

Fall 2022 ECO 201 Macroeconomics Final Exam

Imagine that you run into Jared Bernstein, the economic advisor to President Biden. You get to talking over the economic issues of the day, especially tight labor markets, inflation and the growing level of national debt. Dr. Bernstein asks you about your perspective on these issues. Write a 2-3 page response for the questions from Dr. Bernstein. **Base your perspective on what you learned in ECO 201 Macroeconomics.**

1. Dr. Bernstein's first question has to do with labor. The nation is currently blessed by a low unemployment rate, 3.7%. Yet there is still a labor shortage that is holding back the economy, especially in skilled jobs. The participation rate is at a historically low level and it fell again last month. What policies could the President consider to help alleviate the labor shortage?
2. Dr. Bernstein's next question is about inflation. The President is worried that the Fed will strangle the economy as it tries to fight high inflation by raising interest rates. Is the President right to be worried? Why or why not? Is there anything the President and Congress can do to help lower inflation?
3. Finally, you and Dr. Bernstein agree that a growing economy would put the country in a better position to handle the extraordinary level of the national debt. (The national debt is currently about 140% of GDP, compared to an average debt to GDP ratio of 65% from the period of 1940 to 2020.). Dr. Bernstein wants to hear your two best ideas for what the President could do to increase the rate of growth in the economy.