

INFLATION



The U.S. Economy - Overview

Archie Williams High School

Jon Haveman, Ph.D.

NEED

February 6, 2022



NATIONAL ECONOMIC
EDUCATION DELEGATION

1

Outline

- The U.S. Economy
- Gross Domestic Product (GDP)
- Employment and Unemployment
- Inflation
- The Federal Reserve



NATIONAL ECONOMIC
EDUCATION DELEGATION

2

Some Basic Statistics, February 2024

Statistic:	Value
Population	336.1 Million
Labor Force	167.3 Million
Employment	157.7 Million
Gross Domestic Product (GDP)	\$27.9 Trillion
Income per Capita	\$69,329
Ave. Hourly Earnings	\$34.55



3

How Do We Measure the Economy?

- **Gross Domestic Product (GDP)**

- GDP is the market value of all final goods and services produced within a country in a given period.
 - o (Value added)

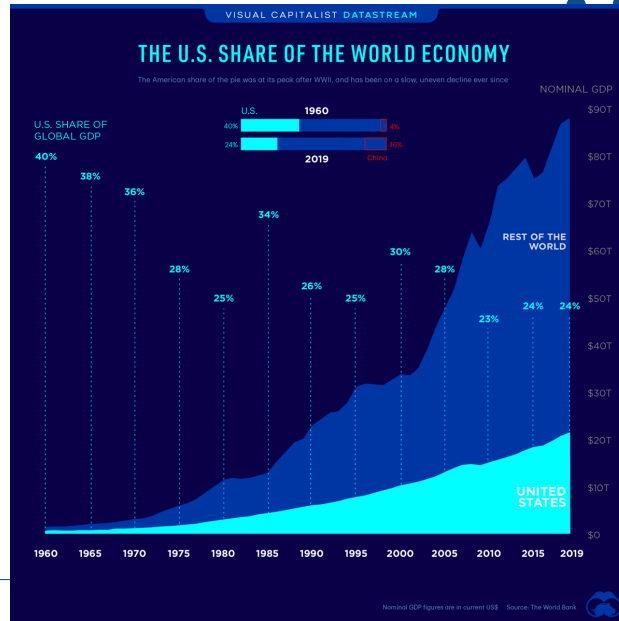


4

U.S. Economy in Global Perspective

U.S. Nominal GDP:

\$21.901 trillion in 2019-Q4
\$19.913 trillion in 2020-Q2
\$27.939 trillion in 2024-Q1



5

5

US States Renamed for Countries with Similar GDPs (2019)



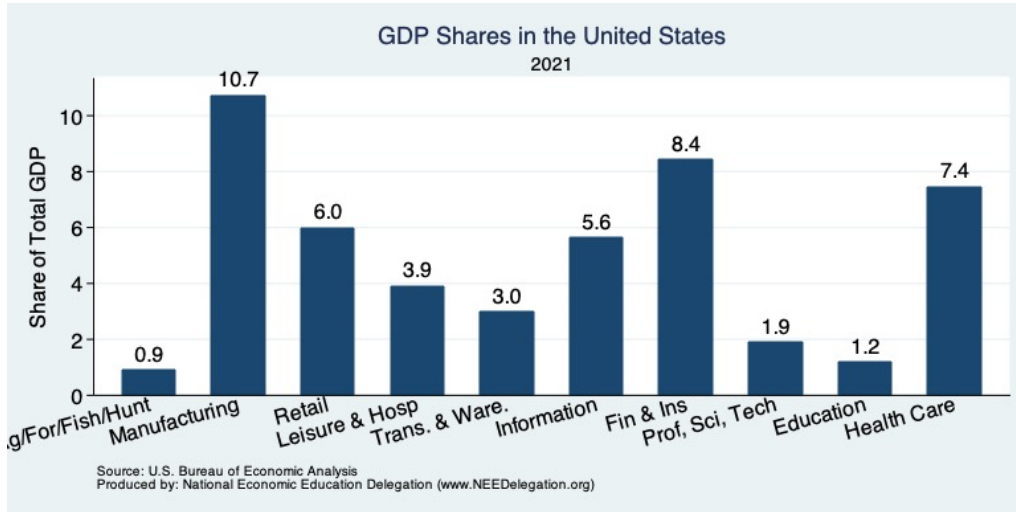
Sources: Bureau of Economic Analysis and International Monetary Fund.



6

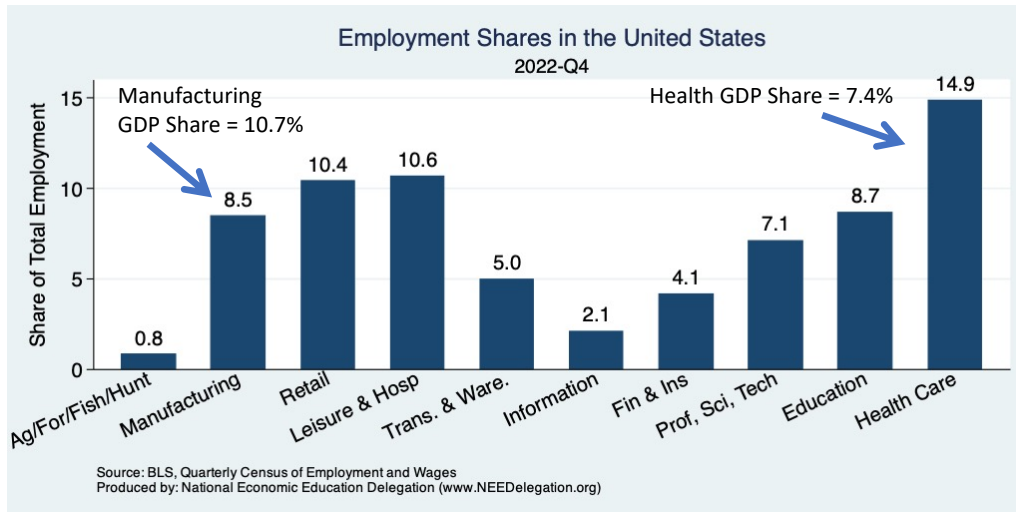
6

Composition of the U.S. Economy: GDP



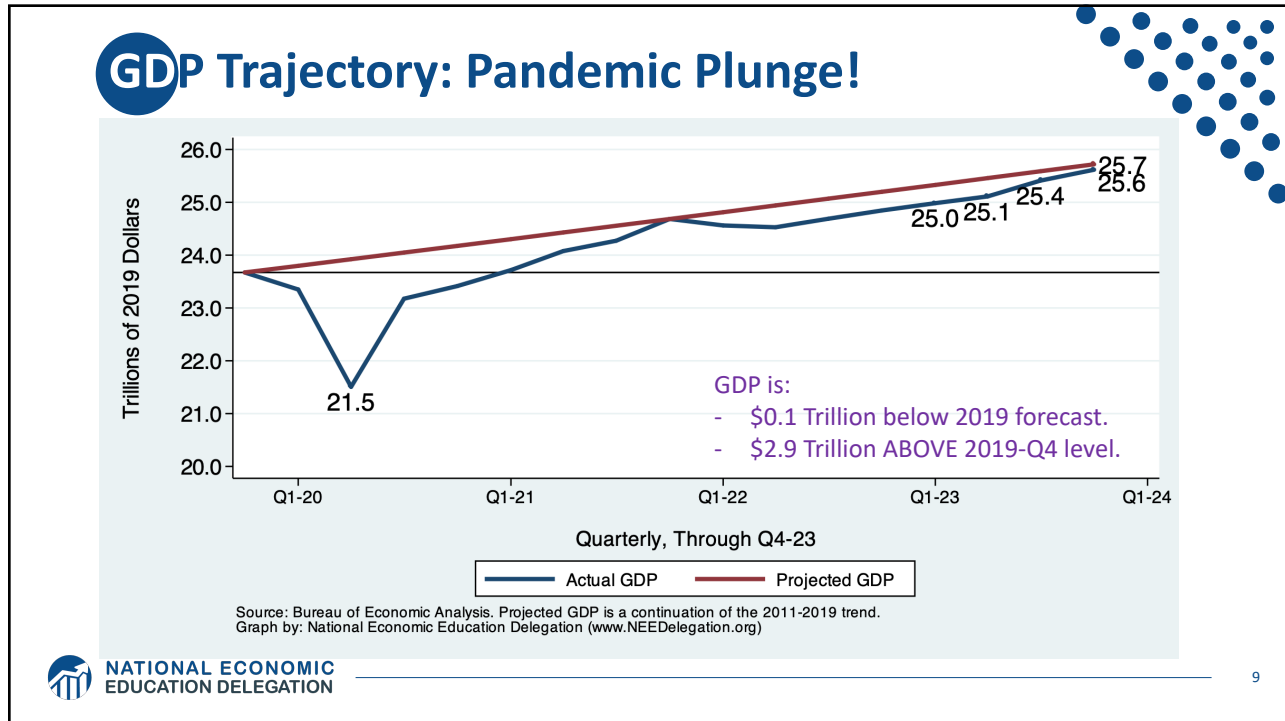
7

Composition of the U.S. Economy: Employment

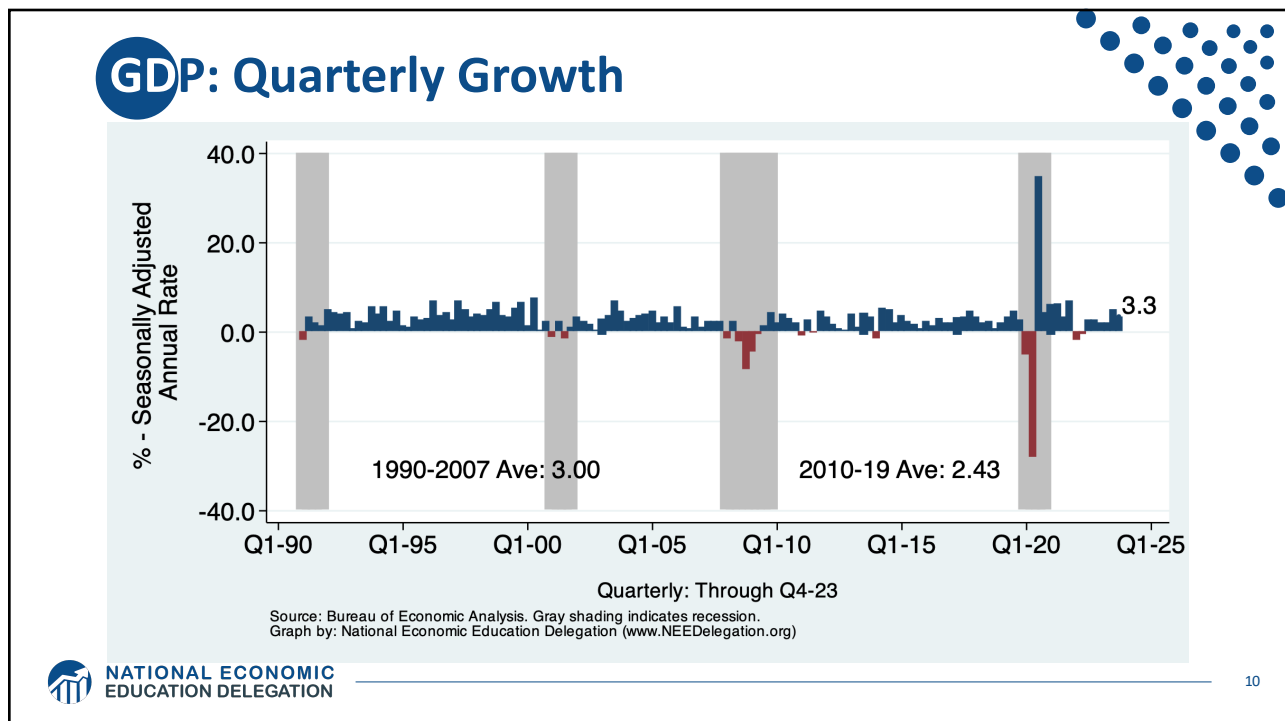


Note: Does not add to 100% because of omitted sectors.

8



9



10

What Determines GDP?

Demand

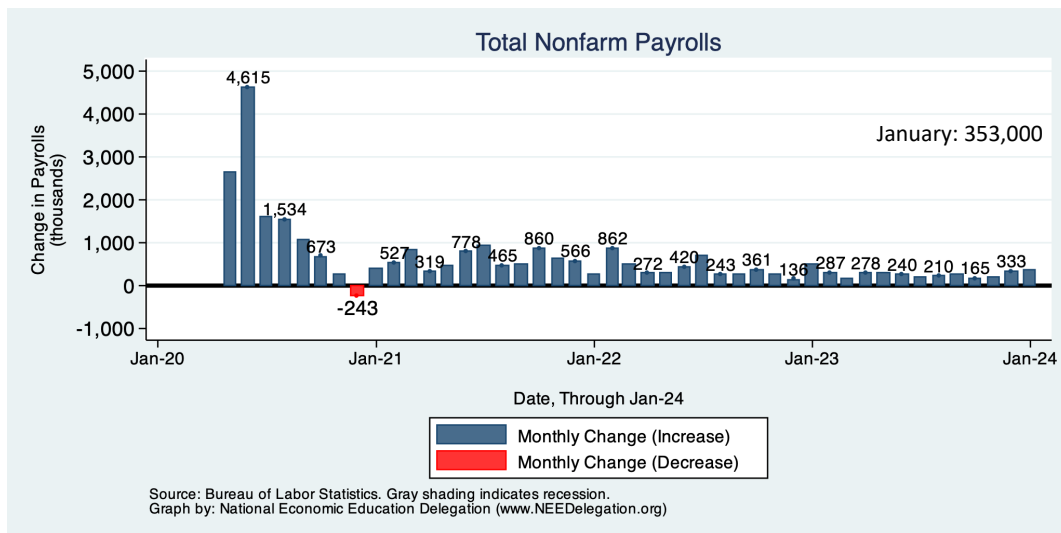
- Consumption
- Investment
- Government
- International Trade

Supply

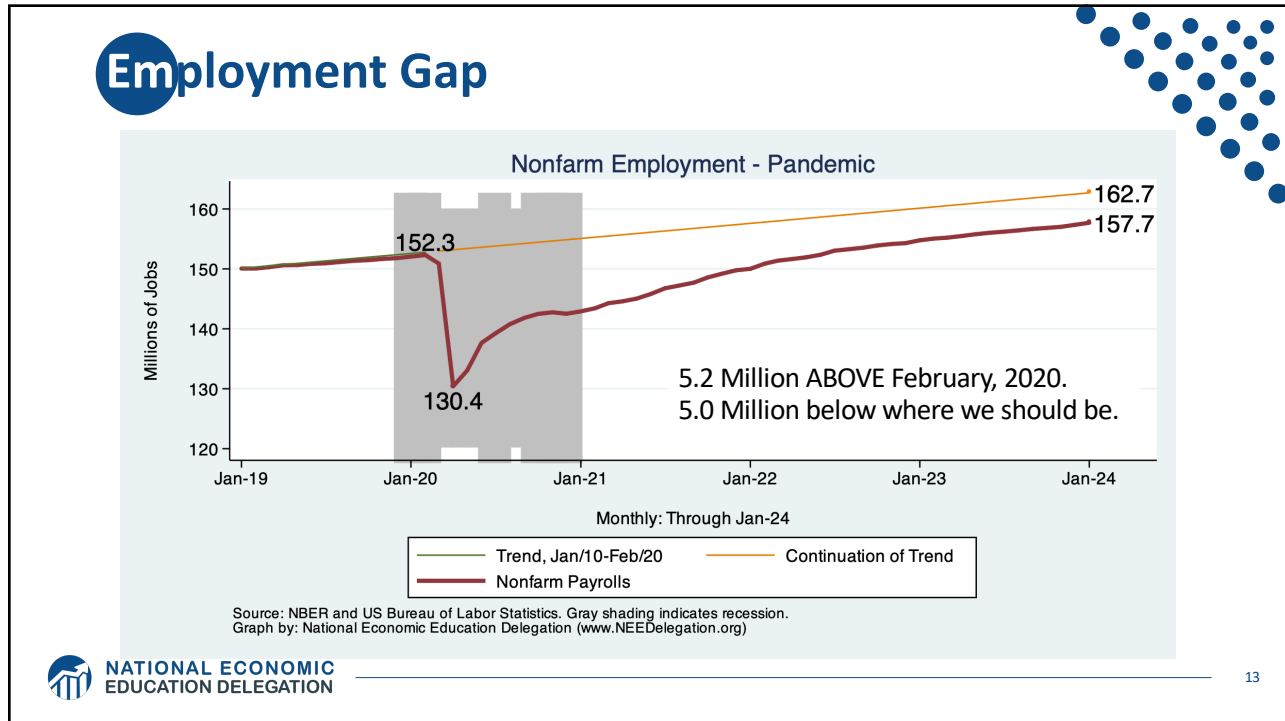
- Labor
- Capital
- Natural Resources
- Entrepreneurship

11

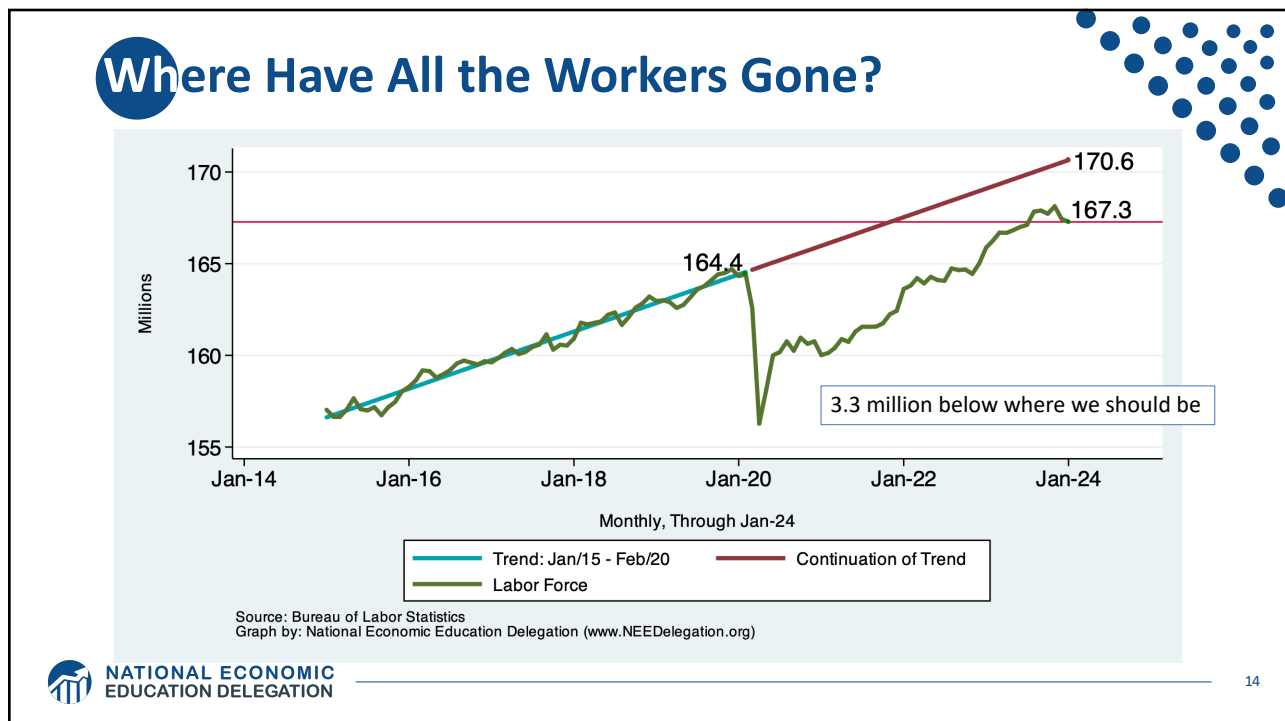
Monthly Changes in Nonfarm Employment



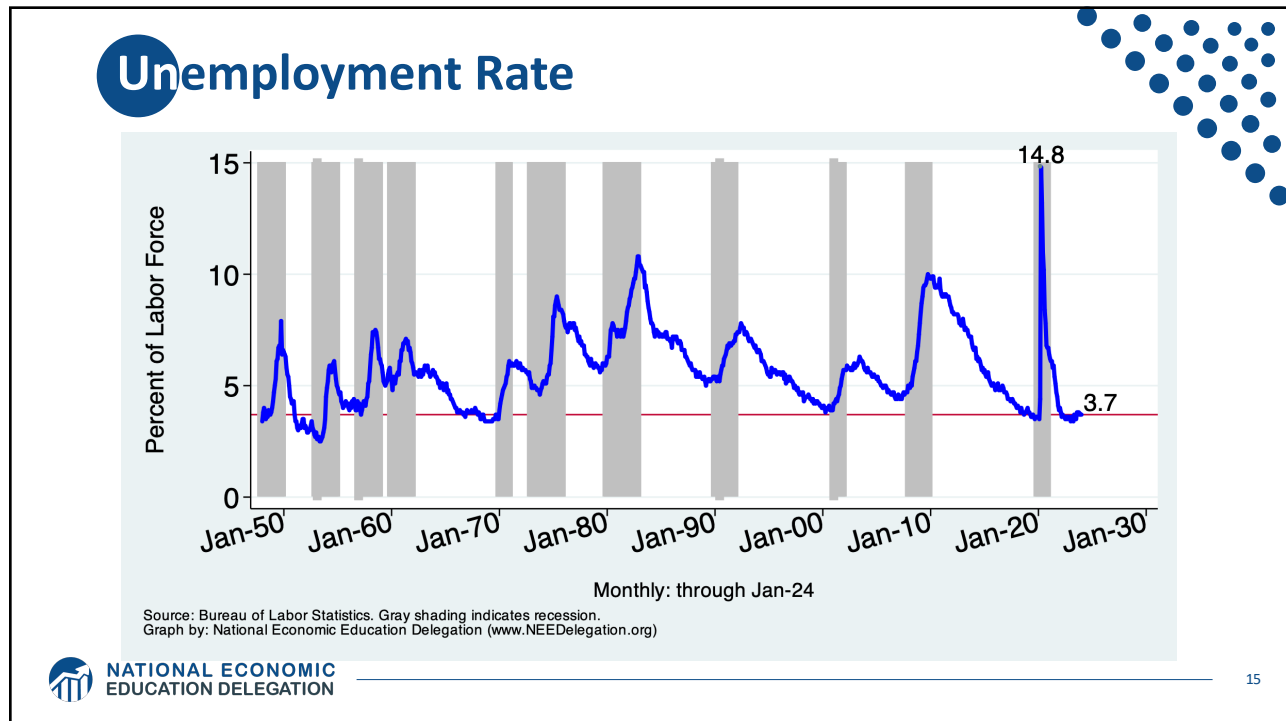
12



13



14



15

How is the Unemployment Rate Calculated?

- It is not a simple thing:
$$UR = \frac{\# \text{ Unemployed}}{\text{Labor Force}} * 100$$
- Why is that not simple?
 - Because it can go up or down for a variety of reasons:
 - If the labor force shrinks – UR goes down
 - If employment grows – UR goes down
 - Not all employment is created equally
- Not a good indicator of the overall well being of the US economy.

NATIONAL ECONOMIC EDUCATION DELEGATION

16

Inflation

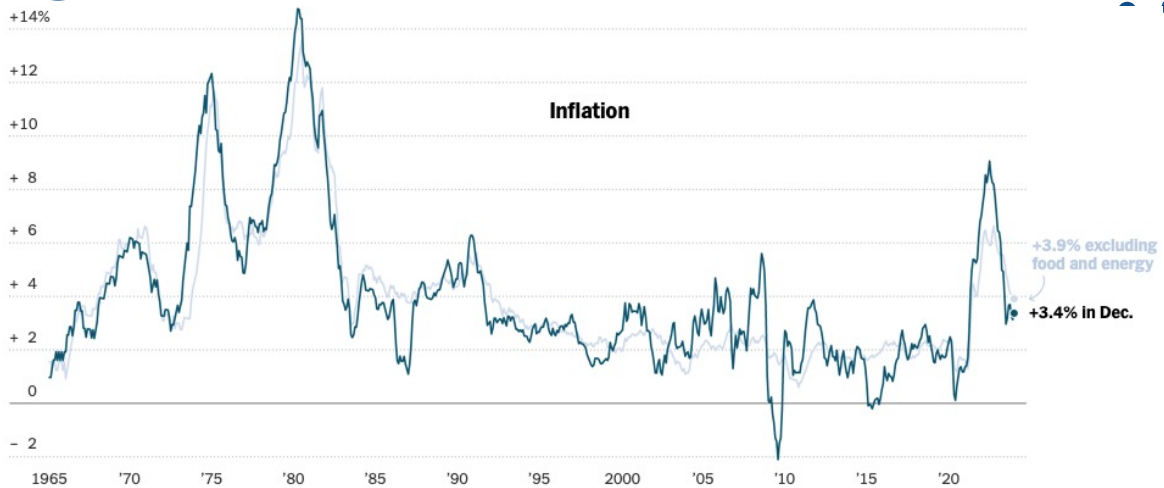


NATIONAL ECONOMIC
EDUCATION DELEGATION

17

17

Inflation: Latest Figures



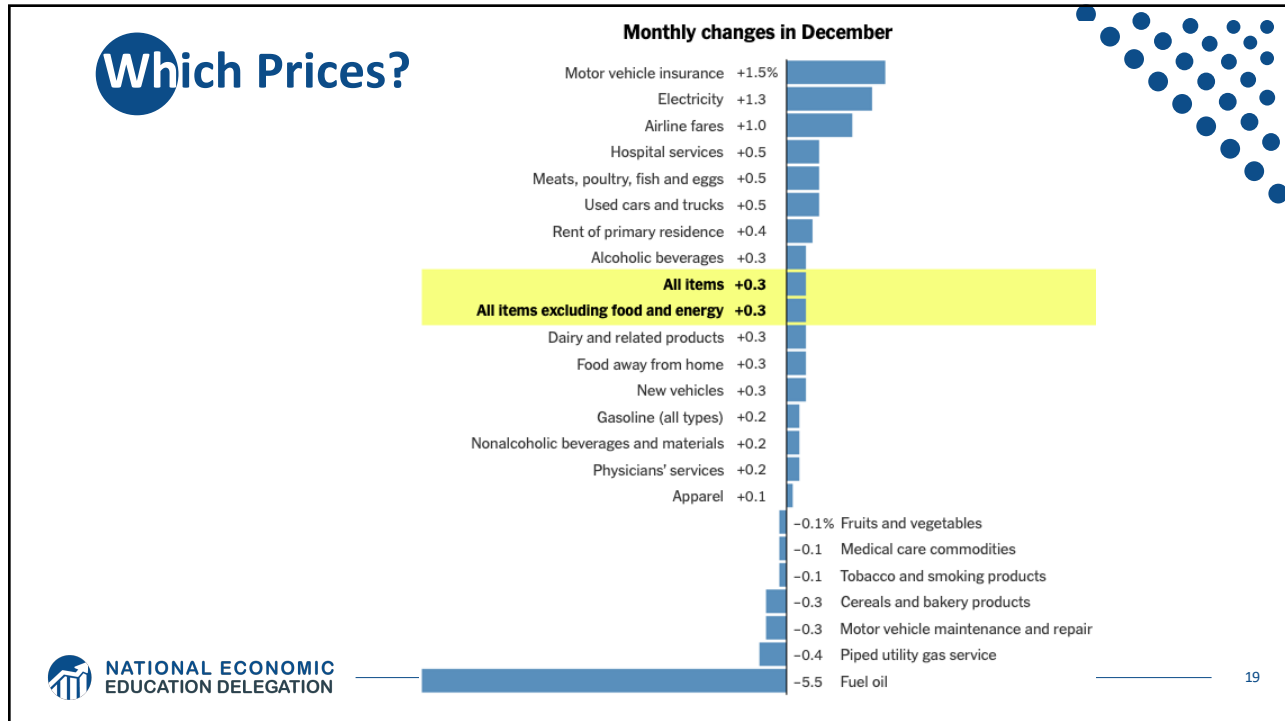
Year-over-year change in the Consumer Price Index - By Ella Koeze

NATIONAL ECONOMIC
EDUCATION DELEGATION

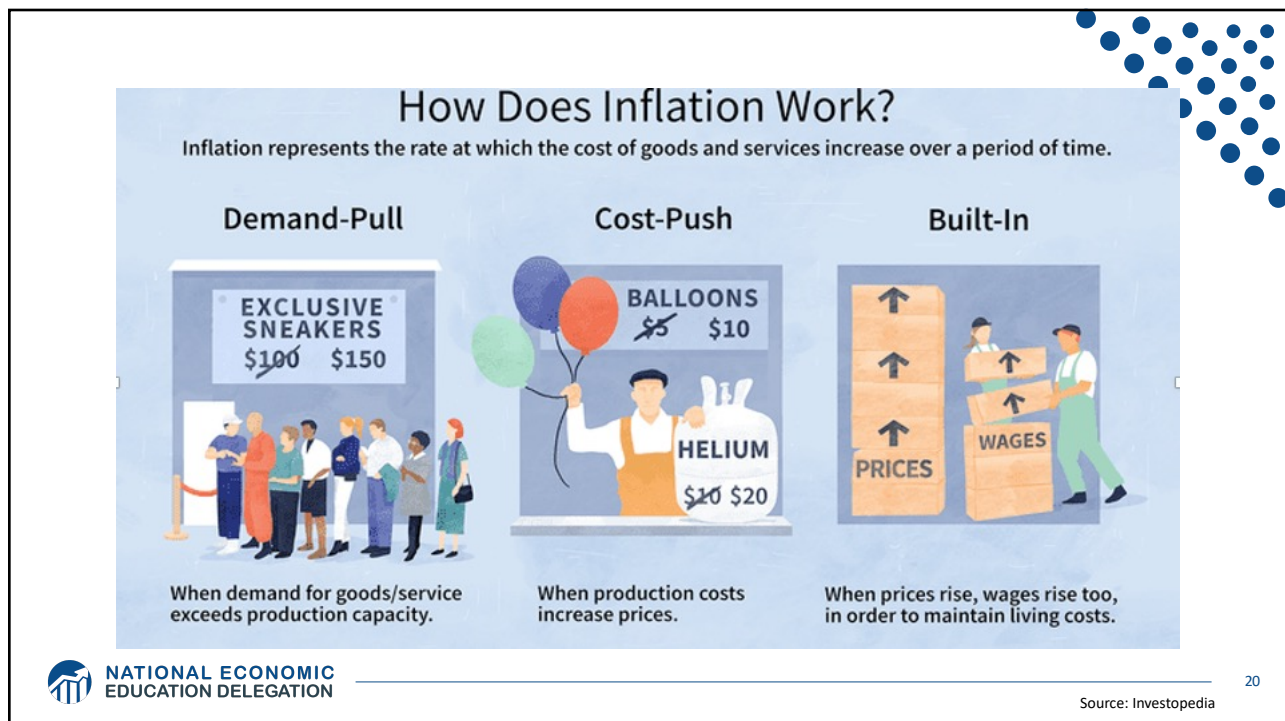
Source: NYTimes.com

18

18

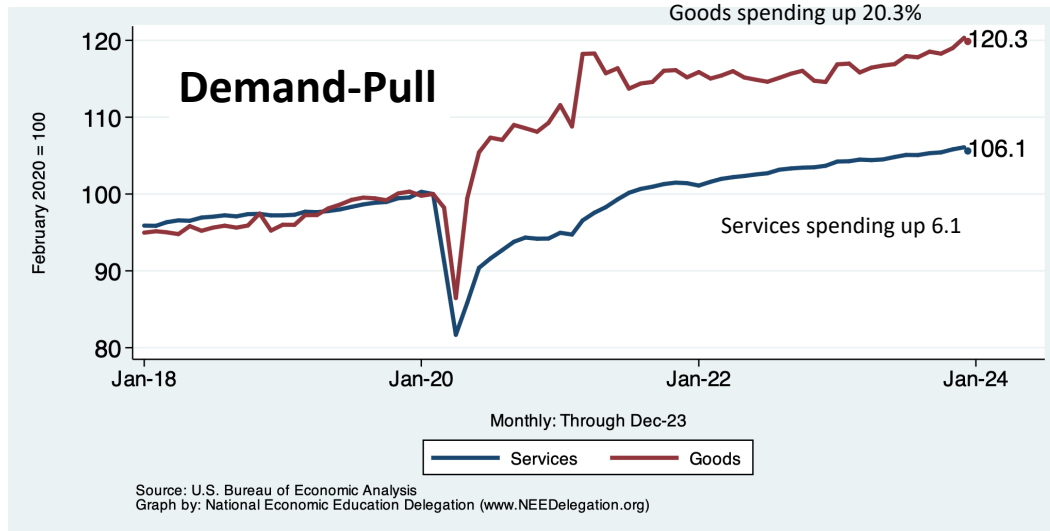


19



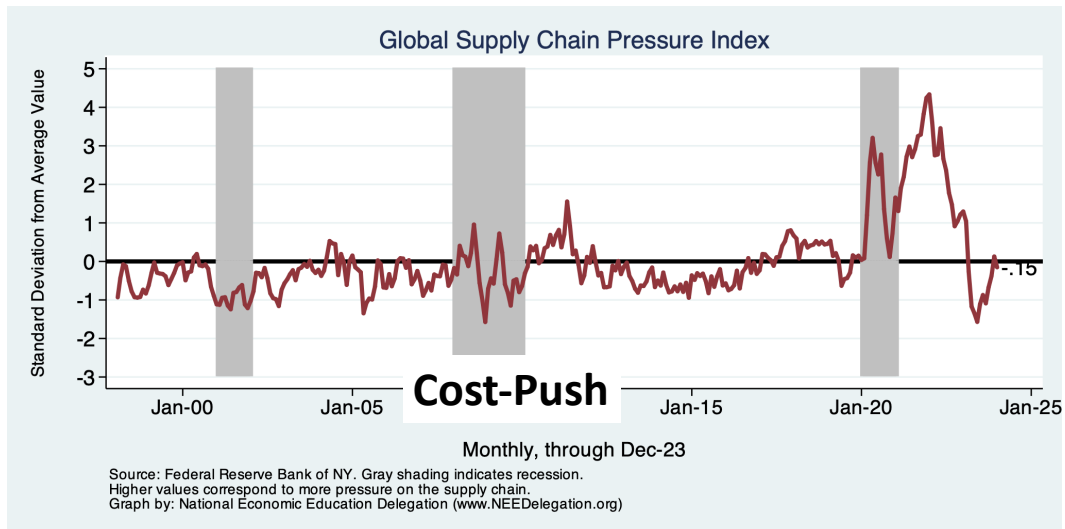
20

Spending Patterns Changed - More Goods!



NATIONAL ECONOMIC EDUCATION DELEGATION

Supply Chains



NATIONAL ECONOMIC EDUCATION DELEGATION

Why Did we get the Surge in Inflation?

- Spending patterns have changed dramatically. (Demand pull)
- Yes, there were supply chain issues that affected some areas in particular (e.g., computer chips). (Cost push)
 - Computer chips was also demand pull – Bitcoin!
- **But there was also too much total spending.**
 - The government spent \$5 TRILLion protecting us from the pandemic's effects.



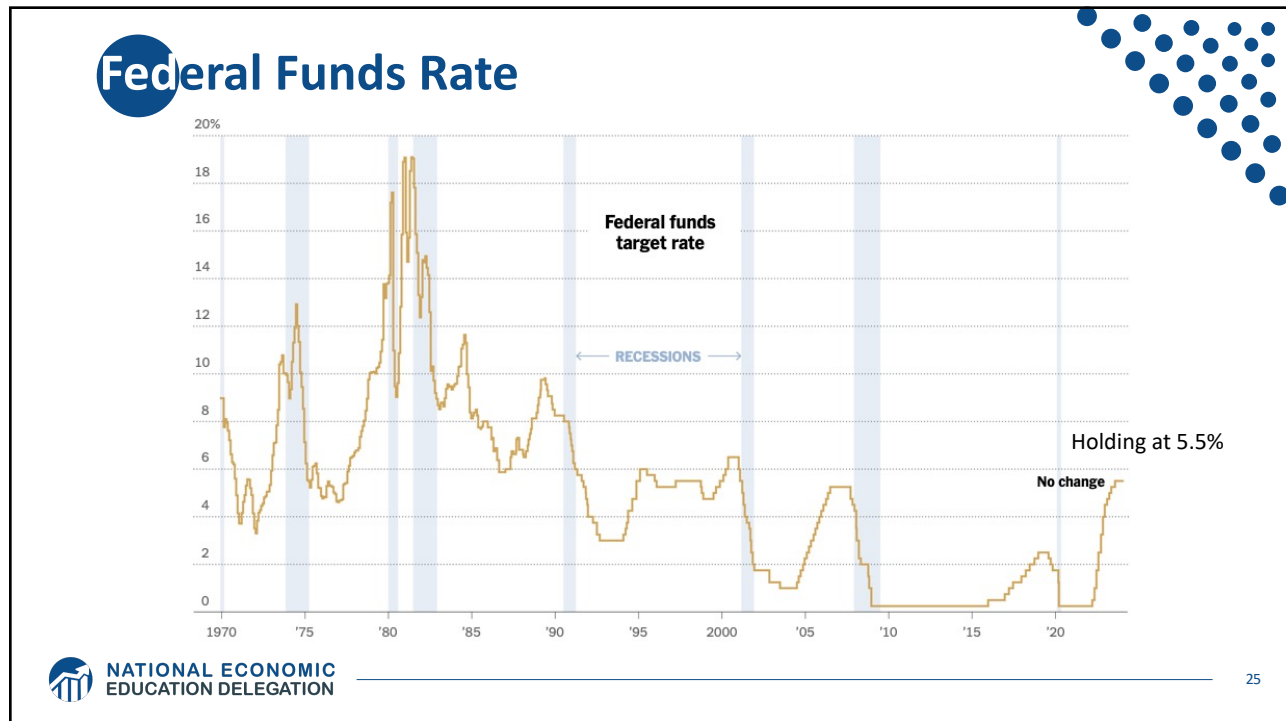
23

What's the Fed Doing About It?

Fed = Federal Reserve



24



25

Implications for Demand: Reduced

- Investment borrowing
- Home loans – tied to 10-year Treasury
- Car loans
- Credit cards
- And more....

26

26

Takeaways

- **The U.S. economy is in good shape!**

- GDP growth is strong.
- Employment growth is strong.
- Inflation is coming down – almost to the Fed’s target (2%).

- **Our biggest problems?**

- Labor force is not growing.
 - That slows the economy and creates cost-push inflation.
- War?



NATIONAL ECONOMIC
EDUCATION DELEGATION