

# Good essay about affiliate institution

[Economics](#), [Money](#)



## **Economics**

### Question One

Figure 1: Circular Flow of Economic Activity (Source Nelson 2008)

### **Buying an automobile.**

When you buy an automobile which is a finished product from the seller the seller get money as a results of the sale and the buyer get finished product. Going as per he circular flow of the economic activity in the diagram the household represent the customer and the firm represent the seller. The seller uses the received money to pay for the production of the finished products which involves pay the labor force, equipment, land and other factors of production. The buyer in the other hand work in the industry directly supporting the production of the product. Thus the money circulation takes place.

### **Question Two**

The federal reserve system role in the current economic environment are:

- Implement the monetary policy through the influence of money and credit situation in the country to ensure the country achieve full employment and stable product and service prices.
- oversee and control financial institutions to guarantee the safety and dependability of the nation's banking and financial system and to safeguard the citizens' credit rights
- uphold the stability of the financial system and prevent systemic risk that may occur in financial markets (Borsellino 9).

The current tool the federal system are using to achieve its goals are the

currency. The fed uses the currency supply to regulate the banks by varying the interest rates, participating in the open market operation, among others was that influence the currency supply in the economy (Singer 70)

### **Question three**

The main economic goals include

**Full employment:** Full employment is realized when the available resources are utilized to create goods and services. It is specified by the employment of labor assets. It is measured by the use of Full Employment Index, which is a composite index that takes into account employment and unemployment levels (Schmid 20).

**Stability:** This is whereby a country's economy experience continuous growth and low inflation. Stability is achieved by avoiding or limiting fluctuations in production, employment, and prices. This is measured, by the rate of inflation, joblessness, and the development rate of manufacture (Rose 13). It means customers and production firms can securely achieve long-term utilization and development plans. Policy developers are usually keen on price steadiness and the increase rate.

**Economic growth:** Economic growth is attained by growing the economy's capacity to create goods and services (Henderson and David 7). It is measured by the change in Gross Domestic Products in the country within a given time period which can be quarterly or annually

Income per capita is the per head quantity of the entire cost of all consumed products in an economy.

## References

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