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# 国际金融

(英文版·第十五版)

# International Finance

(Fifteenth Edition)

罗伯特·J.凯伯 (Robert J. Carbaugh) 著



中国人民大学出版社

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## 出 版 说 明

党的十六大确立了“引进来，走出去”的发展战略，使得“国际化”复合型人才的需求不断增加。这就对我国一般本科院校多年来所采取的单一语言（母语）教学提出了严峻挑战，经济类专业双语教学改革迫在眉睫。

为配合高校经济类专业双语教学改革，中国人民大学出版社携手培生、麦格劳-希尔、圣智等众多国际知名出版公司，倾情打造了该套“经济类双语系列教材”，本套教材包括：经济管理类专业开设的核心课程、经济学专业开设的主干课程以及财政金融专业和国际贸易专业的主要课程。所选教材均为国外最优秀的本科层次经济类教材。

我们在组织、引进和出版该系列教材的过程中，严把质量关。聘请国内著名经济学家、学者以及一线授课教师审核国外原版教材，广泛听取意见，努力做到把国外真正高水平的适合国内实际教学需求的优秀教材引进来，供国内广大师生参考、研究和学习。

本系列教材主要有以下特点：

第一，教材体系设计完整。本系列教材全部为国外知名出版公司的优秀教材，涵盖了经济类专业的所有主要课程。

第二，保持英文原版教材特色。本系列教材依据国内实际教学需要以及广泛的适应性，部分对原版教材进行了全文影印，部分在保持原版教材体系结构和内容特色的基础上进行了适当删减。

第三，内容紧扣学科前沿。本系列教材在原著选择上紧扣国外教学前沿，基本上都是国外最流行教材的最新版本。

第四，篇幅合理、价格适中。本系列教材一方面在内容和篇幅上很好地适应了国内双语教学的实际需要，另一方面，低定价策略又避免了国外原版图书高额的购买费用。

第五，提供强大的教学支持。依托国外知名出版公司的资源，本系列教材为教师提供丰富的配套教辅资源，如教师手册、PPT课堂演示文稿、试题库等，并配有内容丰富的网络资源，使教学更为便利。

本系列教材既适合高等院校经济类专业的本科教学使用，也适合从事经济类工作和研究的广大从业者阅读和学习。我们在选书、改编过程中虽然全面听取了专家、学者和教师的意见，努力做到满足广大读者的需求，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，我们真诚希望广大读者提出宝贵意见和建议，以便我们在以后的版本中不断改进和完善。

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# The Balance-of-Payments

## CHAPTER

# 1

When trade occurs between the United States and other nations, many types of financial transactions are recorded in a summary called the balance-of-payments. In this chapter, we examine the monetary aspects of international trade by considering the nature and significance of a nation's balance-of-payments.

The **balance-of-payments** is a record of the economic transactions between the residents of one country and the rest of the world. Nations keep a record of their balance-of-payments over the course of a one-year period; the United States and some other nations also keep such a record on a quarterly basis.

An *international transaction* is an exchange of goods, services, or assets between residents of one country and those of another. But what is meant by the term *resident*? Residents include businesses, individuals, and government agencies that make the country in question their legal domicile. Although a corporation is considered to be a resident of the country in which it is incorporated, its overseas branch or subsidiary is not. Military personnel, government diplomats, tourists, and workers who emigrate temporarily are considered residents of the country in which they hold citizenship.

## DOUBLE ENTRY ACCOUNTING

The arrangement of international transactions into a balance-of-payments account requires that each transaction be entered as a credit or a debit. A **credit transaction** is one that results in a *receipt* of a payment from foreigners. By convention, credit items are recorded with a *plus* sign. A **debit transaction** is one that leads to a *payment* to foreigners. This distinction is clarified when we assume that transactions take place between U.S. residents and foreigners and that all payments are financed in dollars. By convention, debit items are recorded with a *minus* sign (-).

From the U.S. perspective, the following transactions are credits (+), leading to the receipt of dollars from foreigners:

- Merchandise exports
- Transportation and travel receipts



- Income received from investments abroad
- Gifts received from foreign residents
- Aid received from foreign governments
- Investments in the United States by overseas residents

Conversely, the following transactions are debits (–) from the U.S. viewpoint because they involve payments to foreigners:

- Merchandise imports
- Transportation and travel expenditures
- Income paid on the investments of foreigners
- Gifts to foreign residents
- Aid given by the U.S. government
- Overseas investment by U.S. residents

Although we speak in terms of credit and debit transactions, every international transaction involves an exchange of assets and has both a credit and a debit side. Each credit entry is balanced by a debit entry, and vice versa, so that the recording of any international transaction leads to two offsetting entries. In other words, the balance-of-payments accounts utilize a **double entry accounting** system. The following two examples illustrate the double entry technique.

### Example 1

IBM sells \$25 million worth of computers to a German importer. Payment is made by a bill of exchange that increases the balances of New York banks at their Bonn correspondents' bank. Because the export involves a transfer of U.S. assets abroad for which payment is to be received, it is entered in the U.S. balance-of-payments as a credit transaction. IBM's receipt of the payment held in the German bank is classified as a short-term financial movement because the financial claims of the United States against the German bank have increased. The entries on the U.S. balance-of-payments would appear as follows:

	Credits (+)	Debits (–)
Merchandise exports	\$25 million	
Short-term financial movement		\$25 million

### Example 2

A U.S. resident who owns bonds issued by a Japanese company receives interest payments of \$10,000. With payment, the balances owned by New York banks at their Tokyo affiliate are increased. The impact of this transaction on the U.S. balance-of-payments would be as follows:

	Credits (+)	Debits (–)
Income receipts	\$10,000	
Short-term financial movement		\$10,000

These examples illustrate how every international transaction has two equal sides, a credit and a debit. If we add up all the credits as pluses and all the debits as minuses, the net result is zero; the total credits must always equal the total debits. This result means that the *total* balance-of-payments account must always be in balance. There is no such thing as an overall balance-of-payments surplus or deficit.

Even though the entire balance-of-payments must numerically balance by definition, it does *not* necessarily follow that any single subaccount or subaccounts of the statement must balance. Total merchandise exports may or may not be in balance with total merchandise imports. When reference is made to a balance-of-payments surplus or deficit, it is particular subaccounts of the balance-of-payments that are referred to, not the overall value. A *surplus* occurs when the balance on a subaccount(s) is positive; a *deficit* occurs when the balance is negative.

## BALANCE-OF-PAYMENTS STRUCTURE

Let us now consider the structure of the balance-of-payments by examining its various subaccounts.

### Current Account

The **current account** of the balance-of-payments refers to the monetary value of international flows associated with transactions in goods, services, income flows, and unilateral transfers. Each of these flows will be described in turn.

*Merchandise trade* includes all of the goods the United States exports or imports: agricultural products, machinery, autos, petroleum, electronics, textiles, and the like. The dollar value of merchandise exports is recorded as a plus (credit) and the dollar value of merchandise imports is recorded as a minus (debit). Combining the exports and imports of goods gives the **merchandise trade balance**. When this balance is negative, the result is a merchandise trade deficit; a positive balance implies a merchandise trade surplus.

Exports and imports of *services* include a variety of items. When U.S. ships carry foreign products or foreign tourists spend money at U.S. restaurants and motels, valuable services are being provided by U.S. residents who must be compensated. Such services are considered exports and are recorded as credit items on the goods and services account. Conversely, when foreign ships carry U.S. products or when U.S. tourists spend money at hotels and restaurants abroad, then foreign residents are providing services that require compensation. Because U.S. residents are importing these services, the services are recorded as debit items. Insurance and banking services are explained in the same way. Services also include items such as transfers of goods under military programs, construction services, legal services, technical services, and the like.

To get a broader understanding of the international transactions of a country, we must add services to the merchandise trade account. This total gives the **goods and services balance**. When this balance is positive, the result is a surplus of goods and services transactions; a negative balance implies a deficit. Just what does a surplus or deficit balance appearing on the U.S. goods and services account mean? If the goods and services account shows a surplus, the United States has transferred more resources (goods and services) to foreigners than it has received from them over the period of one year. Besides measuring the value of the *net transfer of resources*, the goods and services balance also furnishes information about the status of a nation's gross domestic product (GDP). This is because the balance on the goods and services account is defined essentially the same way as the *net export of goods and services* that is part of a nation's GDP.

Recall from your macroeconomics course that GDP is equal to the value of the goods and services produced in an economy over a period of time. In an economy with trade, GDP is equal to the sum of four types of spending in the economy: consumption, gross investment, government spending, and net exports of goods and services. In effect, net exports represent the value of goods and services that are produced domestically but not included in domestic consumption.

For a nation's GDP, then, the balance on the goods and services account can be interpreted as follows. A positive balance on the account shows an excess of exports over imports, and this difference must be added to the GDP. When the account is in deficit, the excess of imports over exports must be subtracted from the GDP. If a nation's exports of goods and services equal its imports, the account will have a net imbalance of zero and not affect the status of the GDP. Therefore, depending on the relative value of exports and imports, the balance on the goods and services account contributes to the level of a nation's national product.

Broadening our balance-of-payments summary further, we must include the **income balance** that consists of *income receipts and payments*. This item refers to the net earnings (dividends and interest) on U.S. investments abroad—earnings on U.S. investments abroad less payments on foreign assets in the United States. It also includes compensation to employees.

Our balance-of-payments summary is expanded to include **unilateral transfers**. These items include transfers of goods and services (gifts in kind) or financial assets (money gifts) between the United States and the rest of the world. *Private transfer payments* refer to gifts made by individuals and nongovernmental institutions to foreigners. These might include a remittance from an immigrant living in the United States to relatives back home, a birthday present sent to a friend overseas, or a contribution by a U.S. resident to a relief fund for underdeveloped nations. *Governmental transfers* refer to gifts or grants made by one government to foreign residents or foreign governments. The U.S. government makes transfers in the form of money and capital goods to developing nations, military aid to foreign governments, and remittances such as retirement pensions to foreign workers who have moved back home. In some cases, U.S. governmental transfers represent payments associated with foreign assistance programs that can be used by foreign governments to finance trade with the United States. It should be noted that many U.S. transfer (foreign aid) programs are tied to the purchase of U.S. exports (such as military equipment or farm exports) and thus represent a subsidy to U.S. exporters. When investment income and unilateral transfers are combined with the balance on goods and services, we arrive at the current account balance. This is the broadest measure of a nation's balance-of-payments regularly quoted in the newspapers and in national television and radio news reports.

### Capital and Financial Account

Capital and financial transactions in the balance-of-payments include all international purchases or sales of assets. The term *assets* is broadly defined to include items such as titles to real estate, corporate stocks and bonds, government securities, and ordinary commercial bank deposits. The **capital and financial account**<sup>1</sup> includes both private sector and official (central bank) transactions.

Capital transactions consist of capital transfers and the acquisition and disposal of certain nonfinancial assets. The major types of capital transfers are debt forgiveness and migrants' goods and financial assets accompanying them as they leave or enter the country. The acquisition and disposal of certain nonfinancial assets include the sales and purchases of rights to natural resources, patents, copyrights,

<sup>1</sup>Since 1999, U.S. international transactions have been classified into three groups—the current account, the capital account, and the financial account. The transactions were formerly classified into the current account and capital account. See “Upcoming Changes in the Classification of Current and Capital Transactions in the U.S. International Accounts,” *Survey of Current Business*, February 1999.



## TRADE CONFLICTS INTERNATIONAL PAYMENTS PROCESS

When residents in different countries contemplate selling or buying products, they must consider how payments will occur, as seen in Figure 1.1. Assume that you, as a resident of the United States, buy a TV directly from a producer in South Korea. How, when, and where will the South Korean producer obtain his *won* so that he can spend the money in South Korea?

Initially you would write a check for \$300 that your U.S. bank would convert to 210,000 won (assuming an exchange rate of 700 won per dollar). When the South Korean producer receives your payment in won, he deposits the funds in his bank. The bank in South Korea holds a check from a U.S. bank that promises to pay a stipulated amount of won.

Assume that at the same time you paid for your TV, a buyer in South Korea paid a U.S. producer \$300 for

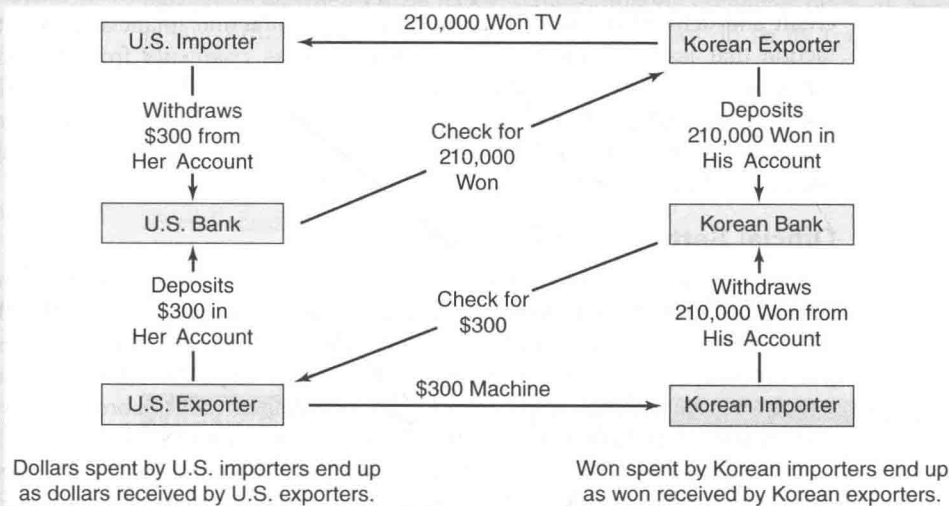
machinery. The flowchart illustrates the path of both transactions.

When trade is in balance, money of different countries does not actually change hands across the oceans. In this example, the value of South Korea's exports to the United States equals the value of South Korea's imports from the United States; the won that South Korean importers use to purchase dollars to pay for U.S. goods are equal to the won that South Korean exporters receive in payment for the products they ship to the United States. The dollars that would flow, in effect, from U.S. importers to U.S. exporters exhibit a similar equality.

In theory, importers in a country pay the exporters in that same country in the national currency. In reality, however, importers and exporters in a given country do not deal directly with one another; to facilitate payments, banks carry out these transactions.

**FIGURE 1.1**

### International Payments Process



trademarks, franchises, and leases. Though conceptually important, capital transactions are generally small in U.S. accounts and thus will not be emphasized in this chapter.

The vast majority of transactions appearing in the capital and financial account come from financial transactions. The following are examples of private sector financial transactions.

**Direct Investment** Direct investment occurs when residents of one country acquire a controlling interest (stock ownership of ten percent or more) in a business enterprise in another country.

**Securities** Securities are private sector purchases of short and long-term debt securities such as Treasury bills, Treasury notes, Treasury bonds, and securities of private enterprises.

**Bank Claims and Liabilities** Bank claims consist of loans, overseas deposits, acceptances, foreign commercial paper, claims on affiliated banks abroad, and foreign government obligations. Bank liabilities include demand deposits and negotiable order of withdrawal (NOW) accounts, passbook savings deposits, certificates of deposit, and liabilities to affiliated banks abroad.

Capital and financial transactions are recorded in the balance-of-payments statement by applying a plus sign (credit) to capital and financial inflows and a minus sign (debit) to capital and financial outflows. For the United States, a *financial inflow* might occur under the following circumstances: (1) U.S. liabilities to foreigners rise (for example, a French resident purchases securities of IBM); (2) U.S. claims on foreigners decrease (Citibank receives repayment for a loan it made to a Mexican enterprise); (3) foreign held assets in the United States rise (Toyota builds an auto assembly plant in the United States); or (4) U.S. assets overseas decrease (Coca-Cola sells one of its Japanese bottling plants to a Japanese buyer). A *financial outflow* would imply the opposite.

The following rule may be helpful in appreciating the fundamental difference between credit and debit transactions that make up the capital and financial account. Any transaction that leads to the home country's receiving payments from foreigners can be regarded as a credit item. A capital (financial) inflow can be likened to the *export* of goods and services. Conversely, any transaction that leads to foreigners' receiving payments is considered a debit item for home countries. A capital (financial) outflow is similar in effect to the *import* of goods and services.

### Official Settlements Transactions

Besides including private sector transactions, the capital and financial account includes **official settlements transactions** of the home country's central bank. Official settlements transactions refer to the movement of financial assets among official holders (for example, the U.S. Federal Reserve and the Bank of England). These financial assets fall into two categories: official reserve assets (U.S. government assets abroad) and liabilities to foreign official agencies (foreign official assets in the United States).

Official holdings of reserves are used for two purposes. First, they afford a country sufficient international liquidity to finance short run trade deficits and weather periodic currency crises. This liquidity function is usually only important to developing countries that do not have a readily convertible currency or ready access to international capital markets on favorable terms. Second, central banks sometimes buy or sell official reserve assets in private sector markets to stabilize their currencies' exchange rates. When the United States desires to support the value of the dollar in foreign exchange markets, it would sell, say, foreign currencies or gold to buy dollars; this fosters an increase in the demand for the dollar and an increase in its exchange value. Conversely, if the United States wanted to promote a weaker dollar, it would sell dollars and buy foreign currencies or gold; this would add to the supply of the dollar and cause its exchange value to

decrease. In practice, the United States currently has a managed floating exchange rate that usually requires negligible foreign exchange intervention. Therefore, changes in its official reserve assets tend to be small. This topic is further discussed in Chapter 6.

Table 1.1 summarizes the **official reserve assets** position of the United States as of 2013. One such asset is the stock of gold reserves held by the U.S. government. Next are convertible currencies such as the Japanese yen that are readily acceptable as payment for international transactions and can be easily exchanged for one another. Another reserve asset is the reserve position that the United States maintains in the International Monetary Fund. Last is the special drawing right (SDR), described below.

Official settlements transactions also include liabilities to foreign official holders. These liabilities refer to foreign official holdings with U.S. commercial banks and official holdings of U.S. Treasury securities. Foreign governments often wish to hold such assets because of the interest earnings they provide. Table 1.2 illustrates the U.S. liabilities to foreign official holders as of 2013.

### Special Drawing Rights

In the 1960s, countries were concerned about the adequacy of international reserves and whether the supply of reserves could increase as rapidly as the demand for them. At that time, international reserves consisted of gold, foreign currencies, and reserve positions in the International Monetary Fund. What was needed was an international reserve asset that would be acceptable to all countries and one whose supply could be expanded as the demand for reserves rose.

In 1969 a new reserve asset was created by the International Monetary Fund as a supplement to the existing reserves of member countries. Termed **special drawing rights**, this asset can be transferred among participating nations in settlement of balance-of-payments deficits or stabilization of exchange rates. If Malaysia needs to obtain British pounds to finance a deficit, it can do so by trading SDRs for pounds held by some other country that the IMF designates, say Canada. In addition to pounds, SDRs can also be exchanged for U.S. dollars, Japanese yen, and euros. The SDR is used only by governments; private parties do not hold or use them. According to IMF policy, member countries are allocated SDRs in proportion to their relative positions in the world economy. The IMF has created additional amounts of SDRs on several occasions since 1970.

The value of the SDR is defined as a basket of currencies that includes the U.S. dollar, Japanese yen, UK pound, and the euro. The weights of the currencies in the basket are based on the value of the exports of goods and services and the amount of reserves

**TABLE 1.1**

#### U.S. Reserve Assets, 2013\*

Type	Amount (billions of dollars)
Gold stock**	11.0
Special drawing rights	54.9
Reserve positions in the International Monetary Fund	33.4
Convertible foreign currencies	<u>48.3</u>
Total	<u>147.6</u>

\*September.

\*\*Gold is valued at \$42.22/fine troy ounce.

Source: From Board of Governors of the Federal Reserve System, available at Internet site [www.federalreserve.gov](http://www.federalreserve.gov).

**TABLE 1.2****Selected U.S. Liabilities to Foreign Official Institutions, 2013\***

	Amount (billions of dollars)
<b>BY TYPE</b>	
Liabilities reported by U.S. banks**	227.3
U.S. Treasury bills and certificates	372.9
U.S. Treasury bonds and notes	3,600.1
Other U.S. securities	<u>1,388.9</u>
Total	<u>5,589.2</u>
<b>BY AREA</b>	
Europe	856.8
Canada	32.5
Latin America/Caribbean	503.8
Asia	4,117.2
Other	<u>78.9</u>
Total	<u>5,589.2</u>

\*August.

\*\*Includes demand deposits, time deposits, bank acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

Source: From Board of Governors of the Federal Reserve System, available at Internet site [www.federalreserve.gov](http://www.federalreserve.gov).

denominated in the respective currencies that were held by other members of the IMF during the previous five years. As of 2014, the weights in the basket were: the U.S. dollar = 42 percent, the euro = 35 percent, the yen = 12 percent and the pound = 11 percent. The latest value of the SDR can be found on the IMF's Web site that is updated daily.

### Statistical Discrepancy: Errors and Omissions

The data collection process that underlies the published balance-of-payments figures is far from perfect. The cost of collecting balance-of-payments statistics is high, and a perfectly accurate collection system would be prohibitive in cost. Government statisticians thus base their figures partly on information collected and estimates. Probably the most reliable information consists of merchandise trade data that are collected mainly from customs records. Capital and financial account information is derived from reports by financial institutions indicating changes in their liabilities and claims to foreigners; these data are not matched with specific current account transactions. Because statisticians do not have a system whereby they can simultaneously record the credit and debit side of each transaction, such information for any particular transaction tends to come from different sources. Large numbers of transactions fail to get recorded.

When statisticians sum the credits and debits, it is not surprising when the two totals do not match. Because total debits must equal total credits in principle, statisticians insert a *residual* to make them equal. This correcting entry is known as **statistical discrepancy**, or errors and omissions. In the balance-of-payments statement, statistical discrepancy is treated as part of the capital and financial account because short-term financial transactions are generally the most frequent source of error.

## U.S. BALANCE-OF-PAYMENTS

The method the U.S. Department of Commerce uses in presenting balance-of-payments statistics is shown in Table 1.3. This format groups specific transactions together along functional lines to provide analysts with information about the impact of international transactions on the domestic economy. The *partial balances* published on a regular basis include the merchandise trade balance, the balance on goods and services, the current account balance, and information about capital and financial transactions.

The *merchandise trade balance*, commonly referred to as the **trade balance** by the news media, is derived by computing the net exports in the merchandise accounts. Owing to its narrow focus on traded goods, the merchandise trade balance offers limited policy insight. The popularity of the merchandise trade balance is largely because of its availability on a monthly basis. Merchandise trade data can rapidly be gathered and reported whereas measuring trade in services requires time consuming questionnaires.

As seen in Table 1.3, the United States had a merchandise trade deficit of  $-\$738.4$  billion in 2011, resulting from the difference between U.S. merchandise exports ( $\$1,497.4$  billion) and U.S. merchandise imports ( $-\$2,235.8$  billion). Recall that exports are recorded with a plus sign and imports are recorded with a minus sign. The United States was a net importer of merchandise in 2011. Table 1.4 shows that the United States has consistently faced merchandise trade deficits in recent decades. This situation contrasts with the 1950s and 1960s when merchandise trade surpluses were common for the United States.

Trade deficits generally are not popular with domestic residents and policymakers because they tend to exert adverse consequences on the home nation's terms-of-trade and employment levels, as well as on the stability of the international money markets. For the United States, economists' concerns over persistent trade deficits have often

**TABLE 1.3**

### U.S. Balance-of-Payments, 2011 (billions of dollars)

<b>Current Account</b>		<b>Capital and Financial Account</b>	
Merchandise trade balance	-738.4	Capital account transactions, net	-1.2
Exports	1,497.4		
Imports	-2,235.8	Financial account transactions, net	556.3
		U.S.-owned assets abroad*	-483.6
Services balance	178.5	Foreign-owned assets in the U.S.	1,000.9
Travel and transportation, net	31.3	Financial derivatives, net	39.0
Military transactions, net	-11.6		
Other services, net	158.8	Statistical discrepancy	-89.2
Goods and services balance	-559.9	Balance on capital and financial account	465.9
Income receipts and payments balance	227.0		
Unilateral transfers balance	-133.0		
Current account balance	-465.9		

\*Excluding financial derivatives.

Source: From U.S. Department of Commerce, *Survey of Current Business*, June 2012. See also Bureau of Economic Analysis, *U.S. International Transactions Accounts Data*, available at Internet site <http://www.bea.gov/> and *Economic Report of the President*.



**TABLE 1.4****U.S. Balance-of-Payments, 1980–2012 (billions of dollars)**

Year	Merchandise Trade Balance	Services Balance	Goods and Services Balance	Income Receipts and Payments Balance	Unilateral Transfers Balance	Current Account Balance
1980	-25.5	6.1	-19.4	30.1	-8.3	2.4
1984	-112.5	3.3	-109.2	30.0	-20.6	-99.8
1988	-127.0	12.2	-114.8	11.6	-25.0	-128.2
1992	-96.1	55.7	-40.4	4.5	-32.0	-67.9
1996	-191.3	87.0	-104.3	17.2	-42.1	-129.2
2000	-452.2	76.5	-375.7	-14.9	-54.1	-444.7
2004	-665.4	47.8	-617.6	30.4	-80.9	-668.1
2008	-820.8	139.7	-681.1	127.6	-119.7	-673.2
2012	-735.3	195.8	-539.5	198.6	134.1	-475.0

Source: From U.S. Department of Commerce, *Survey of Current Business*, various issues.

focused on their possible effects on the terms at which the United States trades with other nations. With a trade deficit, the value of the dollar may fall in international currency markets as dollar-out payments exceed dollar-in payments. Foreign currencies would become more expensive in terms of dollars so that imports would become more costly to U.S. residents. A trade deficit that induces a decrease in the dollar's international value imposes a real cost on U.S. residents in the form of higher import costs.

Another often publicized consequence of a trade deficit is its adverse impact on employment levels in certain domestic industries such as steel or autos. A worsening trade balance may injure domestic labor, not only by the number of jobs lost to foreign workers who produce our imports but also by the employment losses due to deteriorating export sales. It is no wonder that home nation unions often raise the most vocal arguments about the evils of trade deficits for the domestic economy. Keep in mind that a nation's trade deficit that leads to decreased employment in some industries is offset by capital and financial account inflows that generate employment in other industries. Rather than determining total domestic employment, a trade deficit influences the distribution of employment among domestic industries.

Discussion of U.S. competitiveness in merchandise trade often gives the impression that the United States has consistently performed poorly relative to other industrial nations. The merchandise trade deficit is a narrow concept, because goods are only part of what the world trades. A better indication of the nation's international payments position is the *goods and services balance*. Table 1.3 shows that in 2011, the United States generated a surplus of \$178.5 billion on service transactions. Combining this surplus with the merchandise trade deficit of -\$738.4 billion yields a deficit on the goods and services balance of -\$559.9 billion. This deficit means that the United States transferred fewer resources (goods and services) to other nations than it received from them during 2011.

In recent decades, the United States has generated a surplus in its services account, as seen in Table 1.4. The United States has been competitive in services categories such as transportation, construction, engineering, brokers' commissions, and certain health care services. The United States also has traditionally registered large net receipts from transactions involving proprietary rights—fees, royalties, and other receipts derived mostly from long established relations between U.S. based parent companies and their affiliates abroad.