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Abstract

This paper explores the main macroeconomic indicators and gives the overall assessment of U. S. economy. We have overviewed the U. S. GDP growth, the rate of inflation and unemployment rate. We have identified the U. S. economy's stage of business cycle. Based on the analyzed data, we have suggested the possible fiscal and monetary decisions that can facilitate economic revival. We have examined the main factors that can improve net trade balance. We have prepared the economic forecast for the following year based on the decisions made in terms of fiscal, monetary and trade policies.

Keywords: GDP, macroeconomic, inflation, unemployment, fiscal, monetary, trade deficit

The key macroeconomic indicators of economic health are GDP growth rate, unemployment rate and inflation rate. Based on BEA (2014) information, the real (inflation adjusted) GDP annualized growth rate is 1.8 percent comparing to previous year 2.2 percent growth. The GDP growth details are disclosed in Table 1:

Quarterly real GDP dynamics 2012-2014

The fluctuations of GDP growth rate were within 1.6-2.5 percent after the downfall in 2009. Such rates are normal for the economy recovering from recession. Moreover, the advanced U. S. economy has not seen the growth rate more than 4.9 percent since 1999. The stable GDP growth suggests the economic revival. The growth is mainly stipulated by aggregate demand exhilaration as almost 70 percent of GDP consists of consumer expenditures.

The government spending contributes to 18 percent of GDP and has increased in recent five years in order to stabilize the economy. Still it has to be considered that the outcome of fourth quarter GDP can alter the annualized growth rate significantly.

The unemployment is steadily declining: from average 7.4 percent in 2013 to 6.3 percent in 2014 (United States Department of Labor, 2014). The annual inflation rate has increased from 1.5 percent in 2013 to 1.8 percent in 2014 (US Inflation Calculator, 2014).

The unemployment rate decline and reasonable inflation rate encourage the consumer and business confidence. Increase in number of workplaces should have a positive impact on production volumes and consumer spending.

Besides, the holiday spending in December always contributes to GDP growth. Oil price downfall can be the critical argument for increase in production of goods and services. Therefore we can state that the U. S. economy is at the recovery stage of business cycle that has to be followed by economic growth and production expansion.

In the context of our statement, fiscal policy has to be aimed at production output growth and, eventually, at increase in consumer spending. The taxation level has to be decreased to stimulate consumption and aggregate demand. Lower corporate tax rates can encourage companies to invest into business expansion or to cancel loans. The other powerful fiscal instrument is government spending. Significant government expenditures are the most effective at the recession stage of business cycle. In our opinion, at recovery stage government spending can be minimized to reduce budget deficits. The main government expenditures should be kept at maximum level only in

strategically important industries and social programs.

The Board's of Governors of Federal Reserve System (2014) economic projections have revealed the relatively stable growth of the main macroeconomic indicators. After the financial crisis of 2008 the short-term interest rates were lowered to almost zero value and stay low until now. In perspective of economical growth the rates should be fixed at low level. In this way business units can afford loans that will promote production expansion. Households will have access to inexpensive consumption credits. These factors should boost the aggregate demand and supply. The money supply can be gradually increased to support the increasing level of transactions. The annual inflation rate should be kept under 3 percent.

Basically, our main function is to raise monetary base proportionally with the level of production. In this way we will avoid money devaluation.

In the last decades the trade deficit has become common for U. S. economy. As most of labor-intensive productions were transferred into other countries (China, South America etc.), import goods have replaced the domestic production. Inexpensive import helps to maintain low inflation rates and higher living standards, but the trade balance has become negative. The adverse aspect of the deficit is that it diminishes the GDP and makes the national economy dependent on international markets. Besides, negative net trade result has accumulated large debts.

The energy boom started in early 2014 is the silver lining of trade deficit, 40 percent of which are caused by oil import. The rapid growth in domestic production of oil and gas will allow us to cut down the import of oil and gas to minimum. According to Lawrence (2014), " each dollar saved from falling

foreign oil purchases would reduce the U. S. trade deficit by twenty to eighty cents” in short-term consequences. Therefore some import restrictions should be applied to gas and oil. Also, for goods that can be produced in USA at a relatively similar price, the import quota should be raised.

Conclusion

We have established the economy is at the recovery stage. This is substantiated by steady real GDP growth, low interest rates, increasing consumer consumption and gradual decline in unemployment rate. The government interference in economy should rather have encouraging effect than restricting. This is the main purpose of our decisions in fiscal, monetary and trade policies. Below we provide the analytical forecast of changes in main macroeconomic indicators.

Gross Domestic Product. The GDP will grow insignificantly – not more than 4 percent for the year. The growth is mostly explained by increase of aggregate demand, low cost of borrowings, decreasing unemployment.

Decrease of tax rates will stimulate consumer spending and strengthen business confidence. The trade deficit will be minimized to zero or even have a positive balance considering increase of domestic oil production. However, the international markets will also have a great influence on U. S export and market expectations.

Unemployment rate. The unemployment rate has been decreasing gradually from almost 10 percent in 2009 to average 6. 3 percent for 10-months period ended October 31, 2014. We expect the average unemployment rate to fix around 5. 5-5. 9 percent. It is mostly explained by relevant production expansion.

Inflation rate. Considering the above mentioned, the inflation rate should increase by not more than 5 percent points. The increase in consumer spending and business activity should lead to interest rates rise. Additional dollar emission in terms of our monetary policy will also lead to inflation rate growth.

We expect the moderate but stable economic growth within the next two-three years. If the international financial and goods markets will not face downfalls, the U. S. economy can enter the prosperity phase in the next 10-15 years.

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