

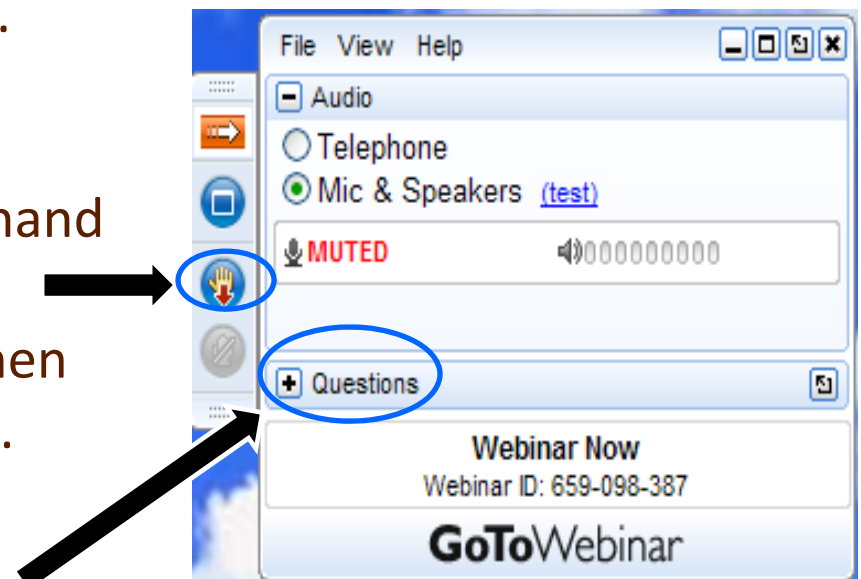
# How to ask a question...

Dr. Brock will be asking for questions in between topics as well as at the end.

## To Ask a Question:

1. “Raise your hand” by clicking the hand button. This will prompt the administrator to un-mute you and then you can speak into your microphone.
2. Or type your question into the “Questions” field, and Woody will answer.

Menu located in upper-right corner of your screen



# WEBINAR: Oct 11, 2011

---

**Topic 1: The Malaise in the West: The Collision of Two Fronts**

**Topic 2: A Risk Assessment of the Euro Crisis  
- Implications for the World Economy -**



**H. “Woody” Brock, Ph.D.**  
President  
Strategic Economic Decisions, Inc.

# **Topic 1: Malaise in the West: Collision of Two Fronts**

- **Continuing Aftershocks of the Global Financial Crisis and its Recession**
- **Foreboding of those Demography / “Entitlements” Shocks to Come**
- **Growing Recognition of Political Paralysis Everywhere**
- **Reasons for Political Paralysis and Lack of Leadership Everywhere – the Mancur Olson Argument**

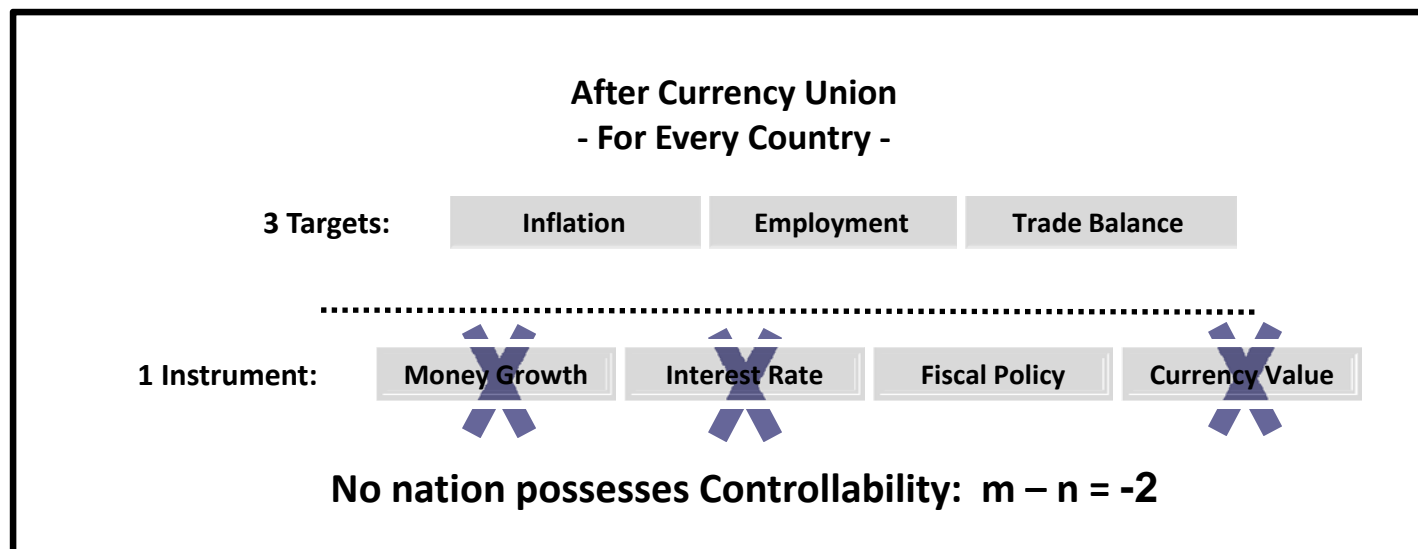
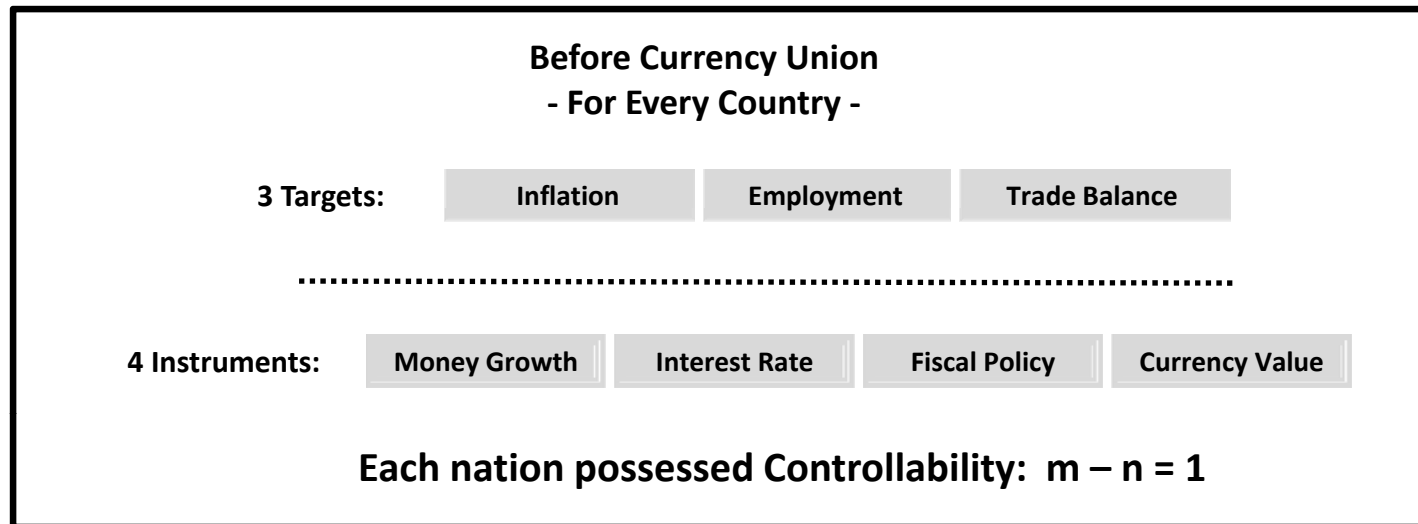
## **Topic 2: A Risk Assessment of the Euro Crisis - Implications for the World Economy -**

- **“Monetary Union is Impossible without Political Union.” What does this *really* mean? Which should come first, and why?**
- **Economic/Monetary Integration *is* a meaningful concept, but only if “macro-controllability” is understood.**

## Jan Tinbergen's Theorem, 1953

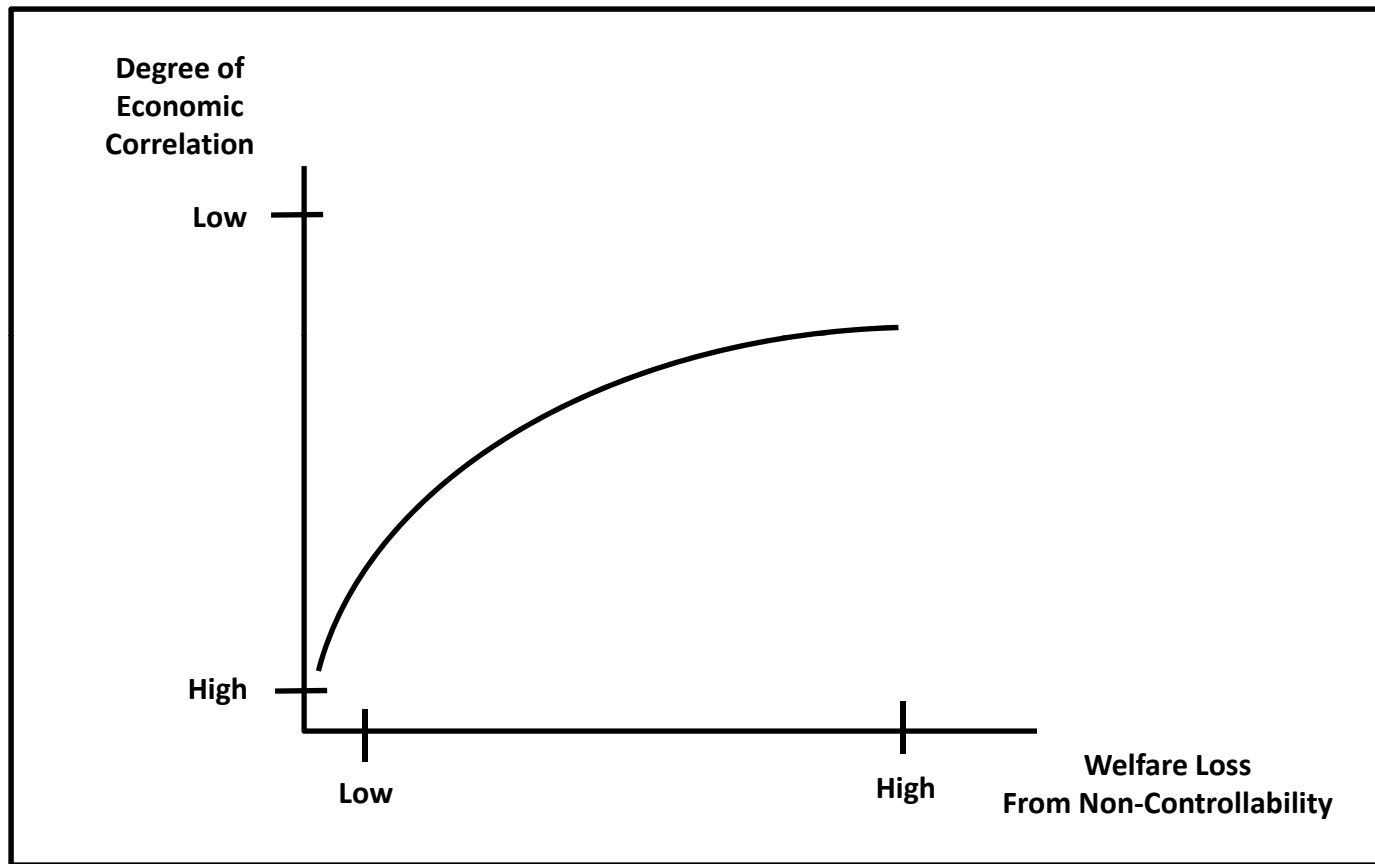
**Controllability:** If a country has  $n$  goals or “targets,” it must possess  $m \geq n$  *independent* control variables or “policy instruments.”

# Controllability Before and After Currency Union



# A Sobering Tradeoff

## - Welfare Loss from Currency Union versus Economic Correlation-



**The Moral:** The less the correlation between the economic fundamentals of all **K** nations, the greater the social welfare loss due to a currency union.

Source: SED

# Correlation of Real GDP Changes 1980—2010

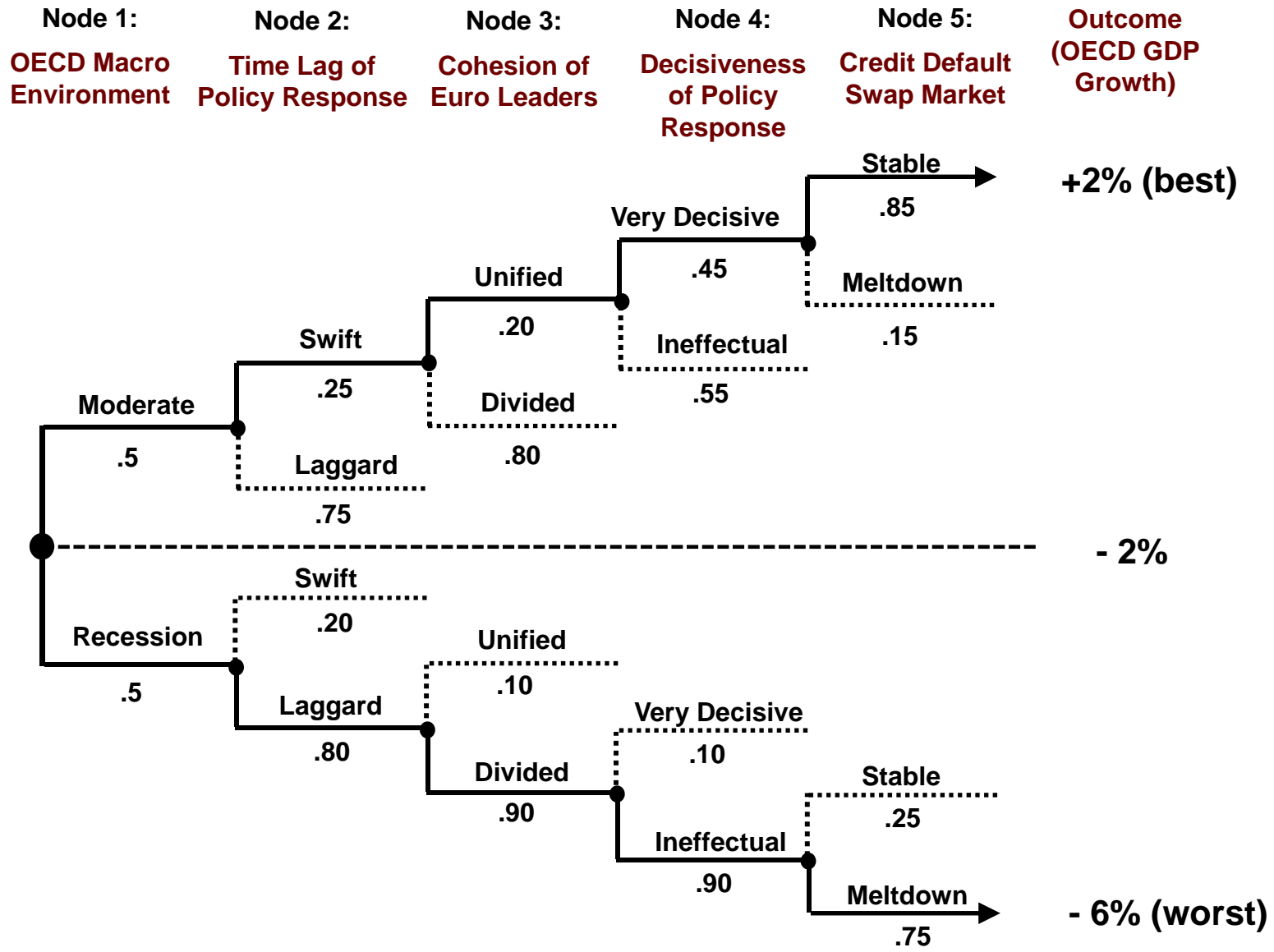
	<u>Austria</u>	<u>Belgium</u>	<u>Cyprus</u>	<u>Finland</u>	<u>France</u>	<u>Germany</u>	<u>Greece</u>	<u>Ireland</u>	<u>Italy</u>	<u>Lux.</u>	<u>Nether.</u>	<u>Portugal</u>	<u>Spain</u>
<b>Austria</b>	1.00	0.67	0.39	0.52	0.69	0.75	0.39	0.58	0.56	0.64	0.76	0.54	0.69
<b>Belgium</b>		1.00	0.60	0.68	0.82	0.70	0.47	0.65	0.69	0.64	0.71	0.62	0.76
<b>Cyprus</b>			1.00	0.42	0.62	0.47	0.15	0.31	0.60	0.24	0.41	0.46	0.51
<b>Finland</b>				1.00	0.74	0.33	0.38	0.59	0.59	0.42	0.57	0.38	0.65
<b>France</b>					1.00	0.68	0.44	0.63	0.82	0.73	0.71	0.67	0.86
<b>Germany</b>						1.00	0.29	0.42	0.75	0.71	0.80	0.56	0.61
<b>Greece</b>							1.00	0.55	0.36	0.45	0.50	0.03	0.62
<b>Ireland</b>								1.00	0.55	0.49	0.67	0.47	0.71
<b>Italy</b>									1.00	0.70	0.76	0.49	0.79
<b>Luxembourg</b>										1.00	0.74	0.49	0.69
<b>Netherlands</b>											1.00	0.46	0.76
<b>Portugal</b>												1.00	0.59
<b>Spain</b>													1.00

Average = 0.58

Source: IMF, World Economic Outlook Database



# Risk Assessment of the Euro Crisis



# Contact Information



**H. “Woody” Brock, Ph.D.**  
**President**  
**Strategic Economic Decisions, Inc.**

**Tel: +1-480-883-3200**

**Website: [www.SEDinc.com](http://www.SEDinc.com)**

**E-mail: [WoodyBrock@SEDinc.com](mailto:WoodyBrock@SEDinc.com)**