Unemployment

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Unemployment and Economic Policies of the United States

**Introduction**

Unemployment has become one of the major concerns in the global economy. A number of unemployed individuals in a country can disturb the economy of the country. At the same time, it is the responsibility of a government to address the alarming economic issues like unemployment. The macroeconomic policies of a country are meant to achieve the finest and sustainable development for its country. However, researchers have identified the connection between weak economic growth and unemployment. Likewise, a flourishing economy is used as a tool to overcome unemployment and poverty in the country. However, the unemployment rate of the country does not remain constant. It varies with the change in the economic growth.

Moreover, the unemployment rate of the US also no-uniform values throughout the history. In the 21st century, during the economic crisis in 2007-2009 unemployment rate of the US showed substantial variation. It jumped to 9.6%, from 5.8% in just two years (Sahin, Song & Hobijn, 2010). Thus, it was a challenging the task for the government to recover its labor market and low unemployment rate. With the help of some progressive economic policies, the US government was able to achieve the results in few years and recovered the economic growth. In order to better understand the concept of unemployment in terms of macroeconomics, this term paper aims to study the dynamics of unemployment and relevant economic policies in the United States. At the same time, the paper also studies the various economic factors that cause unemployment by highlighting the consequences of this social and economic problem of the country.

**Discussion**

Most of the economic activities of a country at the national level are addressed under macroeconomics. The Gross Domestic Product (GDP) is another useful tool that is used to measure the collective economic activities of a country (Mügge, 2016). Also, it gives the overall market value of the goods and services produced within a country. The higher a GDP rate is, better will be the economy of a country. Addressing unemployment can overcome the multiple problems that are directly linked to it. For the United States, the last few years of the first decade of the 21st century were very challenging in terms of economic growth. The Great Recession 2007-2009 brought some serious concerns for the country, including an increased unemployment rate that reached to two-digit figure. As a result, millions of people lost their jobs in the United States that resulted in increasing poverty and economic inequality in the country. Upon researches, different health issues were identified as outcomes of unemployment such as depression, stress, and social isolation. Moreover, unemployment also increased the social issues related to marriage life, education, healthcare and child nourishment during this period (Kalleberg & Von Wachter, 2017). However, the reasons for higher unemployment rates can be multiple. Most of the times, it is related to the lack of skills and capabilities of individuals that do not fulfil the market demand. Equally, a downturn in the economic growth of a country can also influence the unemployment rate.

Therefore, it was the time for the government to intervene and resolve the rising issues with the help of some effective policy measures. As it was demanding an immediate recovery, the Obama administration had to introduce some strong economic policies. However, the identified factors of the Great Recession were also based on weak economic conditions in the country. It was also noticed that the labor market was also consistently facing slow growth. It is evident that financial and monetary policies play a vital role in recovering economic growth and reducing the unemployment rates for a country. Using two of the tools US brought some measure changes in the economy.

Monetary and Fiscal policies are considered as a useful set of policies that help in recovering from the economic recession (Tenreyro & Thwaites, 2016). Monetary policies are referred to the procedures that are designed by the Central Bank of a country. Likewise, in the US Federal Reserve is responsible for designing the monetary related policies. Federal Reserve takes an action like decreasing the interest and unemployment rates during the recession period. Also, these steps help in recovering after the recession. On the other side, fiscal Policy is decided by the government. The US government used different strategies like tax cut downs and reducing government spending.

After the recession, these policy tools assisted in increasing the demand, so that the output can be raised and the economy would return to the previous conditions. In case of recession, a country needs tools that are effective and instant in overcoming the economic problem. During the recession in the United States, there were some existing programs under the fiscal policy that helped the country in stabilizing the economy without any intervention from Congress. Programs like unemployment insurance (UI), Medicaid and other programs helped in stabilizing the fluctuations in the economy along with tax revenues (Moffit, 2013). When the recession hit the country, these programs intervene by reducing the eligibility for unemployed participants in the United States. Moreover, taxes were reduced giving a room for the fiscal policy to play its role.

In addition, monetary policymakers also play a quick role in addressing the Great Recession. When Federal Reserve noticed the fluctuations of GDP and employment onset of the recession, it constricted the federal fund rates in the country. The reason for this action was to reduce the borrowing costs for the general public and businessmen, in order to encourage investment or consumption. The existing federal funds were much lower and decreasing further good reversing results. However, fiscal policy played as a fighting tool against the recession.

Moreover, Fiscal policies took long to bring any action because of the delay in noticing the indications of recession. The legislative members involve in debates while passing the legislation and distribute the funds to states. In 2009, the American Recovery and Reinvestment Act was introduced as a tool under the fiscal policy and it was supposed to invest in health, education, and infrastructure of affected people throughout the country (Moffit, 2013).

Furthermore, programs like Temporary Assistance for Needy Families (TANF) addressed poverty and assisted the newly unemployed to deal with financial issues. Although all of the newly unemployed were not addressed, the program succeeded in achieving its goal. These programs played the main role in relieving deep poverty. The continuous intervention by the federal and state governments, finally able to reduce the unemployment rate for the United States. Currently, only 3.8% of people in the United States are without jobs. The economic growth in the country has been able to add new job opportunities for individuals. Now, the labor market has been strengthened for the country. The consequences of unemployment are also get controlled.

**Conclusion**

In conclusion, the higher unemployment rate in a country is a serious matter under the macroeconomics. The higher is the number of unemployed individuals in a country, the more it faces economic issues. Therefore, it becomes the responsibility of the government to address the issue. Using two of its strong policy tools; monetary policy and fiscal policy, a country overcomes the economic downturn. Likewise, this paper term has addressed the events of the great recession in the US. At the same time, the paper is also able to highlight the factors and outcomes of unemployment in a country. Taking the example of the United States, it also informs about the role of monetary and fiscal policy in overcoming the economic recession or a downfall.

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