquent



Source: Office of the Comptroller of the Currency.

Exhibit 8.1

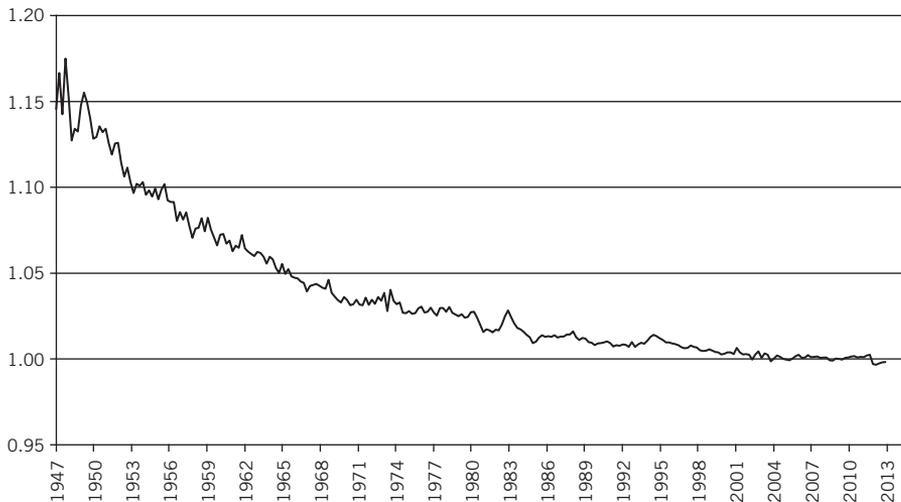
CBO Forecasts of Productivity Growth vs. Actual Productivity Growth in the 10 Years Prior



Source: Congressional Budget Office; U.S. Department of Labor.

Exhibit 8.2

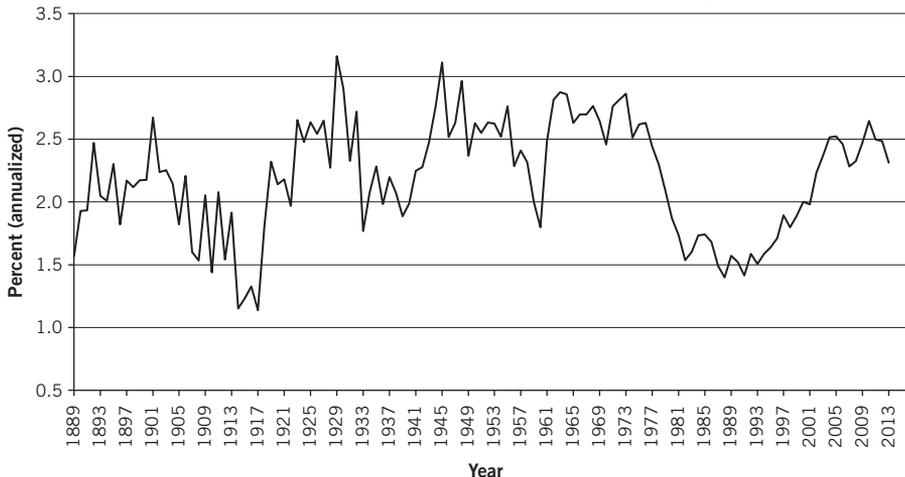
Ratio of Real Output per Hour: Nonfarm Business / Total Business Quarterly, Q1 1947–Q1 2014 (both series are seasonally adjusted, and set to 2005 = 100)



Source: U.S. Department of Labor.

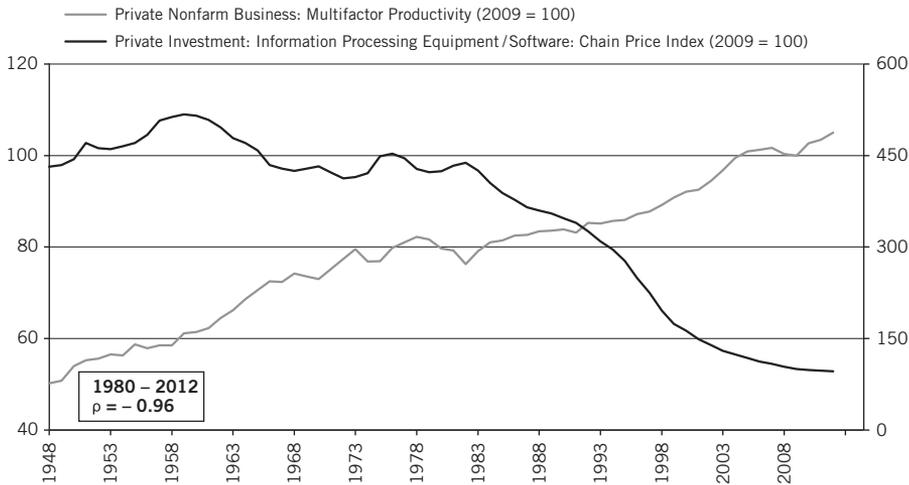
Exhibit 8.3

Real Output per Hour of Nonfarm Business: Annual Rate Percent Change over 15 Years Ago



Source: J. W. Kendrick, "Productivity Trends in the United States" (1961); U.S. Department of Labor.

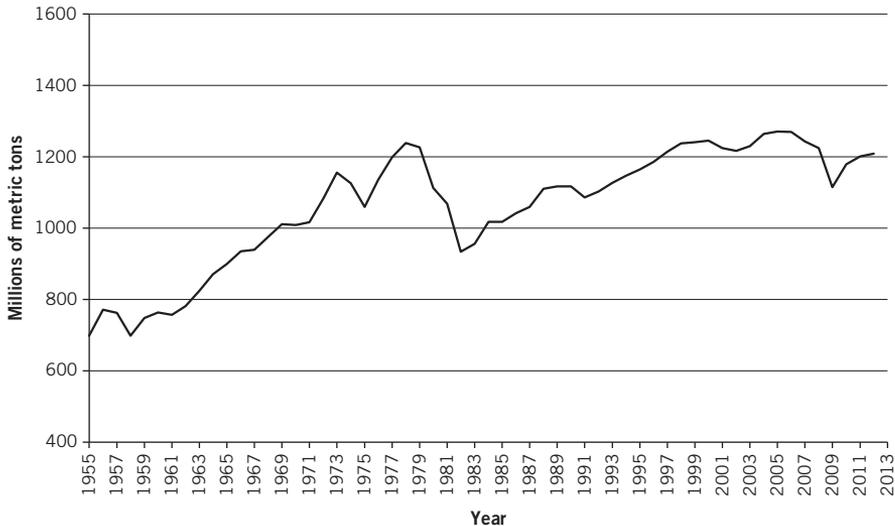
Exhibit 8.4



Source: U.S. Department of Labor; U.S. Department of Commerce.

Exhibit 8.5

U.S. Consumption: Selected Nonfuel Mineral Commodities,* Crude Oil, and Other Liquids

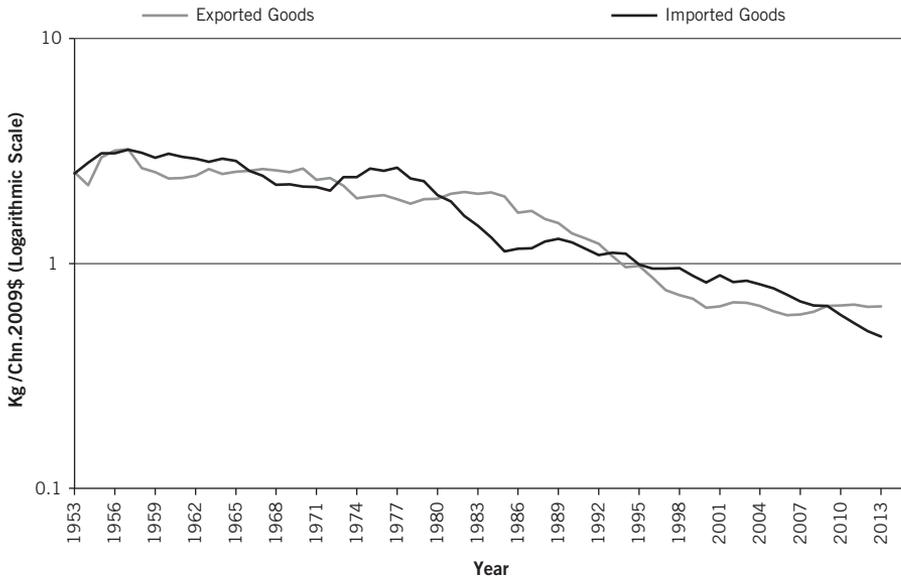


Source: U.S. Geological Survey.

*Bauxite, alumina, cement, clays, copper, gypsum, iron ore, iron and steel scrap, lime, nickel, phosphate rock, silicon, sulfur, and tin.

Exhibit 8.6

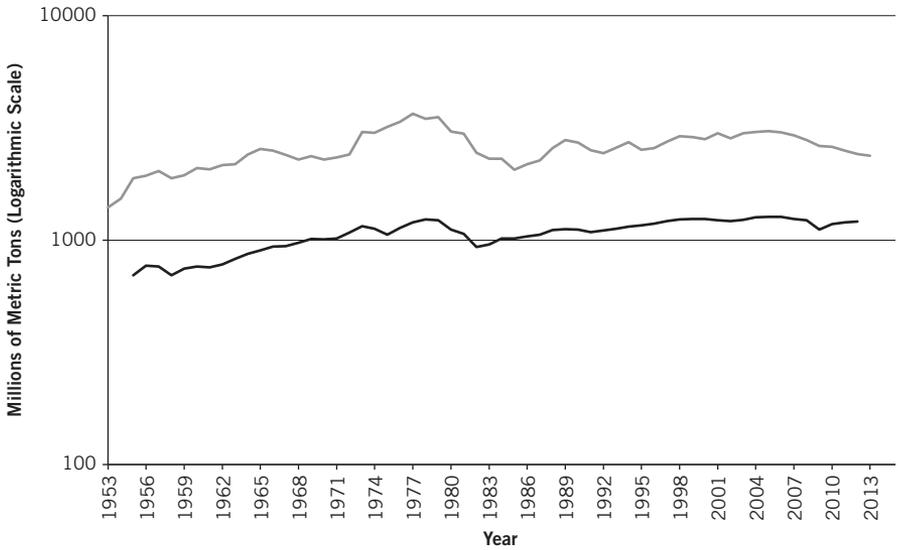
Kilograms per Real Dollar of Goods Shipped by Vessel and Air, 1953–2013



Source: U.S. Department of Commerce.

Exhibit 8.7

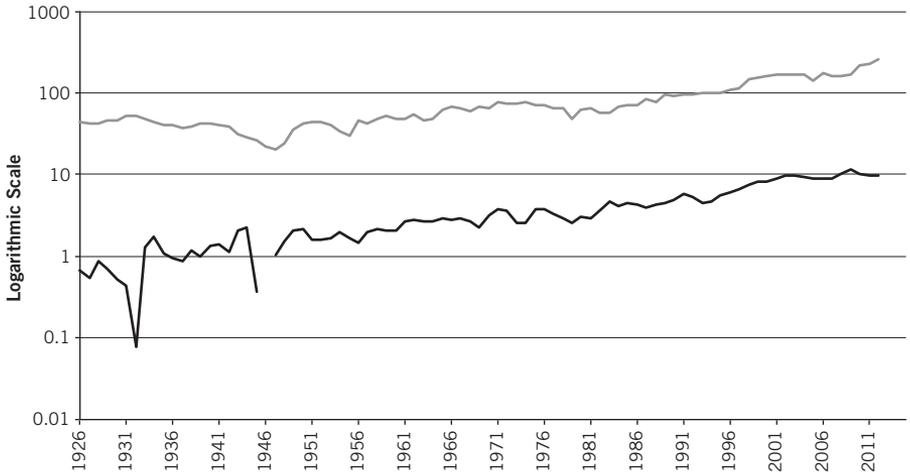
Estimated Weight of Real Goods Output (based on weight-to-value ratio of imports)
 U.S. Consumption of Selected Nonfuel Mineral Commodities, Crude Oil, and Other Liquids



Source: U.S. Department of Commerce.

Exhibit 8.8

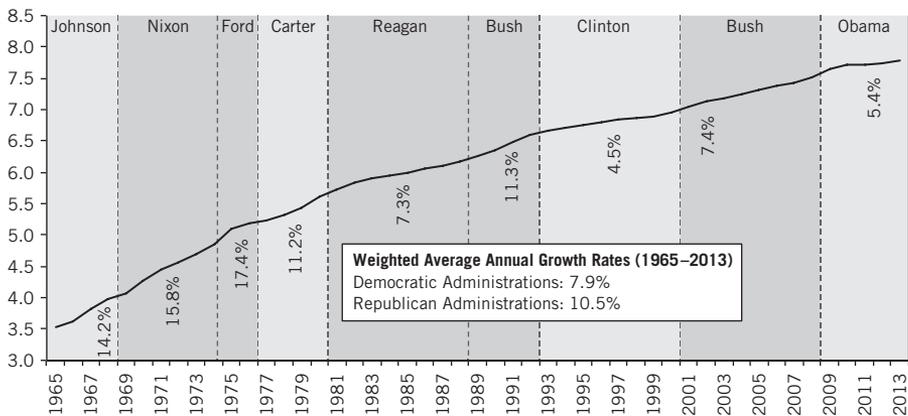
— U.S. Inventions Patent Issuance (thousands)
 — Gross Additions to Synthetic Nonfarm Business Productivity Stock



Source: U.S. Patent and Trademark Office; author's calculations.

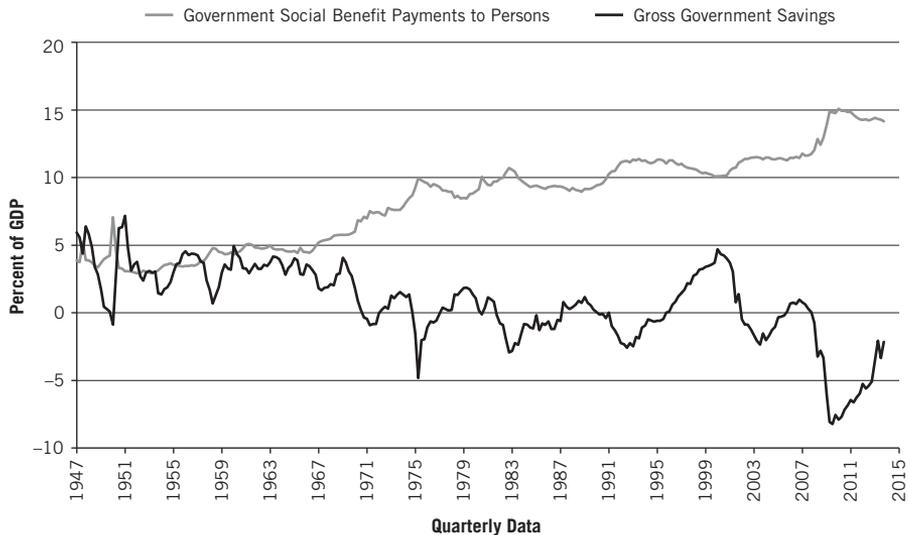
Exhibit 9.1

In [Government Social Benefit Payments to Persons (Billions of Dollars)] (showing average annual growth rates by presidential administration)



Source: U.S. Department of Commerce.

Exhibit 9.2



Source: U.S. Department of Commerce.

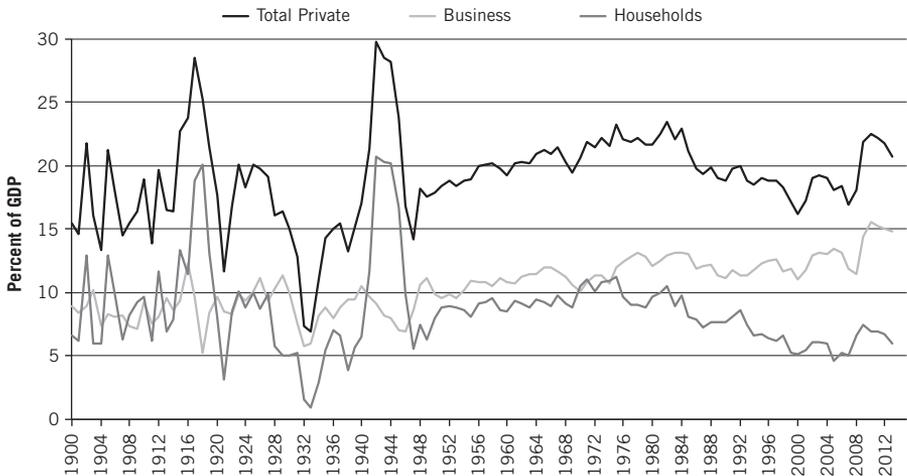
Exhibit 9.3

| Savings by Sector (as % of GDP) | 1965 | 2013 | '13 less '65 |
|--|-------------|-------------|---------------------|
| Gross Domestic Saving | 24.59 | 17.96 | -6.63 |
| Domestic Business | 11.96 | 14.81 | 2.86 |
| Undistributed Corporate Profits with IVA & CCAAdj | 5.11 | 4.65 | -0.46 |
| Consumption of Fixed Capital | 6.84 | 10.16 | 3.32 |
| Households (Including NPIs) | 9.27 | 5.93 | -3.34 |
| Net Saving | 7.84 | 3.34 | -4.49 |
| Consumption of Fixed Capital | 1.44 | 2.58 | 1.15 |
| Government | 3.36 | -2.79 | -6.15 |
| Federal Government | 1.95 | -2.88 | -4.83 |
| Net Saving | -0.74 | -4.48 | -3.74 |
| Consumption of Fixed Capital | 2.68 | 1.59 | -1.09 |
| State and Local Government | 1.42 | 0.10 | -1.32 |
| Net Saving | 0.55 | -1.32 | -1.86 |
| Consumption of Fixed Capital | 0.87 | 1.41 | 0.55 |
| <hr/> | | | |
| Savings Reconciliation (as % of GDP) | 1965 | 2013 | '13 less '65 |
| Gross Domestic Saving | 24.59 | 17.96 | -6.63 |
| less: Net Lending (or Net Borrowing [-]) | 0.83 | -2.33 | -3.16 |
| less: Capital Transfer Payments to the Rest of the World | 0.00 | 0.00 | 0.00 |
| plus: Statistical Discrepancy | 0.10 | -0.79 | -0.89 |
| equals: Gross Domestic Investment | 23.86 | 19.50 | -4.36 |
| <hr/> | | | |
| Federal Government (as % of GDP) | 1965 | 2013 | '13 less '65 |
| Net Federal Government Saving | -0.74 | -4.48 | -3.74 |
| Federal Government Current Receipts | 16.19 | 18.10 | 1.91 |
| Personal Current Taxes | 6.87 | 7.64 | 0.77 |
| Collected from Top 10% Income Bracket | 3.28 | 5.97 | 2.69 |
| Collected from Bottom 90% Income Bracket | 3.58 | 1.66 | -1.92 |
| Collected from Top 20% Income Bracket | 4.24 | 7.19 | 2.94 |
| Collected from Bottom 80% Income Bracket | 2.63 | 0.45 | -2.17 |
| Taxes on Corporate Income | 3.71 | 1.52 | -2.19 |
| Contributions for Federal Government Social Insurance | 3.06 | 6.51 | 3.45 |
| All Other Current Receipts (Including Federal Reserve Banks) | 2.55 | 2.43 | -0.12 |
| Federal Government Current Expenditures | 16.93 | 22.58 | 5.65 |
| Federal Defense Consumption Expenditures | 7.25 | 3.64 | -3.61 |
| Federal Nondefense Consumption Expenditures | 1.69 | 2.14 | 0.45 |
| Federal Government Social Benefit Payments to Persons | 3.66 | 10.94 | 7.28 |
| Federal Grants-in-Aid to State and Local Governments | 0.88 | 2.64 | 1.76 |
| All Other Federal Government Current Expenditures | 3.45 | 3.21 | -0.23 |
| <hr/> | | | |
| State and Local Government (as % of GDP) | 1965 | 2013 | '13 less '65 |
| Net S&L Government Saving | 0.55 | -1.32 | -1.86 |
| S&L Government Current Receipts | 8.84 | 12.50 | 3.65 |
| Personal Current Taxes | 0.89 | 2.24 | 1.35 |
| Taxes on Corporate Income (Excluding S&L Reserve Banks) | 0.27 | 0.33 | 0.06 |
| Contributions for S&L Government Social Insurance | 0.10 | 0.10 | 0.00 |
| Federal Grants-in-Aid to State and Local Governments | 0.88 | 2.64 | 1.76 |
| All other S&L Government Current Receipts | 6.71 | 7.19 | 0.48 |

| | | | |
|---|-------------|-------------|---------------------|
| S&L Government Current Expenditures | 8.30 | 13.81 | 5.51 |
| S&L Consumption Expenditures | 6.80 | 9.22 | 2.41 |
| S&L Government Social Benefit Payments to Persons | 0.89 | 3.34 | 2.45 |
| All Other S&L Government Current Expenditures | 0.60 | 1.25 | 0.66 |
| Total Government (as % of GDP) | 1965 | 2013 | '13 less '65 |
| Net Government Saving | -0.19 | -5.94 | -5.60 |
| Government Current Receipts | 24.16 | 27.95 | 3.80 |
| Personal Current Taxes | 7.75 | 9.87 | 2.12 |
| Taxes on Corporate Income | 3.98 | 1.84 | -2.13 |
| Contributions for Government Social Insurance | 3.16 | 6.62 | 3.45 |
| All Other Current Receipts (incl Reserve Banks) | 9.26 | 9.62 | 0.36 |
| Government Current Expenditures | 24.34 | 33.74 | 9.40 |
| Federal Defense Consumption Expenditures | 7.25 | 3.64 | -3.61 |
| Nondefense Consumption Expenditures | 8.49 | 11.35 | 2.86 |
| Government Social Benefit Payments to Persons | 4.56 | 14.28 | 9.73 |
| All Other Government Current Expenditures | 4.04 | 4.47 | 0.42 |
| Total Government (as % of GDP) | 1965 | 2013 | '13 less '65 |
| Total Contributions for Government Social Insurance | 3.16 | 6.62 | 3.45 |
| Federal | 3.06 | 6.51 | 3.45 |
| State and Local | 0.10 | 0.10 | 0.00 |
| Total Government Social Benefit Payments to Persons | 4.56 | 14.28 | 9.73 |
| Federal | 3.66 | 10.94 | 7.28 |
| State and Local | 0.89 | 3.34 | 2.45 |

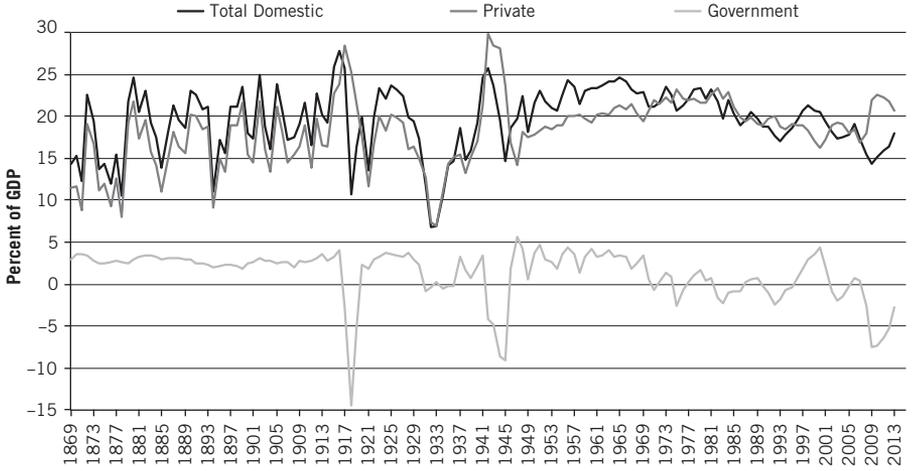
Source: U.S. Department of Commerce; Congressional Budget Office.

Exhibit 9.4 Gross Private Saving (1900–2013)



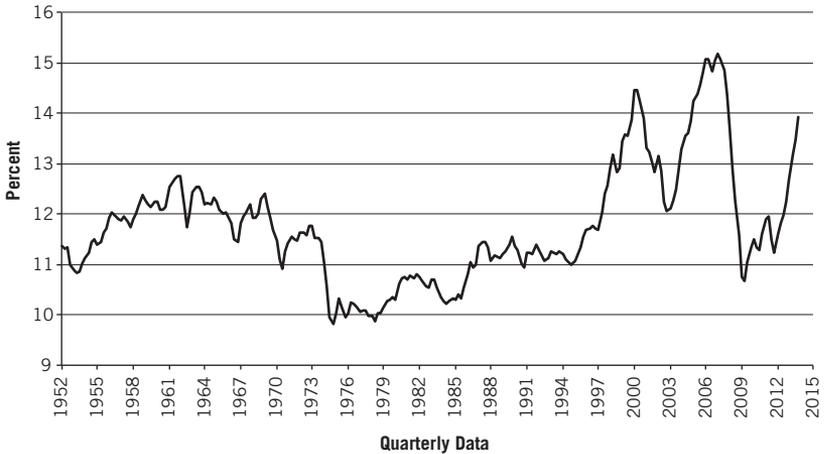
Source: R. W. Goldsmith, "A Study of Saving in the United States" (1955); U.S. Department of Commerce.

Exhibit 9.5 Gross Domestic Saving (1869–2013)



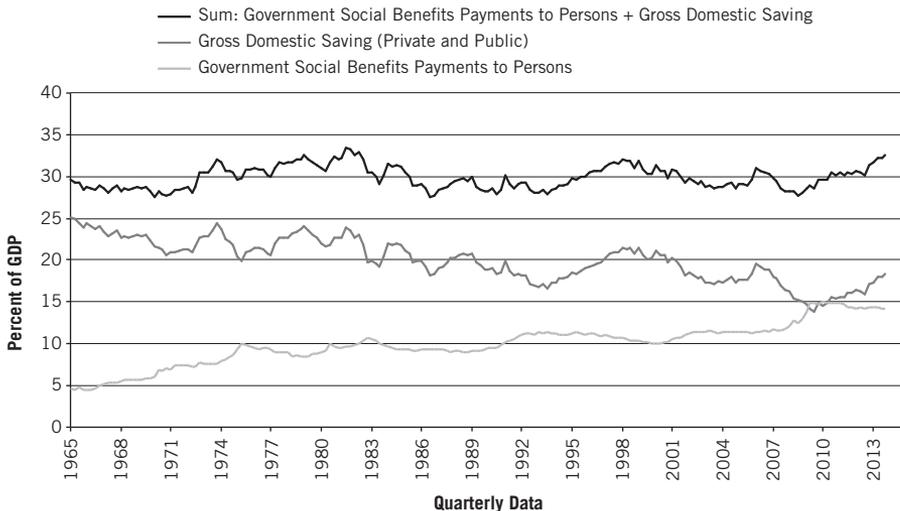
Source: R. W. Goldsmith, "A Study of Saving in the United States" (1955); U.S. Department of Commerce.

Exhibit 9.6 Share of Personal Consumption Expenditures Attributable to Net Worth (1952 through 2013)



Source: U.S. Department of Commerce; Federal Reserve Board; author's calculations.

Exhibit 9.7

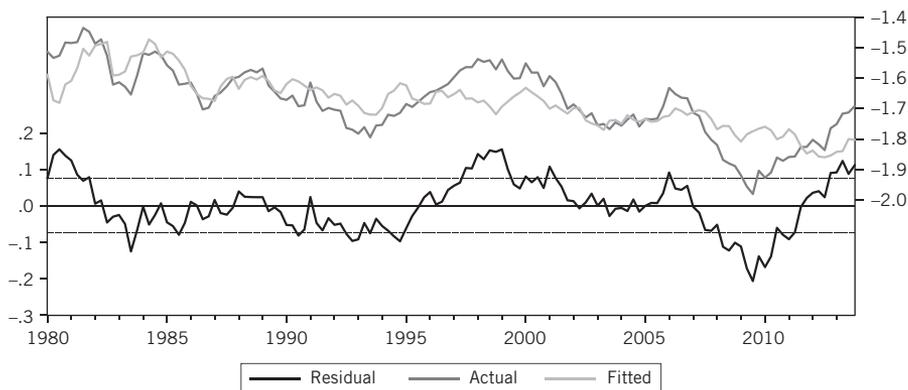


Source: U.S. Department of Commerce.

Exhibit 9.8

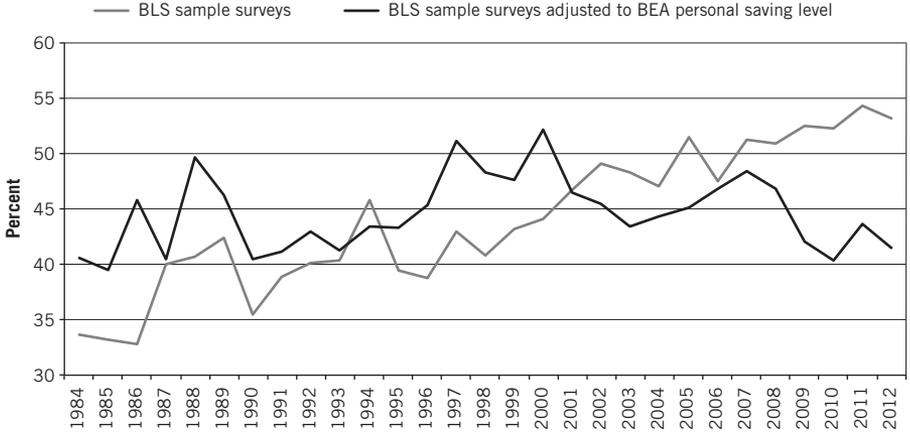
| | | |
|--|----------------------|---------------------|
| Dependent Variable (Time Period: Q1 1980–Q4 2013, 136 obs.) | | |
| ln [Gross Domestic Saving / GDP] | | |
| Independent Variable(s) | Coefficient | t-Statistic* |
| ln [1 + Real 10yr Treasury Yield] | 5.087 | 7.328 |
| Adjusted R-sq | Durbin-Watson | |
| 0.583 | 0.208 | |

*t-statistic calculated using Newey-West HAC standard errors and covariance.



Source: U.S. Department of Commerce; Federal Reserve Board.

Exhibit 9.9 Marginal Savings Rate* of Top Pretax Income Quintile

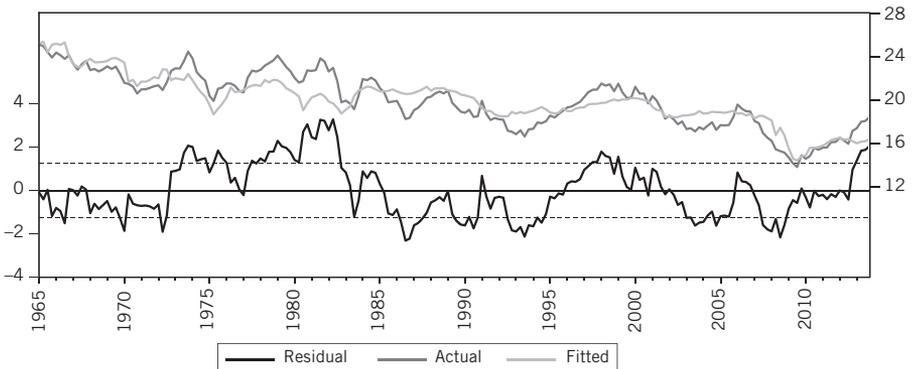


Source: U.S. Department of Labor; U.S. Department of Commerce; author's calculations.
 *Marginal Savings Rate = Marginal Savings / Marginal After-Tax Income.

Exhibit 9.10

| | | |
|---|----------------------|---------------------|
| Dependent Variable (Time Period: Q1 1965–Q4 2013, 196 obs.) | | |
| Gross Domestic Saving (as % of GDP) | | |
| Independent Variable(s) | Coefficient | t-Statistic* |
| Government Social Benefits to Persons (as % of GDP) | -0.907 | -16.836 |
| % change over year ago: Government Social Benefits to Persons (as % of GDP) | -0.069 | -3.055 |
| Adjusted R-sq | Durbin-Watson | |
| 0.751 | 0.212 | |

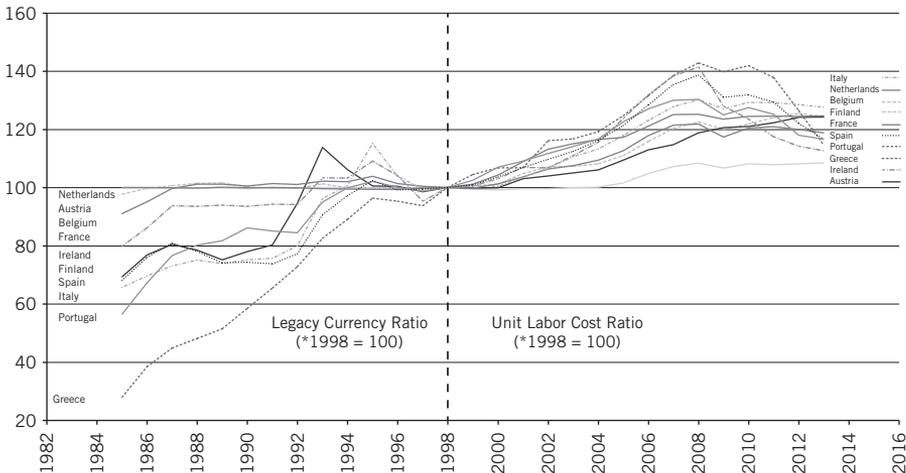
*t-statistic calculated using Newey-West HAC standard errors and covariance.



Source: U.S. Department of Commerce.

Exhibit 10.1

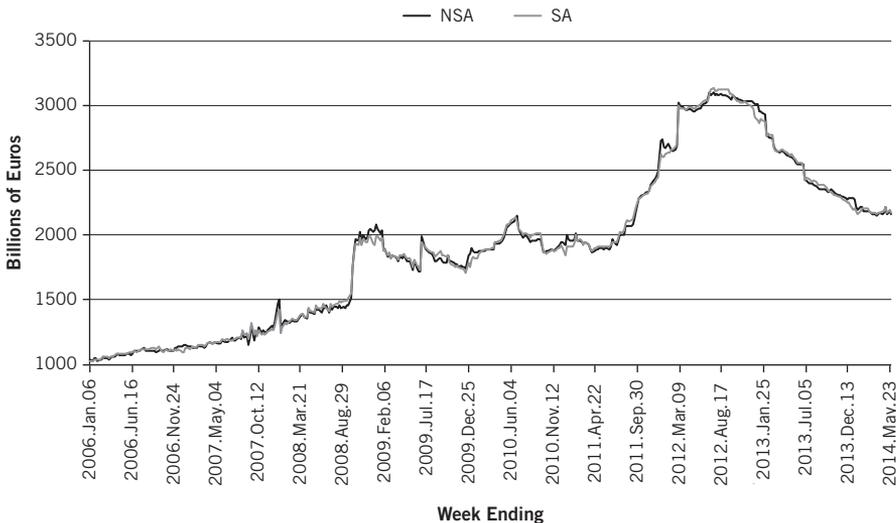
Legacy Currency and Unit Labor Cost as a Ratio to Germany (*1998 = 100) Through 2013



Source: Various official data sources.

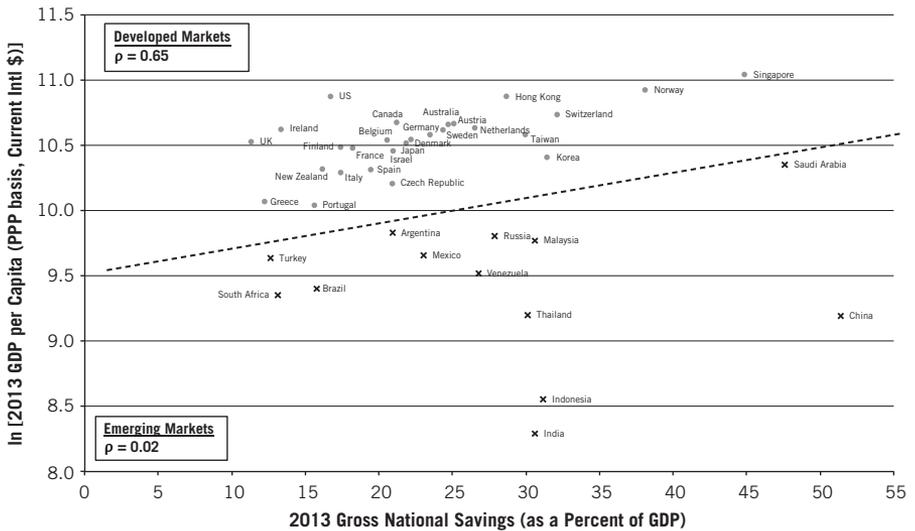
*Assumes equality in 1998.

Exhibit 10.2 Assets of European Central Bank



Source: European Central Bank.

Exhibit 10.3

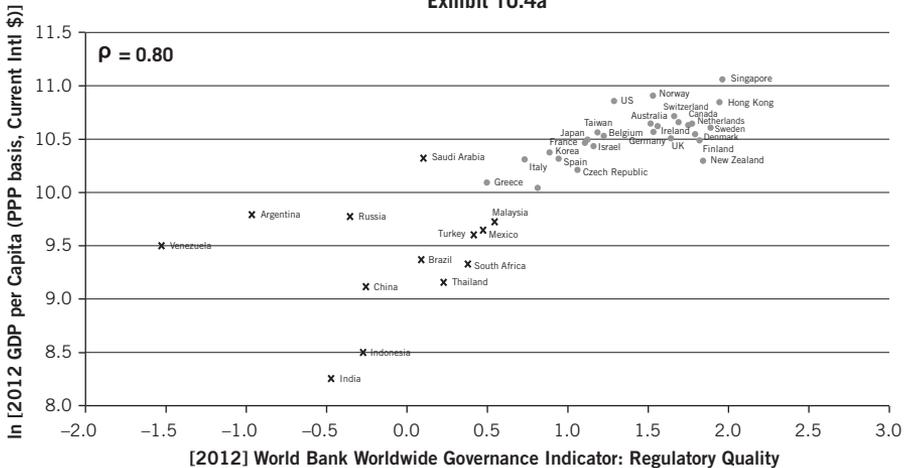


× denotes emerging markets.

• denotes developed markets.

Source: International Monetary Fund.

Exhibit 10.4a



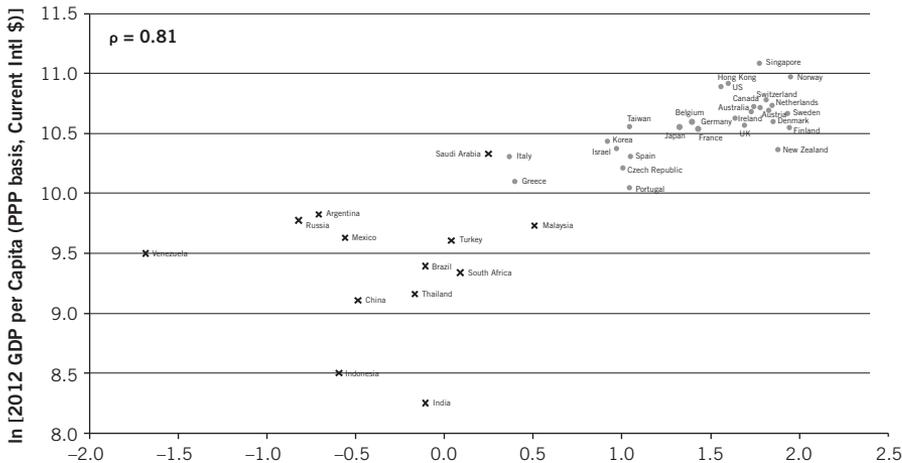
Regulatory Quality: Capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

× denotes emerging markets.

• denotes developed markets.

Source: International Monetary Fund; World Bank.

Exhibit 10.4b



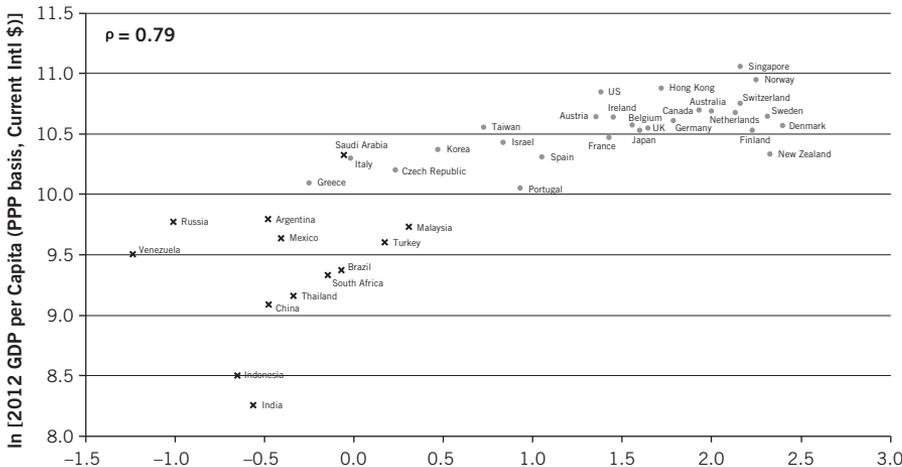
[2012] World Bank Worldwide Governance Indicator: Rule of Law

Rule of Law: Capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

- x denotes emerging markets.
- o denotes developed markets.

Source: International Monetary Fund; World Bank.

Exhibit 10.4c



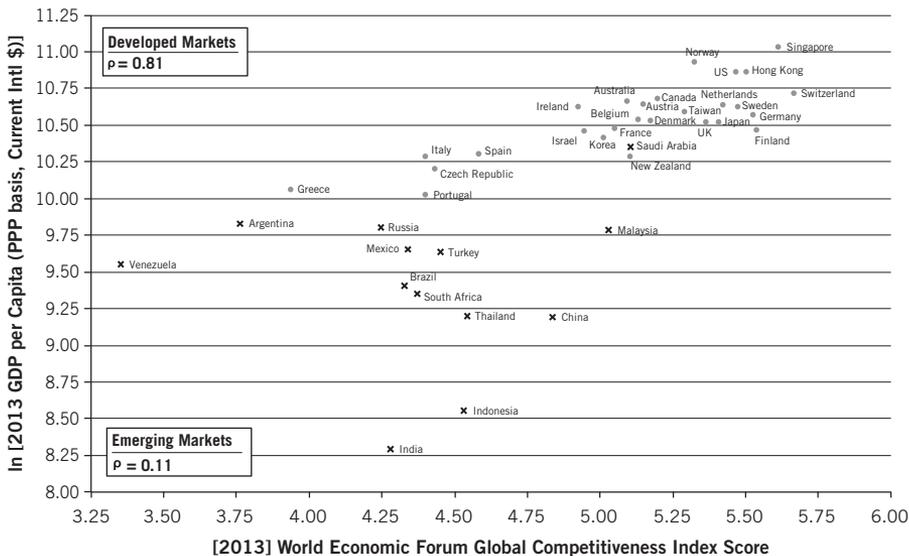
[2012] World Bank Worldwide Governance Indicator: Control of Corruption

Control of Corruption: Capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

- x denotes emerging markets.
- o denotes developed markets.

Source: International Monetary Fund; World Bank.

Exhibit 10.5

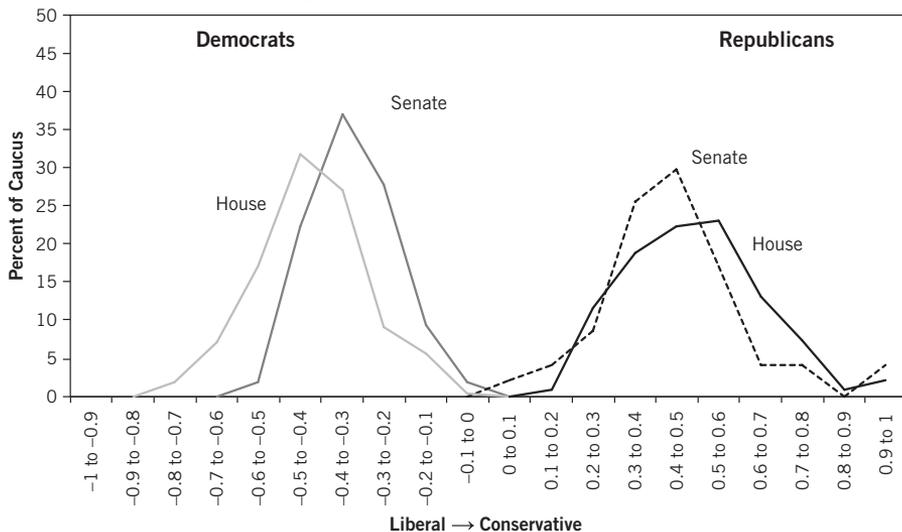


× denotes emerging markets.
 • denotes developed markets.

Source: International Monetary Fund; World Economic Forum.

Exhibit 10.6

Distribution of 112th Congress (January 3, 2011–January 3, 2013): Liberal vs. Conservative

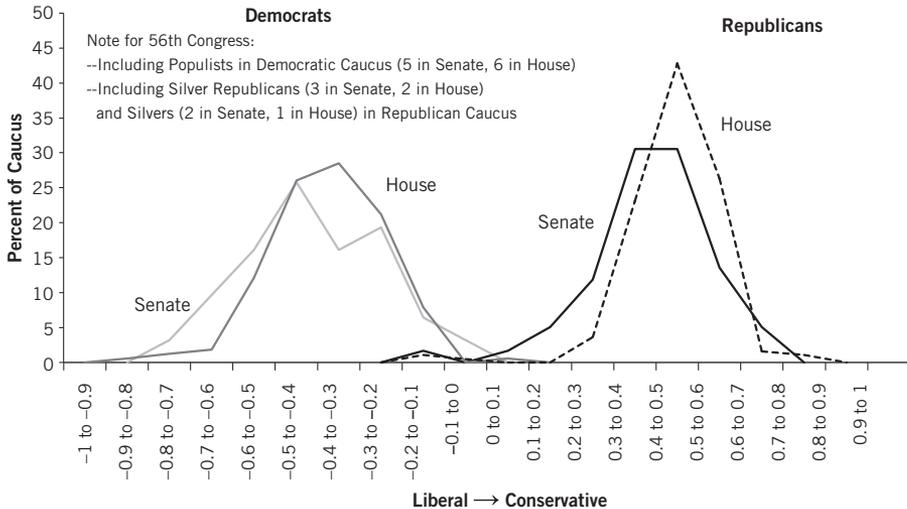


Sources: Voteview.com.

Note: Distributions include all people who served during the 112th Congress.

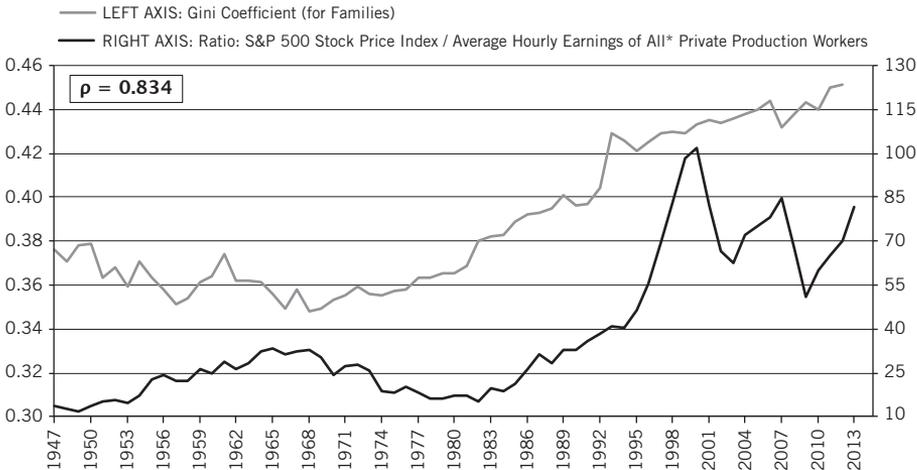
Exhibit 10.7

Distribution of 56th Congress (March 4, 1899–March 4, 1901): Liberal vs. Conservative



Source: VoteView.com.

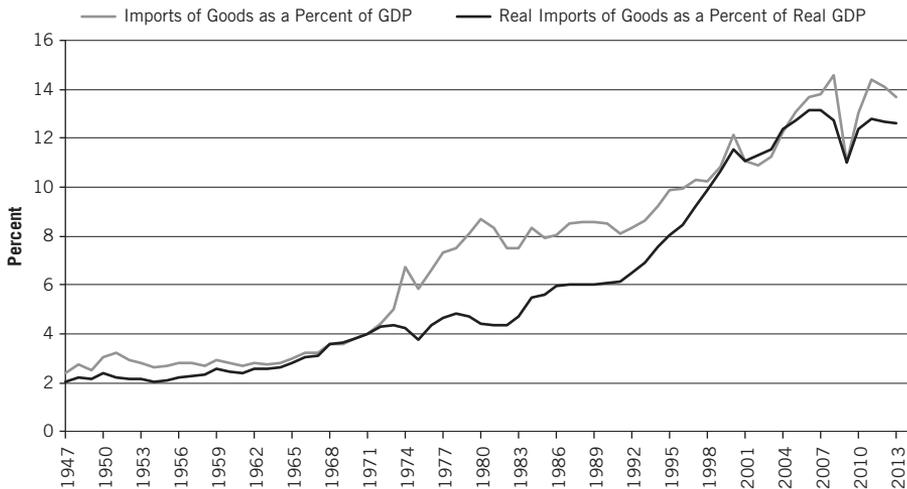
Exhibit 11.1



Sources: U.S. Department of Commerce; U.S. Department of Labor; Standard & Poor.

*Prior to 1964, average hourly earnings are those of production workers in goods-producing industries only.

Exhibit 11.2



Source: U.S. Department of Commerce.

Exhibit 12.1 Yuan/US\$ Exchange Rate vs. China's FX Reserves (Bil.US\$)

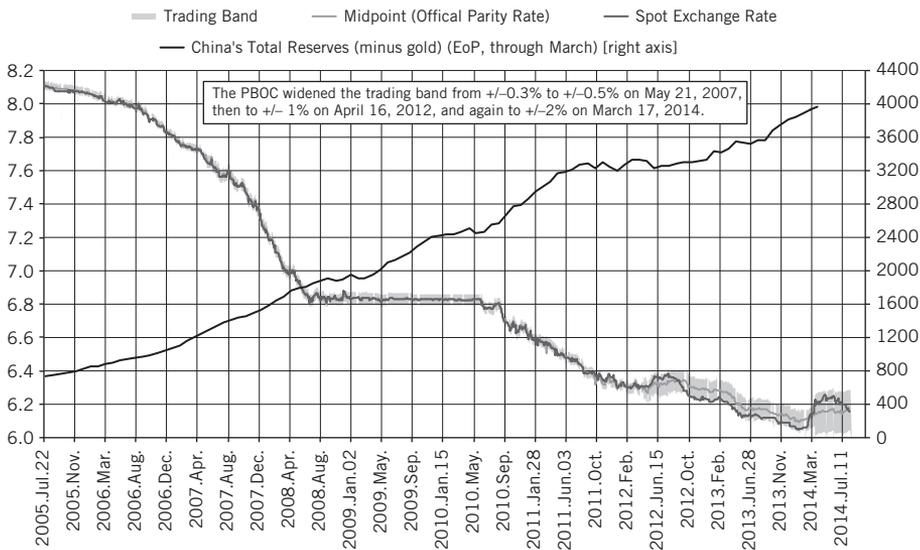
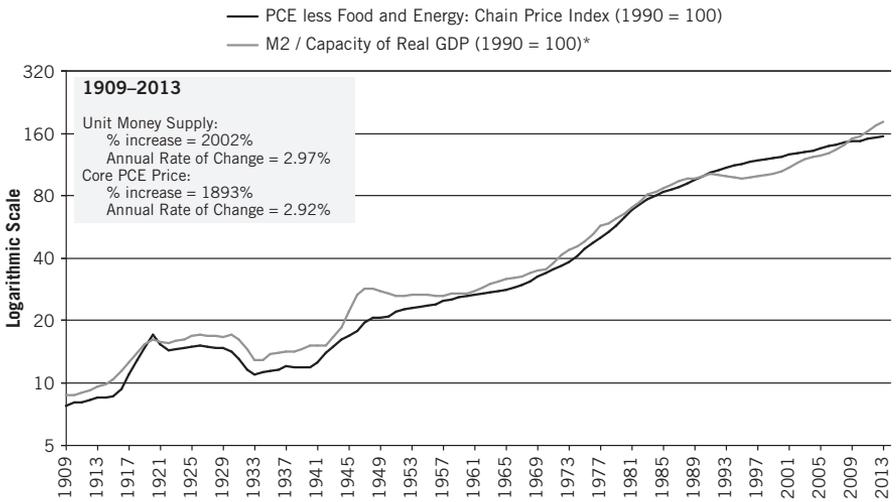


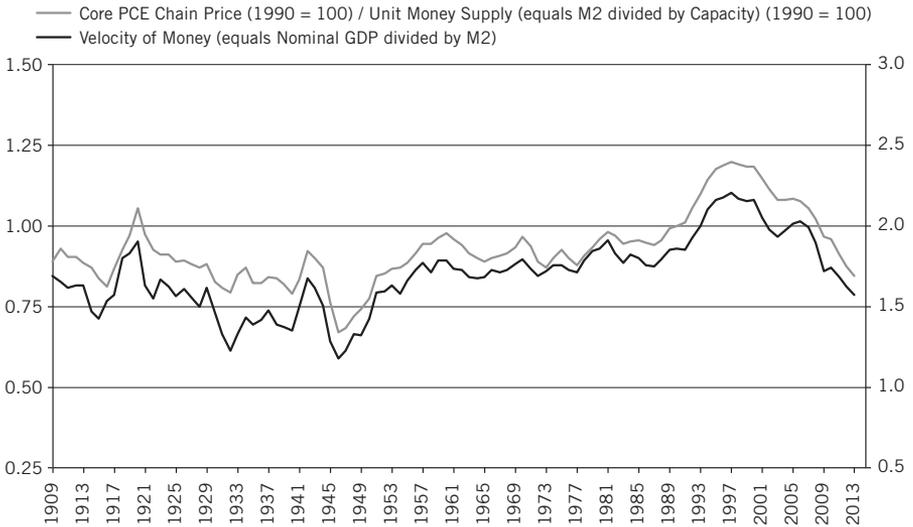
Exhibit 13.1



Source: U.S. Department of Commerce; Federal Reserve Board; author's calculations.

*See endnote 8 of Chapter 13 (pages 401–2) for derivation of estimate of capacity.

Exhibit 13.2



Source: U.S. Department of Commerce; Federal Reserve Board; author's calculations.

Exhibit 13.3

Dependent Variable (Time Period: 1909–2013, 105 obs.)

[Core PCE Chain Price / (M2 / Capacity)] (1990 = 1.0)

Independent Variable(s)

**3-Month Treasury Bills, Secondary Market (% p.a.)

Dummy (equals 1 from 1990 through 2012)

Coefficient

0.0171

0.1906

t-Statistic*

4.18

5.82

Adjusted R-sq

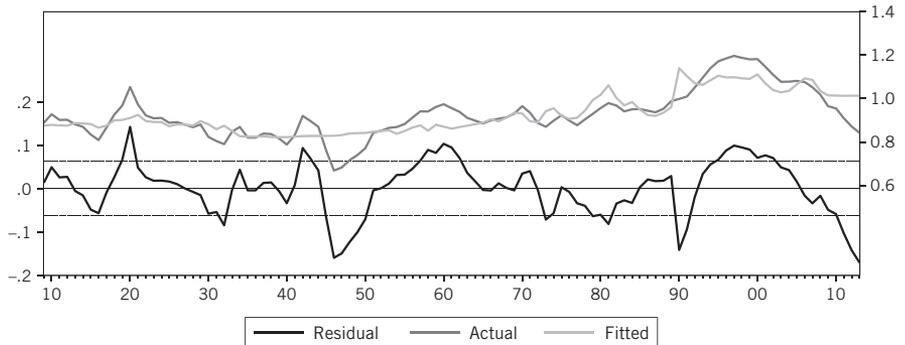
0.669

Durbin-Watson

0.377

*t-statistic calculated using Newey-West HAC standard errors and covariance.

**Linked to 1-year corporate bond yield prior to 1934.

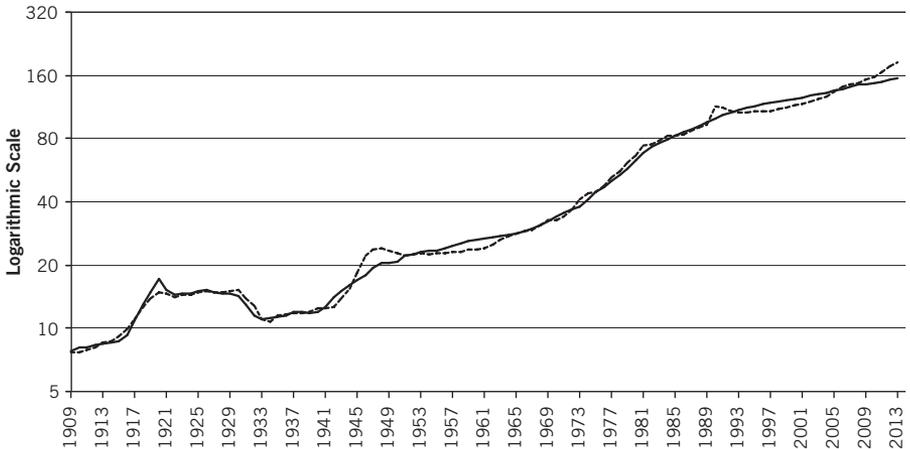


Source: U.S. Department of Commerce; Federal Reserve Board; Standard & Poor's; The Cowles Commission; D. Durand, "Basic Yields of Corporate Bonds, 1900–1942" (1942); author's calculations.

Exhibit 13.4

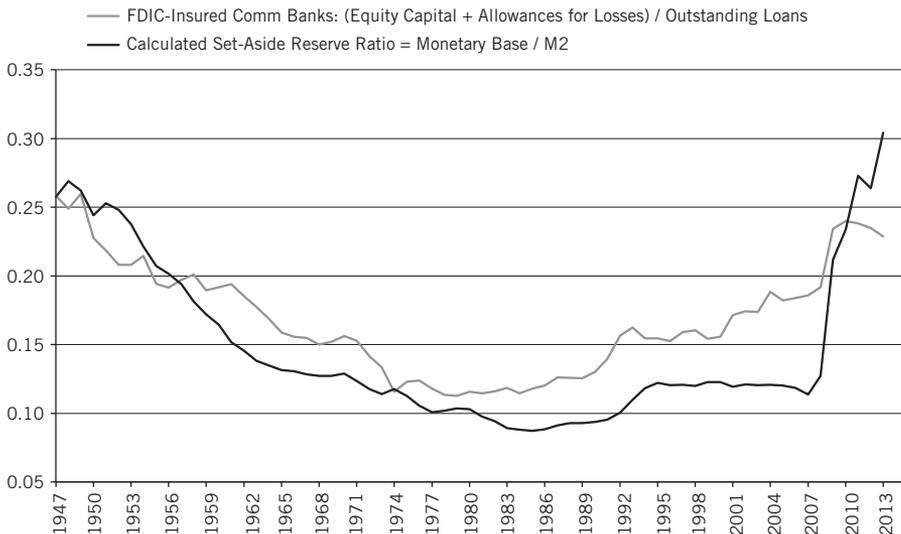
— Core PCE Chain Price (1990 = 100)

- - - Income Velocity Adjusted Estimated Core PCE Chain Price



Source: U.S. Department of Commerce; author's calculations.

Exhibit 13.5



Source: Federal Deposit Insurance Corporation; Federal Reserve Board.

Exhibit A.1 Daily Trend-Adjusted Percent Change in S&P 500 Price Index

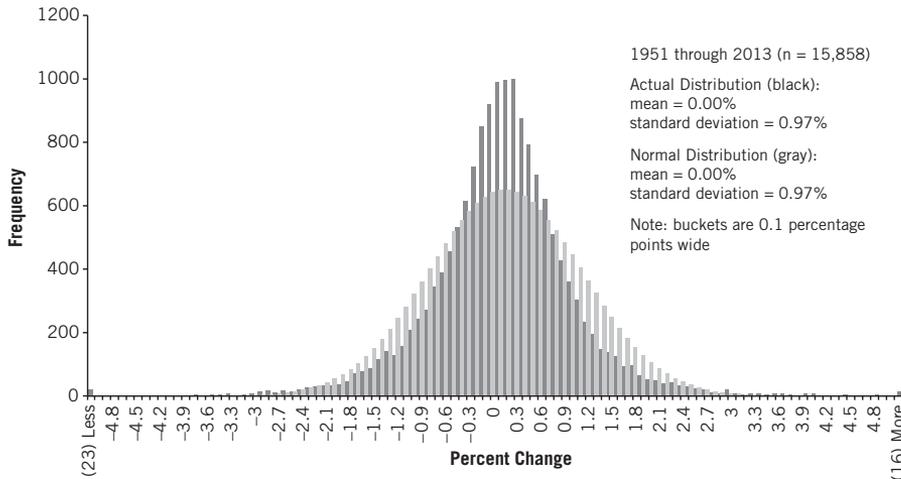


Exhibit A.2

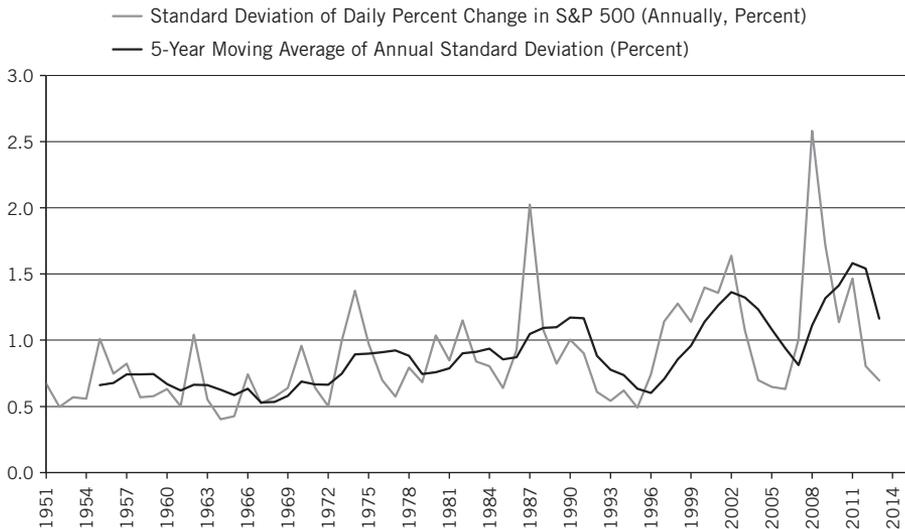


Exhibit A.3 Trend-Adjusted Weekly Initial Claims (SA)

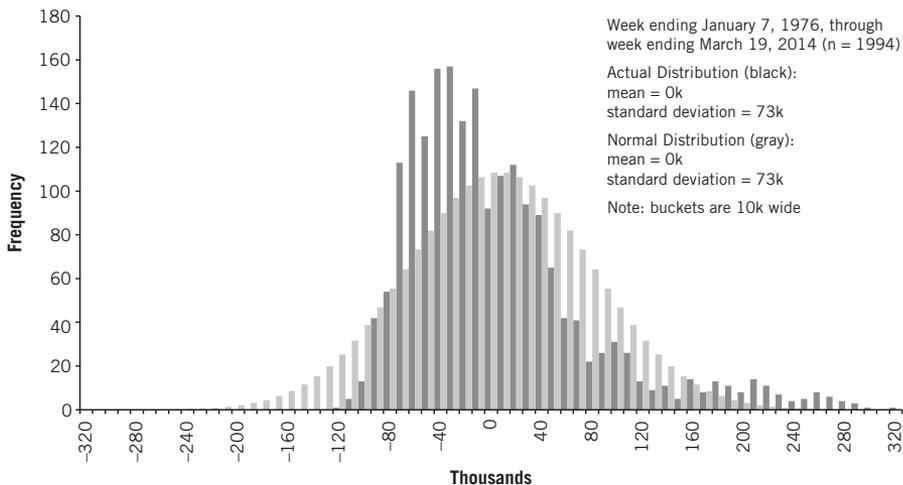


Exhibit A.4 Percent Change in Labor Force (SA)

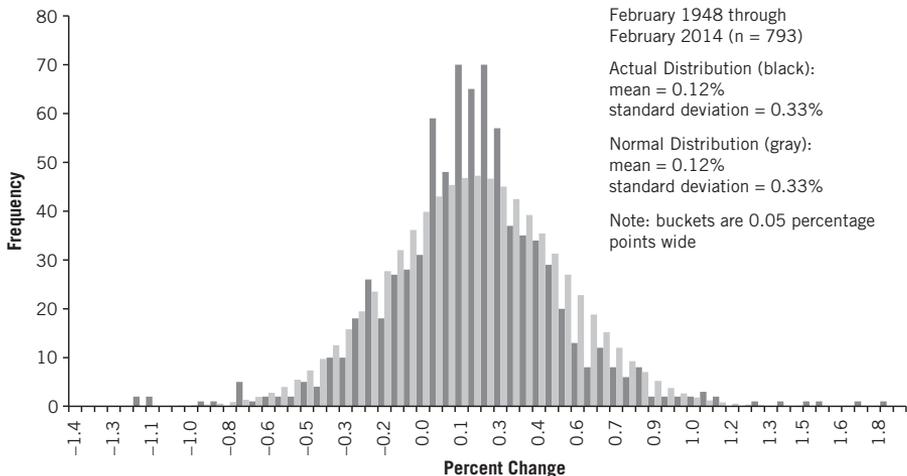


Exhibit A.5 Trend-Adjusted Monthly Percent Change in Industrial Production Index (SA)

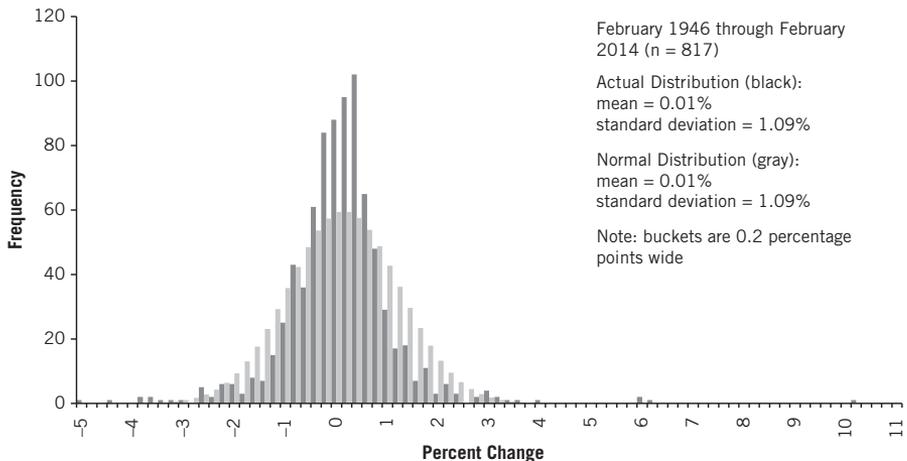


Exhibit B.1 Sources of Deviation in Fitted Nonfinancial Corporate Business Cap Ex Ratio (Q1.1970-Q4.2013)

