Structural stagnation dilemma forum

Literature, Russian Literature

Structural Stagnation Dilemma Forum A structural stagnation is a concept describing a in which the macro economy is inhibited from attaining its potential growth as a result of an underlying misalignment in distribution and allocation of resource (Colander 233). Normally, the growth is impeded in various fields such as employment, GDP and productivity. In contrast, a secular stagnation points to a state of sustained slowdown in the growth process of an economy as a result of persistent underperformances of demand that cannot be corrected. The major cause of secular stagnation is the damage arising from great recession, which has caused many workers to stay without jobs. Further, the economies are suffering because of shortfall of investments in education and infrastructure. For structural stagnations, the major causes are categorized into long term short term. The long term causes are globalization, exchange rates and trade deficit while short term is associated to the aftermath of financial crisis.

As shown in figure 11-3, by Colander, a graph showing policy implication of structural stagnation, the policy makers are deemed to target a higher potential output as a result of the dilemma (Colander 238). In which case, Aggregate Supply (AS) and Aggregate Demand (AD) model explains that " too high targeting", than is sustainable, on aggregate output creates a financial bubble. The financial bubble in turn causes slow growth in macro economy and high unemployment rate.

In contemporary society, the definition of economic growth and employment goes hand in hand with technological change. At times of volatility and impeded economic growth, many economies are relying on technology to create jobs and facilitate innovation and development. The technology industry has initiated direct job creation, especially in the ICT sector that now features among the largest employers. Apart from being an employer, technology also boosts economic growth through its contribution to GDP growth. For instance, E-commerce is pervasive in most economies and constitutes a considerable portion of their overall GDP. However, the technological change has brought with it both negative and positive impacts on employment. The introduction of machinery, working like man, has brought about unemployment in subject industries. Many workers are laid off as a result of technological transition taking course.

Even though globalization has been evident to lift many out of poverty, it does have contradiction in terms of the structural changes it forces US to undergo. The globalization process has impacted on US wages in various job segments through deteriorating wage growth and also decreasing them. The deteriorating wages have been as a result of the employers transferring jobs to lower-cost labor, through the help of globalization. This impacts US negatively considering the fact that global growth requires high-wage in USA. The reduction in wages has further undermined the purchasing power of US citizens.

The impact of technological change and globalization on US workers has reached a wrenching limit, which calls for a safety net as a solution. Safety net, as a course of achieving resilience, is important in this situation since the two (technological change and globalization) are inevitable and cannot be done away with. The government needs to establish a functioning safety net, whereby the vast wealth acquired by the nation through globalization should be used in protecting those affected (Ray 57). The safety net includes health care reforms, which would ensure that there is affordable health insurance for those who lose their jobs, and unemployment insurance to cover the displaced workers.

Work cited

Colander, David C. Economics. New York: McGraw-Hill Irwin, 2014. Print.

Ray, S K. Planning, Growth and the Economy. New Delhi: Prentice-Hall of India, 2002. Print.