

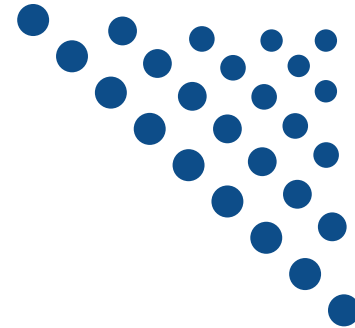
The Economy & Manufacturing

N. Marin Breakfast Club
Novato, CA

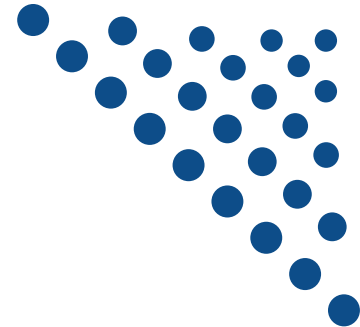
Jon Haveman, Ph.D.
NEED
June 12, 2025



Outline



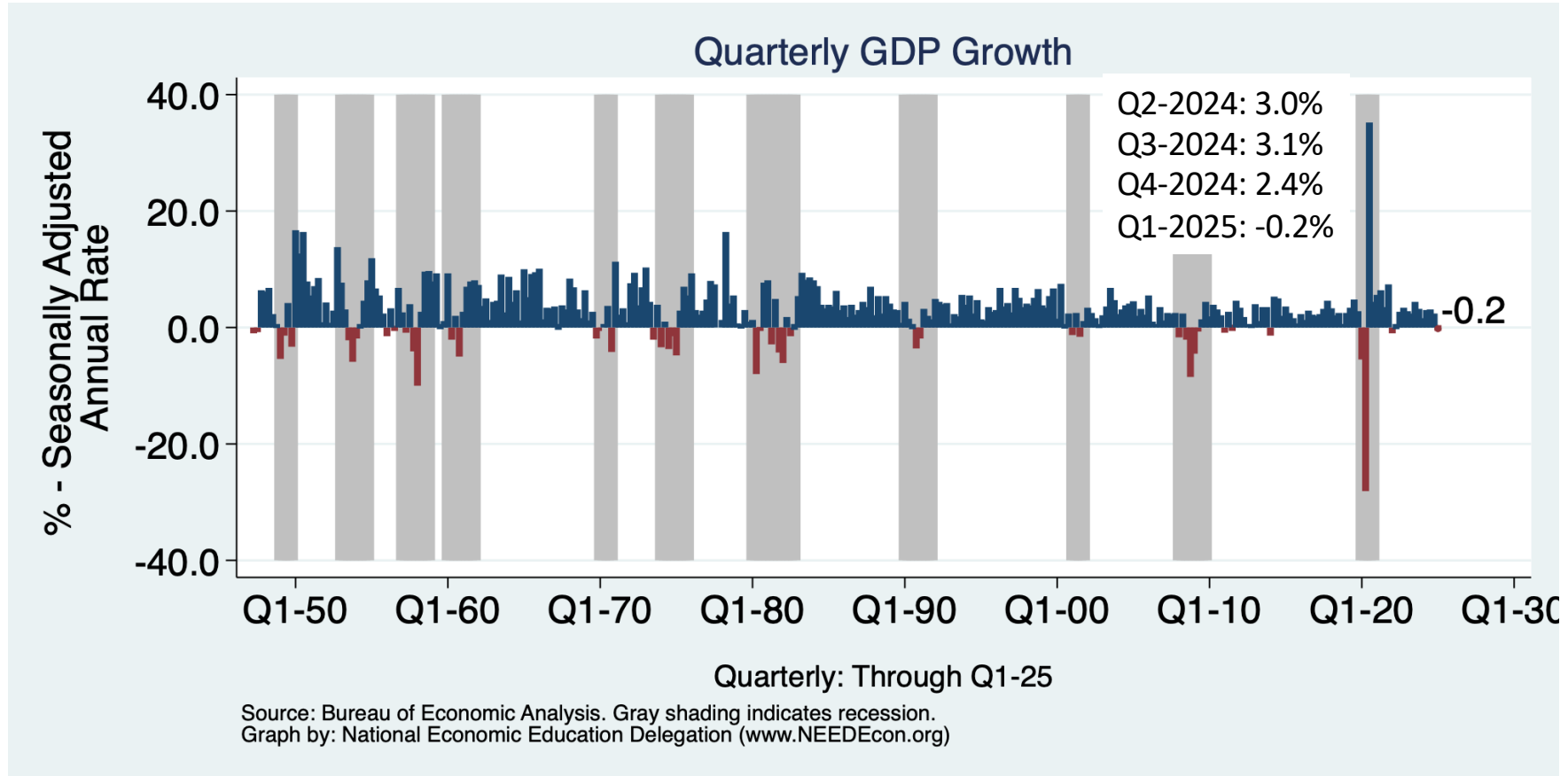
- **Economic Indicators**
- **Immigration**
- **Tariffs**
- **Big Picture: Uncertainty**
- **Manufacturing**



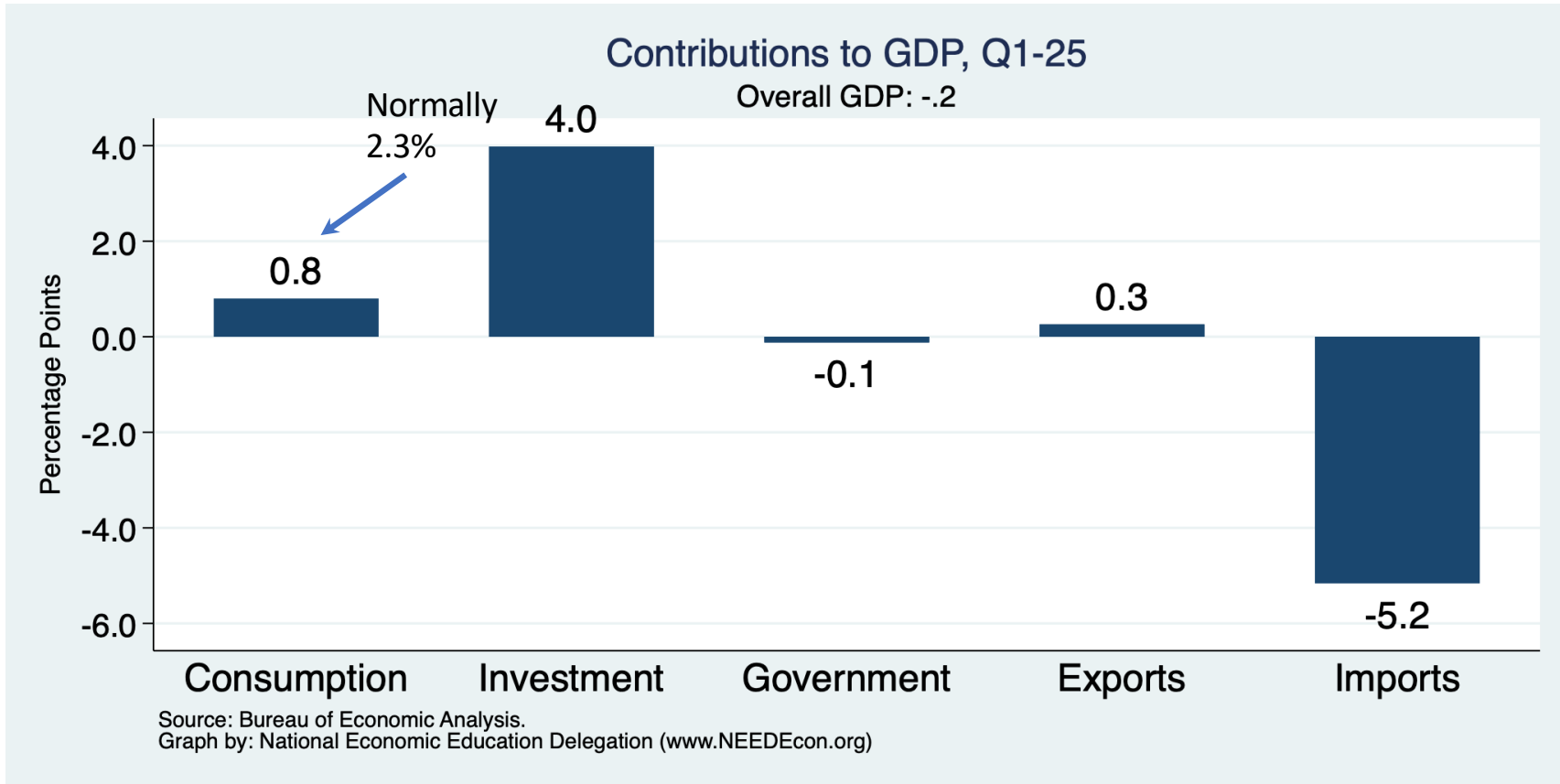
Economic Indicators



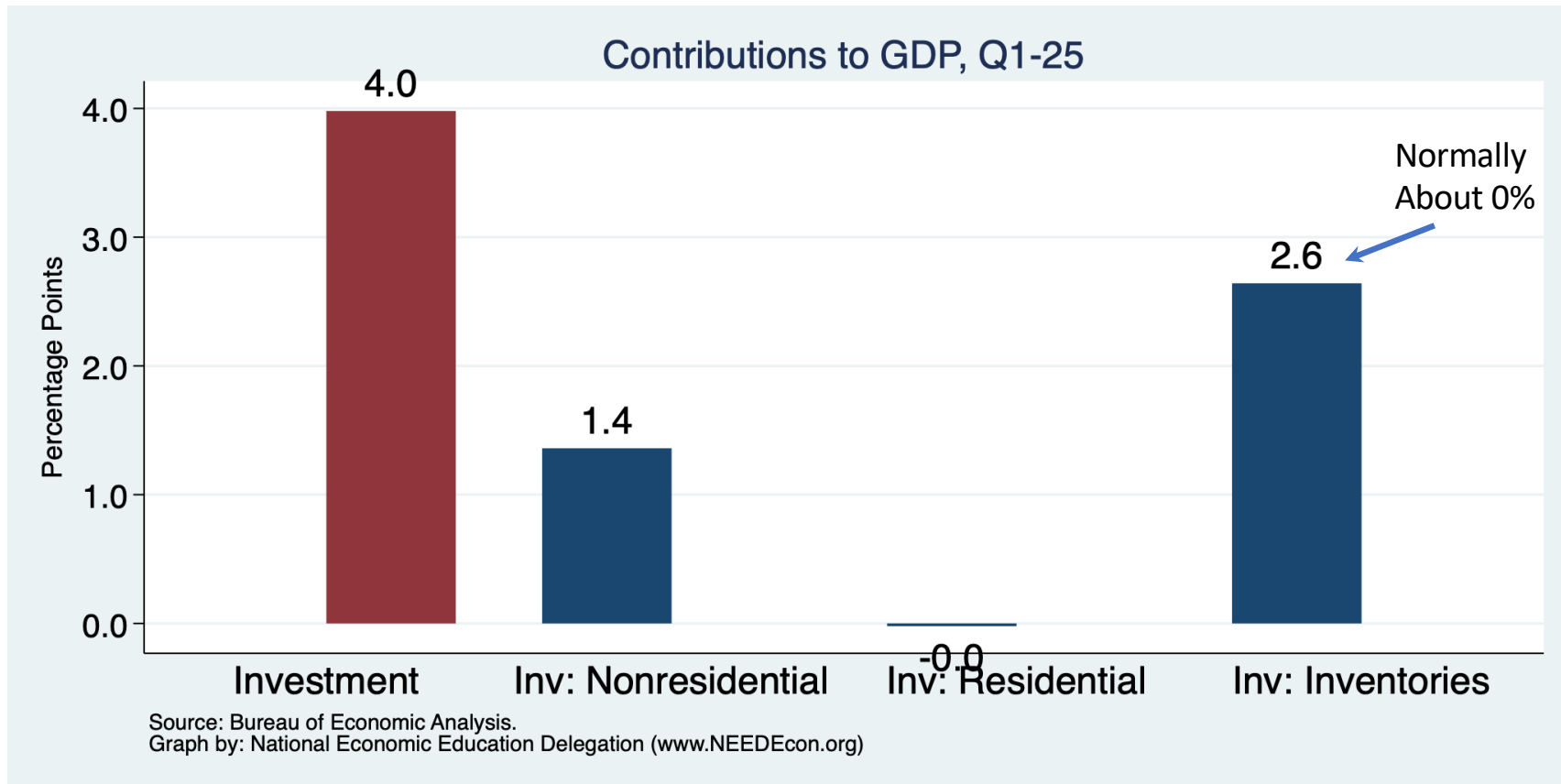
GDP: Quarterly Growth



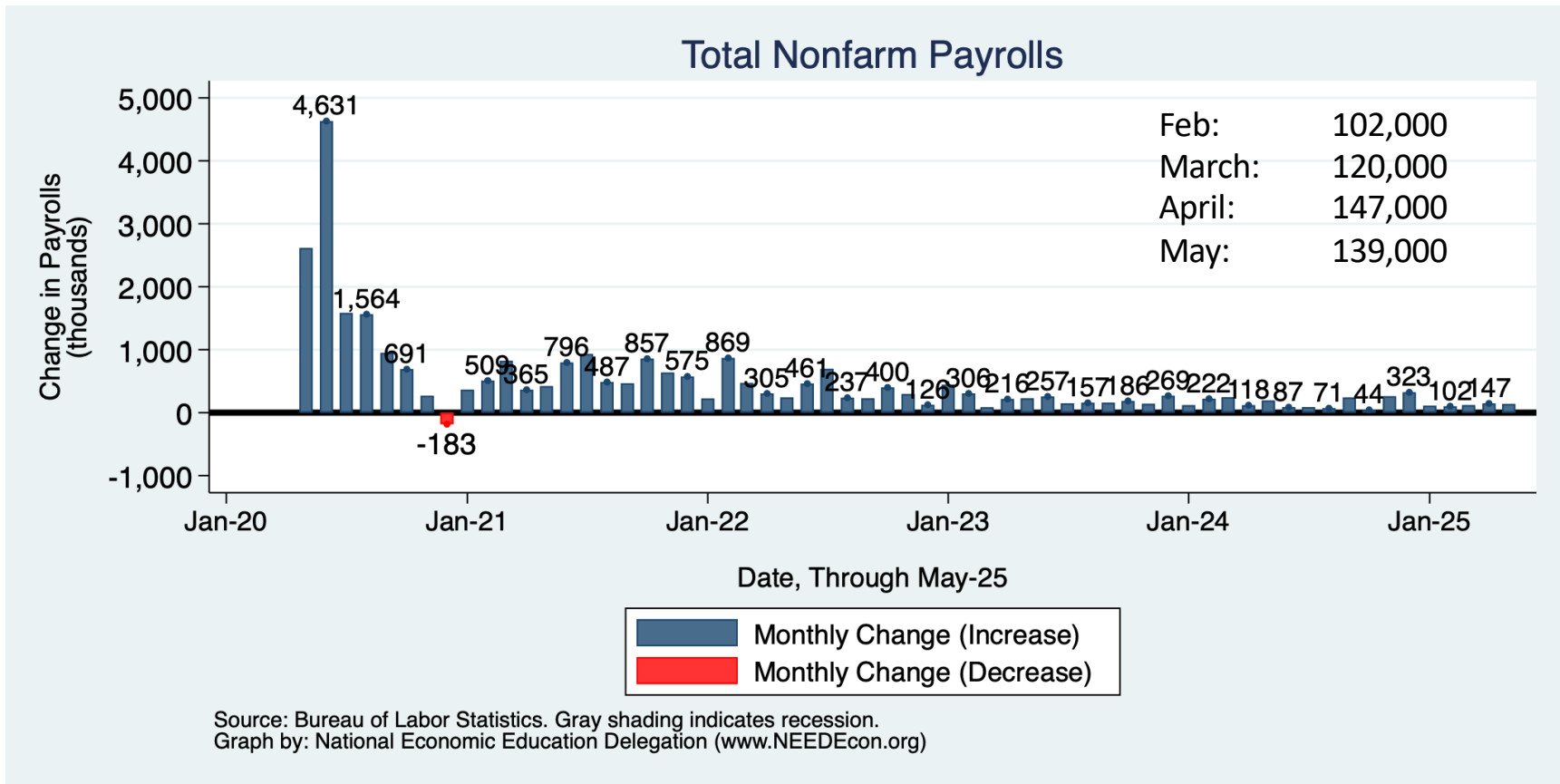
What Happened?



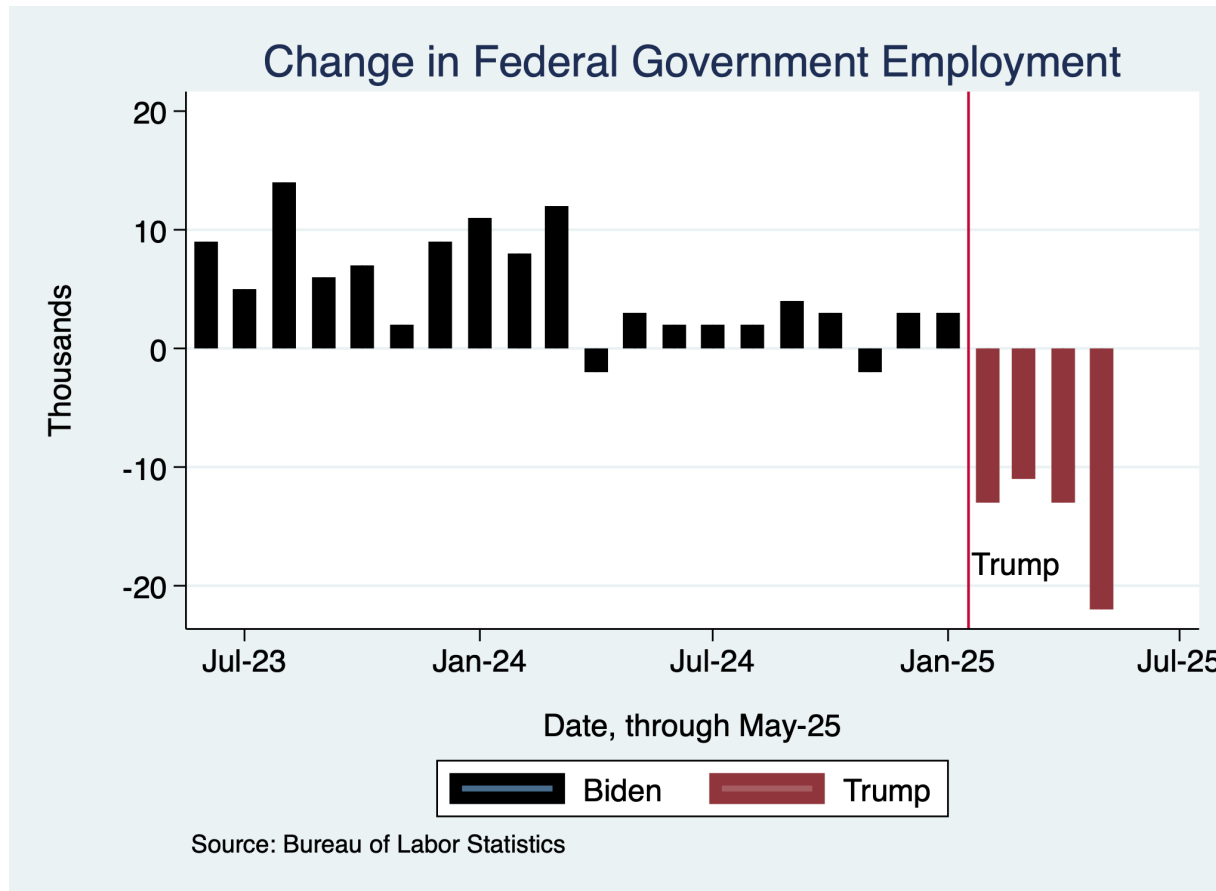
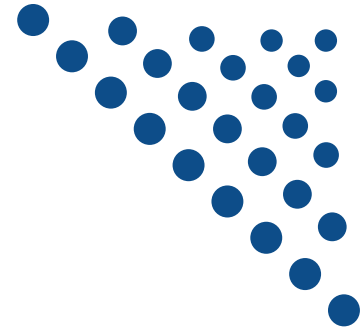
Imports Went Into Inventories



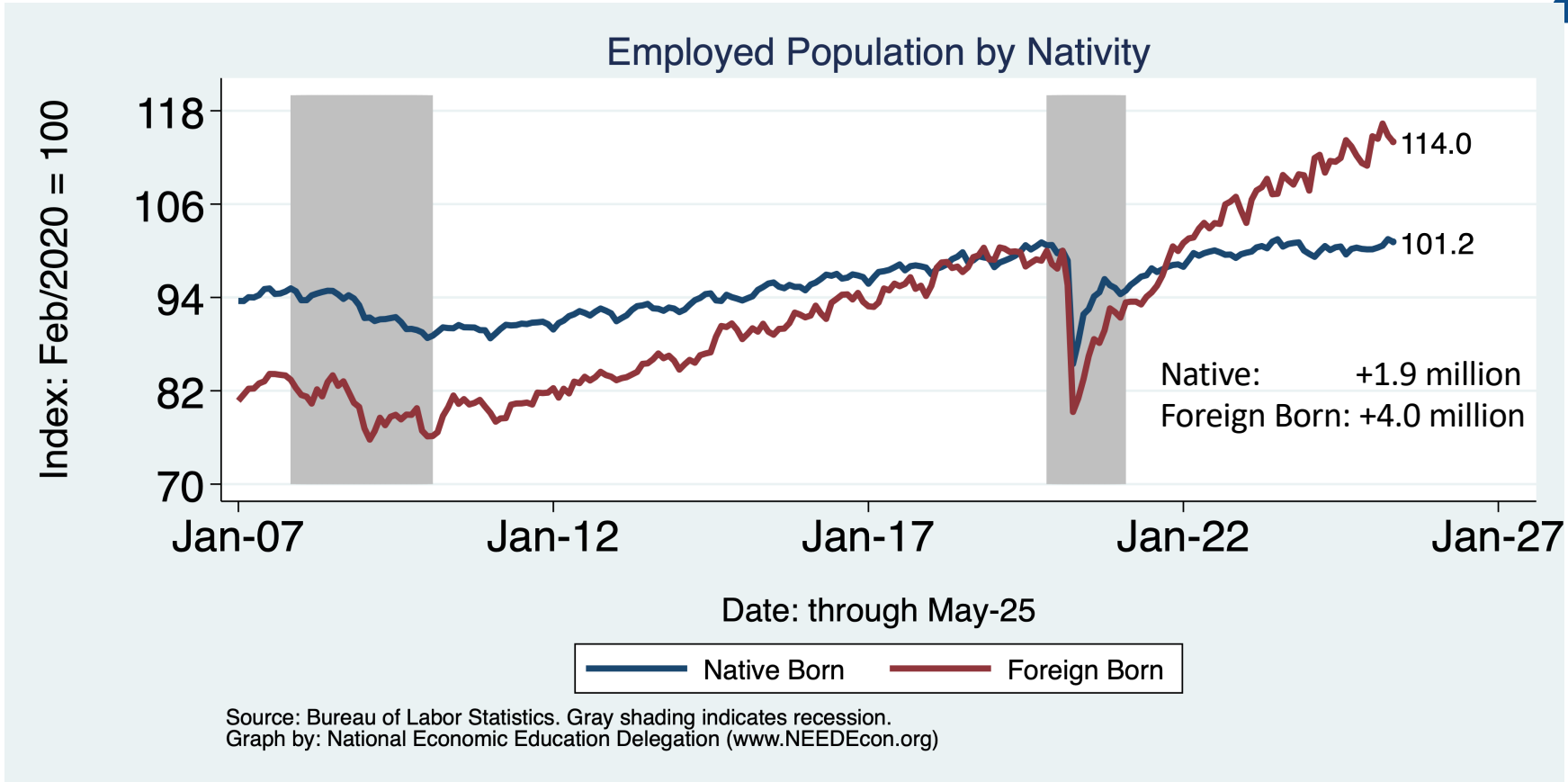
Monthly Changes in Nonfarm Employment



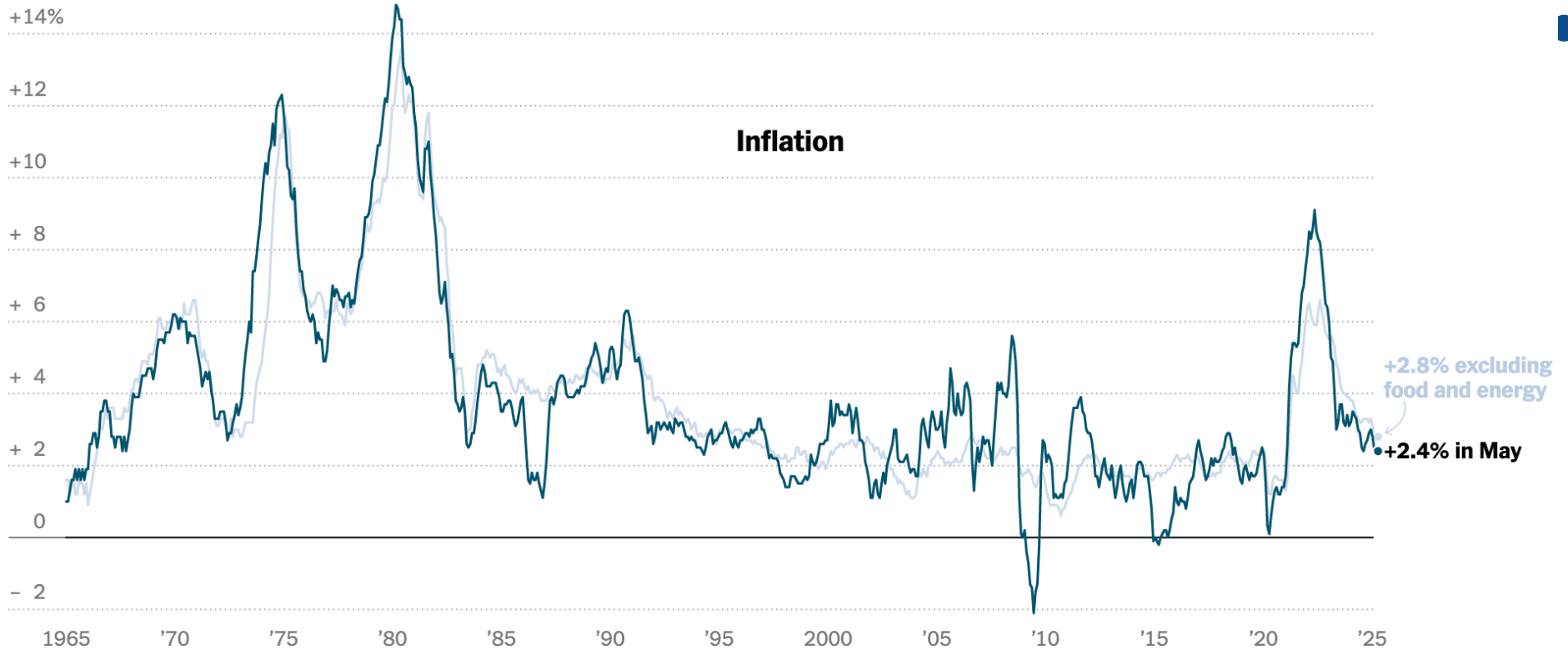
Monthly Changes in Nonfarm Employment



Immigrants to the Rescue?

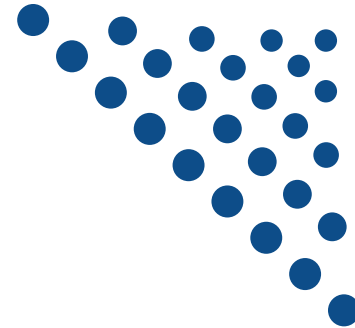


Inflation: Latest Figures



Year-over-year change in the Consumer Price Index • Source: Bureau of Labor Statistics • By Karl Russell

Takeaways



- **Is a recession on the horizon?**

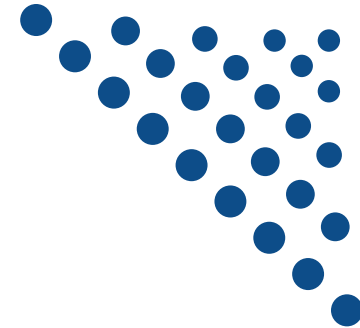
- Maybe.
- Many indicators are in the black.
 - 2024 2nd half GDP growth was pretty good – 2.8% YoY.
 - 2025 Q1 < 0 is almost meaningless.

- **The problem?**

- Uncertainties abound!



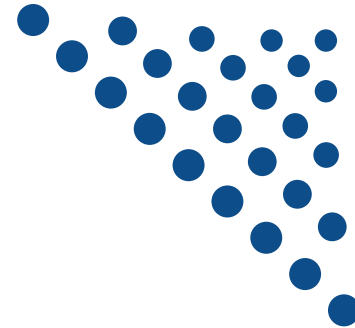
Uncertainties



- **Federal Government Policies**

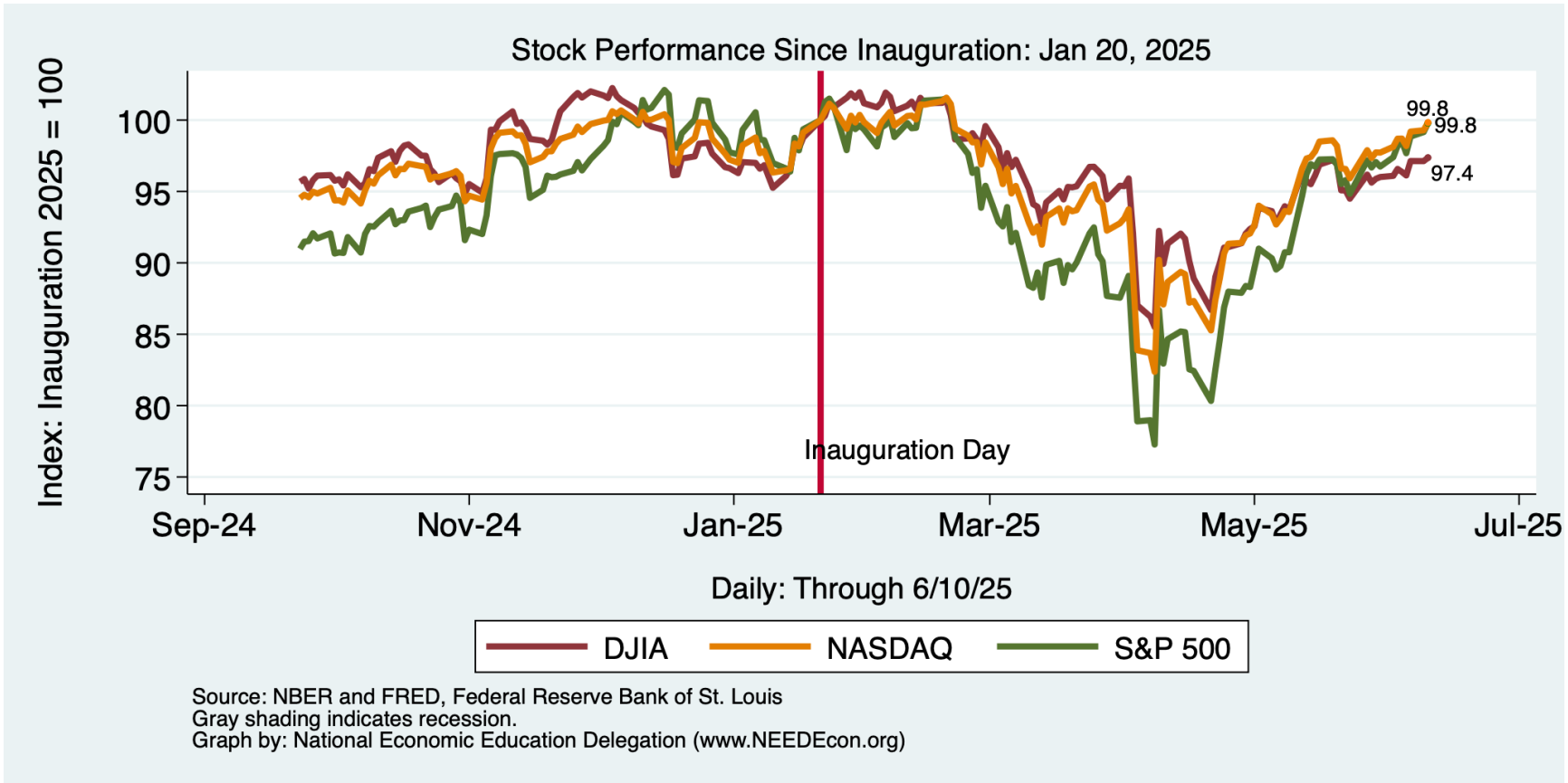
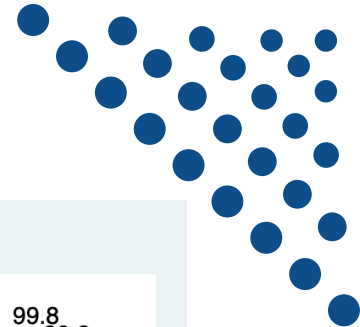
- How far will they go with immigration?
- How many federal employees will be laid off?
- How high will tariffs remain?
- Will Fed Chair Powell be replaced prematurely?

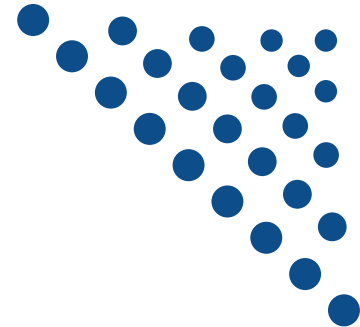
Since Inauguration: Policies = Anti-Growth



- Tariffs
- Deportations
- Cuts to spending and employment
- Threats to Fed Chair Powell

And Stock Markets Seem to Agree

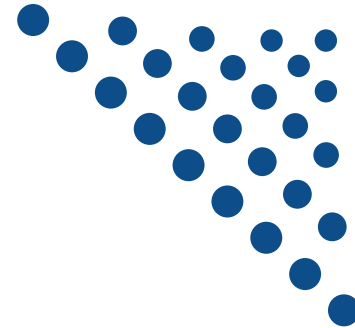




Tariffs



Economic Effects of A Tariff

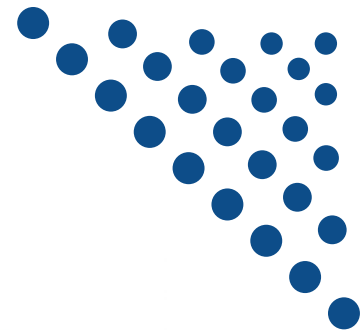


- **A tariff is a tax on imports. It causes:**
 - A rise in the price of the imported good in the importing country.
 - A fall in the price of the imported good in the exporting country.
 - The quantity imported to fall.
 - Revenue for the tariff-levying government.
- **Almost always: the rise at home is much larger than the fall abroad**
 - We learned this from Trump's tariffs in 2018.
 - Trump's tariffs caused US prices to rise, with hardly any perceptible fall in prices abroad.
 - Sometimes prices rise on goods not subject to a tariff.
 - Clothes dryers.

Economic Effects of A Tariff



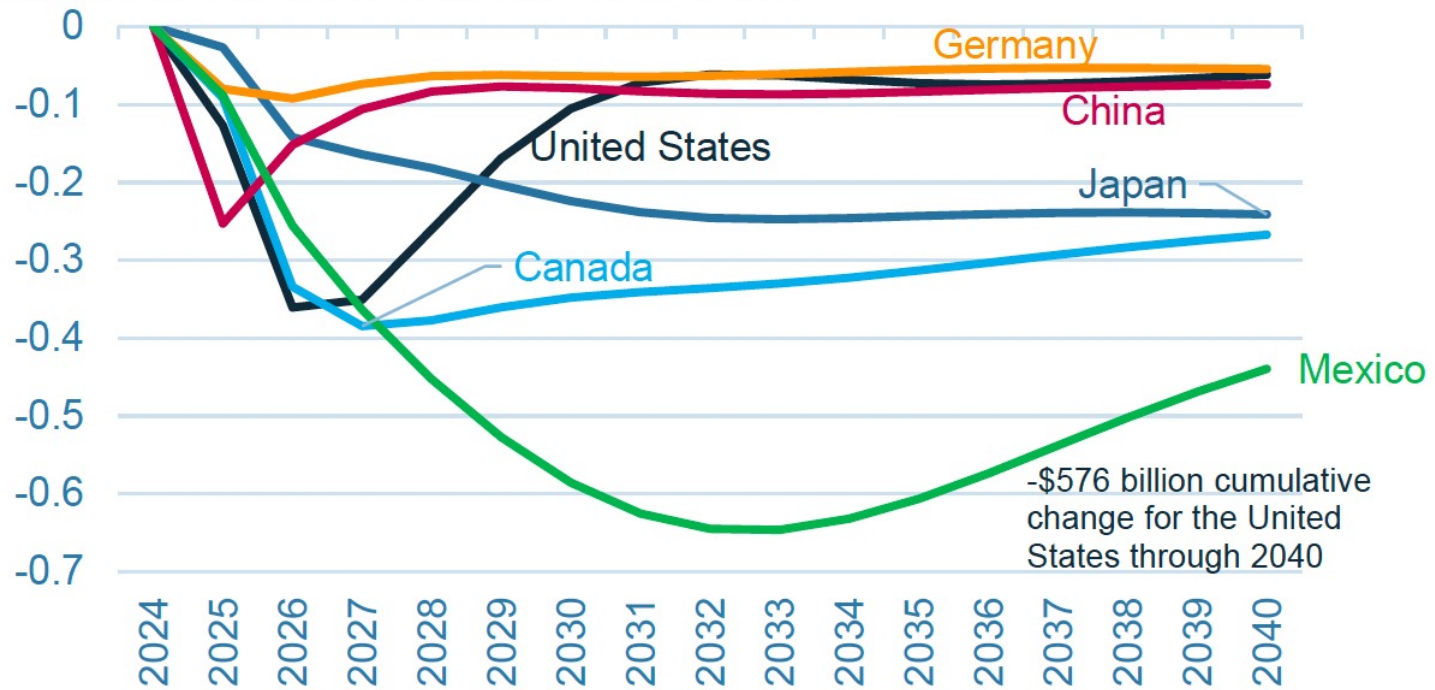
- Economists' cost-benefit analysis quantifies these and shows that the costs exceed the benefits.
- A tariff on one good can harm other industries.
- A tariff on one country just causes displacement to another country.
- Tariffs are NOT an effective tool to reduce the trade deficit.
- Tariffs are NOT a good way to raise government revenue.
- Retaliation from other countries makes tariffs even worse.
- Corruption: tariffs can be selectively reduced.



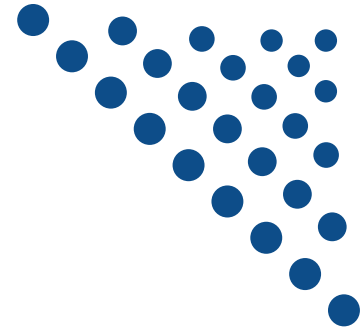
Effects of 10% Tariff on All US Imports

Real GDP

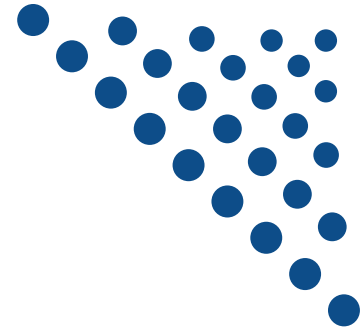
Percent deviation from baseline for each year



-\$576 billion cumulative change for the United States through 2040

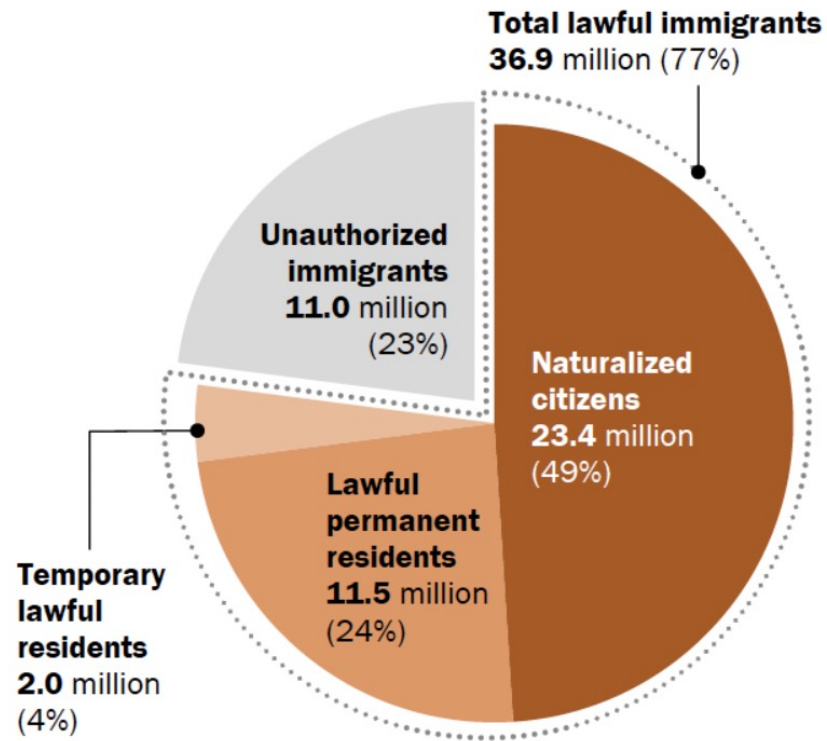


Immigration



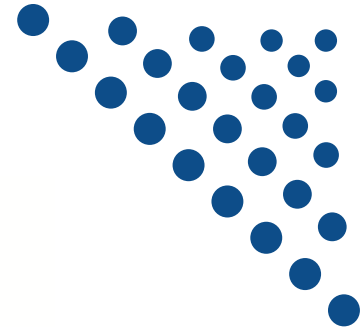
Unauthorized immigrants were 23% of the U.S. foreign-born population in 2022

Foreign-born population estimates, 2022



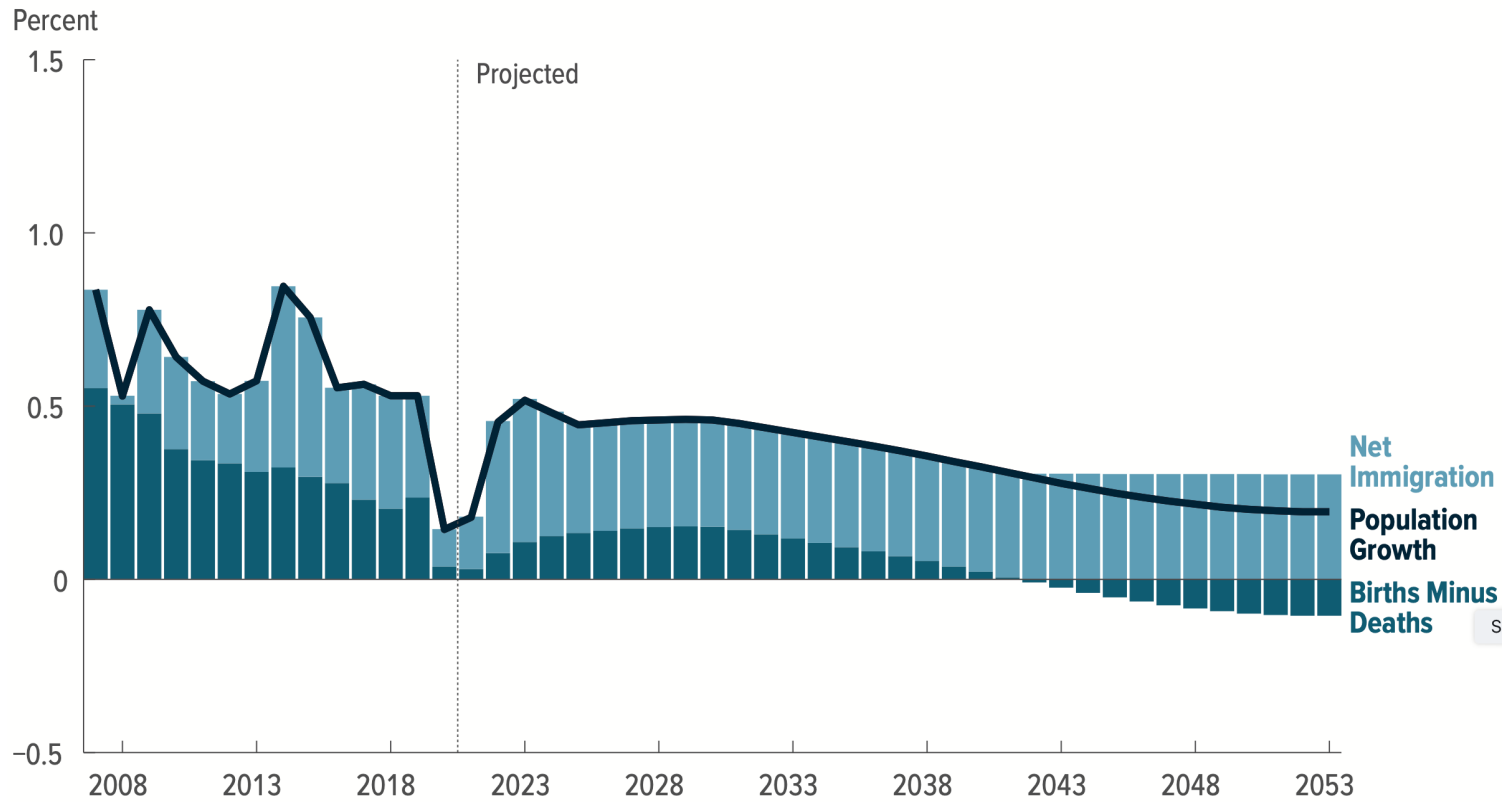
Total Foreign-Born (2022)
Population: 47.9 million

Total Foreign-Born (Current)
Population: 49.7 million

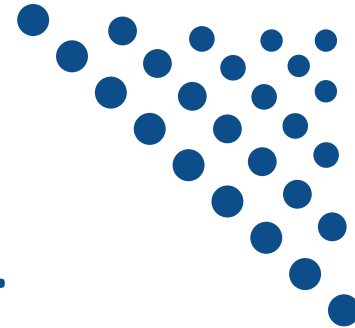


Is Immigration Saving the Day?

Population Growth and Its Underlying Factors



Mass Deportations



- **Immigrants work different jobs than do native-born workers.**
- **Immigrants contribute to the local economy.**
 - GDP losses of up to \$1.7 trillion annually.
- **Immigrants keep prices low: in particular, food!**
- **Deportations impact tax revenues.**
 - \$1,300 more in on average than out, annually.
 - Unauthorized immigrants: \$22.6 billion in social security and \$5.7 billion in Medicare payments.
- **Deportations are expensive (\$13,000 each).**
 - Total cost \$315 billion.
- **They rob people of their dignity.**

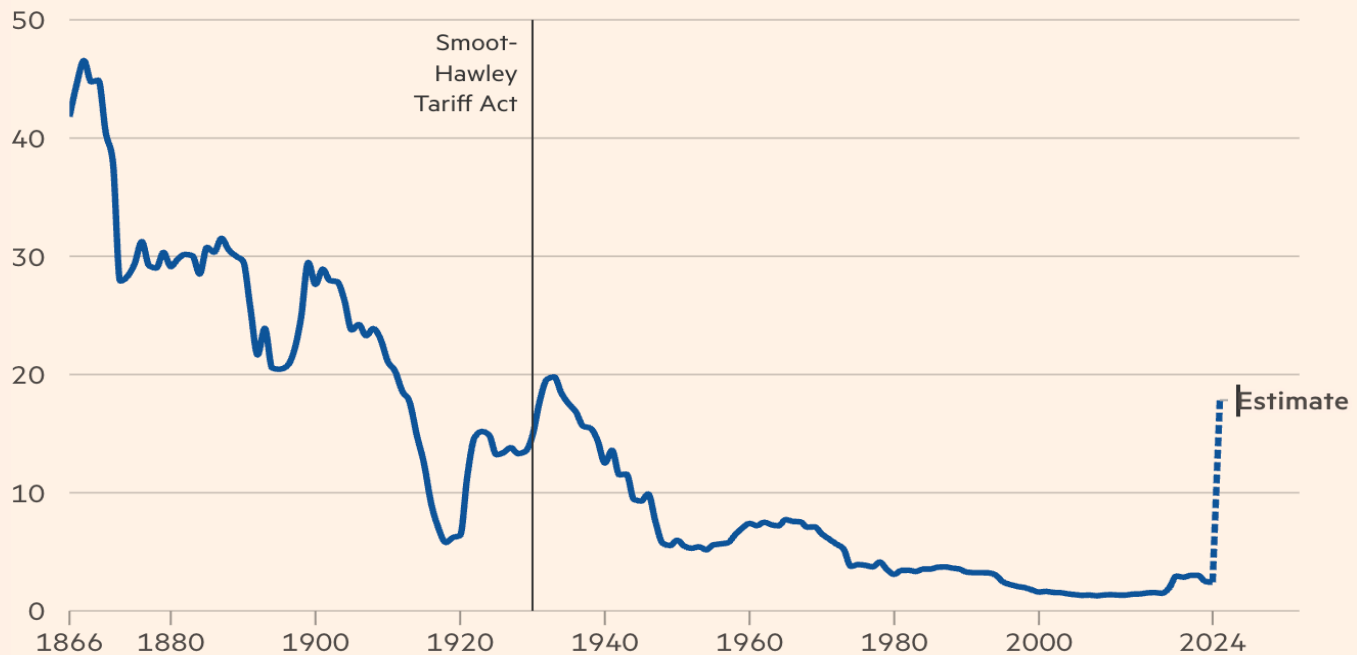


U.S. Tariff Level



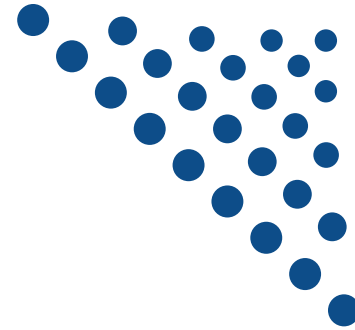
Effective tariff rate* (%), historic and estimated

Dotted line indicates estimate

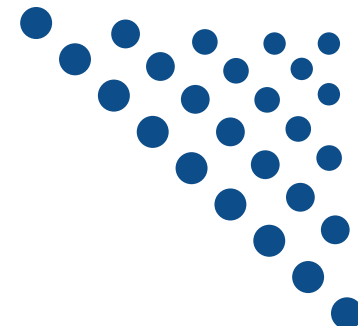


© FT Source: [Yale Budget Lab](#) • *effective tariff rate = customs duty revenue as a proportion of goods imports. Tariff schedule as of May 12

Summary



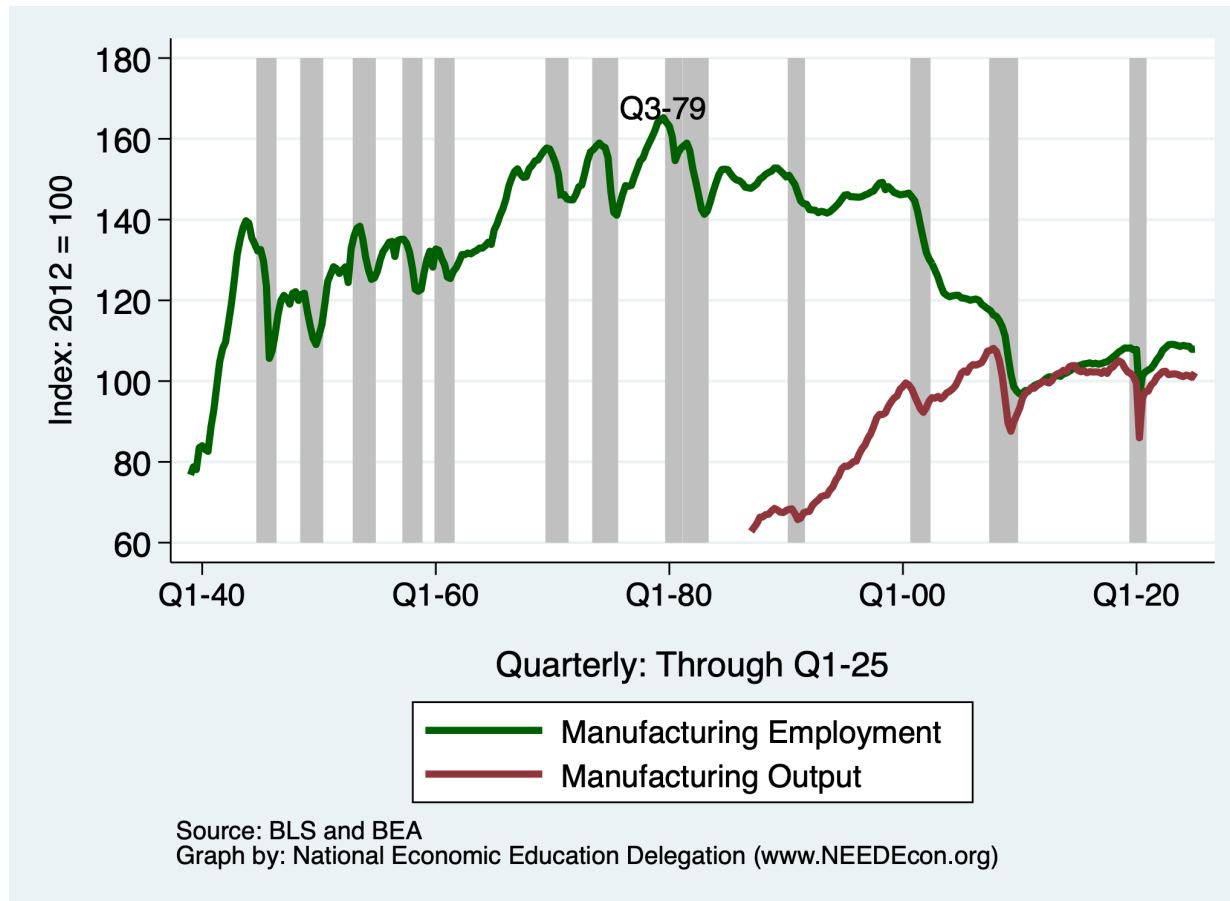
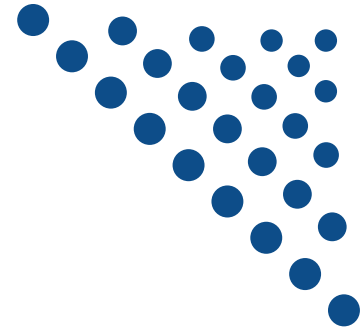
- **Inflation: close to Fed's 2% target, but a little stubborn.**
 - This is likely to change, and not for the better.
- **Current immigration and trade policies will exacerbate inflation.**
- **Immigration: deportations tax the economy and are expensive.**
 - Many, many ag workers are unauthorized immigrants.
- **Tariffs: are a tax.**
 - Taxes raise prices. Period. Full Stop.
 - Taxes often cost jobs. Tariffs likely will.



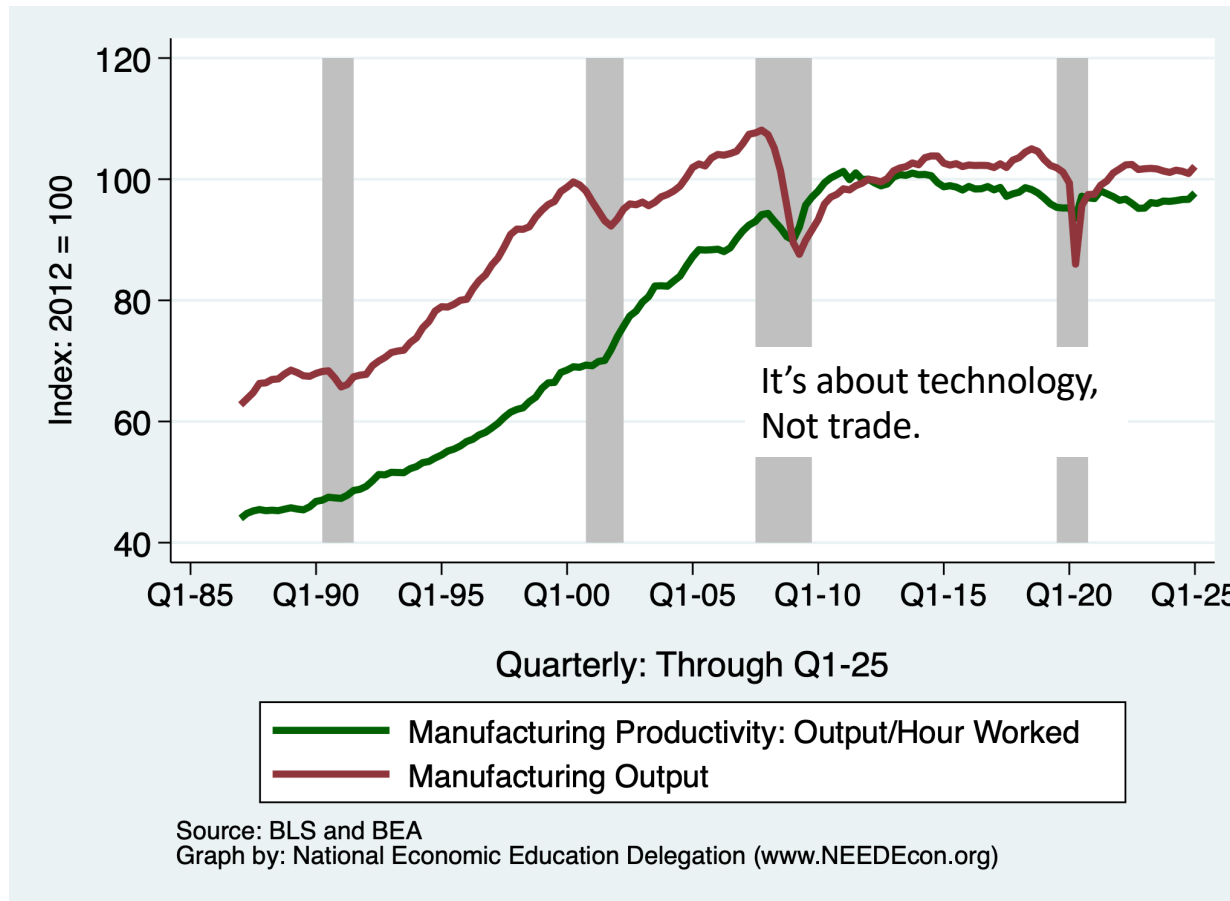
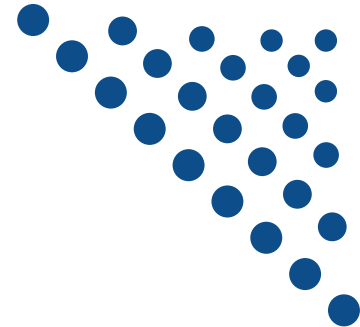
Biggest Problem: Uncertainty

- **Nobody knows how to plan into uncertainty.**
 - Business investment is particularly at risk.
- **Hardly anybody increases spending into uncertainty.**
- **Other countries will look elsewhere if the U.S. is volatile.**
 - Tourists already are.
- **Outlook: is not good.**
 - Inflation is inevitable.
 - Job losses are inevitable.

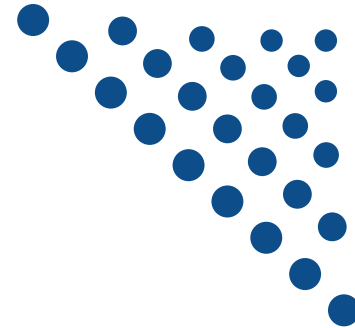
Manufacturing History



Manufacturing History: Productivity



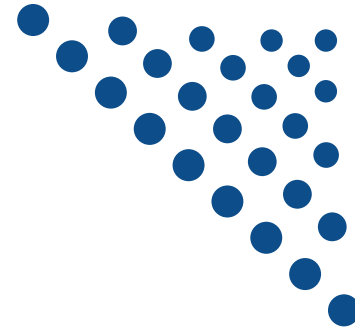
Can We Bring Manufacturing Back?



- **I don't think so.**
 - Costs, supply chain, labor supply
- **Going about it the wrong way.**
 - Uncertainty around tariffs doesn't help.
 - China provides a model.
 - Biden had the right idea: Inflation Reduction Act, CHIPS Act.
- **Do we want to?**

Thank you!

Any Questions?



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Jon D. Haveman

Jon@NEEDEcon.org

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