

The framework for business

Economics



1. How did the global economic crisis unfold? In 2008 the banking system was on the verge of collapsing. Home foreclosures soared, due to home and personal loans not being paid off. Property and the housing market plummeted. Layoffs put more than a million Americans out of work

2. What steps did the Federal government and the Federal Reserve take to mitigate the crisis? The Federal Reserve stepped in and bailed out AIG. Congress passed the Troubled Assets Relief Program. The American Recovery and Reinvestment Act was signed by Congress. Treasury Department spent money on an auto industry

3. Compare and contrast microeconomics and macroeconomics. How do the two approaches interrelate? Use a specific example to explain. Microeconomics deals with Business, Consumers and families.

Macroeconomics is the overall standing of the country's economy. When these two work together a business can be successful; Macro looks over the rate of growth of the company. As Micro is more of looking over the supply and demand.

4. What is the difference between fiscal and monetary policy? What role does politics play in shaping these policies? Through fiscal policy, regulators attempt to improve unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the economy. Monetary policy is maintained through actions such as increasing the interest rate, or changing the amount of money banks need to keep in the vault

5. What are the fundamental elements of the free market economic system? How can businesses thrive within this system? A free market is a market economy in which the forces of supply and demand are not controlled by a government. A free market contrasts with a controlled market, where government intervenes in supply and demand through non-market methods such as laws controlling who is allowed to enter the market, mandating what type of product or service is supplied, or directly setting prices.