Assessment of the us economy performance essay examples

Finance, Investment

Introduction

Performance of a given economy is determined on the larger part by the law of demand of supply. This simplistic economic law stipulates that demand and supply would interact naturally to bring the economy into equilibrium. The equilibrium point is the point when the level of demand equals the level of supply and vice versa. When demand is more than supply, it means that there is surplus in demand relative to supply, this means that the economy is unable to supply sufficiently to its households. Similarly, when there is excessive supply, the implication is that what is produced cannot all be absorbed into the market and the production must be brought down to attain equilibrium as per the law of demand and supply. This paper will analyze the performance of several sectors of the economy and attempt how the economy might look like in the next one-year or eighteen months.

The unemployment rate in the United States today stands at seven point five percent; this according to the bureau of labor statics represents a decline of 0. 4 from January. This is a positive trend in the economy as the number of unemployed individuals is on the decline. The high rate of unemployment experienced in January, just after the polls, is attributable to the high rate of inflation resulting from pumping of campaign money into the economy by politicians. However, the decline in the rate of unemployment is a sign that the economy is recovering and will keep on recovering in the next one year or so, President Obama has also pointed out that the government will enforce measures to bring more employment to Americans, so, the level of unemployment is expected to decline by the day. This indicates that Americans will likely have a better standard of living in the next year because less people will be unemployed; this indicates a positive economic growth.

The current prime interest rate in America today is three point two five (7. 5) which are favorable to positive trend of the economy in the next one year. It favors economic growth in that there will be increased borrowing by households from banks which means higher investment which will bring more employment and consequently see the economy grow in a positive trend. However, the low interest rate is harmful to the economy in another perspective. The higher borrowing due to the low interest rates may bring about an economic downturn in the coming year; it will increase the amount of money in the hands of the public and this might bring about demand-pull inflation. Increased prices of goods and services will translate into increased cost of production, eventually leading to unemployment and increased cost of living which will cause poor standards of living and hence a negative trend in economic growth.

The current consumption expenditure in the US is eleven point four one (11. 41), which represent increase from the previous eleven point four eight and constant increases from previous levels of consumption. The level of consumption may affect the economy in two ways: high level of consumption lowers the level of investment. It means more money collected through taxes is consumed than is invested; this is detrimental to the economy in the long run. It means that there is bound to be high levels of unemployment because there will not be no investments where people can be employed, this will lead to poor standards of living and consequently a downturn in economic growth. However, a level of consumption lower than the level of investment presents a positive trend in economic growth in future. More investments will translate into lower rate of unemployment in the next one year and this is a sign that there will be positive economic growth. A high level of consumption in the government is, however, favorable in the short run because the public will have what they are in need of in plenty. Investment by the United States is lower compared to the level of consumption; this is unfavorable for the economy in the future. The effects may not be felt in the short run but in the long run they will eventually crop up, the main indicator being rampant unemployment in the population in future, this will mean high dependency ratio and consequently poor standards of living. In the next one year or eighteen months, however, the effects are not likely to be felt. The level of unemployment will remain constant and standards of living are not going to deteriorate. The government should take the initiative to invest more in order to secure the future of our country and future generation.

The budgeted spending for the government in the year 2013 is six point two trillion (6. 2T); this represents a constant upward trend in the level of spending from the previous years. This level of spending does not pose any threat to the economy at all. It is relatively low compared to the amount collected in form of taxes. The level of spending by the government affects the economy in several ways. If the level of spending is too high, it means that there is a lot of money coming from account of the government into hands of the public. This essentially means that there is high amount of money in circulation in the economy, (Dubner & Levitt, 125). This may lead to inflation, commodity prices may shoot up which would mean that there is high cost of production, due to, among other costs the rise in the cost of raw materials. This may lead to unemployment and poor standards of living, which reflects poor economic performance. On the other hand, the government may spend too little from its account to the public; this will mean that the public will have too little money to spend in buying goods and services. What this means is that there will be plenty of goods in the shop shelves of shopkeepers to buy, but they will not buy owing to lack of money. This means that that the suppliers will definitely cut down their levels of production to the level that the market can take. The reduced quantity in production will mean that producers will require few people in production; this will lead to job losses and poor standards hence a decline in economic growth. However, the level of spending by the United States government is proportionate to the taxes collected in subsequent years. This means there is no possibility for deficits and surplus in the coming year and that the economy will keep thriving into the foreseeable future.

Statistics on imports and exports show that the country has exported more than it has imported in successive years. This is a positive gesture in economic growth since it indicates that it has maintained a positive balance of payments. This is advantageous to the States because it means that it has more foreign currencies than the importers of its commodities have reserve of American dollars. This places dollar a more competitive front than other currencies and it means that our country pays less for goods and services imported than what other countries pay when they import our commodities. This is also a positive economic move in the Foreign exchange market. The dollar remains more powerful against other currencies in the market and is a source of pride for Americans and a symbol of economic growth in the short run and in the long run, (Smith, 2003).

The Gross Domestic product of the United States has been on the rise since 1947. In the first quarter of 2013 it increased by 2. 5 from the previous quarter. The positive trend in gross domestic product is a positive indicator in the growth of United States economy. High gross domestic product generally means that our country has enough money to finance various economic activities that go, for example, it means that our government is at a position to employ enough civil servants to work for the country. It also means that it can employ enough military mean to protect our country from invasion, this keeps our country in stability encouraging more domestic and foreign investments, which translates into higher economic growth, (Dubner & Levitt 104). All in all, a high level of GDP fosters higher economic growth, therefore, due to its constant increase it means that it will be higher in the coming year and it will mean higher economic growth

The United States is the biggest economy in the world in all aspects. Being the number one economy it means that it will be affected by upheavals is the world economy, however, the impact will not as profound as in the other countries in the world.

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