

What is the "current  
macroeconomic  
situation" in the u.s.  
(e.g. is the u.s.  
econo...

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What is the "current macroeconomic situation" in the U. S. (e. g. is the U. S. economy currently concerned about unemployment, inflation, recession, etc.)? What fiscal policies and monetary policies would be appropriate at this time? THE PROBLEM: US is the leading economy of the world but is under a recession since 2008 or so. Unemployment is at record high and is the biggest problem areas for policy makers. No jobs means consumer confidence and business sentiment also suffer. The problem started with the housing bubble in 2008 leading to a near collapse of financial biggies like Lehman Brothers. To weather that situation the US govt has been taking measures to prop up the economy, but without much effect. Currently another problem is the Europe's growing debt. Many countries like Spain, Greece are reeling under heavy debt, and are asking for help from other European nations. This kind of debt rescue can threaten the growth of not just these nations but of US and the entire world economy. The fear is that Europe could take US to a new low in GDP levels. As US is the world's largest economy any recession will have wide ramifications over all other economies WHAT HAS US DONE? On the fiscal front the govt has pumped in money by printing new money. This is expected to give more money in the hands of people to spend. A rise in spending will boost aggregate demand and increase income according to theory. The 'Quantitative Easing' measures were in this spirit. It has also increased govt spending to boost confidence about growth in long run. the rescue of banks and private insurers was also intended to give confidence to the businesses and public about faith in the US economy. On the monetary front, the FOMC has constantly undertaken

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buying of govt securities in an effort to lower interest rates and encourage investments. A rise in the latter increases output and improves confidence levels also. Hence the govt is trying its best to revive the economy using fiscal and monetary measures. It has achieved some success but even this is being threatened by developments in Europe. Any recession in Europe will make US recovery that much tougher. Unemployment is the biggest concern at 9.3%.