

Economic environment

Business



Economic Environment I. Monetary policy and fiscal policy are two different instruments used by governments to help in the economic development of a country. For any government there are three major purposes which are maximum employment, stable prices and economic growth. The primary role of monetary policy is to regulate the circulation of money and increase or reduce the interest rate. This helps to keep the price stable and this will greatly benefit the economic system of a country. This will ensure business sector to perform with confidence as price levels will not fluctuate heavily in the future. This is the case in the United States where the levels of price and wages do not fluctuate beyond a certain measure (Friedman, 1968). The role of fiscal policy is to control the spending power and revenue collection of the government. For instance, during phases of high unemployment government can increase public spending or can reduce taxation. This will also help in increasing the declining demand of products as low taxes will increase the purchasing power of consumers (Eshag, 1983, p. 41).

II. Human development index (HDI) is an assessment of the average achievement of human development in a specific period like life expectation, education and per capita income. Australia ranks in the second position with a value of 0.933 while Qatar ranks in the thirty-first position with a value of 0.851 in the HDI table (Human Development Index [Table 1]).

In 2013, the life expectancy of males in Australia was 80.3 years, in Bangladesh it was 69.9 years, and in Uganda it was 58.0 years (Human Development Index [Table 5]). Australia is a developed country and its life expectancy of males is much higher than Bangladesh or Uganda – both of which are developing economies. There are various factors that cause such differences in life expectancy and they are education, employment,

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government policies, lifestyle like excessive smoking or drinking can cause obesity leading to heart diseases, and so on.

References

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