

State of the us economy



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The U. S. economy is the largest and one of the most diversified national economies of the world, which can also be considered the engine of the world economy. A distinctive feature of the American economy is its focus on scientific progress and advanced technology. The USA is a leader in implementing the results of scientific and technical progress in the production of export licenses for their discoveries, inventions and latest developments. This often leads to dependence of other countries from the United States in science and technology and determines foreign policy of the state (Block, 2009).

The structure of the U. S. economy is characterized by clear postindustrial nature. While the GDP of 2009 made \$ 14. 0 trillion, most of the U. S. GDP (79, 4%) was created in service industries, which include, above all, education, health, science, finance, trade, and various professional and personal services, transport and communications, government services. The share of material production (agriculture, forestry and fishing industry, mining and quarrying, construction), thus, made 20, 6% of GDP. About 0, 9% of GDP was created in agriculture, while industry provides less than 20% of GDP (Janszen, 2010).

Priority rates of development are adherent for the exports of semiconducting and telecommunication equipment, vehicles (cars and airplanes), power equipment and engines, measuring and scientific instruments. In the export of services, financial, management, transportation, medical, educational and consulting services are dominating. In imports of goods, high-tech equipment (computers and peripherals, telecommunication facilities), clothing and consumer electronics, and vehicles prevail. Machinery and equipment give

two thirds of the growth of U. S. imports; the share of cars and consumer goods makes about a quarter of incremental growth (United States, 2010).

In addition, the United States is a country with the high production of food and agricultural products and world's largest grain producer, which is due to country's location in all possible climatic zones. Agriculture is characterized by a high degree of intensification; it employs 22. 8 million people, which is 18% of employees. The basic principle of such high performance is private farming, which produces 42% of all agricultural products. The U. S. agricultural sector provides the world market with 50% of corn, 21% of beef, pork, lamb, about one-third of wheat. Total U. S. share in the supply on the world market of agricultural products is about 17% (United States, 2010).

Among the developed countries, the U. S. has virtually no competitors in its industrial development. The U. S. got ahead of the Netherlands and Israel in the share of services in the industrial structure of GDP, which are the countries, specializing in services because of certain existing competitive advantages, yielding the first place only to Hong Kong (the share of services make 86%). But Hong Kong is not an independent state, remaining only a special economic region of China, where the total share of services is less than 40% (Block, 2009). Thus, the U. S. is currently the most post-industrial state.

A significant contribution to the country's economic growth has been made by the processes of globalization, initiated by the U. S. companies which received substantial support of the government. Overtaking other countries in the intensification of productivity and achieving cost reduction of its

production, the United States is pursuing the policy of pushing its products to foreign markets and protecting its markets from cheaper goods of other countries (Block, 2009). However, this protection is not defined strictly through stringent administrative-command methods of the authorities, but is carried out in the principles of free competition in the world market.

Today, half of the revenues of large U. S. corporations are created abroad. In turn, there are numerous affiliates and subsidiaries of European and Japanese firms in the U. S. All this creates favorable trade conditions for both American companies and their business partners. While at the end of 1970's about 17% of the U. S. economy were connected with foreign trade, by the beginning of the 21st century the U. S. economy was already occupied by a quarter of exports, and now that figure reaches 30% (United States, 2010).

Talking about energy resources, it should be noted that the U. S possess no less resources than any oil-producing country; they are just not used at full strength or mothballed to future times. Nowadays, the U. S. provides itself with 50% of oil, and the remaining 50% is oil imports. In natural gas sector, the U. S. possesses 77% of its own needs in gas (United States, 2010).

At the same time, according to Bloomberg, the capitalization of the stock indices returned to the levels of mid-September 2008, when Lehman Brothers crashed. Index S&P 500 rose by 74% since March 9, 2009, when it reached its minimum at the beginning of the crisis. The U. S. budget deficit in February 2010 amounted to \$ 220. 9 billion, and trade deficit in January 2010 made \$ 37. 3 billion (Janszen, 2010).

However, the current financial crisis which has engulfed the banking sector and stock exchanges is in most dimensions not so catastrophic, as it is described. It only indicates of how strong the U. S. social priorities, opportunities for mortgage and consumer loans even for low-paid citizens are. The living standards of ordinary Americans are still one of the highest in the world; the average annual income of an average American makes \$ 45000-50000. GDP calculated by purchasing power per capita remains among the highest in the world and makes about \$ 44000 (Janszen, 2010).

The head of the Federal Reserve Bank states that the U. S. economy is expected to grow at a moderate pace during the remaining part of 2010, as consumers and companies now increase their spending. In addition, the data on the increase in the number of work places in the U. S. by 162 thousand in March 2010 is now the most encouraging sign in the course of economic recovery. The increase in the number of work places for the previous month was the highest indicator in three years, but the unemployment remained at 9. 7% level (Stiglitz, 2010). Despite this fact that the most optimistic forecasts do not suggest significant growth in employment this year, it seems that the American labor market rises from the bottom.

Following the March meeting of the Federal Reserve System, the executives of the American Central Bank reaffirmed their intention to keep the base interest rate at extremely low level for a long period of time, noting the unfavorable situation on the labor market and in the field of residential real estate. Currently, the FRS rate is in a target range of 0-0, 25% per annum. The FRS also assumes that the American economy does not need incentives from the purchase of mortgage bonds; the program of mortgage bonds

redemption, designed to encourage low rates on mortgage loans, inflated the balance of FRS up to \$ 2. 31 trillion, compared with \$ 926 billion in early 2008 (Stiglitz, 2010).

Currently, the inflation rate in the U. S. is favorable, and the significant risk of decline is now substantially reduced. The increase of PCE Core index (Personal Consumption Expenditures, Excluding Food & Energy), which is monitored by the FRS in assessing the risks of inflation, made 1. 3% in February, slowing down in comparison to January level of 1. 5% (Stiglitz, 2010).

Thus, the U. S. economy remains fairly weak; however, the probability of re-recession is very low. The U. S. financial crisis seems to be mostly overcome; the national economy slowly becomes stabilized and starts growing again. Nevertheless, many problems associated with the exit from the current acute crisis in the U. S. economy still remain, and the economy continues to function far below its real potential. Critical challenges remain in both the short and long terms. Bank lending remains extremely weak and threatens the possibilities of small businesses to finance their development and hire new workforce. Furthermore, the U. S. authorities have not yet seen the evidence of a lasting recovery of the housing market, which initiated the current economic crisis, subsequently obtaining its global character.

U. S. authorities should now proceed to addressing the weaknesses in the financial system of the country, especially in the regulatory basis. The state needs new tough rules to make the activities of financial institutions safer and control their excessive taking of risk. The state needs a regulatory

framework, providing the FRS and other agencies of the U. S. Government with the ability to respond to the risks of the financial system as a whole system. In order to avoid large budget deficits which cannot be sustained, probably the U. S. will finally have to choose between higher taxes, modification of social protection programs, lower costs for other items – from education to defense, or some combination of the abovementioned items (Policy framework, 2010).