

the number of two-earner households, and an increase in sectoral shifts.

7. Individuals who have recently entered the labor force, including both new entrants and reentrants, make up about one-third of the unemployed. The transitions into and out of the labor force make unemployment statistics more difficult to interpret.

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BANKS IN THE WORLD ECONOMY

The growth of international banking is a result of the explosion in international trade and the increasing integration of financial markets during the past 30 years. International banks primarily supply intermediation and transaction services.

International banks earn profits by providing risk-sharing, liquidity, and information services. For example, as with interest rate risk in domestic banking, international banks manage their exposure to exchange rate risk by using financial futures, options, and swaps: they also assist their customers in managing exchange rate risk. Banks promote liquidity by reducing customers' transactions costs in buying and selling foreign exchange and deposits denominated in foreign currencies. Through bankers' acceptances, banks provide information services to customers involved in international trade.

The Eurodollar market developed after World War II as a market for dollar-denominated deposits and loans. In recent years currencies other than the US dollar have been included in the market. Deposits in the Eurodollar market are short-term time deposits. Loans are of longer maturity (typically 5 to 10 years) and are made with a floating interest rate, determined as a spread over the London Interbank Offer Rate. To share risk, many large Euroloans are syndicated, with participation by many banks.