Econ case studies example

[Business](), [Customers]()

[University affiliation]

- Given the unemployment level of 7. 2 % the USA finds itself in a recessionary gap that is shown in the graph as the difference between Y and YF. The main reason for that is a lack of job places (full-time): people, who are willing to work, but are unable to find job placement, constitute the major component of labor force. The factor of insufficient job market directly affects the short-run Supply curve (ASSR) by contracting economy.

The year used in the article and on the graph is 2013. ΠF is the price level at full employment. Π is a price level in the short run. Y13 is the output level in given year. YF13 is an output level at full employment. ASLR is vertical aggregate supply in the long run. ASSR is a horizontal aggregate demand in the short run.

- Gross Domestic Product is comprised of spending on Consumption (C), spending on Investment (I), Government spending (G) and net exports (NX). The above-mentioned variables affect Aggregate Demand curve and cause it to shift either right or left. The article mentions about fall in consumer confidence, which results in drop of consumer spending. Higher interest rates negatively affect spending on Investment, which results in a decreasing trend of Investment activity. The factors of falling consumer confidence and high interest rates explain why “ clients are uncertain to start new projects”. Decrease of both consumer spending (C) and investment demand (I) shift the AD curve to the left.

- Easy money policy is a monetary policy, which is used as a fine-tuning tool to curb the effects of unemployment and recessionary economy. Theoretical underpinnings of spending $85 billion a month in bond purchase of Federal

Reserve is to increase Money Supply in the economy and promote growth. The rise in Money Supply decreases interest rate and facilitates Investment Demand. The increase in Investment Demand shifts the AD curve to the right. Implementation of easy money policy based on bond purchasing increases real GDP by a multiple of the rise in investment and Federal Reserve hope to improve employment by this policy. The shift of the AD curve to the right will bring the economy to full employment level.