

Importance of global financial stability



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The growth of the United States is very important for the world economy and how it manages their debt is very important for continue growth. Balance of payments is a convenient way to summarize a country's international balance of investments and trades (Kidwell, Blackwell, Whidbee, & Peterson, 2008). To make it clear the formula for balance payments is Imports - exports, An example shown on the book " Financial institutions, markets, and money" explains how a trade deficit in the U.

S. alance of payments means that, collectively, the U. S. is paying out more money abroad for imports than what the U.

S. is collecting from foreigners who buy our exports (Kidwell, Blackwell, Whidbee, & Peterson, 2008). For the u. S. balance of payments, all transactions are conducted between two countries.

The accounts are recorded in accordance to the rule of double rule bookkeeping. Balance of payments can be use as an indicator of economic and political stability. If a country has a positive balance of payments this could mean that the country is maintaining most of heir currency inside. Better U. S. ata would greatly enhance the usefulness of Information on global capital flows because the united States accounts for a large part of all international transactions.

Data comparability can help improve the data from other countries; by doing so this would coordinate International economic policy and will help data exchanges between the United States and other countries (National Research Council , 1995). The balance of payments of the united States is prepared by the Bureau of economic analysis (BEA) and the U. S.

Department of commerce on a quarterly basis. The Bureau of economic analysis uses a method in order to prepare the balance of payments of the U.

S. The method consists in constructing the balances of payment statements.

These are divided into three parts: part one provides a brief explanation on how the balances of payments are used In constructing the statement on the International position of the unites States and how payments are incorporated in the into the U. S national income and products accounts.

In part two and three, the concept, data sources and estimating procedures are discussed (Mosbacher, Darby, Young, & Carson, 1990). According to Bureau of economic analysis quarterly report for the 2012 The output of goods and services In the national economic accounts produced by labor and property located in the United States increased at an annual rate of 1. 8 percent in the first quarter of 2013 (U. S. Economy at a Glance: Perspective from the BEA Accounts, 2013).

In the information provided in the same press release for International economic accounts ' during the first quarter of 2013 the current balance is - \$106. 1 Billion, the U. S current account deficit increased \$3. 8 billion from the fourth quarter of 2012. According to he last annual revision on the balance of payments on international transactions ITAs, new methods were introduced that would improve the accuracy and consistency of the statistics in the U. S economy and international economies (Berman ; Bogen, 2013).

During the same quarter the international investment position for the fourth quarter in year 2012 was -\$3863. 9 billion, by the first quarter of 2013 the net international investment position is at -\$4, 277. 1 billion. In 2013 the

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international trades in goods and services balances for April 2013 were: - \$40. 1 billion and in May 2013 a deficit of -\$45.

llion (U. S. Economy at a Glance: Perspective from the BEA Accounts, 2013). A balance of Payments provides detailed information for a country to identify areas of opportunities that can have a greater impact in economy. Countries can use this information to understand how other countries are performing.

It is really important to know how many goods and services are being exports and how much is being imported. This information helps maintain a global financial stability. The balance of payments facilitates international flow of financial capital for trading and financial purposes. One of its functions is to promote transparency between countries and effectively abide by regulations. According to the World Health Organization: Global financial system can be defined as various official and legal arrangements that govern international financial flows in the form of loan investment, payments for goods and services, interest and profit remittances.

This is achieved by monitoring the economic and financial stability of countries with balance of payments difficulties. Works Cited National Research Council . (1995).