

Us current account deficit



According to Peterson Institute for International Economics, the Current Account Deficit of the United States is now at the highest point it has ever reached, nearing \$800 billion. This situation is not financially sustainable because in accounting terms it demands that the US economy must import about \$4 billion every working day to offset the deficit. The deficit is definitely a problem for the economy because it has to be addressed both economically and politically.

The two factors, economics and politics go hand in hand and the relationship between the two factors is directly proportional meaning that when politics are generally tranquil, the economy grows and vice versa. To be able to address the deficit a combination of well orchestrated measures must be taken thus: - i) The first measure is rather obvious and it dictates a sizable reduction in the US budget expenditure.

Moneyguzzlers like the protracted wars in Afghanistan and Iraq have to be contained. ii) The second measure is an expansion of demand for domestic US products in other economies particularly other major economies for faster results. Along with this expansion, the US has to reduce its dependence on imports particularly oil whose price fluctuations have a negative effect on the US economy. iii) The third measure is a technical gradual and substantial realignment of currency exchange rates.

A cheaper dollar would stimulate exports which would in turn earn the US the much needed foreign exchange. One handicap with this measure is that other major economies like China and the Oil Producing States have to allow the dollar to fall further against their currencies an act which is not probable. This is because of the less than amiable relations between the US and the

other economies. Simply put, these nations might not be very willing to bail the US out.