Macroeconomic goals

Economics, Macroeconomics

According to an article entitled " Macroeconomic Policy: Objectives and Instruments" states that goal of Macroeconomics is finding efficiency and equity that looks at the different levels of aggregation. Some key factors to lookout for in macroeconomics is full employment, value stability, fiscal growth, and stability (Dutta, 2016, p. 1).

Fiscal policy is what regulates most of government spending and the tax tariffs. However, fiscal procedures also affect other elements of investing. Furthermore, monetary procedures are what banks use to operate how the capital supply is ran in the American economy. It is imperative to know these key terms because they are essential in answering the following question when it comes to aggregate models and macroeconomic policies (Hall, 2018, p. 1).

The curves for the short run-aggregate supply do not have a slope that is rising, which makes distinctive households want to spend extra once they have an income that continues to rise.

Therefore, we can see that the expense level and the amount of goods presented in the short-run instead of the long run. Moreover, the things that will make aggregate demand change is when there is a variation in interest tariffs, and economical spending. The long run-aggregate quantity can never shift appears as a false statement because the price levels do not influence the determining factor for it to shift. Furthermore, it is normal for it to shift to the left or the right depending on the services and goods (Farnham, 2014, p. 398-399).

The concept that a decline in themoneysupply by the Federal Reserve or a surge in price levels will make a shift in the collective demand curve (AD) to the left is also a false statement. The financial policies and the fiscal policies of the federal government are some of the contributing aspects of making it adjust in a certain direction. However, it is true that Keynesian portion of aggregate supply (SAS) curve would be cooperative in a declining situation because it will demonstrates the real true value of GDP, which is backed by the economy as a whole at different stages of costs (Farnham, 2014, p. 367).

It is not factual that stagflation occurs after the AD curve shifts out on the rising sloping portion of SAS curve. Usually in stagflation there is a decline in supply, like inflation, which make prices rise, and makes the AD go to the left.

Part 2

The statement about if the actual cash demand is larger than the real money supply, interest tariffs must grow to reach steadiness in the capital market as institutions sell bonds to obtain more money is true. Equilibrium is created when interest rates increase (Example 1). Interest rates will rise when the amount of money demand over the capacity of the supply of money (Farnham, 2014, p. 34-37).

Moreover, the statement that the federal government's control of the capital supply, which influences interest rates, is that policies use to impact the macro economy is a false statement. Fiscal policies and monetary policies plays a huge role in determining how things impact macro economies. (Example 2).

Example 1

Furthermore, that statement that a decline in the reserve requirement drops the money supply because banks have fewer reserves is also false. Usually a reduction in cash supply will happen when federal government increases their reserve prerequisites. The banks will have more money when this happens (Farrnham, 2014, p. 380-383). (See Example 3).

Example 2

The statement, that real currency demand curve shows how households and businesses change their spending in response to modifications in the interest tariffs is true. When interest rates continue to grow the consumer demand for money tends to decline at a certain rate. Therefore, the opposite happens when the interest tariffs decrease increase spending occurs (Farnham, 2014, p. 102).

The statement that a rise in the nominal capital supply by the Federal Reserve and a surge in the price level will cause the real money supply curve to shift to the right is true. This tends to occur when there is a rise in the source of money, which makes interest, tariffs high and makes the capital demand supply equal.