Economic critique assignment

Art & Culture

Reallocating these funds also can be challenging when the unemployment rate increases because fewer citizens are paying taxes that fund welfare programs (Puzzle, 2013). Unemployment also can be detrimental to businesses. When families have a reduction in income, they often reconsider what their necessities are, and they often stop purchasing certain items, putting businesses and the economy at risk (Puzzle, 2013). Although it is evident that unemployment affects those looking for work, it can also negatively affect those working because the cost of labor decreases.

People are doing more work and are achieving less compensation. They are also willing to accept lower wages Just to ensure they have a Job (Puzzle, 2013) Although unemployment can be both cynical and frictional, right now, we face a cynical unemployment. Cynical unemployment happens because of a downturn on the economy. The demand for goods is reducing so production reduces and companies have to lay off workers. The United States Government has recently reduced taxes for businesses, allowing them more flexibility to hire employees.

Although the government has added unemployment to part of the stimulus package, there has been very little increase in bobs. Our researchers have struggled finding information on what exactly the government has done to assist with the unemployment rate. Expectations There are many expectations concerning the United States' economy. Even though most would think that the expectations would not be good, the United States economy grew at a 2% annulled rate in the three months ending on September 30, slightly beating analysts' expectations but indicating a recovery struggling to gain momentum (L.

A. Times, 2012). The 2% does not put us back to where we were but it is a start and is putting us on the right track o accomplish our goals. We must do everything we can to avoid another recession to boost our economy. With the scare of going over the fiscal cliff many believed that we would go into another recession and put the economy back to the bottom. The unemployment rate was forecast to come in lower than expected, averaging 7. 9%. The unemployment rate has stayed the same throughout the year starting at 7. 8% and ending at 7. 9% in the fourth quarter (Reuters, 2012). The economy has effectively landed?? nothing to suggest further overall weakening growth, nothing to suggest a rebound either," says Steve Blitz, ITS Investment Research's chief economist (Forbes, 2013). Overall the expectations of the economy have been better than predicted, and we hope that it will continue to grow and see more progress throughout 2013. Consumer Income When the economy is at its best, the unemployment rate is low and the consumers have the benefit of increased spending. Taxes are paid at a higher rate, but the taxes the consumer pays effects the group the consumer is in, not the spending.

Also in a good economy, the Job market is excellent, and it is simple for consumers to discover new work. Consumers can purchase more luxury items, such as cars, boats, and new homes. There is always a demand for money in any economy, in the best of economy the top consumer becomes the upper class. In a superior economy the consumer is can put money in a savings plan; this helps decrease the interest rate. The incomes of consumers are basic on the economy, when the unemployment rates are high more consumer get into debt. Consumers out of work are less likely to buy a home.

Unemployment makes it hard to buy things that people need in everyday life, such as gas for cars and food to eat. When the government pays out high unemployment benefits the consumer level of income decreases. As the government reviews the income of the consumer, it looks at spending, saving, and debt the consumer has. In developing an understanding of the consumer income one must look at the spending habit, and what he or she can afford. Inflation is what decides how much money a consumer spends on goods and services, the debt can show if a consumer is spending or saving.

Interest Rates Interest rates and movements affect everything economically and everyone's lives to a certain degree at different levels. To some individuals interest rates can affect them in a profitable manner or it can be devastating to others. When the U. S. Economy downturn began, the unemployment rate, food prices, foreclosures, bankruptcies, the federal debt increased, and outrageous fuel prices demanded an economic reaction through monetary and fiscal policy. A close analysis takes into consideration the studying of economic factors, and the impact on aggregate supply and demand.

During this study, the unemployment rate was shifting the aggregate demand. " According to the International Monetary Fund's chief economist has warned that the global economy will take a decade to recover from the financial crisis as the latest anapest of the I-J economy suggested that growth in the third quarter will be at best anemic" (Inman, 2012). The foreign exchange market is influenced when the Federal Reserve increases or decreases interest rates. The change will cause the stock markets worldwide to react in a positive or in a negative manner.

Federal Reserve rates also influence the exchange market bank deposit factor that will determine if the supply of money will be added to the consumer or not. When the Federal Reserve lowers interest rates because of the economic slowdown or recession, the supply of money will be available to banks for loans. If there is a constant demand for money, interest rates will continue to drop. When interest rates increase, this causes a decline in consumer spending. Keynesian Model Keynesian recommendations of approach to fiscal policy favored the government policy.

Keynesian recommended that fluctuations in the economy should be controlled. Expansions of business should be a long-term trend and contractions are a symptom of an underlying problem in the economy. When problems arise with the economy the problems need to be dealt with immediately by the government. In the class textbook Macroeconomics by Colander e states, “ Keynesian argued that, in times of recession, spending is a public good that benefits everyone” (Colander, 2010). Keynesian saw that not enough spending caused unemployment and how easily the economy could fall into a depression.

Economists found the effectiveness of fiscal policy recommendations from Keynesian that the relationship that Keynesian had assumed were wrong. According to the textbook, “ They discovered, for example, that expectations, wealth, and expected future income also played important roles in determining consumption” (Colander, 2010). Classical Model The classical model basis is free markets escalating themselves when free of intervention. This is reference to an invisible hand theory, which moves markets naturally in the right direction, and without any type of intervention.