

Circular flow of Money

Money that a consumer uses to purchase goods and services reaches to the producer via mediators. Then again the money reaches the consumers by the medium of wages salaries, rents profit. If a part of profit, salaries, wages etc goes to the govt in the form of tax. Again the tax is utilised or spent on the planning management, economic welfare. This way the money comes back to the consumer. This is called circular flow of Money.

As there is circular flow of Money there is an economic

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balance in economy but a disturbance in the flow system it leads to economic imbalance.

$$Y = C + S$$

Y is wages, salaries, rents etc

C is consumption

S is Savings

If Savings are converted to investment the above equation changes to

$$Y = C + I$$

I is investments.

Evils of Money

It is a famous saying that:—

"Money is a good servant but a bad Master."

Evils of money are classified under three categories.

- (a) Economic Evils.
- (b) Social Evils.
- (c) Moral Evils.

(A) Economic Evils →(i) Inflation & Deflation! —

The value of money fluctuates which leads to price rise or price fall which is not good for a economy.

(ii) Unequal distribution of Income and wealth

Inflation and deflation brings profit for a section and deflation brings profit for a section of the society and loss for other at the same time, resulting in unequal distribution of Income & wealth.

(iii) class struggle! —

Every one tries to get money. The rich exploits the poor to get more money, this results to rich get richer and poor gets poorer. This creates a class struggle in the society.

(iv) Trade Cycle! — Inflation and deflation

leads to boom and depression in economy. This effects income, employment prices etc, both in positive and negative when the trade cycle is negative,

then there are ~~more~~ many fluctuations in the economy.

(V) Over Capitalisation:-

With the rise of flow of money then it is invested in production which leads to over production which leads to price fall.

(VI) Encouragement to loan tendency:-

A person or nation to show themselves rich and prosperous borrows money.

(B) Social Evil:-

(i) Social respect:- It is a common tendency

in society a person is respectable due to money. Due to abundance of money his many drawbacks a hidden, resulting labour, honesty etc doesnot get proper place in society.

(ii) Tendency of exploitation:- In the

society people don't hesitate to exploit their subordinates to get more money.

(iii) Enmity:- In most case we can see

that money is the main reason for envy.

(c) Moral Evils:-

Money is also the mother of moral evils, It encourage thefts, robbery, ~~loot~~ loots murder etc.

Conclusion:-

Above evils indicates that money is the root of all evilness but it is not so in reality. If there is proper control on money then it is a boon but improper control leads to doom. So. the saying:-

Money is a good servant, but a bad master." is justified.