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Unemployment, fiscal policy and trade-deficit

At this critical juncture of the country we cannot think about the determination of economic principle of decreasing the budget deficit or as contractionary economic policy

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The economists have no doubt that national and per-capita income, production and economic growth will increase if expansionary fiscal policy is taken with a view to developing the economy and thus decreasing unemployment. The people's ability of buying both the local and foreign goods increases along with the increase of national income. Both the import and trade-deficit of the country will increase if the demand of the foreign goods increases. Again, the prices of the commodities go upwards when the government increases the budget deficit by adopting expansionary fiscal policy and accelerates the public activities through increased public investment. As a result, the foreigners express their disinterest in buying our local goods with relatively high price. So in the international market our competitive position goes downwards. It means that the trade-deficit also occurs due to the result of expansionary fiscal policy and inflation.

From the above discussion it is seen that for expansionary fiscal policy the unemployment problem decreases, but the trade-deficit increases. Now a question arises whether we can at all adopt expansionary fiscal policy at the troublesome environment of two-faced difficulties like the inflation and unemployment. Unemployment is an internal problem. The people of the country, the government and the country as a whole have to face the unemployment problem. The trade deficit is an international business problem for any country, which may be accepted by a country temporarily and the concerned country tries to minimize it gradually along with its economic development. At present inflation and unemployment are two major problems in our economy. At this critical situation of unemployment and inflation, the government's interference in the open market, though temporarily, partially, limited to some extent, is necessary. We, though temporarily, will accept the problem of trade and continue our hard effort to decrease unemployment through the acceptance of expansionary fiscal policy. We shall follow a good number of alternative steps to prevent inflation. For this purpose we shall follow the controlled wage income policy and the controlled price of the goods. Before that, we have to try to increase productivity, reduce production cost and keep controlling the upwards movement of production cost which is related with increases in prize and inflation.

THE PRICES OF THE COMMODITIES GO UPWARDS WHEN THE GOVERNMENT INCREASES THE BUDGET DEFICIT BY ADOPTING EXPANSIONARY FISCAL POLICY AND ACCELERATES THE PUBLIC ACTIVITIES THROUGH INCREASED PUBLIC INVESTMENT

At present there exists unrest in the field of trade and in business. Now the unemployment and inflation are the major problems in the country. At this moment what type of economic policy has to be thought about? What are the economic objectives of the government and the society? A very brief picture of it is described in this article so as to determine the objective and the economic policy without taking any wrong decision so that we can progress towards the right path. So the discussion of this article will remain limited only to unemployment, fiscal policy and trade-deficit.

If we adopt contractionary economic policy to prevent inflation and to reduce the budget deficit of the government, the unemployment will be more serious. As a result the indigenous goods, overall production for service oriented activities, per capita income, economic growth and employment facilities along with the demand of foreign goods will decrease. Both the import and trade deficit of the country will decrease. Along with the decrease of income and development of the country the upwards movement of the market price of the indigenous goods will be prevented, which is very much helpful to check inflation. In international market competition our position will, though little, go up and the trade-deficit will decrease. So it appears that if the budget deficit is reduced, our trade-deficit decreases and it is as a whole helpful to prevent inflation. But it will lead to the unemployment more seriously increase, the economic and political unrest, and the different government activities of the government will fall in more critical situation. No country, society and government want to face this critical situation.

At this critical juncture of the country we cannot think about the determination of economic principle of decreasing the budget deficit or as contractionary economic policy. So, knowing the definite possibility of trade-deficit, increasing income, development, economic growth and employment facilities of the country for decreasing unemployment, it is better to progress following expansionary fiscal policy if necessary by increasing more budget deficit of the government.

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