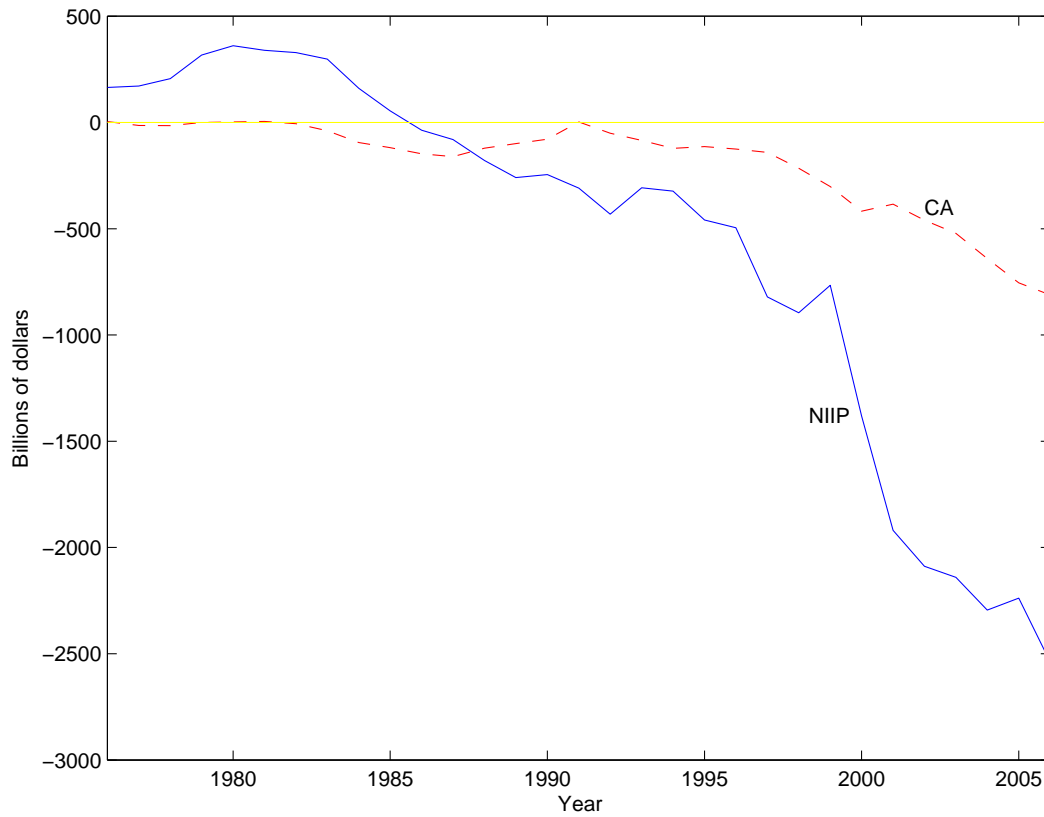


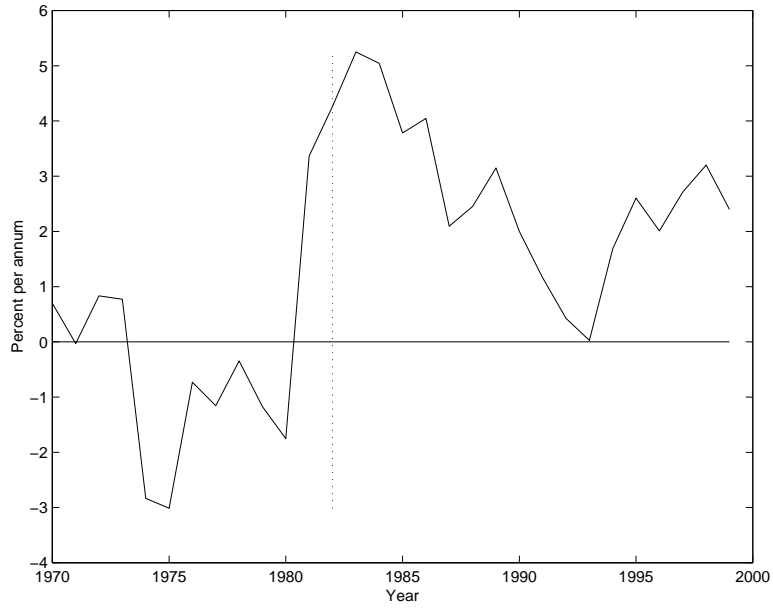
Economics 170
International Macroeconomics
Handout 2

The Twin Deficits of the 1980s
The U.S. Current Account (CA) and
Net International Investment Position (NIIP)



Source: Economic Report of the President, 1992 and 1998; and Survey of Current Business, July 1999.

Real interest rates in the United States 1970-1999



Source: Economic Report of the President, 2000. Note: The real interest rate is measured as the difference between the 3-month Treasury bill rate and consumer price inflation. (Thus, this is an *ex post* real interest rate.)

U.S. Saving and Investment in Percent of GDP



Source: N. Fieleke, "The USA in Debt," in Dilip Das, *International Finance*, Routledge, 1993, chapter 27 (especially, table 27-11).

Table 1: U.S. military spending as a percentage of GNP: 1978-1987

Year	Military Spending (% of GNP)
1978-79	5.1-5.2
1980-81	5.4-5.5
1982-84	6.1-6.3
1985-87	6.7-6.9