Running head: KEYNESIAN POLICY: IMPLICATIONS FOR U.S. CRISIS  

Katie Niemeyer  
Professor Brent McClintock  
2520 Intermediate Macroeconomics  

Keynesian Policy: Implications for the  
Current U.S. Economic Crisis  
This article provides a historical review of U.S. fiscal policy in the last 30 years, including the activist policy decisions made by the Obama administration in the economic crisis starting in 2008. The authors chart the government’s economic tactics through time—from previous government policies of fiscal restraint to the current activist policy that supports the private sector. The article provides specific information about President Obama’s American Recovery and Restoration Act and the Making Work Pay Credit. It addresses the concerns and support for such policy decisions by fiscally conservative classical economists as well as proponents of Keynesian activist policies.  

Bergsten’s book offers figures and graphs that will support my points about the productivity boom of the 1990s and the expansion of U.S. participation in the world economy. Figure 2 demonstrates the positive role the microprocessor played in U.S. economic expansion in the 1990s by showing the contribution of information technology to GDP. Figure 3 demonstrates the incredible increase in U.S. trade since 1960  

Source: Hacker Handbooks (Boston: Bedford/St. Martin’s, 2013).  
This paper follows the style guidelines in the *Publication Manual of the American Psychological Association*, 6th ed. (2010).
KEYNESIAN POLICY: IMPLICATIONS FOR U.S. CRISIS

owing to productivity growth and economic deregulation of the global market. It graphically shows that the U.S. trade/GDP ratio tripled from the 1960s to 2003.


This economic brief published by the Federal Reserve Bank of Richmond outlines the United States’ expansive use of discretionary fiscal policy in the current economic crisis, while at the same time explaining why classical economists disagree with such measures. Supporting the nondiscretionary tendencies of classical theorists, Courtois (2009) wrote, “The current recession was not identified as such by the National Bureau of Economic Research until December 2008, a full year after it began” (p. 3). The discussion of specific concerns with the Obama administration’s stimulus packages and discretionary fiscal policy, in both the long and the short run, can help me present multiple viewpoints in my paper.


The official website for the Federal Reserve provides critical data and statistics. As the central banking organization of the United States, the Fed institutes monetary policy that is meant to address issues within the macroeconomy. The website provides helpful information about the federal funds
interest rate, which has been kept near zero during the most recent economic crisis to create investment and spending incentives.


The International Monetary Fund publishes an annual report on each member country’s economic status within the global economy. The report outlines the country’s efforts in creating international and domestic economic stability while offering recommendations to address the country’s economic challenges. The 2010 report on the United States provides important statistics showing the United States’ decrease in imports and exports during the current economic crisis and the effect of this contracting trade on the international community. The report also lists specific challenges that face the United States as it continues to recover from the crisis.

The report helps me put recent U.S. macroeconomic policy trends, as well as several of my other sources, in context; it also gives me a basis for evaluating the effects of these policies in both the short and the long term. I can use the report to draw conclusions about the effectiveness of these largely Keynesian policies as well as predict future policy revisions.

KEYNESIAN POLICY: IMPLICATIONS FOR U.S. CRISIS

May’s article provides a critical insight into the economic atmosphere at the start of the Reagan presidency—the 1981-1982 recession, partially a result of the Carter administration’s contradictory monetary policies. Carter’s policies led to the GNP decline at the end of 1979 and through 1980 when real GNP fell “at an annual rate of almost 10 percent, the largest quarterly decline on record” (May, 1993, p. 708). May also reviews the real GNP decline in early 1980 and reasons for the economic downturn of 1979 and 1980.


The Organisation for Economic Co-operation and Development website provides a lot of data for my paper. The Country Statistical Profile for the United States has a wide array of statistics that will support many of my ideas. I can use the data to create numerous tables and graphs, such as tables highlighting economic indicators proving the productivity boom euphoria and graphs demonstrating the U.S. government deficit, central government debt, and the U.S. current account balance for the last 10 years. The raw data pulled from this web page can add credibility to my paper’s economic statements and conclusions.


Setterfield’s article describes some of the effects of the 1990s economic boom on the labor market. The article
is helpful in explaining why the economic indicators during this time showed an unconventional trend of decreased unemployment paired with decreased inflation. Setterfield shows that the aggregate demand sustained low unemployment rates while increased productivity allowed for supply to meet the demand because of the influx of money in the macroeconomy. These explanations are crucial for my arguments, and they will help provide data for tables or graphs.