

Economic situation

[Literature](#), [Russian Literature](#)



Economic Situation Economic Situation Analyze the current economic situation in the U. S. as compared to five (5) years ago. Include interest rates, inflation, and unemployment in your analysis. Bureau of Economic Analysis (2013) notes that the United States economy is the largest in the world when measured in terms of purchasing power parity (GDP), which stood at 15.08 trillion dollars in 2011. Despite having the largest economy, the economy was hugely affected five years ago following the economic recession that occurred due to the financial crisis of 2007 and 2008. The crisis saw the economy of the U. S. decline to all time low ever witnessed for more than a century (Bureau of Economic Analysis, 2013). This resulted in increased inflation, high lending rates and increased rate of unemployment. For instance, the economic recession witnessed five years ago saw the dollar being devalued by more than 40%. However, the current account deficit is yet to be solved since then. However, the economy of the U. S. is currently on the recovery face and has been continually experiencing a significant growth since the economic recession. Despite significant growth experienced in the past few years when the economy registered a growth rate of 1.8% in 2011, the growth has declined to -0.15 according to figures released by the Financial Forecast Center on February, 2013. This current negative growth rate is proving worse compared to five years ago (Bureau of Economic Analysis, 2013). At the same time, the government has not done much in terms of reducing the unemployment rate in the country. This is because, in 2007, the rate of unemployment in the country stood at 4.5%, and has been increasing at an alarming rate of up to 10% before settling at the current rate of 7.90% according to estimates released in February 2013. This

implies that the government should do a lot to create employment opportunities for its citizens in order to improve the economy (Bureau of Economic Analysis, 2013). As earlier stated, the great recession witnessed five years ago lead to increased interest and inflation rates in the U. S. For example, five years ago in 2007/2008, the inflation in the country stood at 2.076% in 2007 before increasing to 4.281% the worst ever witnessed in more than a century. Nevertheless, the government through initiation of strong monetary policies has helped contain the rate of inflation, which has declined since then to 1.595%. However, it has to be pointed out that this figure is higher compared to the 2009 rate in which inflation in the country declined to an all time low of 0.030% (Bureau of Economic Analysis, 2013). With regard to the interest rates, the government of the U. S. has to be recommended for initiating measures to contain interest rates to promote borrowing. This is because the government has maintained its interest rates at an all time low of 0.25% since 2008. Further, the rates are expected to remain low in the foreseeable future following measures put in place to revamp the economy of the country (Bureau of Economic Analysis, 2013).

2. Propose two (2) strategies that the federal government could implement that would encourage people to spend more money in order to create employment opportunities. The federal government plays a big role as far as encouraging spending and job creation is concerned. However, there several strategies that can be applied by the federal government to encourage spending among its people so as to create employment opportunities in the country. Firstly, the government can do this by lowering taxes on it working class. This is because people of the working class tend to invest or save

excess money. Therefore, lowering taxes will encourage them to spend more money. Secondly, the government should create an optimism environment every time regardless of the economic situation to encourage spending. This is because saving rates tends to decrease during optimism periods and increases during periods of uncertainties. Lastly, the federal government can also encourage spending among its people by loosening policies on immigration. This is because the more consumers are in America; the more the amount of money will be spent (Boone and Kurtz, 2009).

3. Identify a situation in the past 50 years in which the government used antitrust policies to stop a monopoly from occurring. Include the circumstances of the proposed monopoly and the reason the government stepped in. Predict what would have occurred had the monopoly succeeded. The Kodak antitrust case law is one of the famous cases in which the government of the U. S. stepped up in order to stop a monopoly from developing. It is reported that, during this time, Kodak was in control of about 96% of the camera and film market. However, in order to prevent Kodak from creating a monopoly, it was barred through a lawsuit filed in 1921 from selling any private-label film under their trade name. As a result, Kodak came up with a kodacolor film a product that could only be made by Kodak after which the company began charging a fee on the product to enable it pay for processing and delivery. However, in 1994, it was found to be a product developed in violation of the Sherman Act, after which Kodak was forced to license the processing to third parties thereby preventing monopoly from developing (Pearlstein and Bloch, 2003). The government stepped in to prevent monopoly from occurring in this case as a way of protecting small businesses and consumers from exploitation by

monopolized businesses (Pearlstein and Bloch, 2003). What is evident is that both the processing and delivery of the kodacolor films could have remained at the hands of Kodak had the monopoly succeeded. This could have prevented other companies from engaging in the business.

4. Propose two (2) methods of identifying groups of customers who should receive a discount for a product or service without alienating consumers. Schotter (2008) argues that customers are the greatest asset for any business. As such, it is important that discounts are awarded without giving undue preference. As such, one of the methods to use in identifying a customer to award a discount is to look at the quantity of the product bought by the client. This is because the discount offered should be awarded to entice customers to purchase in large quantity. The second method will be to base the discount on the loyalty of the customer. In this case, customers who are loyal to the business should be given discounts to encourage them to remain loyal to the business.

5. Suggest three (3) reasons a monopoly may or may not be efficient in any economy. Some may argue that monopoly is beneficial to the economy. However, this is farther from the truth since it has several disadvantages making it inefficient in the economy. The disadvantages include the fact that monopoly leads to poor service delivery since there is no competition where customers can turn to in case of dissatisfactions. Secondly, monopoly does not allow for consumer sovereignty since it restricts the consumer to a particular company. Thirdly, monopolies create a scenario where consumers may be charged higher prices for poor goods and services, which is not efficient for an economy according to Schotter (2008).

References Boone, L. E., & Kurtz, D. L. (2009). Contemporary business 2010

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