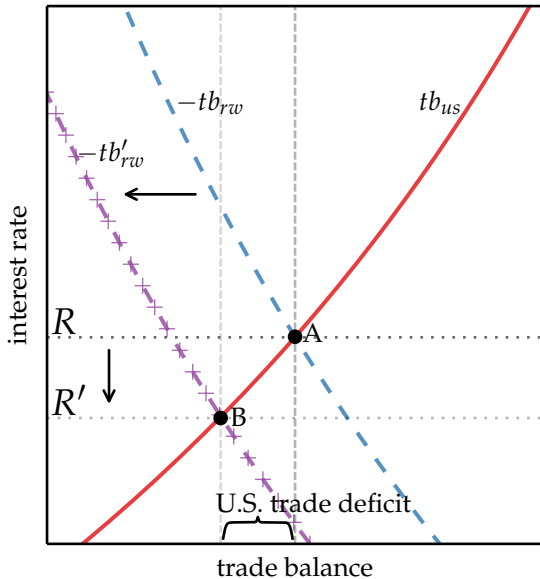
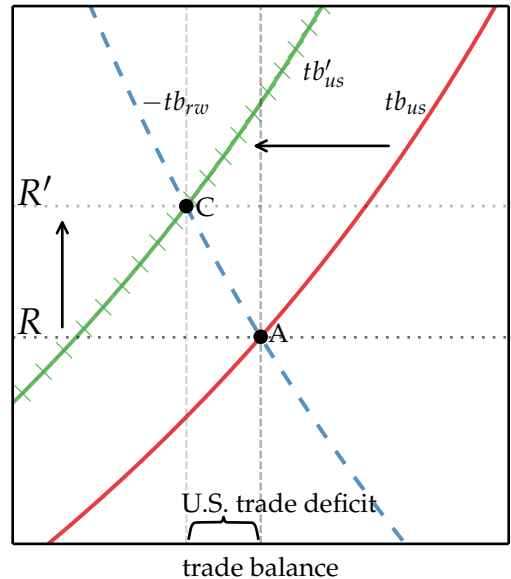


(a) Global saving glut



(b) Domestic saving drought



Notes: Panel (a) illustrates the effects of an increase in the rest of the world's saving wedge on the U.S. trade balance and real interest rate. The line tb_{us} denotes the U.S. trade balance curve. $-tb_{rw}$ denotes the rest of the world's initial trade deficit curve. $-tb'_{rw}$ denotes the rest of the world's trade deficit curve after its saving wedge rises. Point A denotes the initial equilibrium and point B denotes the equilibrium after the wedge rises. Panel (b) illustrates the effects of a decrease in the U.S. saving wedge using similar notation. Point C denotes the equilibrium after the U.S. saving wedge falls.