

MACROECONOMICS AT WORK EXERCISE

MACROECONOMIC CONCEPTS AND THE US ECONOMY

REFERENCE: ‘That Delicious Smell? It’s the Economy Cooking’ (by James C. Cooper and Kathleen Madigan), *BusinessWeek*, December 8, 2003, pp. 15-16.

CHAPTERS RELEVANT TO THIS EXERCISE: Chapters 5, 6, 11.

OVERVIEW

Using the analogy of cooking, the outcome of economic activity in the US is likened to a ‘satisfying feast’ as the result of a very good ‘economic recipe’ of macroeconomic variables. In this assessment of how the US macroeconomy is faring (or was, as of December 2003) the authors refer to several key elements including consumer spending, capital spending (business investment), employment growth, tax cuts, stock prices, and interest rates. Some of these are ‘drivers’ of the strong performance of the economy, others are manifestations or indicators, while some can be regarded as both.

QUESTIONS

1. Explain the reference in the article to a ‘two-year recovery [that] has proven a disappointment time and again’.
2. What is meant by the reference to the recovery ‘filling up the corporate coffers more than it has benefited the consumer sector’?
3. Explain the reference to the ‘solid pickup in demand’ and the meaning and significance of the link that is suggested between this and business investment in new equipment and the willingness of businesses to ‘expand their payrolls’.
4. What is the basis of the optimistic outlook that is portrayed for consumer spending?
5. What is the significance of the reference to ‘confidence’?
6. Explain the note on which the article ends: the suggestion that ‘the leftovers’ will be enjoyed ‘well into 2004’.