

Economic Update

Marin County Dept of Education Property Tax Forum

May 14, 2025
Jon Haveman, Ph.D.
Executive Director, NEED



1

Outline

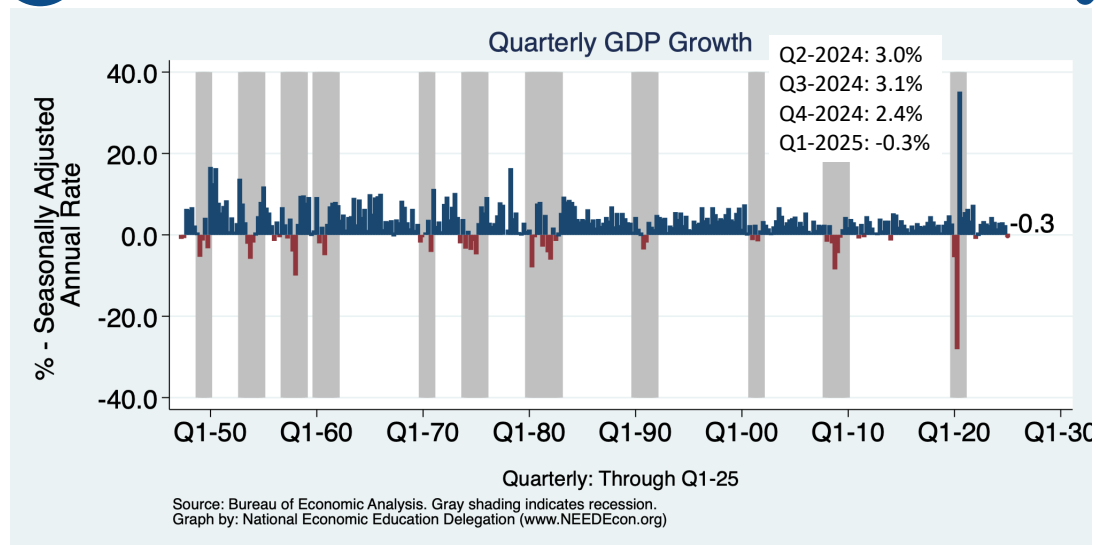
- Economic Indicators
- Big Picture: Uncertainty

2

Economic Indicators

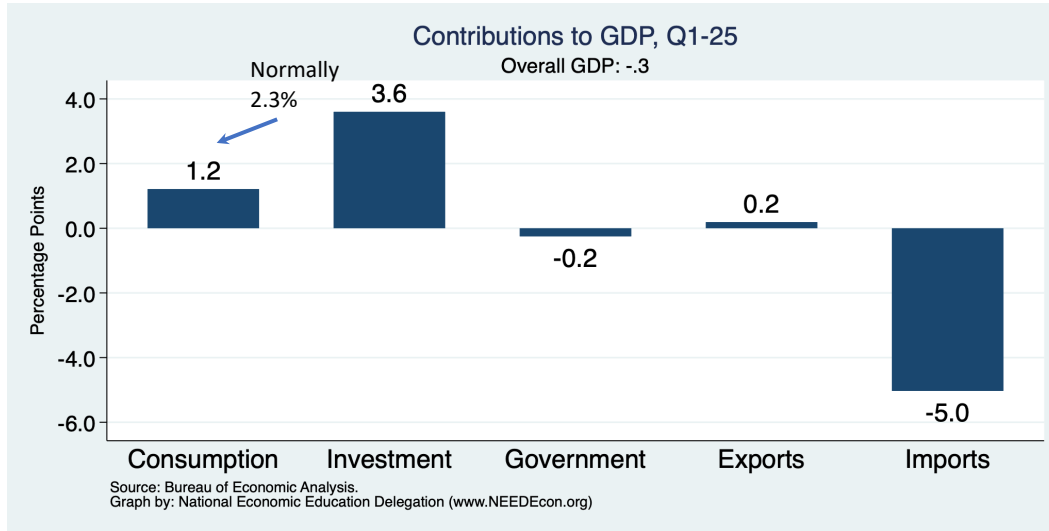
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GDP: Quarterly Growth



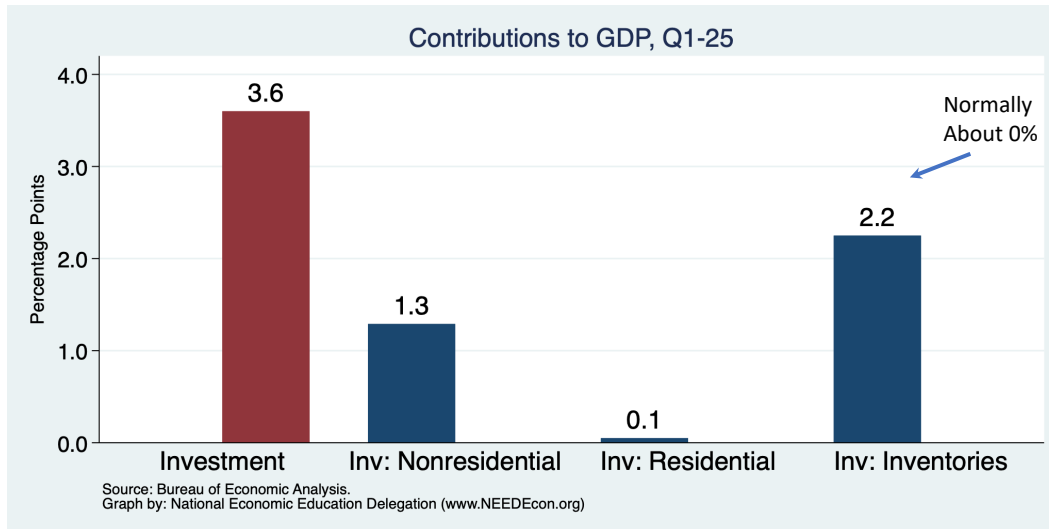
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What Happened?



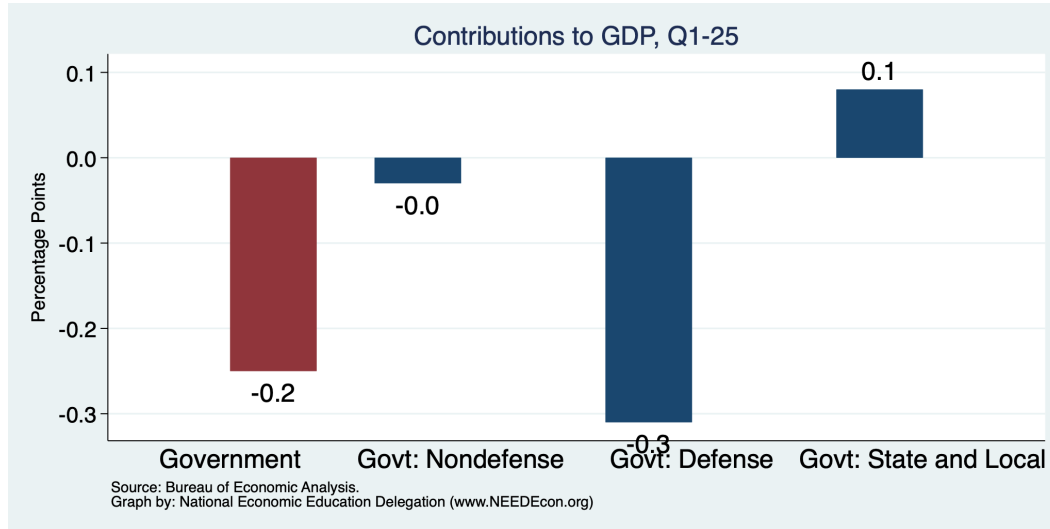
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Imports Went Into Inventories



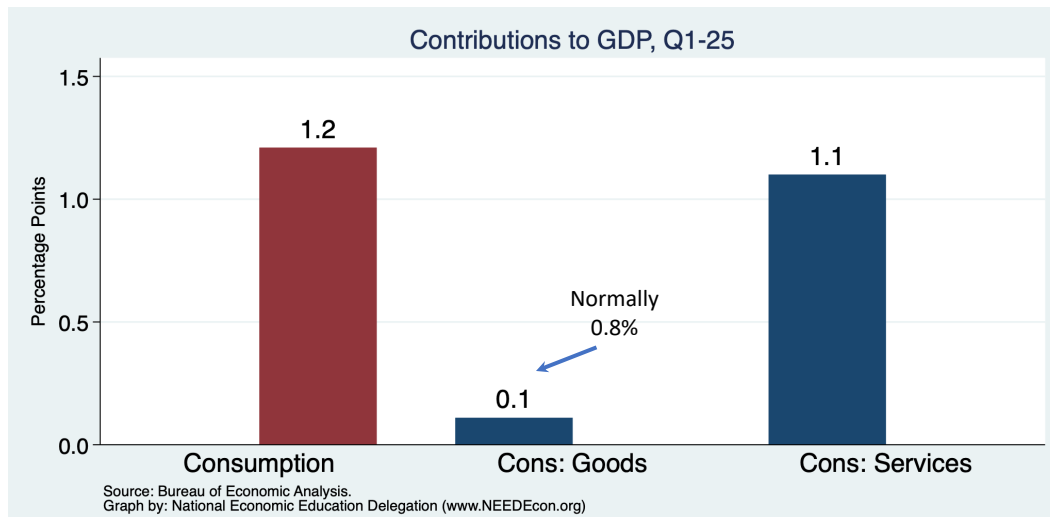
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Government Spending Didn't Help

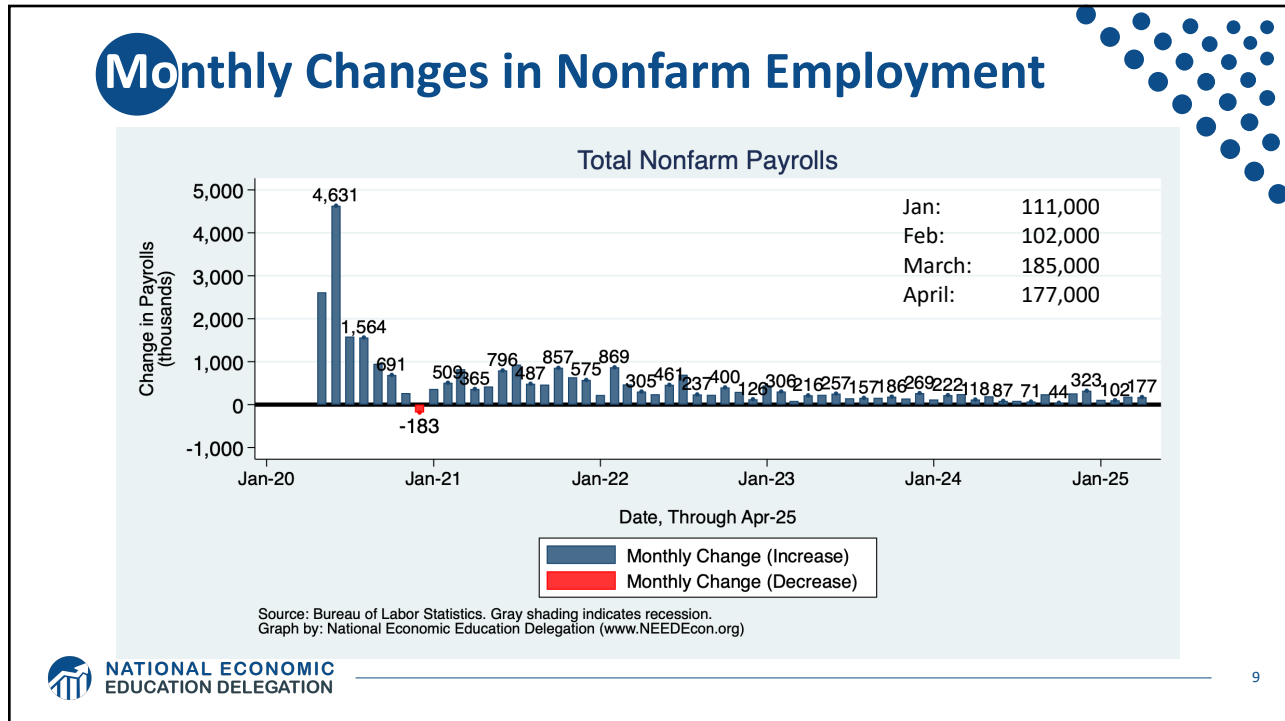


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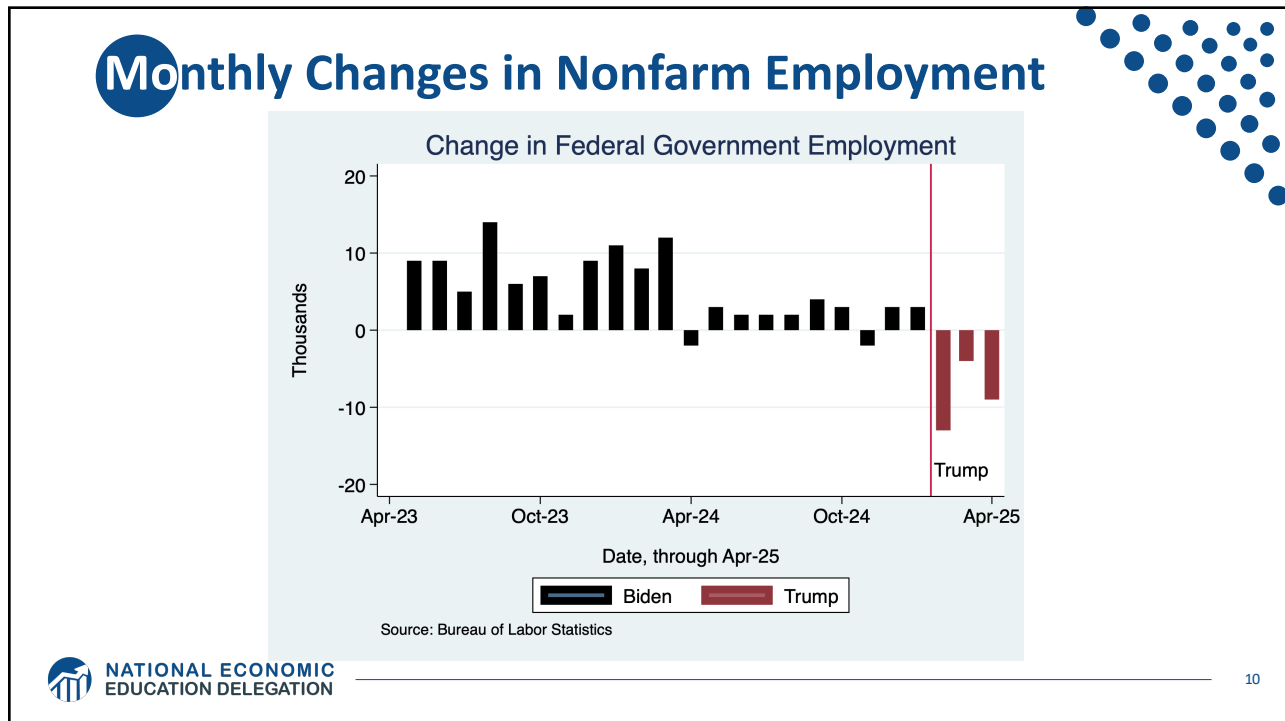
Consumers Also Tightened



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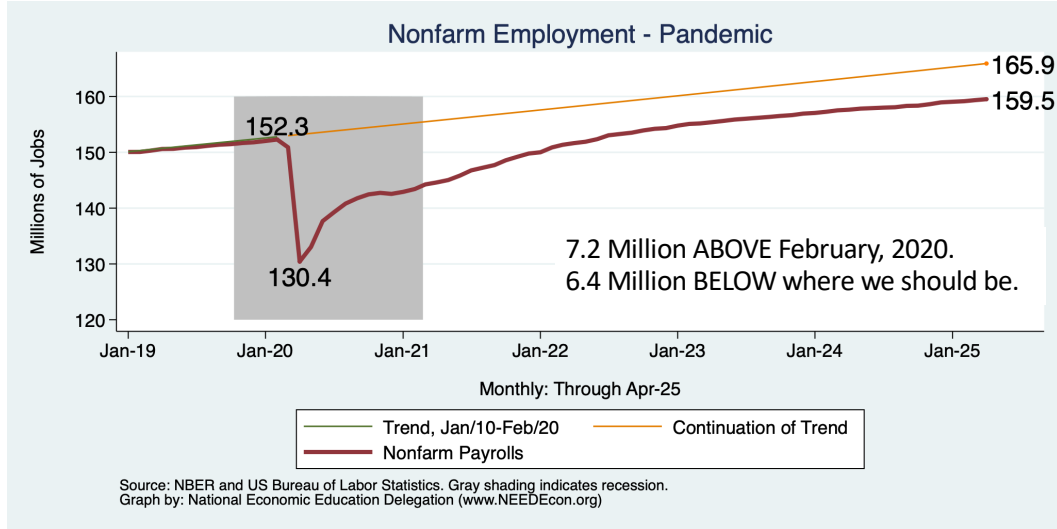


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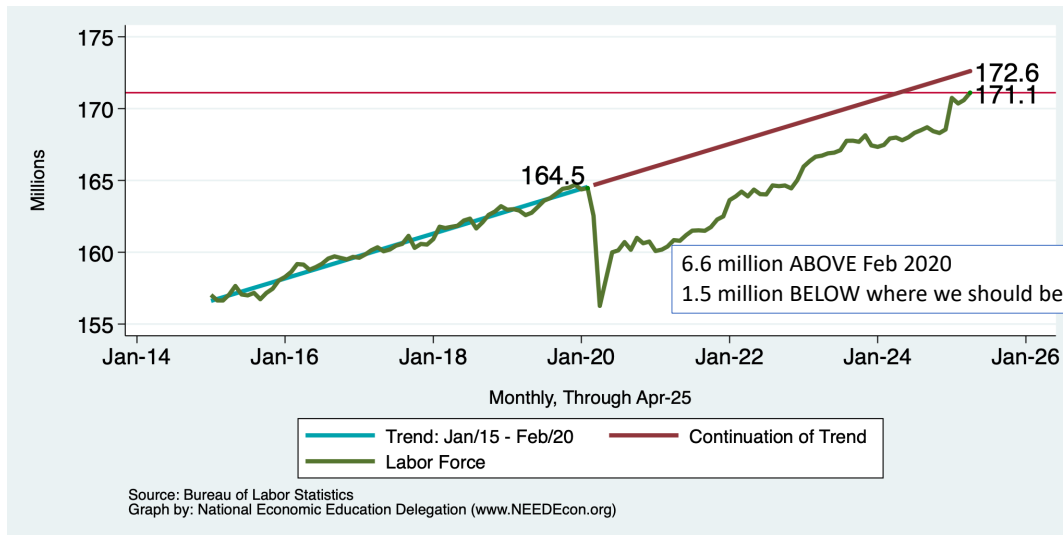
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Employment Gap



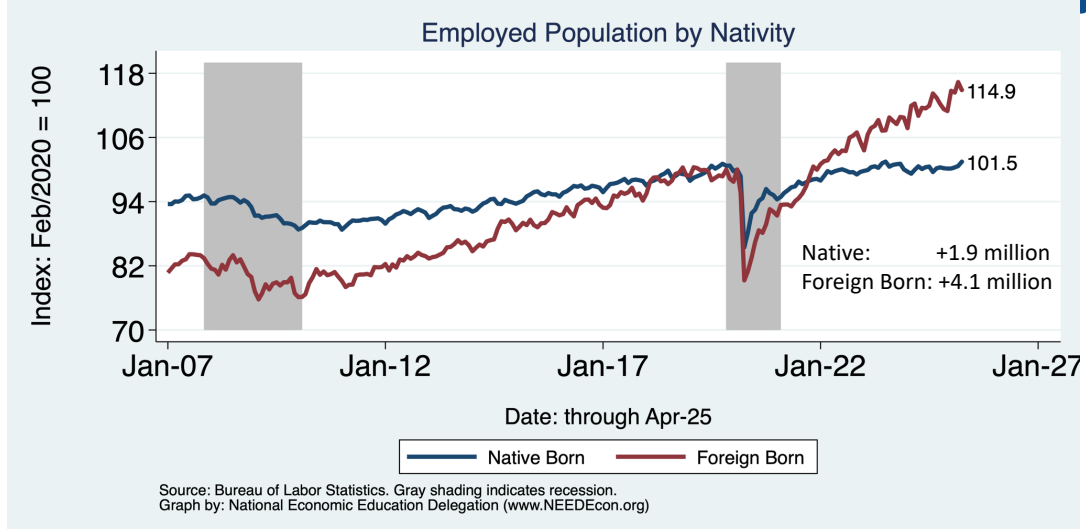
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Workers Are Coming Back



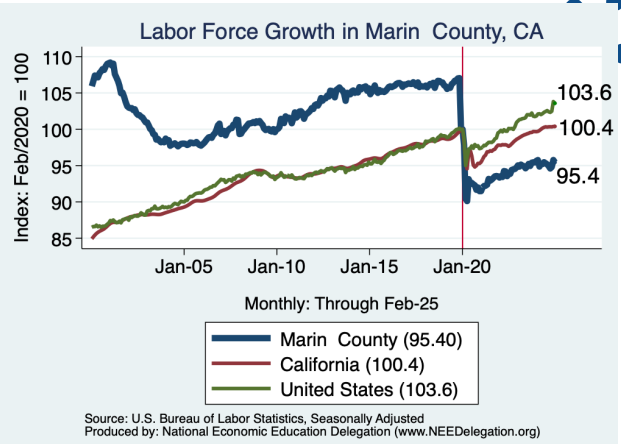
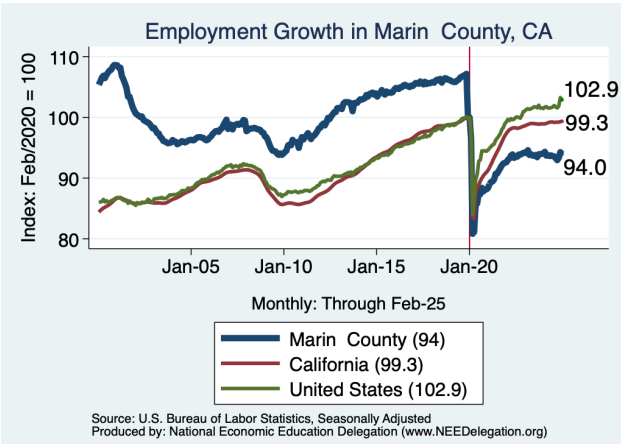
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Immigrants to the Rescue?



13

Labor Market Experience: Marin County

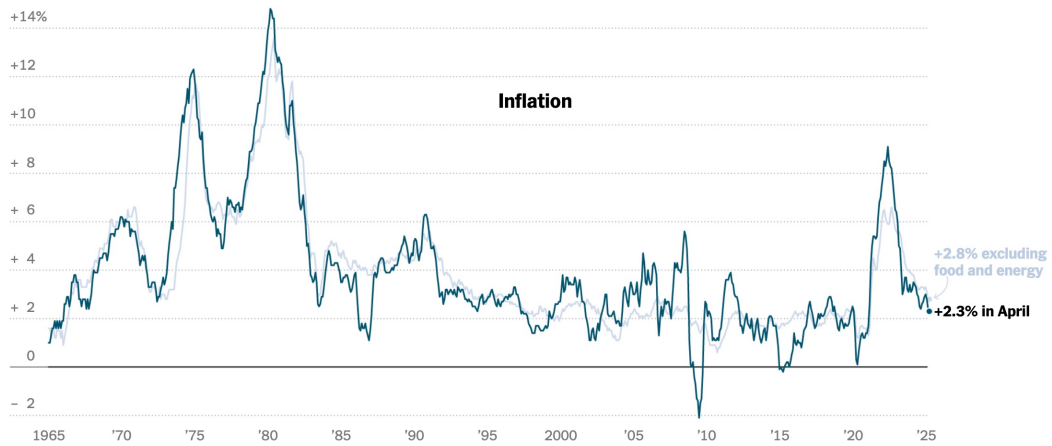


14

Inflation

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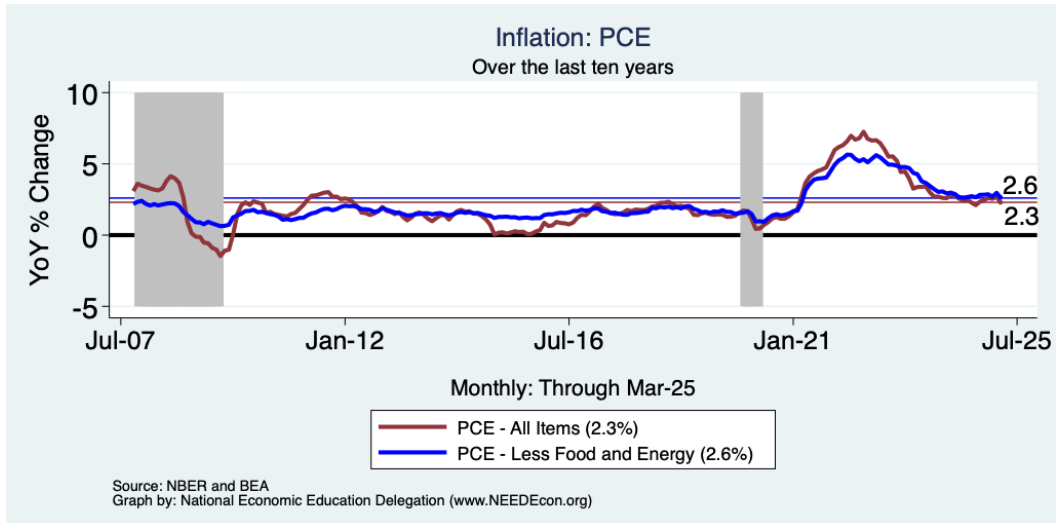
Inflation: Latest Figures



Year-over-year change in the Consumer Price Index • Source: Bureau of Labor Statistics • By The New York Times

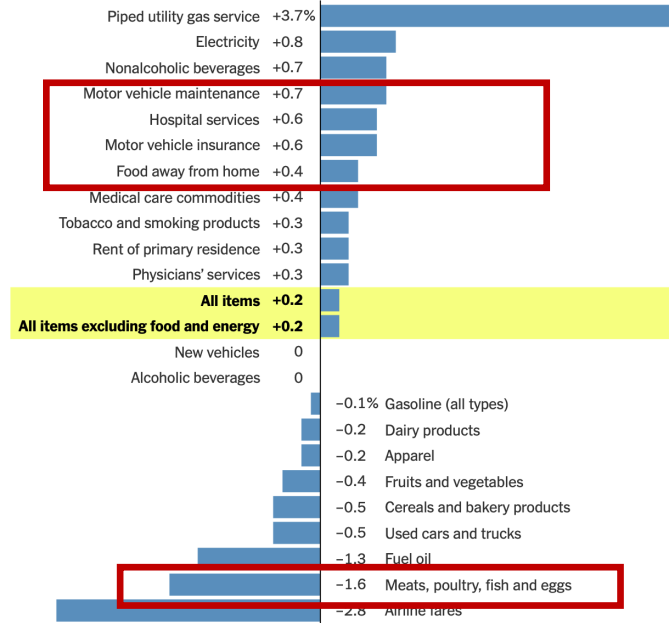
16

Fed's Preferred Measure: PCE



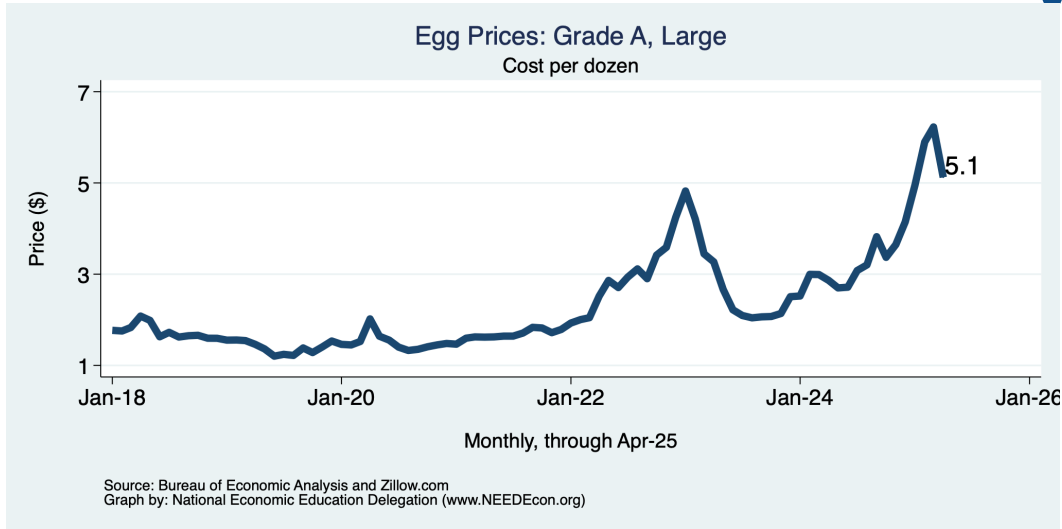
17

March to April Price Changes



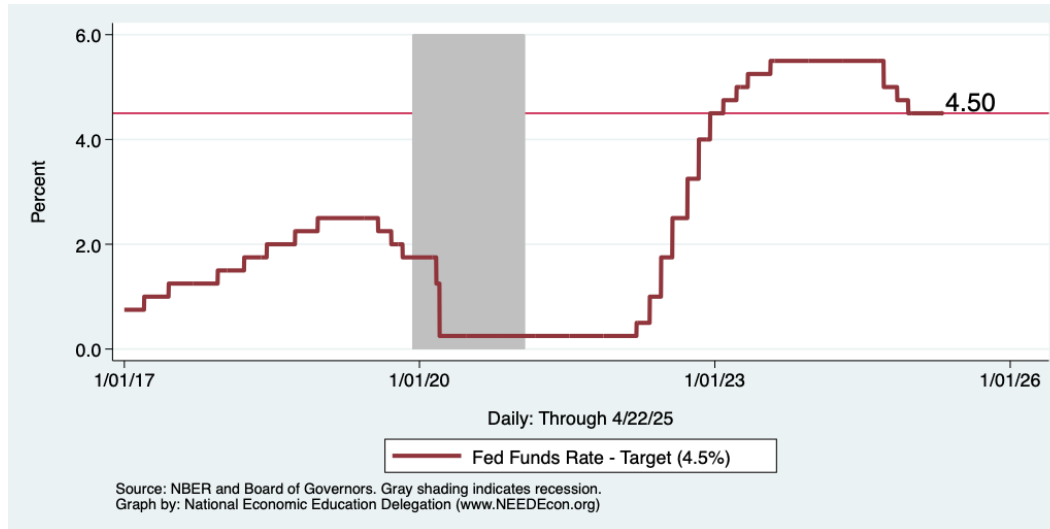
18

Price of Eggs?



The Fed: Conservative

Federal Funds Rate



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21

21

What will the Fed Do?

- Likely sit tight at 4.5 for a while.
- Next FOMC meeting is June 17-18.

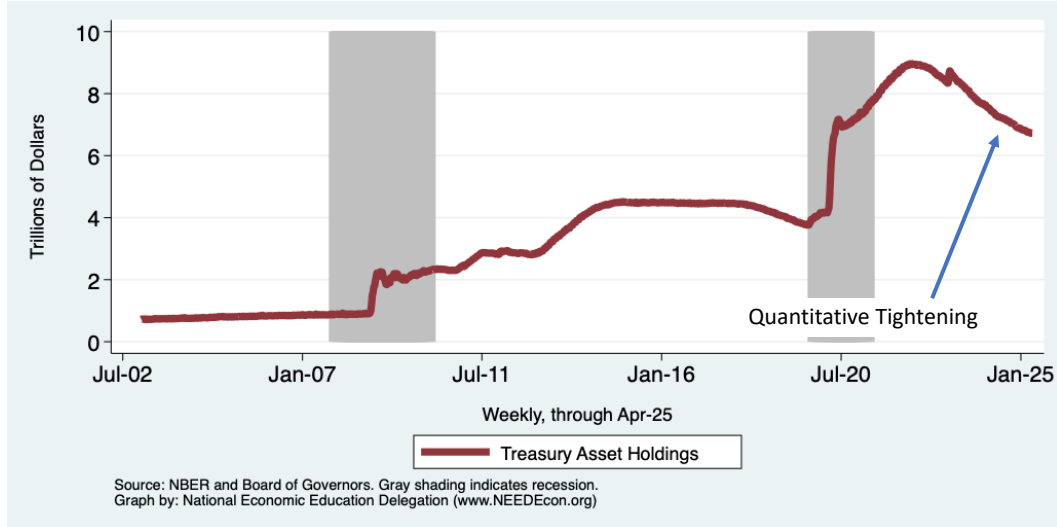


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22

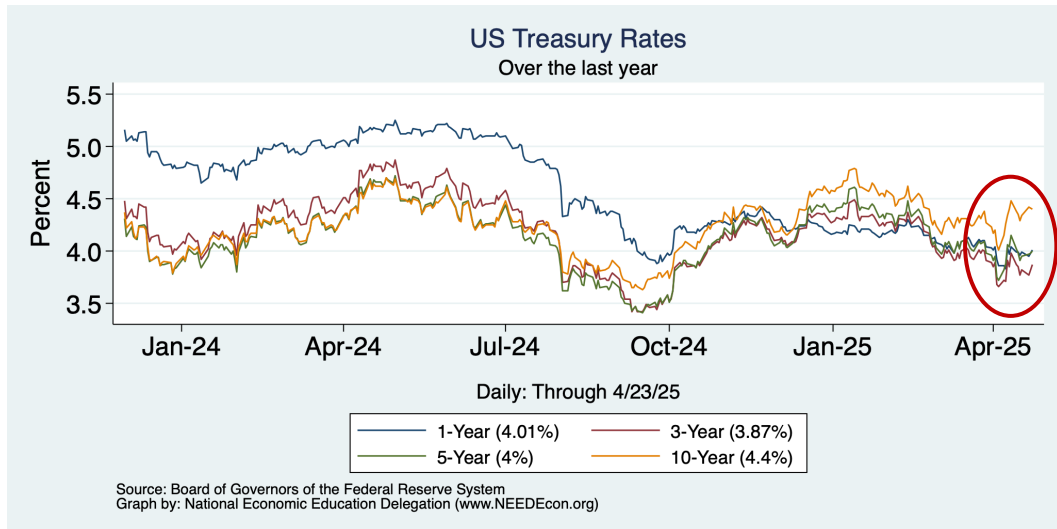
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Fed: Reducing its Asset Holdings



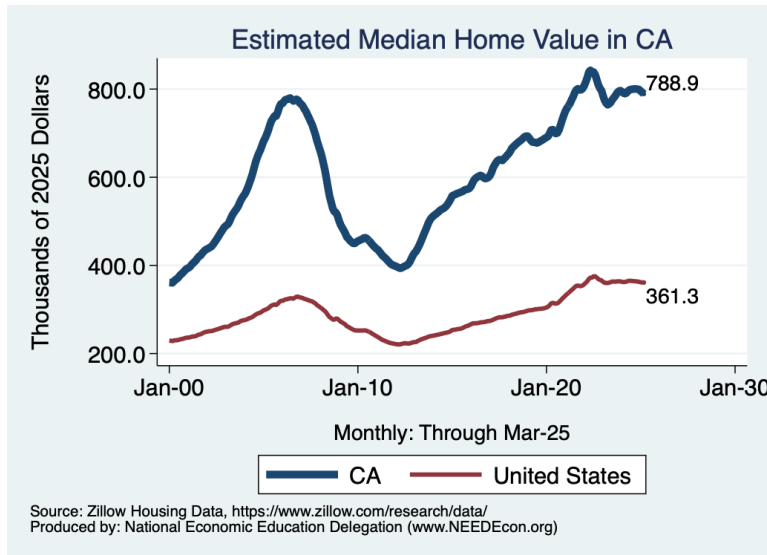
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Treasuries

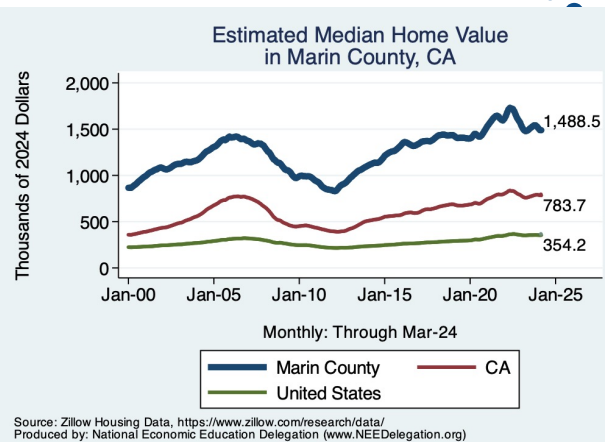
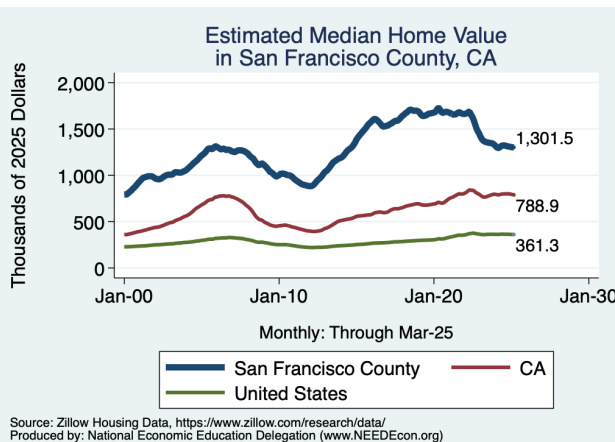


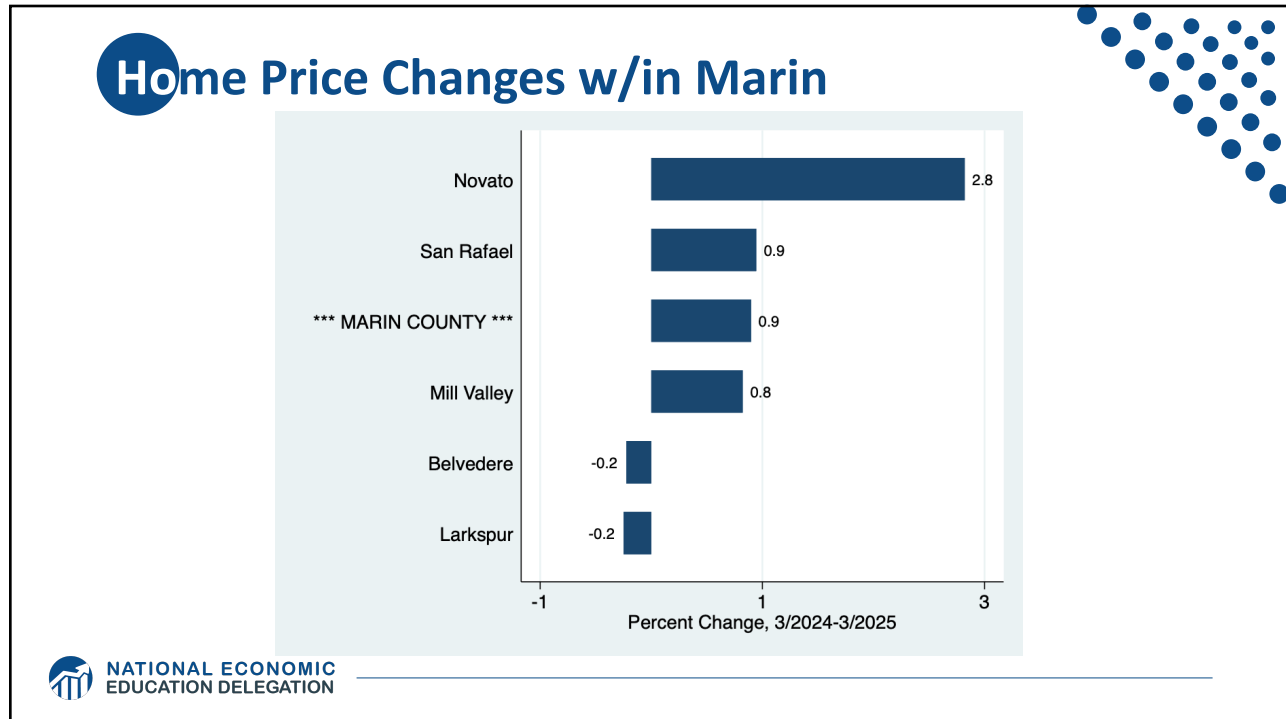
24

Real Estate Prices



RE Experiences ... Similar And Not Good





27

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!

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28

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?



Other Policies with Economic Effect

- **Cutting off federal grants and federal spending**
- **Universities – short and long run**
- **Lower LFPR or working hours for moms**
- **Deregulation – perhaps positive.**



Summary

- **Inflation: close to Fed's 2% target, but a little stubborn.**
 - This is likely to change.
- **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.



31

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.



32

Are We Headed for A Recession?

- **Uncertain.**
- **Our current path has many forecasters indicating that a recession is more likely than not.**
 - IMF has cut it's U.S. growth forecast to 1.7%, down from 2.8% in 2024.
- **We may well already be in a recession (but probably not).**
- **A slowdown in economic growth is inevitable.**
- **A bout of stagflation is possible.**



33

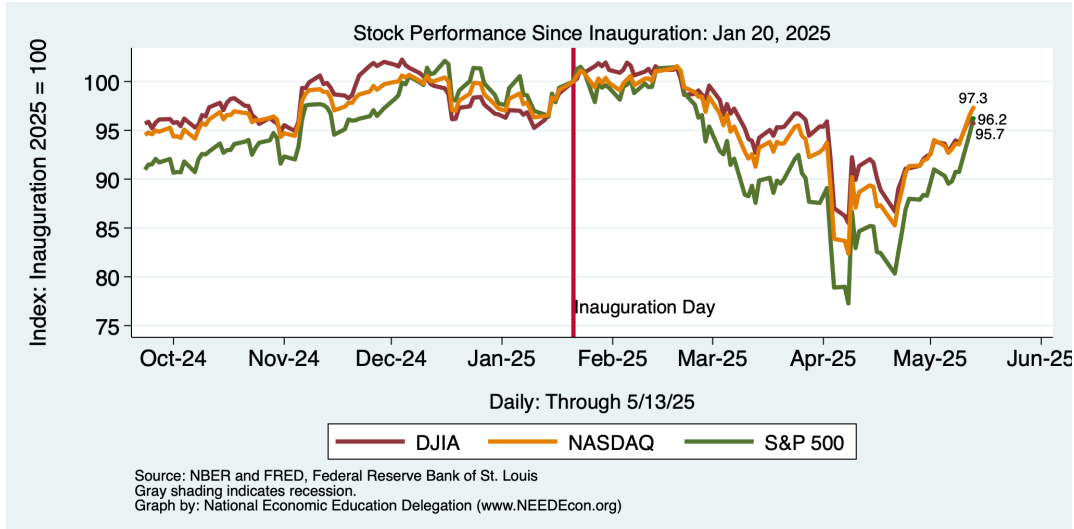
Since Inauguration: Policies = Anti-Growth

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



34

And Stock Markets Agree



Thank you!

Any Questions?

www.NEEDecon.org


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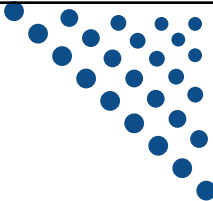


Bigger Picture


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37

37



Tariffs

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38

38

What Is a Tariff?

- **A tariff is a tax on imports.**
- **Much like, say, the 8% sales tax in California.**
 - Whatever price the seller charges, the buyer pays an extra 8% that goes to the government.
 - But it also means that domestic sellers can simply raise their prices by 8%.
 - A cost to consumers, with no government revenue benefit.
- **A 10% tariff on all imports (such as Trump has imposed) would mean that:**
 - Whatever the foreign exporter charges for a product,
 - US buyers will pay an extra 10% to the US government.
- **Might the seller charge a lower price because of the tariff?**
 - Perhaps, but when Trump used tariffs in 2018 on steel and China, they did NOT.



Trump I Tariffs & Trade War

- **Overview of Trump I Tariffs**
 - Trump placed tariffs of 25% on steel and 10% on aluminum.
 - Trump place multiple tariffs on China exports, covering at least ¾ of their exports to US.
 - Imports from China fell while imports from other countries rose.
 - US trade deficit did not shrink.
 - Data show no fall in foreign export prices, so tariffs were paid by US buyers.
 - Domestic prices DID increase.
 - Jobs? Eight lost for every job created.



Wait...Job Losses?

- **Job losses come from two sources:**

- Tariffs raise the price of imported intermediate goods
 - o E.g., steel and aluminum.
- Tariffs hit the exchange rate.
 - o Fewer imports means lower supply of dollars.
 - o Exchange rate appreciates.
 - o Exported products are more expensive in foreign markets.



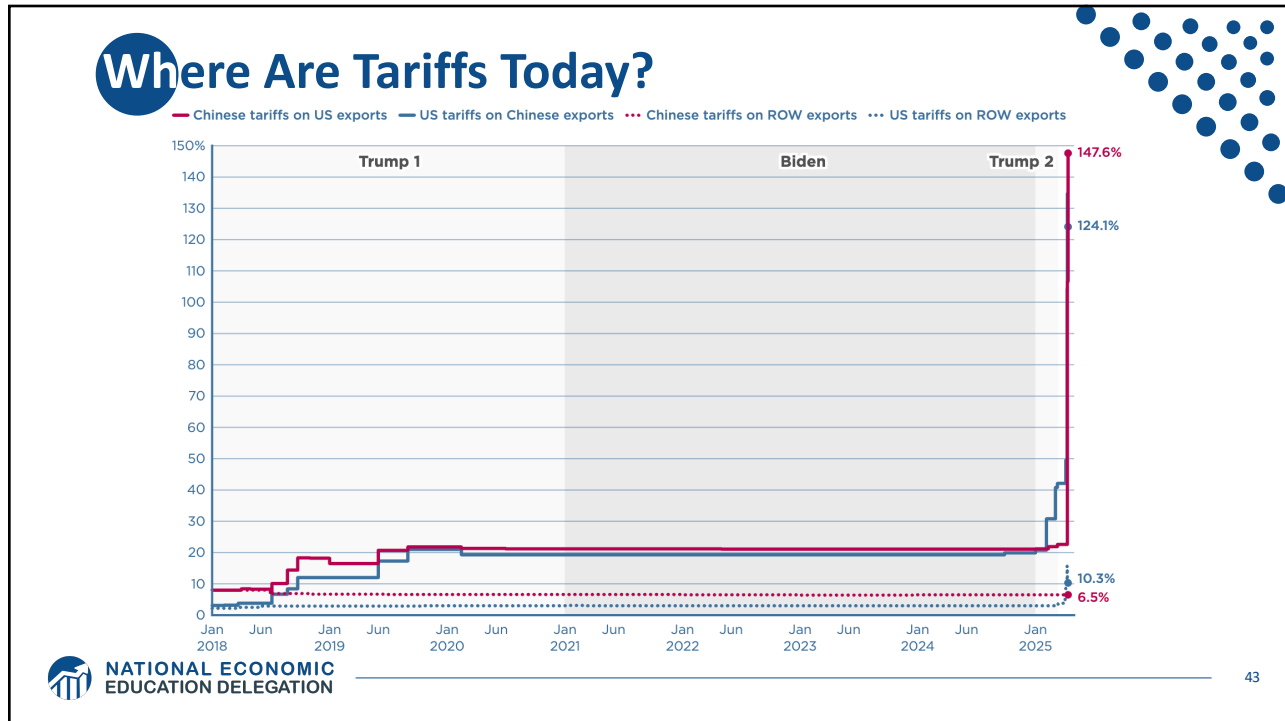
Trump II Tariffs

- **“To me the most beautiful word in the dictionary is ‘tariff’”**

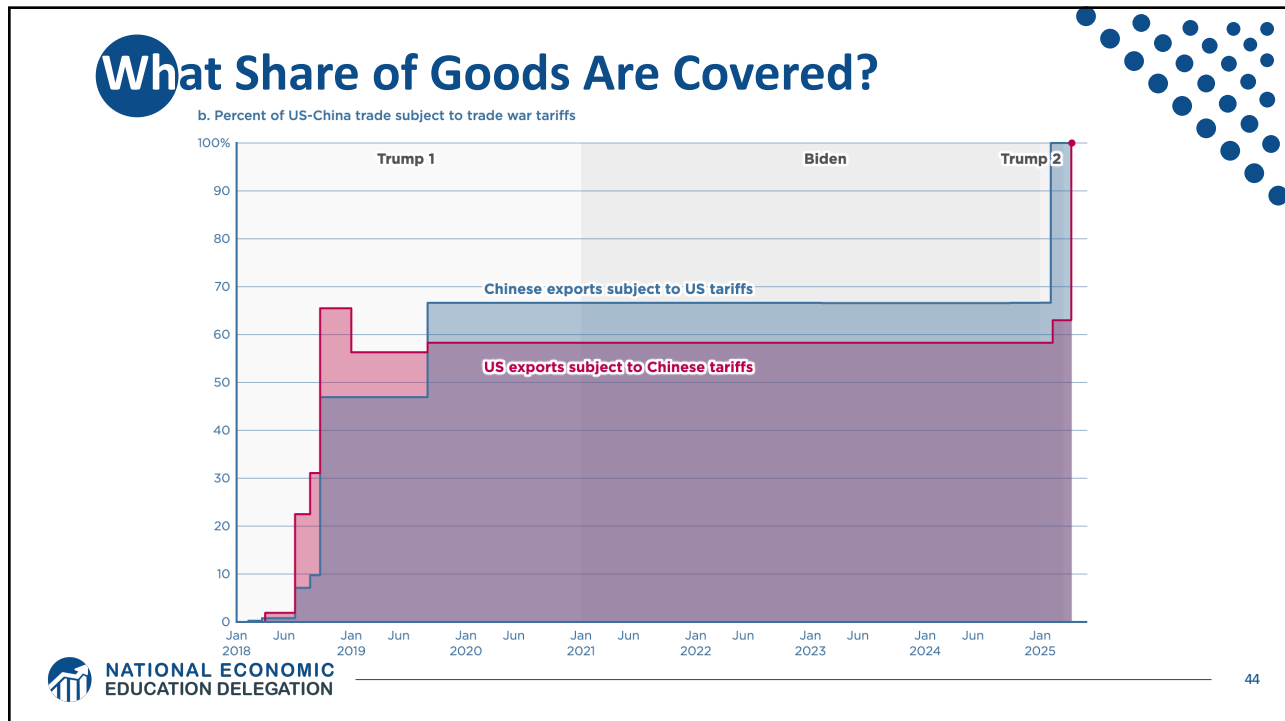
- **During campaign he said he will**

- Place a tariff of 10% or 20% on all imports from all countries.
- Place even higher tariffs (60%) on imports from China.
- Raise our tariffs on countries to match what they charge on our exports.
 - o “Reciprocal Trade Act”
 - o (And lower those where they charge less?)
- Raise tariffs on countries that don’t use the US dollar for international transactions.
- Place tariffs on Mexico, violating his own USMCA trade agreement
 - o 25% on everything if they don’t stop US immigration
 - o 100% on cars to get production in US





43



44

Effects of Tariffs in General



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45

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.



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46

46

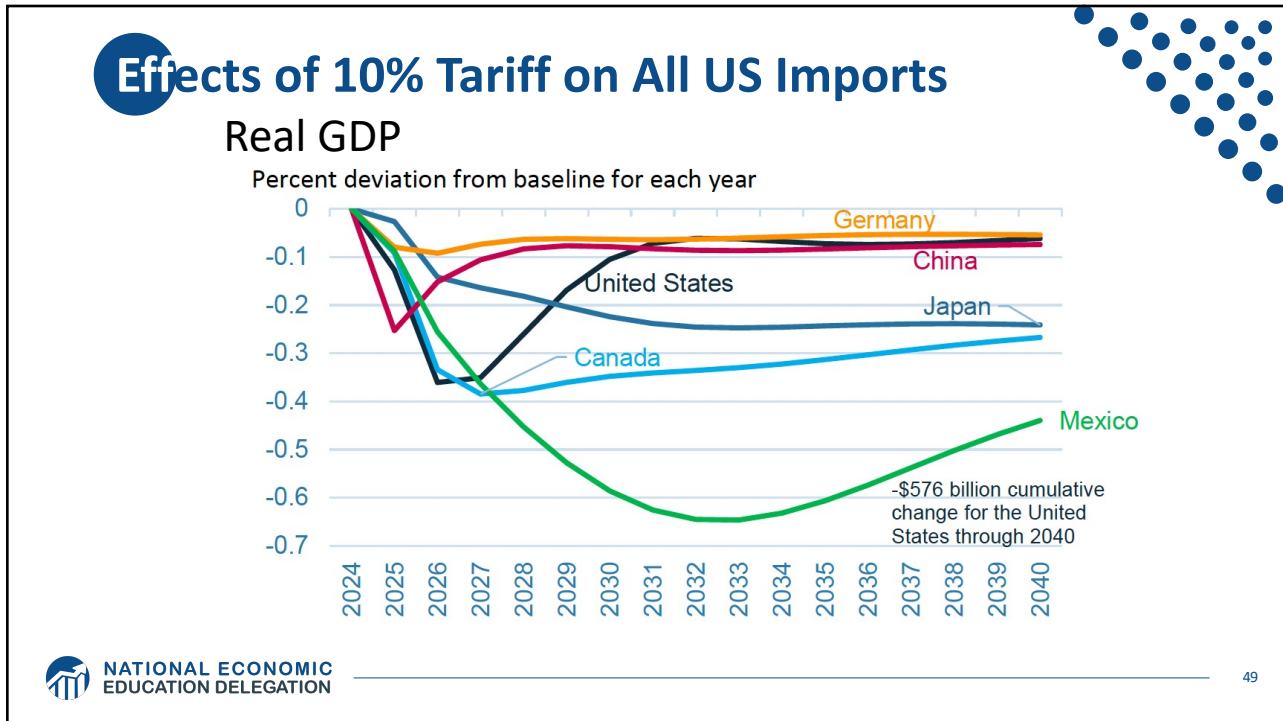
Economic Effects of A Tariff

- 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 Trump II Tariffs





49

Here are the products that could be affected by Trump's proposed tariffs.

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50

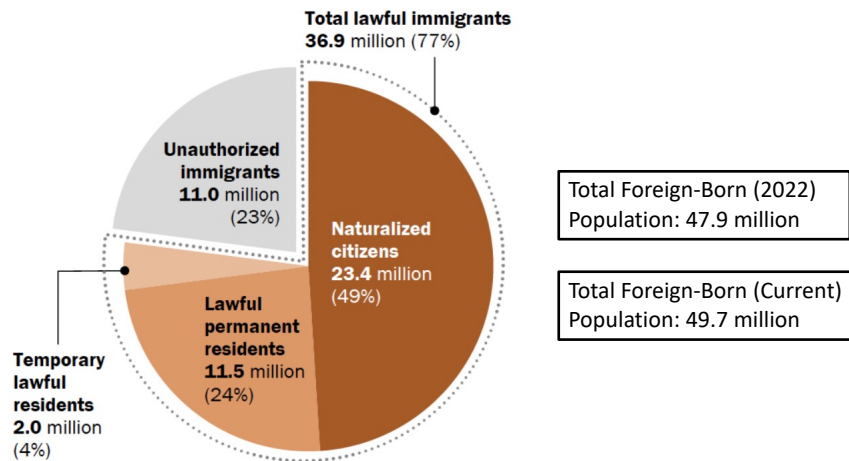
50

Immigration

51

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

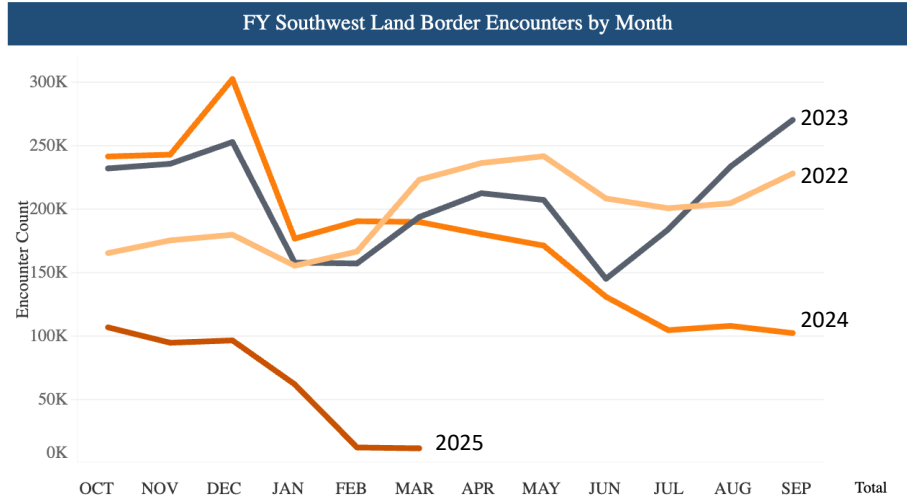
Foreign-born population estimates, 2022



Source: Pew Research Center, What we know about unauthorized immigrants living in the U.S., July 22, 2024

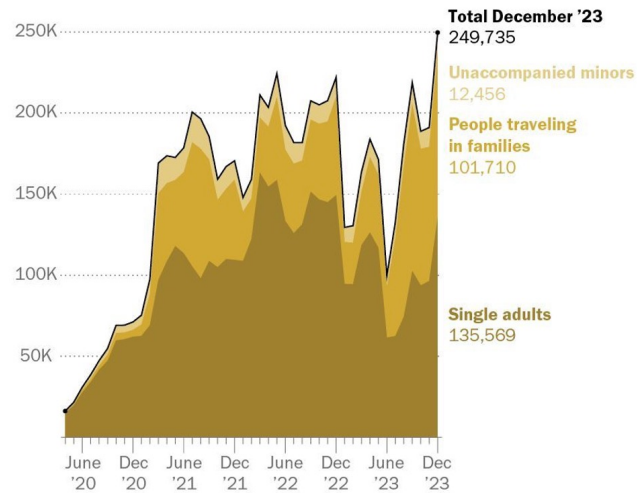
52

Recent Border Encounters



Growing #s of People Traveling in Families

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border involving ...



The Northern Triangle – Also VE & Others



Only Currently Permissible Refugees: S. Africa



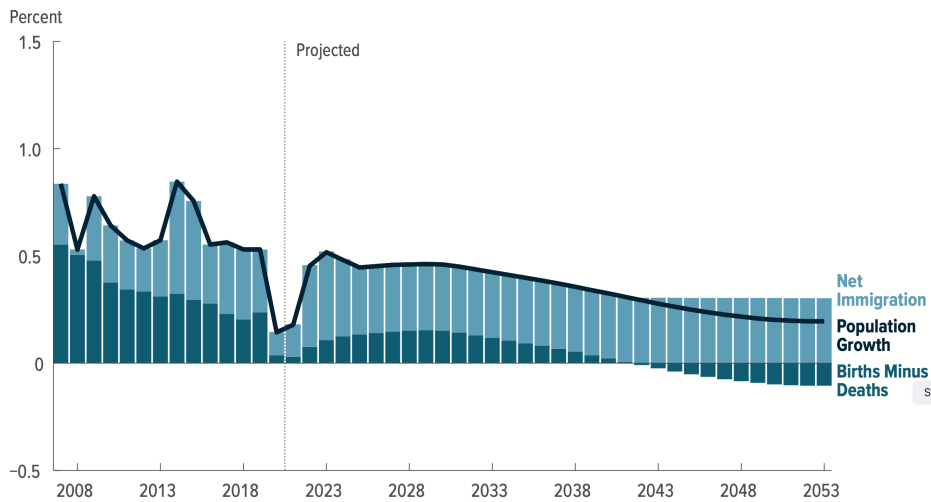
Why Do We Care? Economic Implications

- Conventional Wisdom Issues:
 - Labor markets: Wages and Jobs
 - Government Revenue and Spending
 - Crime
- Other issues (that don't get talked about much):
 - Gross Domestic Product (GDP)
 - Innovation and Entrepreneurship

57

Is Immigration Saving the Day?

Population Growth and Its Underlying Factors



58

Jobs: Conventional Wisdom...Upended

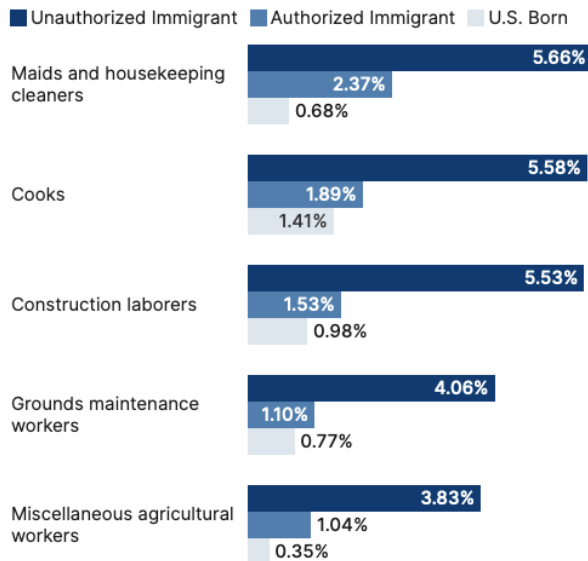
- **What is the conventional wisdom?**

- Low-skilled immigrants come in and take jobs from low-skilled native-born individuals.
 - o 1-1 tradeoff.

- **What does new research show?**

- Low-skilled immigrants contribute positively to the economy.
 - o Every 100 low-skilled immigrants: create 9 jobs for low-skilled native-born.
 - o They create opportunities for low-skilled native-born workers.
- Low-skilled immigrants take jobs that native-born don't want.

Share of Workers in Each Occupations



Implications for Major Federal Programs

- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
 - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**
 - For Social Security and Medicare



61

Mass Deportations

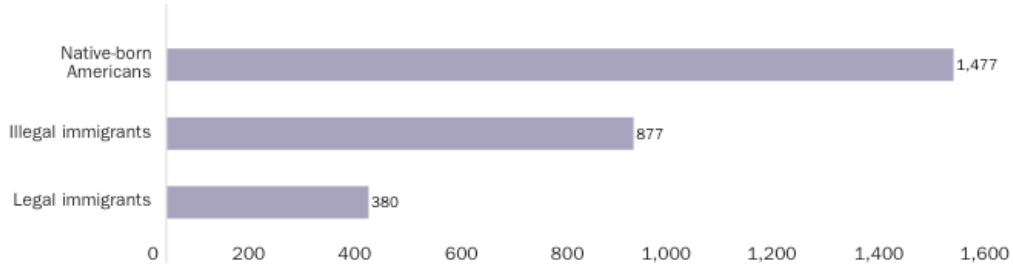
- **Immigrants work different jobs than do native-born workers.**
- **Immigrants contribute to the local economy.**
 - GDP losses of up to \$1.7 trillion annually.
- **Immigrants keep prices low: in particular, food!**
- **Deportations impact tax revenues.**
 - \$1,300 more in on average than out, annually.
 - 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.**



62

Incarceration by Immigration Status, 2018

Incarceration rates by immigration status, ages 18–54

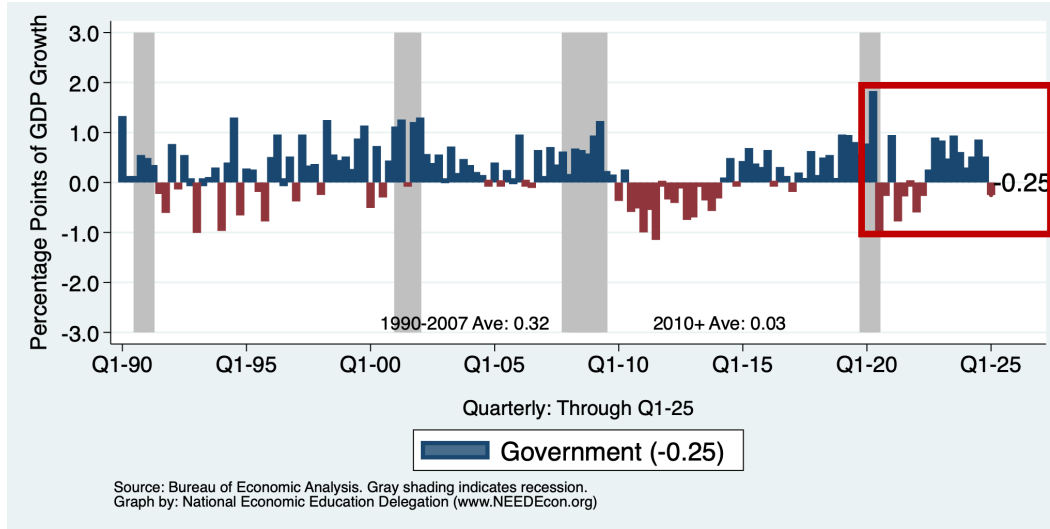


Source: Authors' analysis of the American Community Survey data.
Note: Rates are per 100,000 residents in each subpopulation.

www.NEEDEcon.org/LocalGraphs

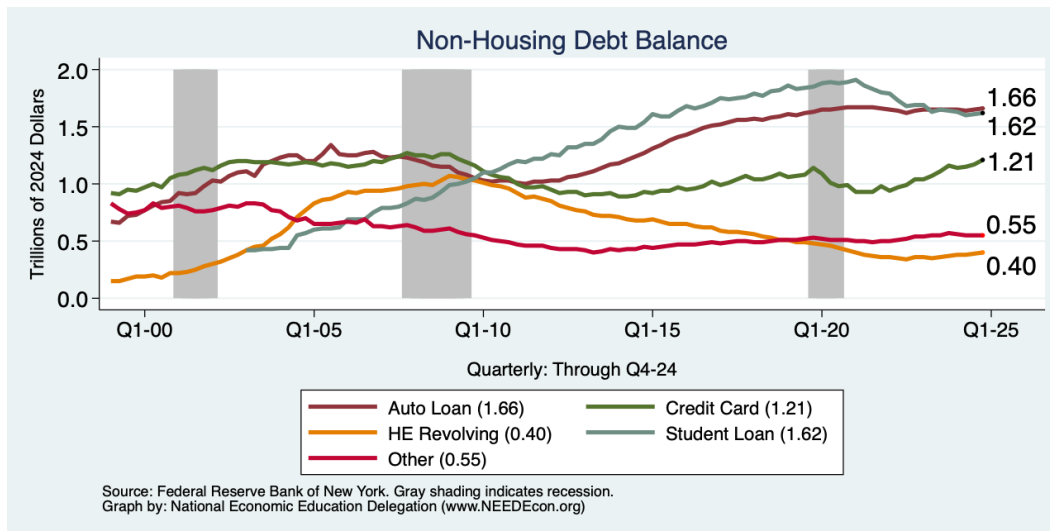
For every state and county in the United States.
Detailed graphs on employment, housing, moves, and other statistics.

Contributions to GDP: Government



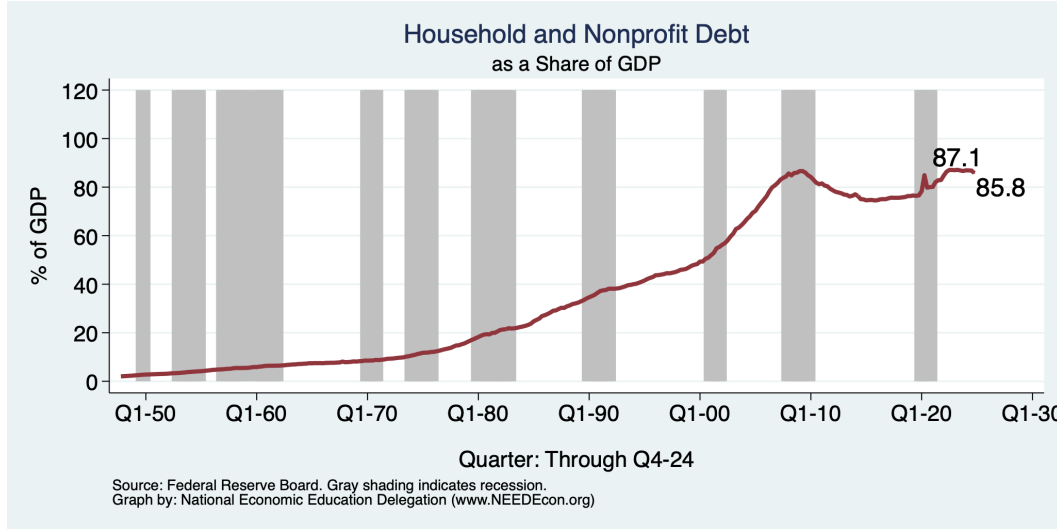
65

Household Debt: Non-mortgage Sources

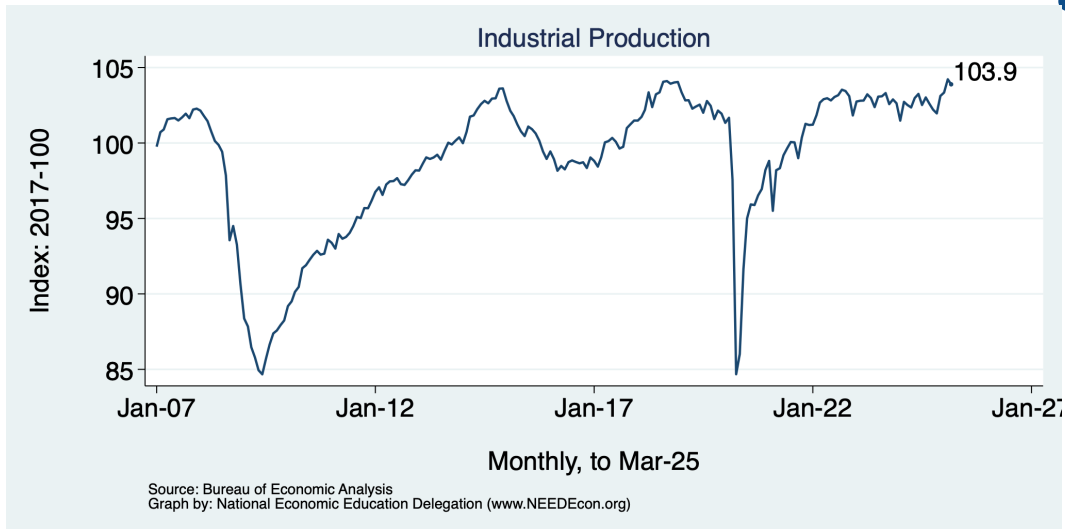


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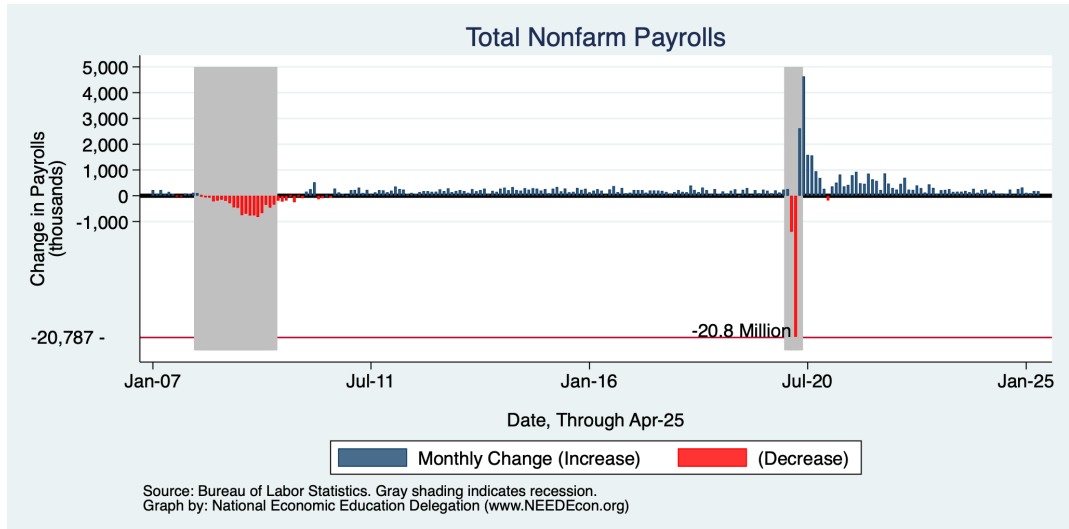
Household Debt as a Share of GDP



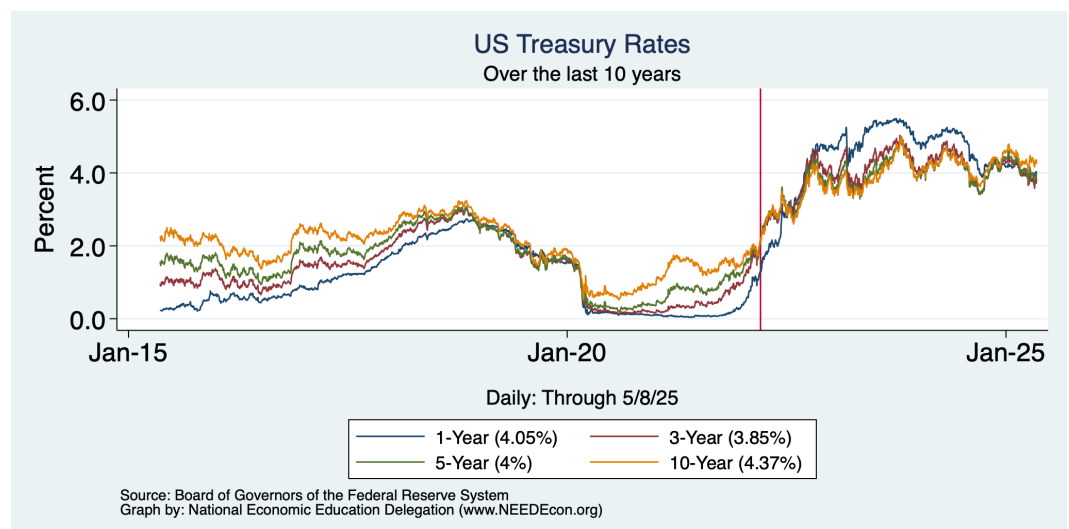
Industrial Production (Manuf, Util, Mining)



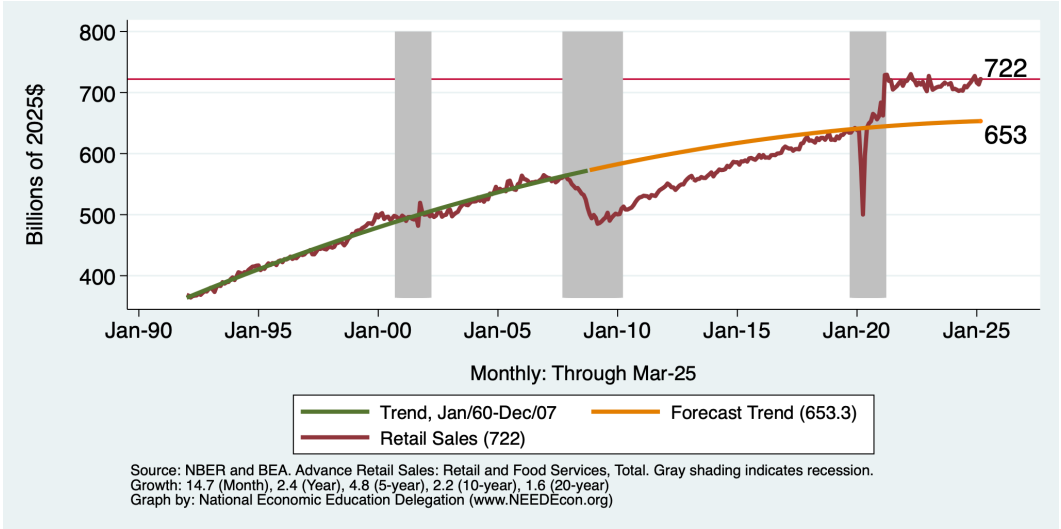
Monthly Changes in Nonfarm Employment



Treasuries

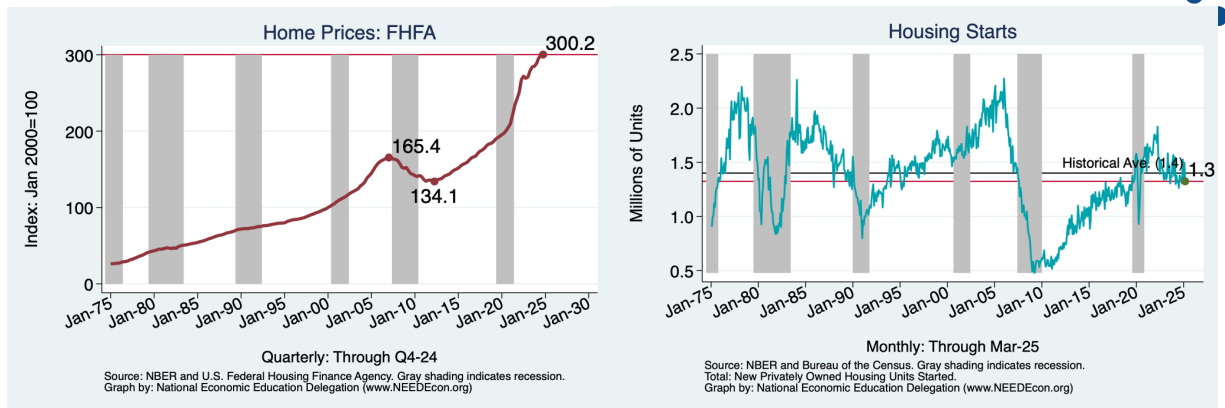


But SUPER High to Begin With!



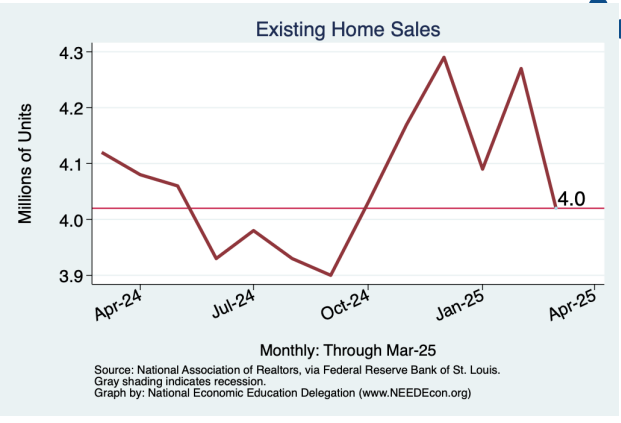
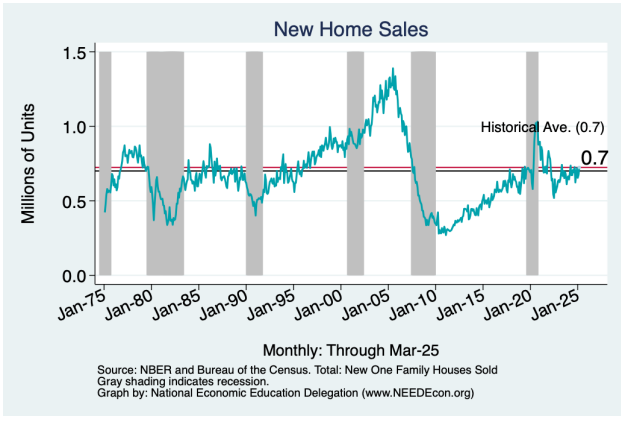
71

Home Prices and Housing Starts



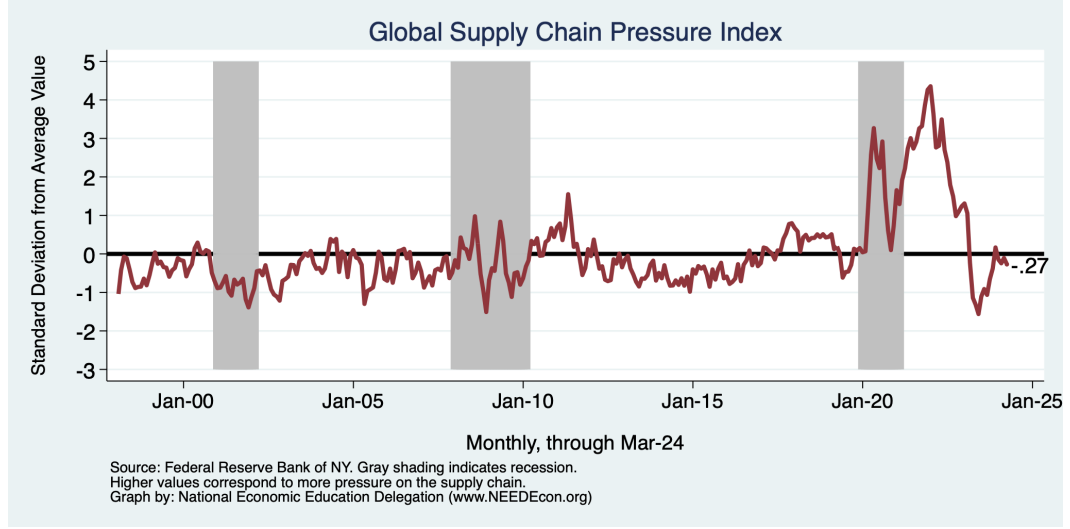
72

Home Sales are Not Horrible

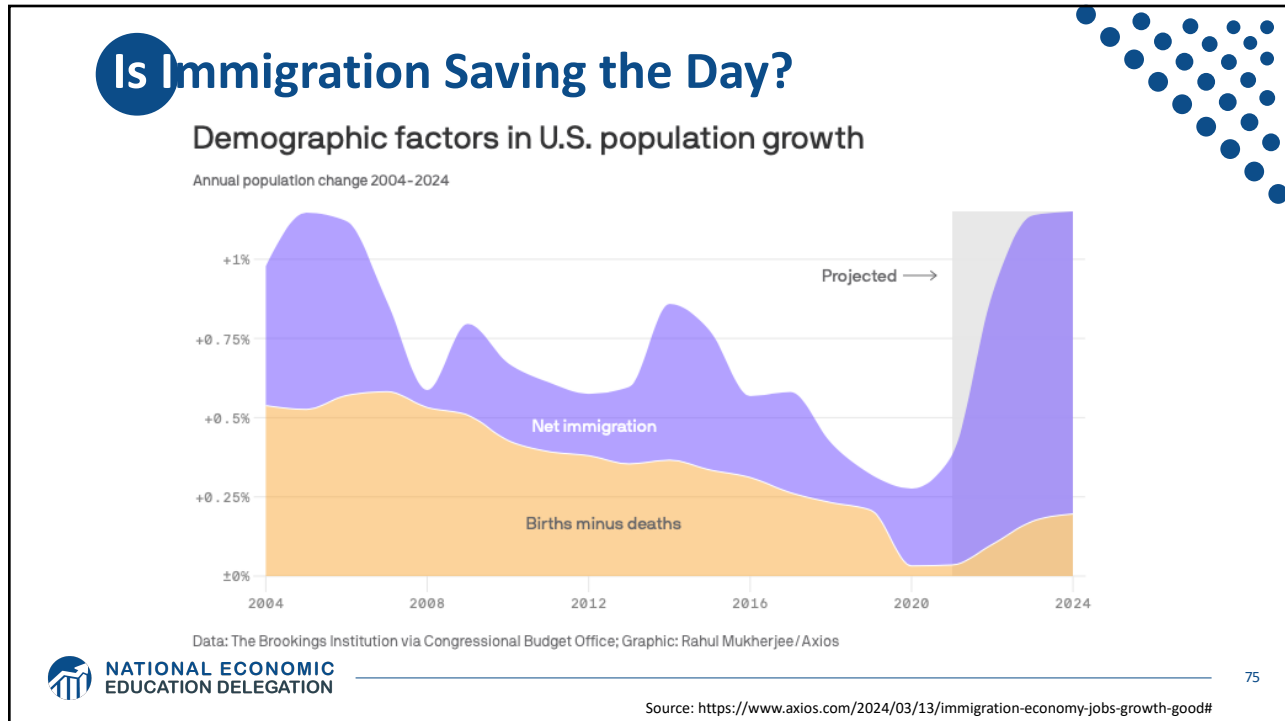


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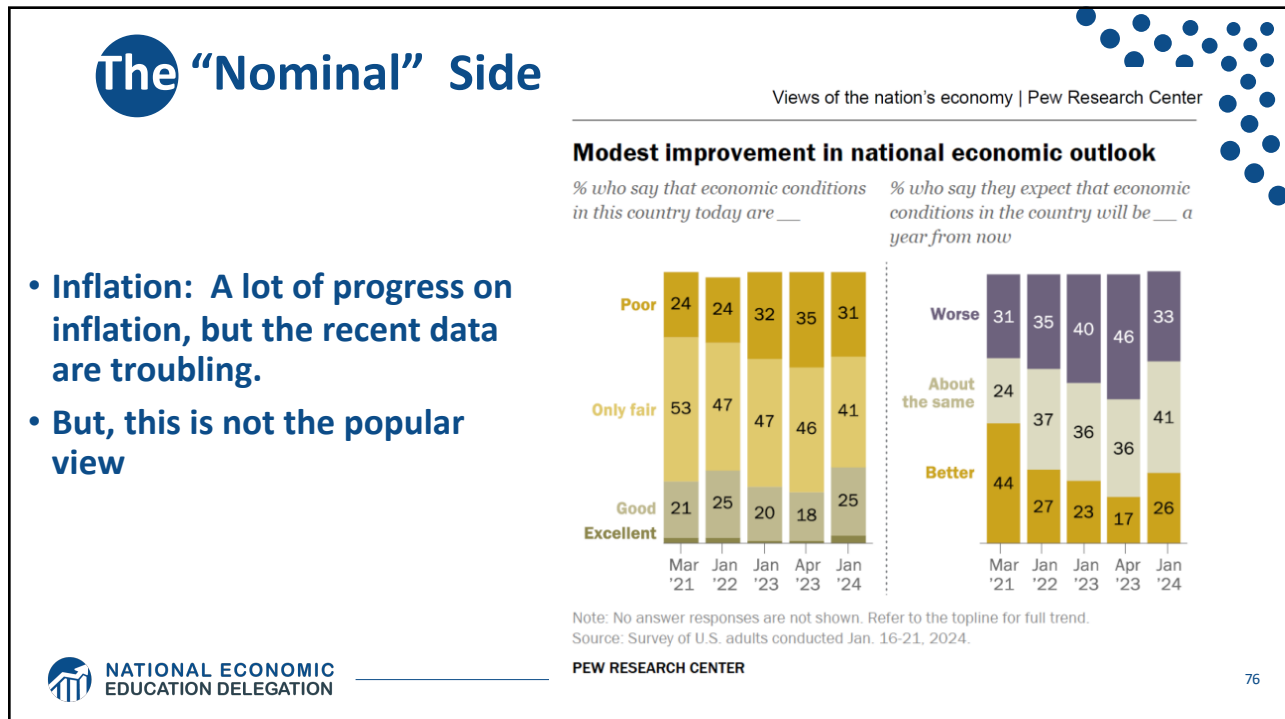
Supply Chains



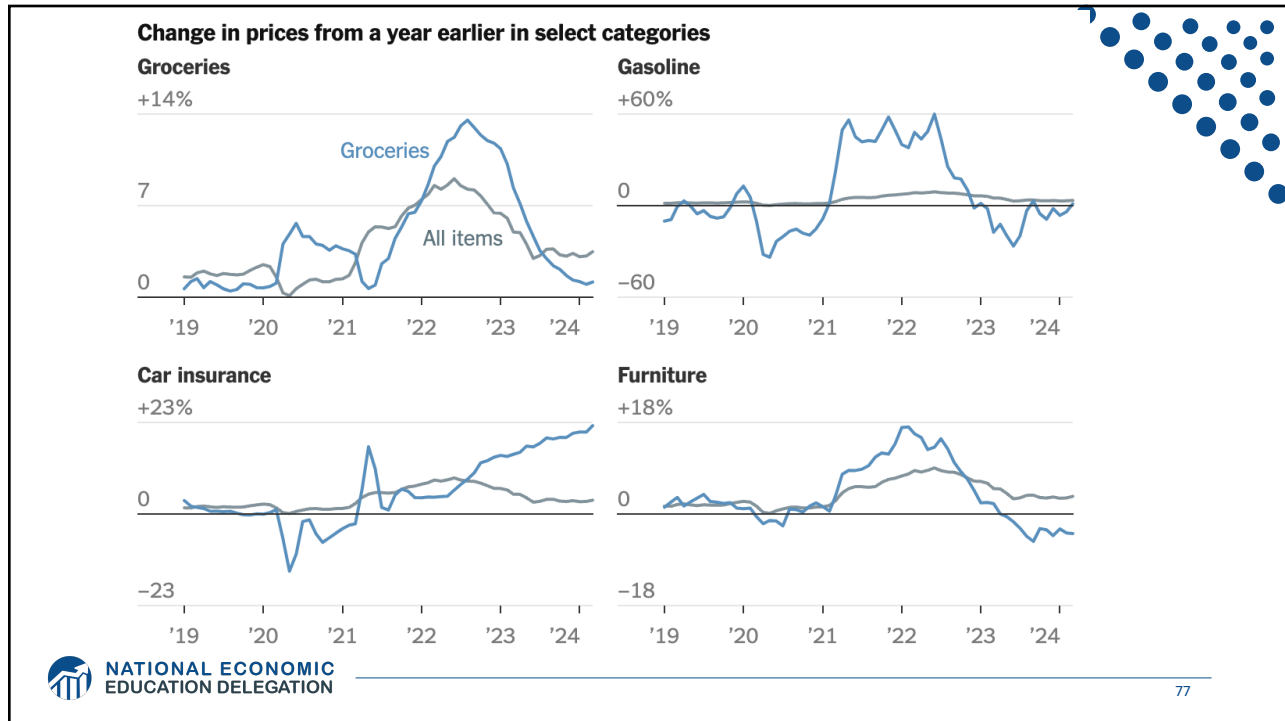
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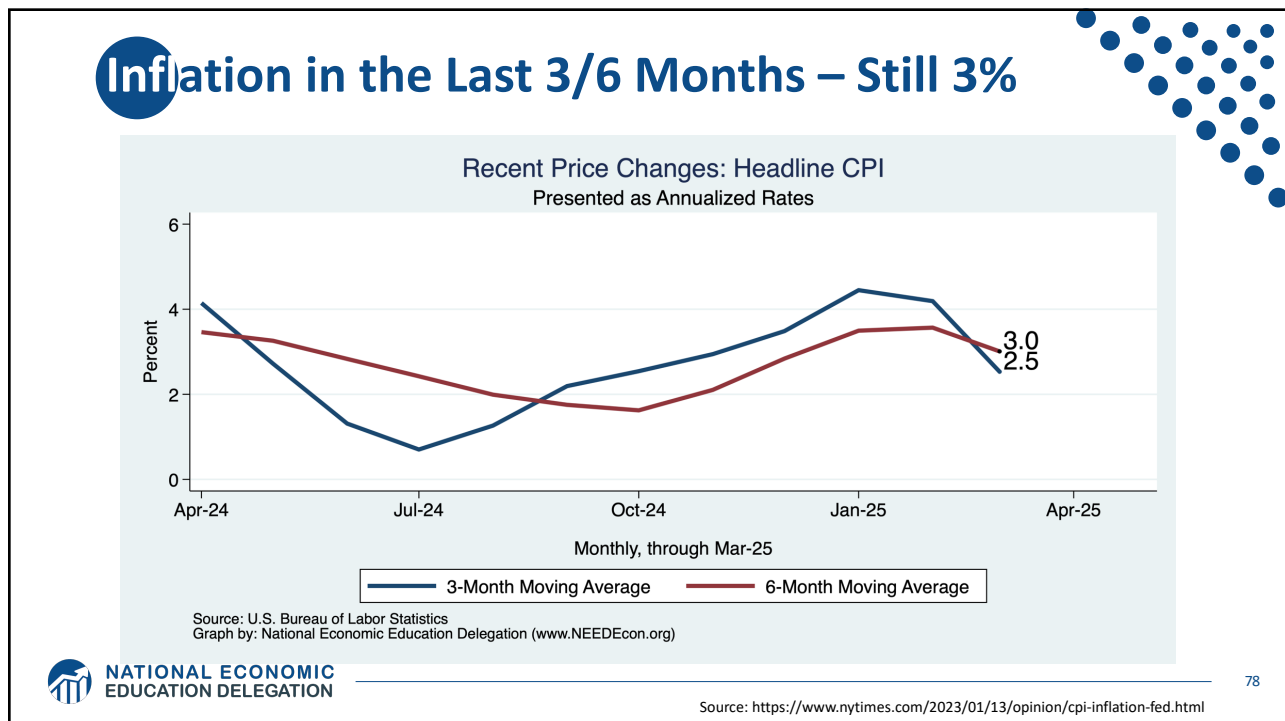
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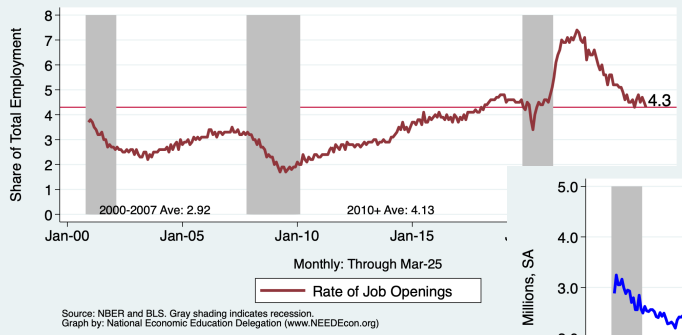


78

Source: <https://www.nytimes.com/2023/01/13/opinion/cpi-inflation-fed.html>

Labor Market is Cooling

Job Openings - Falling



Quits - Falling (Rising?)

