What drives the recession of the united states economy research paper example

Finance, Investment

Introduction

Over the recent years, United States economy has indicated a gradual decline resulting to cases of job cuts; which is presently one of the major economic issues in the United States. Increased job cuts by corporations' poses a major challenge of increased unemployment rates in the United States. The United States seems to be facing a major economic disaster from all major sectors that contribute to its economic development. There is no sustainable economic improvement in major sectors like housing, health services and small-scale businesses.

Major businesses and financial corporations are evaluating strategies to cut down operational and overhead costs in order to remain in business. The result of these is employee underpayment, stringent working conditions and increased job cuts. This results in increased cases of unemployment, which amounts to increased crime rates. Despite the fact that the precise cause of the recession of the United States economy has not been established, there are diverse theories that have attempted to explain the recession of the United States economy. The basic argument is that that the recession of the United States economy is primarily due to events that impose economy wide impact such as interest rates and consumer confidence.

The consensus is that the recession of the United States economy is mainly imposed by the actions and policies deployed to control the currency supply in the economy. Most economists in the United States argue that the Federal Reserve plays a big role in influencing recession because the Fed has the responsibility of maintaining the balance between the supply of currency, the interest and inflation rates. In case the Fed fails to balance the variables that affect the country's economy, there is a high likelihood of economic recession. The 2007 recession can be significantly attributed to the Fed's monetary policy that aimed at increasing the currency supply in the financial market, which resulted to lowering the interest rates and increasing the rate of inflation. An integration of easy borrowing with Fed failure to balance the interest and inflation rates and currency supply resulted to 2008 economic recession.

The United States in the verge of being bankrupt. Some of the problems that driving the nation into bankruptcy include a deteriorating education system, crime, drugs, declining productivity, declining economic growth, huge national debt, large trade deficit and many others. The economic structure of the United States can be viewed as comprising the a smaller number of rich and extremely rich at the top, a large number of poor people at the bottom and a powerless middle class in between. If immediate attention and preventive measures are not put in place, the United States will find itself in the trappings of the third world countries; characterized by an increased number of homeless people and beggars on the streets, increased crime rates and the drug epidemics are becoming extreme.

Economic problems facing the United States are due to their spending habits, as a nation, the unites states tend to spend more than they earn, their levels of consumption is more than their levels of production and this results to an increase in the national debt as days go by. It is projected that the United States will in the near future be consulting counties like Japan, china and European countries to oversee all Americans economic decisions due to the need for more cash from abroad.

The economic problems facing the United States are mainly due to ignorance and lack of proper formulation and implementation of good financial policies to help the country's spending and increase its productivity. Monetary policies have tremendous effects on the economy production and the rates of employment. One of the elements of the monetary policies is taxation. An increase in the tax rates implies reduced income. Organizations on the other hand base on the profitability to evaluate the amount of workforce t can sustain. A decrease in tax implies that organizations have the capability to sustain a larger workforce and vice versa. Interest rate is a significant concept of the monetary policies. Changes in the interest rates have adverse effects on the production of a country through altering the way money increases. Generally, increase in interest rates makes cash to be scarce; as a result, an increase in credit, which implies that production, reduces. Similarly, reduction of the interests makes cash to be more available, hence a reduction in credit, implying that production increases. Solutions to these kinds of problems can be arrived by sensitization of the public in order to create awareness of the global recession so that they can embark on combative measures. Formulation of policies that steer industrial production is also required to increase productivity. The business enterprises must establish preventive measures and strategies to help them check their business operations in times of economic depression and recession. The nation as a whole should also regulate its spending habits so as ensure there is no huge national debt.

Conclusion

It is arguably evident that the significant driver for economic recession is in the United States is affected by variables that function at an economy-wide platform. Therefore, the significant drivers for recession on the United States economy are the fiscal tools deployed by the Federal Reserve in the United States that failed to accurately identify and address the economic requirements during the time and failed to create balance between the interest rates, inflation and currency supply.

Annotated bibliography

Devaraj, Jeyakumar. The economic crisis -- What are the main causes? International Journal of Socialist Renewal , 56. 2011

Devaraj explores the main causes of inflation and the factors that ultimately build up leading to the United States economic recession. This article is an important resource because it analyses the accuracy of the theories attempting to explain the cause of the recession in relation to the context of United States economy.

Guillermo, Perry., & Rodrigo, Luis Servin. Fiscal policy, stabilization, and growth: prudence or abstinence? Washington DC: World Bank Publications. 2008

Guilermo and Rodrigo offer a comprehensive discussion of the fiscal policy and its corresponding effects on economic growth and stimulation. This makes the book an important resource in understanding the economic perspectives behind the recession of the United States economy and the tools at the disposal of the Federal Reserve in stimulating the economy.

Mishkin, Frederic. (1995). The Economics of Money, Banking, and Financial Markets. New York: Harper Collins. 1995

This book offers a comprehensive discussion of the currency variables and their respective impact on a nation's economy. Over the course of its existence, the responsibility and the overall structure of the Federal Reserve have changed in order to address the financial circumstances such as the Great Depression and the recent recession, which played a significant role in fostering the changes in the responsibility of the Federal Reserve. Mishkin argues that the responsibilities undertaken by the Federal Reserve have a significant influence on the US economy

Norris, Floyd. Crisis is over, but where is the Fix. New York Times . March 3, 2011.

Norris discusses the events leading up to the global recession, and evaluates whether the United States has deployed appropriate strategies to address such occurrences in future. Norris claims that the economy of a country rests on the its central bank, which in the context of US economy is its Federal Reserve. According to Norris, the recession can be blamed mostly on the monetary and financial policies adopted by the Fed.

Works Cited

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