International transactions for the United States are reported by the Bureau of Economic Analysis. Preliminary credit (+) and debit (-) transactions for the third quarter of 2007, in billions of dollars, are shown in the table below, though I have deleted much of the detail and the summary information.

**Exports of goods and services and income receipts**
- Goods, balance of payments basis/2/ 288.0
- Services/3/ 123.3
- Income receipts 205.1

**Imports of goods and services and income payments**
- Goods, balance of payments basis/2/ -502.9
- Services/3/ -96.6
- Income payments -185.6

**Unilateral current transfers, net**
- -25.5

**Capital account transactions, net**
- -0.6

**Change in U.S.-owned assets abroad, net**
- U.S. official reserve assets, net 0.0
- U.S. Government assets, other than official reserve assets, net 0.4
- U.S. private assets, net -161.4

**Change in foreign-owned assets in the United States, net**
- Foreign official reserve assets in the United States, net 39.0
- Other foreign assets in the United States, net 212.6

1. Calculate the following amounts:
   a) the balance on goods (i.e., the merchandise trade balance)
   b) the balance on current account
   c) the balance on the financial account
   d) the statistical discrepancy
   e) the “balance of payments” under the old system of accounts

2. In which of the above accounts would the following transactions be recorded, and would they be credits or debits?
   a) an American firm invests in a small Chinese company
   b) an American tourist buys an airline ticket on Lufthansa
   c) an American investor buys $9,000,000 worth of British government bonds
   d) an American investor cashes in $10,000,000 worth of British government bonds, which includes the original price of $9,000,000 plus $1,000,000 in interest.
   e) the People’s Bank of China purchases sells $10 billion in U.S. government bonds

3. Looking at the official reserve transactions:
   a) Did foreign central banks buy or sell dollar assets?
   b) How did these official reserve transactions affect the direct foreign exchange rate E (i.e., the inverse of the value of the dollar)?
   c) What was probably the purpose of these official reserve transactions?
   d) How did this intervention affect the money supply in foreign countries?
1. Two points each:
   a. -214.9 billion dollars
   b. -194.2
   c. +194.8
   d. +104.2
   e. -39.0

2. One point each – I don’t care about the other half of the transaction, since I don’t say how these are paid for:
   a. Debit in the financial account (direct foreign investment, in U.S. private assets)
   b. Debit in the current account (services)
   c. Debit in the financial account (U.S. private assets)
   d. Credit in the financial account (U.S. private assets) of 9 million plus credit in the current account (income receipts) of 1 million
   e. Debit in the financial account (foreign official reserve assets in the U.S.)

3. One point each:
   a. FCBs bought dollar-denominated assets (though not near as much as in prior quarters)
   b. Buying dollars increases the supply of Forex, so ceteris paribus E should fall (though amount is small relative to overall market)
   c. To prevent the dollar from depreciating (at least, more than it did)
   d. Buying dollar reserves increases the foreign money supply (FCBs are buying reserve assets to back up their increased liabilities)

Plus 1 point for name and group number.
Total of 20 points.

On a 20-point quiz, the grading formula is \( G = \frac{S+2}{5} \), where \( S \) is the score and \( G \) is the grade, so that:

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\begin{align*}
19-20 & = A+ \\
17-18 & = A \\
16 & = A- \\
14-15 & = B+ \\
12-13 & = B \\
11 & = B- \\
9-10 & = C+ \\
7-8 & = C \\
6 & = C- \\
4-5 & = D+ \\
2-3 & = D \\
1 & = D- \\
0 & = F
\end{align*}
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