

Long-term Direction of Interest Rates



A. GARY ANDERSON CENTER FOR ECONOMIC RESEARCH
CHAPMAN UNIVERSITY

Why Low Interest Rates?

➤ Low Inflation Rate



Consumer Price Index

% Change

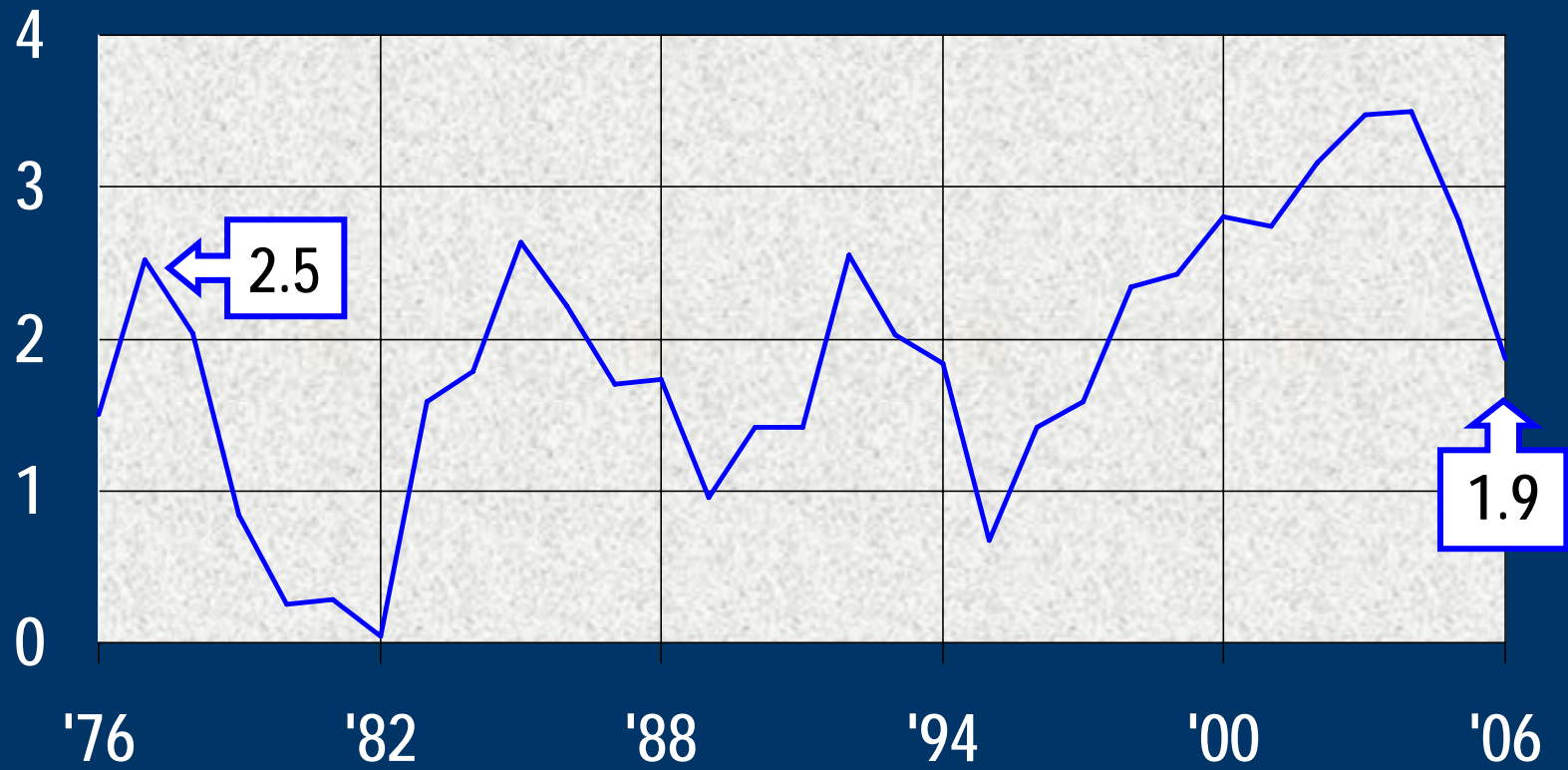


Why Low Interest Rates?

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- Low Inflation Rate
 - Global Competition
 - Strong Productivity Growth

Non-farm Business Productivity

% Change (3-year Moving Average)



Why Low Interest Rates?

- Low Inflation Rate
- Global Competition
- Strong Productivity Growth
- Low Unit Labor Cost

Unit Labor Cost

% Change



Why Low Interest Rates?

- Low Inflation Rate
- Global Competition
- Strong Productivity Growth
- Low Unit Labor Cost
- Glut of Savings

10-Year Treasury Bond

Percent



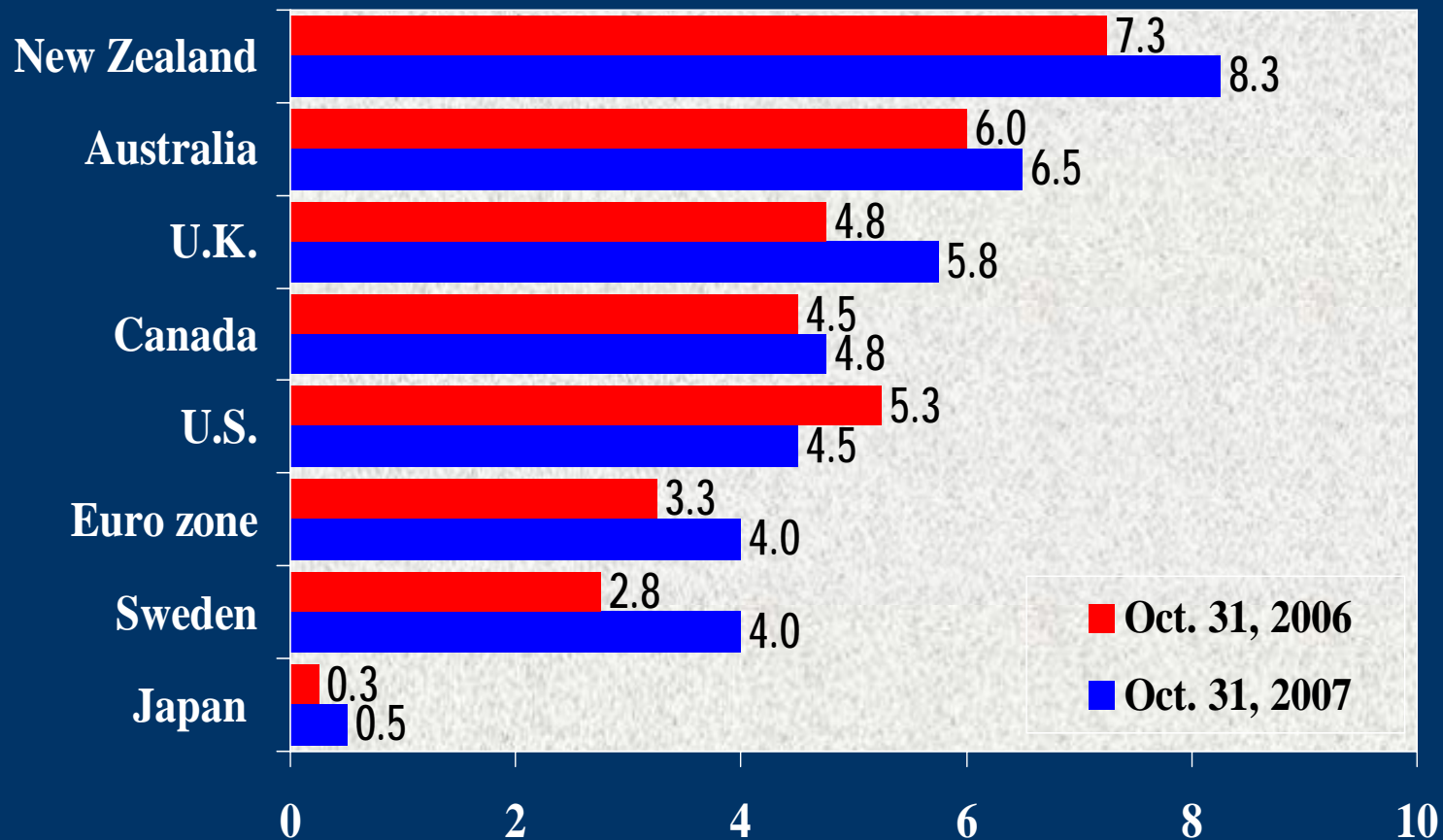
3-Month Treasury Bill

Percent



Central Banks Key Interest Rates

Percent



Why Higher Interest Rates?

- Global Economic Growth
- Lower Productivity Growth
- Lower Value of Dollar and Higher Commodity Prices
- Acceleration in Inflation
- Emerging Markets Domestic Demand Cuts into Savings Glut

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