

In the United States, three common indicators are used to describe how well the economy is doing. These include the gross domestic product (GDP), the unemployment rate, and price indexes. According to the World Bank, the GDP in 2020 was 20.937 trillion, down 496 billion from the reported GDP in 2019. This was caused by the coronavirus pandemic, an economic growth low not seen since 1946. GDP for the second quarter of 2021 was 22.76 trillion or 6.5%, which is below the Dow Jones estimate of 8.4%. The unemployment rate in 2020 was 8.31%, compared to the unemployment rate in 2019 at 3.67%. This unemployment rate is almost as high as the peak from the 2008 financial crisis fallout in 2010, over 9%. Price indexes used to measure the amount of inflation indicated that the U.S. dollar lost value in 2020. Estimates are that 22% of all U.S. dollars were printed in 2020; it was said the federal reserve created 27 billion dollars a day on average last year. It's safe to say 2020 was a recession, with three of the worst single-day drops in the dow jones average happening in the same month. These days in March of last year are often compared to the Black Monday crash in 1987, which caused a recession in countries across the globe.

During the capitulation that occurred in the markets in March of 2020, Google Trends reports that the search term "recession vs depression" peaked from the 15th through the 19th. Showing that many Americans were curious if the financial downturn going on was considered a recession or depression. This downturn is today considered a recession, where the GDP was down two or more quarters. Unlike the severe recession or depression that began in 1929, the GDP decreased 26.7% globally, and unemployment reached 24.9% in 1933, unlike the recession last year, where stocks and unemployment made a surprise recovery quickly. The great depression lasted around a decade.

During the Great Depression, the Government in the United States began focusing on fiscal policy. To end this depression, the Government increased spending and cut taxes to increase incomes and grow the economy. These ideas credited to John Keynes were largely proven true when increased military spending during World War II significantly boosted the economy. Later in the 1960s, the U.S. military increased expenditures for the war in Vietnam, and consumer spending was on the rise. This Government spending, along with other factors, pushed the demand on the economy past what it could produce, causing inflation. Keynes theorized the Government should reduce spending or raise taxes in times like these. Unfortunately, this would prove to be difficult to sell politically.

The Federal Reserve Act of 1913 established the present-day Federal Reserve. This act brought all the banks in the U.S. under the jurisdiction of the Federal Reserve (the Fed). Monetary policy controlled by the Monetary Authority, in the U.S., the Fed. The Fed has the power to control interest rates on very short-term borrowing and control the money supply to ensure the stability of price and trust of value in the nation's currency. The Fed also contributes to stabilizing the GDP and tries to keep a low unemployment rate.

References

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