

Volume 28, Issue 16**Research Announcement****Inflation, GDP growth and population change in the USA**

Ivan Kitov
IDG RAS

Abstract

Inflation in the USA between 1960 and 2004 is studied in the framework of the revealed rigidity of the personal income distribution normalized to the total nominal GDP. Inflation is found to be a mechanism, which prevents changes in the relative incomes induced by economic growth and population changes - both in number and age structure. A model is developed linking CPI to GDP growth rate and relative change of the number of people of some specific age. The GDP growth rate is characterized by a trend value that evolves through time inversely proportional to the square root of the real GDP per capita. The economic trend determines inflation trend rate also evolving in time. The defining age population change determines fluctuations around the trend inflation. During the periods of very large negative population changes one can observe deflation. In the USA, the defining age is nine years. Thus, the population estimates effectively allow predicting inflation through the next decade.

Completed draft available on request from:

Ivan Kitov
IDG RAS
ikitov@mail.ru
VIC ,P.O. Box 1250
Vienna, A-1220, Austria