

Economics essay sample

[Technology](#), [Development](#)



Essay Questions

1). The Federal Reserve is composed of 12 banks and Board of governors, which comprises of seven people. It regulates the commercial bank and provides assistance to the banking infrastructure. It also plays an effective role in controlling the money supply as well as credit trap. The function of Federal Reserve is to facilitate sustainable economic growth without causing inflation. However, the Federal Reserve also anticipates the speed limit and change in the interest rate in order to ensure the growth of the economy. The Federal Open Market Committee or FOMC in the Federal Reserve is responsible for making monetary decisions, and for lowering or increasing the interest rates. The FOMC will, however, help in the stimulation of the economy by lowering the borrowing cost, which is done with the help of the discount rate and federal funds rate. The rate which the banks borrow funds from the Federal Reserve is called discount rate, and the rate that one bank charge to the other bank is called federal rate. The banks, however, try to borrow from other banks than to borrow from Fed because of the high rate charged by the Federal Reserve. In the case of higher interest rate, the demand of the customers exceeds the supply, i. e., customers demand more that the economy is able to supply. However, rationalizing this situation would pave the way to inflation. The Federal Reserve, however, change the interest rates by making changes and adjustments in the quantity of funds available to the commercial banks. Additionally, the Federal Reserve controls the money supply of America and is enjoying sole power of creating new money and money exchanges for the government bonds (Wheelen).

2). International economics play an important role in the development and

global market, which can be considered from the fact that different countries consist of different currencies as well as different institutions in order to create and manage the currency. The exchange rates are also different. The difference in the exchange rate has facilitated global trade and allowed an easy access to the global market. For example, buying television in Mexico and selling in the United States helps the seller to earn profit, which facilitates flourishing of the business and ultimately economic development (Wheelan). Globalization has also helped the world economies to grow by developing economic interdependence because of which the economies are working in collaboration with each other. The globalized economies show 30-50% more growth as compared to those economies that are not included in the world economy. The international trade is playing a significant role in the economic development, in a way, that the trade is beneficial not only for the developed countries but also for the developing countries. It increases the income opportunities for the low income countries by promoting competition for the workers in jobs, which paves the way to the increase in their wages. With the help of the trade the advanced countries can also introduce the skills, capital and technology to the advanced countries. Trade allows the economies to become richer because it permits increased specialization in the production. It also helps the consumers, in a way, that it lowers the prices of domestic as well as imported goods. With the help international trade every part of become capable of offering something to the rest of world (Wheelan).

References

Wheelan, Charles J. *Naked Economics: Undressing the Dismal Science*. New York: Norton, 2002. Print.