Forum: Writing Correction (ä¿®æ”¹è‹±æ–‡ä½œæ–‡,è‡ªå‚³,å±¥æ·,ä¿¡ä»¶)
Topic: Please Help Me
Subject: Re: Please Help Me

Posted by: Anonymous
Posted on: 2007/5/30 16:38:15

Hi Aspirant

Mr Glotynn summarizes it very well. Let me expand it a little further.

An economy system is dependent on demand and supply, and as Glot puts it, the levels of international reserves (trade surpluses and purchases of foreign currencies) and gold reserves are the important determinants for the amount of currency to be issued by a country.

Many think that the fundamental of economics is all about money. To a certain extent it does and it is true. Economics has a lot to do with money; with how much money people are paid; how much they spend; what it costs to buy various items; how much money firms earn etc; and most of all, how much money is there in the **TOTAL Economy**.

However, economics is more than just the study of money despite the large number of areas in which our lives are concerned with. In brief, it concerns the following : -

- the production of goods and services
- how much the economy produces in total
- what particular combinations of goods and services
- how much each manufacturer produces
- what techniques of production they use
- how many people they employ
- the consumption of goods and services
- how much the population as a whole spends (including how much it saves)
- what is the pattern of consumption in the economy
- how much are bought of on particular items
- what particular individuals choose to buy
- how consumption is affected by prices, advertising, fashion and other factors ... and so on.

Now what has just been said is not quite to the bottom of what economics is all about. The crucial ingredient for a problem to be economic is that of the integral part of your question â€¦ the word â€œ **scarcity**â€•, which is one central problem faced by all individuals and all societies. And from this problem stems all other facets of economic problems. This problem of scarcity does not only apply to third world countries, but also to countries such as the USA, Britain, Germany, France and Japan.

Scarcity has a very specific definition. Whether you are rich or poor, the answer to â€˜do you like more money?â€™, is always a â€˜yesâ€™. The point here is human needs are unlimited; yet the means of fulfilling human needs are limited. This is so because the world has a limited amount of resources that are often called the factors of production, categorized into labor, raw materials and capital. Thus, scarcity is defined as the excess of human needs as opposed to what can actually be produced. Of course we all do not face the problem of scarcity to the same degree, as one of the major issues in economics is the uneven distribution of wealth.

Conversely, when a countryâ€™s economy is growing rapidly, its central bank will buy up foreign currency in order to contain pressures that might ignite inflation as foreign money floods into the country amid an export boom.

International reserves are a countryâ€™s foreign currency deposits, gold and Special Drawing Rights (SDRs). These reserve positions held by central banks and monetary authorities are assets of the central banks which are held in different reserve currencies such as the dollar, euro and yen, and which are used to back its liabilities such as ***the local currency issued***, and the various bank reserves deposited with the central bank, by the government or financial institutions.

Dear Aspirant, there are more to these than what has been written above regarding the issuance of currencies of a country. When you embark on your major in economics, your professors and lecturers will be able to give you a clearer picture on how the currency system works.   That much I can help you for now.

Have a Happy Vesak Day!

Cheers.