State of Economy - USA

Unemployment

The unemployment rate as of April is 3.9% which is the lowest that it has ever been since December of 2000. The African-American unemployment rate as of April is 6.6% which is the lowest that it has ever been since 1972 (Amadeo). Which means that there are more African-Americans are not being out to work because they are uneducated and unqualified in a lot of fields. Despite complaining about the difficulty of finding qualified workers, most industries have yet to significantly boost pay for their employees, since average wages are up 2.6% from the previous year. Trump has also imposed tariffs on all imports coming from China and Europe. Although Trump believed that this will safeguard American jobs, fears of a trade war due to Trump’s tariffs might hurt future hiring. Theses tariffs attack the workers that are making cars, homes, and other products that need steel. The labor force participation rate is at 62.9% as of April 2018 (Trading Economics), which is in keeping with its continual decline over the past 18 years. President Trump is determined that tax cuts will lead to greater hiring. Trump’s tax cuts will not be sufficient enough to incentivise businesses to employ more workers for the long run. In the short run, they will be able to hire more workers to increase their labor and gain more revenue.
Economic Growth

Currently, the United States is experiencing economic growth. The current nominal GDP of America in 2017 was $19.36 trillion, and it is expected to continue rising. The real GDP of the United States increased by 2.3% in the first quarter of 2018 which is slower than the 2.9% increase of the final quarter of 2017 (Trading Economics). The fall in the economic growth can be related to less consumer spending, which is one of the determinants of aggregate demand. The economy of the United States is very dependent on consumer spending, since this determinant alone counts for more than two-thirds of the United States economy. The United States experienced high consumer spending in the final quarter of 2017 since consumers were anticipating of the massive $1.5 trillion tax cut. The tax reform will cut corporate tax rate from 37% to 21%. This will make businesses to have more business confidence. The businesses will have more incentive to hire more workers because they will have more disposable income and will lead to investment increasing and will cause aggregate demand to increase because it is a determinant of aggregate demand. This tax reform will also decrease the income tax rates. This will cause the consumption to increase because people will have more money to spend. This will lead to aggregate demand to also increase. The current Trump administration's economic advisers continues to believe that his new tax reform plan will spur the economy to consistent 3% growth, as opposed to the 2% average of recent years.

Inequity

Reports state that wage growth has been slower for black Americans than for white Americans at every wage bracket, for over the past 20 years.
The GINI coefficient, a measurement of equity, for the United States for the past 30 years. The GINI coefficient of the United States was 0.41 as of 2013, which is slightly ahead of Uganda. The GINI coefficient indicates how evenly distributed the money is between the rich and the poor. The United States’ GINI coefficient is relatively high compared to the other countries around the world, as other countries are more evenly distributed. President Trump passed a deregulation policy and he believes that his policy of deregulation and tax cuts will help reduce inequity. The deregulation policy was used to give more freedom to businesses by reducing regulations on environmental policies and allow them to produce more with a major potential harm on the environment. This will allow businesses to increase their revenues by selling more of these harmful products such as carbon dioxide emissions and pollution which will worsen the distribution of income between the rich and the poor because the businesses will be making even more money before, while the poor people will be either unemployed or working for very low wages. To fix this problem, the United States Government will have to implement a progressive tax system. A progressive tax system imposes a higher rate on the wealthy than on the poor. This will allow the distribution of income to be more fair because the richer people are paying more taxes than the poorer people in the economy. The government will also need to provide socially desirable goods and services. From the taxes that the government is getting, it will allow them to spend their money to help the poorer people. They can build hospitals to make sure that the people are healthier. They could also build better schools to make sure that everyone is getting a better education and make sure that they have a better chance to get more income.

**Inflation**

The United States’ inflation rate in 2017 was 2.38%. Reducing inflation to a low and stable rate is considered of the biggest macroeconomic goals. If the United States’ inflation continues to rise, it will cause the average price levels of goods and services to rise. This will end up making
the prices of goods and services to be too expensive for the people and it will cause consumption to decrease, thus making aggregate demand to decrease. President Trump’s tax cut plan was used to boost aggregate demand through incentivizing consumers to spend more on goods as shown in the Keynesian diagram.

To steady the Inflation rate, the United States government should look to apply a monetary policy. This policy will allow the central bank to decrease the interest rates. This will increase consumption because the people will want to borrow more money and spend more money because it is cheaper to borrow more now and they will consume more and it will also allow the government to increase their spending. Both of these would cause aggregate demand to increase because the government spending and consumption are both a determinant of aggregate demand and if they increase then aggregate demand will increase.

The graph to the right indicates that the United States government will need to make aggregate demand shift to the right, as shown in the graph, by decreasing their interest rates and increasing government spending, this will cause the average price levels of goods and services to increase from PL1 to PL2. Y1 will also shift to Y2 because the real GDP will increase.
because the shift in aggregate demand will cause real GDP to increase. The government will also need to increase Aggregate Supply. They can do this by increasing land, labor, capital, and enterprise. Shifting AS to the right will decrease price levels and control the rate of inflation and it will generate economic growth as well.

My Sources

Works Cited


