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## Methods of Regulating the Deficit Balance of Payments

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**Abstract:** the article discusses the main methods of regulating the deficit balance of payments. The regulation of the movement of capital is aimed, on the one hand, at encouraging the foreign economic expansion of national monopolies, and on the other hand, at balancing the balance of payments by stimulating the inflow of foreign and repatriation of national capital.

**Keywords:** balance of payments, deficit regulation, stimulation, foreign capital inflow, national capital.

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### Introduction

The balance of payments has long been one of the objects of state regulation, which corrects market regulation. This is due to the following reasons: First, the balance of payments is unbalanced, this manifests itself in a long and large deficit in some countries and an excessive surplus in others. The instability of the balance of international payments affects the dynamics of the exchange rate, the migration of capital, the state of the economy. Secondly, after the abolition of the gold standard in the 1930s. the spontaneous mechanism for equalizing the balance of payments through price regulation is weak, and its equalization requires purposeful government measures. Thirdly, in the context of the globalization of economic relations, the importance of the balance of payments in the system of state regulation of the economy has increased. Balancing it is as important a task in the economic policy of the state as ensuring economic growth, curbing inflation and unemployment.

The material basis for regulation is: 1) official gold and foreign exchange reserves; 2) state budget; 3) direct participation of the state in international economic relations as an exporter of capital, creditor, guarantor, borrower; 4) regulation of foreign economic operations with the help of regulations and state control bodies.

The most important characteristic of the budget is its deficit or surplus. It is by these indicators that the state of public finances is most often judged. At the same time, the calculation of a budget deficit or surplus is associated with the presence of a methodological problem, which consists in what to include in expenditures and incomes in order to calculate the difference between them. Budget legislation proceeds from the allocation of such sources of budget revenues, which are considered not as income (for the purpose of calculating the deficit or surplus), but as sources of financing the deficit or the direction of using the surplus. In general, the total revenues and total expenditures of any budget must be balanced, which is reflected in one of the principles of building the budget system - the principle of budget balance.

Countries with a deficit balance of payments usually take the following measures to stimulate exports, curb the import of goods, attract foreign capital, and limit the export of capital.

One of the methods for regulating the balance of payments in its deficit is a deflationary policy, which is aimed at reducing domestic demand. It provides for limiting budget expenditures mainly for civilian purposes, freezing prices and wages.

1. Deflationary policy. Such a policy aimed at reducing domestic demand includes limiting budgetary spending mainly for civilian purposes, freezing prices and wages. In terms of regulating the balance of payments, the deflationary policy is aimed at reducing prices and increasing the competitiveness of goods and services.

Its instruments are financial and monetary measures: reducing the budget deficit, changing the discount rate of the central bank (discount policy), credit restrictions, setting limits on the growth of the money supply and inflation (targeting). In an economic downturn, with a large army of unemployed and reserves of unused production capacity, the policy of deflation leads to a further decline in production and employment. It is connected with the attack on the living standards of the working people and the aggravation of social conflicts.

Another method of regulating the deficit balance of payments is devaluation - depreciation of the national currency, aimed at stimulating exports and restraining imports of goods.

2. Devaluation. The role of devaluation in regulating the balance of payments depends on the specific conditions for its implementation and the accompanying general economic and financial policies. Devaluation stimulates the export of goods only if there is an export potential of competitive goods and services and a favorable situation on the world market. As for the restraining effect of devaluation on imports, in the context of the internationalization of the reproduction process and the development of international specialization, a country often cannot drastically reduce the import of goods. In addition, not all countries pursue a successful import substitution policy.

Raising the cost of imports, devaluation can lead to an increase in the production costs of domestic goods, an increase in prices in the country and the subsequent loss of the competitive advantages gained with its help in foreign markets. Therefore, although it may give a country temporary advantages, in many cases it does not eliminate the causes of the balance of payments deficit. The devaluation must be large enough to have the desired effect. Otherwise, it only enhances speculation in the foreign exchange markets, as the possibility of a second revision of the exchange rate remains. At the same time, the excessive size of the devaluation causes a chain reaction of the devaluation of other currencies, and then the country that devalued its currency loses the competitive advantages that it counted on. Some countries periodically practice multiple exchange rates, sometimes in the form of a dual currency market, as a covert devaluation. The introduction of the floating rate regime did not help to equalize the balance of payments. The cessation of abrupt devaluations to a certain extent relieved the pressure of speculative capital on the balance of payments, but in the conditions of floating exchange rates, the impact of their market decline on the ratio of prices of imported and exported goods is easily negated. Therefore, to ensure the effectiveness of devaluation, many countries, especially developing ones, introduce differentiated duties and subsidies on exports and imports.

3. Protectionist measures. Currency restrictions - blocking foreign exchange earnings of exporters, licensing the sale of foreign currency to importers, concentrating foreign exchange transactions in authorized banks - are aimed at reducing the balance of payments deficit by limiting the export of capital and stimulating its inflow, curbing the import of goods. Despite the liberalization of the current operations of the balance of payments, approximately 90% of countries with convertible currencies applied restrictions on the international movement of capital, developing countries continue to partially use currency restrictions.

4. Financial and monetary policy. To reduce the balance of payments deficit, budgetary subsidies to exporters, protectionist increases in import duties, the abolition of taxes on interest paid to foreign holders of securities for the purpose of capital inflow into the country, monetary policy, especially accounting policy and targeting of money supply and inflation are used.

5. Special measures of state influence on the balance of payments in the course of the formation of its main items - the trade balance, "invisible" transactions, the movement of capital. An important object of regulation is the trade balance.

State regulation covers not only the sphere of circulation, but also the production of export goods. Export stimulation at the stage of selling goods is carried out by influencing prices (providing tax and credit benefits to exporters, changing the exchange rate). To create the interest of exporters in the development of foreign markets, the state provides loans, insures them against economic and political

risks, introduces a preferential regime for the depreciation of fixed capital, and provides them with other financial and credit benefits in exchange for the obligation to carry out a certain export program.

In order to regulate payments and receipts on "invisible" operations of the balance of payments, the following measures are taken:

- participation of the state in the creation of tourism infrastructure in order to attract foreign tourists;
- assistance in the construction of sea vessels at the expense of budgetary funds to reduce expenditures under the item "Transport";
- expanding government spending on research and development to increase revenue from trade in patents, licenses, scientific and technical knowledge, etc.;
- regulation of labor migration. In particular, restricting the entry of immigrants to reduce the remittances of foreign workers.

The regulation of the movement of capital is aimed, on the one hand, at encouraging the foreign economic expansion of national monopolies, and on the other hand, at balancing the balance of payments by stimulating the inflow of foreign and repatriation of national capital. This goal is subordinated to the activity of the state as an exporter of capital, creating favorable conditions for private foreign investment and export of goods. Government investment guarantees provide commercial and political risk insurance.

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