

Good essay about current macroeconomic situation in usa

[Economics](#), [Money](#)



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\n[toc title="Table of Contents"]\n

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1. [Analysis of the current macroeconomic situation](#) \n \t
2. [Appropriate measures/policies](#) \n \t
3. [References](#) \n

\n[/toc]\n \n

Analysis of the current macroeconomic situation

Macroeconomic analysis entails the study of the behavior of the aggregate economic phenomena that include economy growth rate, inflation, price levels, gross domestic product, national income and the unemployment levels. Currently, the utmost concern of the US government is on the high unemployment levels. Dating back from the great recession, the labour conditions have been deteriorating where the unemployment rates increased from 5% in the last quarter of 2007 to 10% in the final quarter of 2009 (Katz, 2014). In early 2012, the rate was at 8. 3% but ended at 7. 8 %, and the declining trend has been seen with the end of 2013 being at 6. 7%. The currently recorded rate is 5. 9%. Although there are positive signs towards the eradication of unemployment, job creation remains a challenge even at the times when the economy is in the recovery phase. The displaced workers still face the harsh consequences of the labor market adjustment since 2008 (Katz, 2014).

Another macroeconomic issue facing the US economy is the rise in the inflation rate. With the increase in gasoline prices, the consumers and retailers of other commodities are forced to pay highly for other goods

offered in the economy. The current rate recorded in October 2014 is 1. 7%, this is higher than the 2013 average rate which was at 1. 5%. Although there is an improvement in the rate of inflation, the rate is still high compared to the average rate recorded in 2009 which was at -0. 4%. It was the lowest since in 2010, 2011 and 2012; the average rates were 1. 6%, 3. 2% and 2. 1 respectively (Usinflationcalculator. com, 2014). Higher inflation rates slow the economic growth of the economy as the purchasing power of money is reduced since too much money can only chase a few commodities.

The GDP growth rate also has been on the decline in the US economy. The rates recorded in the year 2010, 2011; 2012 and 2013 were 2. 5%, 1. 8%, 2. 8% and 1. 9 percent respectively. The data portrays an unsteady economy with the latter being a decline in the growth rate. A decrease in the GDP indicates that the capacity of the economy to sustain itself is on the decline (Data. worldbank. org, 2014).

Appropriate measures/policies

Several actions can be taken with the view solve the macroeconomic problems facing the US economy. They range from fiscal policies to monetary policies, and they include both expansionary monetary policies as well as expansionary fiscal policies. The expansionary fiscal policies will include the offering of transfer payments that will boost the unemployed and also improve the growth rate of the economy. It is because the people will have enough money at their disposal to make purchases thereby steering the economy towards improvement. Reduction in taxes and increase in government purchases and expenditure towards development of

infrastructure will also boost the capacity of the economy. Businesses will thrive well with the reduced taxes and hence ultimately reduce the price of commodities and the unemployment rate as businesses will have the incentive of employing more workers. It will reduce the inflation problem currently in the economy by a significant margin.

Also, the government can initiate an increase in the money supply (In circulation) through the Federal Open Market Committee (FOMC). It will involve the buying of government securities so as to increase the money in circulation in the economy. A reduction in the Federal Reserve requirement will also have the same effect, and this will promote lending by banks. As a consequence, businesses will thrive, and there will be a reduction in the unemployment rate. Also, the rate of inflation thereby increasing the growth of GDP since the productive capacity of the economy, will grow.

References

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