

INDEX

- ABM. *See* Asian Bond Market (ABM)
- ABS. *See* Asset-backed securities (ABS)
- Accommodative policy, of US, 9–10, 20–21, 39, 43
reasons to adopt, 10
- ADB. *See* Asian Development Bank (ADB)
- ADF. *See* Asian Development Fund (ADF)
- AFC. *See* Asian Financial Crisis (AFC)
- Aggregate demand (AD) shock curve, 39–40, 41*f*
- Aggregate supply (AS) shock curve, 39–40, 41*f*
- Analytic Network Process (ANP), 63, 91–94
- ANP. *See* Analytic Network Process (ANP)
- ASEAN. *See* Association of Southeast Asian Nations (ASEAN)
- Asian Bond Market (ABM), 66
- Asian Development Bank (ADB), 156
- Asian Development Fund (ADF), 66
- Asian Financial Crisis (AFC), 8, 55
- Asian Monetary Fund (AMF), 55
- Asset-backed securities (ABS), 28
- Assets
emerging market, 10
Japan, 14
US, 7, 16, 18–20, 21*f*
- Bank of America, 33
- Barclays, 32
- Baugur Group, 44
- Bayh, Evan, 26–27
- Bear Stearns Co Inc, 33
- Benefit cluster, RFA, 63, 64–66, 65*f*, 72*f*
with basket system, 71, 72
contagion, 66, 95*t*
macro & ER coordination, 66, 95*t*
mismatch, 66, 95*t*
risk sharing, 64–65, 95*t*
without ER, 71–72
- Bernanke, Ben, 36
- Bilateral swap arrangements (BSA), 56
- BNP Paribas, 31
- Bos, Wouter, 49
- Britain. *See* United Kingdom (UK)
- Brown, Gordon, 45, 49
- BSA. *See* Bilateral swap arrangements (BSA)
- Bundesbank, 31
- Bush, George, 25
- CAD. *See* Current account deficit (CAD), US
- Capitalism, and financial crisis, 50–51
- Capital market, RFA opportunity cluster, 66, 68
- Carbon credit scheme, 166
- Carbon emissions, 161
mitigation, 157
- CDS. *See* Credit default swap (CDS)
- CFGE model simulation. *See* Computable financial general equilibrium (CFGE) model simulation

- CFIUS. *See* Committee on Foreign Investment in the United States (CFIUS)
- Chiang Mai Initiative (CMI), 56
- China
 - bilateral imbalances with US and Europe, 12–13
 - currency manipulation, 12
 - oil price increase, 135*f*–139*f*
 - household incomes, 113, 115*t*, 123, 133*t*
 - oil demand in, 100
 - oil-intensive sectors, 113
 - poverty, 123, 124
 - SOC expenditures, 124
 - subsidies, 122–124
- Cholesky factorization, 134
- Citigroup, 32
- Climate change
 - CFGE model simulation. *See* Computable financial general equilibrium (CFGE) model simulation
 - discount rate, 157–159
 - impact analysis, 160–162
 - overview, 155–157
- Collateralized debt obligations (CDO), 28, 29
- Commercial paper, 28
- Committee on Foreign Investment in the United States (CFIUS), 26
- Compliance, RFA risk cluster, 69–71
 - asymmetry, 70
 - central institution, 70
 - political will, 70–71
- Computable financial general equilibrium (CFGE) model simulation, 161–166
 - in baseline scenario, 162, 163*t*
 - in BAU scenario, 162–163, 163*t*
 - in SC1 scenario, 163–164, 163*t*
 - in SC2 scenario, 163*t*, 164–166, 165*f*
- Conduits, 30
- Conflicted virtue, 14
- Contagion, RFA benefit cluster, 66
 - without exchange rate (ER), 72
- Contingent Credit Line (CCL), 55
- Coordination, RFA cost cluster, 68
- Cost cluster, RFA, 68–69, 68*f*
 - with basket system, 73, 74*f*
 - coordination, 68, 96*t*
 - moral hazard, 68–69, 96*t*
- Countrywide, 33
- Credit default swap (CDS), 29, 33, 34
- Currency appreciation, and CAD
 - in Asian economies, 11–12, 14
 - in net-creditor countries, 14
- Currency basket. *See also* Regional Financial Arrangement (RFA)
 - Hong-Kong dollar, 86*f*
 - Indonesian rupiah, 86*f*
 - Malaysian ringgit, 87*f*
 - Philippines peso, 87*f*
 - Singapore dollar, 88*f*
 - South Korea won, 88*f*
 - Taipei (China) dollar, 89*f*
 - Thai baht, 90*f*
- Current account deficit, US, 37
- Current account deficit (CAD), US
 - accommodative policy, 9–10, 20–21, 20*f*
- China and
 - bilateral imbalances, 12–13
 - foreign reserves, 11, 14
 - manipulation of currency, 12, 14
- currency appreciation and
 - in Asian economies, 11–12, 14
 - in net-creditor countries, 14
- debt and, 15–16
- and dollar value, 16
- and domestic and multinational companies, 13
- equilibrium of, 18–19

- and interest rates, 16, 22
- and internal conflicts by
 - contradictory interpretations of law, 14–15
- investment-saving imbalance, 8, 8*f*–9*f*
- oil-exporting countries, 6, 7, 7*f*
- policy measures and, 17–22
- and trade conflict, 13
- valuation effect, 7

- Debt, and CAD, 15–16
- Discounting, defined, 158. *See also* Discount rate
- Discount rate, 157–159
 - intergenerational conflict, 159
 - investment, 159
 - resources exhaustion, 159
 - use, 158–159
 - zero (positive), 158
- Dollar, 5–6
 - depreciation, 18
 - in Latin America, 5
- Dubai Ports World, 26–27

- Emerging markets, 6
 - and financial crisis, 48
 - reforms and liberalization, 10
 - US accommodative policy, 10
- ER. *See* Exchange rate (ER)
- Exchange rate (ER)
 - in baseline scenario, 162, 163*t*
 - in BAU scenario, 163, 163*t*
 - fluctuations, 57–63
 - currency basket system, 61–63
 - in different countries, 80*t*–85*t*
 - GDP growth, 58
 - inflationary impact, 58
 - VAR technique, 57–58
 - in SC1 scenario, 163*t*
 - in SC2 scenario, 163*t*, 166

- Fannie Mae, 31
- Financial crisis
 - and capitalism, 50–51
 - and diplomatic conflicts, 44–45
 - and disadvantaged group, 47–48
 - and European disputes, 49–50
 - and free market, 50–51
 - and income inequality, 48
 - overview, 25–27
 - and poverty, 48
 - and social unrest, 48–49
 - subprime lending. *See* Subprime mortgage crisis
 - and SWF. *See* Sovereign Wealth Fund (SWF)
 - and trade conflict, 45
- Foreclosures, 32, 34, 35. *See also* Financial crisis
- France, and UK, 49–50
- Freddie Mac, 31
- Free market, and financial crisis, 50–51

- GDP. *See* Gross domestic product (GDP)
- Geithner, Timothy, 12
- Germany, interest rates hike, 49
- Gini index, 165*f*, 167
- Government investment, mitigation policy, 159
- Gross domestic product (GDP), 58, 103*f*
 - in baseline scenario, 162, 163*t*
 - in BAU scenario, 163, 163*t*
 - current account balances, 6*f*
 - oil price increase and, 103*f*
 - in India, 125
 - in Indonesia, 127
 - in Thailand, 126
 - in SC1 scenario, 163*t*, 164
 - in SC2 scenario, 163*t*, 166
 - US, 6, 16, 29, 35, 37

- Haarde, Geir H., 45
- Hierarchy-based model, 91–94
- Holarchy, 92–93
supermatrix of, 92*f*
- Hongkong, ER fluctuation, 80*t*
- Household incomes, oil price increase
and, 101, 102
in China, 113, 115*t*, 123, 133*t*
in India, 106, 110–113, 111*t*–112*t*,
124, 133*t*
in Indonesia, 118–119, 118*f*,
120*t*–121*t*, 127, 133*t*
in Korea, 125–126
in Thailand, 114, 116*t*, 117*f*, 118,
127, 133*t*
- Housing market. *See* Subprime
mortgage crisis
- Hurricane Katrina, and oil price
surge, 100
- Iceland and United Kingdom, 44–45
- Icesave, 44, 45
- IKB Deutsche Industriebank, 31
- Income inequality, and financial
crisis, 48
- India, oil price increase, 139*f*–143*f*
household incomes, 106, 110–113,
111*t*–112*t*, 124, 133*t*
oil-intensive sectors, 106, 110–113
poverty, 124
SOC expenditures, 125
subsidies, 124–125
- Indonesia
CFGE model simulation. *See*
Computable financial general
equilibrium (CFGE) model
simulation
ER fluctuation, 81*t*
oil price increase, 149*f*–153*f*
household incomes, 118–119, 118*f*,
120*t*–121*t*, 127, 133*t*
oil-intensive sectors, 118–121
poverty, 128
SOC expenditures, 128
subsidies, 127–128
- Inequality, and financial crisis, 48
- Inflation, 10, 16, 46, 102–103
in baseline scenario, 162, 163*t*
in BAU scenario, 163, 163*t*
CAD, 37
ER fluctuation, 58
factors in declining, 27
oil prices changes and, 102–103, 104,
105, 134–135
in China, 123
in India, 124
in Indonesia, 128
in Korea, 125, 126
in Thailand, 127
in SC1 scenario, 163*t*, 164
in SC2 scenario, 163*t*
upward pressure on, 39–40, 42*f*
- Information technology (IT) bubble, 9
- Interest rates, CAD, 16, 22
- International Monetary Fund (IMF)
policy failure, 55
- Investment banks, subprime mortgage
crisis and, 28–29
margin calls, 31
- Investment-saving imbalance, 8, 8*f*–9*f*
- Investment-saving imbalance, 8
- Japan, bilateral imbalances, 12
- JP Morgan Chase & Co, 33
- Korea, oil price increase, 143*f*–146*f*
household incomes, 125–126
poverty, 125, 126
SOC expenditures, 125, 126
- Kyoto Protocol, 157
- Lamy, Pascal, on economic crisis, 45
- Landbanki, 44, 45
- Lehman Brothers, bankruptcy, 35–36
- Liquidity, 33
- London inter-bank rate (LIBOR), 33

- Long Term Capital Management (LTCM), 28
- LTCM. *See* Long Term Capital Management (LTCM)
- Macroeconomic & ER coordination, RFA benefit cluster, 66
without exchange rate (ER), 71–72
- Madoff, Bernard L., 28
arrest, 36
- Malaysia, ER fluctuation, 81*t*–82*t*
- MBS. *See* Mortgage-backed securities (MBS)
- Mismatch, RFA benefit cluster, 66
with basket system, 66
- Mitsubishi UFJ, 32
- Moral hazard, RFA cost cluster, 68–69
complacency, 69
conditionality, 69
political pressure, 69
- Mortgage-backed securities (MBS), 28
investors and, 29
selling, 29
- Mortgage lending. *See* Subprime mortgage crisis
- National Oil Corp., 47
- Net international reserves, 11*f*
- Non-renewable resources, use of, 161
- Oil-exporting countries, and US CAD, 6, 7, 7*f*
- Oil-intensive sectors, 108–121
in China, 113
in India, 106, 110–113
in Indonesia, 118–121
in Thailand, 113, 114, 118
- Oil price increase
household incomes and, 101
income transfers and, 102
inflation and, 103, 104
monetary policy and, 102–103
oil-intensive sectors. *See* Oil-intensive sectors
overview, 99–100
policy response to, 122–128
recession and, 103, 104
- Opportunity cluster, RFA, 66–68, 67*f*
with basket system, 73, 73*f*
capital market, 66, 68, 96*t*
supervision, 68, 96*t*
- Output growth, downward pressures, 40, 42*f*
- Philippines, ER fluctuation, 82*t*
- Plaza Accord, 12
- Policy trade-offs, and financial crisis, 37–51
aggregate demand (AD) shock, 39–40, 41*f*
aggregate supply (AS) shock, 39–40, 41*f*
dollar value, 38–39, 38*f*
inflation shock, 41, 42*f*
institutional losses, 40
interest rates, 38–39
output growth shock, 41, 42*f*
and policy conflicts, 44–51
taxes, 43–44
- Ponzi scheme, 35, 36
- Poor. *See* Poverty
- Poverty
and climate change, 155
in developing countries, 156, 161
simulation model analysis, 163, 164, 164*f*, 166
and financial crisis, 48
oil price increase and, 101, 102*f*
in China, 123, 124
growth elasticity concept, 122
in India, 124
in Indonesia, 128
in Korea, 125, 126
in Thailand, 127

- Real business cycle (RBC) model, oil price increase in, 101–102
- Recession, 36
- Regional Financial Arrangement (RFA), 55–97
- benefit cluster, 63, 64–66, 65*f*
 - contagion, 66, 95*t*
 - macro & ER coordination, 66, 95*t*
 - mismatch, 66, 95*t*
 - risk sharing, 64–65, 95*t*
- cost cluster, 68–69, 68*f*
- with basket system, 73, 74*f*
 - coordination, 68, 96*t*
 - moral hazard, 68–69, 96*t*
- currency basket. *See* Currency basket
- exchange rate (ER) fluctuations, 57–63, 59*f*–60*f*
- opportunity cluster, 66–68, 67*f*
- with basket system, 73, 73*f*
 - capital market, 66, 68, 96*t*
 - supervision, 68, 96*t*
- overview, 56–57
- risk cluster, 69–71, 70*f*
- with basket system, 74, 74*f*
 - compliance, 69–71, 96*t*
 - synchronized, 71, 97*t*
- Renewable resources, use of, 161
- Reserve pool cluster, RFA, 64, 65
- RFA. *See* Regional Financial Arrangement (RFA)
- Risk cluster, RFA, 69–71, 70*f*
- with basket system, 74, 74*f*
 - compliance, 69–71, 96*t*
 - synchronized, 71, 97*t*
- Risk sharing, of RFA benefit cluster, 64–65
- with basket system, 71
- SAM. *See* Social accounting matrix (SAM)
- Sarkozy, Nicolas, 50
- on SWF, 26
 - on VAT cut, 49
- Singapore, ER fluctuation, 83*t*
- Social accounting matrix (SAM), 106, 131
- Social discount rate. *See* Discount rate
- Social overhead capital (SOC), government expenditures on
- in China, 124
 - in India, 125
 - in Indonesia, 128
 - in Korea, 125, 126
 - in Thailand, 127
- Social unrest, and financial crisis, 48–49
- Société Générale, 32
- Solvency, 33
- South Africa
- Chinese imports in, 5
 - job loss in, 5
- South Korea, ER fluctuation, 83*t*–84*t*
- Sovereign Wealth Fund (SWF), 26, 45–47
- values of M&A by, 45–46, 46*f*
- SPA. *See* Structural path analysis (SPA), of transmission mechanism
- Steinbrück, Peer, 49
- Stern Review on the Economics of Climate Change, 157, 158
- Structural path analysis (SPA), of transmission mechanism, 131–132, 132*f*
- Subprime mortgage crisis
- ABS, 28
 - background, 27–30
 - CDO, 34
 - CDS, 34
 - commercial papers issuers, 28
 - high-risk portfolios, 32
 - investment banks and, 28–29
 - Lehman Brothers bankruptcy, 35–36
 - liquidity problem, 33
 - margin calls, 31

- risky investments, 31–32
- solvency problem, 33
- Subsidies, oil price increase and, 101, 104–105
 - in China, 122–124
 - in India, 124–125
 - in Indonesia, 127–128
 - in Thailand, 126–127
- Supervision, RFA opportunity cluster, 68
- Supplementary Reserve Facility (SRF), 55
- SWF. *See* Sovereign Wealth Fund (SWF)
- Synchronized risk cluster, RFA, 71

- Taipei (China), ER fluctuation, 84*t*–85*t*
- Taxes, and financial crisis, 43–44
- Tax Reform Act, 30
- Thailand
 - ER fluctuation, 85*t*
 - oil price increase, 146*f*–149*f*
 - household incomes, 114, 116*t*, 117*f*, 118, 127, 133*t*
 - oil-intensive sectors, 113, 114, 118
 - poverty, 127
 - SOC expenditures, 127
 - subsidies, 126–127
 - Trade conflict, 45
 - and CAD, 13

- Transmission mechanism. *See also*
 - Oil-intensive sectors
 - SAM multiplier, 106, 131
 - SPA analysis, 131–132, 132*f*

- UBS, 32
- United Kingdom (UK)
 - and France, 49–50
 - and Germany, 49
 - and Iceland, 44–45
 - and VAT policy, 49–50
- United States (US)
 - accommodative policy, 9–10, 20–21, 39, 43
 - assets, 7, 16, 18–20, 21*f*
 - current account deficit (CAD). *See* Current account deficit (CAD), US
 - GDP, 6, 16, 29, 35, 37
 - subprime crisis. *See* Subprime mortgage crisis

- Value added tax (VAT), cut in Britain, 49–50
- VAR model, 122, 133–135. *See also* Oil price increase, policy response to

- Zero (positive) social discount rate, 158. *See also* Discount rate