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

[Countries](#), [United States](#)

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1. What is the " current macroeconomic situation" in the U. S.?

The current macroeconomic situation in the United States has lots of positives and negatives. The positive aspects start with the normal tendency of the economic situation to expand. The country has an increasingly growing employment group as well as persistent capital formation and improvement in technology. Most significantly, the country has lots of entrepreneurs that are attempting to establish greater value on their products and services at a lower cost. During the first quarter of 2014, the real GDP in US came in with only 0. 1 percent growth. This sluggish growth is attributed to the rough winter snow that hit the country during the last period of 2013 to the early part of 2014. There were disrupted rail yards, snow-bound cities, and many people got stranded on highways for several hours, thus no GDP was produced. Such is not the type of stuff that facilitates the achievement of the American Dream.

Evidence of poor economic uptake is apparent is the recent data released on real per capita disposable income which is the average earnings of American in after-tax. The recent estimate landed on a negative point. Pale growth in the GDP and increasingly high taxes placed the Americans in the cellar in terms of their earned income. Although unemployment compensations, welfare benefits, and pensions offered relief, they also contributed to the deficit. There is slackness in the US economy.

Growth in the Consumer Price Index (CPI) follows a fairly close capacity utilization development. Initially, growth in capacity utilization increases then the CPI took off. There is slight increased in the growth of capacity utilization.

For the past 12 months, the CPI has increased by 2%. The index of all basic items has increased by 1. 8% while the energy index has increased by 3. 3%. On the other hand, food index increased by 1. 9%.

2. What fiscal policies and monetary policies would be appropriate at this time?

During the 1970s and 80s, United States experienced a very high inflation rate, of which unemployment rate also increased. Because of that incident, Paul Volcker, Fed chairman at that time, had to increase the rate of Fed funds to as high as 20% in order to have control over the situation once more. If an individual borrows money to purchase a home and sends a child to a university to obtain an education, and start a new venture that costs a 20% interest rate, then the situation eventually becomes out of control. In the same way, the Federal Reserve Board cannot take control of two situations all at once. While it attends to the inflation rate, the unemployment rate suffers. Between the two, the most important priority to take is to stabilize the price. Hence Federal Reserve Board must focus first on the problem of inflation.

The goals of the Federal Reserve Policy include conducting the country’s monetary policy by taking control over credit and money situations in the economy in the hope of achieving of price stability and employment. The Federal Reserve also supervises and regulates banks as well as other financial institutions to guarantee the safety of the financial system of the country and to protect the rights of the consumers. One appropriate goal for Federal Reserve Policy is to render its attention on stabilizing the price in order to control increasing inflation and only then will the Federal Reserve

Policy attend to the problem of unemployment after it has stabilized the price.

When inflation rate is high, there also appears to have relative price distortions because not all prices experience inflation at the same paced. Hence, the appropriate goal for the inflation rate is to retain a target below 2%. A 3% target may be small costs relative to 2% and may not even be a problem at present, however. A 3% target is likely going to be a problem eight decades later.

References

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