

# Macroeconomic Analysis

## “The Republic of Panama”

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# The Republic of Panama

The Republic of Panama is a high income, service based economy in Central America. 4.38 million people live in Panama and the population is expected to rise 4.8 million by 2030. It's known for the Panama Canal, which brings in lots of money and goods.



# Real world Issues

## Environmental & Climate Vulnerability:

The Panama Canal is experiencing restricted traffic due to historically low water levels, impacting global shipping. Climate change, including rising sea levels, is forcing the relocation of indigenous communities like the Guna people.

## High Inequality & Poverty:

Despite economic growth, wealth is unevenly distributed. Poverty rates are significantly higher in rural areas (17.7%) and indigenous people (69.4%) compared to urban areas.

## Drug Trafficking & Crime:

Panama is a transit point for drug trafficking, and in recent years have seen increased gang-related violence, prompting curfews in areas like Colón.

## Migration Crisis (Darién Gap):

Hundreds of thousands of migrants cross the dangerous Darién Gap annually. This has caused severe humanitarian issues, with migrants facing violence, robbery, and sexual assault by criminal groups.



# The Republic of Panama VS. The United States

## Panama

- GDP: \$91.73 Billion
- GDP per capita: \$20,092
- GDP growth: 4.4%
- Projected growth: 3.9% increase
- Unemployment rate: Around 12.1%
- Key sectors: Trade, transport, logistics, financial services, and the Panama Canal
- Inflation: 0.70%



## USA

- GDP: 32.38 Trillion
- GDP Per Capita: \$94,430
- GDP growth: 2.0%
- Projected growth: 1.8% - 2.2%
- Unemployment Rate: 4.3%
- Key Sectors: agriculture, Healthcare, Real Estate, Technology
- Inflation: +2.9%



# Macroeconomic Definitions

Gross Domestic Product (GDP): The total market value of all final goods and services produced within a country's borders during a specific period

Inflation: A general increase in the price level of goods and services over time, which reduces the purchasing power of money

Unemployment Rate: The percentage of the labor force that is jobless but actively seeking work

# Macroeconomic Theories

**Classical Economics:** Originating with Adam Smith, this theory proves markets are naturally efficient and self-correcting through flexible wages and prices. It emphasizes the "invisible hand" and suggests that government intervention is unnecessary.

**Keynesian Economics:** Developed by John Maynard Keynes during the Great Depression, this school argues that aggregate demand is the primary driver of the economy. It advocates for active [fiscal policy](#) (government spending and taxation) to manage economic cycles and combat high unemployment.

**Monetarism:** Associated with Milton Friedman, this theory places the [money supply](#) at the center of economic stability. Monetarists believe that controlling the growth of money is the best way to manage inflation and long-term economic health.

**New Classical Macroeconomics:** Emerging in the 1970s, this school emphasizes "rational expectations," suggesting that individuals and firms anticipate government policy changes and adjust their behavior accordingly, often neutralizing the policy's intended effect.

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