

Economic growth or fall

Business



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Economic growth or fall in any economy is entirely related to how the governments handle the demand of commodities, commodities supply and money supply in its economy. Thus economists are very valuable for economic growth purposes. Supply side economics to some is known as trickle down policy or reaganomics. It was espoused by a former United States president called Ronald Reagan. He came up with the idea that increased tax cuts for business men (entrepreneurs and investors) provided incentives that favored saving and investing producing economic benefits to the whole economy.

It has three pillars which are: tax policy, regulatory policy and monetary policy. It holds the fact that economic stimulation comes from increasing goods and services supply. It holds the fact that increase in supply of a commodity leads to fall in prices of the commodity. While decreasing the supply causes an increase in the commodities prices. Demand side economy as an economic theory holds the concept that by increasing demand for goods and services, economic stimulation will be mandatory.

It is also called the Keynesian economics, named after John Maynard Keynes (Von, 77). It helps to keep the economy in a stable zone by controlling retraction and expansion. It holds the idea that by government lowering taxes on the middle class and increasing its spending growth will be inevitable. To combat and fight inflation, governments should increase the tax rates and reduce its spending. Increase in demand for any commodity leads to rise in prices while decrease in demand lowers the prices. Money supply is the key measure of any economy and its health.

With high amount of money in circulation, inflation is usually inevitable, while meager cash circulation hinders any economic growth activity. The central banks of countries are used to govern the interest rates and the amount of money in any market economy (Von, 93). In conclusion I believe money supply is the key to holding an economy stable. With high amount of money in circulation the prices will always be high regardless of demand and supply. Countries that are ahead economy wise have always been careful with their money supply policies.