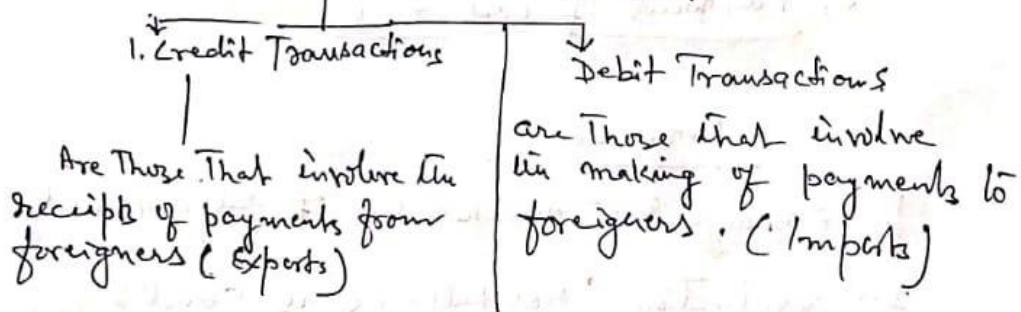


Balance of Payment

The balance of payment is a summary statement in which, in principle, all the transactions of the residents of a nation with the residents of all other nations are recorded during a particular period of time.

- = The main purpose of the balance of payments is to inform the government of the international position of the nation and to help it in its formulation of monetary, fiscal and trade policies.
- = It is also important in making policy decisions.

= An international transaction refers to the exchange of a good, service, or asset between the residents of one nation and the residents of other nations.



= Financial inflows → An increase in foreign assets in the nation

Financial outflows → An increase in the nation's assets abroad.

⊗ Benham — Balance of payment is a monetary record of transaction over a period with rest of the world.

Causes of Unemployment in the USA

1. Industrial Programme

- Requires heavy capital funds, Technical expertise, Investment to import from other countries.
It is not a labour intensive industry.

2. Income and Price Effect

Due to real wage rise, income of the people is rising very fast.

3. Elasticity of Demand Effect

4. Population Growth

5. Payment of old debts

Remedies

1. Exchange rate mechanism of adjustment.
2. Devaluation (Marshall-Lerner condition).
3. Adjustment in income (Keynesian mechanism).
4. Methods of IMF.