

U.S. Trade Balance and Current Account in 2009

14.02 Lecture Notes

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The U.S. trade balance and current account in 2009

$$\text{TB} = \text{X} - \text{IM} = - 374 \text{ US \$ bl}$$

+ $r^* \mathbf{A}^*$ = + 350 US \$ bl, revenue from foreign assets owned by US residents, \mathbf{A}^*

- $r \mathbf{A}$ = - 230 US \$ bl, revenue paid to US residents on the US assets they own, \mathbf{A}

- grants and aid to foreign countries = - 124 US \$ bl

$$\text{current account} = \text{TB} + r^* \mathbf{A}^* - r \mathbf{A} - \text{grants} = - 378 \text{ U.S. \$bl}$$

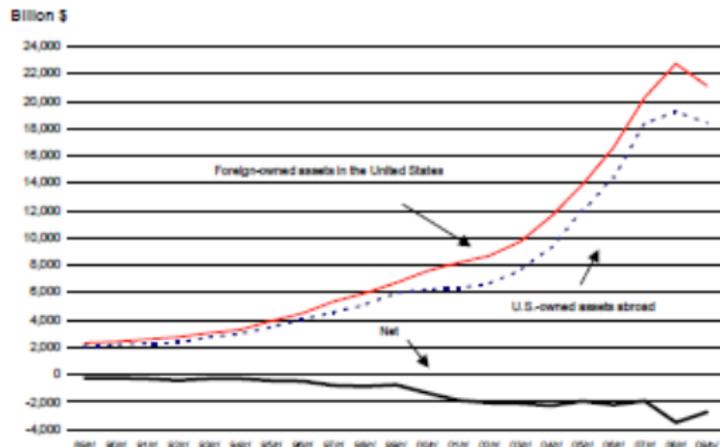
with $\mathbf{A}^* = 19,200$ US\$ bl, $\mathbf{A} = 22,800$ US\$bl, this implies $r = 1\%$, $r^* = 1,8\%$.
US privilege: $r < r^*$: the return the US pays on its international debt is smaller than the return it receives from its international investments

Financing the U.S. current account in 2009

- increase in foreign assets owned by US residents (ΔA^*): + 1,222 US \$ bl
- increase in US assets owned by foreign residents (ΔA) : - 1,600 US \$ bl
- change in net external US assets ($\Delta A^* - \Delta A$) = CA - 378 US \$ bl

US Net Foreign Assets

Net International Investment Position of the United States at Yearend, 1989 - 2009



p Preliminary

r Revised

Source: Bureau of Economic Analysis

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14.02 Principles of Macroeconomics

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