

Aacsb assessment



Running Header: Fiscal analysis Question There are a number of issues facing the chairman of the Fed, one of them is to ensure that the GDP does not continue to fall, ensure that the unemployment rate does not go beyond the 4 percent increase and also ensure that the mortgage defaults does not increase. The state of the country's economy could explain the reason why there is an increase in the number of college dropouts. It is thus the responsibility of the Fed chairman to formulate a holistic approach to the deteriorating state of the country's economy. Since all these problems are related to the country's economy status, this could explain the rationale for all these problems facing the Federal Reserve (Parkin 2005).

Question 2

The first worry for Fed is the decreasing GDP; this is because once the GDP starts decreasing there are a number of negative consequences that will be apparent. In the calculation of the real GDP using where $GDP = C + I + G + (Ex - Im)$ where the $(Ex - Im)$ represents the net exports which as shown by the formula could either be negative or positive (Parkin 2005). In this case, if it is positive, then the country's GDP increases and vice versa when it is negative. It is the duty of the Fed to ensure that the GDP is always positive since it has a direct impact on the country's economy. In this case, the GDP has decreased by 6.3%, this decrease has a direct effect on the labor market and the country as well. The rate of a country's production is measured by its GDP and hence a drop in the GDP means that there will be unemployment increase as evident in this case, household incomes decrease, decrease in business profits and increase in the number of bankruptcies as evident by the mortgage defaults experienced in this case. Based on the facts analyzed above, the consequences demonstrated in the <https://assignbuster.com/aacsb-assessment/>

above case are as a result of the decline in the GDP and hence the first worry for the Fed. The Fed should thus not worry about the increasing unemployment rate, mortgage defaults and even college dropout but rather worry about the GDP by creating a stimulus plan that will raise the GDP which will then translate to the a higher purchasing power for the country's citizens (Parkin 2005).

Question 3

In order to save the economy of the country, there is no one only way of accomplishing the task but rather a delicate balance between regulation of open market operation and adjustments of country's fiscal policies. The rationale for this is because of the cumulative contribution of various factors towards the drop in the real GDP and hence the increased unemployment rates and mortgage defaults as a result of lower purchasing power or increased interest rates. The chairman of the Fed should thus opt to apply a holistic approach strategy in order to salvage the country's economy from plunging into recession (Parkin 2005).

References

Parkin, M. (2005). *Macroeconomics*. New York, NY: Addison Wesley. PP. 87-102.