Unemployment commentary

Economics, Macroeconomics

Economics Commentary U. S. Employers slashed jobs for the third straight month in March and unemployment rose to a nearly three-year high, offering the latest signs that the economy has fallen into a recession. The Labor Department's much anticipated report, released Friday the 4th of April, showed a net loss of 80, 000 jobs last month. That marks the third straight month that jobs have fallen - the longest period of decline since early 2003. Now having acknowledged that the US is in a recession it is vital for the government to take appropriate measures to insure an Expansion which will help the economy out of an Depression and in direction of a Peak. This process is clearly defined in the business cycle as seen in fig. 1. In the case of the US, a recession leads into a Depression which has a lot of identifying characteristics; low income, low output, low demand low business confidence, low Investment, Deflation, Cyclical Unemployment, high Government spending and low import (export ïƒ Balance at Payment surplus). The characteristic which stands in this case is the unemployment. This is the state of an individual looking for a paying job but being able to find one. Unemployment does not include full-time students, the retired, children, or those not actively looking for a paying job (e. g.: full-time mothers). There are different kinds of unemployment and there are there different ways to measure unemployment. Since the report is not very specific what causes the high unemployment other then the recession, we will have to suggest that we are dealing with cyclical unemployment, which concludes, to one solution, which is getting the country out of a depression and back into a boom. But like always this is easier said than done, for one always runs the runs different risks when executing these counter procedures. When trying to change the course of an economy especially one as big as the US the response given after policies have been applied, could be to slow too observe or less/too much than predicted, and the government may be reluctant to act because of political considerations, especially in this case as the presidential elections are following later this year. The Fiscal Policy has some specific problems which make it even more dangerous, for example the raising of taxes may discourage effort and initiative instead encouraging it and high unemployment benefits may increase and increasing indirect taxes is inflationary (cost push), adding the risk of too high inflation. And other factors such as foreign conflict may be scare the government from changing too much of their economic policy and Welfare or Social justice. The US being the country that it is is being affected by every one these risk, being involved in more than just one foreign conflict, having one the most important presidential elections in a while and being one the world's leading economies. Looking from every aspect I think the most influential factor is the political situation at the moment. We will have too wait for the US to elect their new president and thereby decide the course they will take for all three potential presidential candidates all have distinctive opinions on the US economies and what the right way may be to save it from it's downward spiral.