

Critical thinking on current u.s macro policy issues

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A major concern on the macro- economics centers on the markets and tries to evaluate their sustainability when left alone bringing about long lasting market equilibrium. If the market forces operating freely resulted in a fully employment level with stable economic growth then the government would not intervene in the macro policies.

High unemployment rates are becoming order of the day. Although the labor markets are flexible and respond to technological advancements, cases of unemployment are still on the increase. The policies to curb this are aimed at reducing the rate of inflation.

There has also been an argument about the Fiscal deficits. If these deficits are not addressed, they will end up creating an unsustainable debt level for the US. It is estimated that the graph for deficits follows a very irregular pattern. It falls and rises again and it is predictable that through the year 2018 the fiscal deficit will go up after being low in the previous years.

Also discussed is the policy of Current account deficit. Recently the current account for United States has run on a deficit. Although U. S is seen as the world's largest importer, there has been a deficit in trade balance, which is still on a recovery mode. In a long-term perspective, the deficits are considered advantageous in that they keep off renewed recession but in the mid- term they are put the economy at risk as far as competitiveness and recovery is concerned.

Monetary policy is of major concern also. It matters directly on competition and how this affects the real rates of exchange and indirectly on inflation and economic stability. The nation is worried that an aggressive move by

Federal Reserve offer liquidity for the economy may result in high inflations in the coming years.

Reference

Richard H. Vietor & Matthew C., ' Macroeconomic policy and U. S competitiveness', November 2012