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“How sustainable is the U.S. economic recovery?”
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declaration</td>
<td>5</td>
</tr>
<tr>
<td>Acknowledge</td>
<td>6</td>
</tr>
<tr>
<td>Abstract</td>
<td>7</td>
</tr>
<tr>
<td>List of figures</td>
<td>8</td>
</tr>
<tr>
<td>Chapter 1: INTRODUCTION</td>
<td>9</td>
</tr>
<tr>
<td>1. Crises of the early twenty-first century</td>
<td>9</td>
</tr>
<tr>
<td>2. Background of the Issues</td>
<td>10</td>
</tr>
<tr>
<td>3. Research aim</td>
<td>10</td>
</tr>
<tr>
<td>4. Research objectives</td>
<td>11</td>
</tr>
<tr>
<td>5. Approach to the dissertation</td>
<td>11</td>
</tr>
<tr>
<td>6. Suitability of the researcher and interest in the subject</td>
<td>11</td>
</tr>
<tr>
<td>7. Scope and limitations of the research</td>
<td>12</td>
</tr>
<tr>
<td>7.1 Scope</td>
<td>12</td>
</tr>
<tr>
<td>7.2 Limitation</td>
<td>12</td>
</tr>
<tr>
<td>8. Organization of the dissertation</td>
<td>13</td>
</tr>
<tr>
<td>Chapter 2: LITERATURE REVIEW</td>
<td>15</td>
</tr>
<tr>
<td>1. Keynesian versus Hayek</td>
<td>15</td>
</tr>
<tr>
<td>1.1 History</td>
<td>15</td>
</tr>
<tr>
<td>1.2 Theories definition</td>
<td>15</td>
</tr>
<tr>
<td>1.3 Recommendations of respective theories</td>
<td>16</td>
</tr>
<tr>
<td>1.3.1 Keynes recommendations</td>
<td>16</td>
</tr>
<tr>
<td>1.3.2 Hayek recommendations</td>
<td>17</td>
</tr>
<tr>
<td>2. Debate on U.S economy health</td>
<td>18</td>
</tr>
<tr>
<td>2.1 Following the Keynesian approach</td>
<td>18</td>
</tr>
<tr>
<td>2.2 Following the consequences</td>
<td>20</td>
</tr>
<tr>
<td>2.3 Forecast</td>
<td>25</td>
</tr>
<tr>
<td>2.4 Following the Free market approach</td>
<td>26</td>
</tr>
<tr>
<td>2.4.1 Flashback on the free market reign</td>
<td>26</td>
</tr>
</tbody>
</table>
Chapter 3: RESEARCH METHODOLOGY AND RESEARCH METHODS........ 34

1. Research question.................................................................34

2. Research philosophies..........................................................35
   2.1 Research paradigms.........................................................36
       2.1.1 Positivism.................................................................36
       2.1.2 Realism .................................................................36
       2.1.3 Pragmatism.............................................................37
       2.1.4 Interpretivism.........................................................37
   2.2 Research approach.........................................................38
   2.3 Research strategies........................................................39
       2.3.1 Experiments..............................................................39
       2.3.2 Surveys.................................................................39
       2.3.3 Action Research.......................................................40
       2.3.4 Grounded theory.....................................................40
       2.3.5 Ethnography...........................................................40
       2.3.6 Archival Research....................................................41
       2.3.7 Case Studies...........................................................41

3. Research choices.................................................................42

4. Research time horizon ........................................................43
   4.1 Cross-sectional .............................................................43
   4.2 Longitudinal.................................................................43

5. Data collection and data analysis ...........................................44
   5.1 Data collection and data Interpretation...............................44
   5.2 Data Analysis...............................................................44
   5.3 Sampling Method..........................................................45
   5.4 Actual Sample and data collection tools...............................46
   5.5 Ethical implications........................................................46
   5.6 Limitations to the research..............................................47
   5.7 Personal biases.............................................................47

6. Structure of the research method – Framework .....................48
Chapter 4: RESEARCH FINDINGS AND DATA ANALYSIS .........................49
1. Interviewers presentation ........................................................................49
2. Findings .................................................................................................50

Chapter 5: CONCLUSION AND RECOMMENDATIONS .......................64
1. Effectiveness of the Federal Reserve policy ........................................64
2. U.S economy strength ...........................................................................64
3. The likely robust recovery .....................................................................65
4. Limitations and Suggestions for Further Research ...............................67
   4.1 Limitations .......................................................................................67
   4.2 Suggestions for Further Research ...................................................68

Chapter 6: SELF-REFLECTION ON OWN LEARNING ..........................69
1. Researcher’s profile .............................................................................69
   1.1 Educational backgrounds ................................................................69
   1.2 Professional backgrounds ..............................................................69
2. Relationship with the researcher’s career goal .....................................70
   2.1 Skills required for the career goal ................................................71
   2.2 Rationale for undertaking MBA ..................................................71
3. Review on learning outcomes ..............................................................72
   3.1 Overview of the program & Skills development ............................72
   3.2 Overview of the program ...............................................................73
      3.2.1 International management ......................................................73
      3.2.2 Theory of finance ...................................................................73
      3.2.3 International Business and Trade ..........................................73
      3.2.4 International Financial Institution and Markets ....................74
      3.2.5 English earnings ...................................................................74
4. Master of Business Administration´s experience and learning ...............74
5. Conclusion .............................................................................................75

APPENDIX ...............................................................................................76
BIBLIOGRAPHY ......................................................................................97
DECLARATION

This part attests that I, Jeremy DELSOL, student of Dublin Business School, studying a Masters of Business Administration in Finance, has submitted this dissertation on the topic “How sustainable is the U.S. economic recovery?” in accordance to the requirements for the degree of Masters of Business Administration (MBA) at the Dublin Business School.

Furthermore, I testify that this dissertation is entirely based on my own work, unless referenced in the text as a specific source and the words have been placed in inverted commas ("").

Jeremy DELSOL
ACKNOWLEDGMENTS

First of all, I would like to thank the Dublin Business School for giving me the opportunity to accomplish a MBA Degree. I will also always be thankful to my parents who help me financially and morally to achieve my goals.

I would like to dedicate a special acknowledge to my supervisor who has knew guide me to the right direction and in the meantime keeping the aim of my research. I have to say that all I have learned from his class was fully useful and has led me to undertake this dissertation on this particular subject.

I am also thankful to professionals and contacts that allowed me to obtain interviews.

Finally, I would like express my gratitude to Sylvain BROYER, Jean-Luc PROUTAT, David WAGNER and David BOTTIN without who I would not have been able to treat that subject.
**ABSTRACT**

The main purpose of this study is to better understand the U.S economy recovery in order to know if the recent crisis will be followed by another one much bigger or if the United States will be fully recovered. Through this study, it will examine the current strengths and weaknesses of the U.S economy.

This work is based on two sources, primary data and secondary data. The primary data has been collected by three deep interviews and one questionnaire whereas the secondary data have been selected from several sources such as articles, books, libraries, Internet.

The first portion of this study will serve as an introduction to the subject and. The research questions that will lead the structure of this dissertation will also be defined among this section.

After that, the second part will about the primary data. Through three interviews and one questionnaire of experts and professionals such as economists from Natixis and BNP Paribas and market analysts, several arguments will be exposed.

Then, the third section will present the research methodology used to data collection and data analysis methods while the fourth chapter be composed by findings of the each interviews.

The two last parts will be the conclusion and a self-reflection about the learning obtained through this research.

Finally, this research will provide several key points concerning the next few years of the biggest economy of our world.
LIST OF FIGURES

FIGURE 2.1 GDP per Working-Age population (2007-2013) ........................................... 21
FIGURE 2.2 Real GDP Growth quarterly annualized ....................................................... 22
FIGURE 2.3 Household Deleveraging (1990-2013) ......................................................... 22
FIGURE 2.4 Domestic Crude Oil Production and Net Import (2000-2013) ..................... 24
FIGURE 2.5 US Momentum ......................................................................................... 25
FIGURE 2.6 GDP Growth in recovery ......................................................................... 33
FIGURE 2.7 Productivity growth in recovery ................................................................. 34
FIGURE 3.1 Research philosophy .............................................................................. 36
FIGURE 3.2 Research choices .................................................................................... 43
FIGURE 3.3 Sampling Method .................................................................................... 47
FIGURE 4.1 Virtuous Cycle ......................................................................................... 64
FIGURE 4.2 EUR/USD weekly ..................................................................................... 65
FIGURE 5.1 The key drivers ....................................................................................... 67
FIGURE 6.1 Kolb’s Cycle of Experiential Learning ...................................................... 74
CHAPTER 1 – INTRODUCTION

1. Crises of the early twenty-first century

The 21st century has seen a terrible financial crisis during the first decades. Indeed, the subprime crisis has been one of the most spectacular crises since 1929. The real estate went down such as the stock market and the banks system were frozen. The interest rates have increased and a lot of householder has couldn't pay off their mortgages and had to leave their house.

The beginning of this crises start just after the 11th September 2001. Following this tragic event, the government with the Federal Reserve had to react. They have decided to cut the interest rates close to zero and to inject billions in the economy every month to launch the U.S economy on the way back of recovery, avoiding a recession. In that sense, it seems relevant to define what exactly mean a recession as: “two consecutive quarters of decline in a country's real (inflation adjusted) gross domestic product (GDP) — the value of all goods and services a country produces” (Tim Callen, 2008).

This action has give rise to a lot of aggressive loans from investors but also regular people to get more money to invest on the market. They obtained their credits helped by the massive development of risky loan with variable interest rates that banks has gave to people who had not any solvability. The money spent by the Fed will be turning to financial speculation and real estate investments. As we know now, the United States has progressively raised his director rates and three years later the real estate market has collapsed.

The Quantitative Easing has been employed since November 26, 2008 and has started to be reduced recently. This fact brings some relevant assumptions. Indeed, the fact that the Federal Reserve is starting to reduce the QE and the slow increase the interest rates lead to think that the situation is improving and it is time to go back on the normal policy gradually. The other thought could be that the increase will bring some new risk such as it has been the case in 2008, or even if the low interest rates linked to the Quantitative Easing has made damages on the economy through misallocation of capital for example. Others factor should also be taken in consideration such as the relation between United States and his foreign lenders. China is the most important lender of the United States and owns the biggest reserve of Dollar currency.

In this context, the U.S economy is facing a new challenge which is to pursuit the recovery with a careful management in order to avoid all risk of a bigger crisis.
2. Background of the Issues

Cycle of crisis and U.S economy recovery compose the background of the issues here. According Alan Greenspan: “Crisis will happen again but it will be different, that’s human nature. Unless somebody could find the way to change human nature, will we have more crises, none of them will look like this one because no two crises have anything in common, except human nature” (The Age of Confidence, 2009).

The President of the Federal Reserve from 1987 to 2006, attribute the crisis cycle to human nature. He argues that nobody can change human nature, we will make the same mistakes again and again but no one will look like each other. The only common point is in fact the human nature in each crisis that we passed through.

Firstly, it is well known that the experts say that crisis are following cycle and happen in a particular way. The main reason to support this though is the human behavior, and this behavior follows a repeat cycle. As Gerard Celente (2013), eminent analyst has said:”History is repeating itself”.

Secondly, the stimulus undertook by the Federal Reserve to keep the economy afloat could depreciate the US Dollar in a few years, leading to the US Dollar collapse. Indeed many factors and analysis lend to a potential currency crisis in the United States. It is about a significant and relevant topic which can influence the entire world in the financial sphere but also in our lifestyle because we use money every day.

Thirdly, the United State cumulates the bigger foreign debt or the world. Some analysts are warning that it could create a big issue correlated to the recovery and the weakness of the currents economy.

3. Research aim

Following the history of the U.S. economy since the beginning of this century, the analysis of the economic situation of the United States seems relevant. After 2008, the United States have been weakened and forced to deal with economics and financial problems. The necessary has been done to bail out big banks and a huge assurance company, AIG in order to restore confidence in the system. The country is looking forward now but the storm did not let up space the blue sky yet.

The aim of this research is to investigate the US recovery in order to evaluate the sustainability of the latter. Therefore, this study will attempt to build an complete view of the U.S economy health in order to predict if a bright or dark future is waiting the country.
4. Research objectives

According Saunders, Lewis and Thomhill: “Objectives are more generally acceptable to the research community as evidence of the researcher’s clear sense of purpose and direction” (Saunders, Lewis and Thomhill, 2009, p. 34). The analysis of the U.S economy will be helpful in order to detect faults leading to potentials risks and to determine if the recovery is durable. The overall question is entitled “How sustainable is the U.S. economic recovery?”

In this sense, several objectives were set up in order to follow a logical order and adequate on this study:

- Define an overall view of the effectiveness of the current policy direction,
- Make an assessment of the current strength of the U.S economy,
- Make an assessment of the likelihood of a robust recovery,
- Bring out a better understanding of the real situation,
- To formulate conclusion and recommendations,

5. Approach to the dissertation

The approach to the dissertation undertook by the researcher will have for aim to get the most complete understanding of the U.S economy health. It will be necessary to analyze two points of view. Indeed, the best way to evaluate a situation is to take in consideration the bad and good sides. In this sense, the researcher will brings up several arguments coming from experts and researches dealing with weaknesses and strengths of the American economy.

These arguments will come from the primary data collection with three interviews made by the research with several analyst and economics. The primary data collection will be completed by a questionnaire. Then, the secondary data will bring support helped by research in library, internet and other.

Few US analysts and economists had predicted the last crisis. The latter are warning the government about the next crisis which according to them is pretty close. These collected data will allow the researcher to build a study to U.S economy recovery.

6. Suitability of the researcher and interest in the subject

The choice of this subject is easily explained by the fact that the researcher would like to become a market analyst. After two internships as analyst on the currency market, the researcher is animated by the desire to know more about the global financial market and his behavior. The fact is that after living the last financial crisis, the real interesting thing is to think about the next one because being in finance, and be
aware that another crisis could happen or not, it is a good indicator to know where to invest or not. Because even during a crisis the money just changes hand to hand and never disappears. At the end, this subject has naturally interested him.

His experience in internships has also allowed him obtain some contacts in banks, which will be helpful to find relevant professionals to interview. The collection data and analyze will be based on eminent economists and analysts coming from major international banks. It’s “refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings” (Easterby-Smith et al. 2008:109). Several of collection data will come from economists who had already predicted the actual crisis and even the previous ones such as Peter Schiff and Gerald Celente.

Furthermore, as an MBA student specialized in financial market enginery, he is also able to understand and make conclusion about fundamental and technical data about the market. After several crises, the studies have shown relevant point that will be helpful for this dissertation. Finally, the Dublin Business School MBA has open to the student, the opportunity to study on a international issue, confirming the desire to work on international level in both his dissertation and the job career.

7. Scope and limitations of the research

In this part, the scope must be defined as the context of the study topic. Meanwhile, the researcher must stay honest with himself regarding his work. There are always limitations which have to be mentioned and taken in consideration.

7.1 Scope

The scope of this work is dealing with the economic health of the United States after the 2008 crisis. The study is occur when the country working on the recovery. The strength and weakness of this economy will be analyzed.

7.2 Limitation

Limitation are composed by several elements such as unpredictability event which could happen even if all the indicator of the economy are showing the opposite signs of relief or concern about the next few years.

Others limitation could be mentioned here:

- The number of interviews has been limited due to the difficulty to meet or have contact with eminent experts and economists. In the three interviews and one questionnaire that the research has made, there are no US experts or economists.
In general, there only few people who are ready to assume the fact there is a risk of a bigger crisis, so it has been more difficult to treat these arguments.

Due to the time restriction, secondary data may not be enough large.

Due to the number of words, primary and secondary data must stay below 22,000 words. This fact limits the depth of the research when it is about huge subject such as the U.S economy health.

The subject is linked to the geopolitical aspect. Nevertheless this study must stay focus on economic and financial aspect.

8. Organization of the dissertation

This dissertation owns 6 main chapters. The chapters are described as following:

CHAPTER 1 – INTRODUCTION

The introduction had for goal to illustrate the interest of the subject and to highlight what it will intend to achieve in this study. Through this first part, it has been mentioned the approach, the aim of this research but also several objectives and hypothesis.

CHAPTER 2 – LITERATURE REVIEW

The literature review will support different point of view and helped to get the best understanding of the U.S economy situation. This chapter will be based on several writes and thoughts of imminent professional of the U.S economy and financial market.

CHAPTER 3 - RESEARCH METHODOLOGY AND RESEARCH METHODS

Chapter 3 will deal with how the research methodology has been followed and what kind of research methods have been used for this study. For this reason, several methods will be analyzed through their own strengths and weaknesses. It will allow the reader to better understand how this paper has been done.

CHAPTER 4 - RESEARCH FINDINGS AND DATA ANALYSIS

The Research findings and Data analysis part will present what the researcher has found through several depth qualitative interviews. From these interviews, the researcher will report each argument relative to the subject in order to complete his understanding of the overall research question.
CHAPTER 5 - CONCLUSION AND RECOMMENDATIONS

The aim of this chapter is to bring general conclusions by summarizing the findings from the previous chapter. At the end of this part, findings will be pointing out the way in which these particular findings clarify the general issues.

CHAPTER 6 - SELF-REFLECTION ON OWN LEARNING

Finally in this part, the researcher will have a self-reflection about what he learned during this study. He will also highlight what does the study brought to him.
CHAPTER 2 – LITERATURE REVIEW

Two economic thoughts will be treated along this chapter to understand the actual situation, based on the historical facts and argument of each Theory. This chapter will reveal that the current policy direction is following the Keynesian approach. It will be discussed firstly about the history and definition of these two economic thoughts.

1 Keynesian versus Hayek

1.1 History

The Keynesian economists and free market economists reach back to the 1930s and the great depression. In fact, these economist thoughts were born respectively from John Maynard Keynes (1883-1946), a British economist, and Friedrich August von Hayek (1899-1992), an Austrian philosopher and economist. After the 1929 crisis, a debate takes place between these two economists. Each economist worked on economic models in order to explain and solve the financial and economic troubles. The result was that each one finally brings out their own model.

John Maynard Keynes is known to have made a major breakthrough in the field of economics with his greatest work entitled “The General Theory of employment, interest and money” in 1936. Later, he will become one of the founders of the monetary system after the Second World War.

In the meantime, Friedrich August von Hayek has been awarded with the Nobel Prize of economy in 1974 concerning his work joined to Gunnar Myrdal about the monetary theory and economics fluctuations. Twenty years in the past, he was writing his book “The Road to Serfdom” where he exposed his thought about the causes of the 1929 crisis advocating the free market.

1.2 Theories definition

- The Keynesian thought is based on “economic perspective that argues that private sector decisions sometimes lead to inefficient macroeconomic outcomes. The theory, therefore, advocates active policy responses by the public sector, including monetary policy actions by the central bank, and fiscal policy interventions by the government, to stabilize economic output over a business cycle.” Mikko I Arevuo (3 April 2012).
• The Hayek thought is based on Austrian theory according that “the price system of a free market was an efficient mechanism to coordinate people’s actions, and that markets were a result of spontaneous order that had evolved slowly over a long period of time, as a result of economic exchanges between people”, and that “markets were highly organic, and any interference with the spontaneous order of free markets would distort their efficient operation.” Mikko I Arevuo (3 April 2012).

1.3 Recommendations of respective theories

1.3.1 Keynes recommendations

Keynes has been considered by Lionel Robbins, director of the London School of Economics such as thinking “that when free markets were left to their own devices, this sometimes caused economic slumps, and that decisive government action was needed to pull the economy back to an equilibrium state of full employment, as heresy.” Mikko I Arevuo (3 April 2012).

On the opposite side the Austrian economists thought was that “free markets, driven by people’s choices tended to adjust to equilibrium if left alone, and free from government intervention.” Mikko I Arevuo (3 April 2012).

Keynes has writes an economic model called “The General Theory” published in 1936. In this work, the economist deals with the employment, monetary policy and management of the interest rates. John Maynard Keynes argues that “total demand determines the employment level in the economy, and the existence of unemployment indicates that aggregate demand is insufficient to employ all factors of production.” Mikko I Arevuo (3 April 2012). His hypothesis remains that the capitalism system leads to enough demand level in order to sustain full employment. Then, Keynes brings up that the public sector has to control the economy spending in order to solve this lack.

Hence, he lists few recommendations about the well management on the unemployment field. First, the interest rates have to be reduced as much as it will necessary in order to boost the private investment. Secondly, tax system should take place in order to reallocate the wealthy income which can consume much more to the lower paid. Finally, the main point of the Keynesian thought is that the government participation
in the public investment completes the private investment and sustains spending according to full employment level.

### 1.3.2 Hayek recommendations

In contrast to Keynes, Hayek does not believe that unemployment can be settled by an increase of the public spending. He has critiqued this point relative to the “General Theory”, exposing that unemployment can only be solved by increases of spending because according the economist, theses resources are misallocated and lead to crisis such as the 1929 crisis. In that sense, the same spending of resources cannot settle on a durable way the unemployment. Nevertheless, he sustains that aggregate spending are linked to the employment level and highlights that a sustainable solution remains in avoiding wrong investments to reallocate the spending where the market needs to.

Nicholas Wapshott, British journalist and writer, wrote a book untitled “Keynes Hayek: The clash that defined modern economics”, dealing with the two economic thoughts and trying to introduce the both debater. Wapshott has conclude by indicates that following the process, it seems appears that the Keynes theory about the economic crises work on a short term aspect while the Hayek approach reach to be applied on a longer term period. Hayek adds that the “Trade cycles were a result of the government interference with the spontaneous order of the markets.” Mikko I Arevuo (3 April 2012).

One of the main Hayek arguments is that “boom and bust are a result of wrong investments created by the government interference in the operation of free market, a result of the very policies advocated by the dogmatic Keynesians of today.” Mikko I Arevuo (3 April 2012).

Hayek has always clearly define that the perpetual tracking of the policy at that time has pushed the economy to a crisis while he was trying to warned the danger and effects which could result from this approach. This situation is still relevant nowadays because the monetary policy just continued to follow the same rules and action undertaken in the past.

The free market thought remains in the fact that the market can be self-sufficient and self-regulated. In the case of the 2008 crisis, this means that the government and the Fed wouldn’t interfered which probably would have lead to a severe depression where misallocation of capital and harmful major actors of the market, such as several banks and insurance company, would have gone bankrupt. In that sense, the market would have cleaned itself, ready to welcoming new actors of the market.
who would have boost the economy through a better market running to a healthy economy such it has been the case earlier. Instead, the government and the Fed have followed Keynesian approach and try to solve the economic issues by interfering into the cycle.

2. Debate on U.S economy health

2.1 Following the Keynesian approach

The Federal Reserve was born the December 23, 1913 with the Federal Reserve Act signature done by the President of the United States, Woodrow Wilson.

The idea of the central bank was coming from a severe banking panic in 1907 after that Wall Street had generated lot of speculation. At this time, the government pushed by the public opinion was leading to political reforms concerning the banking system. In fact, only fourteen years ago, the United States had faced to the worst depression ever seen. The resolution of this crisis was the intervention of the JP. Morgan banks on the system banking in order to stabilized the economy. After that, the thoughts were turned on the fact that the financial system needed to be controlled. Hence, the idea of a central banking authority appears to provide a healthier financial system. Then few years later, H. Parker Willis and Carte Glass, respectively a former professor of economics and the chairman of the House Committee on Banking and Finance worked out on a central bank proposal. During 1912, they submitted this proposition to the President Woodrow Wilson which with some adjustment would become the Federal Reserve Act.

The aim of this institution is to monitor the monetary policy using money and credit conditions in order to tend to stabilize the prices and to reach a full employment level. His duties are also the regulation of banks to ensure consumer credit rights and sustain the U.S economy by overseeing the financial system stability but also to provide financial services to the government.

Since almost the beginning of the Federal Reserve, the Keynesian model has been followed through several presidential systems. The first step leading to the Keynesian domination is the Marriner S. Eccles appointment as the Federal Reserve Chairman. John Kenneth Galbraith, American economist described the Fed under Eccles as “the center of Keynesian evangelism in Washington.” Henry C.K. Liu 2010. He claimed the opposite direction from the Hayek point of view exposing that the economy needed an income policy whereas Hayek sustained that “each market participant acting independently to maximize his individual interest represents the most efficient allocation of resources.” Henry C.K. Liu 2010.
Thomas B. McCabe, William McChesney Martin, Arthur F. Burns, G. William Miller, have followed one after the other. Then, Paul Volcker became chairman during the 1970s. At that time, inflation has significantly increased such as consumer prices. In the meantime, the federal deficit has followed the same trend. The chairman of the Federal Reserve during this period has intervened in order to stop the inflation run and bring it under control which has taken time but has paid few years later.

In August 11, 1987, Alan Greenspan is appointed and will stay until January 31 2006, the chairman of the U.S Federal Reserve. The emblematic chairman of the twenty century adds early in this mandate a statement in the Federal Reserve role: “The Federal Reserve, consistent with its responsibilities as the nation’s central bank, affirmed today its readiness to serve as a source of liquidity to support the economic and financial system” (Alan Greenspan announcement, 1987).

Following the terrorist attack of September eleven, Alan Greenspan has reduced the interest rates in order to sustain the economy. Overall during his mandate, the Federal Reserve used several time the monetary policy to control the economy. This clearly demonstrates the Keynesian behavior that the federal institution persists to follow. The result during the 1990s was a decrease of the inflation and the longest expansion time in the United States history, while the country is not in war.

Ben Bernanke was appointed from the first February 2006 until the January 31, 2014. Former professor at the Stanford and Princeton University, he became really involved to the Federal Reserve under the Bush administration before getting close to the president as chairman of the Council of Economic Advisers. His mandate matches a difficult period where he will try to sustain the U.S economy by bailout the biggest insurance company A.I.G with $85 billion and supporting the takeover of Bear Stearns by JPMorgan Chase. During the 2008 financial crisis, there are several examples of the Keynesian thoughts directly applied in the economy system. Indeed, the unprecedented stimulus from the Federal Reserve called Quantitative Easing is one of them.

Janet Yellen has been nominated since the first of February 2014. After having been the chairman and Chief Executive Officer of the Federal Reserve Bank of San Francisco from 2004 to 2010, and having a PhD in economy from Yale University, she is now the chairman of the U.S Federal Reserve. Ms. Yellen is also a former professor of economics at Berkeley. She sustains that without any intervention, the capitalistic economy cannot run at full employment. Janet Yellen is the face of the Keynesians economist of the twenty one century. The
Obama administration has reinforces the presence of this economic thought by nominating Ms. Yellen.

Keynesians continue to influence the economy and politics decisions nowadays. In fact, the reaction faced to the financial crisis represents exactly the Keynesians behavior which is to intervene decreasing the interest rates and injecting money in the economy. Indeed, according the White House report 2014 “it is important not to lose sight of the critical policy decisions that averted a second Great Depression and made it possible for the economy to arrive at this point.”

2.2 Following the consequences

The consequences of the Keynesian approach today will be treated in this part. So far, the U.S government starts to obtain result on the last five years of work, trying to sustain and launch the recovery. The first main indicator to analyze remains the Growth Domestic Product.

This graphic comes from the Statistical Office of the European Communities. It is included in “The 2014 Economic Report of the President” and posted by Jason Furman, Betsey Stevenson and Jim Stock on March 10, 2014. This report illustrates the progression of the output per working-age person of twelve countries that has been affected by the 2008 crisis. It is précised that the pre-crisis peak is at 100. The graph clearly shows that only two countries are
above that level, Germany and the United States. This result is assigned to the monetary policy undertaken by the government and the Federal Reserve reaction faced to the crisis. This point reveals the Keynesian consequences that currently occur in the U.S economy. The report adds that “the full set of policy responses in the United States made a major difference in averting a substantially worse outcome”.

More precisely, the following figure below is showing that the real GDP growth has remained above nearly 1.5% per year where it seems to be a support level, since the financial crisis of 2008. This point sustains the capacity of the government to launch back the economy on the track.

![Real GDP Growth quarterly annualized](image)

Figure 2.2 Real GDP Growth quarterly annualized

Several reasons lead to think that the economy could continue to reinforce his growth. One of them is the improvement of deleveraging such as the next graphic illustrates:
The graphic shows that the household liabilities-to-Income ratio has decreased since the financial crisis in 2007-2008. During the crisis, the ratio was about 1.4 times annual disposable income the last quarter of 2007 before to collapse to 1.1 times annual disposable income the last quarter of 2013. The fact that households tend to improve the debt pay off is a positive sign because it shows that the U.S households are able to pay back their debt which leads to an increase of their spending. In the meantime, according the Bureau of Economic Analysis, at the end of 2013 the Personal income increased $2.3 billion and the Personal consumption expenditures increased $44.1 billion which is showing a revival of the economic pillar called the consumption with a better ability of households spending (James Rankin, Harvey Davis, 2014).

The other ratio describes on the graphic is the Debt Service Share of Income which is the minimum payments required by the banks for the households has decrease from 13% to 10% of the disposable income between the fourth quarter of 2007 and the fourth quarter of 2013. This improvement is showing a lower level of debt in the American households. Furthermore, the household’s balance sheets have been successfully improved since the recession with 80% of the loose back up. The deleveraging debt adds weight in the balance with the consumption recovery. The report mentions that the real personal expenditures of consumption have increased by 2.2% in annual rate.
Other reasons of good expectations are composed by the diminished fiscal headwinds. Indeed, the first reason as the presidential report mentions is the release of hard fiscal policy but also an improvement on the tax uncertainty that knows the country the recent years. The budgetary consolidation in 2013 should not continue while the deficit continues to decline gradually. The fact is that last years the growth has been affected by these fiscal policies. Craig Alexander, chief economist of TD Bank indicates that "With a budget deal that reduces the drag from sequestration over the next year, the underlying strength in the private sector should show up in faster economic growth over the next two years."

During 2013, the federal deficit was $680 billion while 2014 is expected to achieve $500 billion which represent 1% less of the GDP. Expectations are facing a followed decrease of another 1% of GDP in 2015. The fact is that the tax revenues have increased by 8% during 2013 which has helped to reduce the federal budget deficit. This means a good recovery from the private sector.

![Image](image.png)

**Figure 2.4 Domestic Crude Oil Production and Net Import (2000-2013)**

Furthermore, the energy boom on domestic consumption represents a structural trend helping to support the recovery on a long-term. The graphic below illustrate the Domestic production and the Net import of crude oil. These evolutions reveal an expected reversal between the both. This means, such the Presidential report state that the U.S domestic production is expected to exceed the Net import leading to more energetic autonomy for the United States. This
argument is a major economical reason for the country to be sustainable on a long-term.

As the graphic shows here, the unemployment tends to be reduced at 7.0% at the end of 2013. In that sense, the presidential report quotes an increase of the employment about 2.4 million in 2013. Forecasters are expecting the unemployment level continued to improve along the current year.

Regarding the consumption, consumers have start spending again and household wealth has improved since 2013. The home prices have risen by 14.8% since 2010. The real estate market has been slower to rise and is now added to the general upswing, marking the positive sign expected growth for the next year. (Christian E. Weller and Sam Ungar January 21, 2014). In the meantime, each of the indicator above demonstrate that the U.S economy start to recover.

The journalist adds that “Fed officials' latest forecasts, made just before Christmas, see 2014 growth between 2.8% and 3.2%.” The improvement of the businesses coming back to good profits is due to the cut of costs while households seems to have wealthier assets and the stock market raised more than 25% in 2013. The consumption is back on the track with sales which is higher by 9% in 2013 towards 2012. The move should lead to the improvement
of the business investment which is still calm even if the profits are high. Furthermore, according the article “Economic Snapshot: January 2014” wrote by Christian E. Weller and Sam Ungar (January 21, 2014), the corporate profits seem to reach the pre-crisis peaks. The profits have increased by 85% between June 2009 and September 2013, adjusted after inflation. This field was one of the first to recover during the recovery period.

One more positive side in favor of an easier recovery is that fact that many corporations have spent a lot of money in order to keep their shareholders at the table. In the fact, these companies have spent 98% of the benefits after tax on dividend payouts to keep their shareholders in the game, having well managed to keep shareholders has been a great thing. This will help companies to go through a severe period of recession until the recovery time where liquidity and investment will be welcome (Christian E. Weller and Sam Ungar January 21, 2014).

The Fed has scheduled to keep low interest rates until they have judged that the economy is self-sufficient which means at least for 2014 and 2015. Nevertheless, Fed Chairman Ben Bernanke said in his last December conference: "The economy is continuing to make progress, but it also has much farther to travel before conditions can be judged normal" (Ben Bernanke, 2014).

At the end of 2013, positive signs came among the U.S economy landscape. The Federal Reserve decided to start the progressive reduction of the quantitative easing undertaken as a economical stimuli. This act illustrates the U.S economy recovery. This means that the Federal Reserve consider the economy self-sufficient to start to decrease the monetary help.

2.3 Forecast

The International Monetary Fund (IMF) forecast is expected to see 2.8% of growth during 2014 after 1.9% last year. Christine Largarde adds at CCTV America: “The economy has picked up, and is what we have forecast further pick up in 2014. Then, most people who invest, who hire were uncertain. Seeing a budget deal the tapering by the fed which is a sign of confidence in the real economy should lead them to invest, to hire and to be more confident.”

In the meantime the OCDE organization estimates the real GDP growth to achieve 2.6% this years and 3.5% in 2015 (annex n°5). The real private consumption expenditure should progress from 3.0 in 2014 to 3.2% 2015 (annex n°6) while the unemployment rates should diminished from 6.5% this year to 6.0% in 2015 after 7.4% in 2013 (annex n°7). Regarding the house savings rates, 4.1% disposable household income is expected in 2014 and 4.0% should be attempt in 2015 (annex n°8).
Goldman Sachs chief economist of global investment research, Jan Hatzius states in an interview that this time the recovery is real. According him, if we compare the last year and the current year, there is major differences. A year ago, there was an increase of the fiscal drag with the tax highs about 2% of household disposable income. This time, there are already clear signs that the private sector has improved while the fiscal drag is going to diminished very fast which should leads the economy further from the tax highs. Goldman Sachs team is expecting an acceleration of the private sectors growth this year.

Tom Keene from Bloomberg has interviewed Jack Lew, in January 23. The treasury secretary affirms that the U.S economy is doing pretty well after a good ending, the economy has started the year pretty strong going further from headwind from budget cuts and other fiscal policies. This year have tail winds, good fundamental economic core growth abroad range areas.

Martin Feldstein, Harvard professor and chairman of the Council of Economic Advisers under President Reagan, suggests that the US growth will accelerate during the current year saying that “2014 is going to be a better year”, “There is no reason for pessimism about our near future if we adopt appropriate policies” (Simon Kennedy and Rich Miller Jan 5, 2014). He argues that the diminish drag from fiscal policy that household become wealthier during the last 12 months, helped by skyrocketed market and increase of home price. He highlights that the S&P500 record new highs after 30% of progress last year.

The U.S economy demonstrates that there is enough momentum in the economy to overcome such head winds.

2.4 Following the Free market approach

2.4.1 Flashback on the free market reign

Thomas Sowell, an American economist and chronicler argues in the national review magazine that “for the first 150 years of the United States, there was no policy of federal intervention when the economy turned down.” (Thomas Sowell 20133). The economist illustrates the fact that there was no depression as much important as the Great Depression in 1930s where the government of Herbert Hoover and Franklin D. Roosevelt, helped by the Fed has intervened massively into the economy. The fact is that this intervention has worsened the situation. Indeed, as mentions Thomas Sowell “unemployment had never reached double digits in any of the 12 months that followed the crash.” Then, unemployment went up at 9 percent in December 1929 before back down to 6.3 percent by June 1930. He adds that “When the first major federal intervention took place under Herbert Hoover the unemployment decline then
reversed, rising to hit double digits six months later. As Hoover and then FDR continued to intervene, double-digit unemployment persisted throughout the remainder of the 1930s.”

He brings up an example of free market context faced to high unemployment. Indeed, the President Warren G. Harding was confronted with 11.7% of annual unemployment in 1921. The president just decided to cut the government spending and let the market to readjust itself. The result was a decrease by 5% from 11.7% to 6.7% the next years and then to 2.4% the years after. Furthermore during the Calvin Coolidge presidency, which was the nominated just after the President Harding, the unemployment rate went down to 1.8% while the government was following a non-interventional behavior.

Milton Friedman (1912-2006) is an eminent American economist and Nobel Prize of Economics in 1976 for “his discoveries in the field of consumption analysis, history and monetary theory and for his demonstration of the complexity of monetary stabilization policies”. According him, the recovery policy could simply lead to the inflation. Hence, the politic recovery will tend to aggravate the crisis.

2.4.2 Current free market opposition

The free market thought sustains that either the government or a Federal institution should not intervene in the market to try to control and solve the situation. The main argument is that if there is some intervention, the result will be only worse on a long term base. This argument is highly defended by Peter Schiff, president of Euro Pacific Capital, and author of the famous book “Crash Proof”. Indeed, according his interview on October 2013: “the United States is in a depression but interrupted by some economic stimulus which have makes the problems worse. It is because the government is interfering with the correction of the market. The fact is that the medicine to cure the crisis doesn’t taste good, so unfortunately we are going to have a real crisis that is coming in few years”.

Furthermore, in a Fox news interview concerning the massive job losses that has known the United States, Peter Schiff has well illustrated the free market principles relative to the employment. He argues that “the biggest barrier to job creation is government.” The point is that each employer hire people to achieve one and only one goal, make more money for themselves. The economist sustains that it is the only reason. According him, the government has intervened too much in the job market with too much barriers such as the expensiveness to hire
employees, impeding the creation of new jobs and reduce the desire of entrepreneurs to hire more people. Peter Schiff states that he had to open two more offices in Ireland and in the Caribbean in order to develop his own business instead to open them in the United States and employed Americans. Otherwise, the employment would be much better. Faced to this statement, the recommendations bring by the free market thoughts and defended by Peter Schiff are the followings:

In order to get back the jobs, the employment need much less regulation, the government need to decrease their spending. They have to reduce payroll taxes and help entrepreneurs instead to push them to hire out of the country. Basically, Peter Schiff states that “we need to shrink government so the economy can grow.” After that, the market should handle the recovery on the employment by itself.

Peter Schiff based is view on the Capitalism system. The Oxford dictionaries define the capitalism such as “An economic and political system in which a country’s trade and industry are controlled by private owners for profit, rather than by the state: an era of free-market capitalism private ownership is a key feature of capitalism”. In that sense, wealthy people make money by investing in the economy. They provide goods and service that consumer desire. So, the wealthy entrepreneurs are taking risks and working harder to keep the society going. They create all goods and services and provide jobs.

Nevertheless, the problem remains the government taxation and intervention on the overall economy because adding tax to rich people won’t push them to create more jobs and added values. Instead, it will push them to hire on a foreign country and most of the time even leave the country. Peter Schiff has also writes the “The real crash” book where he deals with the current situation, the employment solution mentioned earlier, the financial regulation system which creates moral hazard and other basics thoughts that he defended.

Quoting Peter Schiff statement: “They have never cured the crisis. They have just gives alcohol to a drunk. It doesn’t sober up, it’s just sets it up for a bigger hangover. That’s all we have done and that’s all we trying to do. At some point you just kill the patient, you can drink anymore, it’s just the end”. (Overdose: The next financial crisis). This quote is coming from the documentary based on the book “Financial Fiasco” by Johan Norberg and directed by Devell and Borgs.

Following his thought, the increase of the market and real estate price market is only due to the Federal stimulus and the point is that the
Fed is doing the same thing to achieve the recovery than last time with the 2008 crisis. Hence, the real crisis did not happen yet. In fact, the real crisis is slowed by the economic stimulus that the Fed has put in place. Once the real crisis will burst, the value of the US Dollar and the US Government debt could be badly affected.

In “Crash Proof” book, Peter Schiff has predicts the subprime crisis and warned about the consequence of the government stimulus answers. He argues that what we have seen in 2008 with the subprime crisis was just the beginning and that all action undertake by the Federal Reserve will just slowed the big earthquake that is coming. His thought is that crash on the U.S debt and U.S currency could happen and lead to inflation. In fact, he assumes that all factors which have lead to the last crisis are much worse now. When people will stop buying U.S debt, bad consequences will appears, the country would default and the U.S Dollar could be highly devaluated.

According a Forbes’ interview did by Marc Prosser, the analyst sustain that too much debts have been accumulated by the U.S economy. The economist stick to the fact the 2008 crisis is just the top of the iceberg. He argues that now the main banks in United States are too big too fails which represent significant worries and defend that the government helped by the Federal Reserve have done too many manipulations on the economy and still keep doing it. According him, this cycle should be ended by a deeper recession leading to a depression. Nevertheless, this crisis will be much worse that if the government hadn’t intervened.

In accordance with these arguments, Gerald Celente, one of the top ten analysts in the US and called “modern Nostradamus” warned about the threat. He is a trend analyst but also the founder and CEO of Trends Research Institute.

According Gerald Celente statement: “History is repeating itself”. During one on his interviews, the analyst argues that the crash of 1929 was followed by the great depression with a currency collapse. He links this schema to the last 2008 crisis, followed by the depression where we are. He adds that the next step will be a currency war due to the lowest interest rates that we observed in the United States devaluing the currency to export more products and keep the economy afloat. Trend research Institute articles will be helpful to complete my research.

This reflection is also shared by Robert P. Murphy. He is an associate and teacher at the Austrian School of economics but also the
author of several economics books such as “The Politically Incorrect Guide to Capitalism”, the Study Guide to “Man, Economy, and State with Power and Market,” and “The Politically Incorrect Guide to the Great Depression and the New Deal”. Murphy has written an article on the School website saying: “I now believe that at present, the US current account deficit is indeed unsustainable, and I expect the dollar to fall (perhaps sharply) against other major currencies over the next few years” (Robert P. Murphy, 2007).

2.4.3 Reasons to be cautious

Some other eminent economists do not speak about the potential US Dollar collapse but at least argue that the Economy is too much high and except to see now bubble to burst soon.

Jim Rogers point of view, co-founder with George Soros of the Quantum fund and famous investor since the 1970s, brings to light some observation as the fact that nowadays the debt level in USA is much more important than in before the last crisis. The business man doesn’t mention any speculative bubble to burst or currency collapse but just alarm that whatever will be the next crisis, it will be more destructive than what we have known. The fact is when the debt is the cause of a crisis and interest rate is at bottom, the old medicate do not work anymore. According the professional, too much money has been printed all around the world: “You saw what happened in 2008-2009, which was worse than the previous economic setback because the debt was so much higher. Well now the debt is staggeringly much higher, and so the next economic problem, whenever it happens and whatever causes it, is going to be worse than in the past, because we have these unbelievable levels of debt, and unbelievable levels of money printing all over the world.”

This approach is also shared by the Nobel Prize in Economics in 2013, Robert Schiller. Indeed, he states in a CNCBC article: “I’m not sounding the alarm yet. But in many countries the stock price levels are high, and in many real estate markets prices have raised sharply...that could end badly.”

The Nobel Prize explains that new speculative bubbles may be formed short term and explode shortly. The fact that a lot of shares and market index are high such as the real estate price illustrates bad sign for further. He is precisely the economist known for his work on asset prices and the formation of bubbles. The consequences would exceed previous waves we have known so far.
Quoting Marc Faber, editor and publisher of the Gloom, Boom & Doom Report: "You have to say that we are again in a massive financial bubble in bonds, in equities, in [other] asset prices that have gone up dramatically." Following this view, Marc Faber adds that in his opinion financial bubbles could burst in equity market or bonds market. Needless to remind that each crisis is based on same signals, allowing professional to predict at least that something could happen. A high stock market is one of the signals that the experts pay attention.

2.4.4 Japanese example:

Tim Worstall (2013) eminent journalist from Forbes has writes the article called “Japan is About to Prove Keynesian Economics Entirely Wrong” which deals with the Keynesian theory occurring among the Japanese economy.

The journalist highlights that the Japanese economy has followed the Keynesian thought by intervening into the economy with a fiscal stimulus since 1990s in order to pursuit the recovery after a difficult period. The result was a deeply increase of the national debt about 200% of the GDP. Nowadays, the pursuit of the Keynesian thought is applied yet with the Abe monetary policy. The fact is that the interest rate remains near zero since decades and so far there is no tangibles evidence of a recovery. Nevertheless, it will be a good example to see whatever the result is. The Japanese economy has pushed the Keynesian approach as far as it is possible. The future will show us is whether the Japanese economy could be sustainably recovered or not. Otherwise, it will be a strong base to pursuit in the sense of the free market.
2.5 Following the Facts

As the graphic above is showing, the economic growth quickness since the 2008 crisis is slow compared the other period of recovery. The economy has grown up by 10.3% between 2009 and 2013 marking the slowest evolution during a recovery period. This illustrates that the last recovery is more painful than the others. It is exactly in accordance with the free market arguments, saying that, the most the government will intervene across the economy, the most difficult the recovery will be. This crisis has seen the most important economic stimulus. According Hayek’s philosophy, it is a logical consequence. The productivity growth is another witness of this phenomenon.
Compared to the average productivity growth during recoveries, the actual rate seems to be lower. Indeed, the average is at 11.4% on the 17 quarters after the crisis while the current rate is at 6.7% between June 2009 and September 2013.

Employment market also takes time to recover. Indeed the job growth evolves much less than during other recoveries. One of the reasons is the budget cuts which have deleted numbers of public’s works so far. In average growth of number of jobs created is 11.6 while along this recovery period the growth of job created is 4.8% which is significantly below.

In the meantime, households remain high. Their debt reached 103.9% of the after-tax income in 2013 against 129.7 in 2007. If the debt grows more than the incomes growth such as 2007, the economy growth would be affected, especially with low rates which should gradually rise. This means that consumers should pay more for their debts and would have less purchasing power and savings.
CHAPTER 3 - RESEARCH METHODOLOGY AND RESEARCH METHODS

The main purpose of this research is to analyze the U.S economy to determine if the country is vulnerable to a new crisis. The methodology will put in perspective the methods of design, the data collection and interviews undertook. Furthermore, it will explain also how I am going to analyze these data to answer to my subject.

1. Research question

Haber (2010, p.28) state “the research question (sometimes called the problem statement) presents the idea that is to be examined in the study and is the foundation of the research study”. Hence, the overall idea remains the Economy health of the United States. The examination will deal with the following question: “How sustainable is the U.S. economic recovery?”

Then, sub-questions will be the followings:

- How robust is the U.S. economy after the last financial crisis?

In order to evaluate the U.S economy solidity, each weakness and strengths have to be reviewed. This question is dedicated to find out how the country is exposed to economical and financial threat during his recovery.

- Does the current policy direction give a fake impression of recovery?

The monetary policy followed by the Federal Reserve sustains the economy by massive injection of capital into the financial system each month. This process has been necessary to react to the crisis but could also give a false impression of a recovery if the fundamentals mechanics cannot be self-sufficient once again. This question look for determine if the recovery seems to be self-sufficient.

- Could American deficits and foreign debt cause the Dollar to fall sharply in value?

Several analyst reach to illustrate the link between the foreign debt and potential collapse of the US dollar. The question will allow the researcher to find out the well-founded or not of this hypothesis.

- Can we expect a real recovery?

The aim here is to find out if the economy has shown so far signs of recovery.


2. Research philosophies

The research philosophies relate to the development of knowledge. “As Johnson and Clark (2006) note, as business and management researchers we need to be aware of the philosophical commitments we make through our choice of research strategy since this has significant impact not only on what we do but we understand what it is we are investigating”, Saunders, Lewis and Thornhill (2009 p.108). In other words, it is pretty much important to go through each research philosophies in order to find out which one will allow the researcher to attempt his aim.

Furthermore, Johnson and Clark (2006) argue “that the important issue is not so much whether our research should be philosophically informed, but it is how well we are able to reflect upon our philosophical choices and defend them in relation to the alternatives we could have adopted”, Saunders, Lewis and Thornhill (2009 p.108).

This research will reach to analyze in depth the U.S economy health to determine if a new crisis happens soon. For this reason, the pragmatism philosophy within an inductive approach, using qualitative data through interviews and analysis on the components influencing the American landscape. This work will understand as well exploratory research to clarify the researcher understanding of the relative subject. These choices have been justified by the “Research Onion” following:

Figure 3.1 Research philosophy
2.1 Research paradigms

Saunders, Lewis and Thornhill (2009 p. 118) states that “a paradigm is a way of examining social phenomena from which particular understanding of these phenomena can be gained and explanations attempted.”

There exist four paradigms whose aims are to help the researcher to clean up his assumptions concerning his view of the society and nature of science, to be useful to understand the different approach that might be used by other researcher and to frame him in order to give him the limits and the way to do hi research.

The relative philosophies are the followings:

2.1.1 Positivism

According Saunders, Lewis and Thornhill (2009), doing a positivism research look like “working with an observable social reality and that the end product of such research can be law-like generalizations similar to those produced by the physical and natural scientists” (Remenyi et al. 1998:32). It is pretty associates to the deductive approach. This means that the researcher will try out to support hypothesis based on hypothesis coming from observable events and previous similar events.

Furthermore, “these hypotheses will be tested and confirmed, in whole or part, or refuted, leading to the further development of theory which then may be tested by further research”, Saunders, Lewis and Thornhill, (2009, p. 113). This means that whether or not the hypothesis are finally justify, the study show the reflection about the research question and lead to confirmations or refutations.

2.1.2 Realism

According Saunders, Lewis and Thornhill, (2009, p. 114) “the essence of realism is that what the senses show us as reality is the truth: that objects have an existence independent of the human mind”.

There is two type of realism, one is called direct realism and deals with the fact that “what we experience through our senses portrays the world accurately” Saunders, Lewis and Thornhill, (2009, p. 114). The second one is called critical realism and it’s about “that what we experience are sensations, the images of the things in the real world, not the things directly”, Saunders, Lewis and Thornhill, (2009, p. 114).
2.1.3 Pragmatism

According Tashakkori and Teddlie (1998), Pragmatism is define as “study what interests you and is value to you, study in the different ways in which you deem appropriate, and use the results in ways that can bring about positive consequences within your value system” Saunders, Lewis and Thornhill, (2009, p. 109).

Pragmatism will be the philosophy in this research. Indeed, externals and multiples views such as the fundamentals and technical views will be used to choose the best way to enable answering to the research question. In this context, there are two ways to undertake research and no only one single point of view. With these both analyze, a bigger picture on that subject through observable phenomena will appear. The pros and cons will be used here to establish efficiency of the U.S economy risks.

Saunders, Lewis and Thornhill (2009 p.109) write “pragmatism argues that the most important determinant of the epistemology, ontology and axiology you adopt is the research question – one may be more appropriate than the other for answering particular questions”.

Every crisis is reflecting the human-being behavior but some theory sustain that crisis and bubble are also predictable. Indeed, these crises happen every 20 years or even 10 years. It’s about the human behavior. In this dissertation, the researcher will attempt to understand why crisis follow a cycle and are repeated every 10 years to discover if the next crisis will be a collapse of the U.S economy. With integrated several perspectives, he will interpret each point of view and bring them together in order to answer the problematic.

Moreover, “if the research question does not suggest unambiguously that either a positivist or interpretivist philosophy is adopted, this confirms the pragmatist’s view that it is perfectly possible to work with variations in your epistemology, ontology and axiology”, Saunders, Lewis and Thornhill (2009 p.109).

2.1.4 Interpretivism

Saunders, Lewis and Thornhill (2009 p.116) state that “Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors”. It underline here that this philosophy illustrate the difference between
going through research based on people interviews and research through computers.

It takes source of two intellectual moves which are following these basics: “the way in which we as humans make sense of the world around us” Saunders, Lewis and Thornhill (2009 p 116) and that “we are in a continual process of interpreting the social world around us”, Saunders, Lewis and Thornhill (2009 p 116). So basically, this philosophy is appropriate to study linked to human resource management for example.

2.2 Research approach

Saunders, Lewis and Thornhill, (2009, p.124) support that a research approach are composed by sub-approach with their own implications and differences: the deductive approach and the inductive approach.

The deductive approach “involves the development of a theory that is subjected to a rigorous test”. This means that using this approach, the researcher will certainly proposed “a testable proposition about the relationship between two or more concepts or variables) from the theory”, Saunders, Lewis and Thornhill, (2009, p.124). Then he must testing these hypothesis and analyze the results to may be modify the initial hypothesis. It also must be highlight that causal link between the variables of the subjects, collection of quantitative data compose the mains characteristic of this approach.

Meanwhile, the inductive approach is define by Saunders, Lewis and Thornhill, (2009, p.124) as an approach “in which you would collect data and develop theory as a result of your data analysis”. This means that the collection data and his analysis will lead the researcher to formulate hypothesis.

In this dissertation, it will undertake an inductive approach. In fact, this work is about to analyze the U.S economy sustainability through some different tools and sources in order to determine if a collapse could happen soon. It’s also about understanding the components of crisis and check if there are all right here. This research need also qualitative data from professionals interviews in order to understand the fundamental aspect. Human effect involved in the process. The data collection will bring two different views about one phenomenon.

Interviews will be useful to understand what’s going on, and to get better idea of the problem. Then, the researcher will have to put together interviews and findings.
It is about developing an understanding of the treat that the USA economy is going to be faced because crises are the consequence of the human behavior.

2.3 Research strategies

There exist seven different research strategies. “Each strategy can be used for exploratory, descriptive and explanatory research”, Saunders, Lewis and Thornhill (2009, p.141).

Moreover, Saunders, Lewis and Thornill (2009 p.141) add that “The choice of research strategy will be guided by your research question(s) and objectives, the extent of existing knowledge, the amount of time and other resource”. This means that the whole components of the study should lead the researcher to the adequate research strategy.

2.3.1 Experiments

Experiment research is dealing with independent and dependent variable. The aim of this form of research is to make experiments based on variable variations and formulate conclusion from the reaction. It is fundamentally used to analyze groups of people such as argue Saunders, Lewis and Thornhill (2009, p. 144) “The experiment strategy is often used only on captive populations such as university students, employees of a particular organization”. The background of this kind of research is the causal links. It needs theoretical hypothesis, a sample of individuals, multiple experimental conditions, manipulations of variations.

Finally, “Experiments therefore tend to be used in exploratory and explanatory research to answer ‘how’ and ‘why’ questions.” Saunders, Lewis and Thornhill (2009, p. 142).

2.3.2 Surveys

Usually linked with deductive approach, it is “a popular and common strategy in business and management research and is most frequently used to answer who, what, where, how much and how many questions”, Saunders, Lewis and Thornhill (2009, p. 144).

In general, this research strategy is associates with descriptive and exploratory research. The goal of this approach is to compare collected data from questionnaire. It is basically allowed with a quantitative data collection technique. It is often use “to generate findings that are representative of the whole population at a lower cost than collecting the
data for the whole population” Saunders, Lewis and Thornhill, 2009, p. 145.

2.3.3 Action Research

Coghlan and Brannick (2005) define the action research as “research in action rather than research about action”. This means that this research is mainly useful for researchers who are belong to the subject and are directly linked to the context and the issue of the study.

Eden and Huxham (1996:75) argue that “the findings of action research result from involvement with members of an organization over a matter which is of genuine concern to them”. This strategy belong to research which includes includes process of diagnostic, plan, taking action and evaluate the result.

2.3.4 Grounded theory

According Goulding (2002), The Grounded strategy is “particularly helpful for research to predict and explain behavior, the emphasis being upon developing and building theory”, Saunders, Lewis and Thornhill, 2012, p. 149.

In accordance with the inductive approach, this strategy allows to build a theory from analysis and data collection. This strategy requires a high level of abstract thinking, skill, expertise and time. It is not available to the novice researcher. Also, it very much downplays the role of literature.

“Theory is developed from data generated by a series of observations. These data lead to the generation of predictions which are then tested in further observations that may confirm, or otherwise, the predictions”, Saunders, Lewis and Thornhill, 2012, p. 149.

2.3.5 Ethnography

This strategy belongs to the inductive approach. According Saunders, Lewis and Thornhill, (2009, p.149): “The purpose is to describe and explain the social world the research subjects inhabit in the way in which they would describe and explain it.”

This strategy is based on observation in order to explain the reason of human behavior.
Furthermore, “The research process needs to be flexible and responsive to change since the researcher will constantly be developing new patterns of thought about what is being observed”, Saunders, Lewis and Thornhill, 2012, p. 149.

2.3.6 Archival Research

Mostly based on archival documentation, the archival research strategy “allows research questions which focus upon the past and changes over time to be answered, be they exploratory, descriptive or explanatory.” Saunders, Lewis and Thornhill, 2009, p. 150.

Some constraints come from the fact that the collection data have to be selected from administrative documents and records. Therefore, the research remains not wide-open.

2.3.7 Case Studies


It is basically the opposite strategy of the experimental strategy. “The case study strategy also has considerable ability to generate answers to the question ‘why?’ as well as the ‘what?’ and ‘how?’ questions.” Saunders, Lewis and Thornhill, 2009, p. 145-146.

Case study is the strategy that is going to be use in this work. In order to get a strong understanding of the context, the research will be composed by interviews, analysis, and documentaries link with the exploratory research that it will be undertake in this dissertation. Based on three renowned economists and analysts who predicted multiple crises that we experienced such as the subprime crisis, the researcher will analyze each argument and put in contrast with the primary data.

For this reason, it will undertake a collection of data through DBS data based with academics work and library such as collection of data through internet search with reportages, speech, declaration and books. Furthermore, according Saunders, Lewis and Thornhill (2009, p.146), “The data collection techniques employed may be various and are likely to be used in combination. They may include, for example, interviews, observation, documentary analysis and (as if to emphasize the dangers of constructing neat boxes in which to categorize approaches, strategies and
techniques) questionnaires.” Furthermore, “the case study offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding the phenomenon”, Flyvbjerg (2006, p.219-245).

Yin (2003) has illustrated four different case study strategies. He define the single case from the others as “often used where it represents a critical case” and explain that it “may be selected because it is typical or because it provides you with an opportunity to observe and analyze a phenomenon that few have considered before”, Saunders, Lewis and Thornhill (2009, p.146). The subject of this dissertation fell in accordance with this strategy. Indeed, it sticks to the observation of a phenomenon which has been already discussed and which continued to be.

3. Research choices

The research choice is given between two options which are mono method and multiple methods. Basically, the difference is that the multiple methods use more than one data collection technique whereas the mono method uses only one.

Figure 3.2: Research choices based on Saunders, Lewis and Thornhill (2009)

Qualitative is used predominantly as “a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or use non-numerical data. Qualitative therefore can refer to data other than words, such as pictures and video clips”, Saunders, Lewis and Thornhill (2009, p.151).

A Multi-method qualitative study is considered more appropriate in this study. In the context of this research, interviews with some analysts and economists will be done. Indeed, deep interviews will be organized to collect qualitative data. These data will be
faced to the secondary data mainly based on articles, video speech, books and documentaries using non-numerical procedures.

Meanwhile, interviews will follow a semi-structure with predetermined questions and open questions to get more global answer and leads. Moreover, Bryman (2006) has managed a study over 200 social science article and have observed that “on the qualitative side the semi-structured interview within a cross-sectional design tends to be the prevalent approach”, Saunders, Lewis and Thornhill (2009, p.153).

4. Research time horizon

The research time horizon is composed by two kinds of studies: cross-sectional studies and longitudinal studies. Saunders, Lewis and Thornhill (2009, p.155) define the cross-sectional studies as “a snapshot taken at a particular time” and the longitudinal studies as “a diary or series of snapshots” and representative of events over a given period.

4.1 Cross-sectional

Cross-sectional is describing as “the study of a particular phenomenon (or phenomena) at a particular time”, by Saunders, Lewis and Thornhill (2009, p.146). In that case, the US recovery illustrates the observable phenomena through a specific time horizon. Quantitative data used to be useful with the cross-sectional research time horizon, “however, they may also use qualitative methods. Many case studies are based on interviews conducted over a short period of time”, Saunders, Lewis and Thornhill (2009, p. 155).

This paper will be based on interviews conducted over a short period of time. In this context, cross-sectional will be used to describe the perverse cycle that U.S economy is following leading to potential risks for the economy.

4.2 Longitudinal

Adams and Schvaneveldt (1991) argues “that in observing people or events over time the researcher is able to exercise a measure of control over variables being studied”, Saunders, Lewis and Thornhill (2009, p. 155).

This time horizon seems more linked to survey strategy, including research on a bigger timeframe during a while. Bouma and Atkinson (1995:114) that in the “longitudinal studies, the basic question is ‘Has there been any change over a period of time?’”. 
5. Data collection and data analysis

5.1 Data collection and data Interpretation

The data collection deals with the objectivity of sources and the way the collection data is undertake. Indeed, Saunders, Lewis and Thornhill (2009, p. 159) give an example about the newspaper sources saying that “if you collect press cuttings from newspapers, how can you assume there has been no political bias put on them?”.

Then, the data interpretation following an inductive approach, Saunders, Lewis and Thornhill (2009, p. 159) argues that it “could involve using an established theoretical construct to help you to make sense of your findings”.

According Robson (2002:59), “an exploratory study is a valuable means of finding out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light.”

In that sense, the exploratory research will be helpful to clarify the researcher understanding of the U.S economy situation. This kind of research can be conducting by experts interviews which are going to be eminent economist and analysts in this current study and literature research related to the fundamental subject.

It must be highlighted that Adams and Schvaneveldt (1991) argue “that the flexibility inherent in exploratory research does not mean absence of direction to the enquiry.” This means that the focus become more specific along the study work such as the researcher attempt to do.

5.2 Data Analysis

According John D. Anderson (2006) “Qualitative Research is collecting, analyzing, and interpreting data by observing what people do and say”, whereas “quantitative research refers to counts and measures of things”. He adds that the nature of the qualitative research “is exploratory and open-ended. Small numbers of people are interviewed in-depth and/or a relatively small number of focus groups are conducted.”

A qualitative approach looks to be more appropriate to deals with the fundamental subject. Indeed, the researcher could not make a questionnaire and send it to several people. He had to collect data from few professionals who are aware of the situation and overall view in the economy. He will finally use a variety of collection techniques and analytical procedures to develop a conceptual framework which corresponds to the qualitative characteristics.
Furthermore, the research strategy will also follow the rules of the qualitative analyze. The study will take information and compare them with each other to bring out a relevant conclusion on each step of the process.

The pragmatism philosophy combined with an inductive approach and a qualitative research design will match these criteria by using “naturalistic and emergent research to develop a richer theoretical perspective than already exists in the literature”, Saunders, Lewis and Thornhill, (2009, p. 163).

The Value-laden of this study is to put each fundamental argument in confluence with each others. The Researcher involvement is materialized by his investigation to find professionals to interview and research through books, libraries and documentary. Through this process and the relevance of the subject, this dissertation work will remain unique.

5.3 Sampling Method

Saunders, Lewis and Thornhill (2009, p. 210) argue that sampling method “provide a range of methods that enable you to reduce the amount of data you need to collect by considering only data from a sub-group rather than all possible cases or elements.”

There is two type of sampling techniques: Probability or representative sampling and non-probability or judgmental sampling.

Non-probability sampling has been choosing as the sample Method for this study. In accordance with the time and the budget but also the accessibility of the data sources, this method has shown as a good choice. Indeed, according Saunders, Lewis and Thornhill (2009, p. 233), “Non-probability sampling (or non-random sampling) provides a range of alternative techniques to select samples based on your subjective judgments”. Then the first step was to define the suitable size of the sample.

Economists from banks such as Natixis and BNP Paris bas will bring lights about the U.S health situation. Then, the founder of Professeurforex.com will be interviewed, the number five of the most website viewed in Europe concerning the currency market.
5.4 Actual Sample and data collection tools

Following the non-probability scheme and the characteristics of each method, the quota sampling seems to be helpful as the best sampling technique in order to answer to the research question following the Non-probability sampling Method. Indeed,

The reasons are the following: in accordance with the relative subject, data won’t be collected from the entire population. Furthermore, the researcher won’t be able to make statistical inference from the sample due to the nature of the subject. Finally, the sample will be representative of the financial sphere through expert’s interviews and the quota variables are pretty much relevant.

This sample frame will allow me to “give each interviewer an assignment” such as technical observation or fundamental events in order to “combine the data collected by interviewers to provide the full sample”, Saunders, Lewis and Thornhill, (2009, p. 235).

5.5 Ethical implications

All data and information that will be collected through this dissertation by the interview will be used only in this work. Before start every interview, the participants will be aware about the context of this study. Then, it will be easier to them to decide to be involved in this dissertation or not.
According, Bryman and Bell (2011), informed consent: “means that prospective research participants should be given as much information as might be needed to make an informed decision about whether or not they wish to participate in a study”, Bryman and Bell (2011, p. 133).

During the interview, the participants have allowed to not answer any question if they don’t want to. Like that, the right privacy and personal right stay preserved. Furthermore, if they don’t want to be published through my work, their names will stay anonymous to preservers their interests.

Finally, at any time, participant will be allowed to come back on their choice and the confidentiality will still be remained.

5.6 Limitations to the research

Limitation are define as “matters and occurrences that arise in a study which are out of the researcher’s control”, Marilyn K. Simon and Jim Goeas (2013).

It has been quiet difficult to find relevant experts to interview on a singular subject like this study. The treatment of the data collected by this technique has taken a certain amount of time through the transcription, the translation and the development of each argument. As mentioned Bellenger, Bernhardt and Goldstucker (2011, p. 47) “The interviewer/moderator’s also creates limitations. Because he is responsible for gathering relevant data as well as analyzing and interpreting it, the interviewer must be highly trained”. Hence, training before each interview has been necessary due to the fact that people interviewed are professional and experts, questions had to be quiet clear and relevant.

About the qualitative limitations Wiersma (2000, p.211) sustain that “because qualitative research occurs in the natural setting it is extremely difficult to replicates studies”. Furthermore, Wiersma (2000 p.211) add “cases studies may be suggestive of what may be found in similar organizations, but additional research would be needed to verify whether findings from one study would generalize elsewhere”.

5.7 Personal biases

As a technical market analyst, I used to follow a technical view which sometimes is in contradiction with the fundamentals. However, for these kind of events, both of these analyze reach to be in accordance, the fact is that the technical prediction are objective whereas the fundamental view tend to be influenced also by the feelings and the information or rumor like the 2008 crisis
has show. Indeed, only a minority of analysts and economists were warming about the crisis before the subprime bubble burst.

On the other side, after the fact some of the analysts that I have choose to work on this dissertation have predicted the last crisis, it doesn’t mean that there have right here again. Peter Schiff is one of them, a lot of economist has taken him as a fool when he predicted the last crisis. So basically, the difficulty here will be to stay objective through the interpretation of the whole collection data.

6. Structure of the research method – Framework

- Pragmatism
- Inductive
  - Case study in Depth Interviews
  - Multiple methods with qualitative research
  - Cross-sectional
  - Data collection and analysis
CHAPTER 4 - RESEARCH FINDINGS AND DATA ANALYSIS

Along this study, three interviews have been made by Skype and one by questionnaire.

1. Interviews presentation

The first interview was with Sylvain BROYER, Head of the Economics Department at Natixis and teacher of bank’s master at University Paris Dauphine. Natixis is an investment bank, dealing with management and financial services. This bank is also the second largest banking group in France with 22% of bank deposits and 37 million clients. Natixis operates in three areas of activities being the corporate banking, savings composed by asset management, private banking and insurance and finally specialized financial services.

The second interview was with Jean-Luc PROUTAT, OECD economist at BNP Paribas. PNB Paribas is a major bank operating in 75 countries with 185,000 employees and a leader in the euro area. This bank is composed by several fields such as the retail banking, the corporate and investment banking but also investment solutions. Jean-Luc PROUTAT is leading a team of a dozen people with pure economists and statisticians in charge to analyze on an economic view the countries composed by the Organization for Economic Cooperation and Development (OECD). The OECD was founded in 1960, composed by 18 European countries with the United States and Canada. OECD is an organization dedicated to global development. Nowadays, the OECD has 34 member countries worldwide, North and South America to Europe and Asia. These include many of the most advanced countries but also emerging countries. The aim of this organization is to “build a stronger, healthier and fairer world.”

The third interview was with David WAGNER, the founder of the site professeurforex.com. He has followed a career in banking wealth management before he created the website which is now recognized in the field of influential market information about the currency market. Their analysts and journalists monitor and analyze economic issues and influential politics. They produce macroeconomic reports and currency market analysis.

The last primary research was a questionnaire addressed to a market analyst form the website professeurforex.com. The analyst is named David BOTTIN. He is responsible of macroeconomic and currency analysis redaction.

All interviews were based on evaluation of the US economic situation. The findings have been organized following the questions used along the interviews.
2. Findings

- **How could be describe the actual U.S. economy situation?**

All experts affirm that the U.S. economy is recovering in gradually improvement. BNP expert highlights that the improvement in the United States has even began soon at the end of 2009, five years ago. In fact, several factors are helping the recovery. Sylvain BROYER argues that the very important monetary stimulus from the Fed has launch back the real estate market with the emergence of new loans, now growing up. The mortgages recovery and the adjustment of household balance sheets have been also helped by monetary policy. Indeed, the economist adds “in comparison with the situation of households during the crisis of Lehman Brothers in 2008, mortgage debt of American households fell by 25 percents points of income”. This shows the effectiveness of the monetary policy used by the Federal Reserve. Compared to Europe, the debt is still stable over the same period. The expert explains here that the difference between the two economies is the ability of households to default on their mortgage debts. The decline in U.S. household debt is linked to two thirds of household bankruptcies. In fact, monetary stimulus is acting much faster.

Furthermore, the Jean-Luc PROUTAT adds an argument related to the activity of the country. He indicates that the U.S. economy has returned to the level of true activity in the country before the crisis. This argument is important, it is far from being the case in several other major economy of this world. Indeed, Germany and France are almost back to their respective level of activity but countries such as Italy, Spain and Japan are still working to bring back their activity to decent levels.

Regarding the latest figures, David WAGNER notes interesting things in terms of growth and employment. Indeed, the last two reports have seen disappointing Non-Farm Payroll reports. Even if the employment is not back to good levels, the Fed did not seem to worry about it and continue on the Quantitative Easing reduction even if employment falters a bit the past two months. Reasons to the particular weakness of the employment observed the last two months could be explain by the bad weather according meteorological experts. However the latest growth figures are quite good, at least better than Europe.

Nevertheless, the last analyst adds that employment seems to reach the normal state while the economic growth moves sideways on the first quarter with 0.2% after 1.2% expected which is showing contradictory signs. The results of the bad weather should push the expectation of a growth’s rebound the next months indicates David BOTTIN. The employment as already showed the improvement after this period. Now, the economic rebound is expected. The analyst points out that there are still uncertainties. Once the economic growth will be tangibly observable, then the recovery will progress. At this moment, the U.S. economy remains robust through the shy employment improvement. Indeed, the analyst highlights here the link between the
consumption and the employment. We remember that the growth is lead by the consumption and more people are employed, more the consumption increase. Following the beginning of the employment improvement, it is expected that the U.S. growth will be recovered.

- **About the US policy:**

  Sylvain BROYER mentions that fiscal policy this year is expected with less hardening in United States. Expert states that mean: “any tax advantages, lower costs, will cost less growth in the U.S. economy this year than last year. It should cost about 0.3 percents in point growth this year while it has cut the growth of a point last year.” It is another argument showing the continuation of the U.S. situation improvement. Furthermore, Investment of U.S. firms was notably revised upward since 2009, this investment rate increased from 8 to 10 GDP points, showing a real recovery in business investment in the United States. This increase in investment is due to the monetary stimulus as well as the adjustment of the balance sheets of U.S. companies. Nevertheless another significant reason takes place in this process: the revolution of shale gas. Indeed, it is a positive impact on the U.S. economy for the country in order to save 2-3 points energy import GDP ratio in the euro area and Japan, according to the economist. Then, it is an advantage in terms of profitability with a strong recovery in the terms of trade for the U.S. economy. All these factors therefore promote the U.S. economy recovery.

- **About the US financial health:**

  The situation in the U.S. is improving with growth of 2% annual and 2.5% approximately expecting for 2014. From a general point of view, these figures may seem high indicates Jean-Luc PROUTAT but we must be aware that they represent a very normal rate for the U.S. economy observed rate close to 3 to 3.5 % growth when restarting the economy after a crisis or recession. Current recovery is visibly slower with poor employment. Indeed, in this particular case, the U.S. economy does not create as many jobs as hoped given the resumption of observable activity in the country. This particular fact shows that some adverse consequence of the crisis still persist and demonstrates the difficulty of the economic engine restarted after a crisis of this kind.

  On the other hand, the BNP’s expert emphasizes that this crisis was purely financial in nature and it is this type of crisis are the most serious, including more serious than the so-called normal recession. So it takes longer to solve and overcome it. According him, the United States is on this path. In this context, interest rates are still close to 0 on the side of the central bank, despite an economic recovery started 5 years ago. Records are performed in terms of duration and low levels of interest rates. This is explained by the fact that we are...
still in a period of supporting the economy through monetary policy. This perfectly demonstrates that there is still work to be done and that the Fed is not completely satisfied with signs of recovery and the current situation, even if enormous progress has been achieved in 5 years.

That being said, the country now appears more stable in the United States than in many countries of the euro area. The reason is that the economy of the West leaves the possibility of households lacking adds the Natixis economist. Apart from that, the country was able to handle very active financial crisis Subprime with purchase program obligation and in particular with the TARP program coming from the Fed that was helpful to raise AIG insurer. In addition, it was possible to create a bad bank by the U.S. Treasury. Regarding the balance sheets of U.S. banks nowadays, it appears that non-performing loans or right off are almost returned to a level near crisis, which is far from being the case yet in the euro zone. This highlights that the financial situation is almost back at standard in the United States. Finally, with regard to private actors in the economy, the situation is now healthy. After it is still debate on the debt but basically, the economist bring to light that the U.S. economy is leaving from the recession as the major adjustments have been done.

So overall, there is a clear revival of the U.S. economy, an improvement of the situation is clearly defined.
• Does the strategy followed by the government and the Federal Reserve seems in accordance to the situation?

All experts are agreed to sustain that the reaction of the U.S. government was necessary. We have already seen this at the crisis of 29, at that time “the monetary status quo was even present and the Fed did make a single open market operation” indicates the Natixis economist. Compared with today amounts balancing, it is not comparable in term of size. Sylvain BROYER adds that the printing of more than 3,000 billion U.S. dollars, representing a lesser evil to avoid falling into deflation right leading to depression.

Furthermore, referring to the law and previous cases, the Federal Reserve has act as it is allowed, having done already same operation in the past. The only difference was about the size, the previous operations haven’t reached this scale. The duty of the Fed was to support the economy, in this case a huge amount of assets was necessary. Consequently, so far the U.S. economy looks pretty much recovery and it certainly would not be the case otherwise. According David WAGNER, the impacts would be more important if the Fed had done nothing to boost the economy.

In addition, Sylvain BROYER adds that the Bernanke’s decision on the lower amount of QE before probably raise rates later is "necessary and welcoming." This action will generate some mandatory impact on particular emerging markets but also for the U.S. economy. There must are unpleasant reactions occurring in the economic but that does not diminish the need to not continue too long expansionary monetary policy.

Furthermore, the website analyst sustains the fact that the Fed is well managing the gradually reduction of the Quantitative Easing in order to stop it at the end of October. The reason is that it is supervised and the Fed keeps eyes on impacts linked to the overall economy which is showing a safe strategy.

Regarding the QE, after already two reduction of the QE, the economy doesn’t show cataclysmic impact. The expert using this approach to illustrate another argument in favor of that the end of the QE won’t be a trouble for the U.S economy.
What could happen when the Fed will raise its interest rates?

The economist said that the rise in interest rates is not a bad thing in itself, where it inhibits the excess that such a policy can encourage. Indeed, in some branch of the economy, it is beneficial to see rates up to prevent misallocation of capital. Jean-Luc PROUTAT adds that "it's a good thing that the rates raise, especially since they are negative in real terms, very negative short-term and medium-long close to zero, rather in terms of inflation." It is pertinent to note that in case of bond crisis, the rates are not mastered and can oscillate in a very brutal way. The expert highlights the example of 1994, when the Fed had mismanaged the flow of information concerning the rise in interest rates, which caused a real financial shock at the time. So it is useful to know that mismanagement of the interest rates rise can lead to either slow down the economic recovery or definitely stop it.

In the present case, it is a gradual progression. As stressed by the economist, "I have watched this morning the 10-year rate in the United States, we are still low with 2.70 horizon to 10 years is relatively low for the U.S. economy." The enhancement rate is so slow and managed by the Fed carefully which is pushing to believe that recovery is real and would be durable.

Furthermore, the Federal Reserve have specified that the interest rates will stay low a long time after the Quantitative Easing stop which means few years yet. According the expectations the first increase could arrive on the mid-2015 while the QE should be stopped at the end of 2014. The website analyst exposes that depending on how the economy have been advanced, the result could be much important or relatively without consequences. The fact is that if the growth has already improved on the good side the interest rates increase would not have many impacts whereas if the economy is remains fragile on the growth, this increase should have negative effects on the world economy. So it will be the period to watch because it could have more significant impacts than the withdrawal of the Quantitative Easing. The increment should worried emergent markets but also the European market because with a lower US rates, investors coming from all over the world had invest their assets on better reward investments due to the small yield of US assets based on the Fed director interest rates. The rest is history, in fact, when the US interest rates will increase again each investors should bring home their funds to the United States, being less risky and having a better yield. It is worth to take risk on American investment than on emergent market for example.

In that case, emergent market will have trouble due to the leakage of investors. The European market would be touch as well but a little bit less. Such as the economist reminds, “the European area was few month ago speaking about some countries leaving the euro area and others with bonds at 7% of yield
for 10 years.” The fact is that divestments on European bonds to US bonds could badly affect the East economy.

- Does the QE give a fake impression of an economic recovery?

Firstly, the BNP economist reminds to us that the Quantitative Easing has brought this recovery since 2009. It is including three successive waves of Quantitative Easing through the American economy. The balance at the moment is that this recovery seems "sufficiently self-sustaining”. As mentioned above, the latter is not as fast but usually quite strong and autonomous decrease progressively monetary injections into the economy then stop Quantitative Easing by end 2014. A gradual decrease of the QE is already underway for the past few months. In fact, the challenge of the Fed is to "remove the quantitative easing monetary crutch to recovery." Risks are obviously arranged throughout this process but other risks may arise otherwise. In the case, if they stop buying stocks and bonds, the rates would go back. Nevertheless, there is also a private market that buys including U.S. debt, " so the effect so the effect is not as mechanical as that."

David WAGNER argues that it has the both effect. This means that it has allow to boost artificially the economy in the first time but the aim is that act lead to a real recovery. Furthermore, the duty of the Federal Reserve is to sustain the system doing whatever it takes. The crucial thing here is about the size of the financial operation which could seems huge and it is but the cure itself does not go beyond the Fed warrant.

Then, it is possible to suggest that the QE gives a false impression of economic recovery, which would be a pessimistic outlook according the Natixis expert. This approach will ignore major factor such as shale gas revolution that is about to happen in the United States. This phenomenon in economic terms will have a positive impact on the terms of trade, affecting the U.S. industry in a positive way.

The vision of a false economic recovery would be supported through the QE undertaken by the Federal Reserve marking history with one of the biggest stimulus ever seen, not to mention the effect of wound rates on mortgages applications. Indeed, following the announcement of Bernanke "the decrease in monthly installments," the U.S. long rates raised 130 basis points in a brutal way, resulting in a drop in applications for mortgages especially those dedicated to refinancing debt (debt restructuring). However, this phenomenon remains normal market reactions appears logical and understandable.

In the end, it is therefore according to him a pessimistic analysis does not correspond to the current state of the U.S. economy, including assets in the energy sector, always controlling the growth of a country and should result in the medium term in terms of income.
Finally, QE by definition had an artificial impact on the economy but is a part of this process in order to sustain the economy along a difficult period such as the last financial crisis. Indeed, the Fed duties are to sustain the economy as far as it is necessary before to return to a normal economy run.

- **Does it seem to be a real recovery?**

  Here the BNP’s economist brings up that it is a rather durable recovery. Again its unusual slowness is not a synonym for failure. This slow recovery is notably composed of the deleveraging and U.S. companies, says the economist. This is the sign of a seine recovery and demonstrates a return to high activity levels, particularly for households. "In 5 years the country saw households deleverage. Companies also reduced their debt and banks have also significantly reorganized their situation," added the expert. In the end, the economy corrects imbalances caused by the financial crisis of 2007, still being in recovery period.

  It is important to note here that in general, the United States decided to expand their external deficit during the recovery phase, the country sought to borrow. But at present, the U.S. deficit tends to decrease, which marks a change to previous periods of recovery in the United States.

  In the meantime, the website analyst sustains this argument saying that if the situation remains under a normal level of activity, then the country is still in recession. He adds that the expected rebound of the growth should cleared doubts.

  Overall, the recovery seems pretty much real following the data and the trend of the debt decrease and improvement made so far.

- **Does the U.S. economy is already at the stage of the bad effects of an expansionary policy used since too much long?**

  The other key point about Quantitative Easing addresses to the adverse effects of this mechanism. Following a long period of using QE, it appears in the economics "excess events", such as bubbles. There are many examples that can be observed. Jean-Luc PROUTAT gives an example with the market capitalization of the company in the new economy called Angry Bird which have seems massive. The acquisition of this company and oscillations observed on the price may seem excessive compared to the same situation in a normal economy.

  The economist expounds that from the moment where the market participants have access to a large amount of currency at a rate nearly 0%, such excess is highly favored due to a facility to purchase debt securities which in normal time has not particularly attractiveness interest. Other examples include quoting with investments in
"segments of the economy" unclear. The BNP expert argues:"For example, the International Monetary Fund said the United States, with the money injected by the Fed, he had developed parallel financing activities of the mortgage market, including companies that bought up mortgages and that are much indebted to do and it could create a hazard." These same reasons push the Fed to reduce monthly payments of injection into the economy. The central bank has to deal with the negative of a mechanism necessary stimulus effects. The Fed is balancing between let some excess time while the stimulus has definitely need monetary support. Right now, "it is strong enough on the side of recovery" to start decrease injections in the economy as indicates Jean-Luc PROUTAT.

Here the Natixis expert points out that Bernanke was in the right place at the right time "he is probably the best theoretician of deflation." He says it is imperative to stop this type of monetary policy once tangible signs of economic recovery appear where at least structural improvement. Otherwise here are risks that economy such as the United States may face:

If ever the interest rate remains too low for too long a misallocation of capital takes place in the economy, both in term sector (construction) instead of major innovations and both in terms inter-time, that is to say in investment decisions, consume on credit rather than saving. This will have the effect of completely distorting the economy. There including the hazard of heaven wedding can also be present in these conditions, it is power sectors, and companies would not be viable with higher interest rates.

Therefore, the potential growth decreases and is favored parallel finance. Indeed, since money is cheap because of low interest rates, a lot of money can be found easily accessible. To avoid this, we must return to a normal monetary policy. Fed begins to undertake this particular way. Indeed, this is one of the fears that professionals have, especially in the light of rising prices of real estate in the United States with an annual increase of 10%. Consumption is particularly full recovery helped by the wealth effect from lower interest rates.

The economist added that follow a transition of this magnitude cannot be carried to perfection, especially in the management of the recent crisis. He emphasizes that "the Fed did a great job, they are on the verge of a successful bet, there are some victims, but there is less than the number of death that could have been. Absolute Plan perfect does not exist in economics. It is not doing badly, it would be easy to give them a trial."

- Does a deflationary risk exit in US?

The answer given by the economist Jean-Luc PROUTAT is negative. He argues that currently, the U.S. economy is now far from the deflationary risk that
many experts speak for the European area. The first power is spirited away from it day after day. He reminds us that deflation is composed by many characteristics. It must include a reduction in appropriations or at least stagnation or the United States are moving in the opposite direction. Credit continuing dynamic development apart from those dedicated to housing, so for consumer credit and loans granted to businesses. All data recorded figures quite honorable.

Another argument is the money supply. It does not shrink and evolving perspectives on recurrent expansion assuming deflation. He added however that the country is not broke inflation risk, large pressures still govern prices. Big capacity does not include employees with a significant rate of underemployment. These factors contribute to a rise in prices.

- Does the US deficit and the foreign debt, can become a threat?

The BNP experts describe the external debt of the country as important, but the United States has always been a special case. It is also important to say that the external debt is no longer growing. As expert has pointed above, households and businesses have less and less debt, so do the country.

One of the privileges of the American economy is that their debt is denominated in dollars, which is the international reserve currency. The Dollar is necessary and highly demanded. The economist added that the central bank balance sheets are also denominated in dollars, which means that the financing of external debt is made very easy for the United States, they do not have to account for a higher rate interest. The consequences are, that "it is always a good reason to treat the United States, whether Chinese or Japanese", indicates the experts.

Another relevant point of U.S. foreign debt, the U.S. economy has a net foreign debt. This is the American paradox. The fact is they have more debt abroad and at home explains the BNP’s economist. He argues that the U.S. economy still manage his debt to generate net income on their position. The expert uses the term “risk capital” to describe the U.S. profile, the country borrows short to medium term debt and lend long-term direct investment. The balance of payments and more specifically the current account show net income. Finally, the expert state "this external debt does not cost them money in terms of interest payments, on the contrary they tend to be positive."

According him, what happens now is rather the country tends to reduce or at least maintain the level of the debt due to the fact that the current account deficit is absorbed gradually. Consequently, the large accumulation of external debt is less of a threat to it could be earlier. You should know that this risk was especially the subject of much concern before the financial crisis. One of the
consequences of the crisis is the rebalancing of debt and also global imbalances added the expert. "Basically the country had a huge surplus with China or even Japan which gave the United States that much into debt, now dynamic since 2008 are still well reversed." Finally, a positive and reassuring development is ongoing on the side of U.S. debt. He ended the interview by saying, "I do not think a crisis in the balance of payments of the United States. Given the current state of things, it seems unlikely to me."

In the meantime, Natixis expert go deeper saying that the US debt will be solved in the next few years. He highlight that "this is the bet made by the government" and tends to believe it. He exposes that the U.S. government is doing exactly what the IMF does not want Europe to do, this means that they leave growth reduce the debt problem. Once again, the energy revolution, the re-industrialization of the United States, population growth and rates as low nominal growth led the United States to be higher than the interest rate. The creditworthiness of the country therefore improves continuously.

He advanced the fact that in 2017, we could see the stabilization of the GDP ratio. Thereafter it may even be lowered but that the growth without large fiscal adjustment ultimately although last year there were quite a few but still less than in the euro zone.

It must be bring up that the extension of the balance sheet of a central bank has no limit, as long as the economy of debt in local currency.

- **Is the US dollar could collapse?**

On this specific question, two type of answer are revealed. Two of the economist interviewed states that a US dollar collapse cannot happen while the two last experts interviewed argues that on a long term, there are possibilities to observe the US dollar decrease and perhaps disappear.

This one sustain that a US dollar collapse is conceivable on the long term point of view. Many factors lead the analyst to this though. One of them is about China. In fact, China is looking to stop being dependant to the US currency since few years. Indeed, this country is the first US provider and a major buyer of US debt. Therefore, China could start to buy less and less US debt and diversified his portfolio. The fact is that they cannot do it rapidly because they own some much of the US debt that if they stop too fast to buy their own portfolio of US could devaluate such as the US dollar value would do. Furthermore, the expansionary US policy lead to the decrease the value of the dollar which is not good for China who is seeing his reserve lost value. Hence, China could be tempted to change his currency reserve in favor of other currencies than the US dollar where the country is losing value.
Consequently, according the analyst, this process will be long and could represent decades before it finally lead. This process would be composed by several modifications such as the diversification of the Chinese currency reserve with more of Euro and emergent currencies in long term. The analyst move forward adding that the role of the US dollar as the international currency would become less and less justify. It has take place with the gold scale which now doesn’t have any argument. Geopolitical facts do not justify anymore the use of the US dollar as international currency. Furthermore, China desire to add to those factors sustain this though on a long term leading to a potential crisis of the US dollar.

That being said, this process could pretty much be so slow that economist could not named that as the crisis, it could be only a rectification on the currency market where the US dollar will find a place worth in comparison to the United States. It must be state here that there is others nation who are improving and taking more and more space on the international landscape such as India and China.

He concludes saying that this subject has been a repetitive fear which have been treated many time. According him, it cannot happen rapidly, his arguments follow the fact that the U.S economy has shown the capacity to react strongly putting enough money on the table to move on to the recovery way which is expected to succeed. His statement is that it must have several difficulties for the U.S economy before a US dollar collapse could happen on a very long term point of view.

Meanwhile, the Natixis economist states that there is no possibility for the first currency reserve to collapse. This though is based on the following facts:

Firstly, Sylvain BROYER mentions that “the United States will become horizon of a few years, independent concerning the energy field. They will export oil, oil is sold in dollars, so there will be no crisis Dollar”. Here, the third analyst interviewed will just mentioned that is reach the geopolitical field and broadcast the hypothesis wondering if the shale gas revolution which happening in the United States would not be in foresight to the end of the US dollar as reference for oil trades. In that case, having such a huge reserve of shale gas is still helpful in order to not pay too much energy.

Secondly, it turns out that the United States is counted among the rare currency areas that may have to say "mature". Indeed, the euro zone is a monetary zone "crisis of adolescence" according the economist. In the United States, the U.S. population towards the world average will continue to rejuvenate and this for the next 10 years. Therefore, according to the theory of
the cycle of life and savings, the more sustained population growth elsewhere will automatically see the need for funding of non-zero U.S. economy. Never the United States only exempt from current account surplus, even with oil exports, there will necessarily minimal deficit. As he said a former Clinton advised: "You will always find enough old Japanese, German and Chinese old for American Financial youth." And he believes is right.

Another argument should be that it used to say that "the dollar is not the currency of the United States Dollar is the currency of the United States and oil-exporting countries." It is important here to remember that the entire Middle East has a large amount of dollar through their oil reserves, so they do not have interest in the dollar collapses. In addition, their money is paid on the Dollar. As for the Japanese, they hold more than a trillion U.S. dollar debt, most Chinese people that still have no interest in attending a collapse of the U.S. Dollar.

Furthermore, the website analyst brings up that the US dollar collapse could happen if only the currency had not the position that it has. Indeed, the US dollar currency remains the mains currency on international trades, a haven value and the currency reserve. Until it is not the case anymore, the all intervenient on the market will see this currency on this view and the US dollar won’t collapse near to the Euro parity for example. Other examples explained earlier add that on a fundamental point of view the US currency should not decrease heavily. Indeed, following the geopolitical aspect and history, the US economic growth pillar which are the real estate and consumption are showing good sign of improvement. This should push the Chinese to keep their US dollar reserve.
• *Is the US index is too high? Does it mean a warming signal or the sign of a real recovery? Could it be a primary sign of a stock market crisis?*

Firstly, there is no significant reason to believe that it will stop to getting higher, the expectations seems to be to follow the uptrend breaking new highs so thinking about a collapse on this market is a negative view on this market until it really happen.

Secondly, The fact that the market is still in an uptrend spending confidence on the market because it is showing rewards on investments for households, winning capital, unlocking funds to start to consume again. The analyst bring up that the interior consumption represent such an important economic growth pillar which is create a virtuous circle in the recovery of the country. The process is the following:

- US Market increase due to the Fed’s help
- Households are getting confidence back due to this increase
- Households start to spend money and invest
- The market continue to rise but this time due to tangible reasons such as economic and not only financial
- The virtuous circle is created

*Figure 4.1 Virtuous Cycle*

The analyst adds that pessimistic can always argue that it look like a bubble waiting to bust because the index market is much too high compared to the improvement of the situation in the United States. Nevertheless, relevant reasons are showing that the recovery is following the virtuous circle described above.
What is the US dollar situation against his main currency rival?

Regarding the Euro dollar pair, David WAGNER explains that there is such an interesting situation happening now. Indeed, he brings up the expectation of a new monetary easing coming from the ECB while on the West sides, expectations are turn on tougher monetary policy coming from the FED. In fact, a monetary easing from the ECB is synonym of bearish factor for the Euro and a reduction of the QE in the United States represent a bullish factor for the USD. This means, that expectation are following a double bearish view on the EUR/USD. Despite these fundamentals factors, the EUR/USD pair remains strong so far.

![Figure 4.2 EUR/USD weekly](image)

This weekly chart clearly illustrates the uptrend that follows the EUR/USD since the beginning of 2014 while the fundamentals factors indicate expectation on the downsides.

According the expert, the downtrend is expected soon, unless monetary policy changes in the meantime. He adds that several banks such as UBS, Barclays are seller on the EUR/USD pair on medium terms. Here, the technical aspect does not confirm the fundamentals expectations.
CHAPTER 5 - CONCLUSION AND RECOMMENDATIONS

1. Effectiveness of the Federal Reserve policy

Following this study, Federal Reserve has used effective policy to prevent the economy from plunging into a period of depression, at least for the moment. Quantitative easing and lower interest rates came to support the economic recovery that is now started in the United States.

This policy will be supported and implemented by the recent appointment of Janet Yellen. Indeed, the Keynesian thought is now represented by the new chairman of the Federal Reserve, Janet Yellen. Hence, expectations are oriented in the sense that the central bank will continue to intervene and control the economy through the financial system of the United States.

The Fed’s chairman has already shown its intention by saying that: “the most important thing we do is to use monetary policy to promote a stronger economy. The Federal Reserve has taken extraordinary steps since the onset of the financial crisis” (Janet Yellen, at the 2014 National Interagency Community Reinvestment Conference, Chicago, Illinois March 31, 2014). She highly defends that the control of the interest rates remains useful to support the economy and affirms that the Fed's efforts have lead to a strongest financial system.

After having started to reduce the Quantitative Easing, the next step for the central bank will be to deal with an economy who could suffer from a too long expansionary policy and the continuity of the U.S economy recovery.

2. U.S economy strength

This study has clearly established the U.S Economy health, showing that the economy seems to follow a sustainable recovery process. The findings revealed that the recovery is slow due his origins of the crisis which are financials. The financial crisis is always more difficult to solve and takes much more time. They also bring up the privilege status own by the United States economy through the US dollar which represents the first currency reserve in the world. This point sustains a sustainable recovery. This advantage allow also a particularly management of the foreign debt which is pretty high but well handled. Furthermore, shale gas revolution is another argument of the sustainability. The position of the first world economy induces that several economies such as China have interest to see the U.S economy to continue his recovery.

This study has also shown the main economic pillars of the U.S economy have started to improve. Indeed, it has been mentioned that the consumption has start to
increase, helped by the deleveraging of the households and the unemployment decrease about 3% since October 2009. The energy boom and the business investment represent also good signs of relief. The stock market is increasing leading to a sustainable recovery helped by the virtuous circle. The interest rates level seems to be well controlled enough in order to not interfere in the recovery so far. In that sense, the Federal Reserve has announced that the interest rates would remain low for awhile.

Several efforts remain to be done in order to be able to state the full American recovery. The U.S presidential report adds that U.S economy will pursuit the improvement through new measures concerning job creation, energy boom and the financial security reinforcement of the American households.

3. The likely robust recovery

According the “Supporting Recovery and Delivering Sustainable Growth” Scottish government report of September 2012, a sustainable recovery must be lead by several key drivers exposed below:

![Figure 5.1: The key drivers](image)

As demonstrates the figure above, the increase of the sustainable recovery is composed several stages. On the supply side, the economic stimulus and population growth leads to the increase of the productivity such as the U.S economy has started. On the long-term growth, the resolution of the social issues is the next step that Obama is committed to solve. This approach still remains from the Keynesian thought.
On the other hand, the free market’s thought states that crises demonstrate a malfunction, an abuse leading to a misallocation of resources. In that sense, when a crisis appears, it means that among the market actors some of them are not good for the health of the system, and the crisis tends to expulse them before to let new actors to prosper into the economy. These actors will provide the lack that economy needed. This means to pass through a severe depression. The Fed has often use interventions to avoid this situation, at least for a period of time. According Peter Schiff, interventions are slowing the crisis, becoming even worse after. The Free market point remains that it is better to go through a severe depression now that waiting for a much more destructive depression few years later.

The U.S government with the Federal Reserve is basing their strategy as always on the Keynesian approach arguing that central bank and government need to intervene in the market to sustain the economy health. Otherwise, the economy would fail in severe depression. In the meantime, the free market defenders keep arguing that the potential crisis that we are facing now is the result of the Fed policy intervention.

After that, the recovery that we are living tends to be self-sufficient. Everyone will be agreeing to the fact that the indicators are improving. Then, the reasons why they are progressing and how much significant is the evolution is will be the point of disagreement.

In the end the country is in the process of recovery for government central banks and several eminent economists following the Keynesians approach while the free market defenders suggest that the country is going straight to the real crisis we were supposed have if there had been no intervention in the market. Many things remain to be done and there are still many curves before reaching the start a heavily sustainable recovery such the cartoon below illustrates.

That being said, the major forecasts indicate a robust recovery based on the current policy direction but also on the U.S Economy strength cited during this study.
Nevertheless, the current recovery leads us to ask the following question: *Haven’t we been in the same position there a few years ago?*

### 4. Limitations and Suggestions for Further Research

#### 4.1 Limitations

Although the objectives of this dissertation have been achieved, based on a primary and secondary collection data with deep interviews and the constitution of a relevant literature review, the researcher has remained limited by his resources. Indeed, the researcher has attempt to interview the most pertinent economists that he has succeeds to join. Nevertheless, the researcher has obtained interviews of two economists from major international banks and two market analysts whose one has founded one of the most visited websites in Europe. That being said, due to financial limited resources and a lack of time, the researcher didn’t have the possibility to interview American economists or to undertake research on the spot.

Hence, due to the limited access to resources but also size of the dissertation, the researcher has had to focus his work following the mains relevant elements that he has found during his process of collection data.
4.2 Suggestions for Further Research

Behind the economic and financial aspect remains the geopolitical field which can heavily affect the future of the U.S Economy. In order to complete the global view of the U.S Economy, the researcher recommends investigating several points such as the huge rally in the stock market which could lead to a crash market. The shale gas revolution is also a field which deserves to be analyzed. Indeed, several forecasts suggest that the United States will become the first net exporter of hydrocarbon in 2025. This could change the energetic landscape of the nation but in the meantime, the extraction activity seems to be very expensive and pretty fast exhausted. One other relevant track could be the international trade agreement between the Chinese and Russians. In the meantime, other countries are preparing to trade based on other currency rather than the US dollar. In fact Russia and China had already a meeting, called “de-dollarization meeting” dealing with an agreement allowing their respective currencies to trade against each other in spot inter-bank markets. This agreement is dedicate to promote bilateral trade, meet the needs of economic entities to reduce the cost of conversion, facilitate the resolution of cross-border trade in Yuan. Knowing that China is expected to grow tremendously, this could mean a threat.
CHAPTER 6 - SELF-REFLECTION ON OWN LEARNING

1. Researcher’s profile

The researcher was born in France and has always been interested by the financial market. Nurtured by self-entrepreneurs doing business every day, the researcher has been hearing financial business since his youth, giving him interest and passion to that field.

After having attended to the financial crisis in the United States, these interests for the financial system has just start to develop more and more. The financial crisis has revealed the real weight of the financial system in the global life style. That point has just push the curiosity of the researcher further, then he decided to undertake financial and economic studies.

1.1 Educational backgrounds

After 2 years of faculty of economics and management at Pantheon Assas in Paris, the researcher decided to pass exams to incorporate a business school in order to put in practise his knowledge and be closer to real case and applications. During this degree, the researcher has worked on several practical cases and made several presentations and to finally be graduated the Bachelor degree in Finance at the ISEG Finance School.

Along the Bachelor degree in Finance, the researcher wrote a thesis untitled “Technical Analysis versus Fundamental Analysis” and a Project defence called “Financial analysis about Club Mediterranean”.

After his first year of Master degrees in finance, specialized in financial engineering and capital markets at the ISEG Finance School in Paris, FRANCE, he went to the Dublin Business School in order to accomplish his International Master degree.

1.2 Professional backgrounds

The first professional experienced has been done at the Natixis department risk countries in Paris, FRANCE. As a financial analyst, the researcher
was responsible for carrying out study files of macro and micro analysis, demographic and political, on the South American countries (Honduras, El Salvador) and on the African continent. The aim was to evaluate the potential of a country in terms of investment through several indicators (GDP, GNP, consumption, income...) and context (economic, financial and religious) in each country. This assessment is for decision-making of international investors.

Then, the researcher started to get more and more interested by the currency market, the researcher accumulated two internships as Forex analyst, respectively to ProfesseurForex.com and FXSTREET.com. These experiences have allowed the researcher to develop technical and fundamental analyses in the market.

The researcher has also started to develop his own trading experience but also assets allocation such as stock market long-term investment since now three years in order to be more efficient on his career plan.

2. Relationship with the researcher’s career goal

Along the Master degree, the researcher has follow courses untitled “Research and skills” allowing him to scheduled time and disposing resources to determine what will be the career wanted and how exactly the student could achieve this goal. This class has learned to the student how much details are important when it is about planning a career project. The outcome of this course was surprising and welcoming because the approach was such a high quality standard.

After having obtained the Master degree, the career plan followed is to apply for a financial market analyst. The idea here is to promote himself based on the experience that the student have accumulate through internships by also by himself with the trading project started in August 2012.

The position will allow the former student to improve and practice his knowledge. Few years as junior analyst would be necessary before to become a senior analyst. Then the researcher ambition is to start his own Business Company such as a portfolio management company where he could put in practice what he has learned as junior and senior analyst but also his trading experience and asset allocation experience.
2.1 Skills required for the career goal

Technical skills:

- High level of presentation and communication,
- Analytical mindset,
- Experience on the financial market,
- Reactivity and open mind,

Financial skills:

- SPSS program (study of probability and statistics),
- Analysis of financial markets,
- Graphic technical analysis,

Certification:

- AMF Professional Certification of regulatory knowledge of Market actors in 2013.

2.2 Rationale for undertaking MBA

The reason to undertake a MBA degree in finance was based on the deep interest of the financial market and the plan career which imply an international degree.

Indeed, nowadays, the financial system does not have borders limits anymore. The best way to succeed in that environment is to target an international degree. The mains financial places in the world being the followings: Wall Street, London and now Dubai and Asia. Furthermore, Financial MBA represents the best graduation for someone who desires to build his own company such as it is describe by the MBA guide: “An ideal MBA program helps you in becoming business savvy. The skill-set taught in MBA provides you with the hands-on training for dealing with real work business problems.”

According the MBA guide, MBA programs advantages are “manifold; racing it onto the top slot of the most opted for degree program in the world”. They are also composed by a pertinent managerial skill, a development of expertise business, a competitive advantage on the job market, career advancement.
3. Review on learning outcomes

The student has learned to evolve in an international environment, getting confidence doing this. It allow the student to open his mind, and realize that international interlocutor could have different point of view based on a different approach of a same problematic, so different solutions. Hence, the student has improved his analytical skills by thinking globally and having a best understanding of the bigger picture.

3.1 Overview of the program & Skills development

According Kolb theory about experiential learning, there is four main levels concerning the learning process. The theory is based on the fact that experience by itself doesn’t allow learning. In order to fully learn from a situation, it must follow a particularly schema.

In that sense, the first step of the process remains the concrete experience. Then, a reflective observation is needed in order to reflect back on the outcomes experience. The next step is about abstract conceptualization which is to work on theory and concepts across the experience. Finally, the active experimentation is about testing concepts by practising concept on new experimentation (Kolb, 1984).

Figure 6.1 Kolb’s Cycle of Experiential Learning
Hence, this chapter is relevant in the dissertation and the learning process.

### 3.2 Overview of the program

The MBA programs in finance were composed by the followings courses:

#### 3.2.1 International management

Along the international management class, students had often worked by team with the special request that each team had to be composed as many different nationalities as possible in order to put students in a real position of working for an international company. The other interesting value added to this course was about the subjects linked to international problematic which was much more complex to solve.

#### 3.2.2 Theory of finance

The Theory of finance has completed my view and knowledge about the corporate finance, stakeholder’s theories, financial analysis of a company, the capital investment sources of funds, Capital structure and cost of capital but also the dividend policy and mergers and acquisitions. Each of these subjects has been treated through real cases study which has allowed the researcher to well understand their application on a daily basis.

#### 3.2.3 International Business and Trade

Assignments have taught the researcher how to work in an international team through several important fields such as Operating management, marketing management and financial management. During this class and the assignment which has meets every of these aspects, the student have learned how to share work with three other student from other nationality and obviously different point of view. This experience has given an overview to the student about what it would be to work inside an international management company. Besides that, the cases study proposed by the Dublin Business School teachers were based on real cases with real problematic, which have put students in real context with important issues.
3.2.4 **International Financial Institution and Markets**

Being specialized in finance, this course was the most appreciated by the student. Indeed, throughout all of this class, the student has completed his knowledge about the last financial crisis, but also strengthens its achievements through new discoveries. In charge to expose a Credit Default Swaps presentation, the student had the opportunity to develop his skills on the field. Hence, this is the course gave him the desire to work on the recovery of the U.S. economy.

3.2.5 **English earnings**

The Management Business Administration degree allowed the researcher to improve his English level and practice his acquired. The interaction with the student from the MBA course helped me to practice and learn more in vocabulary but also work out my understanding. The fact is that in a class of several different nationalities, the ability to understand English through different accents is important. The year passed in Ireland has improved this understanding. Practice is still the best way to learn and improve. Since this experience, the student has accumulated more confidence about potential English job interviews.

4. **Master of Business Administration’s experience and learning**

The Master of Business Administration’s has been very helpful through several key points.

Indeed, concerning the research skills first. Dublin Business School has provided good research tools with the internet access to the library and academic works. It has allowed the student to research quality data for each of the assignments during the years. Assignments have represents a lot of work, teaching the student how to deal with deadline and how to manage both time and relationship with co-workers. It has improved the organizational skills but also the communication skills.

Concerning the methodology, the MBA degree owns the added value of a high quality methodology through the researches but also through the approach of a good study approach following high standards. One of the main ideas was to link theory to fact through real case study.

This experience has brought to the researcher a better understanding of international management as well as better view about the financial system. Finally, the experience has been enriched by through the interactivity that happened between the students during the MBA period in Dublin.
5. Conclusion

The researcher highlights the contributions of the MBA degree in Dublin and will use any things that he has learned during this period to take advantage in his professional life. This degree allows students to work everywhere across the world and to keep an open-minded faced to professional situation.

This study has also leads the researcher to get a better understanding of global and international problematic. The benefits of a quality MBA degree are very useful in order to apply for a position on a foreign country.
APPENDIX

Appendix n°1

Interview Sylvain BROYER transcription

Jérémy DELSOL: Could you please introduce your-self?

Sylvain BROYER: Sylvain BROYER, head of the Economics Department at Natixis and Teacher of bank’s master at the University Paris Dauphine.

Jérémy DELSOL: Thank you, we are going to start with general question and go deeper after that. What do you think about the actual U.S economy situation?

Sylvain BROYER: Well, from the economic situation point of view, including economic and cyclical aspect.

1) The U.S. economy is in a recovery phase, driven by several factors. Firstly, there is a very significant monetary stimulus which is pushing the real estate market, in fact, new loans are growing now. This recovery mortgages helped by monetary policy have also permits the rapid adjustment of household balance sheets. Indeed, compared to the situation of households during the crisis of Lehman Brothers, mortgage debt of American households has failed by 25 percentage points of income. Compared to Europe, household mortgage debt is still stable over the same period. The difference between the United States and Europe is the ability of households to default on their mortgage debts. The decline in U.S. household debt is linked to two thirds of household bankruptcies. Monetary stimulus is operating much faster.

2) Linked to the policy mix: there will be less curing of fiscal policy this year in the U.S. compared to last year. It is mean that the lower tax benefits, lower costs, will cost less growth in the U.S. economy this year than last year. It should cost about 0.3 percentage point growth this year while it has cut the growth of a point last year, so basically the situation will improve.

Investment by U.S. companies has rebounded strongly since 2009, the investment rate which rose from August to October of GDP, is showing a real recovery in business investment in the United States.

3) The increase in investment is not only related to monetary stimulus as well as the adjustment of balance sheets of U.S. companies, but especially in the shale gas revolution. Indeed, it is a positive impact on the U.S. economy that allows the country to save 2 to 3 points energy import in GDP ratio from the euro area and Japan. They
represent advantages in terms of profitability with a strong recovery in the terms of trade for the U.S. economy.

All this points helps the situation of an economic recovery.

From the Financial view:

Because of the possibility of households to default and the active management of the financial crisis (subprime) with a bond purchase program by the Fed and TARP program, which helped raise a large insurer and also by the U.S. Treasury financial creating a bad bank, the situation in the United States seems much more stable than the financial situation of several countries in the euro zone.

Under the balance sheets of U.S. banks today, you realize that the rights off, non-performing loans are almost returned to a level near the after crisis, a level of normality, which is not the case yet in the euro zone. We have a financial situation that is almost standard. After that there are always debates on the public debt ECT... But about private actors in the economy, we have a situation that is now practically healthy.

Jérémy DELSOL: Can we say that the country is going out of the crisis?

Sylvain BROYER: Most balance sheet adjustments have been made, yes.

Jérémy DELSOL: Could we say that the QE gives a fake impression of an economic recovery?

Sylvain BROYER: You can have this reading which is more pessimistic. However, this reading ignores the positive impact of the shale gas revolution, in terms of positive trade shock, impacting the U.S. industry.

You can have this reading because the QE is a huge monetary stimulus but also the sensitivity of applications to back up mortgages rates. U.S. long rates rose 130 basis points, roughly, on Bernanke’s announcement that he would just let the foot off the gas, not even to slow down. Here we have seen a collapse of mortgages applications, mainly which aims to refinance the debt, but it were normal it was about the new mortgages for refinancing applications to debt restructuring.

So this is a pessimistic reading and from my own opinion, it does not reflect the U.S. economy with improved terms of trade linked to the energy revolution that is still a determinant of growth. A shock in terms of trade always results six months after a shock in terms of income.
**Jérémy DELSOL:** Do you find the strategy followed by the government and the Federal Reserve adequately in accordance to the situation? What could happen when the Fed will raise its interest rates?

**Sylvain BROYER:** The reaction of the Fed was necessary, all the central banks have had the crisis of monetary stagnation during the crisis of the 30s. At that time the Fed did make a single open market operation. She did nothing more, when you see that today, we must think that it's really not possible, it was the prehistory of central banks and since we have made a lot of progress and the fact that the U.S. central bank was printing just over 3,000 billion since 2009, it was necessary, it was a lesser evil, otherwise we would have fallen into deflation, depressed, and would have much hard work to get away from this crisis.

Similarly, the Bernanke’s decision to slowdown initially to press the brake thereafter (which means to rise rates) is needed and welcome even if it actually gives rise to some consequences particularly for emerging markets and the U.S. economy with the rates moves this summer, even if there are small reactions that are negatives. Nevertheless, it is better to have these small adjustments that to have a monetary policy too long too expansionary because the consequences can be harmful. After chapter against deflation, you have the chapter of monetary policy bad effects. My own opinion is that the United States has been extremely fortunate to have Bernanke at this moment, he was probably the best theoretician of deflation. At a certain moment you have to stop this policy, especially when monetary policy tangible economic recovery signals is observed, at least for structural improvement of your economy because otherwise you risk the following consequences:

With interest rates too low for too long, you will see:

- A misallocation of capital, both in terms of sector, as construction instead of major innovations in both temporal term decision to invest, consume on credit, rather than save, so you totally distort your economy. You can also have a dangerous phenomenon called “heaven wedding”, when you care sectors, companies which would not be viable with higher interest rates. So you decrease your growth potential and you promoted parallel finance because money is cheap, lots of money can be easily found. So we must normalize monetary policy. This is what the Fed have started and it is a good thing.

**Jérémy DELSOL:** Do you think that the U.S. economy is already at the stage of the bad effects of an expansionary policy used too much long?

**Sylvain BROYER:** It’s a little fear when we see the evolution of property prices which is very fast in the United States now, dating back to 10% per year and part of the recovery is seen to present consumption partly driven by wealth effects, so by lower interest rates. After that, it is very difficult to be absolutely perfect in crisis management as we knew. I think that the Fed has done a great job, they are on the road of a successful bet, there
are some victims, but there is less than the number of death that it could have been. The absolute perfect plan does not exist in economics. It is not doing badly, it is easy to give them a trial.

Jérémy DELSOL: Do you think that the U.S. dollar collapse is possible?

Sylvain BROYER: No.

1) The United States will become in a few years, independent on an energy level. They will get to export oil and oil is sold in dollars, so there will be no Dollar crisis.

2) The United States is one of the few mature currency areas, the Euro zone is a teenager monetary area in crisis. The U.S. population compared to the world average continues to rejuvenate and will continue over the next 10 years, so the life cycle theory, savings, due to the stronger population growth than elsewhere, automatically financing needs of the U.S. economy cannot be zero, the United States is not going to generate current account surpluses, even with oil exports, you will always have a small deficit. As said a former Clinton advised: "You will always find enough old Japanese, German and Chinese to finance youth Americans." And I believe it.

Another argument, the Dollar is the currency of the United States and oil-exporting countries. When you have all the Middle East sitting on mountains of dollar, they have no interest in the Dollar collapses, and more of their money is paid on the Dollar. When you think that the Japanese hold more than one trillion U.S. dollar debt, the Chinese even more, nobody's has interest in a US Dollar collapse.

Jérémy DELSOL: What would be the consequences of this potential crisis on the economic, financial and social view as well as other currencies?

Sylvain BROYER: If the United States default, the machine is ruined, Japan is ruined, the Middle East is ruined, so World War. There will have an explosion of the euro area, the insolvency of the United States is the mother of all financial crises, it is a movement of tectonic plates, seen with the financial crisis in the euro zone spreads social tensions we have everywhere in Europe, the Italian government still suffers problems, fell on the same day.

I think it is just unimaginable for understanding. It is the extinction of the dinosaurs.

Jérémy DELSOL: So you think U.S. debt will eventually subside in the coming years?

Sylvain BROYER: Yes, at least, it is the bet made by the government and I tend to believe it. I mean, they are doing exactly what the IMF does not want to do in Europe, which mean they leave reduce the growth of the debt problem, again with the energy revolution, the re-industrialization of the United States, population growth and rates as
low nominal growth in the U.S. is higher than the interest rate, so the country's creditworthiness improves, continuously. In fact, you will have a situation where near 2017, maybe even before, the ratio of GDP will be stabilized. After, it may perhaps even get lower but the growth without large fiscal adjustment ultimately even though last year there was not bad but not as much as in euro zone.

Jérémie DELSOL: Is it still possible to raise the U.S. debt ceiling?

Sylvain BROYER: Yes, it has been raised back 80 times since 1918, which is stupid because it is fixed in billions of dollars, so basically whenever the U.S. economy believes the debt limit becomes increasingly obsolete, it is a totally stupid rule. This is the only thing the Republicans had found to annoy Obama, they are pretty good successful, hands now there is more track amounting to change this rule to remove purely and simply.

Jérémie DELSOL: According to the U.S. Treasury Secretary stated that by the end of February, they could no longer afford to raise the debt ceiling and finance the QE.

Sylvain BROYER: Yes, but it is not a big deal, the extension of the balance sheet of a central bank has no limit, as long as you borrow in local currency, it is your money. So this is a comparison that can be scary but so what?

Jérémie DELSOL: So the dollar crisis cannot happen because the country is on the right track?

Sylvain BROYER: The dollar crisis was the Washington consensus is that while economists formal sector, international and IMF. It is where they expected the major crisis which finally happen somewhere else with subprime, a grain of sand, I think there will be another crisis before the Dollar.

Jérémie DELSOL: What do you thinks particularly?

Sylvain BROYER: The euro area, there will necessarily need to restructure debt in the euro zone, Japan which is a civilization in the process of disappearing, it could end very badly that Abe is doing, emerging country. But for the next 5 years, it is certainly not the United States who will have problems.
Appendix n°2

Interview Jean-Luc PROUTAT transcription

Jérémy DELSOL: Could you please introduce your-self?

Jean-Luc PROUTAT: My name is Jean-Luc PROUTAT, Economist of the OECD BNP Paribas, leads a team of a dozen people of 8 pure economists and 4 statisticians, graphic assistant.

Jérémy DELSOL: Thank you, we are going to start with general question and go deeper after that. What do you think about the actual U.S economy situation?

Jean-Luc PROUTAT: The situation is improving gradually and slowly, it should be mentioned that the improvement of the economic situation in the United States was set up almost at the end of 2009, it’s been a little while now, something like 5 years. They have found their activity level that they had before the crisis, which is not the case of several advanced countries today, some country such as Germany is above the peaks of 2008, even France is limited, and others are well below such as Italy, Spain, perhaps Japan. So it’s better, they have 2 to 2.5% in growth rates per year expected for 2014, which may seem high for us in Europe, but for them it’s not very fast, generally, when they are recovering from a crisis, it will be generally faster in the United States. We are accustomed to 3 to 3.5% growth. It is a little slower than before and also poorest in employment recovery. This means that they did not create as many jobs as they could expected in a recovery phase of activity in recent years, which shows that consequences of the crisis are still there and it is difficult to return to the previous rhythms following a crisis of this magnitude and totally financial. There is a lot of literature example that clearly explains that recessions resulting of specific consequence of financial crises are more severe than normal recessions and takes more time to recover. United States is in this case. That’s why after almost 5 years of recovery, where they have regained growth, you still have interest rates close to 0 at the central bank, and there are also breaking records in terms of periods of low interest rates in the United States. We’re still in a phase where monetary policy is still largely supporting the application and recovery. So it is clear that there is still progress to be made and that the central bank is not fully satisfied with the state of the economy today but it is much better in comparison with the situation 5 or 6 years ago.

Jérémy DELSOL: Is the country still in crisis? Does the QE distort economic recovery?

Jean-Luc PROUTAT: QE at first supported this recovery since now almost 2009, there was 3 waves of QE with QE 1, QE 2 and QE 3. We are on the third one and it is estimated that the recovery is now self-sustaining enough. As I said, it is not extremely fast, but it is solid and self-sustaining enough to gradually withdraw monetary infusions and
Quantitative Easing and to stop it the end of 2014. The Fed’s bet is to remove the crutch of quantitative easing monetary to recovery. You will tell me that there are several risks on this slow down but on the other side there is another risk which is a rise in interest rates. Indeed, if they stop buying titles and bonds, it would result increase in interest rates, but a good thing is that behind, you have a private market which also exists for buy U.S. debt, so the effect is not as mechanical as that.

Then the other part of Quantitative Easing is rather undesirable effects, which are why we think of stopping now. You have excess phenomena or bubble which can be created from the money injected by the central bank. We can take several example, we speak of the return of the excess capitalization of companies in the new economy with a recent example of a company that had developed the game Angry Bird. There are in fact prices and capitalization for companies in the new economy which are not far from being still a bit excessive. It is clear that when you dumped money at an interest rate to almost 0 in the economy, it facilitated such excess because the debt is easy to get in order to acquire this kind of title. You have others examples with investments in compartments that are not necessarily at the same time well known and reliable. For example, the International Monetary Fund said about the United States that the money injected by the Fed had developed parallel financing activities on the mortgage market including companies that bought up mortgages who have much debt. It could create a risk.

At the end, in front of the support to the economy, you have risks linked to the central bank who is always arbitrating between the two. Now they consider that the terms of the equation, it is strong enough on the side of back and look at the excesses which may be related to liquidity injections and deal with the two to decide to slow down.

**Jérémy DELSOL:** Do you think the economy is in real recovery? Is this recovery looks sustainable in your opinion?

**Jean-Luc PROUTAT:** Yes, strong enough, durable enough, especially as it is because it is slow it is not necessarily bad. It is slow but it comes with actually an ongoing deleveraging of households and American businesses, which is healthier especially because they are back from highs for household level. This reboot since 5 years has still seen households deleverage. Companies also have reduced their debt and banks have also significantly reorganized their situation, so there is less imbalances than before, which means, in general, when the U.S. economy was in a recovery phase, the country had a tendency to expand its external deficit. It would look and borrow. But what is happening now is that the U.S. external deficit would tend to reduce, which is not usual in a recovery phase in the United States.

So yes, the recovery is strong enough.

**Jérémy DELSOL:** Should we be afraid about the rise of interest rates?
Jean-Luc PROUTAT: The fact that the interest rates are gradually rising is not a bad thing either, if it helps stop some of the excesses that began reappearing here and there. So I said that overall there was a debt but you have example I cited all the time, in some part of the economy, it is welcome to observe a rise in interest rates to prevent misallocation of capital. It’s a good thing that rates rise above. They are negative in real terms (very negative short-term and long-term average close to 0, they are rather at the level of inflation). What could be embarrassing it is evolutions as a bond crack, here you have interest rates that are not mastered, so very volatile. There is an example that you can also give, it is about 1994, when the Federal Reserve had poorly communicated its interest rates rise and you had very shortly a financial shock. Rising interest rates can actually slow and even stop the recovery. But right now, we really are on very gradual ascent. I have watched this morning the 10-year rate in the United States, we’re still low with 2.70% on 10 years, it is relatively low for the U.S. economy. Therefore, we are in a recovery rather slow and pretty much controlled by the Fed which that may very well be accompanied by the maintenance of the pace of recovery.

Jérémy DELSOL: IF QE do not decrease rapidly, does it mean deflation and the US Dollar collapse?

Jean-Luc PROUTAT: No, in the current situation, the U.S. economy is now away from the deflationary risk that now is mentioned a lot to Europe, especially southern Europe but not for the United States. I am not saying either that the country is switching in an inflationary risk. There are still big pressures on prices, there are still many remaining unused capacity, there is always an important level of under – employment, so all this things conduce to the rising of prices. But about the deflationary risk, the country is far away from it all, deflation takes several ingredients including credit contraction or at least stagnation and the United States is in opposite direction, which means the credits are quite dynamic if we put aside the mortgage but taking account of consumer credit and business loans, there is everywhere progressions quite honorable. In addition, the money supply is far from contracting and we are on bases expansions of money which do not let us think about deflation.

So they are not in the risk there, at least not immediately.

Jérémy DELSOL: Do you think the U.S. deficit and external debt could cause a sharp drop in the U.S. dollar?

Jean-Luc PROUTAT: The United States remains a special case, the external debt is important, but be warned that it does not increase, as I said, households and companies have started to deleverage a bit so somewhere the United States also.

Now, the American privilege is that this debt is denominated in dollars and the dollar is a global reserve currency and highly sought, it always will be, and this currency is
necessary. You have in many central bank balance sheet denominated in Dollar. The fact is that we are in a pattern where the financing of external debt is made very easy, they do not have higher interest rates, which means that there is always good reasons to treat with the United States whether it be Chinese or Japanese.

In addition, the external debt is a little American paradox but they have a net foreign debt, so they have more debt abroad than at home, but they still happen to pull net income on their external position. It may seem weird, but basically, it is like a venture capital, they borrow rather short, short to medium on the debt and they lend long including direct investment and the balance of payments current account, showing net income. At the end, the external debt does not cost them money in terms of charge of interest payments, instead they tend to be positive. They would now tend to either maintain or to reduce the external debt because their current account deficits are reversing gradually subside, so it is less of a threat than it has been the case at a given time or in any case as the subject of questioning. This is a risk that have been mentioned much before the crisis, global imbalances and the position of the external debt of the United States and somewhere else is a little link to the crisis. The crisis had to tend to balance it all and we’re not anymore in the position of questioning. Basically we had a country that had a huge surplus like China or even Japan which gave the United States that much into debt, now dynamic since 2008 are still well reversed.

So you have a reassuring development of that side, so I do not think a crisis in the balance of payments of the United States if it may respond to your question. In the current state of things, it seems to me unlikely.
Appendix n°3

Interview David WAGNER transcription

**Jérémy DELSOL:** Could you please introduce your-self?

**David WAGNER:** David Wagner, after a career in banking wealth management, I set up the site professeurforex.com 4 years ago. At first it was a training site for forex trading which is then directed to a news website and analysis of the macroeconomic situation and then the currency market. So I have been a forex teacher for 4 years and a banking career about 4 years previously also.

**Jérémy DELSOL:** Thank you, we are going to start with general question and go deeper after that. What do you think about the actual U.S economy situation?

**David WAGNER:** There is a general improvement in the United States, particularly with regard to numbers. It is not either a return to normal. By referring to the latest figures, it has interesting things in terms of growth and things a little less interesting in terms of employment. Indeed, the last two Non-Farm Payroll reports were disappointing. However the latest growth figures are quite good, in any case better than in Europe, there is a clear revival of the U.S. economy, an improvement in the economic situation, the black point remaining on jobs but there are still 2 factors at these levels:

- The fact that the Fed did not seem to worry about it states and wants to continue on that momentum with the QE reduction even if employment falters a bit the past two months.

- There are some reasons to think that the particular weakness of the Non-Farm Payroll of these last two months is due to the weather if you believe the experts.

On the one hand the Fed does not care employment so why should we? In the other hand, weather factors that may explain the recent employment figures disappointing. So overall, the situation is improving.

**Jérémy DELSOL:** Is the country still in crisis?

**David WAGNER:** We need to review the definition of crisis, whether the crisis is a lower than normal economic situation, yes we're still in crisis but we are clearly on a positive slope at the moment.

**Jérémy DELSOL:** Does the QE distort the real economic actual state?
David WAGNER: We can say that the QE distort the reality, yes but also no because it is one of the tasks of central banks, to boost the economy and especially the Fed’s act within the scope of its mandate which is to do everything to stimulate the economy. We can also talk of distortion and artificial effect towards to the size of the asset purchases but speaking about the fact that the Fed has purchased assets, I see no moral problem because stimulate growth meet the Fed’s mandate. So there is a real impact of QE on the economy but it is the job of the Fed to put a crutch to the economy and to know when is it that the economy is strong enough to do without it. So yes artificial crutch impact, there was but it was kind of the point.

Jérémy DELSOL: Do you find the strategy followed by the government and the Federal Reserve adequately deals with the situation?

David WAGNER: It was a legitimate reaction if we are referring to the legal framework. They have not exceeded their mandate, it was an operation done in the past to a lesser extent. The thing is that it was precisely never done on this scale. There are only few people who are able to accurately predict the long-term effects to QE but “nothing ventured, nothing gained” and if the Fed held at a time that the situation required a QE of this size, maybe it is that we're in a better overall economic situation with the United States undertaken a massive QE in place to support the economy rather than a world leader who would be on the decline. I think the impact on the global economy would be bigger if the United States did nothing to boost growth rather than a QE.

Jérémy DELSOL: Some American economists argue that the country is not out of the crisis yet, slowed by the QE from the Fed and the worst is yet to come. What do you think about it?

David WAGNER: When we reflected on the forex and global economic forecasts in general, we must not forget that there are geopolitical component that comes into play especially when talking to longer term. So yes, taking these factors into account, there may be a problem, particularly towards China because China own a lot of dollar reserves. Expansionary monetary policies in the United States are mechanically conducing to a lower value of the U.S. Dollar, they do not like a lot by China because it reduces the value of these reserves. China could suddenly be tempted to accelerate the change in the structure of its foreign exchange reserves to the detriment of dollars. There comes into account geopolitical factors and it is difficult then to decide but historically if based on the pillars of U.S. economic growth, the housing market and consumer are being remaining rather positive in any case that link to more improvement towards the pursuit of a tricky situation last year. After these possible consequences of QE in the long term... It has already been two cuts there, we had no cataclysmic impact, so it is also an argument that if it was that dangerous to reduce the QE is has already had an impact on the economy would have been received immediately after the first cut, then after two, would wonder that there is one in the third, after be seen on the long-term.
Obviously, given the market reaction to the first two reduction of QE, it proves that there is no cataclysmic effect the withdrawal of QE.

**Jérémy DELSOL:** What will happen when the Fed will raise its interest rates?

**David WAGNER:** That is another story, the Fed also made clear that it would keep rates low a long time after the withdrawal of QE, we are not yet here. The consensus, a first increase should arrived mid-2015 while the QE should be completed by the end of 2014. We will have six months from the end of QE and the first increase in U.S. rates based on current expectations. What is going to happen then, could be more important than the withdrawal of QE especially as it’s going to be added to the withdrawal of the QE and its consequences.

The problem with raising rates, could be in Europe and emerging markets. Rates were lowest in the USA, during this time Americans and foreign investors have sold U.S. markets because of low yields, based originally on interest rates from the Fed.

Now that the interest rates increase, we will have a discussion that will change on the part of operators who will say funds will repatriated to the United States after all it is less risky than where we are now and the compensation is more interesting due to rising interest rates, even if they have more little earnings, it’s less worth going to take risks somewhere else.

Here is what might happen and actually create problems on the emerging markets (first to be hit) and to a lesser extent in Europe, where it is emerging from 6-8 months where is talking about the Greece leaving the euro zone, where countries had with 10-year rate to 7 % etc. So if it comes to the movement of massive disinvestment in European bonds to reinvest in U.S. bonds, thus become more interesting because if the Fed will increase the rate, it can have consequences in Europe, combined with other factors it can give rise to new market turbulence European debt.

**Jérémy DELSOL:** Do you think that the U.S. Dollar collapse is possible?

**David WAGNER:** Yes, a crisis of the U.S. dollar is possible, especially in the long term because we see China for several years said that they wants stopped depend on the Dollar in terms of investment. You should know that China is the main provider of background the United States is at least one of the major buyers of U.S. debt and they may very well decide and also want to buy less and less, the only thing is that they cannot do it all at once because they have so much that if they stop buying it would create a market collapse that is unfavorable to them as they have portfolios full of dollar assets.

In my opinion, there is a slow process that will perhaps take decades, about changes in investment and China’s reserves for emerging currencies, euro and above at the expense
of dollar in a long term, yes a crisis in the U.S. and dollar possible and I even want to say that long-term hegemony of the dollar in international transactions will be less and less sense. Don’t forget that even now, the dollar is in the majority in international transactions, it is still a remnant of the old standard historically, so it no longer has any justification that the U.S. Dollar is the currency of international reference. Geopolitics and China will make on a long-term that a crisis in the U.S. Dollar is possible. After that, may be it will be so soft that you will not have to call it a crisis, it will simply be a remove in the order of things, that the Dollar is proportional to the square of the United States in the global economy which actually becomes less important even one of the two or three main engines for now.

**Jérémy DELSOL:** Is that the shale gas revolution in the U.S. would be able to keep the United States healthy and to support the Dollar?

**David WAGNER:** Here, we really attack the geopolitical theme, we might even think otherwise, that the development of shale gas in the United States, it may be a desire for the country to prepare for that trade oil for example not do more in Dollar and so it is unfavorable and suddenly they have to buy less as they have their own hydrocarbon. Not specifically answer to that but another way to see perhaps the thing.

**Jérémy DELSOL:** What would be the consequences of this potential crisis on the economic, financial and social as well as other currencies?

**David WAGNER:** Here it is almost a science fiction scenario, a collapse of the dollar would be that we can call cataclysmic consequences. After there is rapid collapse over several years and thus rebalancing instead of the dollar towards the role of the United States, rather difficult to say, but certainly cataclysmic changes and especially the consequences that would go well beyond the financial markets related to the field of geopolitics, some strategists might even say that it could trigger civil wars at least. It really leaves the field of finance when the consequences of the fall of the dollar appear.

**Jérémy DELSOL:** Do you think technical analysis is relevant to the forex markets and broader equity markets?

**David WAGNER:** If we stick to the general theory of technical analysis, more there are volume and liquidity on the market, more technical analysis is supposed to work. The Forex market is the highest and most liquid market of the world so technical analysis is the most suitable and I’m pretty okay with it because it has certain influences towards the central bank decisions. Not anyone can influence the price of a currency, is different to the stock seen in small caps, some big investors or even some individual counseling site can shift the course by giving a board, so we really have here an item that can interfere (almost random) with technical analysis. This happens much less often on the Forex. So Forex is for me a very suitable for technical analysis, if not the most suitable market.
**Jérémy DELSOL:** The U.S. index are very high, does it reflects a true U.S. recovery or could it be a warning signal? Could it be the next stock market crisis?

**David WAGNER:**

1) Not necessarily, if we stick to the fact it goes up for now, we can anticipate a fall but for now the fact is that it goes up, so no reason to see this negative way before it will be returned.

2) Financial markets rise, it increases consumer confidence because their savings is more expensive, because their investments are earned money. It unlocks money to eat and they have gained confidence, it makes them want to spend more, domestic consumption is one of the pillars of U.S. growth. It is something that can be beneficial to the U.S. and thus create a virtuous growth. Markets rise on market consequences contracts for financial factors that restore confidence to households and gives money to them. These households spend and then we have the markets continue to grow up, but this time for economic reasons more than financial only. It can create a virtuous circle. Optimists would see that trends like this. After pessimists would say that it goes pretty too much, in any case much too high in relation to the improvement of the economy and so it looks a little bit like a bubble and it will inevitably burst at a time.

However, they are no more tangible reasons to side with the optimistic than pessimistic that if we stick to the facts.

**Jérémy DELSOL:** What do you thinks about the situation of the U.S. dollar against its rivals?

**David WAGNER:** I will talk mainly of the euro dollar, this is an interesting situation because we have now rather new expectations for monetary easing and the ECB rather expectations of further monetary tightening by the Fed side. So traders think the ECB will ease again if that is a bearish factor for the euro and the other side traders who believe the Fed will again reduce its QE, which is a bullish factor for the Dollar. So we have double bearish factors on the euro dollar pair and we see that the euro remains yet strong enough.

In comparison with the stock market going up and should one day come down, there is a bit the same thing with this pair except that tangible reason to believe that since we actually behind the "spread" monetary policy between the Fed and the ECB would point rather to a decline of the euro dollar. The pair has risen sharply recently so there is something interesting. There is in my opinion a downward trend that is coming over this pair unless monetary policy expectations are changing, but as what they point to a decline of the euro dollar leading to an illogical move on the pair. Several banks are of the same opinion following the analyzes of Barclays, UBS ect ... All of them are for sale in any case forward so it means there is something interesting to play by looking at the
technical evolution and fundamental factors which do not explain all the technical evolution.

**Jérémy DELSOL:** Do you have anything else to add?

**David WAGNER:** The subject of the potential dollar crisis is a recurring theme, all the time on the table, sometimes seriously, sometimes so conspiracy. What is clear is that it will not happen overnight, we saw that the United States was able to put money on the table when necessary with QE, it is done once and it will most certainly work. After that there are certainly deeper problems that maybe we cannot even suspect. From my point of view, we will have several hard shot before we can really risking a collapse of the dollar and I do not speak to the medium term or long term, but we are talking about a generational time scale.
Appendix n°4

Interview David BOTTIN transcription

Jérémy DELSOL: What do you think about the actual U.S economy situation?

David BOTTIN: We can say that we recently had contradictory signals with a job recovery and a choppy growth on the first quarter. GDP grew by 0.2 % against 1.2 % anticipates.

First point, jobs are straightening with the latest pleasing NFP reports. On the other side, the growth remains choppy in the first quarter. One of the reason remains the harsh winter in the United States which has penalized growth. We therefore expect a rebound now of this growth. However, we don't have yet the data showing a rebound after winter for growth while employment sign of rebound are visible.

Finally, at present, it is uncertain because we have yet to confirm that the U.S. economy resumed its bullish run well after the break due to the harsh winter.

Jérémy DELSOL: Does the country out of the recession?

David BOTTIN: The latest data do not allow to rule, we must wait to see if there is a rebound in growth after the trough in the first quarter to tell whether the country is still in crisis. Whatever the situation, it is less than normal, it could be said that the country is still in crisis according to this definition.

Jérémy DELSOL: Do you think the economy is tough right now?

David BOTTIN: Yes, employment is recovering despite uncertainties in growth. Let's remind that for the United States the main engine of growth is consumption. There is a clear link between consumption and employment. Indeed, if there is more of person employed, there is more consumption. This should lead to an improvement in U.S. growth.

Jérémy DELSOL: Do you think the U.S. deficit and external debt could cause a sharp drop in the U.S. dollar?

David BOTTIN: Indeed, it is possible. It could be the case if the dollar did not have its international currency status transaction, currency reserve status and safe haven status. As long as the market participants apprehend the currency in that way, we will not see a sharp drop (parity with the euro). Do not forget that China holds huge foreign exchange reserves in dollars even though the country is diversifying into euros, and that oil is traded in dollars. All this indicates that fundamentally, the dollar cannot fall much. From
the perspective of indicators, it is difficult to see why this status is still there on the dollar.

Jérémy DELSOL: Do you think the strategy followed by the government and the Fed appropriate to the situation and what will happen when interest rates will be raised?

David BOTTIN: The Federal Reserve current strategy is to reduce QE gradually before to stop at the end of October. Hence, the strategy of the Fed is pretty good insofar as it reduces every month QE follow a straight plan while following impacts on the economy through the statistics, it is a prudent strategy for now.

The situation will be different when the interest rates will increase and the effects can be quite significant. It should arrive in mid-2015 by then we’ll see how the economic situation evolved. If we have a global growth sharply on the rise again, rising interest rates will not necessarily have much impact but if the recovery is rather weak it could have a negative impact on the global economy.
### Annex Table 1. Real GDP

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*Note:* The adoption of national accounts systems (SNA93, SNA08 or ESA95) has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex. These numbers are working-day adjusted and hence may differ from the basis used for official projections.

*Source:* OECD Economic Outlook 95 database.
## Appendix n°6

### Real private consumption expenditure

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**Source:** OECD Economic Outlook 95 database.
### Appendix n°7

#### Unemployment rates: commonly used definitions

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Note: Labour market data are subject to differences in definitions across countries and to many breaks in series, though the latter are often of a minor nature.

1. Based on National Employment Survey.

Source: OECD Economic Outlook 95 database.
Appendix n°8

### Household saving rates

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**Note:** The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence,

**Source:** OECD Economic Outlook 95 database.
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Page | 98


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