51. Economics is the science of wealth-discuss?

Adam Smith and his distinguished followers called classical economists defined economics as a science of wealth. Adam Smith (1723-1790) in his famous book "An Enquiry into the Nature and Causes of the Wealth of Nations" described economics as a body of knowledge which relates to wealth. According to him if a nation has larger amount of wealth, it can help in achieving its betterment. Adam Smith defined economics "as the study of nature and causes of generating of wealth of a nation." Adam Smith emphasized the production and expansion of wealth as the subject matter of economics. Ricardo, another British classical economist shifted the emphasis from production of wealth to the distribution of wealth in the study of economics. J. B. Say, a French classical economist, described economics as the science which treats of wealth" J. S. Mill an other classical economist in the middle of 19th century looked upon economics "as the practical science of production and distribution of wealth'. According to Malthus "Man is motivated by self interest only The desire to collect wealth never leaves him till he goes into the grave". The main points of the definitions of economics given by the above classical economists are that (1) economics is the study of wealth only. It deals with consumption, production, exchange and distribution aspects of wealth." (2) Only those material goods which are scarce are included in wealth.

Adam smith and the other classical economists considered wealth as the central issue of the study of economics. According to them economics studies the principles of term of the following aspects of wealth.

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52. explains the relationship between economics and political science and statistics?

Political science:

The link between economics and political science is economic policy. These are rules, or regulation, or policies that politicians make concerning the economy. Economic policy is a vast area that range from minimum wage to taxation to banking regulations. They have both political and economic consequences. A large portion of politics is about how government can (or should) influence the economy**.** The study of these economic effects relate to (a portion of) political science.

Statistics:

Econometrics can be defined as the study in which the tools of economic theory, statistical inference and mathematics are systematically applied, using observed data, to the analysis of economic laws. It is therefore concerned with the "empirical determination of economic laws. Economic theories are written in mathematical form and are then analyzed using statistical methods. If the observed data are found to be incompatible with the predictions of the theory, it is rejected. Theories are accepted if the data are found to fit the theory."Econometrics is a branch of economics that applies statistical methods to the empirical study of economic theories and relationships. It is as a form of mathematical economics.Economists base most theories and policies on statistics stats are a vital part of **economics**. Economics study trends and patterns based on stats used in economics: mean f tests, t tests, and regressions, confidence intervals stats are used to measure growth rates, inflation, and any relationship between two variables (regressions)

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53. How does an imperfect market affect the interest of an average consumer?

A market where information is not quickly disclosed to all participants in it and where the matching of buyers and sellers isn't immediate. Generally speaking, it is any market that does not adhere rigidly to perfect information flow and provide instantly available buyers and sellers.

Imperfect market structure is where the firms that operate in a market have a lot of control over the good or service they produce. This will happen when the numbers of firms that produce that good or supply a certain services are very few in the market. Imperfect competition market structure is the most common type of market structure in the market. We can illustrate imperfect competition by an example in the energy sector. If there is only one gas station in your geographical area and you cannot afford to go and buy fuel from the neighboring gas station because of its distance and costs. Then your local gas station will price its commodity above the prevailing market prices because there is no competition from other firm. The consumers do not have any choice but to purchase from this station at the inflated prices. The gas station has therefore created an imperfect market.

The characteristic of imperfect market structure is that they reduce the economic surplus to varying degrees. Economic surplus is the extra revenue you acquire from selling a commodity at a higher price more than what you were willing to sell in the market. There are five major sources of market power in the imperfect market competition. There are

Exclusive control of the factors of production
Having the patent right or copy rights in the production of a good or service
Government regulation
Firms network in a market to create economies of scales.
Natural monopolies

As a result the average consumer will be faced problem to achieve their desired interested product.

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54. What are the methods of computing the Gross Domestic Produtct?

Two different approaches are used to calculate GDP. In theory, the amount spent for goods and services should be equal to the income paid to produce the goods and services, and other costs associated with those goods and services. Calculating GDP by adding up expenditures is called the expenditure approach, and computing GDP by examining income for resources (sometimes referred to as gross domestic income, or GDI, is known as the resource cost/income approach.

Expenditure Approach

The expenditure approach utilizes four main components:

Consumption (C) - These are personal consumption expenditures. They are typically broken down into the following categories: durable goods, non-durable goods, and services.

Investment (I) - This is gross private investment; it is generally broken down into fixed investment and changes in business inventories.

Government (G) - This category includes government spending on items that are "consumed" in the current period, such as office supplies and gasoline; and also capital goods, such as highways, missiles, and dams. Note that transfer payments are not included in GDP, as they are not part of current production.

Net Exports - This is calculated by subtracting a nations imports (M) from exports (X). Imports are goods and services produced outside the country and consumed within, and exports are goods and services produced domestically and sold to foreigners.

GDP = C + I + G + (X - M)

Resource Cost/Income Approach

To calculate Gross Domestic Income (GDI), first consider how revenues received for products and services are used:

1. Pay for the labor used (wages + income of self-employed proprietors)
2. Pay for the use of fixed resources, such as land and buildings (rent);

3. Pay a return to capital employed (interest);

4.Pay for the replenishment of raw material used.

Remaining revenues go to business owners as a residual cash flow, which is used to replenish capital (depreciation), or it becomes a business profit. So with the resource cost/income approach, GDP (or GDI) is calculated as wages, rent, interest and cash flow paid to business owners or organizers of production.

So GDP by resource cost/income approach = wages + self-employment income + Rent + Interest + profits + indirect business taxes + depreciation + net income of foreigners.

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55. is high per capital income the only measure of economic development?

Actually the high per capital income is not the only measure of economic development.

There are a number of measures which have been used to estimate the economic development of a country. These measures, in brief, are:

(i) Increase in real GNP.

(ii) Increase in real per capita income.

(iii) Rise in overall wellb eing of the people.

(iv) Basic needs approach.

(v) Human Development index.

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56.. what according to you are the main causes of the present state of inflation in the country?

The economy of Bangladesh has been suffering from a double-digit inflation. A shortage of oil production or energy crisis world-wide, increase in energy prices and cost-of production in combination with a demand-pull inflation from expansionary economic policies have caused a persistent inflation. Altogether these have created a supply-side problem by decreasing the productivity. The situation of Bangladesh has been aggravated due to political problems and effort of minimizing corruption and a lack of confidence in business and manufacturing. It is hard to assume that we can ever get back to the single digit inflation. It is almost clear that we have to live with this double-digit inflation.

The natural rate of inflation from four to five percent is accepted in almost any developing country. But, a double-digit inflation of more than ten percent must have some reasons. Inflation is the persistent and generalized increase in the level of prices of goods and services. Consumers are worried about higher or increasing prices of their consumer goods as their real income, purchasing power and their standard of living is going down.

Inflation is normally caused by a combined effect of demand-pull, cost-push, and expansionary monetary or fiscal policy. The recent inflation in Bangladesh is relatively more a cost-push inflation than a demand-pull. Rising prices of goods of all kinds including the goods of necessities is mere a reflection of the rising cost of production than a higher demand for these goods and commodities.

Productivity, or output per labor, is not increasing as much as their wages are increasing. Factors of production and their productivity in our economy of recession including land, labor, capital, technology, innovation and management are not increasing due to land erosion and land fragmentation, lack of training, wear and tear of capital equipment, and their lack of replacement, backwardness of technology and innovation. The lack of skilled manpower, leadership, smart management and productive working environment and discipline is common in Bangladesh. The higher import prices of raw-materials, energies, fuel and intermediate goods are also increasing the cost of production.

Wages in the major employment - or the public sector in Bangladesh has been increasing for more than the last two decades due to both strong and moderately strong labor union. Due to political, social and cultural tradition and for a humanitarian reason,. Finally, we have the nationwide increase in wages relative to the productivity or output per labor. Higher wage is easily transferred to higher cost of production and higher prices of consumer goods. Increased wages lead to the rising inflation.

57. What is money? Discuss the function of money?

An officially-issued legal tender generally consisting of currency and coin. Money is the circulating medium of exchange as defined by a government. Money is often synonymous with cash, including negotiable instruments such as checks. Each country has its own money, or currency, that is used as a medium of exchange within that country . The currency of one country can be exchanged for the currency of another via a currency exchange. The current exchange rate determines how much of one currency must be used to purchase a specified amount of the other currency.

Generally, economists have defined four types of functions of money which are as follows: 1. Measurement of value (ii) Medium of Exchange ;(iii) Standard of deferred payments(iv) Store of value.

These four functions of money have been summed up in a couplet which says: Money is a matter of functions four, a medium, a measure, a standard and a store.

These functions have been presented below in the charitable.

(i) **Money as a Unit of Value:**

Money measures the value of various goods and services which are produced in an economy. In other words, money works as unit of value or standard of value. In barter economy it was very difficult to decide as to how much volume of goods should be given in exchange of a given quantity of a commodity. Money, by performing the function of common measure of value, has saved the society from this difficulty

(ii) **Medium of Exchange:**

Right from the beginning, money has been performing an important function as medium of exchange in the society. Money facilitates transactions of goods and service as a medium of exchange. Producers sell their goods to the wholesalers in exchange of money. Wholesalers sell the same goods to the consumers in exchange of money.

In the same way, all sections of society sell their services in exchange of money and with that buy goods and services which they need. Money, working as medium of exchange, has eliminated inconvenience which was faced in barter transactions. However, money can operate as medium of exchange only when it is generally accepted in that role. Bank money can be treated as money simply on the basis of their general acceptability for they are highly useful.

(iii) **Standard of Deferred Payments:**

Modem economic setup is based on credit and credit is paid in the form of money only. In reality the significance of credit has increased so much that it will not be improper to call it as the foundation stone of modem economic progress. Money, besides being the basis of current transactions, is also the basis of deferred payments. Only money is such a commodity in whose form accounts of deferred payments can be maintained in such a way so that both creditors and debtors do not stand to lose. (iv) **Store of Value:**

It was virtually impossible to store surplus value under barter economy; the discovery of money has removed this difficulty. With the help of money, people can store surplus purchasing power and use it whenever they want. Saving in money is not only secure but its possibility of being destroyed is very less. Besides, it can be used whenever need be. By facilitating accumulation of money, money has become the only basis of promoting capital formation and modern production technique and corporate business facilitated there from.

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