Good what is the current macroeconomic situation in the u.s term paper example

Sociology, Social Issues

The United States is facing gradual economic growth with large downside risks. The causes of the economic downturn in the US are attributed to the 2007 financial crisis when the nation experienced a housing bubble burst. Another root of downturn of the economy in the US is the sovereign debt crisis. This is so because the countries such as Greece are asking for assistance to finance their debt, which is affecting the US economy and the world economy. The fear is that this would take the United States economy to a low GDP level. Since the US is the leading economy, any recession would lead to broad ramifications over all other economies.

Regardless of several government interventions, the government has printed off trillions of dollars to stimulate the economy. The economy might result in recession due to high levels of unemployment and anchored inflation. This is so because the nation is employing economic policies that are not assisting to restore the economy after the 2008 financial crisis. For instance, the expansionary policies used are threatened by high unemployment. The real GDP increased by 3. 2 percent in the last quarter of 2013 (U. S. Bureau of Statistics, 2014).

The Federal Reserve has made the nation experience economic failure, since the financial crisis. The extra dollars printed to alleviate the budget deficit were meant to stimulate economic growth. However, it has reduced purchasing power of consumers, which is the driving force of inflation. This is so because, the US dollar continues to lose value against other global currencies. This is making imported goods are becoming extremely expensive.

Although GDP is growing slowly, the young job seekers are increasing faster, which in turn increases the unemployment rate. Therefore, the current unemployment level in the United States is about 6. 7 percent. Although the number of unemployed persons has decreased by 1. 2 million in the past one year, the increasing rate of unemployment is the biggest issue for the policy makers (U. S. Bureau of Statistics, 2014).

The Federal Reserve has employed various policies to ease the macroeconomic issues. Using the expansionary fiscal policy, the Fed pumped in money into the economy by printing new dollars. This was expected to put more money in the hands of consumers to spend. An increase in spending would promote aggregate demand and increase income based on the theory (Li 3905). Likewise, the Quantitative easing measures were meant to stimulate the economy and increase government spending to promote confidence about economic growth in the long run. This has resulted in a slowdown of inflation, which is about 1. 1 percent (U. S. Bureau of Statistics, 2014). The FOMC has also employed monetary policy by purchasing of government securities, which is meant to decrease interest rates and boost investments. This is so because an increase of investment results in the rise of the output and boost confidence levels.

In order to recover the economy the Fed needs fiscal constraint and policies that stimulate the economy. This includes a supportive monetary policy that addresses structural weaknesses in the economy, which is the main issue in the US. For instance, since the current unemployment rate is cyclical, it is vital for Fed to employ monetary policies and expansionary fiscal policy. The expansionary fiscal policy can be employed via government purchases, transfer payments and taxation (peter, 2013). The US government can increase spending in fields such as healthcare and infrastructure. On the other hand, it should reduce taxes, which will increase household's disposable income and increase consumption. Therefore, expansionary fiscal policy is vital because its major role is to increase the aggregate demand, which promote economic growth.

Works Cited

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