

# Macroeconomic situation



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Macroeconomic Situation Current Macro Economic Situation of the US It would not be wrong to suggest that though the global economy is in the recovery phase; the progress has become even more uncertain. In terms of this study the present macroeconomic scenario of the United States has been taken into consideration. It has been found that the economy of the United States has rescued itself from the recession and has begun to rise since the second half of the year 2009. It was expected that the economy of the United States in the year 2010 would grow by 2.9 percent and in the year 2011 it would decline to 2.5 percent. Further, it was expected that the private consumption for the year 2010 and the year 2011 would be restrained at 2.5 percent. The rate of unemployment for the year 2010 and the year 2011 has been expected to be over 9% (United Nations, 2010). It was pointed out that with the fall in the prices of houses in the United States; there will be negative influence upon the balance sheets of the households. This would further slow down the rate of consumption and thus increase the rate of savings. The low interest rates and inefficient economic conditions have evened out the weakness in the household net value. Further, the long-term related 'government bond yields' have declined in the United States (OECD Economic Outlook, 2010). It has been estimated that the fiscal policy of the country has been identified by the stimulus spending. Further, the remaining \$470 billion is expected to be paid out in the year 2010 and 2011 with a smooth decline of its effect upon the economy (Corporate Executive Board, 2010). It has been assessed that the rate of the Dollar has declined by 11% against Euro that was worth \$1.47. The manufacturing industry is expected to rise in the US (Bloomberg, 2011). It has been because of the various stimulus actions that have been taken such as low interest rates as

well as quantitative programs that tend to ease the process that has assisted the United States to recover from the recession and thus have lead them towards expansionary phase. It has been estimated that GDP will expand by 2% - 3% in the year 2011. It has been envisaged that the stock market of the US will surpass most of the countries of the world (Alpha Profit, 2011).

### Steps Taken By Federal Government and Congress

It is quite important for the Congress to reduce the spending of the government as well as the deficits. If it happens then the aggregate supply will increase and thus there would be rise in the GDP and reduction of the price levels in the economy. If such steps are initiated then the country will never go into recession once again and face the problem of inflation. The federal government needs to get back to rule-based policy and thus abolish the zero interest rate traps. They further need to ease the monetary policy so that such problems faced by the country can be solved and avoided. The Federal Reserve needs to enact diverse stimulus plans so that it can boost the slow recovery.

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