

USA The Strongest Economy of The World

Presented to you by:-

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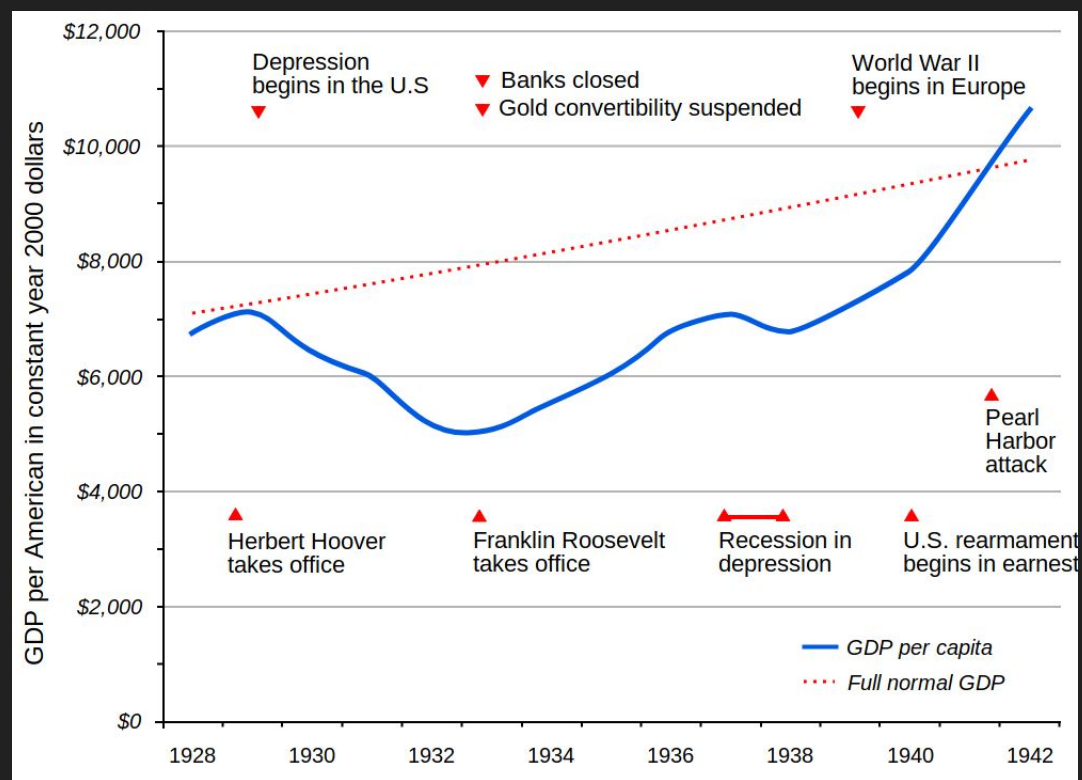
Vikas Chandak

Economic History

- By 19th century, the U.S. made up around **one-fifth** of the world economy and surpassed countries like UK.
- Thanks to Industrial Revolution, manufacturing industry prospered.
- **Panic of 1837** was a financial crisis in the United States that touched off a major recession that lasted until the mid-1840s.
- Around 1920 became largest economy in the world.
- Total population crossed 100 mn.

- The Great Depression hit USA in 1929.
- None of the First World War and relatively little of the Second World War was fought on American territory.
- Yet, during the peak of Second World War activity, nearly 40 percent of U.S. GDP was devoted to war production.
- With huge population and opportunity to manufacture war supplies, the economy got a massive boost.
- As soon as the war ended USA struggled with unemployment as the demand for war supplies reduced drastically.

Year	Nominal GDP (trillions)	Real GDP (trillions)	GDP Growth Rate	Events Affecting GDP
1929	\$0.105	\$1.109	NA	Depression began.
1930	\$0.092	\$1.015	-8.5%	Smoot-Hawley.
1931	\$0.077	\$0.950	-6.4%	Dust Bowl.
1932	\$0.060	\$0.828	-12.9%	Hoover tax hikes.
1933	\$0.057	\$0.817	-1.2%	New Deal.
1934	\$0.067	\$0.906	10.8%	U.S. debt rose.
1935	\$0.074	\$0.986	8.9%	Social Security.
1936	\$0.085	\$1.113	12.9%	FDR tax hikes.
1937	\$0.093	\$1.170	5.1%	Depression returned.
1938	\$0.087	\$1.132	-3.3%	Depression ended.
1939	\$0.093	\$1.222	8.0%	WWII. Dust Bowl ended.
1940	\$0.103	\$1.330	8.8%	Defense increased.
1941	\$0.129	\$1.566	17.7%	Pearl Harbor.
1942	\$0.166	\$1.862	18.9%	
1943	\$0.203	\$2.178	17.0%	Defense spending tripled.
1944	\$0.224	\$2.352	8.0%	Bretton Woods.
1945	\$0.228	\$2.329	-1.0%	WWII ended. Recession.

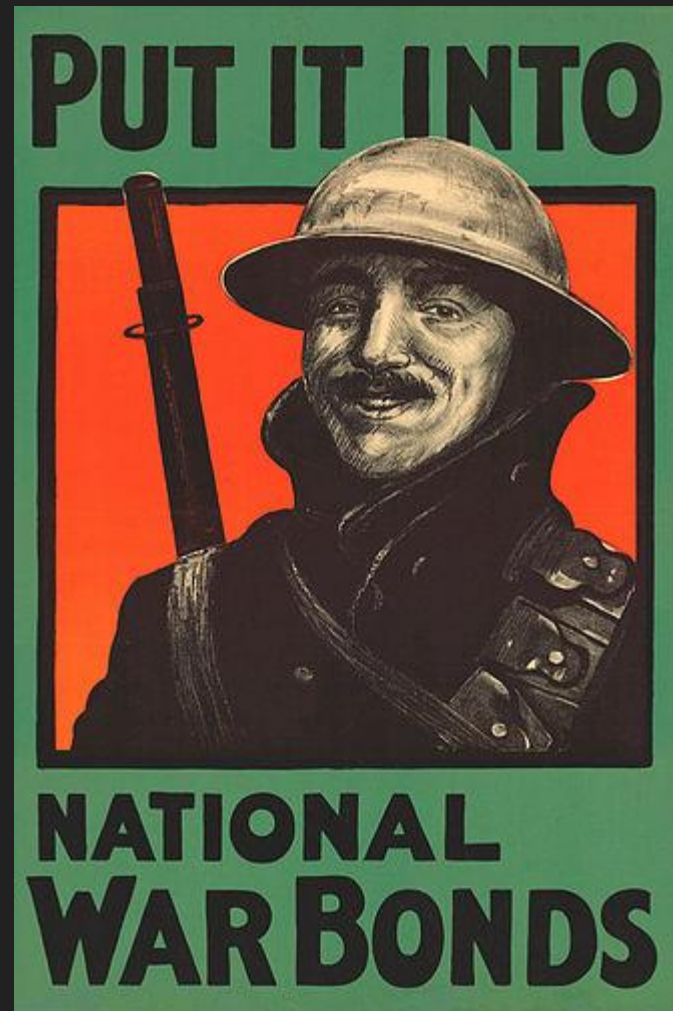


Road to the Most Powerful Economy

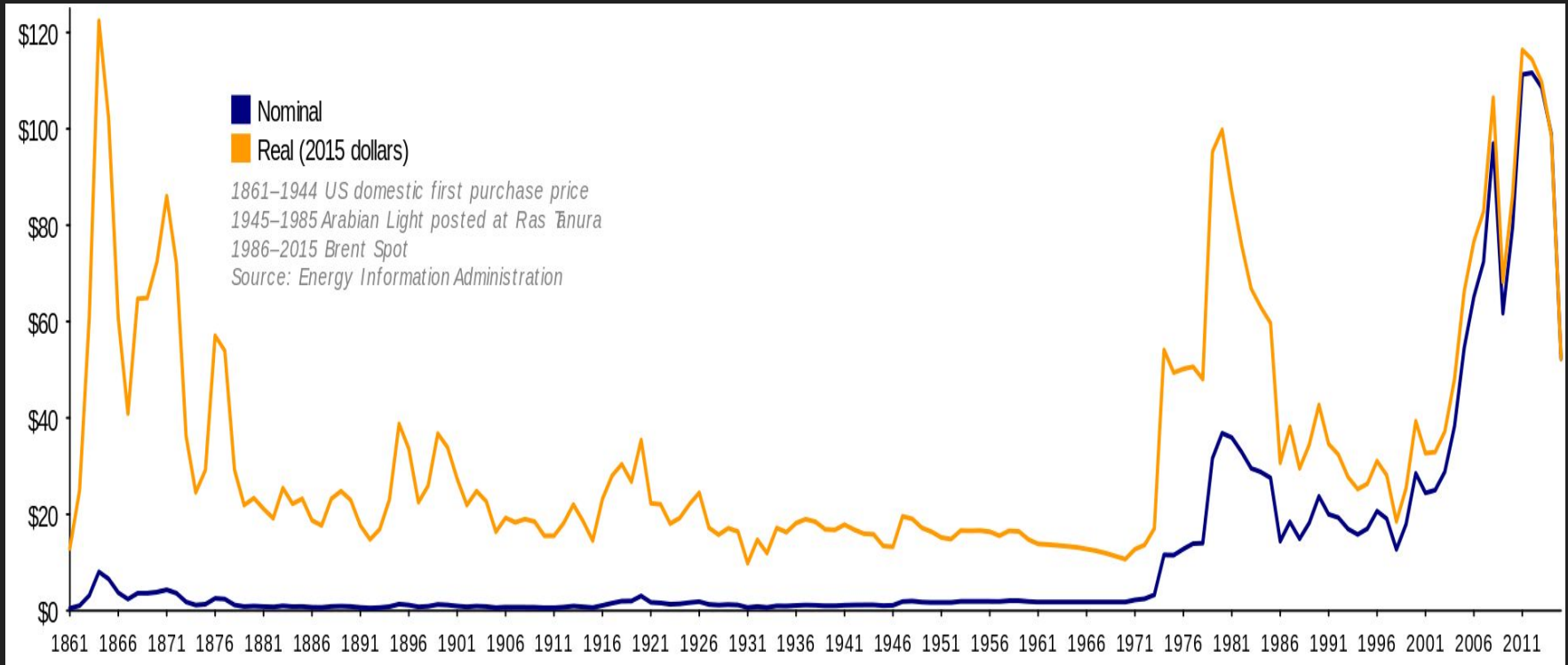
- Post–World War II economic expansion in USA
 - Gross Domestic Product increased from \$228 billion in 1945 to just under \$1.7 trillion in 1975.
 - The US economy represented some 35% of the entire world industrial output.

Causes:

- Depopulation from war
- High Productivity Growth
 - Automation Technologies
 - New products and technologies (Computers)
- \$200 billion in Allied **war bonds** matured.
- **Financial Repression** - low nominal interest rates.



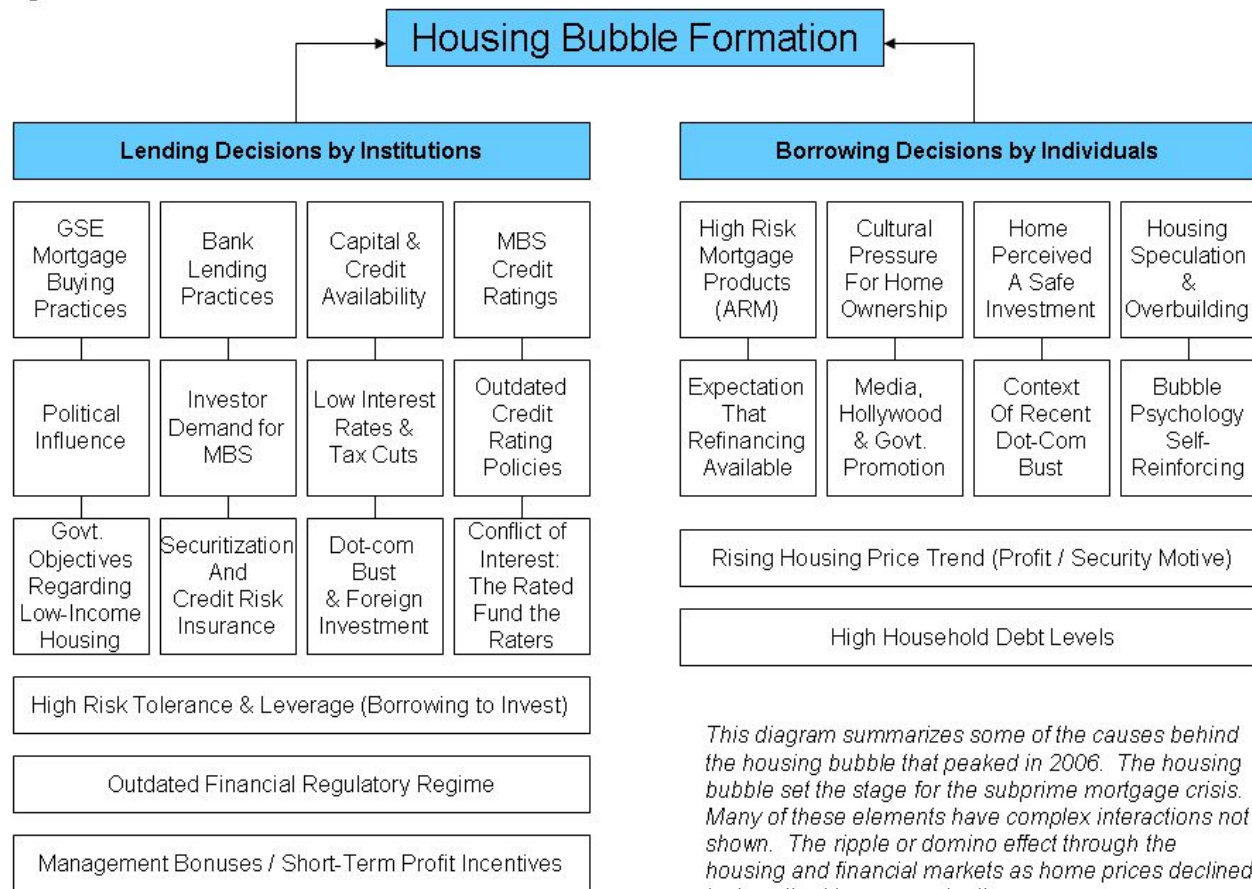
- Low oil prices



Financial Crisis of 2007-08

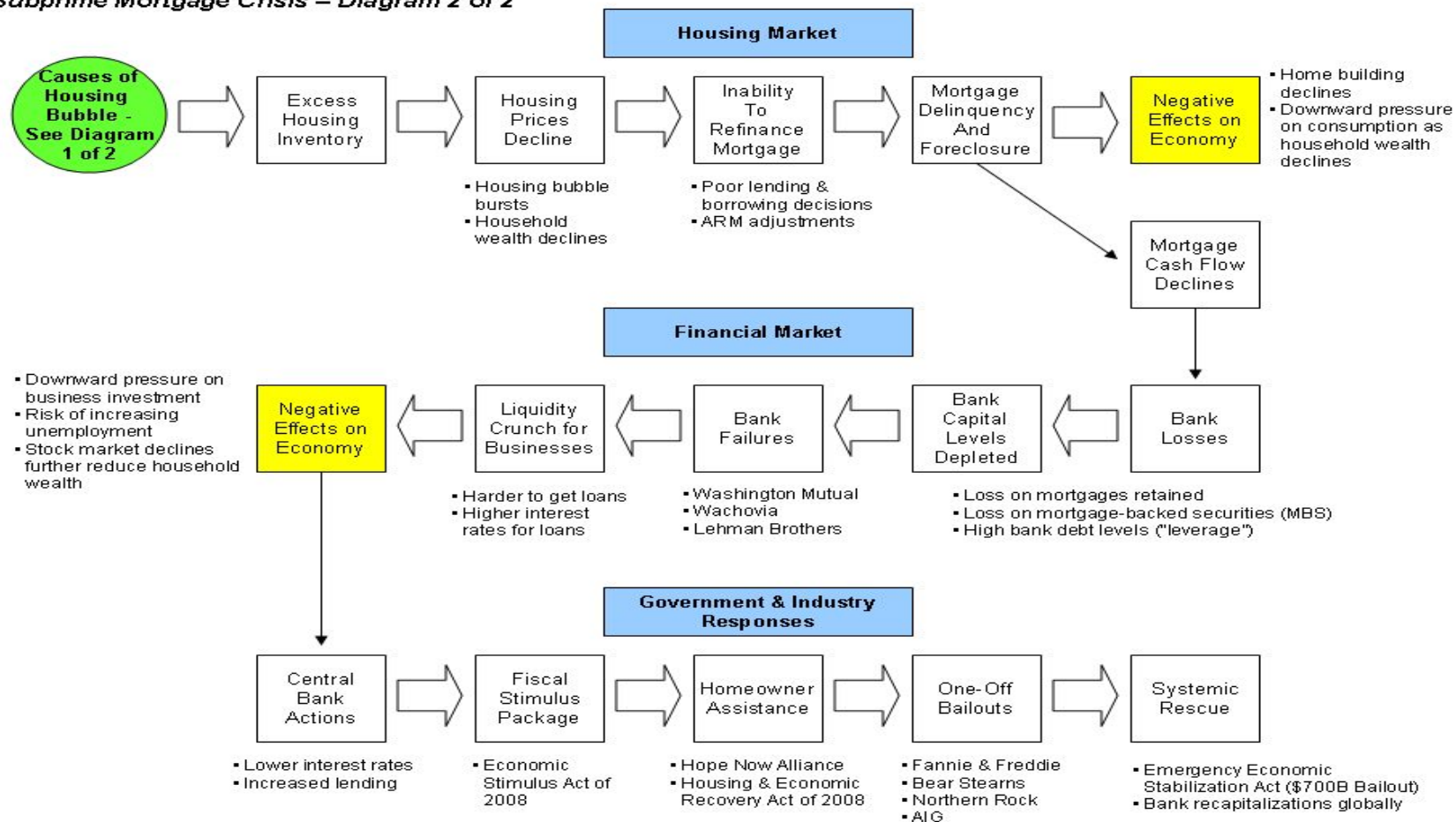
- Bursting of US Housing Bubble
 - Large decline in Home Prices
 - Devaluation of Housing Related Securities
 - Subprime Mortgage Crisis - developed into full blown international Banking Crisis
 - Great Recession

Subprime Mortgage Crisis
Diagram 1 of 2

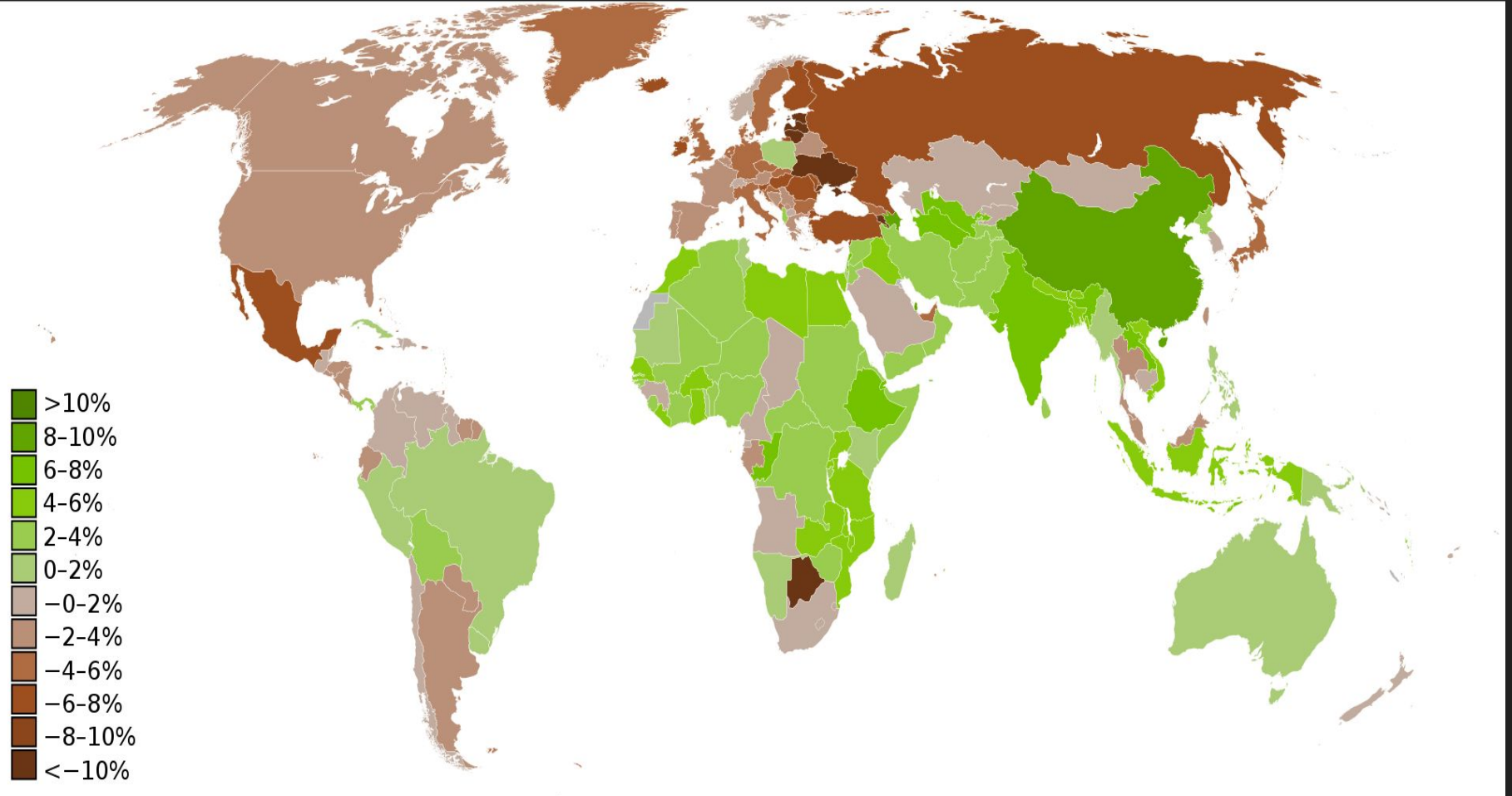


This diagram summarizes some of the causes behind the housing bubble that peaked in 2006. The housing bubble set the stage for the subprime mortgage crisis. Many of these elements have complex interactions not shown. The ripple or domino effect through the housing and financial markets as home prices declined is described in a separate diagram.

Subprime Mortgage Crisis – Diagram 2 of 2



Great Recession



Natural Resources

- Large Land Mass

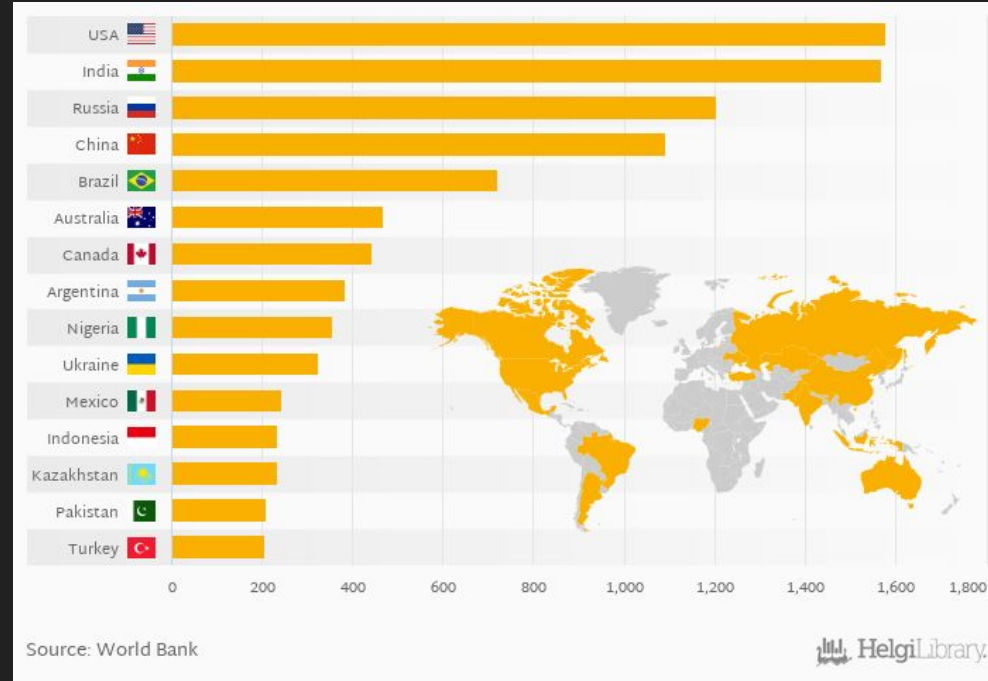
- Has 3rd largest land Mass after Russia and China
- Russia and China are bordered by enemies making them subject to invasion.

- Coastline

- 95,471 miles of coastline, that contributed 222.7 Billion to its GDP.
- Create around 3 million jobs in tourism, ocean recreation, ship building etc.
- Large coastline helps in reducing the cost of transportation facilitating import, export.

● Farmlands

- Unlike other big countries like Australia and Canada, USA has temperate climate combined with fertile soil.
- It has the largest arable land mass all over the world measuring at 15,79,000 sq km of land.

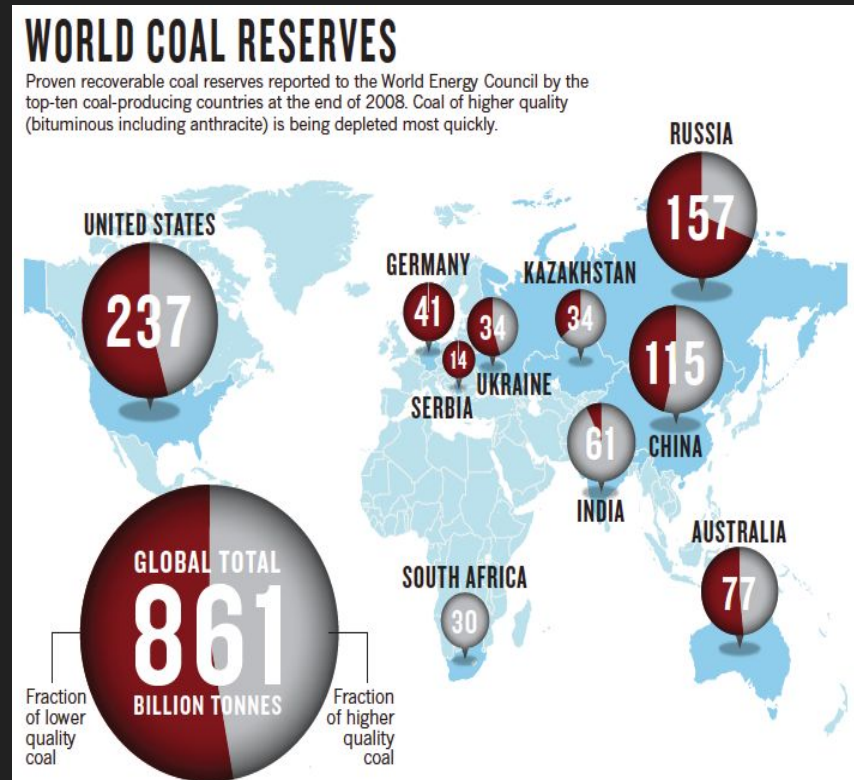


- **Water**
 - Ranks 3rd in renewable fresh water resources at 3,069 cubic Kilometers.
 - 77% of which is in the form of lakes rivers and streams that helps in hydro-electricity generation.

Rank	Country	Freshwater (Kilometers Cubed)
1	Brazil	8,233
2	Russia	4,508
3	United States	3,069
4	Canada	2,902
5	China	2,840
6	Colombia	2,132
7	European Union	2,057
8	Indonesia	2,019
9	Peru	1,913
10	India	1,911

● Coal, Gas and oil

- America has world's largest coal reserves at 237 Billion tonnes, that roughly account for 27% of world's coal reserves.
- It's abundant sources of energy helped fuel U.S. growth during the industrial revolution.
- USA supplied more than 80% of allied requirements during world war 1.



Human Resource

- Healthy, educated and skilled manpower. Improved quality and efficiency.
- Personnel administration, hiring, evaluation, training, and compensating employees.
- 1970s: Business expansion. Substantial increase in competitive pressures.
 - Equal employment opportunities. Globalization. Deregulation. Rapid technological change. Major companies enhanced strategic planning. Promote organizational effectiveness.
 - Top management viewed HR policies as critical for reducing costs, increasing organizational flexibility, insuring survival.
- The HR became frequent. Involved in long-run strategic planning. Former personnel workers received "at least 30% higher pay...if the company uses trendy hr" title.

The role of law

- European continent practices(tightly regulated) Vs U. S. practices(unfettered). Apart from Unionization practices were unregulated
- 1960s : A series of laws were enacted.Dealt with topics like Occupational safety, Employer-funded superannuation funds Discrimination,Equal employment
- ***Some call this the Europeanization of American HRM.*** New laws and court decisions have had a big impact on the HR decision-making process.More formal.More time-consuming.More bound by paper work.
- All this has helped upgrade the HR function.

HR in recent years

- Equal employment for women and minorities.
- Questions related to promotions and to the aged, handicapped, homosexuals (in some jurisdictions), and opportunities for women to combine maternity and careers.
- "Comparable worth" Jobs which are performed primarily by women should be paid wages equal to those of male jobs.
- Recent years have shown a growing concern for individual job rights. Individuals freedom to make choices within the organization, the rights to be discussed here protect the individual from the organization and its members.

- Increasing public regulation of the HR function.
- Earlier unregulated employers. Employees looked upon as commodities. No obligation. Pay their regular wages.
- Unions arose. Gave workers a series of rights. Shifted the risks to the employer. Later they were greatly weakened but reforms have been widely adopted. Low priority to the grievances of women, minorities, and the handicapped.
- Public pressures increased. Congress & courts begun fashioning new rights and regulations.
- Now trend towards greater formalization and regulation. Weaker trend toward participative management. Both strengthen the HR function.

“Train people well enough so they can leave. Treat them well enough so they don’t have to.”

Technological Resources

- The period after the Civil War was marked by increasing intense and pervasive industrialization and successive technological advances in Automobile, Telecom, and IT industries. This facilitated America's westward expansion and economic development .
- Researchers estimated that this technological change accounted for about 2/3 of growth of the U.S. economy

The technology boom in the U.S. was mainly caused by four major factors:

- U.S.A had a wealth of natural resources.
- Increasing number of new inventions due to mixed system of government- and privately-funded research universities.
- Government policies that benefited Industries.
- Expanding urban population.

Various industries that led the economic growth

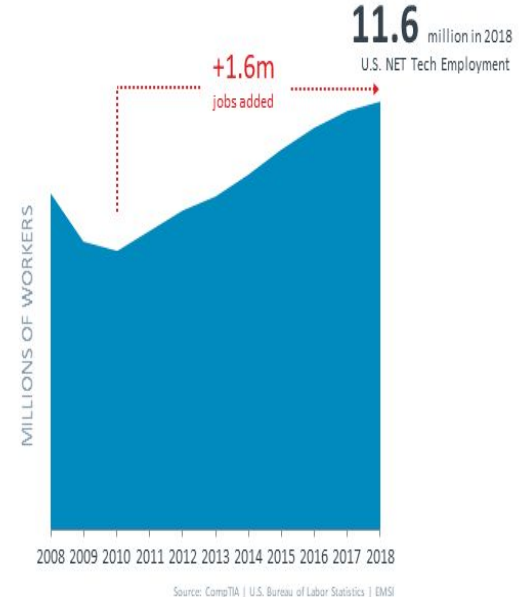
- By 1900, the Carnegie Steel Company was producing more steel than all of Britain using Kelly-Bessemer process.
- Automobile manufacturing process was revolutionized by employing interchangeable parts on assembly line
- AT&T's Bell Laboratories led technological revolution with inventions like LED, the C programming language, and the UNIX.

- Companies like IBM and Apple Computer developed personal computers while Microsoft created operating systems.
- With the growth of information on the World Wide Web, search companies like Yahoo! and Google came up.
- Silicon Valley is a global center for high technology, innovation, and social media.

TECHNOLOGY INDUSTRY'S IMPACT FELT IN US ECONOMIC GROWTH

- Tech employment in the United States expanded by nearly 200,000 jobs in 2017, to an estimated 11.6 million workers.
- At \$1.6 trillion , the tech sector is one of the largest components of America's economy.

Tech Employment: a Major Contributor to Job Growth in the U.S. Economy



Future Prospects

- **Gross Domestic Product**

- GDP is predicted to slow to 2.3 percent in 2019, 2 percent in 2020 and 1.8 percent in 2021 which is within the ideal range of 2 to 3 percent.
- This projected slowdown in 2019 and beyond is a side effect of the Trade War.
- Donald Trump promised to boost growth to 4 percent. Growth at that level could create a recession by 2021.

● Unemployment Rate

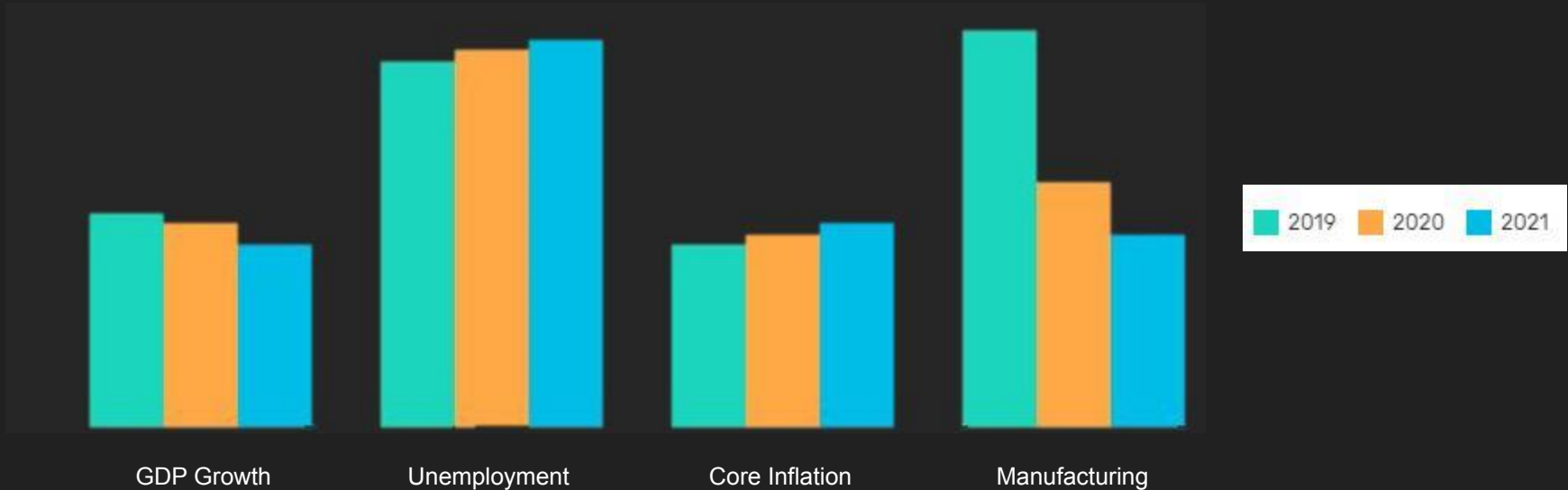
- It is observed that the structural unemployment in US has increased.
- A lot of workers are part-time and most job growth is in low-paying retail and food service industries.
- The unemployment rate will average 3.6% in 2019. It will increase slightly to 3.7% in 2020 and 3.8% in 2021.
- That's lower than the Fed's 6.7% target.

- **Manufacturing**

- U.S. manufacturing is forecast to increase faster than the general economy.
- The MAPI Foundation says increased capital growth and higher exports will boost manufacturing.
- It predicts production will grow by 3.9% in 2019.
- It will slow slightly to 2.4% in 2020 and 1.9% in 2021.

● Inflation

- The core inflation rate will average 1.8% in 2019, 1.9% in 2020, and 2.0% in 2021 which will strip out those volatile gas and food prices.
- This rate is slightly below the Fed's 2% target inflation rate that may push the Fed room to lower the interest rates.



How will it affect on global level ?

- US is the largest importer of goods and services in the world – consuming about 14 percent of total exports.

Due to Trade War (US-China tariffs), slowdown in Chinese exports will not only increase prices for U.S. consumers, but could potentially reduce the level of global GDP by 0.8% in 2020, with additional losses in future years.

- The slowdown in manufacturing will result in job recessions or downsizing for cutting costs of production.

Key Points

- Economic boom due to World War II
- Financial crisis of 2007-08 affected the whole world
- Rich in Fossil fuels and fresh water sources
- Attracts talent pool from all over the world
- Leading IT industry
- Will get surpassed by China because of slower growth rate

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Dedicated to:-

Uncle Sam

