Example of great recession essay

Economics, Money

Abstract

Recession in economy (particularly in macroeconomics) - This term refers to a relatively mild, non-critical production decline or slowdown in economic growth. The decline in production is characterized by zero growth in gross national product (GNP) (stagnation), or a decline for more than half a year.

The recession is a phases of the economic cycle (conditions) that follows the boom and is replaced by depression.

A recession often leads to a massive drop in the index on the stock exchange. As a rule, the economy of a country depends on the economies of other countries, so the economic downturn in a particular country may lead to a slowdown in the economies of other countries, and even to the collapse in world markets (see Black Thursday). Recession but also has many other features of the cyclical crises, for example, the rise in unemployment.

Fiscal Policies

Fiscal policy is a government policy, one of the main methods of state intervention in the economy to reduce the fluctuations of business cycles and to ensure a stable economic system in a little period of time. The tools of fiscal policy are the expenditures and revenues of the state budget, ie: taxes, transfers, and government purchases of goods and services.

If the country is going through a depression, or is under the economic crisis, the state may decide to hold a stimulative fiscal policy. In this case, the government needs to stimulate aggregate demand or, or offer, or both at once. To do this, all other things being equal, the government increases the size of its purchases of goods and services, reduce taxes and increase transfers, if possible. Any of these changes will lead to an increase in aggregate output, which automatically increases aggregate demand and the parameters of the system of national accounts. Expansionary fiscal policy leads to an increase in output in most cases

Monetary Policies

Monetary policy is the policy of the state, affecting the amount of money in circulation in order to ensure full employment, price stability, and the growth of real output. Carries Central Bank monetary policy.

Impact on macroeconomic processes (inflation, economic growth, unemployment) is carried by the monetary authorities.

Monetary policy is an integral part of a unified state policy. The central bank is doing its part - monetary policy and is responsible for its implementation. Expansionary monetary policy, ie growth in the money supply leads to inflation. Therefore, representatives of the Keynesian claim that monetary policy can be used only in case of overheating (inflationary gap) of the economy, ie considering the possibility of constraining monetary policy alone, and when the recession, according to them, should be used challenging fiscal rather than monetary policy.

Conclusion

The mortgage crisis, were joined later in the financial crisis of the U. S. economy in 2007, has created a situation of growing uncertainty not only in the long and medium term, but also in the short-term forecasting system of federal finances, and the entire U. S. economy. It is this fact creates the effect of a shock to the top political leadership of the United States, which continued to assess the state of the main parameters of the federal budget, mainly on the basis of pre-crisis mechanisms of budget deficits at which their peak value in a particular fiscal year, its expected sequential decline in subsequent financial years. This mechanism until recently allowed to build a predictive dynamic range, within which, even in the medium term look at the situation of a balanced or surplus budget. Now the fiscal and monetary policies must be reviewed once more to develop an adequate response to subsequent crises

Sources

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