

Money Market – comprises of short-term loans and investments in short term debt instruments. These instruments do not trade through an exchange, but rather OTC (over-the-counter)

MONEY MARKET

The money market is the global financial market for short-term borrowing and lending. It provides short term liquid funding for the global financial system.

In the money markets, participants borrow and lend for short periods of time, typically up to 13 months. Money market trades in short term financial instrument commonly called “paper”. This contrasts with the capital market for longer-term funding, which is supplied by bonds and equity.

COMMON MONEY MARKET INSTRUMENTS

T-Bills – These are the most liquid money market instrument. They are issued by the government. Most common maturities are 90 days, 180 days and 360 days.

Negotiable Certificates of Deposit – Short term debt instrument offered by banks. They offer better returns than T-Bills due to the fact that there is a slight degree of credit risk.

Commercial Paper - an unsecured, short-term loan issued by a corporation, typically for financing accounts receivable and inventories. It is usually issued at a discount, reflecting current market interest rates. Maturities on commercial paper are usually no longer than nine months, with maturities of between one and two months being the average.

□ **Banker's Acceptance:** It is a short-term credit investment. It is guaranteed by a bank to make payments. The Banker's Acceptance is traded in the Secondary market. The banker's acceptance is mostly used to finance exports, imports and other transactions in goods. The banker's acceptance need not be held till the maturity date but the holder has the option to sell it off in the secondary market whenever he finds it suitable.

□ **Euro Dollars:** The Eurodollars are basically dollar- denominated deposits that are held in banks outside the United States. Since the Eurodollar market is free from any stringent regulations, the banks can operate at narrower margins as compared to the banks in U.S. The Eurodollars are traded at very high denominations and mature before six months. The Eurodollar market is within the reach of large institutions only and individual investors can access it only through money market funds.

□ **Repos:** The Repo or the repurchase agreement is used by the government security holder when he sells the security to a lender and promises to repurchase from him overnight. Hence the Repos have terms ranging from 1 night to 30 days. They are very safe due to government backing.

Non economic Factors:

Non economic Factors are those which are non-quantifiable and in general are not amenable to traditional tools of economic analysis. They are either not factored in economic theories and models or assumed as given. Examples are -political, social, cultural, religious and institutional aspects and may also include some elements of environmental concerns.

Economic factors are all the units required in the economic activity of production of goods and services with the effective and efficient utility of resources and fulfill the consumption demand in any market and national economy.

Non economic factors are the social and political environment that may not directly effect the level of national income and output.

Economics is the interaction of the functions of demand and supply on the market for the prudent usage of scarce resources in order to arrive at a balanced curve while non-economics factors are factors that are used as substitutes to the players in the clear field of economics in order to allow the market play without interruption by switching to substitutes when the side of the players becomes high

1-Natural factors (such as the weather or climate, natural disasters such as earthquakes or typhoons, etc) can affect the level of output.

2-Human factors, such as the size of the population, the population growth rate, and the age and gender structure of the population, can affect things like output, productivity, efficiency, etc.

3-Social factors, such as people's habits, values, religious beliefs, attitudes (e.g.: attitudes towards risk or towards work or towards foreigners), orientations (e.g.: the extent to which people are profit-oriented), and level of education and awareness - all these things can greatly affect the overall economic activity within a country.

4-Technological factors (e.g.: the pace or rate of technological advancements and the annual percentage growth in R&D spending) can greatly affect things like output, productivity, employment, etc.

5-Political factors (e.g.: wars, revolutions, etc) can also have prominent impacts.

Privatization and Development

Many of the problems of privatization in developing countries result from the lack of information about the situation of the economy and from the lack of determination on their path of privatization. This paper addresses the lack of information by presenting a theory of incomplete privatization contracts. It then turns to the lack of determination, dealing with particular problems of partially privatized firms and, finally, postulating an elaborate system of price regulation of privatized monopolies, which typically is missing in developing countries.

Arguments in favor of privatization

•Privatization through sale of share can broaden and deepen domestic capital market, boosts liquidity, causes economic growth

•Private market factors can deliver goods and services more efficiently due to free competition

–Lead to lower price –Improved quality –More choices –Less corruption –Less red-tapism –Quicker delivery Improved performance and efficiency –better incentives •Specialization –ability to focus relevant human and financial resources onto specific functions •Improvement –Improvement must to cater needs of customers •Corruption: Corruption is minimum compared to public sector •Accountability –Management are accountable to the owners/shareholders •More job creation •Cost effective compared to public sector

Advantages Wider scope, More creativity, Job creation, More incentives, Focuses client/customer needs, Profit reinvested, More capital generation

Disadvantages Profit maximization, -Unholy practice, Syndication, Minimum accountability, Maximum scope of corrupt practice

Privatization has both merits and demerits. The whole world, excepting a few countries, have been pursuing Free Market Economy and the concept of strong private sector. As a result state control on most of the manufacturing, goods and services sector have been relaxed or waived. All the Economic Powers of the world follow Free Market Economy and only a few core sectors are under the state control.

Basic Needs Theory

Basic needs theory elaborates the concept of basic needs and its relation to psychological health and well-being

Maslow's Hierarchic Theory of Needs

Maslow has set up a hierarchy of five levels of basic needs.

Physiological Needs

These are biological needs.

□ They consist of needs for oxygen, food, water, and a relatively constant body temperature.

Safety Needs

When all physiological needs are satisfied and are no longer controlling thoughts and behaviors, the needs for security can become active.

Needs of Love, Affection and Belongingness

When the needs for safety and for physiological well-being are satisfied, the next class of needs for love, affection and belongingness can emerge.

Needs for Esteem

When the first three classes of needs are satisfied, the needs for esteem can become dominant.

□ These involve needs for both self-esteem and for the esteem a person gets from others.

Needs for Self-Actualization

When all of the foregoing needs are satisfied, then and only then are the needs for self-actualization activated.

The hierarchic theory is often represented as a pyramid, with the larger, lower levels representing the lower needs, and the upper point representing the need for self-actualization.

Balance of Trade

Balance of trade is the difference between export earnings (which is received from exporting goods) and import payment (which is taking place due to import of goods).

Balance of Payments

The Balance of Payment is a statistical statement that summarizes transactions between residents and non residents during a period

This sort of division between debits & credits is called VERTICAL DIVISION. Apart from that division BOP items can also be classified in another way, called the HORIZONTAL DIVISION which may be conveniently divided into four separate accounts--

1. Current Account 2. Capital Account 3. Unilateral Transfer Account 4. Gold Account/ Official Reserve Account

Current Account

This records all monetary transactions arising out of exports & imports of merchandise & services in addition to international flow of income & investments. For Example: *When an American consumer imports Bangladeshi garment product,*

Unilateral Transfer Account

This is the second category of account in BOP. It includes those items, which have no return in exchange. For Example: *K.S.A. govt. donates to Red Crescent*

Capital Account

This account records all sorts of long & short-term international movement of capital. It measures transactions that involve the purchase or sale of assets. For Example: *When a Bangladeshi firm buys 30% of the outstanding shares of an Indian manufacturing unit,*

Official Reserve Account

Official reserve account records the change in stock of reserve assets at the country's monetary authority. It is the balancing item along with errors and omissions. It includes the following items:

- Official Gold Reserve
- Foreign Exchange Reserve
- IMF Special Drawing Rights (SDR)

Migration and Development

Migration is the overall term for the movement of people between different countries. This requires a redefinition of traditional descriptions of migration as "permanent" or "temporary", "immigration" or "emigration", and the use of policy approaches that respond to these new patterns.

migration and development:

Remittances: Remittance sare useful both from macro and micro perspectives, as a source of foreign exchange, and as a boost to household incomes.

- They may be used for consumption, investment, and as a form of insurance.

Gender and Migration

Migration is a highly gendered process, with changing and differentiated patterns of movement by women and men.

Global Changes and Their Impact on Migration

- Globalization ,particularly the interpenetration of market sand economies, has added new dimensions to some of the old migration issues

Sharing Gains and Losses

For the distribution of gain sand losses due to migration, a key issue is whether , or to what extent ,immigrants complement, or compete with ,local workers.

Migration and Unemployment.

- It is not surprising that recent studies have found no correlation between migration and unemployment. raise social welfare costs

Many irregular immigrants do not claim welfare benefits.

Migration Help or Hinder Development:

Emigration is sometimes seen as a means to reduce joblessness and enhance industrial development through increased foreign exchange earnings .

- Emigration can also serve as a temporary safety valve against mass discontent resulting from job losses during the transition following economic reform and restructuring.

Reliance on emigration, even as a temporary relief to unemployment, also carries a potential risk, it can over time aggravate the unemployment situation and undermine sustainable growth ;

- The selection of migrants –whether by family decision or at the behest of employers –tends to cream off some of the most enterprising and innovative workers of the sending country;
- Some of the direct consequences of emigration on the labor market can have second-round effects owing to changes in the social and family structure of the sending country .

Brain Drain into Drain Gain and Rain Circulation: Globalization;

- Fast-evolving technological change;
- Ascendancy of knowledge and skill based service industries; and
- Intense market competition.

Skill migration boosts the tax revenues of receiving countries, but depletes them in the sending countries.

Arecentstudycovering74lowandmiddle-

incomecountriesindicatedapositivecorrelationbetweenremittancesandpovertyalleviation

Greatereconomicconvergencebetweencountrieshouldnodoubtloweremigrationpressure;

- It is also a welcome objective on ethical and other grounds;

•But, there are two important reasons why global economic convergence should not be over stated as a mean so f managing migration.

Concluding remarks

- According to some theoretical models, migration has an all-round beneficial effect, with gains for all, or nearly all, directly involved
- The receiving country gains as immigration removes labor scarcity, facilitates occupational mobility and reduces wage-push inflationary pressure, leading to fuller utilization of productive capital, increased exports and economic growth.
- For the sending country, emigration can reduce unemployment and boost economic growth through access to strategic inputs such as remittances and returning skills.

Poverty is multi-dimensional

As indicated above, we can identify poverty as multi dimensional and there can be

- Income poverty (lack of 'only' income or consumption)
- Human poverty

- **Human dignity-based poverty**
(This concept takes into account aspects which make for a dignified human living including, broadly, social, cultural, economic and environmental opportunities and processes, underpinned by equity, ethics, and morality)
- **Empowerment-based poverty**
(Empowerment implies enhancing the capacity of individuals/groups to make choices and to transform those choices into actions and outcomes)
To keep things simple, economists restrict themselves to the most widely used and generally acceptable poverty measures which have also been used in Bangladesh:
The direct calorie intake method, The food-energy intake method, The cost of basic needs method
These theories reflect the debate about government-controlled economies versus free market economies.

Balanced Growth

Investment must be *coordinated* in order for real economic growth to occur; that way, simultaneous expansion in a wide range of industries can be achieved.

Unbalanced Growth

Developing economies do not have sufficient funds to pursue simultaneous expansion. It is far better to prioritise investment, and to concentrate on a few growth centres.

Criticisms

Governments may select inappropriate sectors for support – for example, capital-intensive sectors in which no comparative advantage exists.

Subsidies create market distortions and allocative inefficiency.

There are several potential problems with attempts at import substitution.

It decreases demand for foreign currency, thereby raising the exchange rate and making it more difficult to market exports

It reduces the benefits of comparative advantage, since countries are trying to make what they import most of rather than what they are best at producing.

It distorts the allocation of resources, since resources are not being used in industries where they can be used most effectively