

The US economy: an update

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Abstract

This article updates one of four trends in the US economy which were highlighted in a previous paper “Whither the US economy” published in 1999. It focuses on the developments in the external accounts. In addition to showing a rapid increase in the negative US current account balance, the article stresses the importance of two new developments which have acquired increasing prominence: the accumulation of large foreign exchange reserves, mainly in US dollars, by other countries especially in Asia and the accumulation by those countries of large amounts of US Treasury securities. The resulting new situation has serious potential worldwide repercussions should those countries decide to diversify their reserves and to reduce their holdings of US securities. These prospects call for solutions with global participation, and which are much broader in scope, including structural changes, than mere readjustments of exchange rates between the US dollar and the currencies of the main surplus countries.

JEL classification: E65, F01, O51.

BNL Quarterly Review, vol. LVIII, no. 232, March 2005, pp. 3-20.