**Macroeconomic Factors Contributing to the Current Inflation Fears in the United States**

The United States is currently experiencing higher fears of inflation. Parkin (2017) defines inflation as the increase in the aggregate price level and aggregation from commodities' prices. Moreover, he states that price increases affect most economic sectors and lead to inflation. The current inflation rate in the United States is the fastest annual rate since November 1981(CNBC, 2022). The inflation has led to substantial price increases in food, energy, and other consumer commodities (CNBC, 2022). The recent rise in inflation in the United States is unusual compared to earlier rises in inflation; it came on very quickly and sharply. The inflation rate rose from 1.4 percent in 2020 to 2021 to 9.1 percent from June 2021 to June 2022. The current rise in the inflation rate is considered rapid because the last one, in the 1960s and 1970s, with such a high margin, happened over a 12-year time frame (Taylor, 2022). A report by the Labour Department shows that inflation rates remain high despite experts' prediction that they would decline; the September 2022 consumer price index (CPI) rose to 8.2 percent (Forbes Advisor, 2022). Analysis of macroeconomic factors such as monetary policy and unemployment will improve understanding of the current inflation rate in the United States and guide recommendation formulation to curb the rapidly rising inflation rates.

**Monetary Policy**

Monetary policy contributes to inflation increase or decline. The Federal Reserve conducts monetary policy actions that influence inflation. In particular, changes in the federal fund's rates, the rate at which banks repay for overnight borrowing in the federal funds market, affects financial conditions such as borrowing costs for households and businesses (Federal Reserve, n.d.). Lowering or increasing rates creates a chain reaction that may lead to an increase or decline in inflation rates in the long run. For instance, low-interest rates make borrowing cheaper; this gives households increased purchasing power while businesses experience increased demand for goods and services. Businesses expand by purchasing property and equipment and hiring more employees to assist them in meeting the increased demand. Consequently, the high demand for goods and services increases wages and costs, leading to increased inflation. The scenario is currently the case in United States' rising inflation rates.

The current monetary policy actions by the Federal Reserve contributed to the high inflation rates. According to Taylor (2022), the two main aspects of the monetary policy that increase inflation are too low-interest rates set by the Federal Reserve or rapid growth of increases in the money supply. As earlier noted, there is a close relationship between monetary policy and inflation; low-interest rates lead to increased money growth. Taylor (2022) links the current inflation rise to low-interest rates set by the Federal Reserve in recent years. The interest rate is 2.33 percent compared to the over 8 percent inflation rate (Taylor, 2022). The optimal inflation rate set by the Federal Open Market Committee (FOMC) is two percent (Forbes Advisor, 2022). The lower interest rates granted consumers more borrowing power. Consequently, the consumers have spent more, leading to economic growth and inflation rises.

**Unemployment**

Unemployment rates contribute to the rapid rise of inflation rates in the United States. Economists believe that there is a relationship between inflation and unemployment. Their claim is supported by the Phillips Curve, which states that low unemployment rates contribute to high inflation rates while unemployment rates lower inflation rates (Federal Reserve bank of St. Louis, 2020). The relationship between the two contributes to the current inflation rates. The United States recorded a steady drop in unemployment rates from 2012 to 2019. The unemployment rate dropped from 8.07 percent in 2012 to 3.67 percent in 2019, four points decline (Macrotrends, n.d.). The unemployment rate in the United States was 3.7 percent in August 2022 and was projected to rise to 4.1 percent by the end of 2024 (Reuters, 2022). The International Monetary Fund (IMF) reports that the U.S. unemployment rate may need to reach as high as 7.5 percent, translating to approximately 6 million job losses and double the current level, to reduce the current high inflation (Reuters, 2022). IMF's recommendations align with Phillips Curve; the current low unemployment rates in the United States contribute to increased inflation. Therefore, policymakers must moderate the unemployment rates to reduce the rapid inflation rate increase.

**Conclusion**

The strong relationship between monetary policy actions by the Federal Reserve contributes to the current inflation rates. Based on the Phillips curve, the United States' low employment rates and Federal interest rates contribute to the rapid increase in inflation rates. The current inflation rise is quick and sharp; these features make it easy to tackle. Taylor (2020) believes that a slight change in unemployment will lead to a quick inflation rate reduction. IMF recommends that the United States increase its unemployment rate to 7.5 percent to reduce inflation; this would require changes in the monetary policy by the Federal Reserve. In particular, the Federal Reserve should increase the interest rates to limit the consumers' spending power, thus reducing inflation. The complex relationship between inflation and unemployment complicates policymakers' determination of the best course of action. However, a rise in Federal Reserve interest rates is the optimal solution to rising inflation; the rates affect multiple sectors of the economy.

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