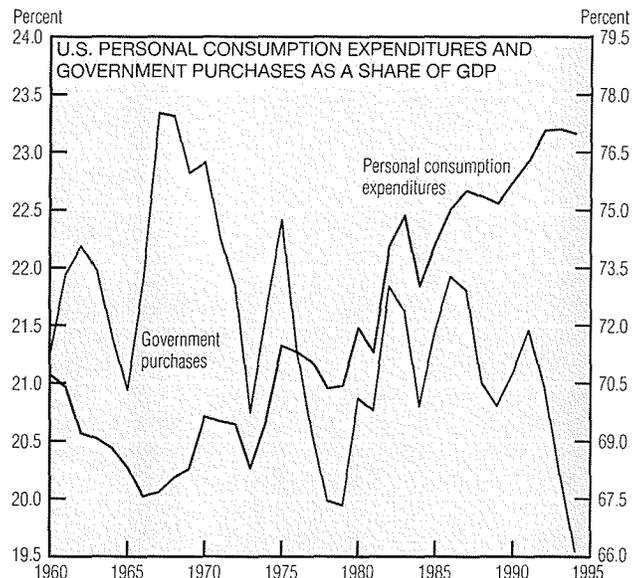
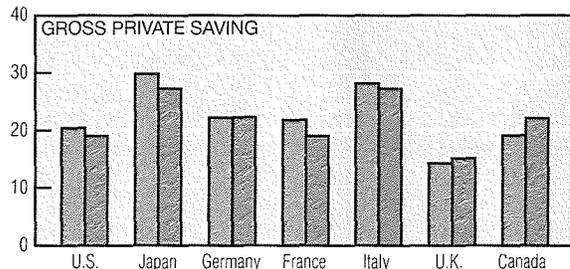
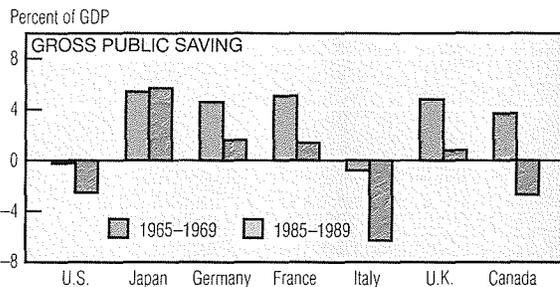
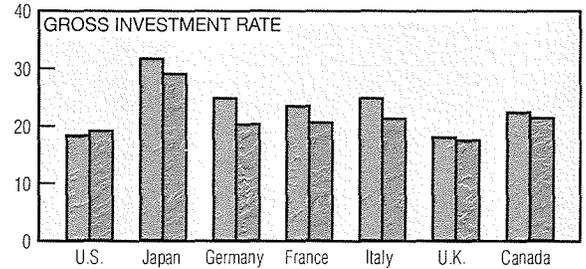
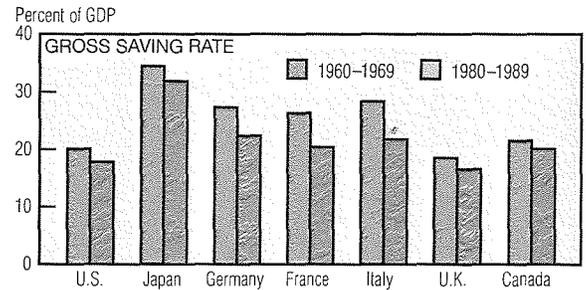


International Saving Trends

Real Interest Rates in the World's Seven Largest Developed Countries (Percent)

	1960-1969	1980-1989
United States	2.5	4.5
Japan	3.7	4.0
Germany	4.1	4.6
France	2.3	4.4
Italy	2.1	2.8
United Kingdom	3.2	3.9
Canada	3.3	4.7



SOURCES: Organisation for Economic Co-operation and Development; International Monetary Fund; Bank of England; National Income and Product Accounts; and Deputies of the Group of 10 Countries.

Measured real interest rates have increased in developed countries over the last 30 years. Among the seven largest developed nations, the upticks were steepest in France (210 basis points) and the U.S. (200 basis points). This trend may be attributed to a long-term decline in saving in most developed economies. Indeed, both saving and investment moved distinctly lower during this period.

Aggregate saving is conventionally separated into public saving (the government's budget surplus) and

private saving (saving out of personal disposable income, or national income less net taxes). Under this method, contributions for social insurance are included in direct taxes, not in disposable income. Because these contributions are deposited in a trust fund and are associated with expected future benefits, individuals may consider them part of their own saving, and their existence may affect saving out of disposable income. Whether such contributions should be classified under public or private

saving is, therefore, debatable.

The conventional method of determining aggregate saving suggests that greater fiscal deficits are the main cause of lower saving and higher interest rates. In the U.S., however, changes since the 1960s in private and government consumption expenditures as a share of national output point to the opposite conclusion: The steep increase in private consumption is primarily responsible for low national saving rates in the 1980s.