Figure 1-4
Real GDP, 2007–2012

Index, 2007:Q4 = 100

2012:Q4
United States

104

102

100

98

96

94

92


United Kingdom

Euro Area

Figure 7-1
Real GDP Growth by Country, 2007–2012

Four quarter percent change

Emerging markets
United States
Japan
Euro area

Note: Data through 2012:Q4 for all but emerging markets, for which data is available only for 2012:Q3.
Source: Country sources; U.S. Department of Commerce, Bureau of Economic Analysis; Cabinet Office of Japan; Statistical Office of the European Communities; CEA calculations.
The this-time-is-different syndrome on the eve of the Crash of 1929

FAMOUS WRONG GUESSES
IN HISTORY
when all Europe guessed wrong

The date—October 3rd, 1719. The scene—street of merchant, Paris. A wild mob—fighting to be heard. "Fifty shares!" "I'll take two hundred!" "Five hundred!" "A thousand!" "Ten thousand!"
Shrieks of women. Hoarse shouts of men. Speculators all—exchanging their gold and jewels for a lifetime's meager savings for magic shares in John Law's Mississippi Company. Shares that were to make them rich overnight.
Then the bubble burst. Down—down went the shares. Facing utter ruin, the frenzied populace tried to "sell." Panic-stricken mobs stormed the Banque Royale. No use! The bank's coffers were empty. John Law had fled. The great Mississippi Company and its promise of wealth had become but a wretched memory.

Today you need not guess.

HISTORY sometimes repeats itself—but not invariably. In 1719 there was practically no way of finding out the facts about the Mississippi venture. How different the position of the investor in 1929!

Today, it is inexcusable to buy a "bubble"—inexcusable because unnecessary. For now every investor—whether his capital consists of a few thousands or mounts into the millions—has at his disposal facilities for obtaining the facts. Facts which—as far as is humanly possible—eliminate the hazards of speculation and substitute in their place sound principles of investment.

STANDARD STATISTICS

200 VARICK ST.
New York, New York (now the home of Chipotle Mexican Grill)

Saturday Evening Post, September 14, 1929

Note: This advertisement was kindly sent to the authors by Professor Peter Lindert.
The Difference between the Baa Corporate Bond Rate and the 20-Year Treasury Bond Rate

(in percentage points)

Source: Federal Reserve Bank of St. Louis FRED database (Federal Reserve Economic Data).
Growth Rate of Real GDP, 1997 to 2013

Real Gross Domestic Product (GDPC1)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions. 2014 research.stlouisfed.org
Growth Rate of Real GDP, 1947 to 2013
Residential Fixed Investment

Private Residential Fixed Investment (PRFI)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
2014 research.stlouisfed.org
Growth Rate of Real Personal Consumption Expenditure
Real GDP for the Euro Area, 2005=100
Growth Rate of Real GDP, Euro Area

Gross Domestic Product for Euro Area (17 Countries) (EUNGDP)
Source: Eurostat

2014 research.stlouisfed.org
10-year Constant Maturity Treasury Rate
Unemployment Rate

Civilian Unemployment Rate (UNRATE)

Shaded areas indicate US recessions.
2014 research.stlouisfed.org
U.S. Subprime Lending Expanded Significantly 2004-2006

Subprime Share of Mortgage Originations (%)

Home Ownership Rate (%)

Sources: U.S. Census Bureau; Harvard University- State of the Nation's Housing Report 2008
Credit Spreads, 2000-2009

Source: FRED, Federal Reserve Bank of St. Louis, and British Bankers’ Association.

Note: The TED spread is the difference between the 3-month LIBOR rate and the constant maturity 3-month Treasury bill rate. The Baa spread is the difference between the constant maturity Baa rate and the 10-year constant maturity Treasury bond rate.
Changes from the Second Quarter of 2008 in Four Components of Real GDP during the Crisis

Source: U.S. National Income and Product Accounts, Table 1.1.6.