Balance of Trade and Payments

Vijaykumar Mangalabhai Garasiya
[GSET]
Bhavans college, Dakor.

Abstract

The trade balance, trade balance or net export (sometimes called NX) is the difference between the monetary value of a country's exports and imports over a given period. Sometimes a distinction is made between the trade balance of goods and a balance for services. The trade balance measures the flow of exports and imports over a period of time. The trade balance concept does not mean that exports and imports are "in balance" with each other. If a country exports more value than it imports, it has a positive or positive trade balance, and conversely, if a country imports more value than it exports, it shows a trade deficit or a trade balance. negative business. In 2016, about 60 out of 200 countries had a positive trade balance. The idea that a bilateral trade deficit per se is bad is itself rejected by trade experts and economists.

Payments and receipts of residents of the country in their dealings with residents of other countries are recorded in the country's balance of payments accounts. If all transactions are included, payments and receipts in each country are equal and should be equal. Any obvious inequality simply leads one country to acquire assets in another. For example, if Americans buy cars in Japan and have no other transactions with Japan, they must hold dollars that they can keep as bank deposits in the United States or in any other US investment. US payments to Japan for cars are offset by Japanese payments to individuals and US institutions, including banks, for the acquisition of dollar-denominated assets. In other words, Japan sold American cars and the United States sold dollars or assets in Japanese dollars, such as treasury bills and office buildings in New York.

Although the total amounts of payments and receipts are necessarily equal, there will be inequalities in some types of transactions - payments or excess revenues, known as deficits or surpluses. Thus, there may be a deficit or surplus in the following areas: trade in goods (trade), trade in services, income from foreign investment, unilateral transfers (foreign aid), private investment, flow of gold and money between central banks and treasuries a combination of these or other international transactions.

Import is a commodity delivered to our country from another place. We import Japanese cars and export our pop music to Tokyo ...

The origins of the word "import" are literally "import into the port". The ratio of imports to exports is an important indicator of the health of a country's economy. The word "import" may also refer to relationships or behaviors that are part of the culture of the place. "The New York media is dominated by British journalists who have imported the elegant style of gossip known in London." ...

Exporting something moves it from its current location to another territory. The export of the verb comes from the Latin word exportare, which means "to execute" or "to send". Exporting something means moving it beyond borders. You can export locally made fabrics to wealthy European cities. When something is exported, it is a product, service or idea that is sent or sold abroad: diamonds are a valuable African export.

TRADE BALANCE:

The difference in value over the period between imports and exports of goods and services of a country is usually expressed in units of the currency of a particular country or economic union (for example, dollars for the United States). United, pounds for the United Kingdom or euros for the European Union). The trade balance is part of a larger economic unit, the PAYMENT BALANCE (the total amount of all economic transactions between a country and its trading partners worldwide), which includes the movement of capital (cash flow to a country). countries with high interest rates). reimbursement), loan repayment, tourism expenses, transportation and insurance costs and other payments.

If a country's exports exceed its imports, they say that the country has a favorable trade balance or a positive trade balance. On the other hand, if imports exceed exports, the trade balance or the trade deficit is unfavorable. According to the economic theory of mercantilism, which prevailed in Europe from the 16th to the 18th century, a favorable trade balance was a necessary means of fi If a country's exports exceed its imports, they say that the country has a favorable trade balance or a positive trade balance. On the other hand, if imports exceed exports, the trade balance or the trade deficit is unfavorable. According to the economic theory of mercantilism, which prevailed in Europe from the 16th to the 18th century, a favorable trade balance was a necessary means of financing the country's purchases of foreign goods and maintaining its export trade. This objective was to be achieved by creating colonies that would buy the products of the metropolis and export raw materials (especially precious metals), considered as an indispensable source of wealth and power of the country.

The assumptions of commercialism were challenged by the classical economic theory of the late eighteenth century, when philosophers and economists such as Adam Smith argued that free trade was more profitable than the protectionist tendencies of mercantilism and that the country did not need to maintain an equal exchange nor, in this respect, accumulate trade surplus (or balance of payments).

A popular myth: is it bad to import? Is not exporting good? Is a trade deficit a bad thing? The word deficit itself sounds bad! Economic Reality: The excess of imports over exports simply sends dollar bills abroad, while bringing real goods and services to the country for immediate use. If foreigners want to save those dollars and we can immediately use their products, which will benefit our consumers and create new investments for our industries, we will make an even better offer! The ban on trade limits considerably what you can do.

Proponents of the purchase of premises argue that it is better to buy from the local owner of the local hardware store and farmer than from the Big Box chain store or grocery store headquartered outside the city, because the money from this purchase "will probably stay in the local store". the economy. "Don Boudreau from George Mason University speaks with EconTalk host Russ Roberts about the economic aspects of this idea: it's better to buy a premise than a seller from another city." It's better to buy an American than to buy foreign products? Money is important? In this conversation, Boudreau and Roberts make their way through the curtain of money to show what commerce really does, whether local, national Kelly Cobb, teacher and costume designer, asked her Drexel University students to trace the origin of their clothes, and when the task was impossible, she realized how far we are from what we wear. .

It was then that Cobb had the idea to create a suit made of clothes made entirely of prepared materials within a radius of one hundred kilometers from her home.

From all this, it is necessary to draw another conclusion, namely that: according to the theory of the trade balance, France can double its capital at any time. Simply pass your goods to customs and then throw them in the sea. In this case, the export will be equal to the sum of its capital; The import will be absent and even impossible, and we will get everything the ocean has swallowed.

"You're kidding," say the protectionists. "We might not be able to say something so absurd." Indeed, you have and, moreover, you act on the basis of these absurd ideas and tax them to your fellow citizens, at least as much as possible.

The truth is that we have to reverse the principle of the trade balance and calculate the national benefit from foreign trade in terms of import surplus over exports. This surplus, net of expenses, constitutes a real benefit ...

When John returned from work, he discovered that his daughter Patty was showing her mother's new silk dress. It was a present that his lover had just given him on his wedding day. Patty's eyes, which rarely saw anything so beautiful, shone with joy as her mother admired her. and her father kissed her warmly and said that she would be the same intelligent wife as she had ever been to the village. "Yes, and it's also French silk, mother," exclaimed Patty. "Why, for what," replied his mother, "I do not see any greater merit in being French; and I did not think, Patty, that you were such a stupid girl that all this nonsense was in your head No, really, it's bad enough for the big lady that people get so excited about French outfits that they can not wear a little English fringe ribbon Mercantilism is an economic nationalism aimed at creating a rich and powerful state. Adam Smith coined the term "trading system" to describe a system of political economy seeking to enrich the country by limiting imports and encouraging exports. This system dominated the economic thought and politics of Western Europe from the sixteenth to the end of the eighteenth century. It was assumed that the objective of this policy was to achieve a "favorable" trade balance bringing gold and silver to the country. Unlike the physiocratic agrarian system or the obscenity of the nineteenth and early twentieth centuries, the trading system served the interests of merchants and manufacturers, such as the British East India Company, whose activities were protected or encouraged by the state.

References

1. Balance of Payments, from the Concise Encyclopedia of Economics
2. Import, from Vocabulary.com.
3. Export, from Vocabulary.com.
4. Balance of Trade, from Britannica.com.
5. Don Boudreaux on the Economics of “Buy Local”. EconTalk podcast episode, April 16, 2007.
6. The Balance of Trade, by FrédéricBastiat. Chapter 6 in Economic Sophisms, first published 1845 in France.
7. Why not just buy American? Foreign Trade, or The Wedding Gown, by Jane HaldimandMarcet in John Hopkins’s Notions on Political Economy. 1831.
8. Mercantilism, from the Concise Encyclopedia of Economics.