

Re: Why must the Capital Acc. = the Current Acc.?

Source: <http://sci.tech-archive.net/Archive/sci.econ/2005-02/2988.html>

From: Andy F. (*never.mind_at_tesco.net*)

Date: 02/24/05

Date: 24 Feb 2005 05:57:03 -0800

Yurk Yurk wrote:

- > *I've looked into a number of economics texts and web sites. They give*
- > *brief descriptions of the current account and the capital account and*
- > *then*
- > *state that they must be equal. Why?*
- >
- > *For example, if Australia imports \$A1 million of cars from Japan,*
- > *that is*
- > *clearly a deficit on the current account. What is the equal*
- > *corresponding*
- > *capital account transaction?*
- >
- > *Any help greatly appreciated.*

Someone in Japan has now got a million Australian dollars. This counts as a capital asset. If they don't use it to buy Australian goods, the only other thing to do with it is to exchange it for other Australian assets.