

ABSTRACT

PRODUCING FOR A BETTER CURRENT ACCOUNT BALANCE

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This paper presents the research on one of the main variables related to the macro-economic structure of a nation, current account balance is a group of account, in which flow of funds, transacted via purchasing or selling services or financial assets between countries, is displayed. Within the current account balance, current surplus occurs as a result of excess in unrequited transfers due to the fact that goods and service export is more than the import and due to increase in investment income. Another important macroeconomic indicator in economy, economic growth is defined as the increase in final goods and service quantity produced in a nation within a certain period. Economic growth is a prominent way for people in a nation to increase their quality of life. Thereby, main macroeconomic aim of all countries is to perform a balanced economic growth. While the microeconomic factors affected by or affecting economic growth differ, its relation with current account balance is one of the most investigated subjects lately. Although each nation had different effort in this, reaching to a determined aim has always remained in the agenda in every age and all around the world. Especially with the reform started in 1978, China developed quickly and became the center of world-wide economic agenda. Until approximately 40 years earlier, China had a closed economy system and exchange rate of national currency was determined by the government and the control of its centralized regime blocked international trade. Additionally, due to the fact that China did not have an outward-oriented economic structure besides not having a capital market to meet the Chinese financial need, it was impossible for China to become indebted to international market or institutions, allow foreign investment or invest in foreign countries.

Keywords: Economic Growth, Current Account Balance, Regression Analysis.