Speaker of the house

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Speech by Speaker of the House on the Current of the U. S. Macro Economy to Amateur Reporters Ladies and gentlemen, thank you for coming for this important meeting. In a short time, I will discuss the Current State of the U. S. macro economy. In my discussion, I will focus on the performance of the US economy, its relationship with the rest of the world through international trade as well as foreign exchange rates. A country could have a trade surplus or a trade deficit. While a trade surplus means that a country's total exports exceed its imports, a trade deficit means that a country's total imports exceed the exports. Excessive imports have adverse effects on the economy of a country such as the United States. Currently, the economy operates at a trade deficit, which means that the level of imports brought into the country is very high. This means less production of goods by the country, a factor that leads to the loss of jobs for the United States citizens. The more the country imports, the lesser they produce. Economically though, there are diverse effects of increased imports. While in the short run imports allow the country to focus its resources in research and development, there are long-term implications of this kind of business. Debts finances imports business and thus allow the country to take greater risks. In the end however, due to debt accumulation, the country could have problems in repaying such debts, leading to poor economic development. Oil is one of the products that the United States has an imports surplus. This has contributed to increased expenditure on oil and petroleum products, with customers, especially motorists having to spend more on fuel. This constrains their budgets, at the same time reducing their propensity to save. International trade is any kind of business taking place across borders (Reuvid & Sherlock, 2011). It takes the form of imports and exports, for either products or services. Knowledge

and expertise is also an element of the international trade, where some countries require specialized knowledge and highly skilled experts in particular filed. International trade increases the volume of trade in an economy, increasing its GDP (Reuvid & Sherlock, 2011). Due to the increase in a country's GDP, people have more money to spend on different goods and services. As a country's GDP grows, domestic markets expand considerably. This is because international trade allows for the free flow of goods from one place to another, thus enhancing free economies. The increase in the flow of goods in the economy thus positively contributes to the growth of domestic markets, as well as increasing their level of business. University students, being dependants, have no sources of income and thus depend on their parents and guardians. In the event of a GDP growth, their parents have more disposable incomes, which they subsequently pass to their children. Since there is, an increase in the volume of trade in the domestic market, with the supply and demand determining commodity prices, students can buy more commodities. Additionally, it exposes them to international trade. As they acquire knowledge on how international trade happens, they also can acquire jobs in different countries depending on their level of training. Tariffs and quotas are import policies adopted by the government in order to protect the domestic products from external competition. Tariffs are taxes imposed on imported goods into the country, which increases the prices of the goods in the domestic market. This gives domestic producers a competitive advantage over imports since imports are priced higher (McEachern, 2013). Quotas on the other hand are numerical limits imposed on all imported goods, where the government seeks to control the number of imports flowing into the economy (McEachern, 2013).

Although these policies protect the domestic economy, they negatively affect international relations as well as international trade. A country such as United States could impose higher tariffs on goods coming from china, yet china has no such tariffs. This negatively affects international relations between the two countries. Quotas too affect such a relationship. Some governments feel that imposing tariffs and quotas is a way of exploitation of the weak economies by the strong and developed economies. Not only are they harmful to international relations, tariffs and quotas are a hindrance to international trade. Since international trade rely on freedom of entry of goods and services into a country, the use of tariffs and quotas constrains such efforts considerably. Foreign exchange, defined as the price of one country’s currency expressed in terms of another country’s currency, is the rate at which one currency can be exchanged for another (Yu, Wang & Lai, 2007). There are two ways of determining exchange rates of a domestic currency for another. Floating rates describes a situation where the foreign currency continually changes due to a number of factors. Pegged, also known as fixed rates are a situation where the domestic currency remains fixed against another country’s currency. Market forces of supply and demand determine floating rates. However, the government, through monetary policies, determine the level of foreign exchange in the country (Yu, Wang & Lai, 2007). Chinese goods pose a threat to the United States domestically produced goods. Due to their low prices, they compete heavily with the United States’ domestically produced goods. There are arguments that Chinese goods in some instances, though not all, are substandard due to lack of research and innovation. Despite this though, the United States government has not successfully stopped Chinese imports into the country.

There are a number of reasons explaining this scenario. Restricting the entry of goods into the country would be an action against the foreign trade policies and laws, which require all countries to allow other countries to export their goods into the country. Additionally, labour is more expensive in the United States than in China. Choosing to produce labour intense goods would mean higher production costs, which would lead to increased commodity prices. The government thus opts to import such commodities, which is much cheaper. United States and china have more relations between each other apart from trade. Restricting China from exporting its commodities to the United States would adversely affect such relations. Finally, the United States is not self-sufficient. It cannot produce all goods and services for its people and have to rely upon foreign imports to supplement its production. Thank you.
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