

CONCEPT: OVERVIEW OF THE BALANCE OF PAYMENTS

- Countries that trade with other countries have an **open economy**
 - **Balance of Payments** – a record of a country's transactions with other countries throughout the year

U.S. Balance of Payments, 2014 (in billions of dollars)		
Current Account		
Export of goods	1,633	
Import of goods	-2,374	
<i>Balance on goods</i>		-741
Export of services	711	
Import of services	-477	
<i>Balance on services</i>		234
<i>Net investment income</i>		238
<i>Net Transfers</i>		-120
Balance on Current Account		-389
Financial Account		
Change in foreign holding of US assets	1,031	
Change in US holding of foreign assets	-792	
Balance on Financial Account		239
Balance on Capital Account		0
(Statistical Discrepancy)		(-150)
Balance of Payments		0

Source: U.S. Bureau of Economic Analysis

- **Current Account** – records _____ flows of funds into and out of the country
- **Financial Account** – records _____ flows of funds into and out of the country
- **Capital Account** – records trivial items that are beyond the scope of this class
 - > Migrant transfers, value of intangible assets, debt forgiveness