***1. Define recession and expansion. What are the beginning and ending points of a recession called? Based upon the analysis of the current economic conditions in the USA provided in the Beige Book, is the economy in a recession or an expansion. (Chapter 10, use terms such as business cycle, expansion, recession, Okun’s Law)***

Recession also known as a contraction is the extent of time where the economy is thriving at a rate that is considerably abnormally lower. Journalist or Newscaster’s interpretation is when the Gross Domestic Product (GDP) continues to fall for at least two back-to-back quarters. The beginning of a recession is called “Peak” it is the pinnacle of economic activity before it plunges. The end of the recession is called the “Trough” this is the lowest mark of the economy activity before it starts to recover. Where as an “expansion” is the complete opposite it is an extent of time where the economy is thriving at a rate that is considerably abnormally higher, also known as a boom (Frank & Bernanke).

*My Attempt to second part of question:*

Based on the information provided by the “Beige Book” it appears we are in an expansion. The Business cycle, which are the short-term fluctuations the bumps and wiggles in the GDP, unemployment (cyclical unemployment), durable goods, and other variable goods (Frank & Bernanke). Okun’s law according to the text book is when “each extra percentage point of cyclical unemployment is associated with about a 2 percentage point increase in the output gap, measured in relation to potential output (Frank & Bernanke).
Approximately 70 percent of the GDP is made up of consumer spending. The consumer spending has been increasing at modest rate during the current reporting period. The Auto industry new car purchases overall have been healthy and have increased, but the used car purchases have declined.

***2. Explain how the Federal Reserve can affect spending and investment in the economy. What monetary tools is the Fed using now to achieve their objectives? Based on the anecdotal evidence supplied in the Beige Book, is the Federal Reserve’s policy working? (Chapter 12, use terms such as federal funds rate, demand for money, Board of Governors of Federal Reserve, etc.)***

***3. Who prepared the June 4, 2014, Beige Book and when was the information collected?***

***What is the overall economic assessment being made for the USA as a whole?***

The Update of the June 4th, 2014 Beige Book was prepared at the Federal Reserve Bank of New York. The information is collected 6 weeks prior to each anticipated Federal Open Market Committee (FOMC) meeting for this report it was placed together the day or a bit earlier than the 23rd of May 2014. Each of the 12 regional Federal Reserve Banks develops a survey for their contacts. These sources not only include the Reserve Bank and the directors of each branch, but also extensive large group of business contacts, market experts and economists. The overall economic assessment that was made in regards of the U.S. as whole continues to be a slow progression in the right direction. Economy is slowly but surely is recovering from the recession (Beige Book).

***4. What are the major factors contributing to that assessment for the following areas?***

* ***Consumer spending***
* ***Industrial and manufacturing activity***
* ***Non financial services***
* ***Employment Conditions***
* ***Inflationary Pressures***

The dominant factors that contributing to Consumer spending was the automobile, retail sales and tourism. The key factors that contributed to Nonfinancial Services were technology, accounting services, food service industry, and shipping of good transportation. Where as the major factors for the industrial and manufacturing activity were, motor vehicles, aerospace, metals, and energy-related industries. Finally the key factors that contributed to the employment conditions are the labor market, temporary, transitioning, and skilled workers (Beige Book).

***5. Has the Federal Reserve provided any trending information: i.e., are overall economic conditions trending better, flat, or worse in comparison to previous reports. If such trending information is provided, please summarize those trends.***

Resources:

Frank R., & Bernanke B. (2013) Principles of macroeconomics, 5e. McGraw-Hill/Irwin. New York, N.Y.

Beige Book - June 4, 2014 @ Forex Factory. (n.d.). Retrieved from <http://www.forexfactory.com/news.php?do=news&id=488179>