

**Richard N. Cooper Paper:**

The large and growing U.S. current account deficit is a natural consequence of the globalization of financial markets, reflecting a decline in home bias in the allocation of national saving, and of demographic change in Europe and East Asia, such that those societies are aging and young adults are declining in number, leading to high saving combined with weak domestic investment, leading in turn to current account surpluses. The prospective demography of the United States is quantitatively different. The U.S. economy is an attractive place for prospective pensioners around the world to invest a portion of their savings. Most foreign decisions about where to invest are made by private agents, not by central banks. Global imbalances represent intertemporal trade and do not imply disequilibria.

JEL classification codes: F21, F32, F34, F41