Name :Salim Mirza

Id :14209

Subject :monetary economics

Teacher :sir Zafar

BBA 6th semester

Money and its importance for an economy :

money is any good it is widely used, it is durable period of time, be can be divided, transported and is not easy to duplicate .money is a General form of capital ..

;

: for an economy is that where is used as determiner of wealth when it comes to field of any economy who studies wealth it determines how wealthy a nation is more figures show more wealth keeping in mind the value money of that particular economy

The second importance of money for an economy is that money defines the values of products and services .for example going to mobile shop and finding the sale rate of a mobile to be 20000 rupees so this figure shows the value of that mobile phone in form of rupees so money here is used to find out the worth of that product similarly a teacher teaching in an Institute and getting salary inform of money so here the value of his service is given form of money thus showing how important money is for an economy . The present highly complicated economy will not exist without money .

2 : barter system the word barter is a derived from the word ( baretor ).

Barter system is the system of exchange .in barter system transactions take place in form if direct exchange of goods and services in return of goods and services ..Barter system was the system of exchange for centuries when money was not the medium of exchange .

Why barter system vanished

Barter system vanished because of the following drawbacks which was the reason of vanishing of barter system .

lack of satisfaction between exchanger :

a successful transaction is when wants of both of the parties exchanging values are satisfied one of the drawbacks of this system was the lack of satisfaction for example if a person was in need of cow and he had a horse the first problem he will face is he will have to find a person who has cow and is willing to exchange it for horse and after he has found it now the second problem is that wither he will get satisfied for the cow in exchange of his horse and will the second party get satisfied for the horse in exchange of his cow .

No specific unit to measure value : the second reason of why barter system vanished was that in barter system there was no specific unit for measuring the values of product or services with were going to be exchanged. As product has different value and this system it was not possible to tell how much value I want to exchange it for horse similarly how much will be the value of horse in exchange of cow .

Inconvenience for the government: government with this system face difficulty of collecting tax .goods are collected but still there is a problem of storing 200 products and it’s difficult to tell who will pay how much and what he has to pay.

Primary and secondary functions of money:

following are the primary function of money

medium of exchange

measure of value

followings are the secondary functions of money

standard of deferred payments

store of value

transfer of value

the primary function of money is that it is the mediam through which transactions are made .one can exchange goods and services through the use of this medium money .for example one party wants to buy books from another party who has books so the first party who wants to buy books will pay its value in form of money to the party who is selling .this function of money solve the problem” satisfaction of both parties “which was main issue of barter system.

measure the value :the second primary function of money is that money is used us unit which measures the value. here money function as a yardstick which measures the exchange value of any commodity .Money measure the value of any commodity in the form of price and it makes it easy for all the parties who are involved in transaction this function of money as a measuring unit has solved the problem of “absence of unit” of barter system .

secondary functions of money:

Standard of differ payments; differ payments mean those payment which are to be done in future .for example a loan taken today will b paid some other day .so in this secondary function money function as a standard for such kind of payments .this function of money helps in making future contracts .this function of money solves the problem of barter system which was the lack of presence of such medium through which future contracts could be made .

Store of value :money is the most liquid of all assets means the most convenient form to store wealth that’s why this function of store of value is also known as asset function .value can also b stored in other form of assets like gold were used similarly in form of house or building but that has not as much liquidity as money has .

Transfer of value ; the next function of money is that it can transfer the value of any commodity ,the value of movable and immovable property can easily be transferred to others .the value can easily be transferred in form of checks money orders etc..

This function of money solve the problem of barter system in which it was not possible to transfer the value to one another .

Financial markets and their role in economic development :

Financial markets :are those markets which provides platform for purchasing and selling of assets such as bonds ,stocks, foreign exchange etc. . For example a bank where one person has saving account in bank so bank use his money as a loan to other organization and charge interest on them here the person who is depositor is given benefit as well as the one who needs the loan .so the bank function as financial market and give advantage to both the depositor and the loan taker .

Some financial markets are small with little activity, and others, like the New York Stock Exchange (NYSE), trade trillions of dollars of securities daily.

Role of financial market in economic development : they play an important role in economic development .the first thing about financial market is that it makes your saving more productive for example as mentioned above savings in banks is not only savings but they make use of them in form of giving student loan business loan etc. Thus making your saving more productive .

The play an important role in economic development as they connect the investors who has surplus funds to invest with the company who are in need of it .

Financial markets helps the investor by providing them different platforms to invest their money and easily convert their investment to cash , helps the company by providing financial resources like loans and the economy by mobilization of resources and allocating resources among companies .

Causes of inflation in Pakistan and its remedies

the whole world is facing the problem of price hike, but in Pakistan it has become a severe problem with more than 11% inflation rate per annum, which is one of the highest in the world.

Cause :

Huge population :one of the causes of inflation in Pakistan is the huge population of Pakistan which is still increasing year by year . Population of Pakistan is increasing at the rate of 1.8% per annum.

Remedies :

To control inflation the growing population rate should b controlled by measurements like population controlling programs and education .

Cause :

Weak monitory and fiscal policy ; the other cause of inflation is the weak policies made by the government the government policies are weak when it comes to taxation and spending of money similarly the weak policies of money supply leads to inflation in Pakistan

.Remedies :

Un case of monetary policy the government should have a very good policy for the supply of money by central bank similarly should have good policy of spending and taxation .if these policies are good enough they can help in over coming the problem of inflation in Pakistan .

Cause

Non development expenditures : all the expenditures like expenditure on defense ,paying of loans ,interest etc. Is also a big cause of inflation in Pakistan . No revenue come from such expenditures and thus making the prices of others commodities higher .

Remedies : government should cut all these non development expenditures or at least no expand the most on such things instead should focus more on the development expenditures which will strengthen the economy and help in controlling the inflation which is increasing day by day .