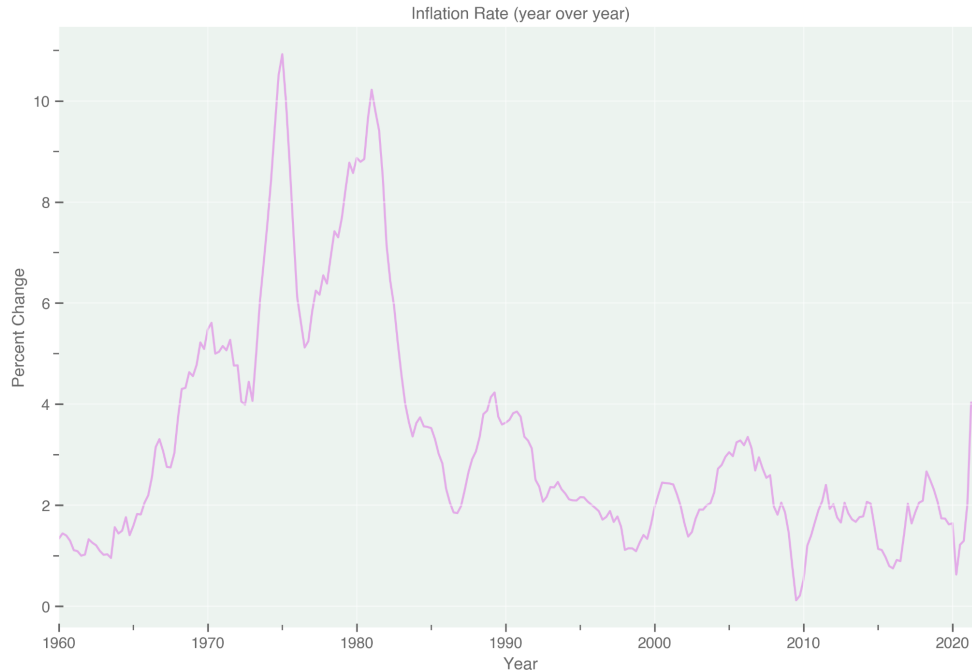
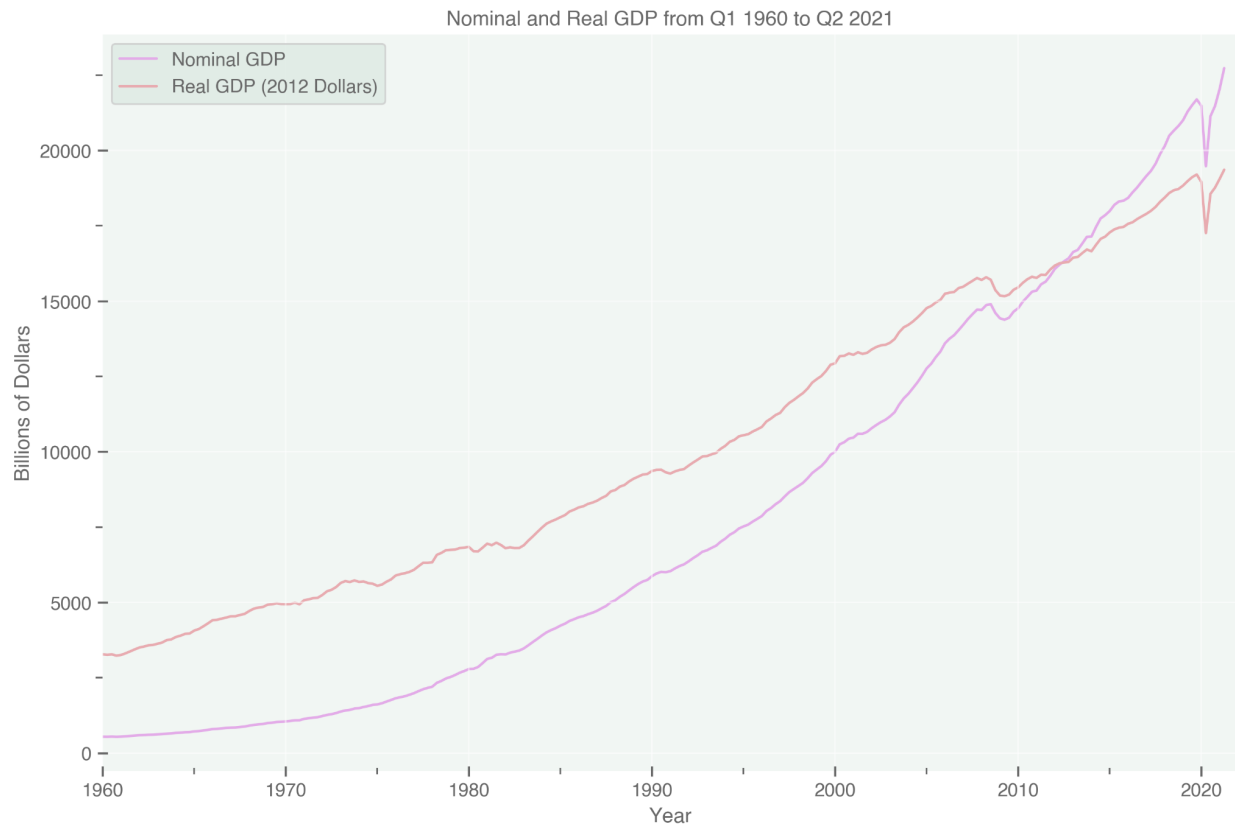


Assignment 1:



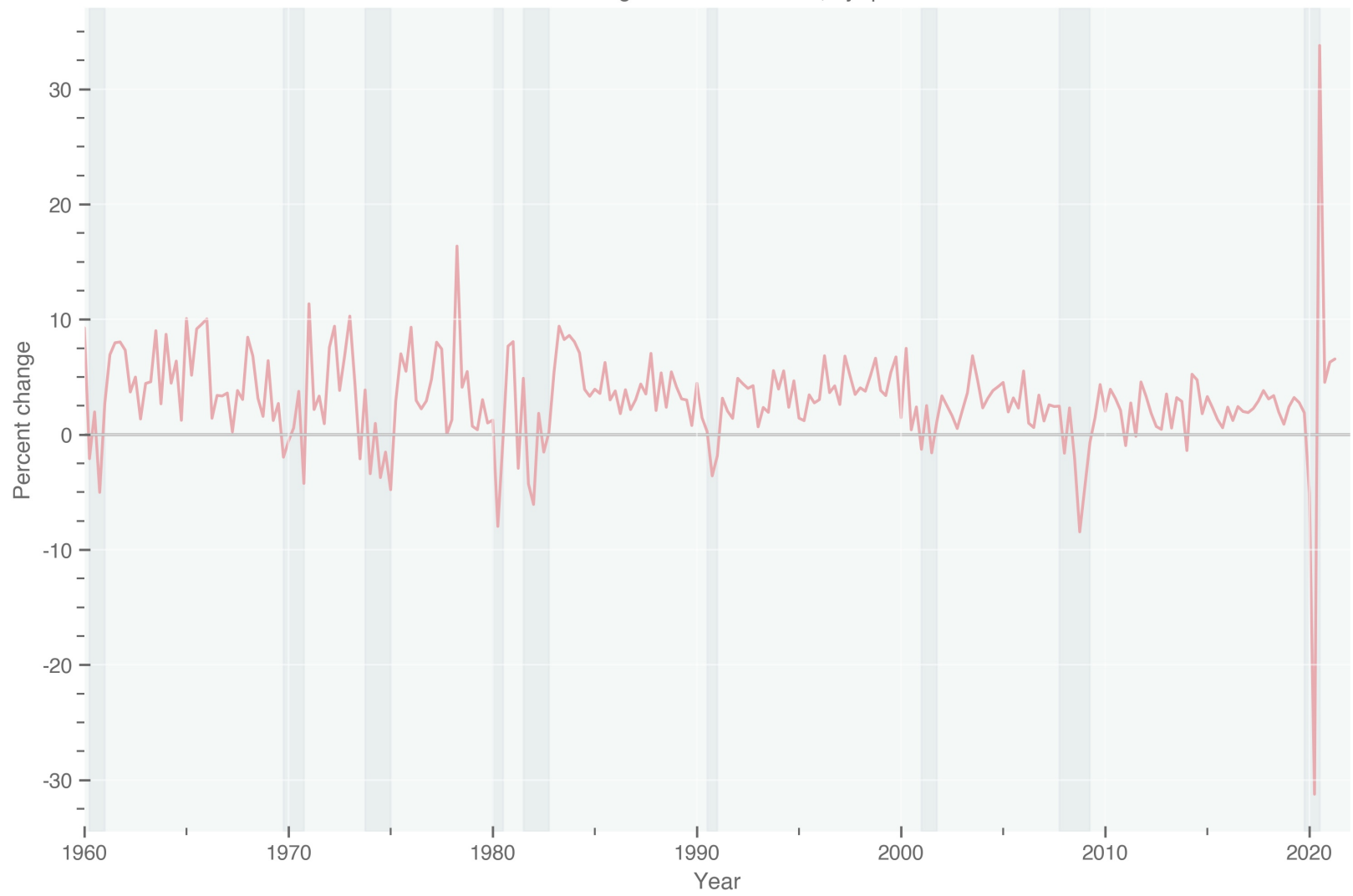
The average inflation rate from 1960Q1 to 1982Q4 is 4.92%, and the average inflation rate from 1983Q1 to 2021Q2 is 2.25%. While there are many factors that could have influenced this, one of the most important factors is a change in monetary policy. To combat inflation, Paul Volker hiked interest rates up to an extremely high level. While this effectively manufactured a recession, as it made it very costly to borrow money, it did result in a dramatic lowering of inflation expectations in the last few decades, and we have had consistently low inflation ever since. This is still an open and controversial question, however, and not everyone agrees that the actions of the federal reserve were the cause of the fall in inflation.

Elizabeth Goodwin
Rosanne Yang

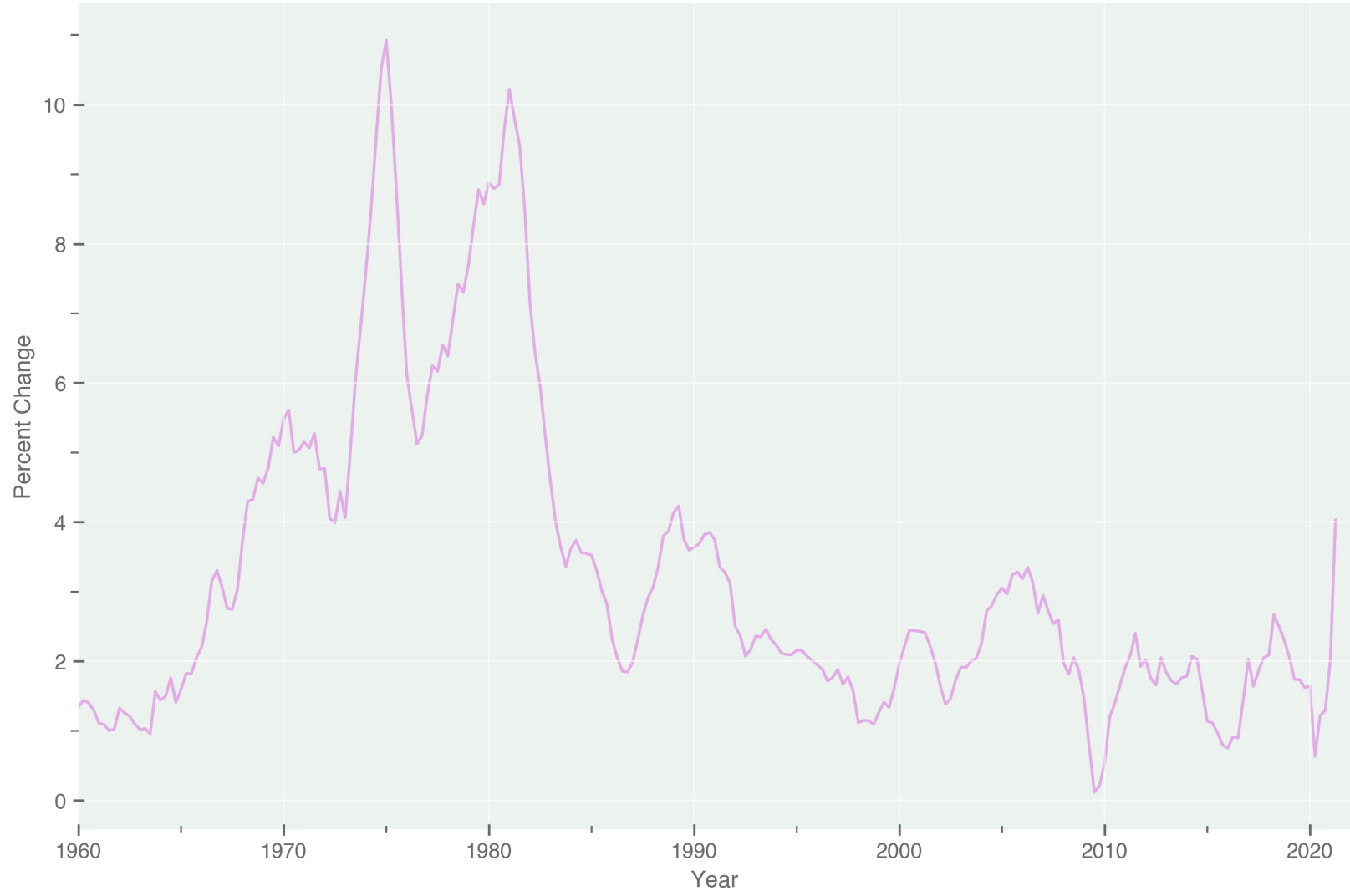


$$Real\ GDP = \frac{Nominal\ GDP}{GDP\ Deflator} \bullet 100$$

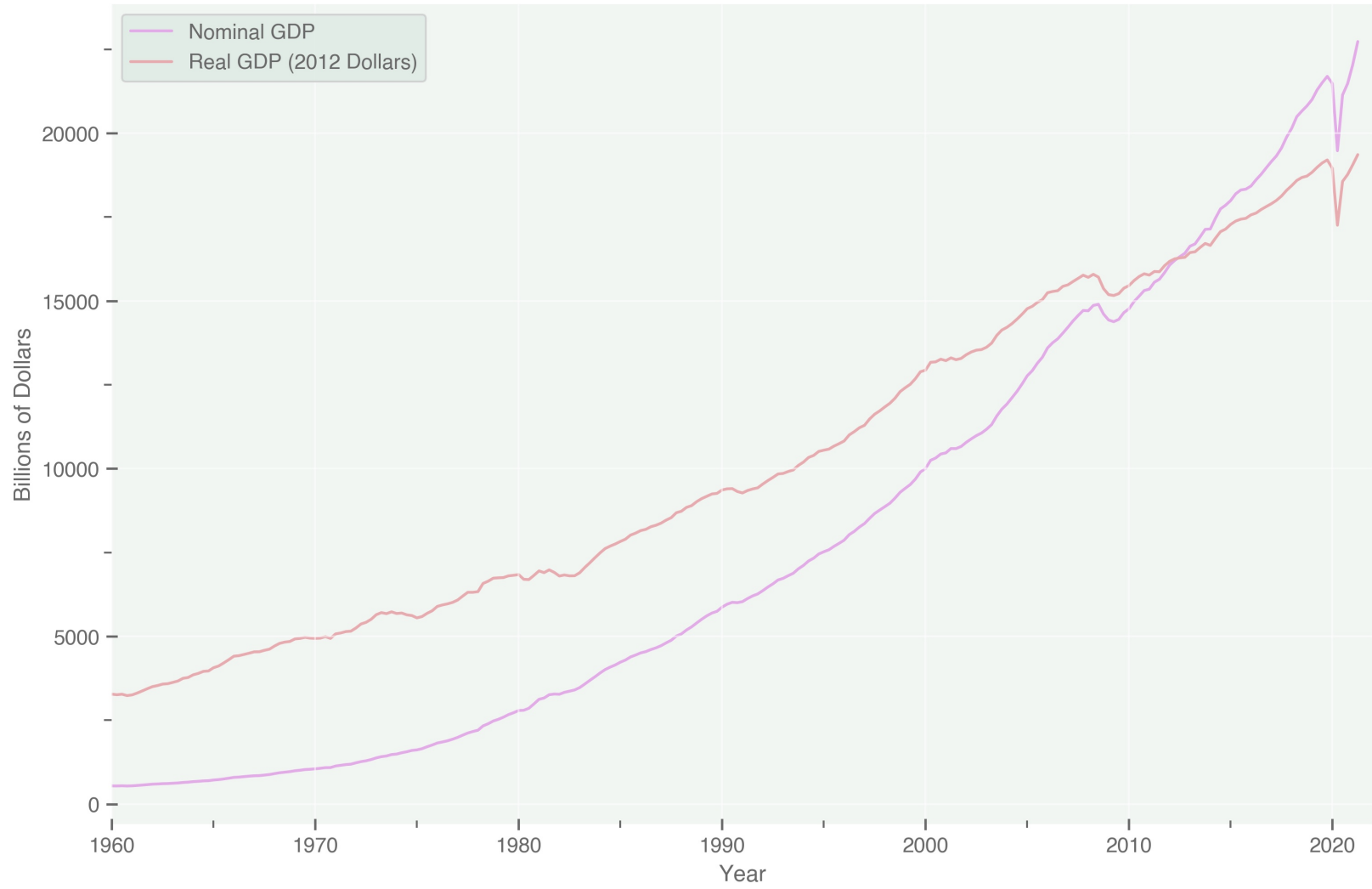
Annualized growth of Real GDP, by quarter

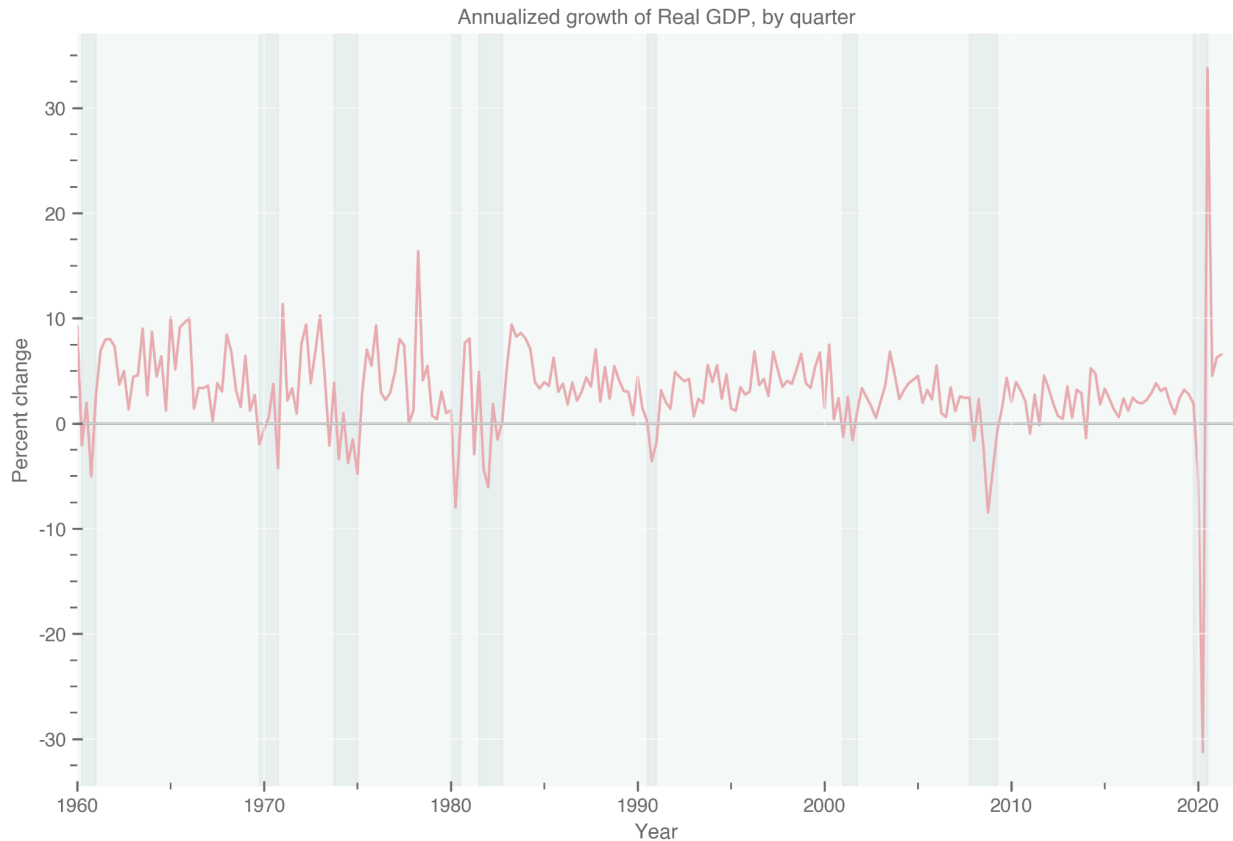


Inflation Rate (year over year)



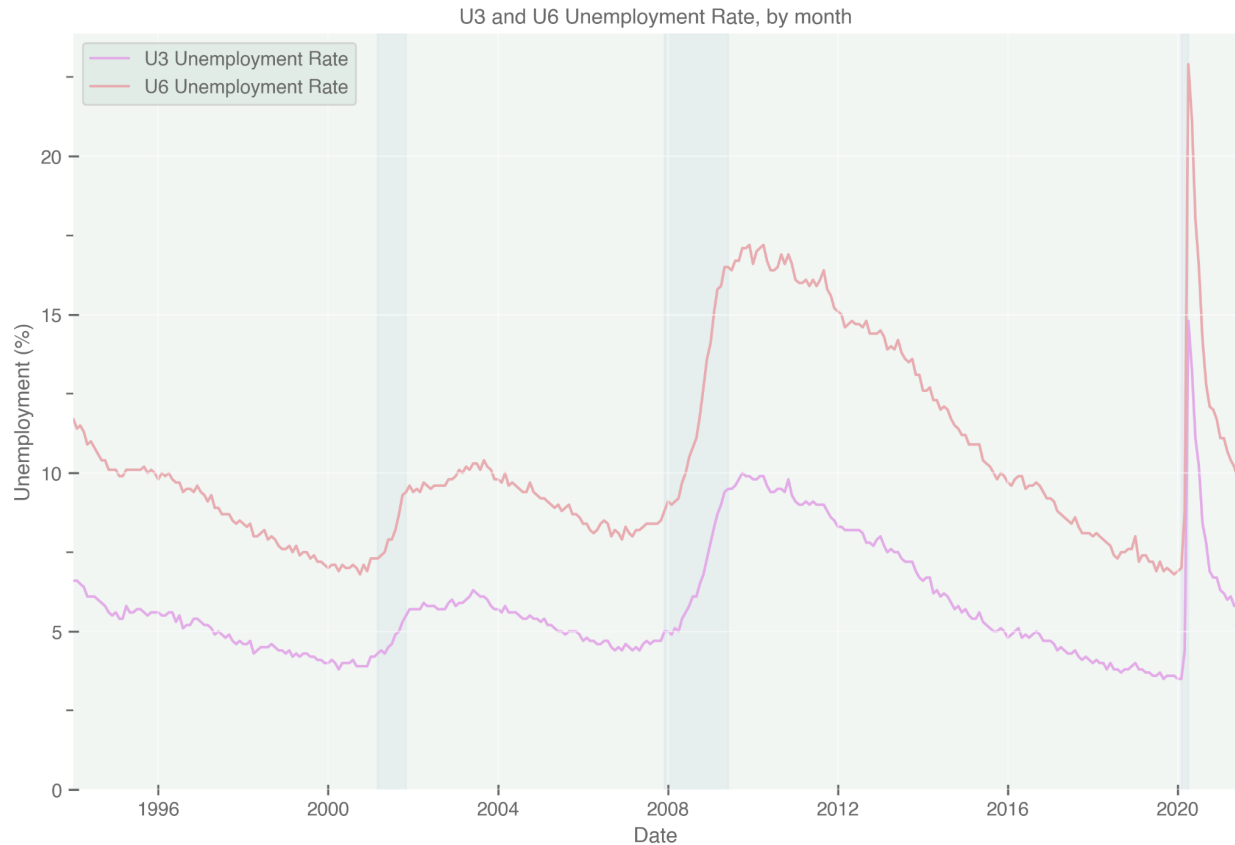
Nominal and Real GDP from Q1 1960 to Q2 2021





The recession lasted for 3 quarters in 1960, 4 quarters in 1969, 5 quarters in 1973, 2 quarters in 1980, 5 quarters in 1981, 2 quarters in 1990, 3 quarters in 2001, 6 quarters in 2007, and 2 quarters in 2020.

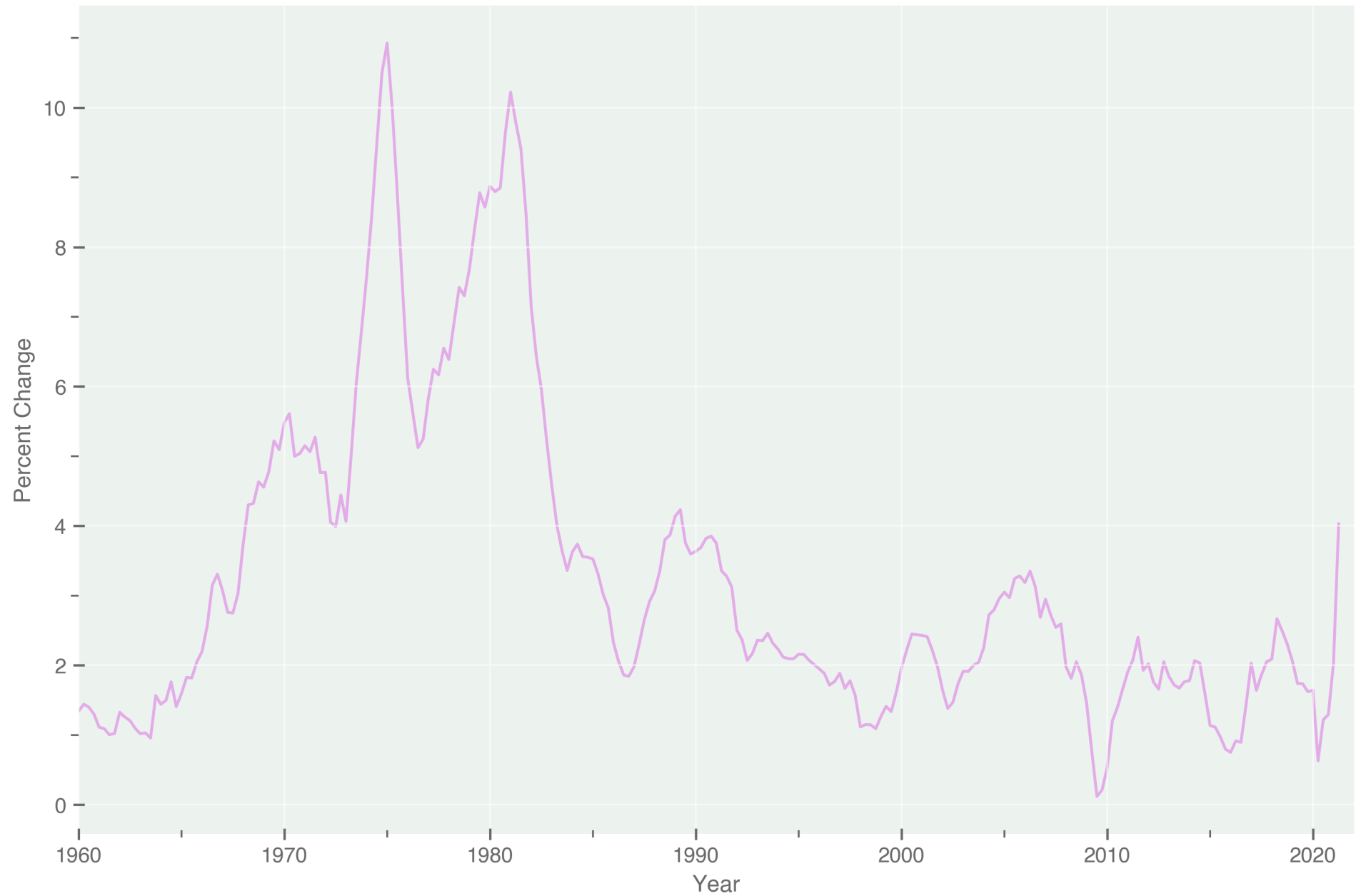
The recessions in 2008 and 2020 are the most severe due to their length and magnitude. 2008 experienced a very long recession, and also took a long time to recover. After the recession officially ended, growth was still quite slow and it took a long time to fully recover. The recession in 2020 was extremely severe in magnitude, and is an outlier compared to most other recessions. It was, however, a quite short recession and recovered very quickly, especially compared to 2008.



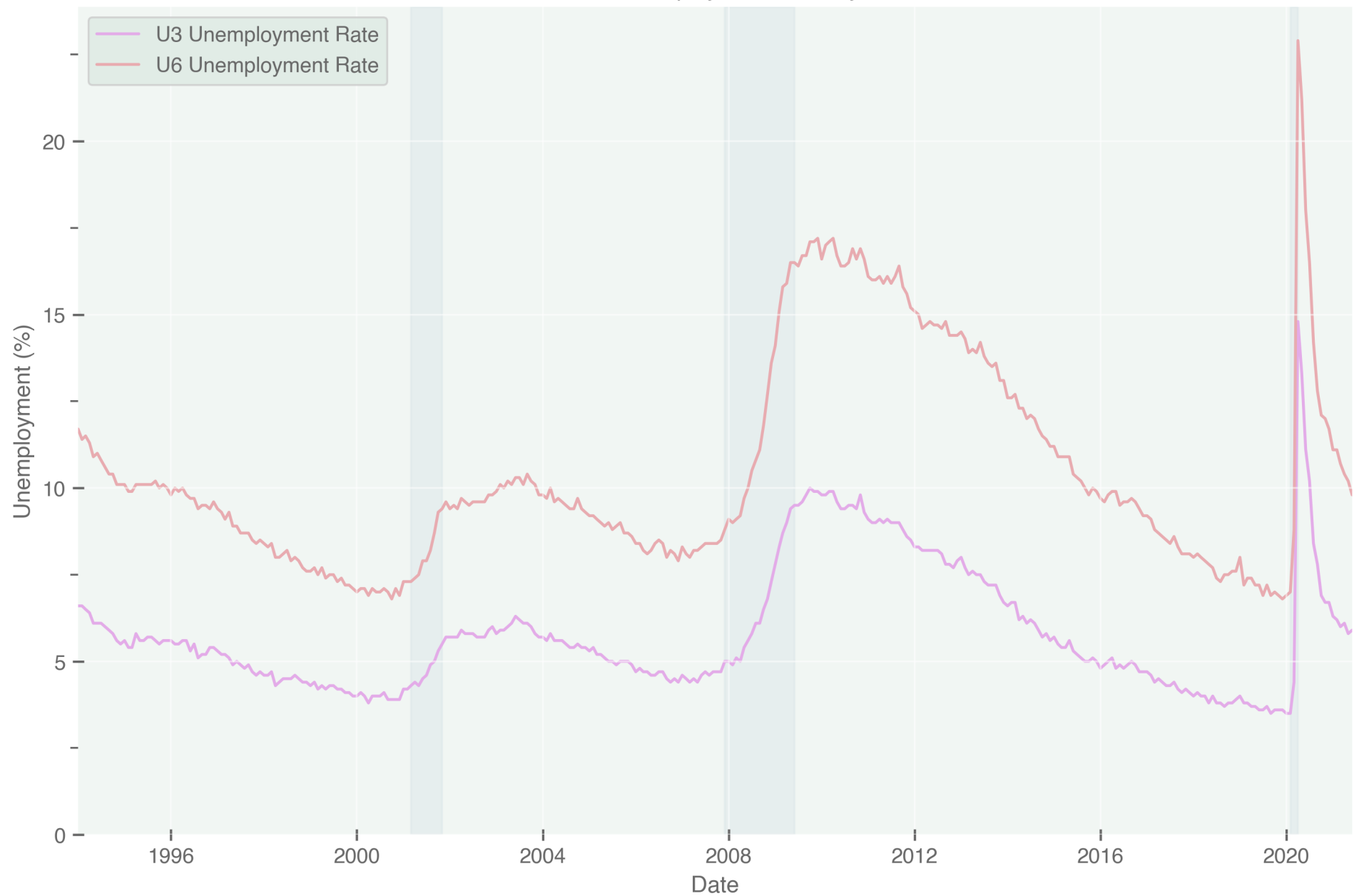
During each recession, unemployment tends to increase significantly. This is because during a recession, businesses see a loss in demand and lay off workers to cut costs and because they need fewer workers to fulfil demand. The end result is a cyclical uptick in unemployment. There can also be non-cyclical unemployment (structural unemployment) due to changes in the composition of the labor market that leave the unemployed to persist for a long period of time.

In terms of unemployment in recent recessions, the 2020 global pandemic has had the highest increase of unemployment by far, spiking to far above the levels of 2008. These rates are also different to 2008 in that they spiked and recovered extremely quickly, and while still high, have fallen dramatically. In 2008, it took far, far longer to recover. Our very aggressive fiscal and monetary policy responses have a lot to do with this, and also covid is unique in the fact that much of the unemployment initially was intentional.

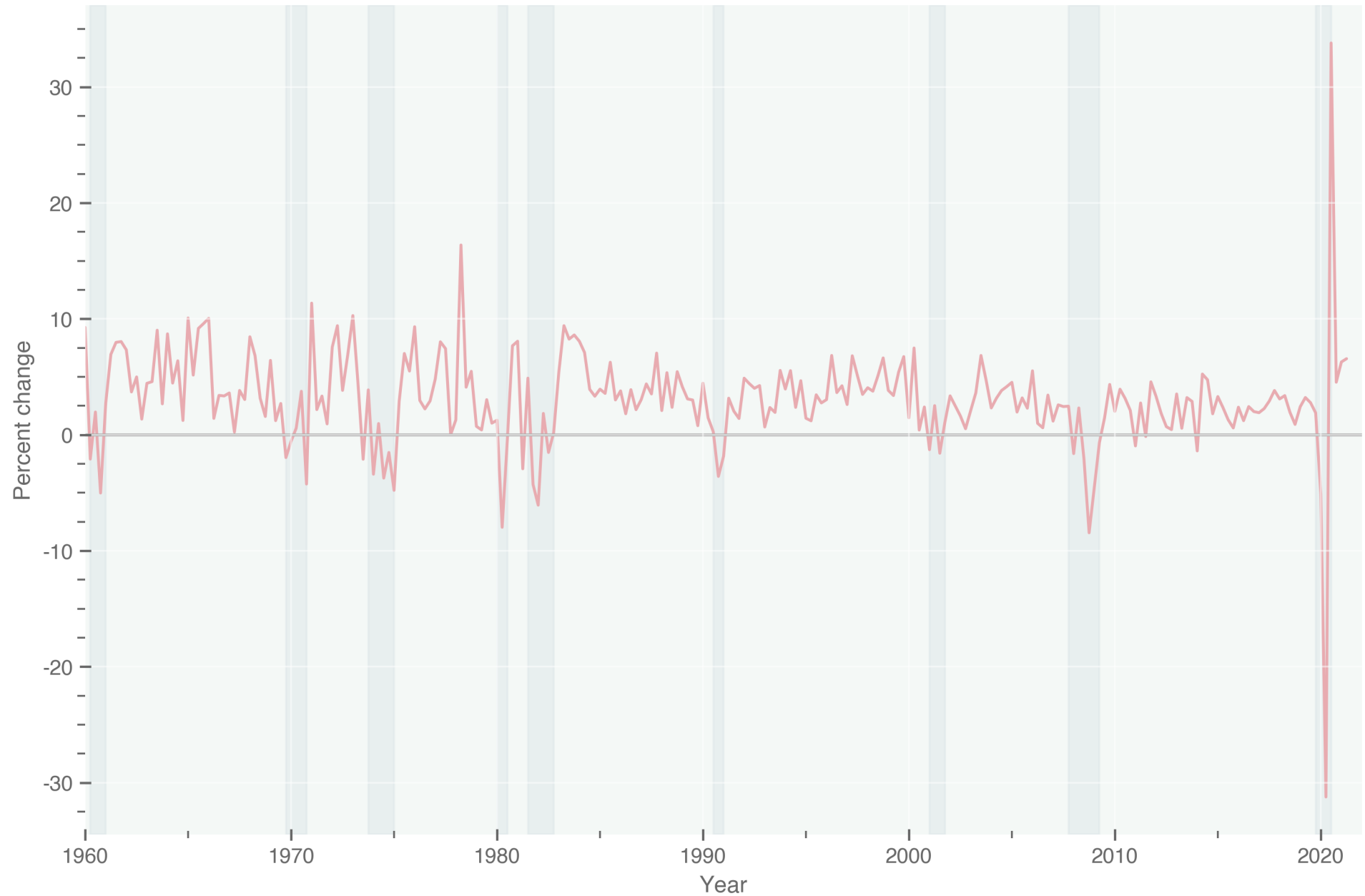
Inflation Rate (year over year)



U3 and U6 Unemployment Rate, by month



Annualized growth of Real GDP, by quarter



Nominal and Real GDP from Q1 1960 to Q2 2021

