

U.S. FINANCIAL SYSTEM

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In this article I want to tell about United States dollar, US financial system and in particular, Federal Reserve System. Also I would like to discuss problems and advantages of monetary system, such as pyramid of debts, other country's dependence on dollar and monetary policy of the government.

That problem is very important and urgent in our days and especially for our country, because it affects all sides of nation's lives and because Russia cannot live with communication with USA. Our countries depend on each other in foreign policy, commerce and economics. So we must know not only organization of our government, but the regime of America as well. Especially it is necessary for English learners, which want to achieve success.

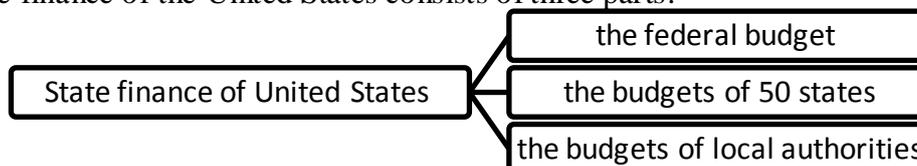
I can divide my work into several parts:

1. Government budget ;
2. Official currency;
3. Problems of financial system.

All these items belong to United States of America and can help to understand its financial system.

US financial system includes government department, finance ministry, private banks and corporations. It deals with budget, money, income and expenditure and trade policy.

State finance of the United States consists of three parts:



The federal finance takes pivotal place in this system and account for about 60% of the state of the U.S. budget. The budget money are spent on the needs of country, such as national defense and law enforcement, financial aid budgets of other levels of international activity, the repayment of public debt, agriculture, education, health care, and payments to pensioners. United States has an income with corporate, excise taxes, social contributions and personal income taxes.

One of the main roles in state development is state regulation. It's carried out under the authority of elected politics. One of the most important mechanisms for regulating is financial system. Its main component is the state budget. State budget fixes the style of elected state government.

The budget depends on the variant of the society development and does not play an important role. But the budget

- shows the dimensions of required state funding and actually existing reserves;
- records the specific areas of spending, the percentage of spending by industry and area;
- is a redistribution of national income and gross domestic product;
- is an instrument of regulation and stimulation the economy, investment activity, production efficiency increase,

The budget is a concrete expression of the economic policy of the state. Thus, the budget is the leading element of the financial system of any state, and plays an important economic and political role in any modern society.

One of the fundamental elements of a market economy is money. Money performs such functions as measure of value, medium of exchange, and means of payment. In every country all these functions are performed by the selected currency.

The United States dollar is the official currency of the United States of America and its



overseas territories. The U.S. dollar is the currency most used in international transactions and is one of the world's dominant reserve currencies. The U.S. dollar also has the status of the national currency in some other countries, such as British Virgin Islands.

An important detail is that the U.S. dollar is the world's main reserve currency and world currency. In the period following the Bretton Woods Conference (1944), the exchange rate of many national currencies compared to the fixed exchange rate of U.S. dollar, which could be exchanged for a certain amount of gold. This led to the dominance of the U.S. dollar as global currency. From the middle of the XX century the world currency is the U.S. dollar.

For decades, the dollar is the world's main reserve currency. The U.S. dollar continues to dominate as a global reserve currency: 63.9% of foreign exchange reserves kept in dollars.

U.S. is economical, political and military power. This is justified by geographic location and factors such as a large area, the prevalence of favorable areas for agriculture, mineral wealth, independence from imported raw materials, and lack of neighbors threatening U.S. security. But this doesn't mean the absence of complex social economic and political problems. One of these problems is problem of financial system, which is a pyramid of debt in cash and a possible fall of the market.

Everybody knows about the pyramid of debts. The best example of this is the Pyramid of the U.S. currency. The mechanism of the appearance of money is known to everybody. It is based on granting loans. Most of us think that the government makes money. It's true, but only to a certain extent. The government only publishes those bills and coins, which we take for the money. But most of the money are created by private companies - banks.

Money as currency has no value for their owners, unlike the gold, materials and essential items. The main thing is that everyone believes that the money can be exchanged for something worthwhile. Ideally, the money is promissory note of the amount of gold held by the bank. In the past, the number of imaginary money was limited to government restriction of legislative creation of new money under the rule of fractional reserve requirements. Its percentage was set by each state individually and could be changed. But now the provision of currency gold is canceled in many countries. Also, it has no effect on the ratio of new debt money to existing ones. Since 1971 the provision of U.S. dollar gold reserve is canceled.

People like using paper money. And they do not need to change it for gold. It happens yet and the banks provide their own promissory notes in gold. But if all the banks spend the reserve at the same time, the system will collapse.

Today Money is someone's debts. Previously, the digital dollar could be exchanged for gold in the bank. But now it can be changed only for another federal reserved note.

The whole system can work only with the support of the government. And government does it. We use legislative national currency, the banks allow frequent debt to cash the money in the national currency, the system supports this level of laws and pursue for debt.

All loans are given at interest. But for the payment of such interest to take money out of nowhere. So if you do not create additional money, it will increase the number of bankruptcies and the economy will collapse. So more and more credit money are created to cover a percentage of previous loans. Of course the total debt is only growing as interest to be

paid more. Only the difference in time between the creation of money and interest payments prevents a system crash. But this cannot go on forever, collapse is inevitable...