



Sustainability of Worldwide External Imbalances against US

Project Leader: Dr. Eiji Ogawa, Professor of Hitotsubashi University

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The US external current account deficit has reached record-high level. This is said to have been brought about by the shortness of US saving. So far the external imbalances seem to have been maintained by capital inflows to US from countries all over the world. But is the US external imbalance really sustainable? Is there any possibility for foreign exchange rate to fluctuate drastically in the relatively near future?

The research project for FY2005 is going to focus on the sustainability of worldwide external imbalances against US. To discuss the issue, first advantage/disadvantage of holding foreign exchange reserve in US dollar and second, possible adjustment of exchange rate will be looked into. Also whether the external imbalance could urge East Asian countries to change their macro-economic policies is to be assessed.

Dr. Eiji Ogawa, Professor of Hitotsubashi University, is to take on the position of the project leader this year.

A summary of the contents will be uploaded next spring.