

# THE UNITED STATES ECONOMY

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# OUTLINE—Continue Focus on Growth

## I Growth Potential of the US

- Productivity Advance
- Labor Force Growth

## II Factors Sustaining Productivity Advance

## III Recent Economic Performance

- Effective Demand
- Why less than Potential

# GROWTH POTENTIAL

- Record of Productivity Growth
  - Huge Quarter to Quarter and Year to Year Variability (+10.0 to -6.0)
  - Consistent Weighted Average About 2% per year
  - Likely to Continue

## Labor Force Growth

-Rising Through 1970s – About 2%

Increasing Female Participation

Baby Boom Generation

-Declining to About 0.7% Today (TFR 2.06)

Potential Growth About 2.7%

More During Recovery Period—Unemployed Rule of Thumb – Okun's Law

# SUSTAINING PRODUCTIVITY

Natural Resources

Energy

Agriculture

Innovation Culture

Cultural Acceptance/Promotion

Government Support—Also Foundations

Research Universities

Our People

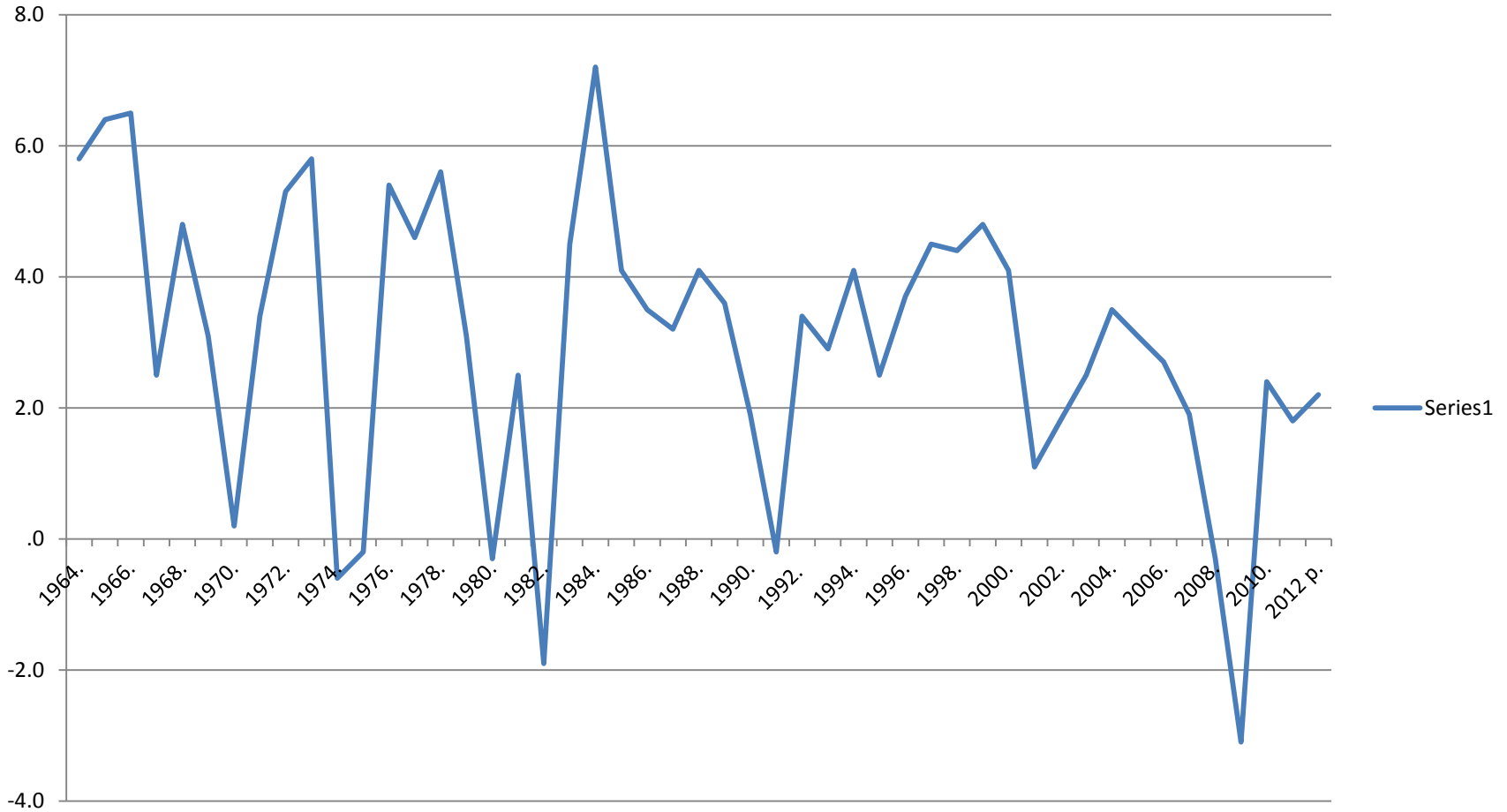
Never Satisfied

Immigration

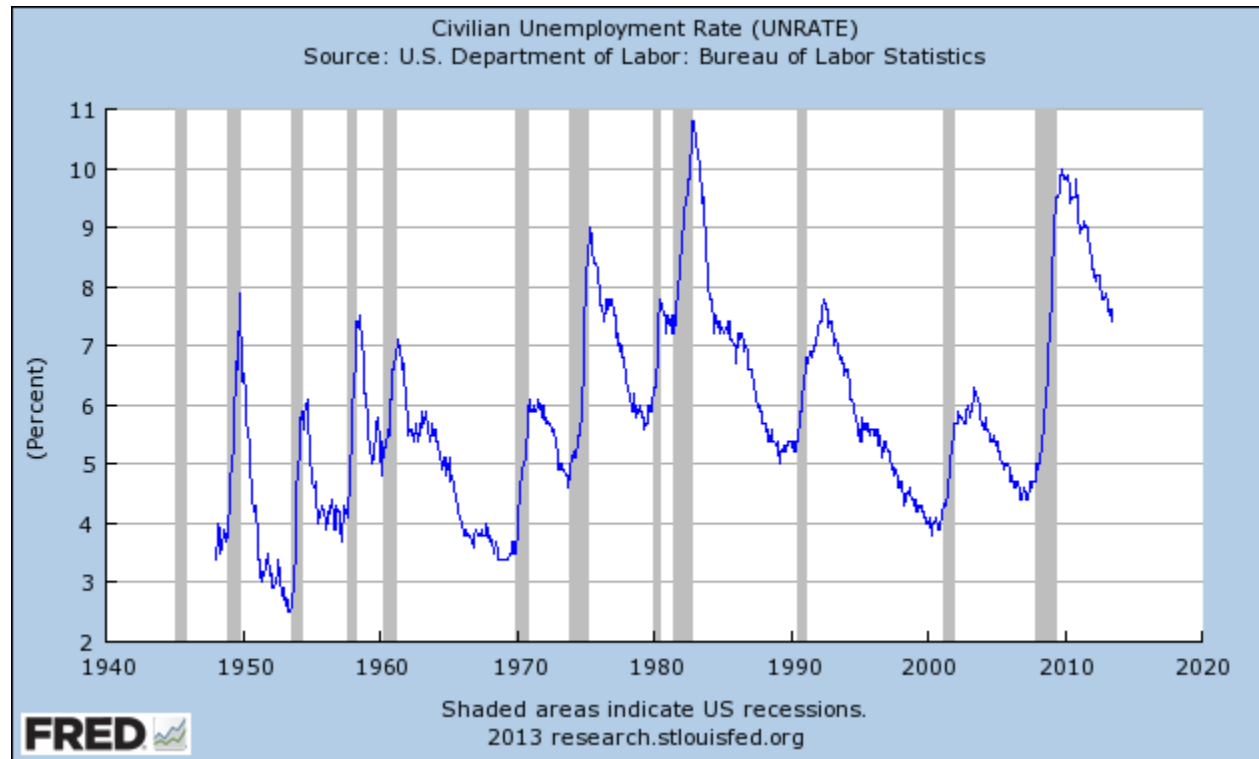
# GROWTH IN THE UNITED STATES

## Part 2

# GNP GROWTH OF US



# UNEMPLOYMENT IN US



# THE GREAT RECESSION 2008-9

## I. Why is it different

### – A. Caused by financial mistakes

1. Excessive risk taking by financial institutions

--Led to Housing bubble

--Is regulation required to keep them sensible?

2. Excessive borrowing by households

– Sub-prime mortgages

– House equity borrowing

– Credit card debt

3. Longer Recovery Time required to correct balance sheets

--By saving out of income

4. Slow recovery

--Weak consumption

-- Sequestration

5. Sustained by Monetary Policy

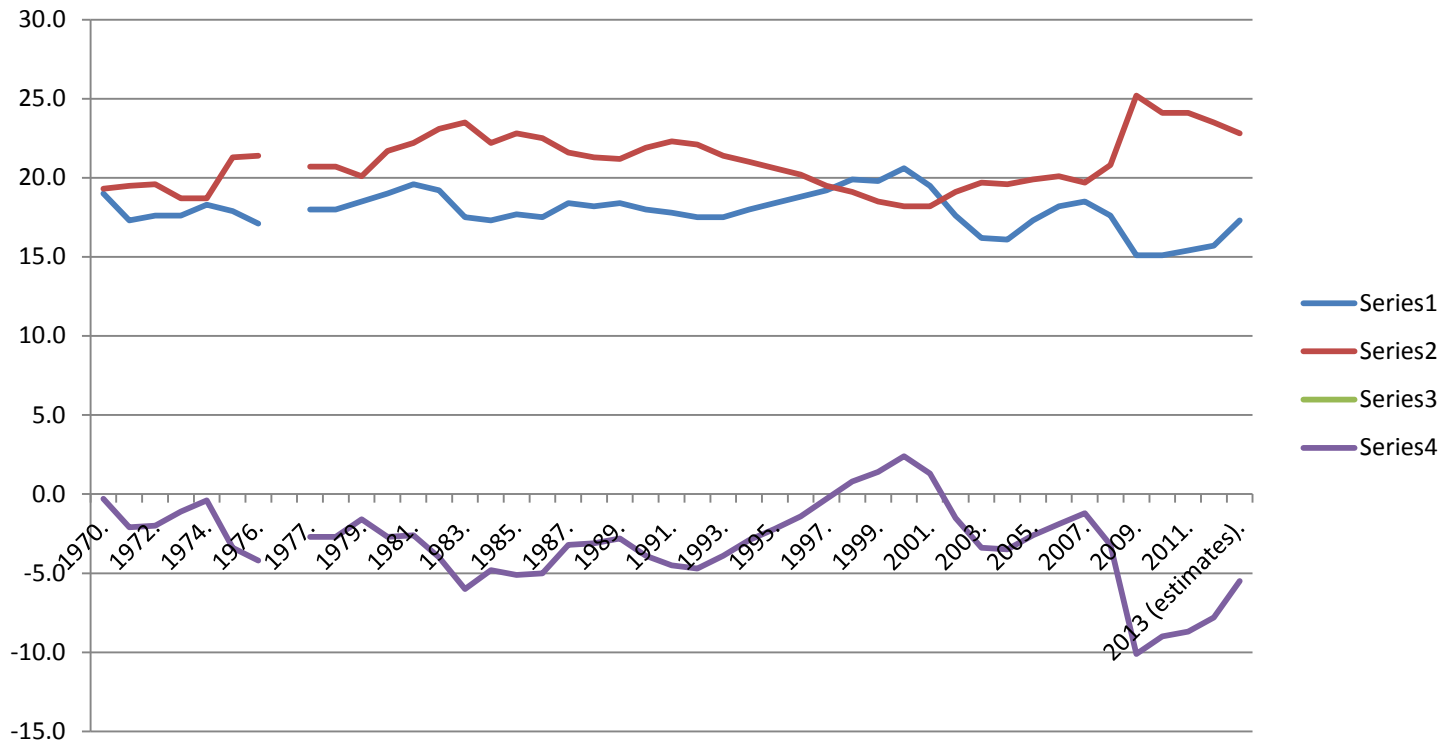


# SHORT TERM CHALLENGE

- Long Term Unemployment
  - A. Loss to the Economy
    - 1. Loss of skills
    - 2. Leave labor force
  - B. Human Costs
    - 1. Within family
    - 2. Society
  - C. Political Costs
    - 1. Loss of Faith in Institutions

# MEDIUM TERM CHALLENGE

- Federal Budget Deficit



# MEDIUM TERM CHALLENGE

- Budget Deficit
- A. Expenditures
  - 1. Medical
  - 2. Social Security
  - 3. Defense
- B. Revenues
  - 1. Level
  - 2. Distribution of burdens

# LONG TERM CHALLENGE

## Unequal Distribution of Income and Wealth

- A. Trends
- B. Causes
- C. Consequences
- D. Policy Alternatives
  - 1. Education—especially early years
  - 2. Worker training
  - 3. Minimum wage
  - 4. Progressive taxation

# CONCLUSIONS

- Why the US is a Blessed Country
  - A. Natural Resources
    - Agriculture
    - Energy
  - B. Diverse People
    - Immigrant Society
  - C. Political Stability