Howard University

Extra Credit Term Paper

The Current Status of the United States Economy

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As newly registered, fresh-faced voters, we, as college students, are dealt the lower hand when it comes to understanding our economy. Here in the United States, those of us who our ignorant of the study of economics, both micro and macro, are forced to give politicians the benefit of the doubt; And as we all know, they take advantage of this simple fact. For instance, politicians like Donald Trump say that Barack Obama and his policies have destroyed the economy of the United States. I, for one, would like to do my own research on the current status of the United States so that I can assess the validity of such statements myself. So, then, how do we assess the current state of an entire nation? There are many different factors one can look towards to evaluate how a country is doing economically. Many of the factors are topics that we cover during Professor Agnes Denalane's course. These factors include, but are not limited to: GDP, inflation, and unemployment. Looking at these factors should give us a full picture of how the nation is doing as a whole. Once this information is understood, we can make predictions and assumptions moving towards the future without the hindrance of politicians and their chatter. Besides that, this information is important because a good understanding of it could help people make better decisions when investing and spending money. Let's begin with the first topic.

Economists and investors alike look towards certain factors to decide whether the economy is in a state of growth. In fact, Marc Chaikin, CEO of Chaikin Analytics claims that "People are looking at GDP to make sure the economy is still intact." (CNBC, 2015) Growth Domestic Product, or as it will be referred to as GDP, is defined by Investopedia as "the monetary value of all the finished goods and services produced within a country's borders in a specific time period. Though GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. Put simply, GDP is a broad measurement of a nation's overall economic activity". (Investopedia, 2003) GDP is calculated by the formula, $C + G + I_g + X_n$.

Since GDP is used to determine whether a country is growing economically, it should be noted that this year's fourth quarter will determine how the US is currently doing. However, we can still predict the outcome based on the data from the third quarter. During my research, I found that there was a large increase. This year's third quarter GDP actually showed a five percent growth, much greater than the expected two-point-one percent increase. Now, as a result of having such a large increase from last quarter, I would argue that this quarter's review will probably not mimic that same level of growth. However, with the holiday seasons coming upon us, factories will be increasing their production which will add some stimuli into the market.

On the other hand, I must admit that some people find fault in using GDP as an indicator of how the economy is doing. As it may be known, GDP fails to take into the account the "black market", or anything sold underground, which definitely should be taken into consideration. Although sales are underhanded and underground, it is possible that not all of items sold are illegal. In fact, some could actually boost a country's GDP. For example, the shoe reseller market is a multi-million dollar industry that is not taken into account currently when calculating the nation's GDP. I believe that our nation's GDP would increase dramatically if it were to be included.

Another factor that affects the nation's economy is inflation. The Library of Economics and Liberty defines inflation as "an ongoing rise in the general level of prices quoted in units of money. The magnitude of inflation—the inflation rate—is usually reported as the annualized percentage growth of some broad index of money prices. With U.S. dollar prices rising, a one-dollar bill buys less each year. Inflation thus means an ongoing fall in the overall purchasing power of the monetary unit." As time moves on, the value of a dollar goes down. This affects our economy because the standard of living could be increasing while our dollar is buying us less. This can discourage consumers from buying goods because of their decreased purchasing power. According to the US Inflation Calculator, as of November 2015, the rate of inflation was point-two percent which decreased drastically from last year's percentage of one-point-seven and 2004's percentage of three-point-five back when we were in a recession. This means that inflation has gone down over time. This is a good indicator in terms of the status of our economy. (Current US Inflation Rates, 2015)

Unemployment is the most ambiguous of all factors dealing with the United States economy. I say this because of the way in which unemployment in defined by the U.S. government. Unemployment in the United States is at about five-point-five percent. Those who do not understand economics might believe that this means only five-point-five percent of our population does not work, but this is not the case. In the U.S., one is considered unemployed only if he or she has been out of work for less than four weeks and is still actively searching for a new job. That means that if he or she has been out of work for more than a month, he or she is no longer considered "unemployed". If an individual is laid off from work and is not actively seeking a new job, he or she is longer considered "unemployed", but is rather taken out of the labor force altogether. There is a large population of long-time unemployed individuals not included in our unemployment percentage. What the percentage also leaves out is the number of individuals in prisons and mental institutions. I believe that if we changed the criteria for unemployment, the percentage would be a lot higher. But from the outside looking in, the numbers look great. When I googled the unemployment rate in the United States, I found that as of April 2015, it was five-point-four which has decreased by three-tenths of a percent since the beginning of this year in January. According to a press release sent out on December 4, 2015 by the Bureau of Labor Statistics, "Over the past 12 months, the unemployment rate and the number of unemployment persons are down by 0.8 percentage point and 1.1 million, respectively." (News Release, 2015)

All in all, it's clear to me that President Barack Obama, unlike the opposing statements suggest, has not ruined the economy of the United States. As I have pointed out, the GDP has increased and inflation, as well as unemployment have both decreased. The status of the economy of the United States, as far as the year 2015 is concerned, is seemingly healthy and making strides in its progression towards greatness.

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