



US Economic Update And The Candidates' Policies

California Community Colleges Real Estate Education Center

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NEED
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Outline

- **Economic Indicators**
 - GDP, Employment, Inflation
- **Conventional Wisdom**
- **The Candidates' Policies**

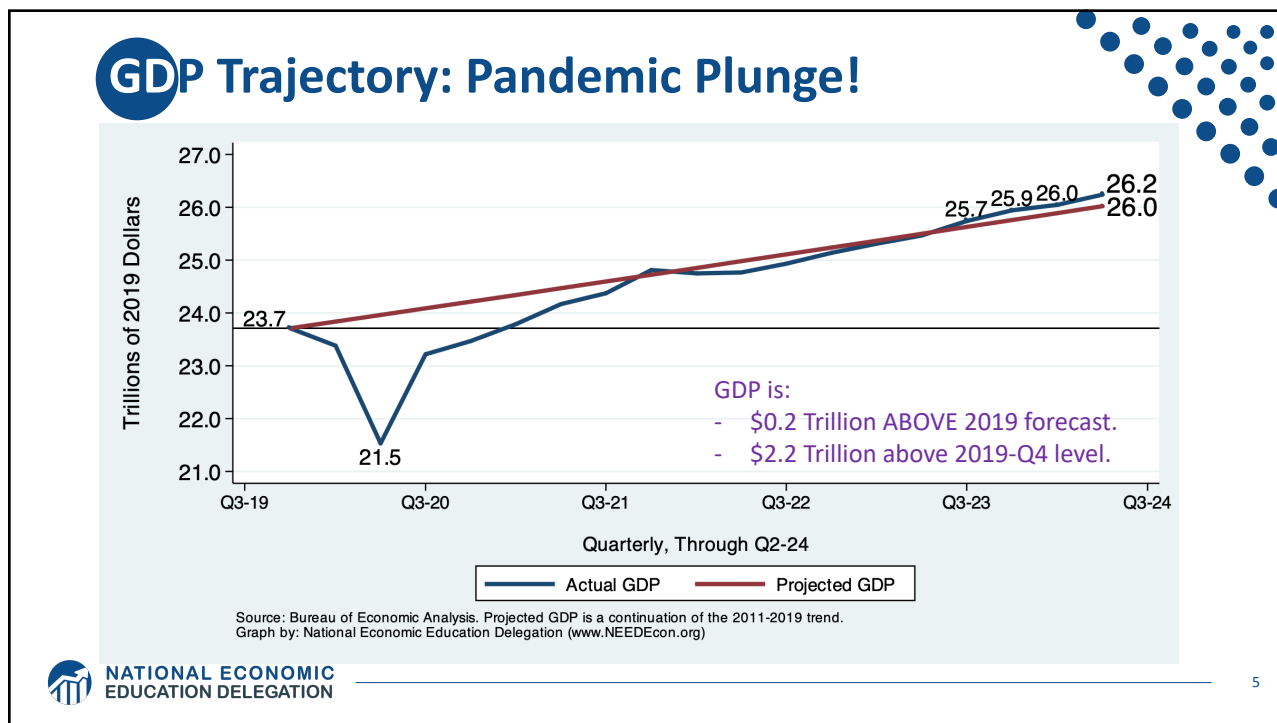


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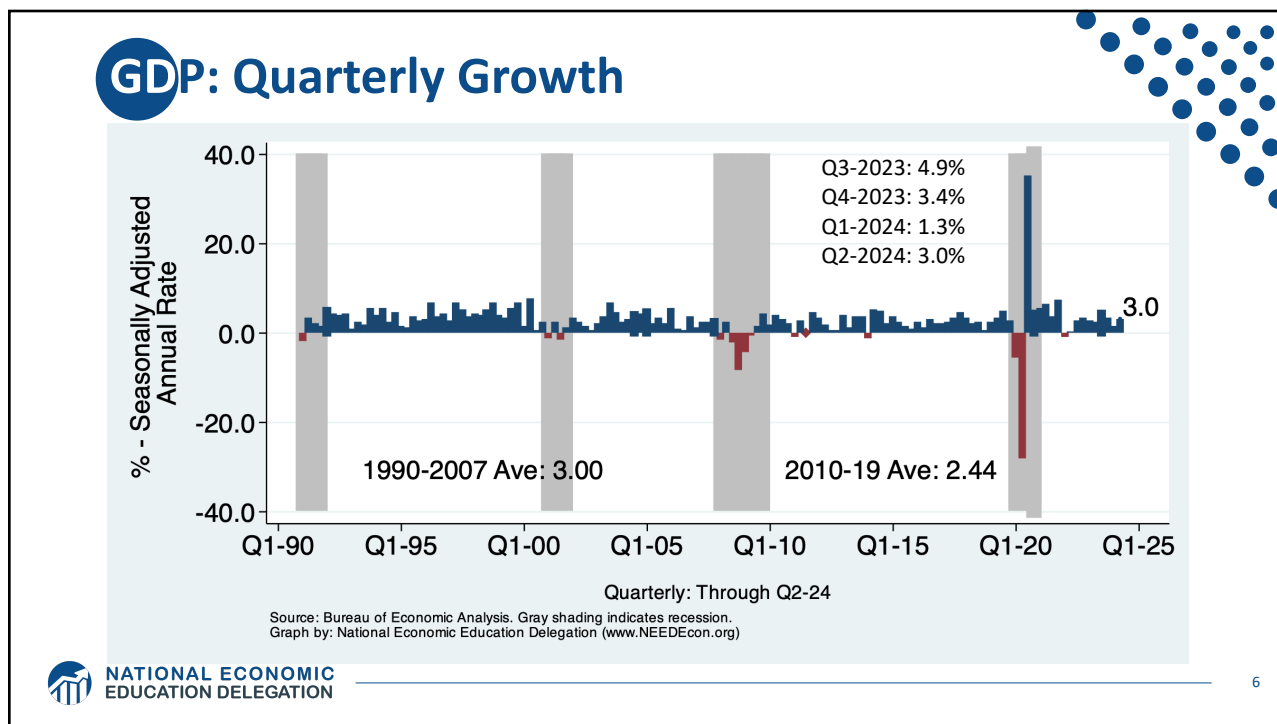
The U.S. Economy



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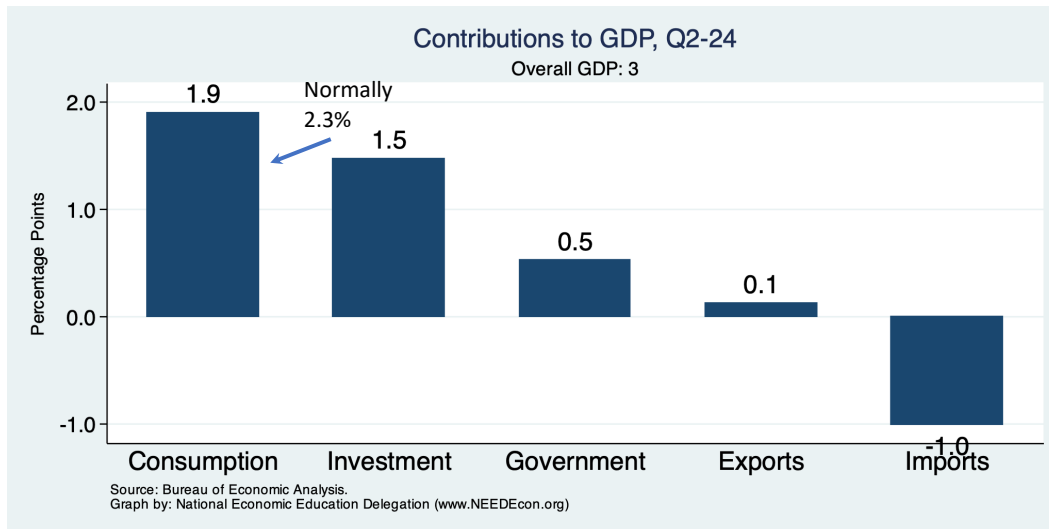


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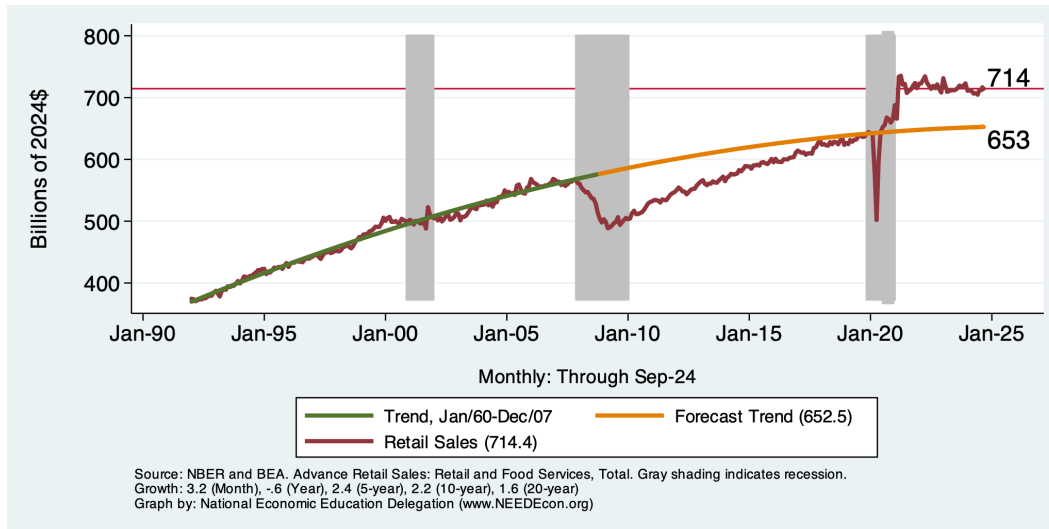
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What Drove GDP to Such Growth?



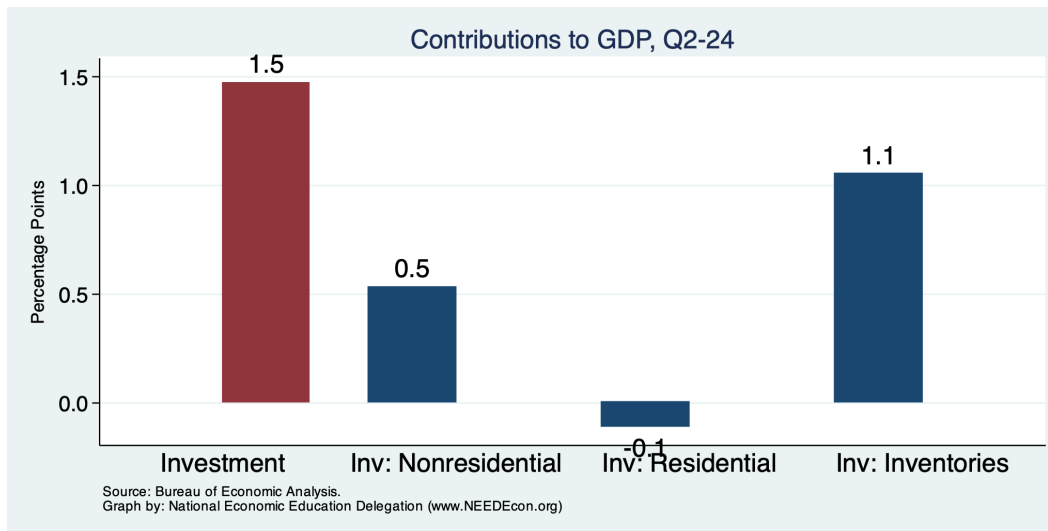
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Retail Sales Remain Elevated!



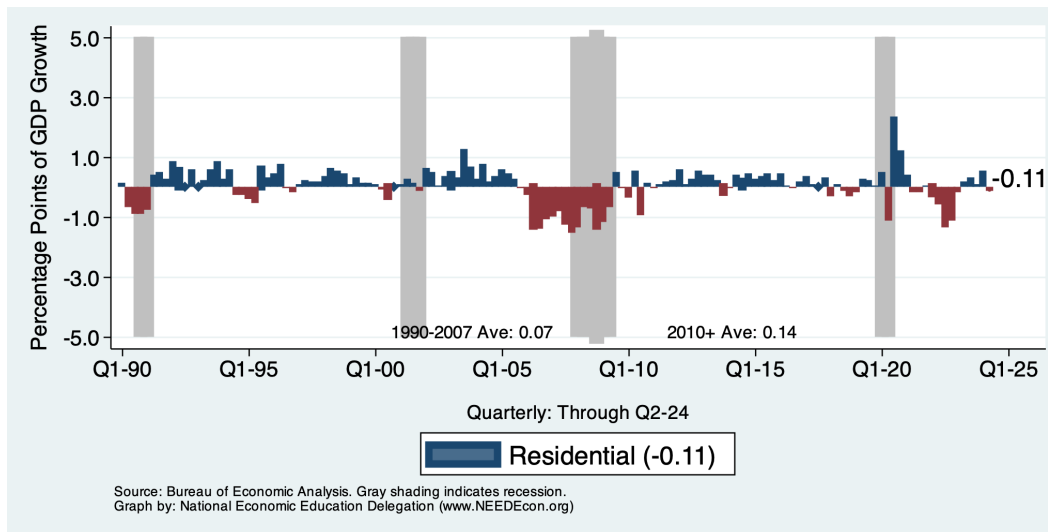
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Contributions to GDP: Investment Components



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Contributions to GDP: Residential Investment

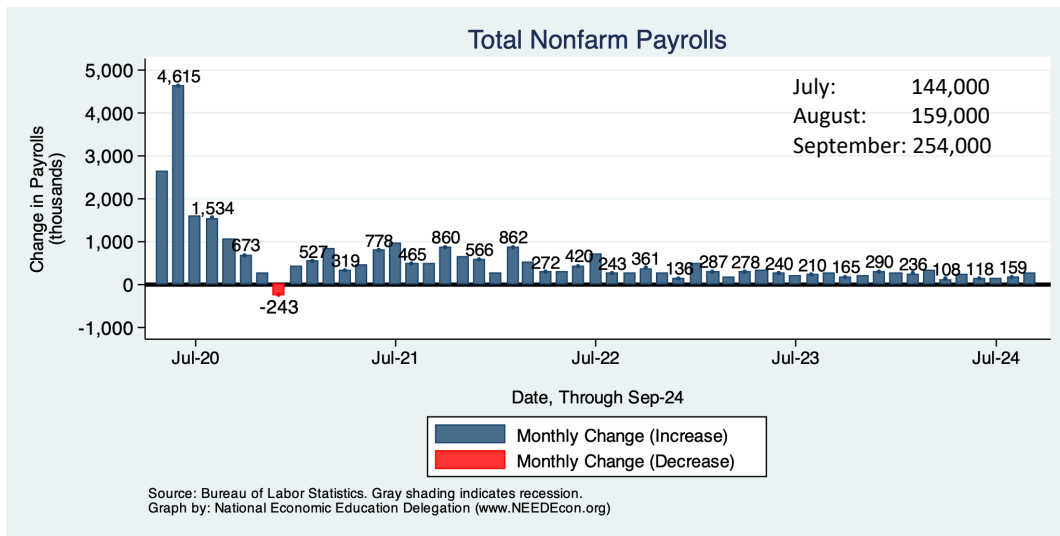


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Employment

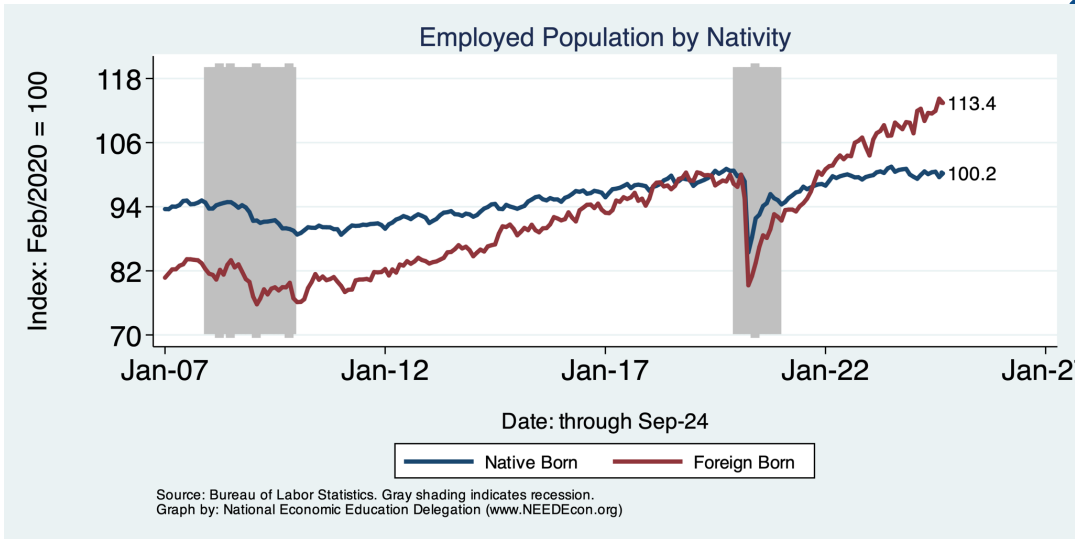
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Monthly Changes in Nonfarm Employment



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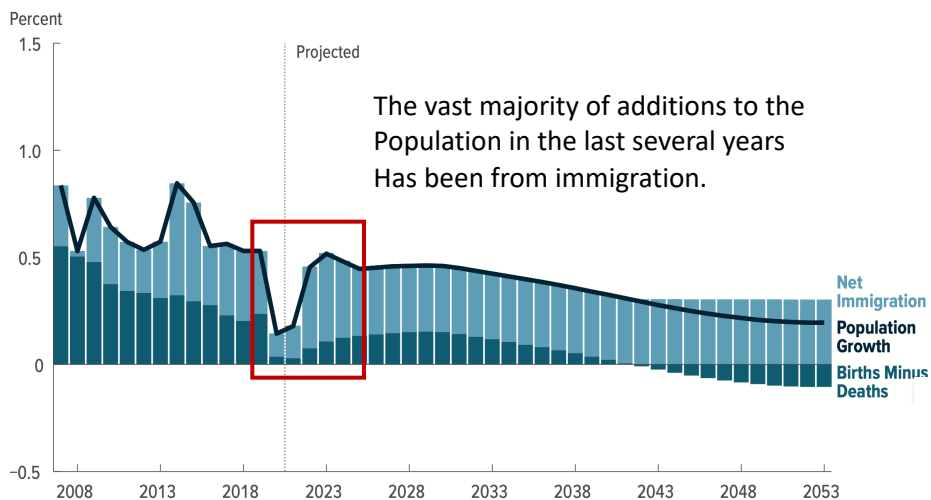
Immigrants to the Rescue?



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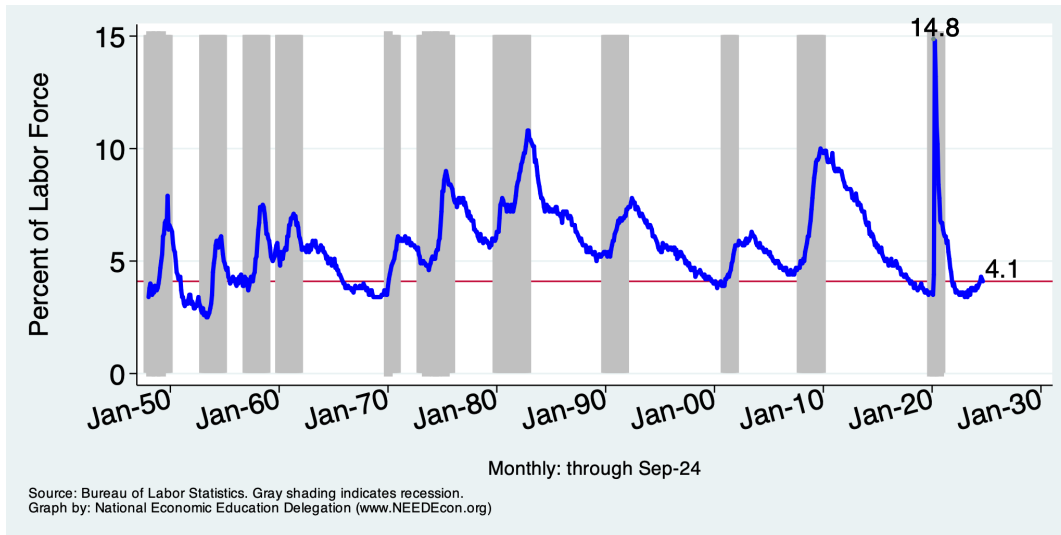
Is Immigration Saving the Day?

Population Growth and Its Underlying Factors



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What About Unemployment?

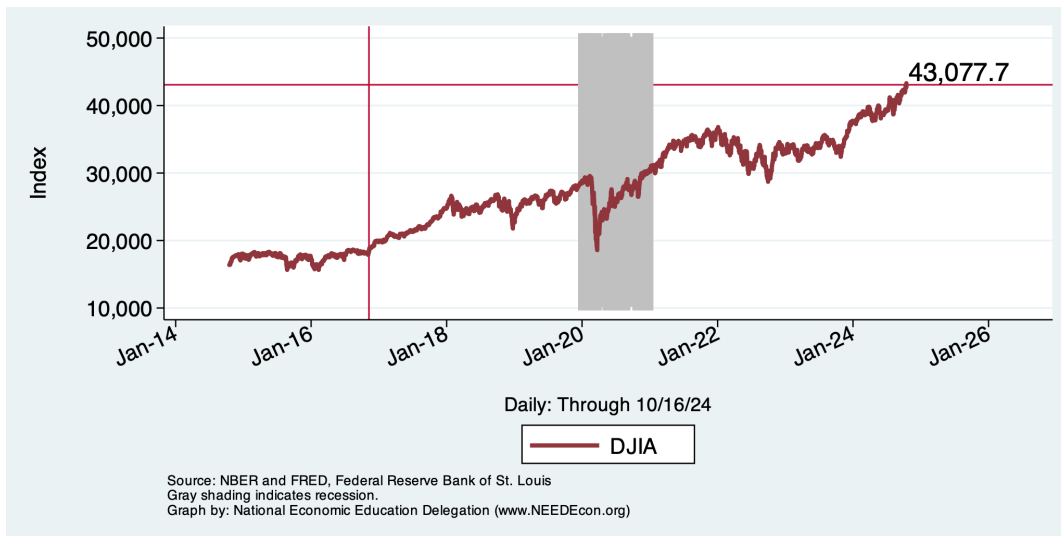


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And Stocks? Way up!



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Economy Overall

- **Continues to chug along**

- GDP growth has been consistent with the last decade.
- Employment continues to grow, but slowing.
 - o Hampered by lots of early retirements!
 - o Labor force is still too small.
 - o Thank goodness for immigrants!
- Inflation.....

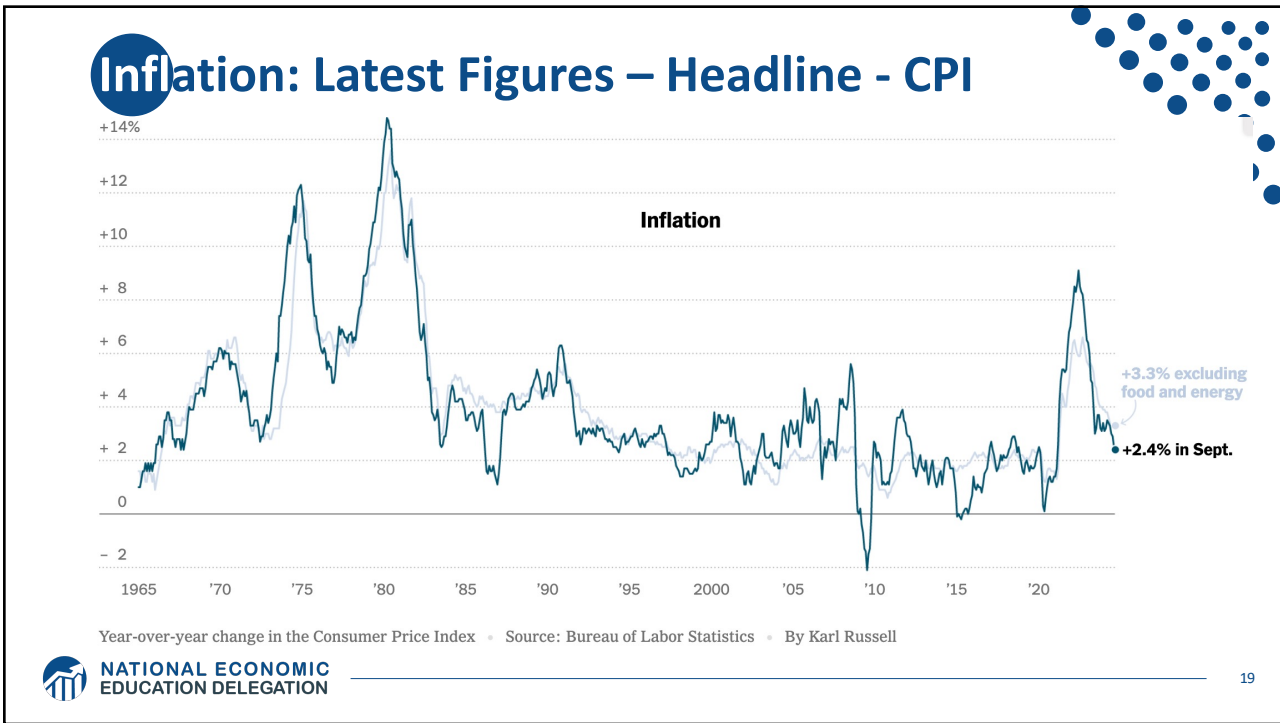


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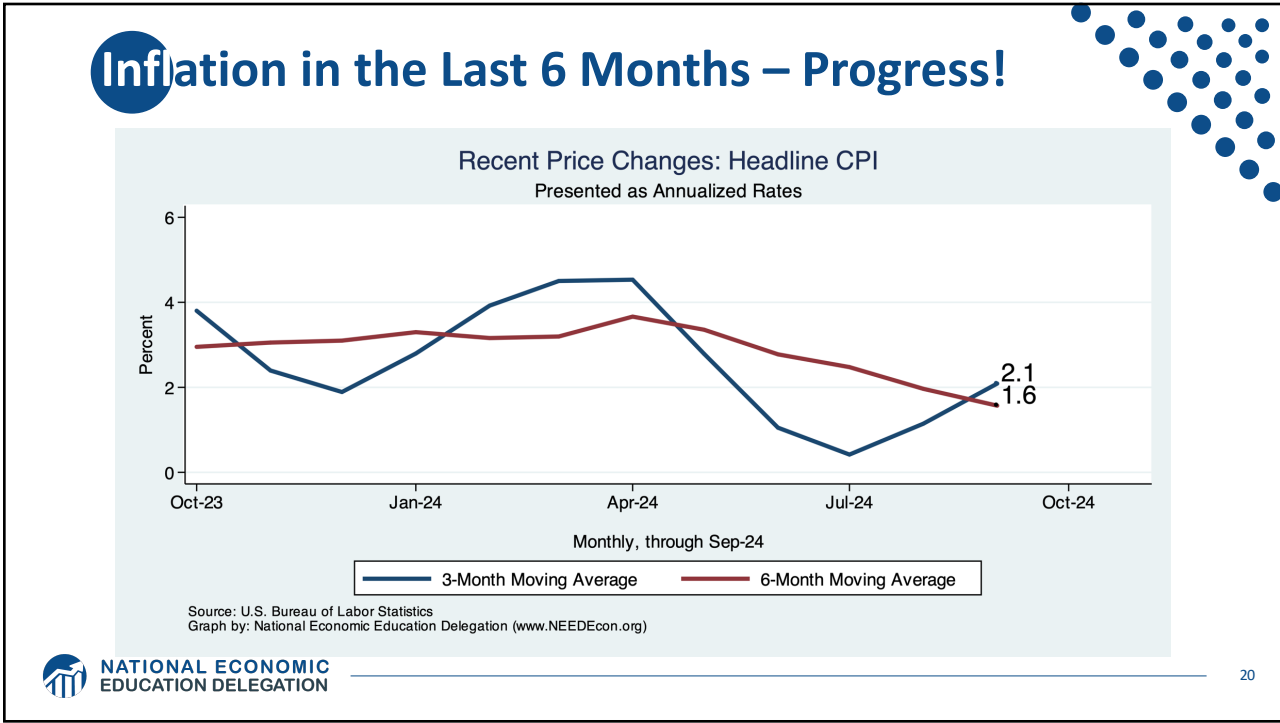
Inflation



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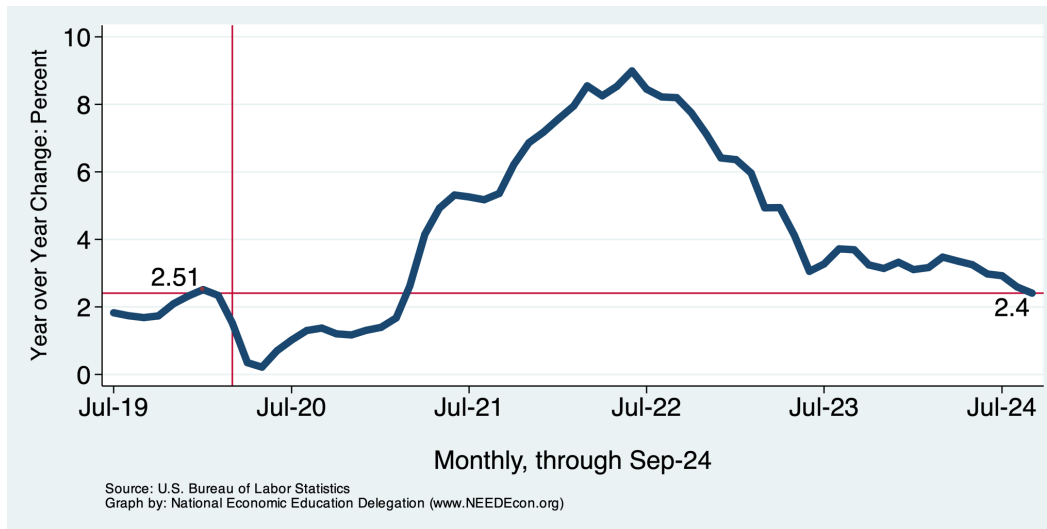


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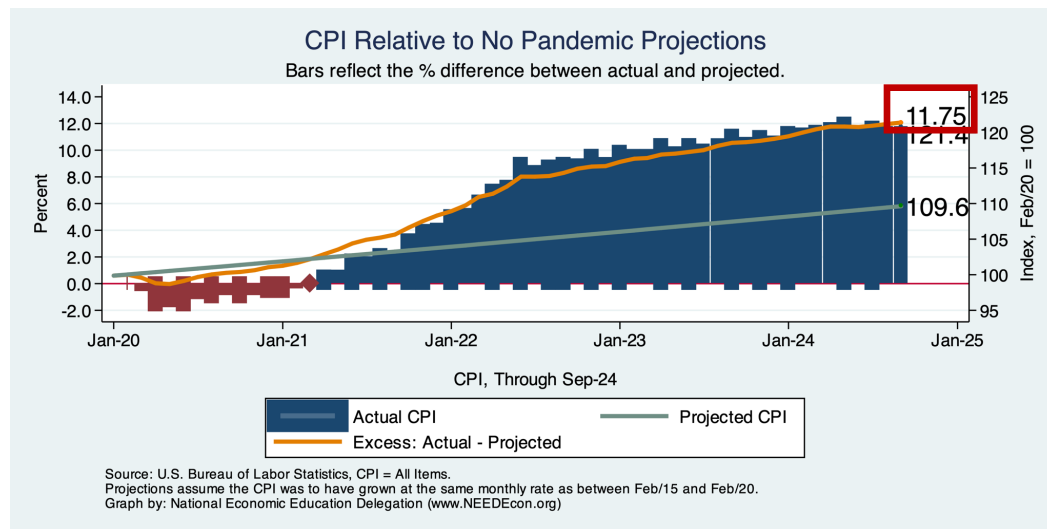
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That Brings us to the Pandemic



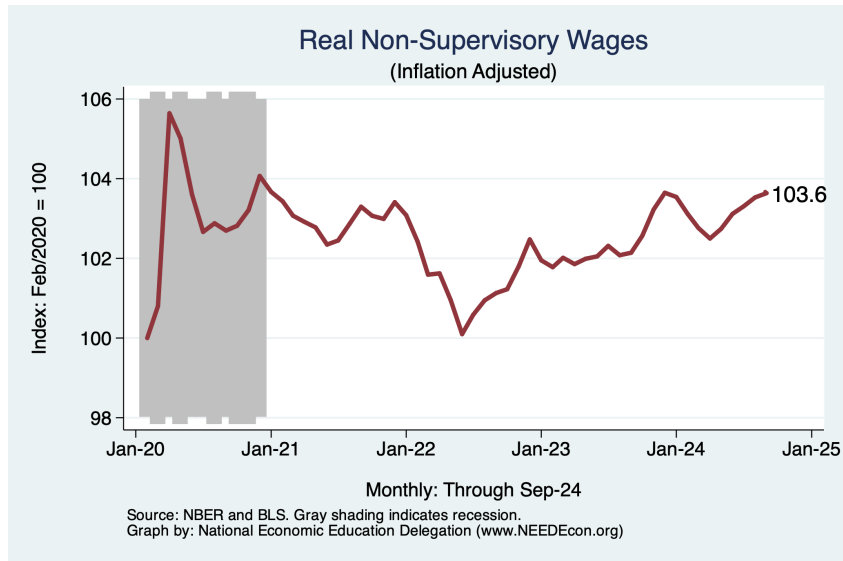
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CPI Deviation from Target



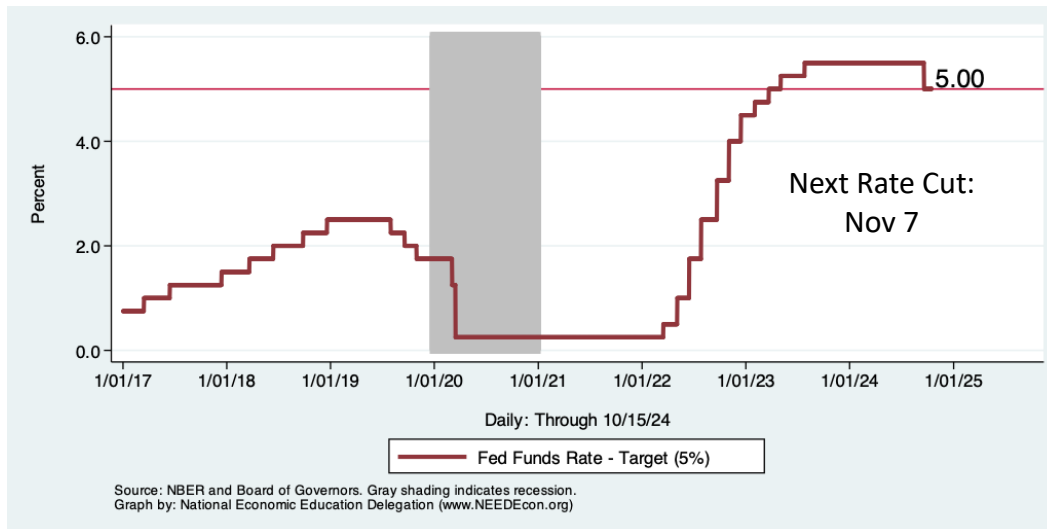
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Wage Growth – Exceeds Inflation



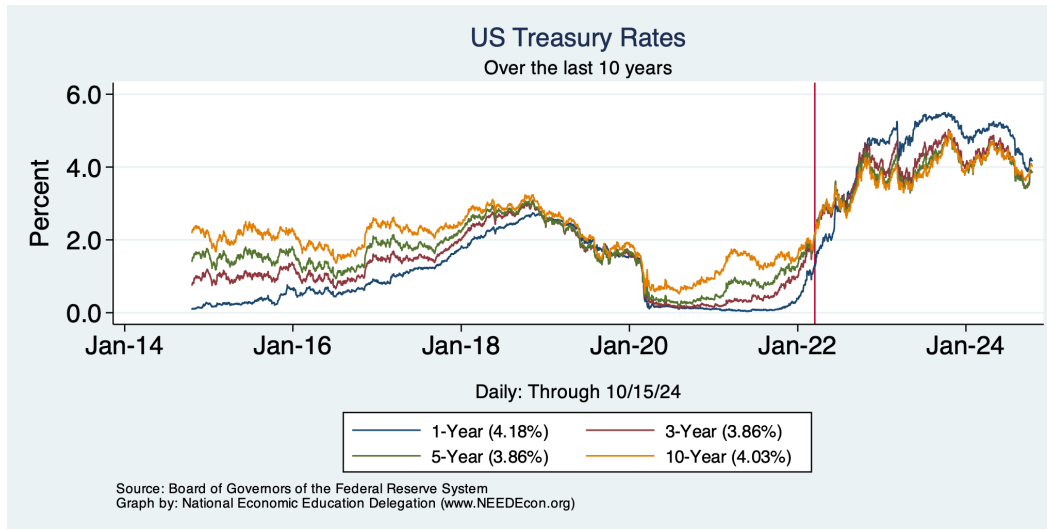
The Fed: Reining in Inflation!

Federal Funds Rate – Recent Activity



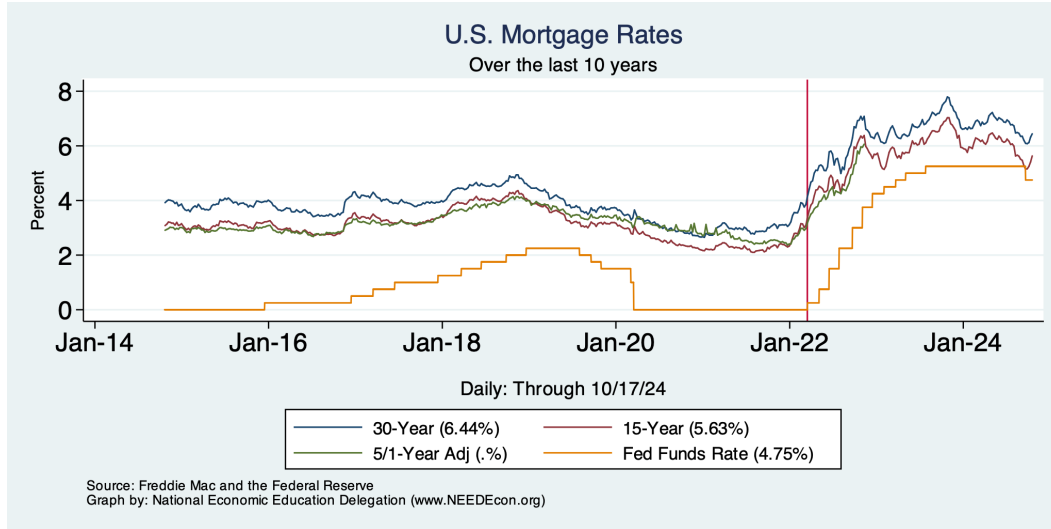
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Treasuries



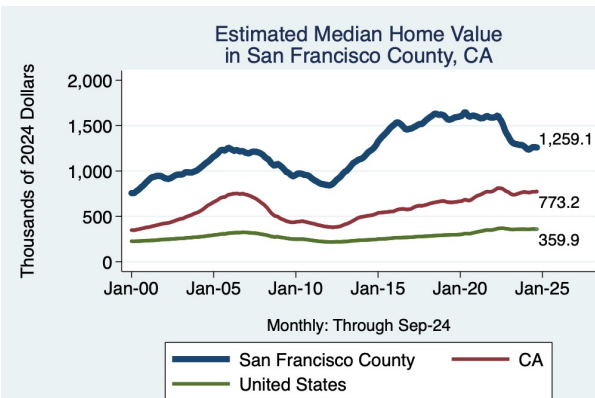
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Mortgage Rates

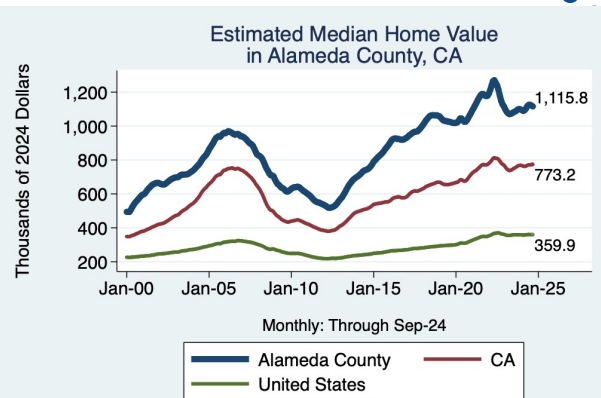


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Home Prices ... in Northern CA



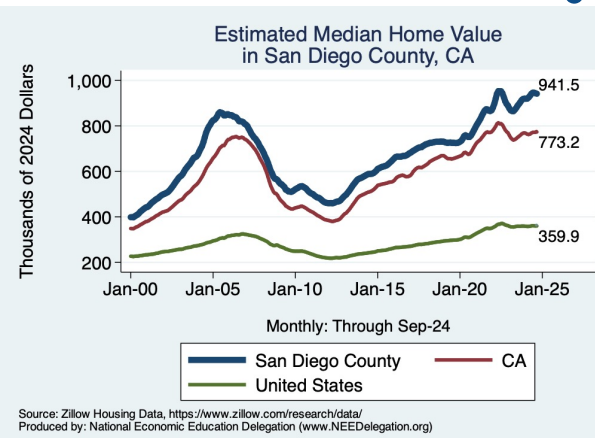
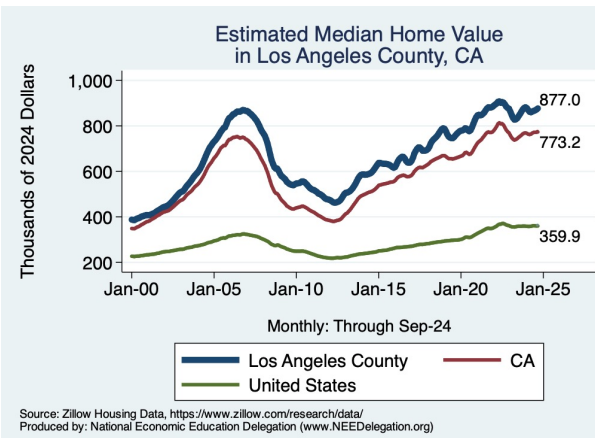
Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDElegation.org)



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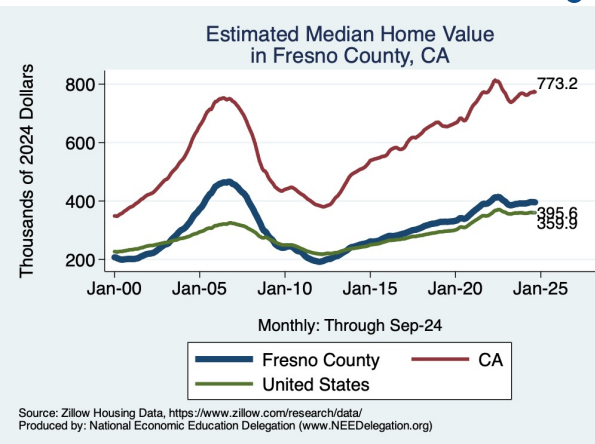
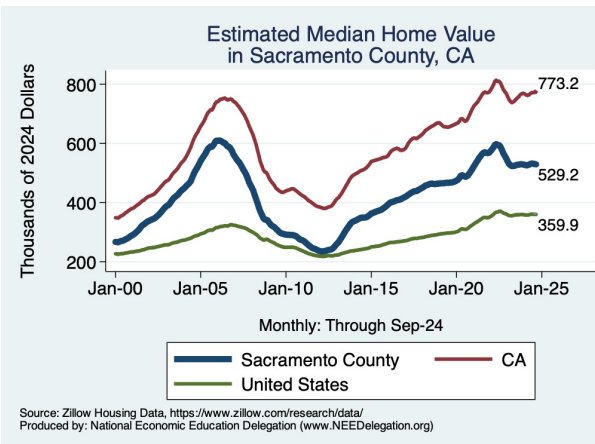
Home Prices ... in Southern CA



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
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Home Prices ... in The Central Valley



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
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Takeaways

- **Is a recession on the horizon?**
 - No. More likely a soft landing. Will know more next week.
 - Many indicators are well in the black.
 - 2024-Q2 GDP growth was quite good.
- **Inflation has been tamed.**
- **Fed is slowing its activity and cutting rates (25 basis point cuts coming).**
- **Threats to continued growth:**
 - Asset markets
 - Household balance sheets



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Addressing Conventional Wisdom

- | | |
|--|--|
| • How is the economy doing? | JUST FINE |
| - 3% Growth in 2 nd Quarter of 2024 | |
| • Is employment growing? | YES. Quite well, thank you. |
| • How are stock markets doing? | BOOMING! |
| • How is unemployment? | HISTORICALLY LOW, BUT RISING |
| • How is inflation looking? | 2.4% - CLOSE TO TARGET |
| • How are price levels? | YES, HIGHER THAN THEY SHOULD BE |

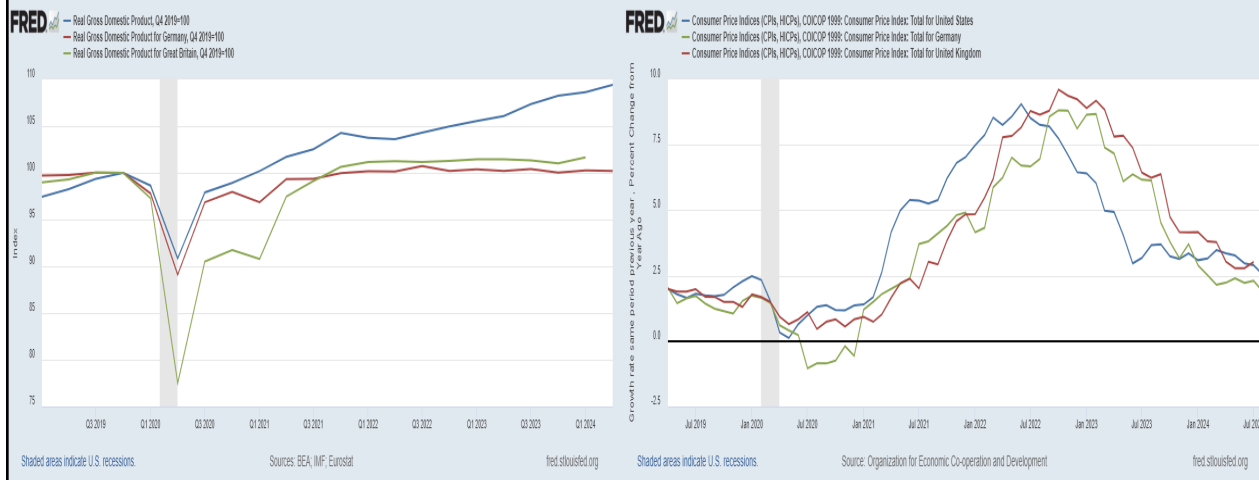


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International Comparisons



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Specific Policies of the Candidates

- Taxes
- Tariffs
- Housing
- Immigration

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The Candidates on Taxes

• Donald Trump

- Corporate Tax – Cut it
- Tips - don't tax them
- Income – extend 2017 Cuts
 - Mostly for the rich.
 - Adds to the debt.

• Kamala Harris

- Corporate Tax – Raise it
- Tips – don't tax them (limited)
- Cap Gains Tax – Raise it
 - Tax like wages and salary
- Unrealized Cap Gains – tax them
 - Those with > \$100 million in wealth
 - 11,000 people.



The Candidates on Tariffs (just another tax)

• Donald Trump

- 10-20% Across the board
- 60% on China
- Who pays? Who cares?
 - U.S. consumer always pays.
- Inflationary? You bet!
- Super inefficient

• Kamala Harris

- Unknown
- Likely some strategic tariffs.



Economist Views

Who says economists never agree?

They must not have polled Peter Navarro!

Survey

US

Steel and Aluminum Tariffs

MARCH 12, 2018 ADD TO POLL

Imposing new US tariffs on steel and aluminum will improve Americans' welfare.

Responses

Response	Percentage
Strongly Agree	0%
Agree	0%
Uncertain	0%
Disagree	28%
Strongly Disagree	65%
Did Not Answer	7%

Responses weighted by each expert's confidence

Response	Percentage
Strongly Agree	0%
Agree	0%
Uncertain	0%
Disagree	24%
Strongly Disagree	76%

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The Candidates on Housing

- **Donald Trump**
- **Ban mortgages for undocumented immigrants**
 - 0.03% of all mortgages
- **Unspecified:**
 - Tax incentives
 - Support 1st time homebuyers

- **Kamala Harris**
- **\$25k downpayment assistance**
 - 1st time homebuyers
- **Tax incentives to stimulate 3 million new starter homes.**
- **Stop predatory investment**
 - No tax deductions if own > 50 homes

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The Candidates on Immigration

- Donald Trump
 - **Massive deportations.**
 - Also housing policy, but won't work.
 - Revoke TPS.
 - Massively inflationary.
 - **Finish the wall.**
 - **End birthright citizenship.**
- Kamala Harris
 - **Strengthen and add resources to the border.**
 - The bipartisan bill that died in May.
 - **Dig more deeply into the sources of immigration.**
 - **Rationalize the immigration system.**

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Distributional Effects of Policy Proposals

Table 3: Conventional Distributional Effects of the Harris Campaign Policy Proposals

Income group	2026		2034	
	Average income change, after taxes and transfers	Percent change in income, after taxes and transfers	Average income change, after taxes and transfers	Percent change in income, after taxes and transfers
First quintile	\$2,355	18.0%	\$2,310	24.4%
Second quintile	\$2,165	2.7%	\$2,405	2.4%
Middle quintile	\$2,870	2.1%	\$2,935	1.8%
Fourth quintile	\$2,580	1.2%	\$2,115	0.8%
80-90%	\$1,850	0.6%	\$1,405	0.4%
90-95%	-\$880	-0.1%	-\$1,970	-0.2%
95-99%	-\$2,065	-0.5%	-\$1,225	-0.2%
99-99.9%	-\$167,255	-0.9%	-\$208,080	-0.9%

Table 3: Conventional Distributional Effects of the Trump Campaign Policy Proposals

Income group	2026		2034	
	Average income change, after taxes and transfers	Percent change in income, after taxes and transfers	Average income change, after taxes and transfers	Percent change in income, after taxes and transfers
First quintile	\$320	1.4%	\$465	6.4%
Second quintile	\$870	1.6%	\$1,020	1.7%
Middle quintile	\$1,740	2.1%	\$2,285	2.2%
Fourth quintile	\$3,970	2.8%	\$5,075	2.9%
80-90%	\$6,255	2.9%	\$7,030	2.6%
90-95%	\$9,020	2.7%	\$11,080	2.7%
95-99%	\$21,735	3.7%	\$24,510	3.4%
99-99.9%	\$47,220	2.6%	\$47,515	2.1%
Top 0.1%	\$376,910	2.7%	\$214,935	1.6%

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Thank you!

Any Questions?

www.NEEDecon.org

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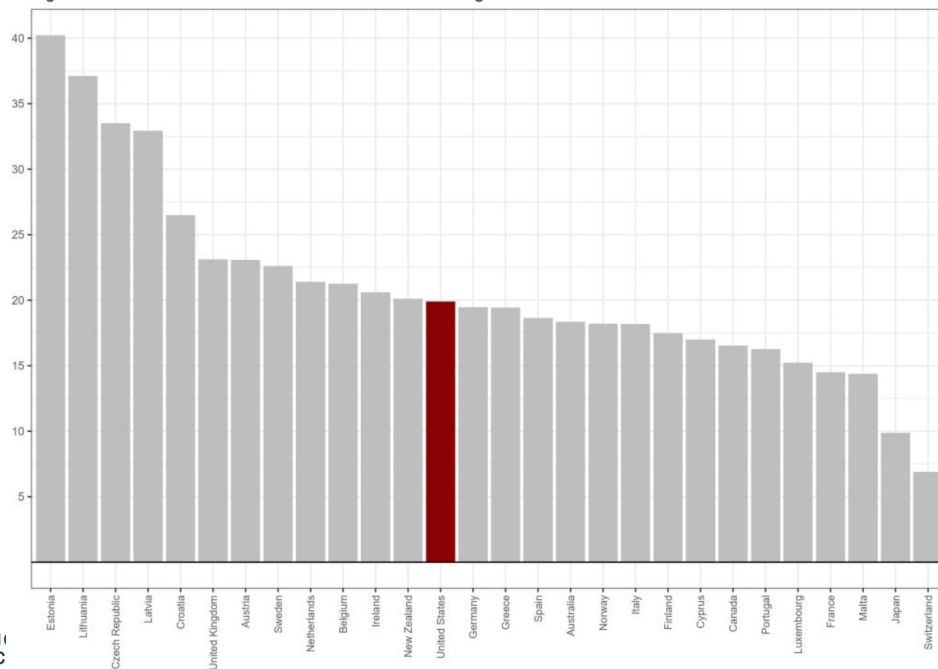
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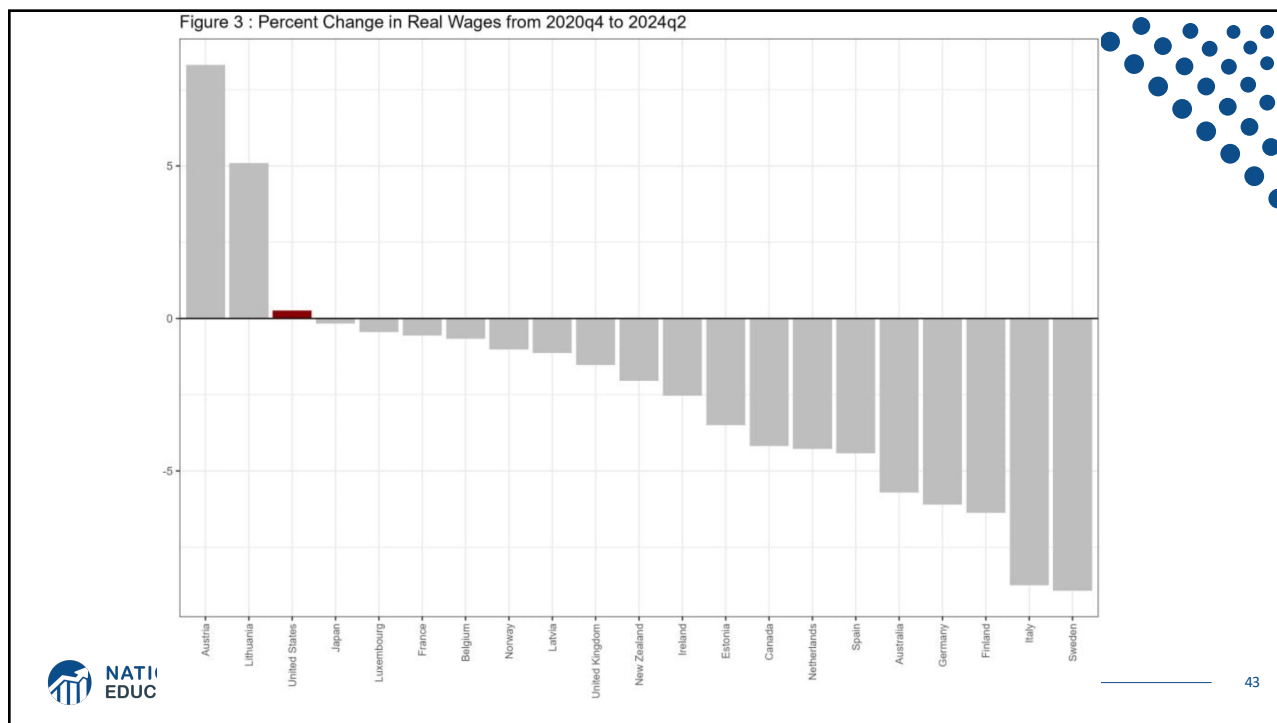


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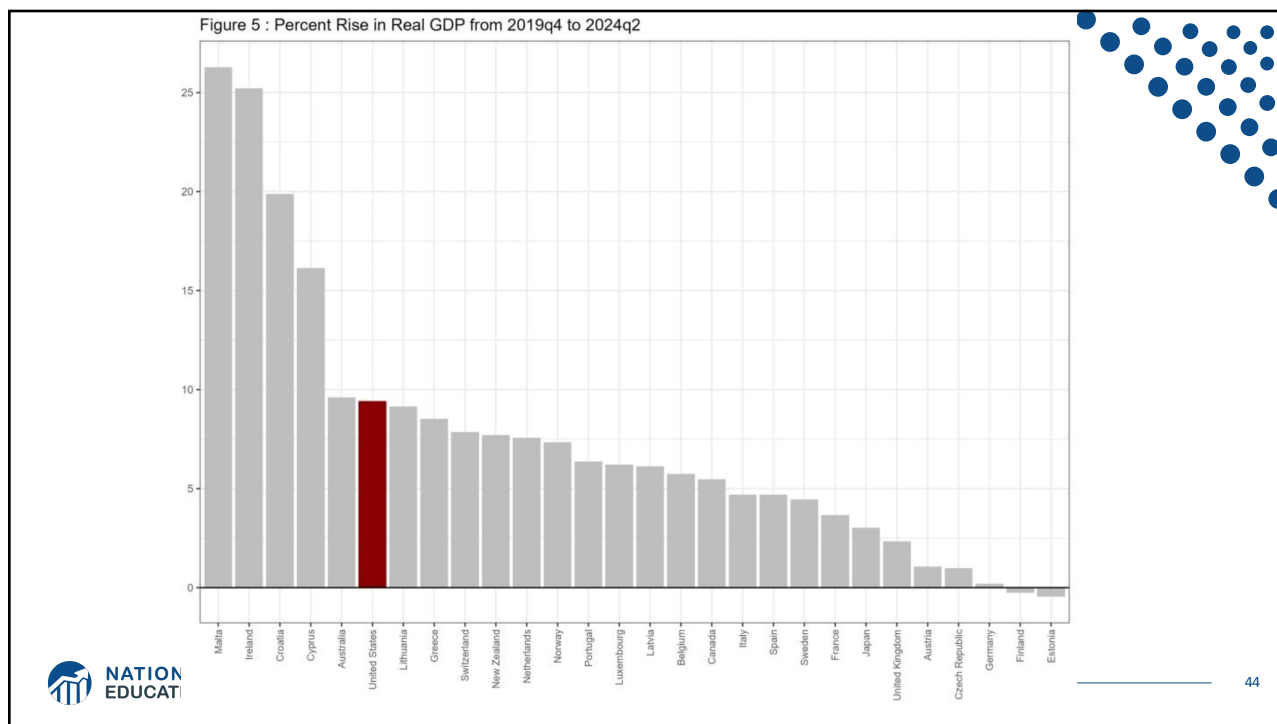
Figure 1 : Percent Rise in CPI from December 2020 to August 2024



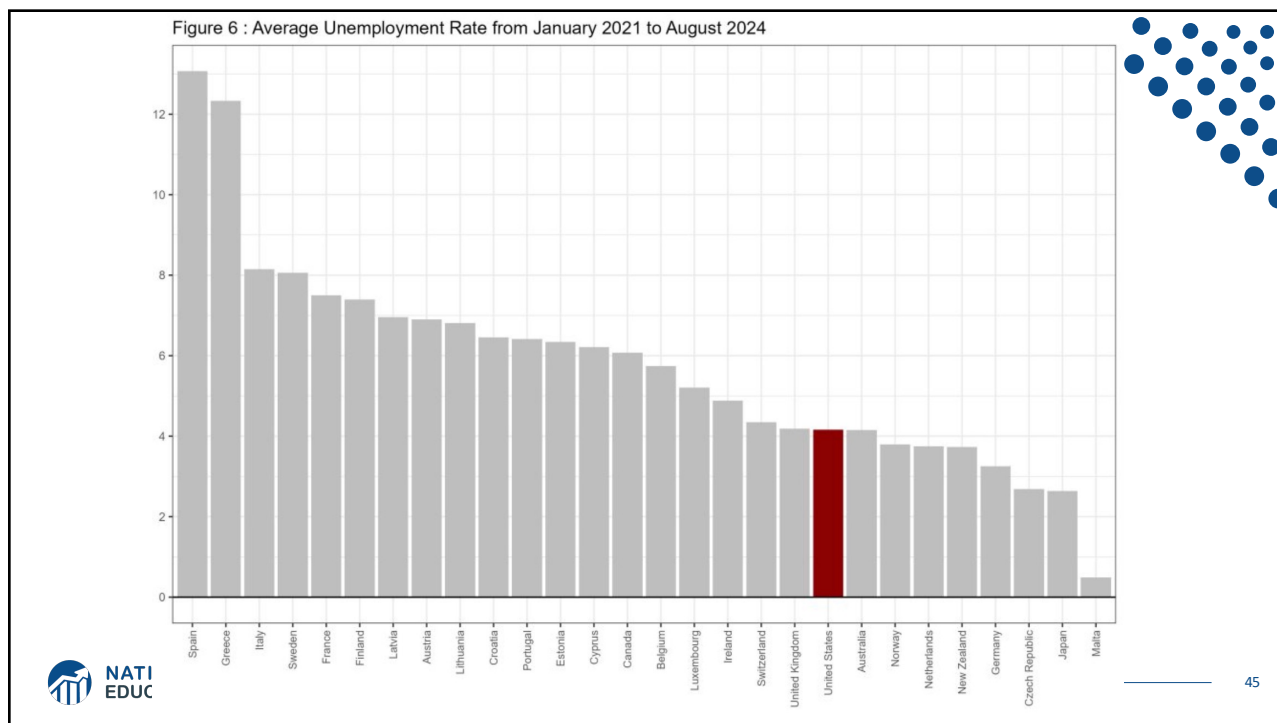
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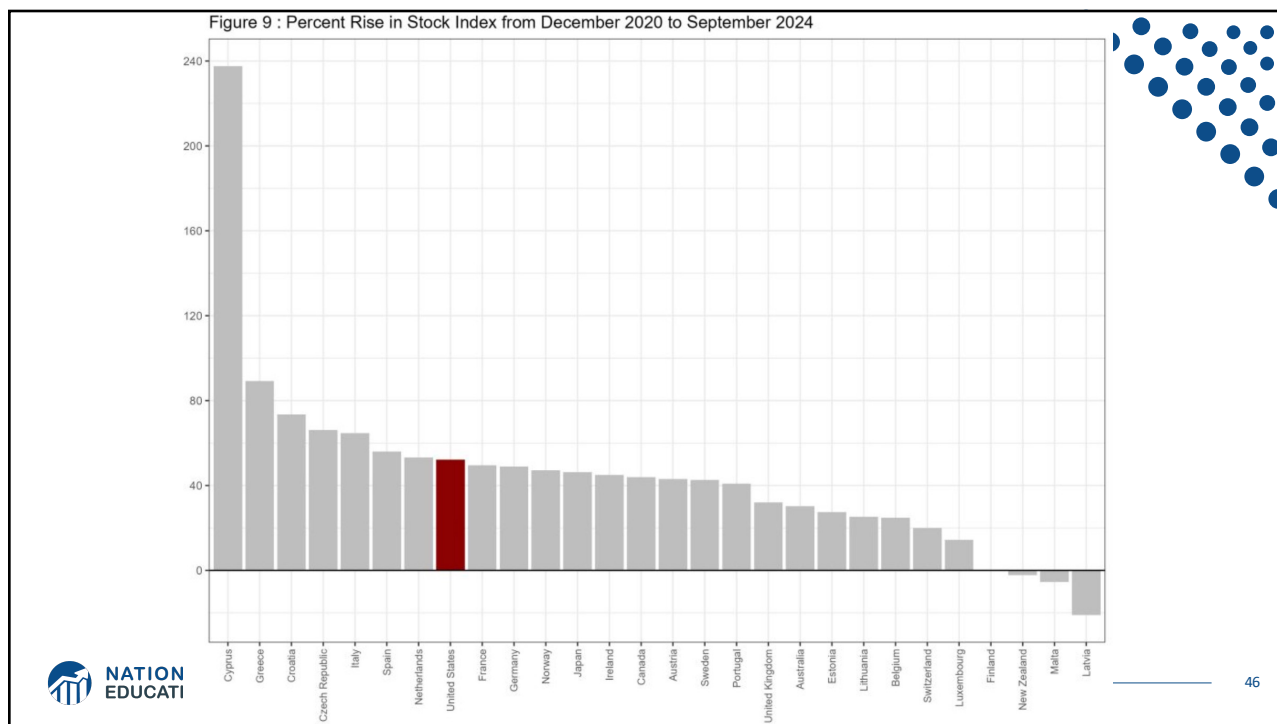
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