



## The Target Balances in the Euro Area

By Sebastian Lechner

GRIN Verlag Aug 2013, 2013. Taschenbuch. Book Condition: Neu. 210x148x2 mm. This item is printed on demand - Print on Demand Neuware - Seminar paper from the year 2012 in the subject Economics - Monetary theory and policy, grade: 1,3, University of Bayreuth, language: English, abstract: The European Monetary Union is stuck in a severe balance-of-payments imbalance. The European sovereign debt crisis, which followed the financial crisis, is present in the media, in politics and important economists try to evaluate the situation, in order to find possible solutions. This paper deals with the TARGET balances. TARGET2 is a payment system in the European Monetary Union, and, as will be shown, the TARGET balances are a measure for the balance- of-payment deficits and surpluses in the countries of the Eurozone. The issue is interesting as there are huge differences in the current account balances of member states. To understand the emergence of the TARGET balances , it is important to first look at the way a central bank creates money. This paper aims to show how TARGET balances arise when trade flows are not financed through inverse capital flows. Further on, it examines the current account deficits of Greece, Ireland, Italy,...



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