The U.S. and global economic outlook

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Global saving glut

Source: The Economist, Jan. 22, 2009

Some countries had housing bubbles but not banking crises

	Housing bubble	***Banking Crisis***
Australia	Yes	No
Canada	Yes	No
Germany	No	Yes
Japan	No	No
Spain	Yes	No
Switzerland	No	Yes
United Kingdom	Yes	Yes
United States	Yes	Yes

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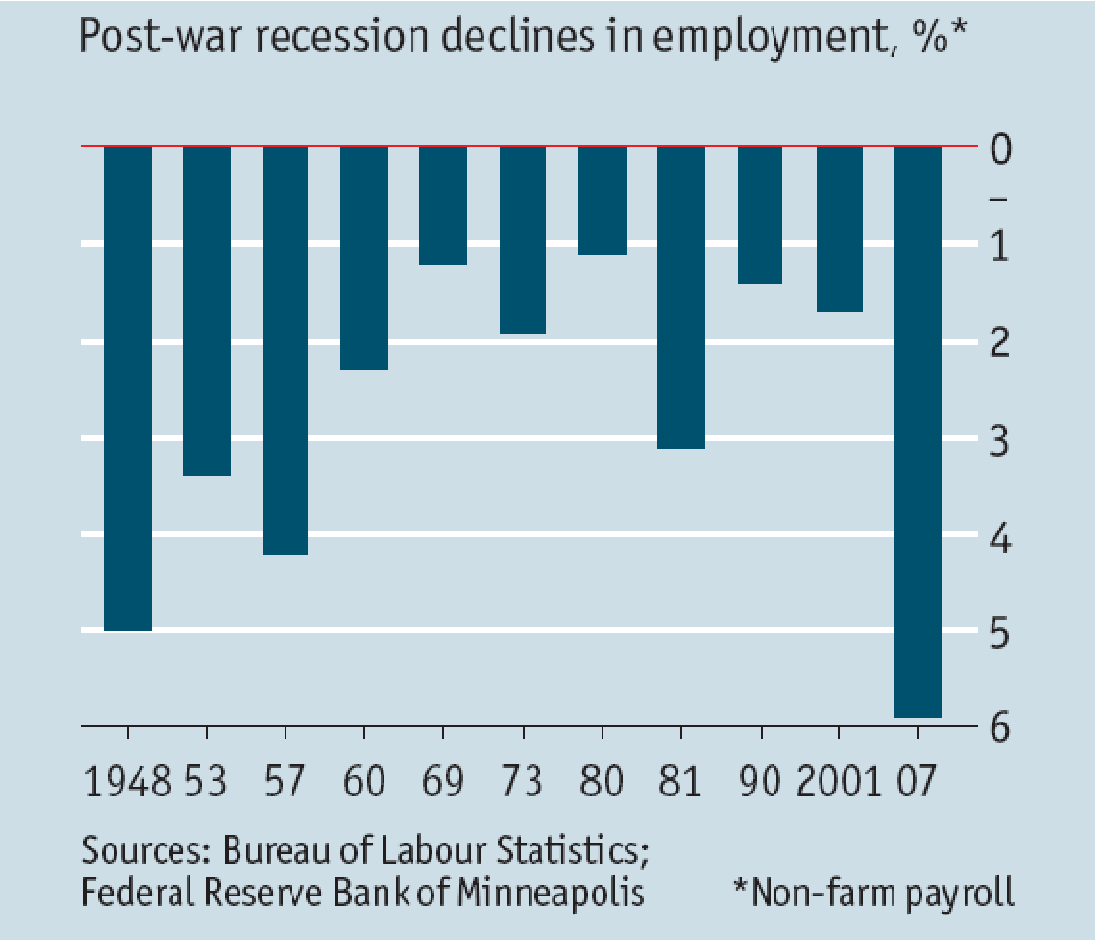
Worst recession by employment



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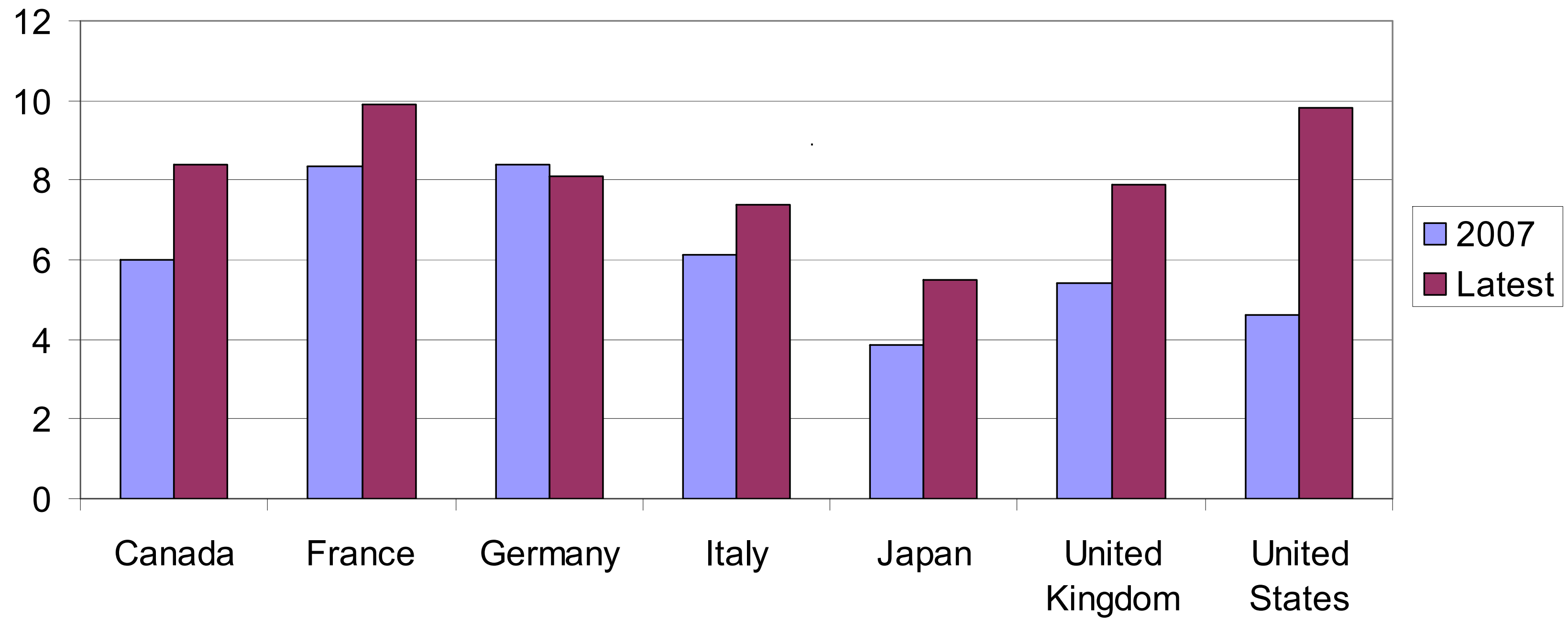
USA now a high unemployment country

Unemployment rate, %



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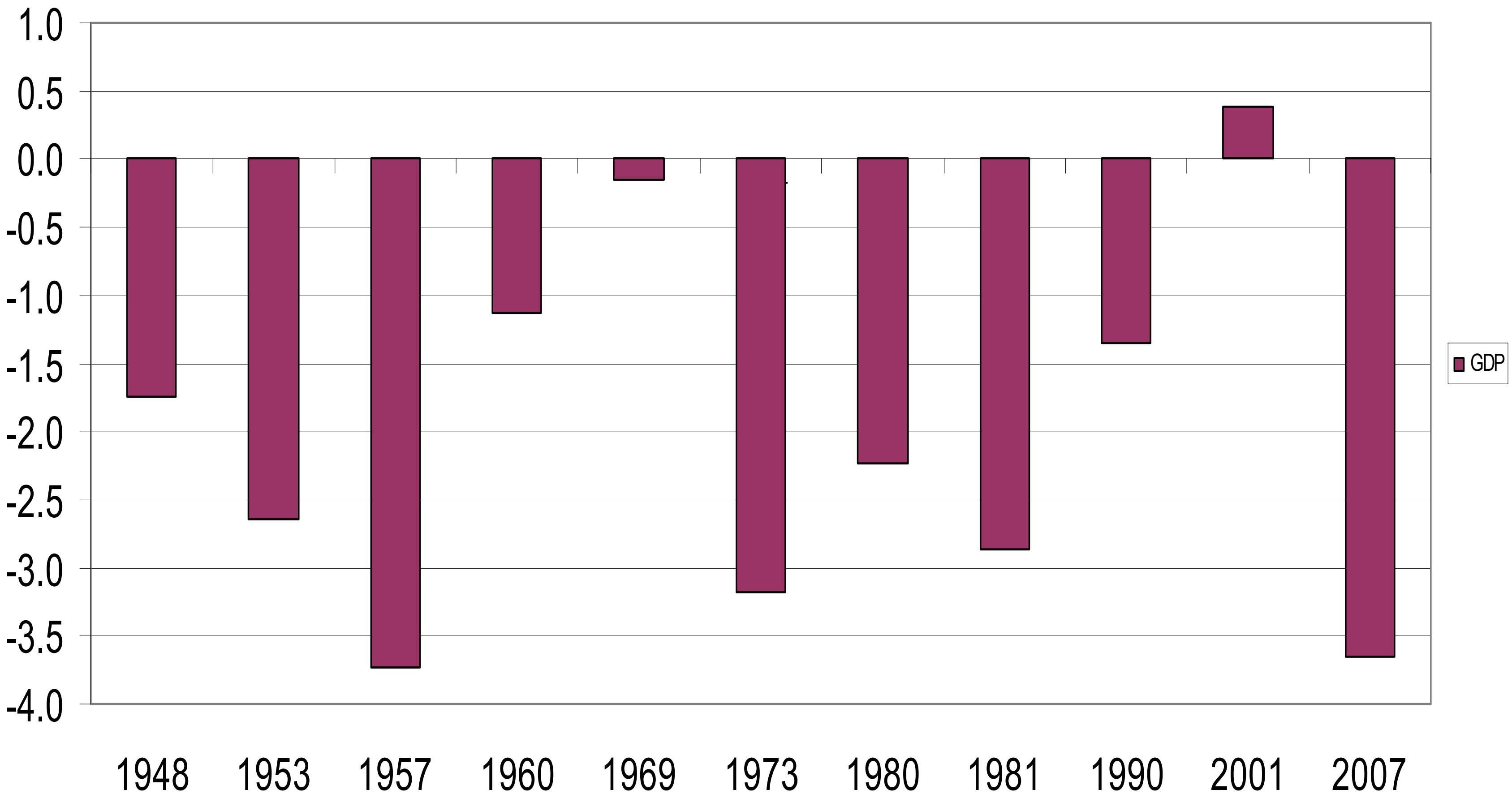
Not the worst by GDP



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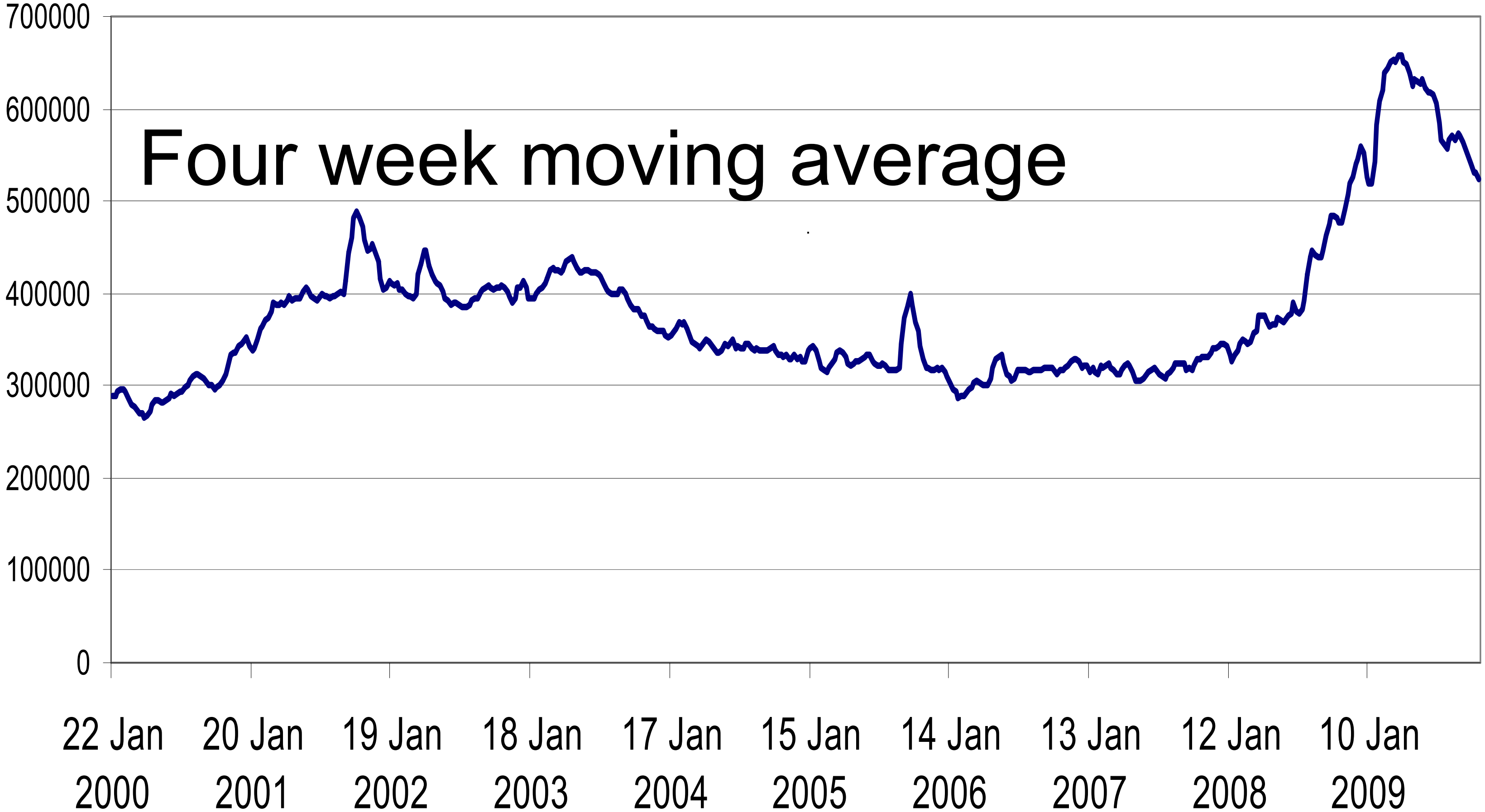
Jobless claims suggest turning point



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The deeper the recession, the stronger the recovery. Usually.

Recession	*GDP Peak-trough*	*GDP 1st yr recovery*
1973-75	-3.2	6.2
1981-82	-2.9	7.7
1990-91	-1.4	2.6
2001	0.4	1.9
2007-2009	-3.7	**?**

Source: Greg Ip, 10/4/2009

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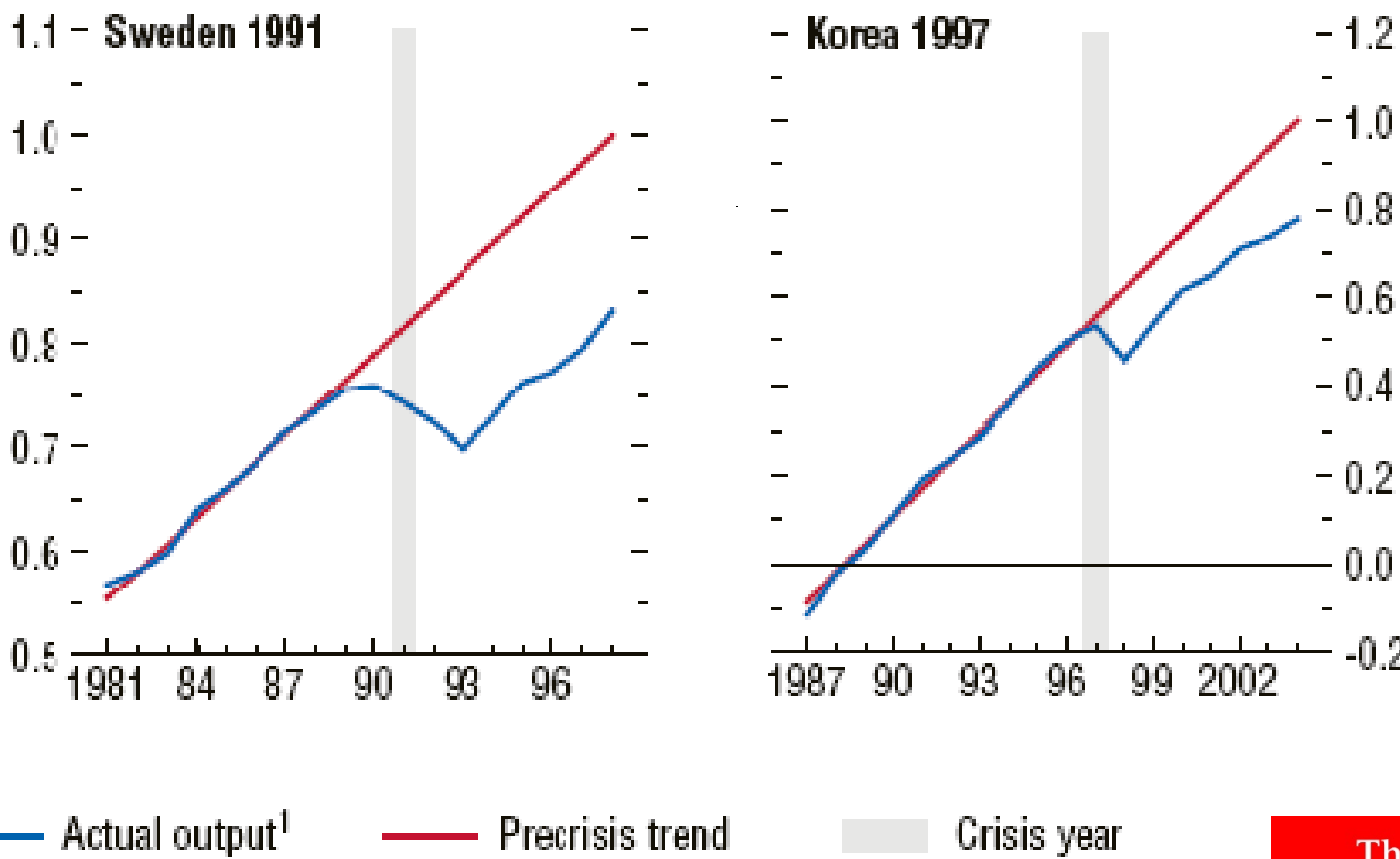
Crises leave lasting damage



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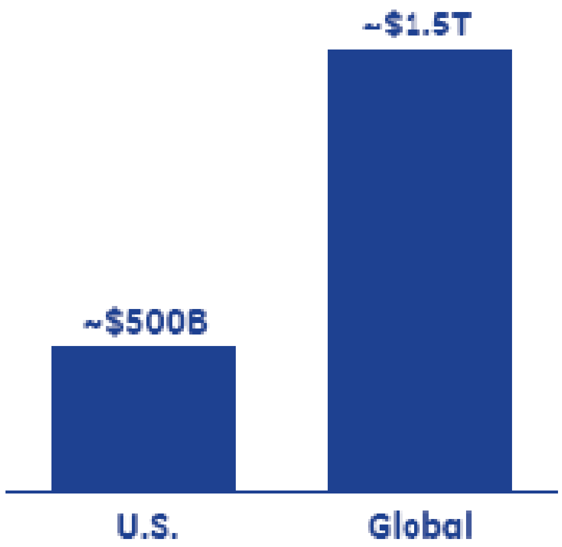
Source: IMF World Economic Outlook Sept 2009 p 122

Financial system in crisis

Cumulative bank losses to date



	Founded	Peak valuation	
Lehman Brothers	1850	~~$46B~~	*Bankruptcy*
Wachovia	1879	~~$130B~~	*Sold for $15B*
Washington Mutual	1889	~~$40B~~	*Sold for $2B*
AIG	1920	~~$262B~~	*$4B market cap*
Bear Stearns	1923	~~$20B~~	*Sold for $2B*
FannieMae	1938	~~$86B~~	*$1B market cap*
Countrywide Financial	1969	~~$26B~~	*Sold for $4B*
Freddie Mac	1970	~~$51B~~	*$0.5B market cap*

Fundamental reset of financial services landscape

imagination at work

Source: GE shareholder report, April 2009

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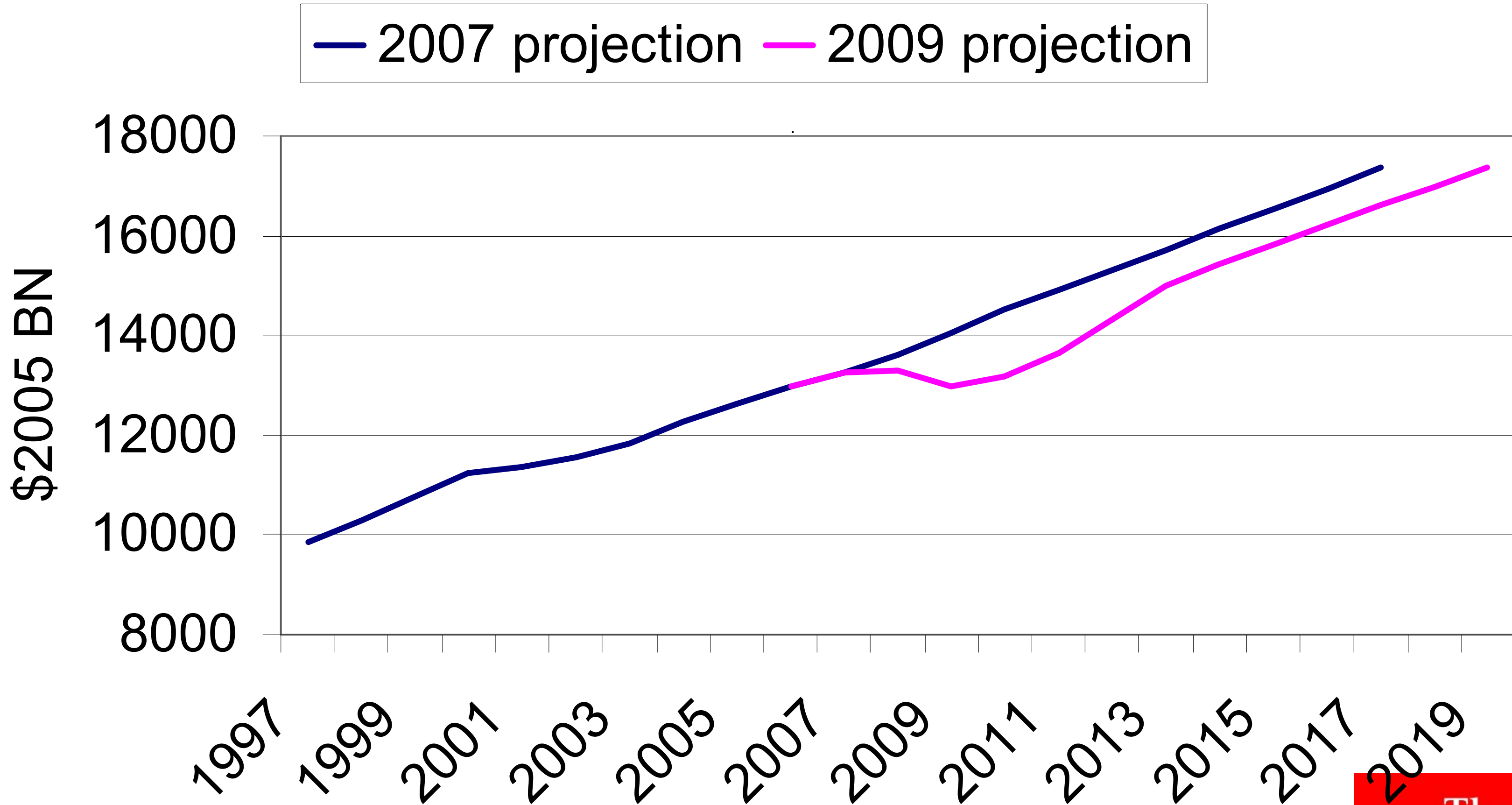
A smaller future GDP than we thought



Source: Congressional Budget Office 2007 & 2009 Budget & Economic Outlooks

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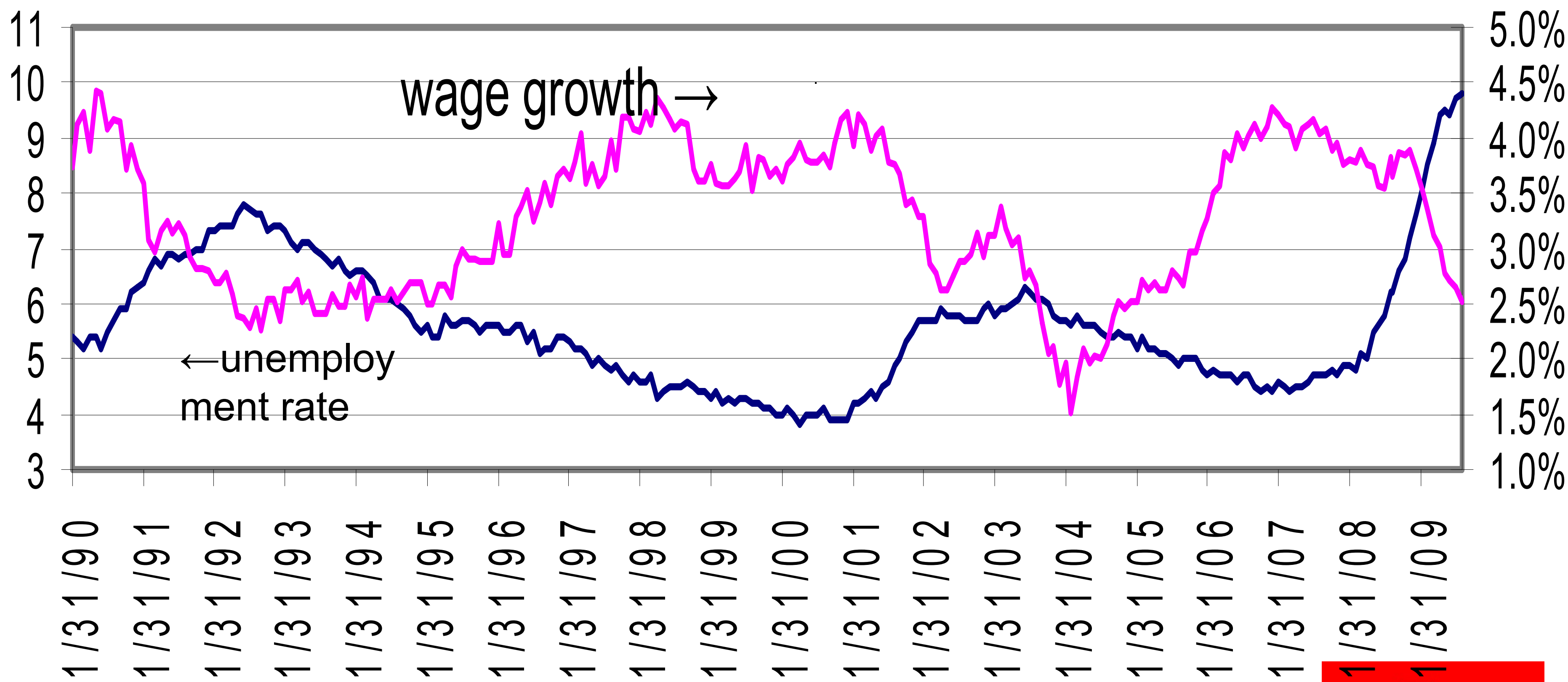
Wages under pressure



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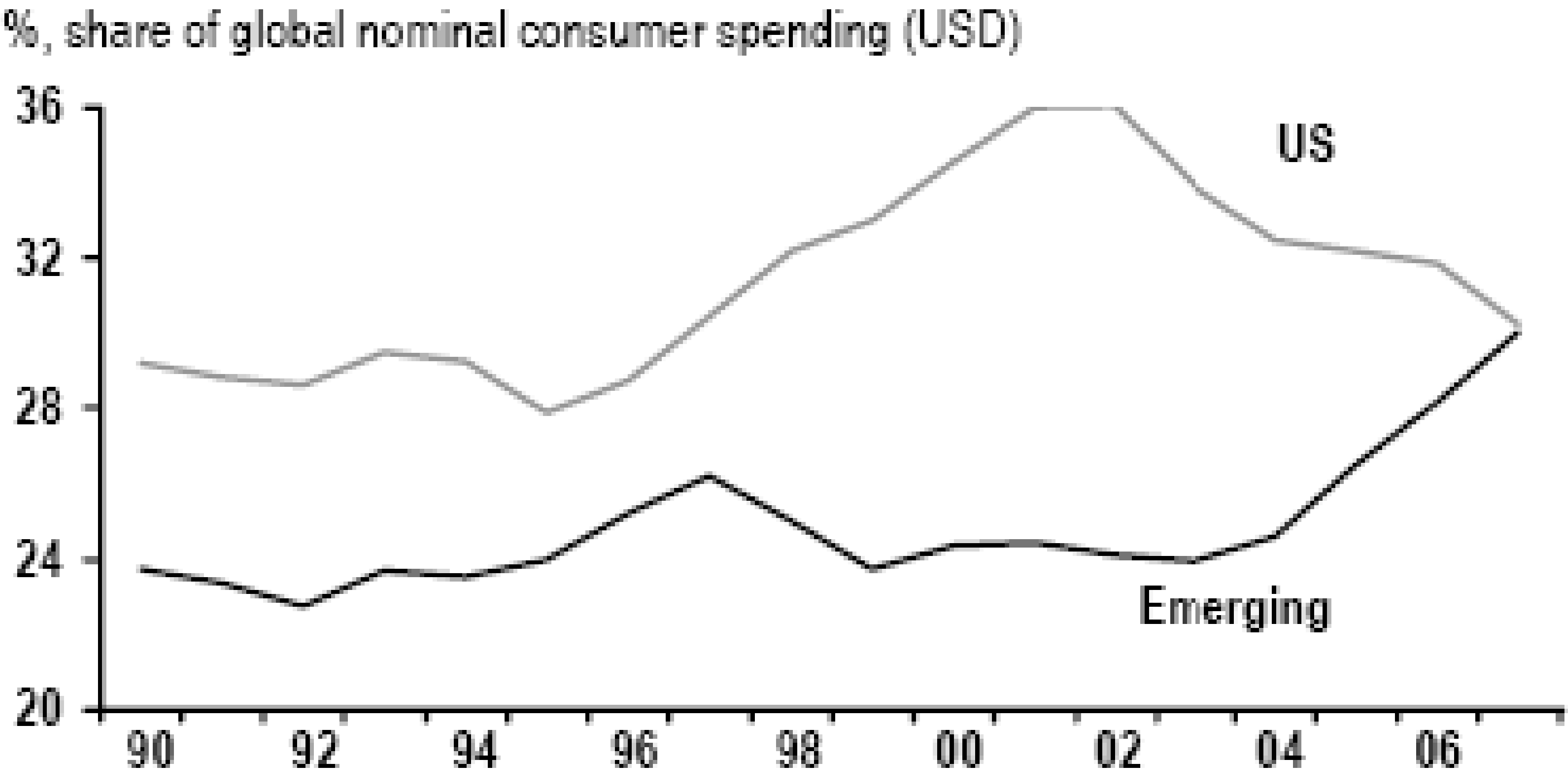
Where the growth is



Source: J.P. Morgan Chase, Oct. 16, 2009

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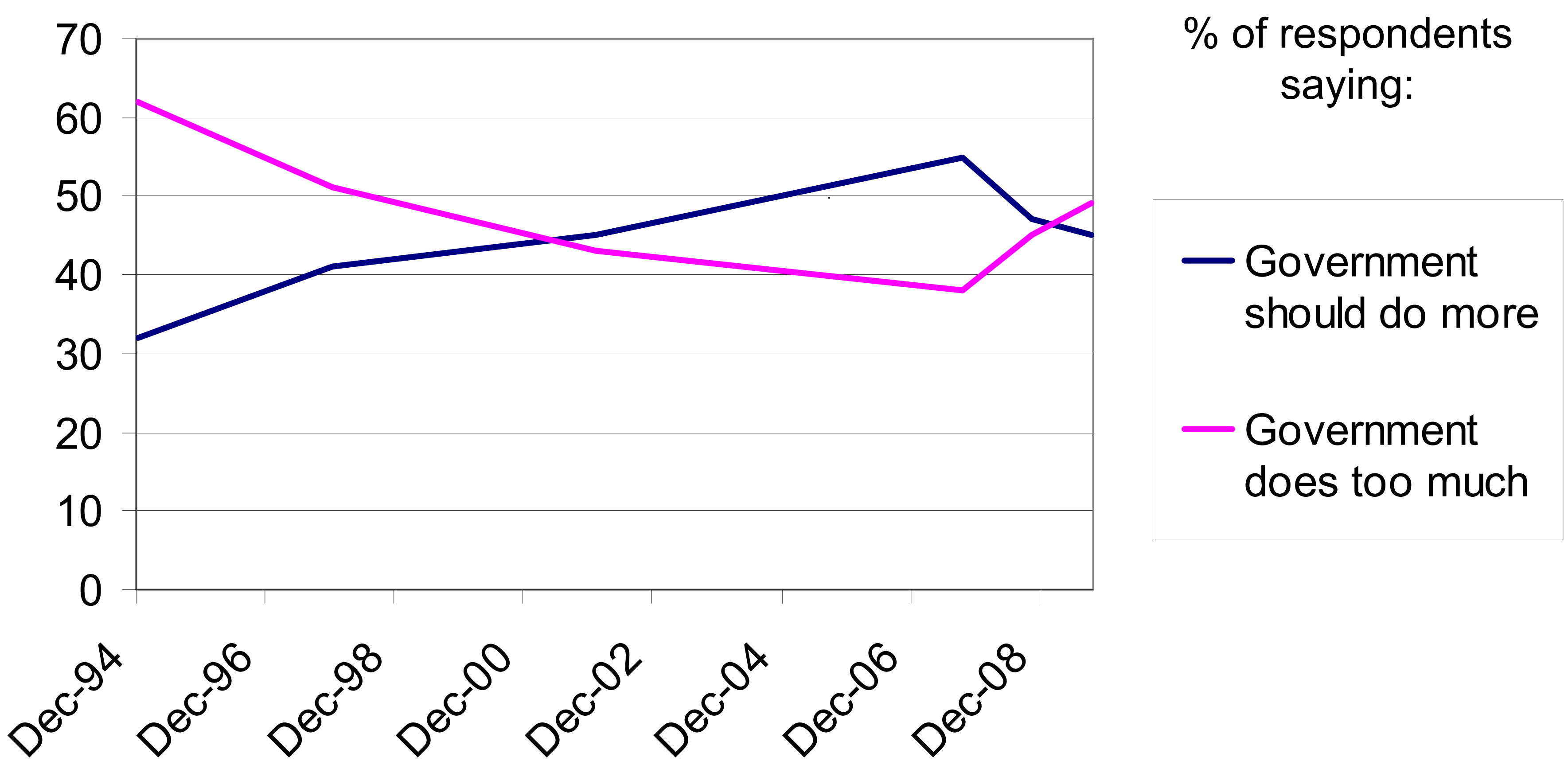
Obama's agenda

- Finance: tighter regulation, more capital, less leverage
- Labor: easier union formation
- Environment, energy: caps on carbon emissions
- Health care: more coverage, subsidies, higher taxes
- Education: more choice within public system

The return of activist government

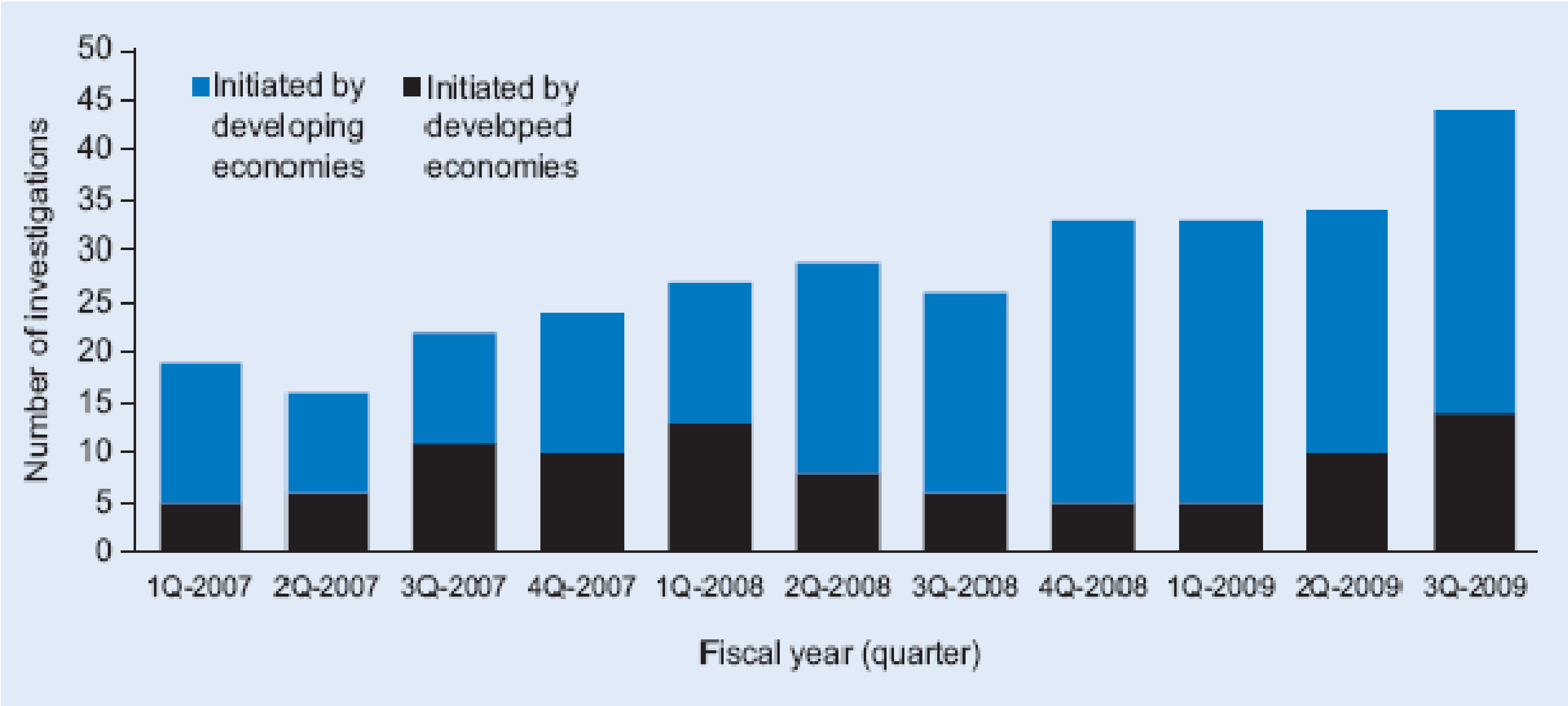


Source: Wall Street Journal/NBC poll

U.S. net public debt

Protectionism on the rise

(new trade actions initiated)



Source: Chad Bown, World Bank, Oct. 2009

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