

# Macro economics essay sample

[Economics](#)



**ASSIGN  
BUSTER**

1. Will increases in government spending financed by borrowing help promote a strong recovery from a severe recession. Why or why not?
2. Does fiscal policy have a strong impact on aggregate demand? Did the shift of the federal budget from deficit to surplus during the 1990s weaken aggregate demand? Did the government spending increases and large budget deficits of 2008–2011 strengthen aggregate demand? Discuss.
3. What is the current rate of unemployment? (See bls. gov and state the month you are reporting.) How rapidly has GDP grown during the past 3 years? (See bea. gov and state the annual growth rate for each year.) What do these figures indicate about the validity of the Keynesian view?
4. Are changes in discretionary and fiscal policy likely to be instituted in a manner that will reduce the ups and downs of the business cycle? Why or why not?

This assignment is due by 11: 59 p. m. (ET) on Monday of Module/Week 4.

Answer No. 1

In case of financial recession, there is a shortage of funds in the country. The people living in the country do not have enough money and government is also not able to provide enough subsidies to them. One of the ways to avoid the recessionary conditions and ensure better support to the economy is borrowing money from abroad. Borrowing of funds from other countries might solve the problem of the economy in the short run but, in the long run, the fiscal deficit for the country will increase. This will again put the

economic condition of the country at stake. In this way, borrowing from abroad is not a proper method of coming out of recession. Answer No. 2

The fiscal policy in a particular country does make influence on the aggregate demand in the country. For example if the government increases the level of duties on cigarettes and tobacco then, there is likelihood that demand of the product will decrease due to increase in the prices thanks to rising duties and taxes (Labor Force Statistics from the Current Population Survey, n. d.). During the years of 1990s, there was a shift in the economy from deficit to surplus. When the economy moved into fiscal surplus then, it's spending towards the country declined to a certain level. Due to the decline, the level of subsidies had reduced and demand of products also decreases. With the increase in government spending aggregate demand does increase but, it is not always the case when, there is fiscal deficit in the country. Answer No. 3

In the country of the United States of America, the current rate of unemployment is 8.2%. This rate is for the month of June in the year 2012. In year 2010, the growth rate of GDP was at the level of 4.2%. In year 2011, it reduced to the level of 1.6%. In the first quarter of 2012, the growth rate of gross domestic production is at the level of 1.9%. These figures indicate that, economy of the United States of America is not stable at the current time and still a lot of work is required to be done to bring the country to stability. This matches the view of Keynesian. Answer No. 4

Though the government tries to ensure that, changes in discretionary and fiscal policies are made in such a manner that, there is a reduction in the ups

and downs of the business cycle. But, the economy of the United States of America does not work in isolation. There are various countries with which, it has its linkage (United States GDP Growth Rate, n. d.). Therefore, at certain times, troublesome economic conditions in other countries also impact the United States of America to a certain level.

#### References

United States GDP Growth Rate. (n. d.). Retrieved February 9, 2013 from [http://www. tradingeconomics. com/united-states/gdp-growth](http://www.tradingeconomics.com/united-states/gdp-growth) Labor Force Statistics from the Current Population Survey. (n. d.). Retrieved February 10, 2013 from [http://data. bls. gov/timeseries/LNS14000000](http://data.bls.gov/timeseries/LNS14000000)