The structure of an economy depends on a wide array of financial decisions. People with a considerable amount of capital are constantly planning to increase their wealth. They do so by placing their money in saving accounts, investing in stock and bonds, as well as financing other people's ventures. People with little money but bright business ideas also desire to increase their wealth, or get a piece of the pie. Because their current funds are more than likely not enough to grow their business, they seek to acquire the necessary funds via loans from relatives, friends, banks or venture capitalists. The entities they seek to borrow from weigh the risk involved and look to increase the money the borrower ask them to invest. In many cases the investor deems the business worth investing in. As a result, many companies take off and grow to become major players in the economy. But the poor people make up the majority of the population and must be accounted for. Their lives also are meaningful. At least that is what most governing bodies feel. For this very reason macroeconomic policies play a major role in a country or region's economy.

Macroeconomics is concerned with the big picture of the economic structure. Is the economy growing? What products are being produced? Are the products being produced in a manner that does not put the people lives in harm? And whom is the economy mainly benefiting? The governing body that is responsible for asking these questions concerning the United States Economy is the country's federal government. They view the economy from a macroeconomic view because they are considerate of all the people that live in the country. As a result, they look at the big picture of the economy and ask is it benefiting everyone? Is it working? If it appears to be leaning more towards an aggregation of high unemployed citizens, then the government creates means to increase the cash flow in the economy to produce more products in demand, making way for more jobs. Macroeconomic policy aims to provide a stable economic environment that is conducive to fostering stable and sustainable economic growth (Dolamore, 2015). The flow of cash the U.S. government puts in the economy helps stabilize the economy by lowering the unemployment rate.

Macroeconomic Policy Tools

The tools that macroeconomic policy uses to stabilize the economy are fiscal policy and monetary policy. Shiller et.al says the fiscal policy is conducted by the Executive and Legislative Branches of the Government and deals with managing a nation's budget (2013). Dolamore (2015) adds that as an instrument for stabilizing fluctuations in economic activity, fiscal policy can reflect discretionary actions by government or the influence of the 'automatic stabilizers.' The Obama Stimulus package is an example of the U.S. Government's using fiscal policy to stabilize the economy. In June, Barack Obama proposed to spend $50 Billion on an emergency economic stimulus package to relieve pressures on the current economy. Not only have rising gas prices caused a lot of problems for the economy, but so have increases in food prices, home foreclosures, job cuts, and more. Obama's proposal also includes tax relief for retirees, seniors, and the middle class, debt relief for students, extended unemployment benefits, and the establishment of a $10 billion foreclosure prevention fund (Guina, 2015). The problems in the economy directly affect financial intermediaries. If people have very little money to spend, many being unemployed, then there is little to nothing they can invest in the stock market or place in a savings account.

This lack of cash flow in the economy also hinders cash strapped people from furthering their business ideas and moving up in a higher social class. Inflation creates risk. Lenders view people that have little or no money as risky because they are likely to default on paying back the money they borrowed. Also, a troubled economy affects people's ability to save now, so they can spend more later. Instead, many people are facing growing old and having little or nothing to spend in their twilight years.

Therefore, Obama proposes to spend billions to stabilize the economy. A portion of this money will be used in $1000 stimulus checks. People can use the stimulus checks to better their financial situation. Where will this money come from? Obama propose raising tax on capital gains, dividend and estates. The Federal government also will print more money to put into the economy in hopes of creating more jobs through economic growth. Therefore, there are many ways a fiscal policy can be used to improve the economy.

Monetary Policy also is a tool that macroeconomic uses to improve the economy. Monetary policy is conducted by the Federal Reserve or the Central bank of a country. In Australia the central bank is the RBA. The cash rate is determined in the money market by the forces of supply and demand for overnight funds. Through open market operations the RBA can target the cash rate by increasing or decreasing the supply of funds that banks use to settle transactions among themselves… By changing the cash rate the RBA is able to influence interest rates across the financial system. Changes in interest rates in turn can influence economic activity by affecting savings and investment behavior, household expenditure, the supply of credit, asset prices and the exchange rate (Dolamore, 2015). If interest rates decrease, people are more likely to borrow funds. But lenders still must view the transaction as not being too risky. Thus, cash must flow into the bank to decrease the risk and fear of lending to those who are in need.

This is a prime example of how monetary policy works to produce cash in the economy. When there is a need to increase cash in the economy, the central bank will buy government bonds (monetary expansion). These securities allow the central bank to inject the economy with an immediate supply of cash. In turn, interest rates, the cost to borrow money, will be reduced because the demand for the bonds will increase their price and push the interest rate down. In theory, more people and businesses will then buy and invest. Demand for goods and services will rise and, as a result, output will increase. In order to cope with increased levels of production, unemployment levels should fall and wages should rise (Heakel, 2015). The researcher states "unemployment levels <u>should</u> fall and wages <u>should</u> rise" because his statement is based on theory. In other words *if nothing else changes*. Things don't always happen the way decision maker think they will.

Constraints on Policy

In reality the unexpected happens. Things, situations can change suddenly. Wars break out, hindering import and export of goods, thus causing more problems for the economy. A wide spread of a disease contacts an animal, such as the cow, causing an increase of price in milk and beef because of a shortage of the product. People also make poor decisions that increase their financial problems. Instead of placing their stimulus checks in a savings account, people might invest in stocks that plummet overnight. Stocks can make you rich fast or broke fast (Schiller et. al, 2015). Thus there is no guarantee that the economy will improve if the government gives people stimulus checks.

Political parties also place constraints on macroeconomic powers. Republicans opposed Obama's proposed tax hike on the rich, saying it would slow the economy. Taxes affect both efficiency and equity (Schiller et. al, 2015). There are people that oppose the redistribution of wealth from the rich to the poor. This is perhaps the main reason for global poverty and the staggering proportion of wealth between the rich and the poor, or the 1 percent and the rest of the Americans. Some people prefer laissez faire, or that the government should not intervene in the market mechanism. There also are those that feel the government permit privatization of social security. In doing so, workers can establish their own retirement plans, instead of pay rolling someone else's benefits.

Conclusion

Because theory does not always equal reality, macroeconomic policy tools will not always meet expectations. Decision makers base their expectations from theory. They expect the poor urban woman to use her stimulus check to better her family. Instead she might use it to purchase her a new purse, jewelry, clothes and a hairdo to attend the ever popular White Party. When another person might place hers in a savings account and let it increase with interest. Also banks that receive money to lower interest rates might still refuse lower income people loans, yet deal with those they view less risky because of their skin color, social class or education background. In doing so, the poor remain poor and the rich get richer, sustaining instability in the economy.

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