

THE GLOBAL VICISSITUDES OF THE CHANGING LANDSCAPE OF THE AMERICAN ECONOMY

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“It's clear that the medium and long-run fiscal challenges facing the country have to do with the rise of entitlement spending; they have to do with the longer-run imbalances that we've created in the structure of the system.” This quote by renowned American economist and Robert P. Gwinn, Professor of Economics at the University of Chicago's Booth School of Business, Austan Goolsbee, encapsulates the dynamic yet unstable condition of the current American economy. In the wake of the COVID-19 pandemic, which resulted in the debated “shortest recession in American history” and the unprovoked Russian invasion of Ukraine, the American economy has encountered rising inflation matched by severe disruptions in supply chain mechanisms. Mirroring the almost twenty-three percent decline in the S&P500 and the inversion of the US Treasury Yield Curve, Americans have been facing the threat of a looming recession which would result in what economists predict as the largest cut in cash flows across multiple business channels since the 2008 Housing Crisis.

All hope is not lost, as the recent publications for the third quarter reflect growth in the American economy after its significant shrinkage in the first half of the year. With GDP and consumer spending growing by 1% and 1.4%, respectively, why do many economists still agonize and dwell upon a major recession come 2023? The answer lies in the volatility of the economy that has been most eruptive since the start of the COVID-19 eruptive pandemic. The spike in interest rates by the Federal Government by just under 1% to counteract inflation is just one prominent example of how drastic measures have had to be taken to assuage an economic collapse. The vulnerability of the American economy has also translated across the pond, with the United Kingdom reporting the most significant overhaul in its financial sector for over thirty years. With China's economy still recovering from the global pandemic of 2020, the American economy has been leading the way once more as the exemplar of standards and response to externalities. There could be more supply shocks from China's COVID-19 lockdowns, which would likely keep inflation elevated.

With inflation expected to continue rising in the first half of 2023, the world watches on as its economic health has undoubtedly mirrored a global domino effect increasing the cost of living, scarcity of resources, and severe SKU irregularities.

Reference:

1. Austan Goolsbee. “America in the World Economy: What is the new 'Normal'?", 29. November 2022. World Affairs Council of Jacksonville. Adam Herbert University Center, University of North Florida, Jacksonville, Florida. USA