



# Osher Lifelong Learning Institute, Fall 2023 Contemporary Economic Policy

OLLI - UNLV  
June-July, 2024

Jon Haveman, Ph.D.  
National Economic Education Delegation

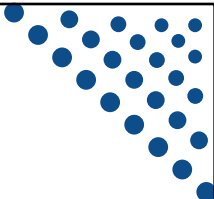


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## National Economic Education Delegation

- **Vision**
  - One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.
- **Mission**
  - NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.
- **NEED Presentations**
  - Are **nonpartisan** and intended to reflect the consensus of the economics profession.



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# Who Are We?

## • Honorary Board: 54 members

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
  - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 4 Nobel Prize Winners
  - o Akerlof, Smith, Maskin, Bernanke

## • Delegates: 652+ members

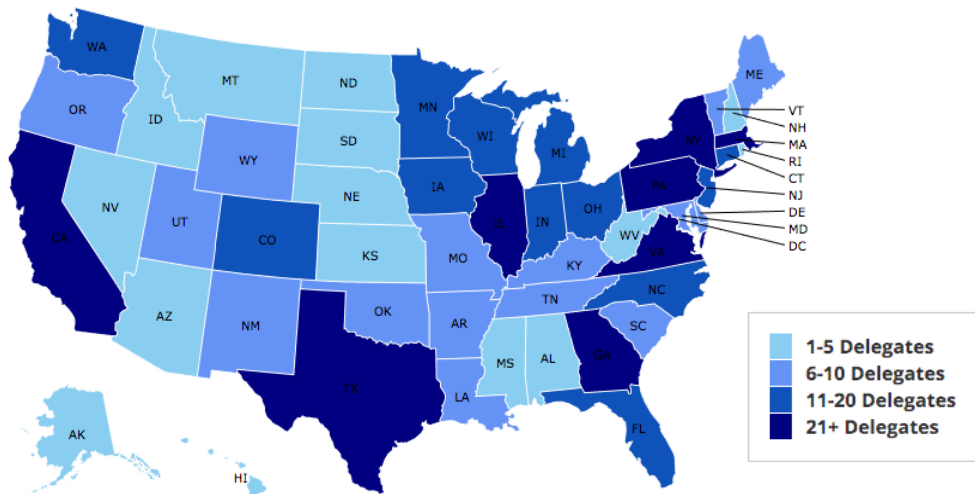
- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

## • Global Partners: 48 Ph.D. Economists

- Aid in slide deck development



# Where Are We?



## Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- Healthcare Economics



## Course Outline

- **Contemporary Economic Policy**
  - Week 1 (6/3): US Economic Update (Jon Haveman, NEED)
  - Week 2 (6/10): Healthcare Economics
  - Week 3 (6/17): Federal Debt
  - Week 4 (6/24): Economics of Immigration (Kelley Cullen, E. Washington Univ.)
  - Week 5 (7/1): Taxes: Rebellion, Rascals, and Revenue
  - Week 6 (7/8): Climate Change Economics
  - Week 7 (7/15): International Institutions (Alan Deardorff, Univ. of Michigan)



# Submitting Questions

- **Please submit questions of clarification in the chat.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **Slides will be available from the NEED website shortly after the talk ([https://NEEDEcon.org/delivered\\_presentations.php](https://NEEDEcon.org/delivered_presentations.php))**

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# US Economic Update

**OLLI – UNLV**

June 3, 2024  
Jon Haveman, Ph.D.  
NEED

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## Credits and Disclaimer

- **This slide deck was authored by:**

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- Scott Baier, Clemson University
- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dombeck, Lewis & Clark College
- Doris Geide-Stevenson, Weber State

- **Disclaimer**

- NEED presentations are designed to be nonpartisan.
- It is, however, inevitable that the presenter will be asked for and will provide their own views.
- Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).



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## Outline

- **About the U.S. Economy**
- **Economic Indicators**
- **Inflation/Federal Reserve**



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# The U.S. Economy

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## Some Basic Statistics, April 2024

Statistic:	Value
Population	336.5 Million
Labor Force	168.0 Million
Employment	161.5 Million
Gross Domestic Product (GDP)	\$28.3 Trillion
Income per Capita	\$70,328
Ave. Hourly Earnings	\$34.75

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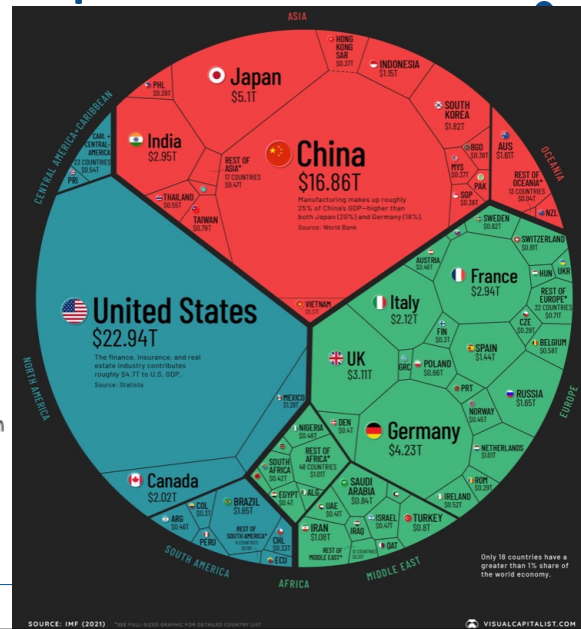
# U.S. Economy in Global Perspective

## U.S. Nominal GDP:

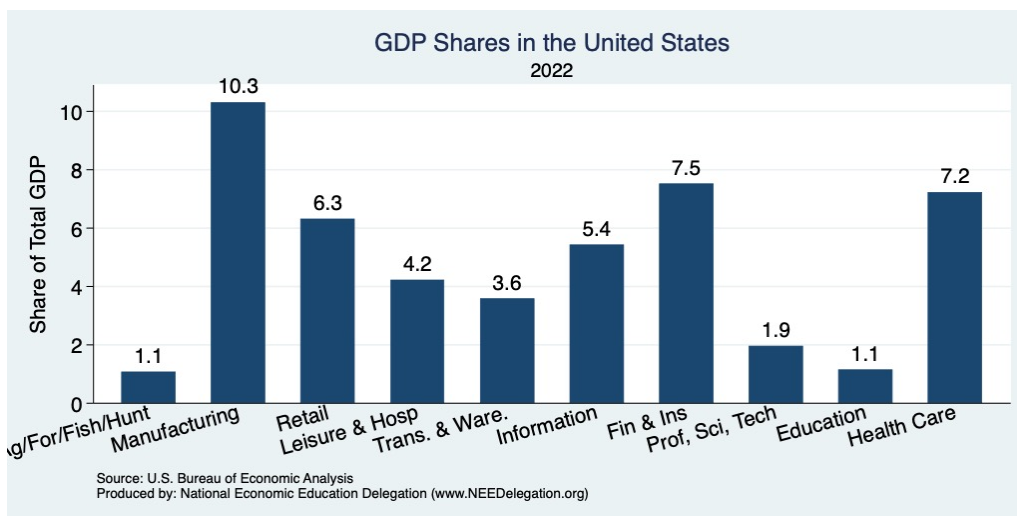
**\$21.5 trillion** in 2019-Q4  
**\$19.6 trillion** in 2020-Q2  
**\$28.3 trillion** in 2024-Q1

## % Share of the Global Economy

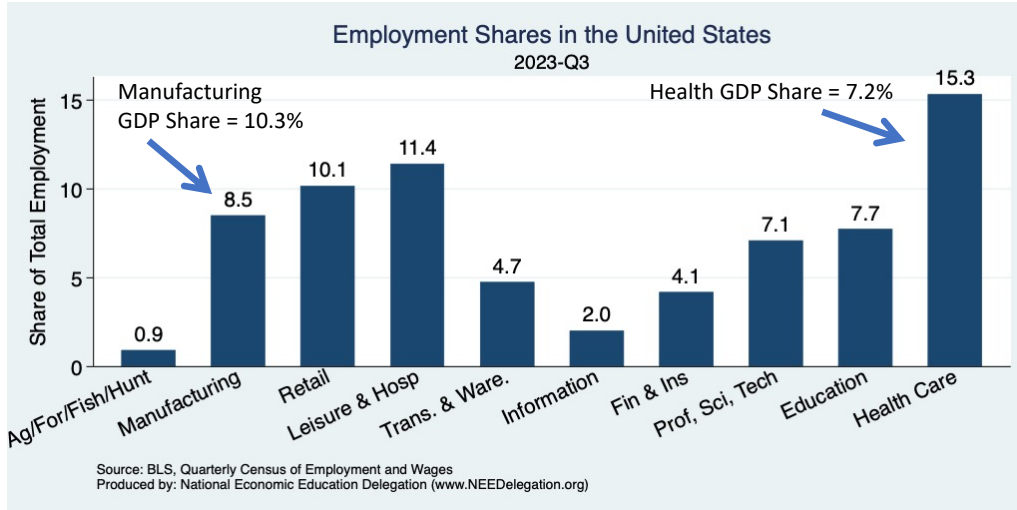
The 173 countries outside the top 20 make up less than a fourth of the total global economy.



# Composition of the U.S. Economy: GDP



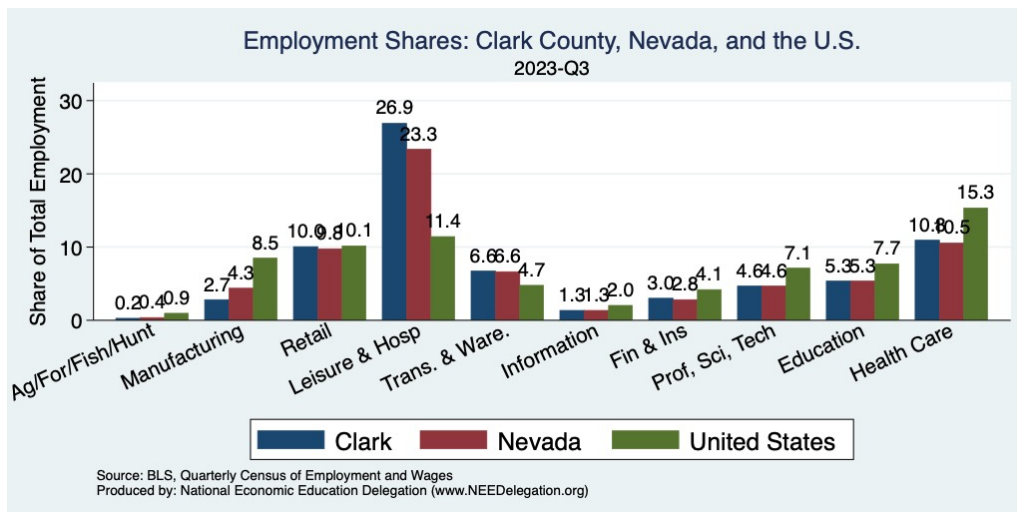
## Composition of the U.S. Economy: Employment



Note: Does not add to 100% because of omitted sectors.

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## Clark County Economy: Employment



Note: Does not add to 100% because of omitted sectors.

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# More Local Charts

[www.NEEDecon.org/LocalGraphs](http://www.NEEDecon.org/LocalGraphs)

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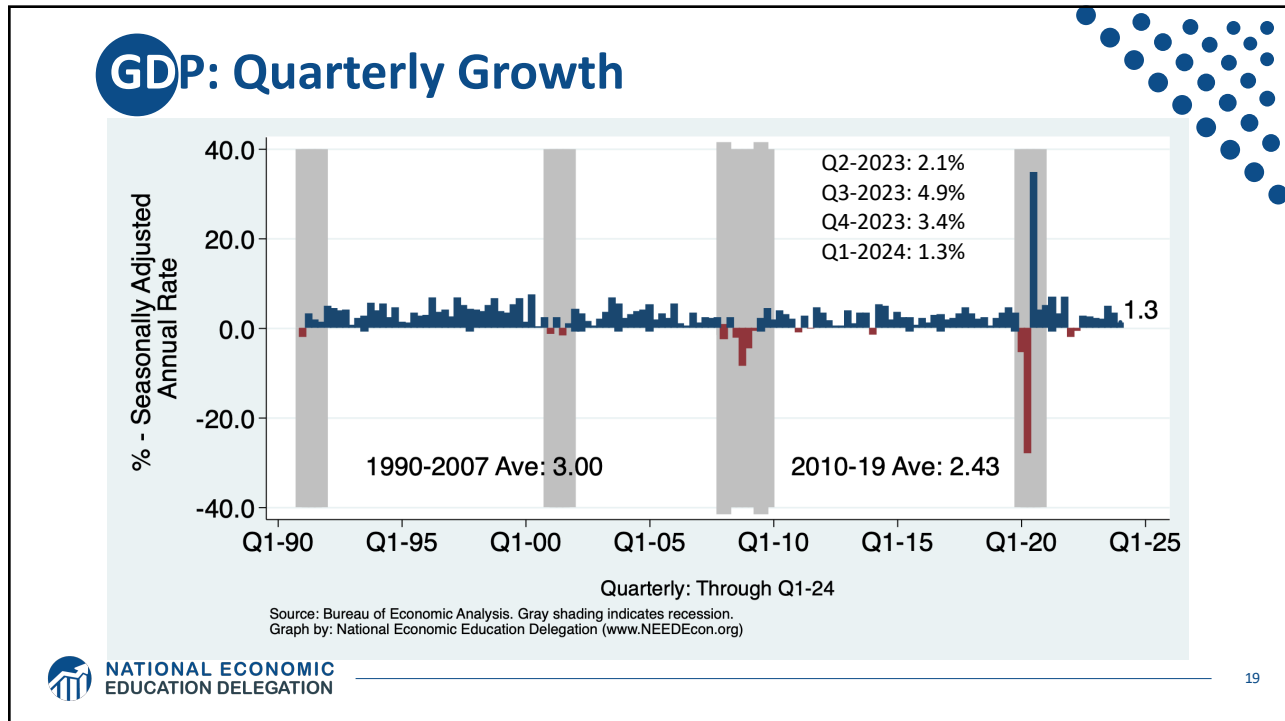
# Economic Indicators

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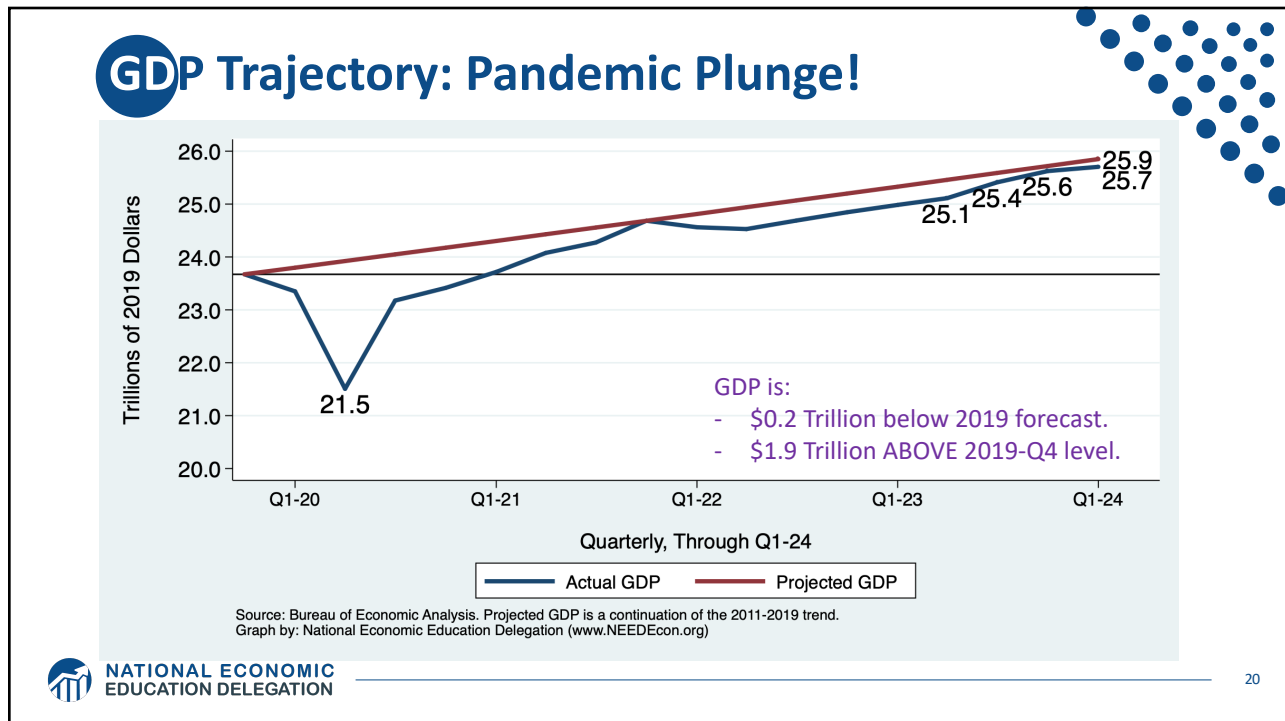
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# “Accounting” for GDP

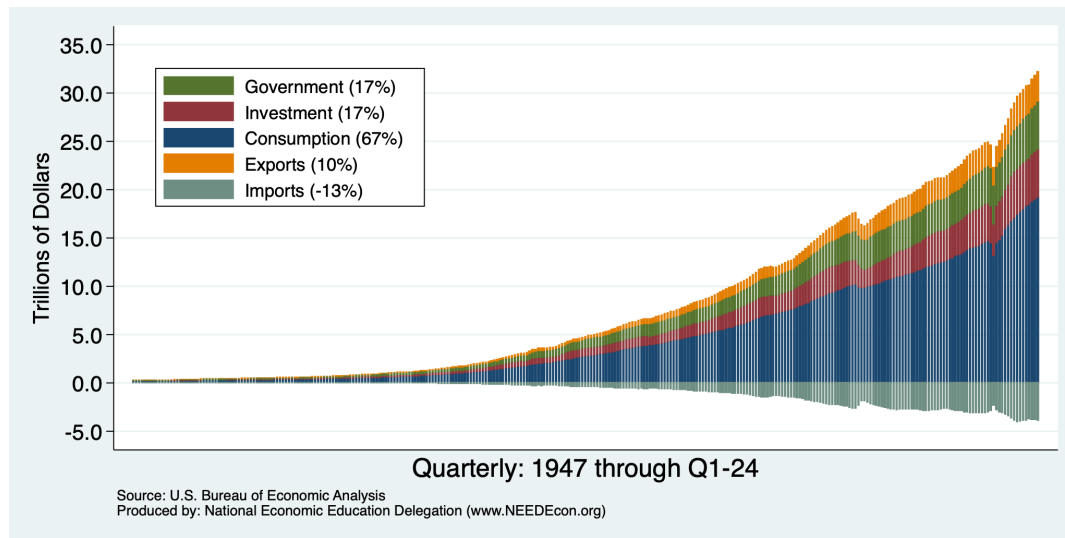
- Expenditures drive GDP growth.

- GDP is the sum of four categories of spending:
  - o Consumption
  - o Investment
    - Plant and equipment, residential real estate, and inventories.
  - o Government spending
  - o Net Exports: Exports – Imports
    - Imports are subtracted to make the accounting work.
    - It is not because imports are a bad thing.

- **GDP = Consumption + Investment + Government + Net Exports**

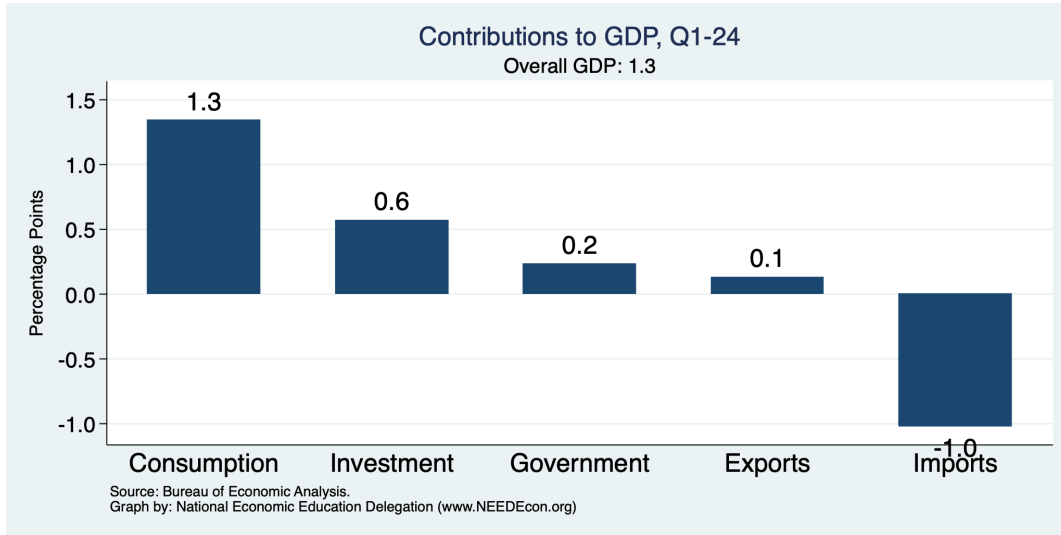
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# Composition of GDP



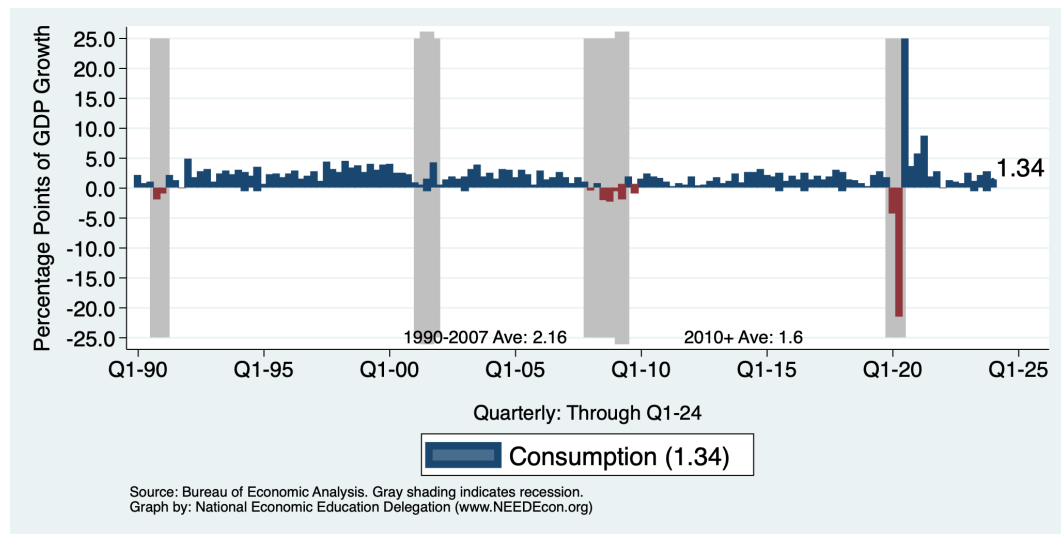
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## What Have You Done For Me Lately?



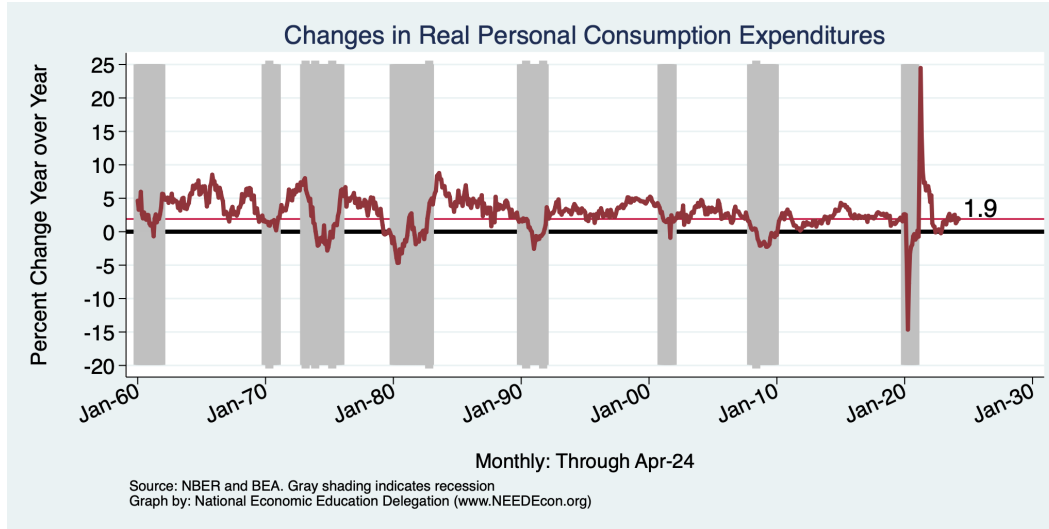
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## Contribution to GDP Growth: Consumption



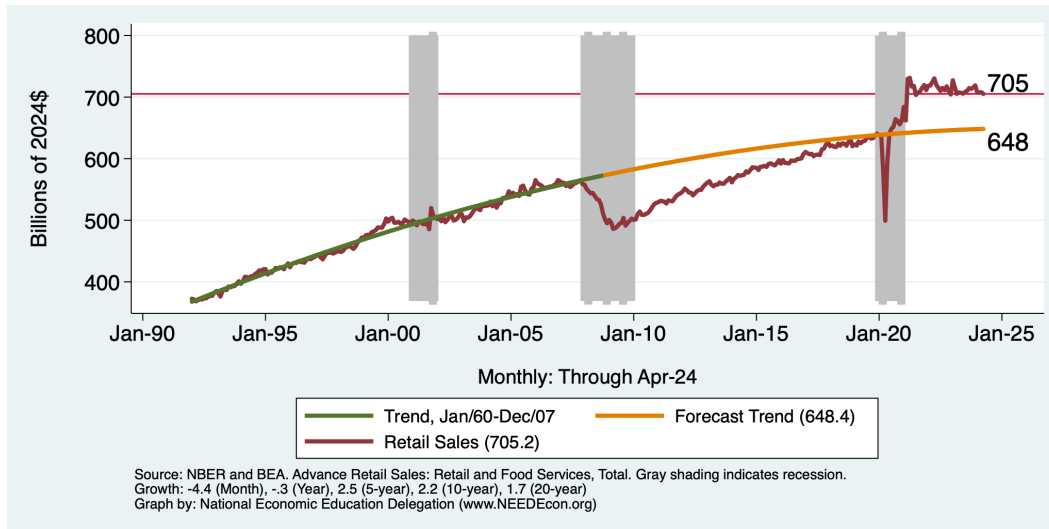
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# Personal Consumption Expenditures



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# Retail Sales Remain Elevated!

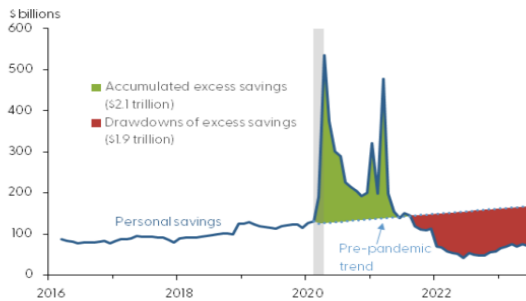


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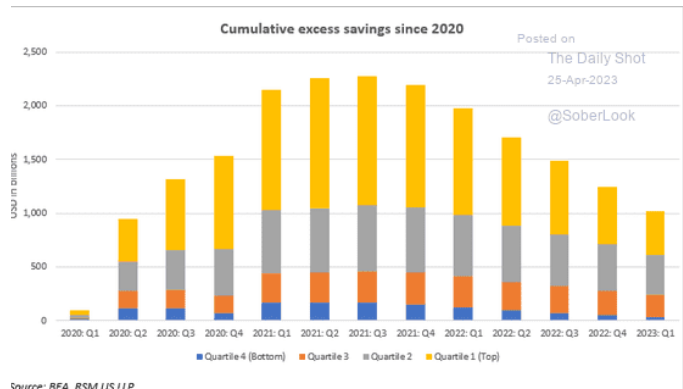
# Policy Effects: Fiscal

- 2020-2021: massive stimulus, \$4.6t: Cares Act, 3 rounds of stimulus checks, expanded unemployment benefits, Payroll Protection Loans.

## Aggregate Personal Savings



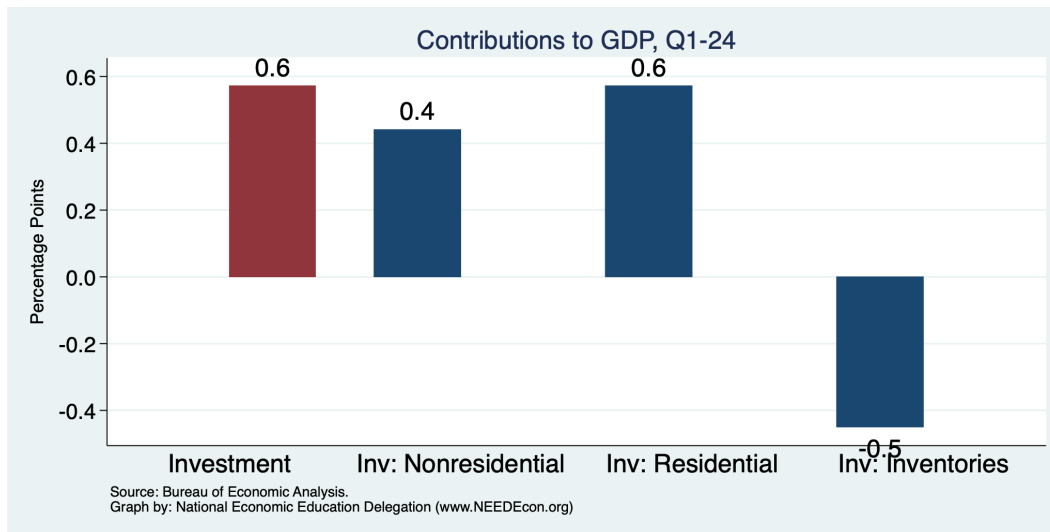
Source: Abdelrahman, Hamza et al., "Excess No More? Dwindling Pandemic Savings," Federal Reserve Bank of San Francisco, Aug. 2023. <https://www.frbsf.org/our-district/about/sf-fed-blog/excess-no-more-dwindling-pandemic-savings/>



Source: BEA, RSM US LLP

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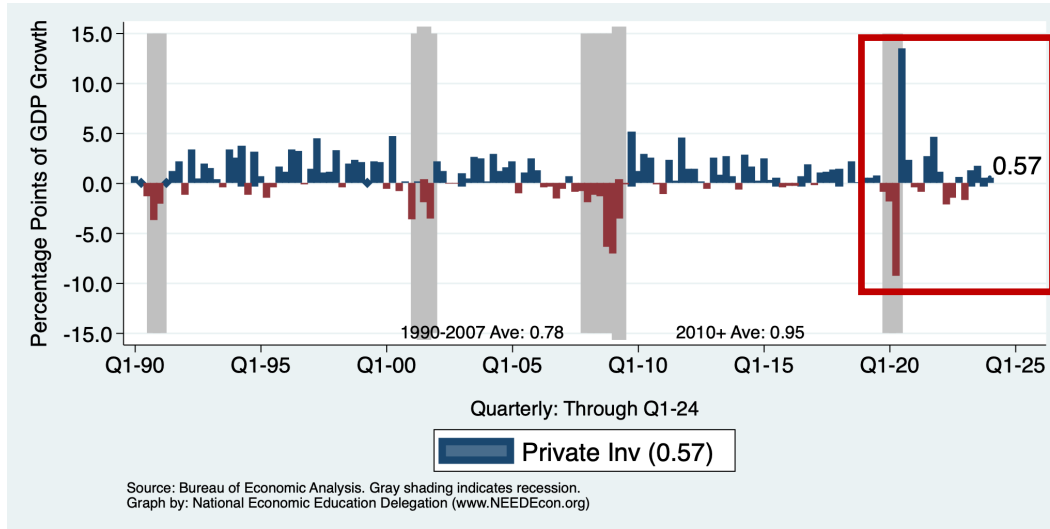
# Contributions to GDP: Investment Components



Source: Bureau of Economic Analysis.  
Graph by: National Economic Education Delegation (www.NEEDEcon.org)

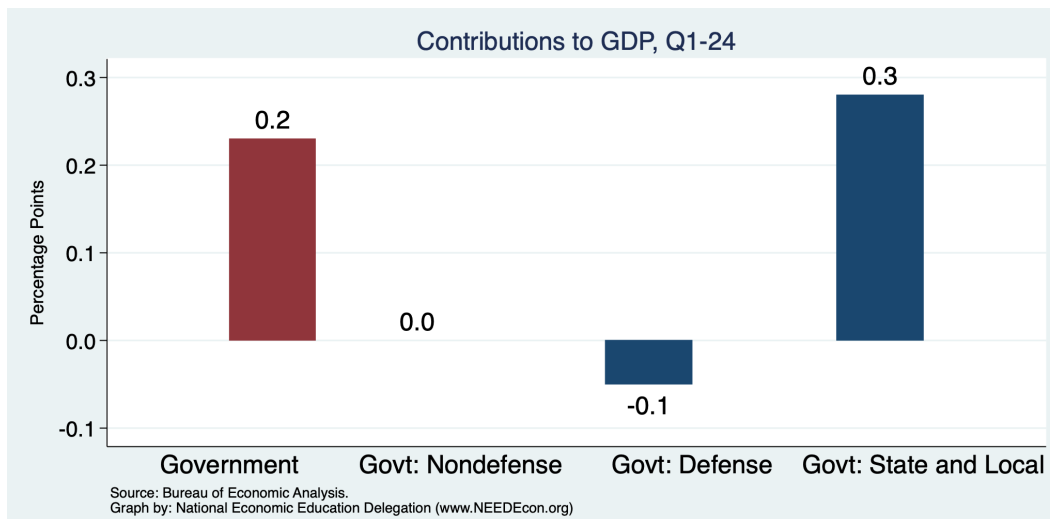
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## Contribution to GDP Growth: Investment



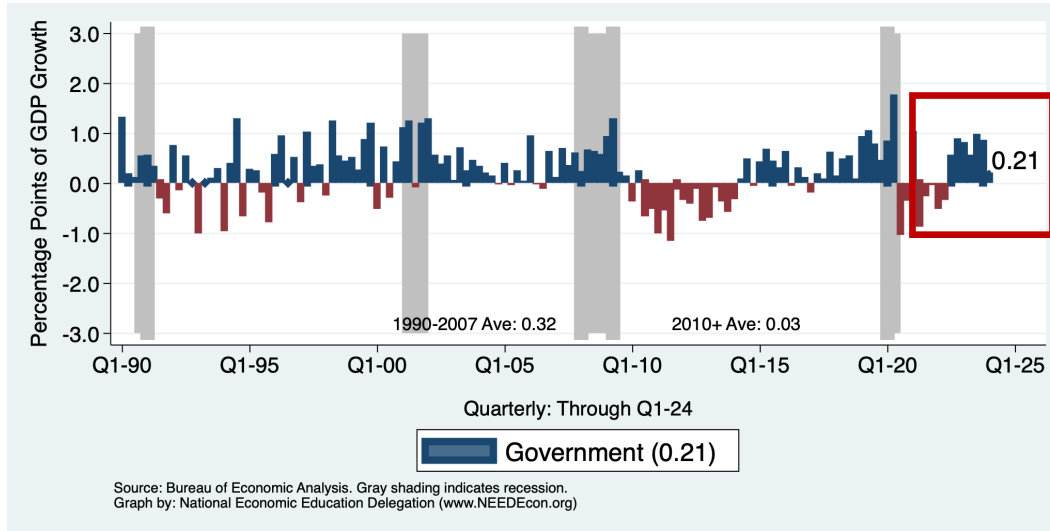
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## Contributions to GDP: Government



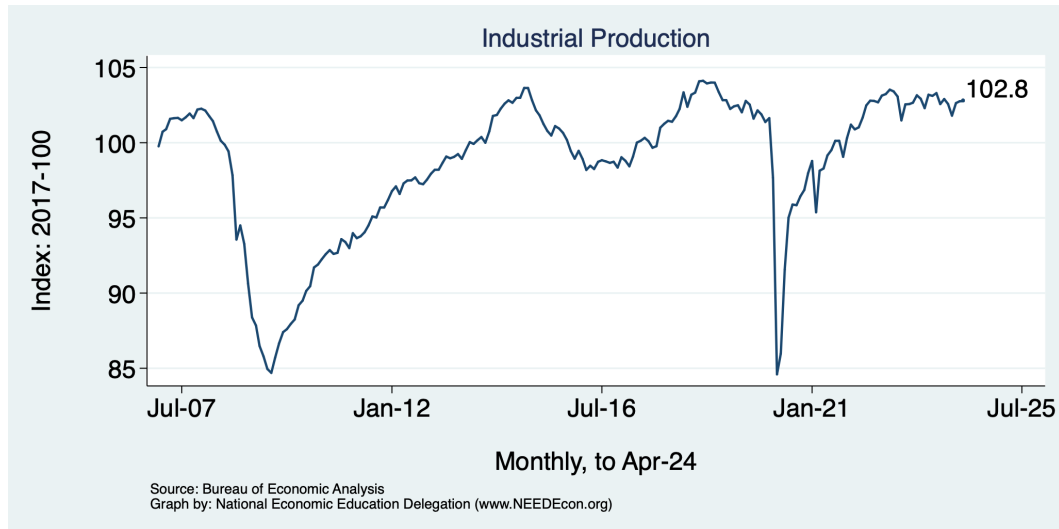
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## Contributions to GDP: Government



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## Industrial Production (Manuf, Util, Mining)

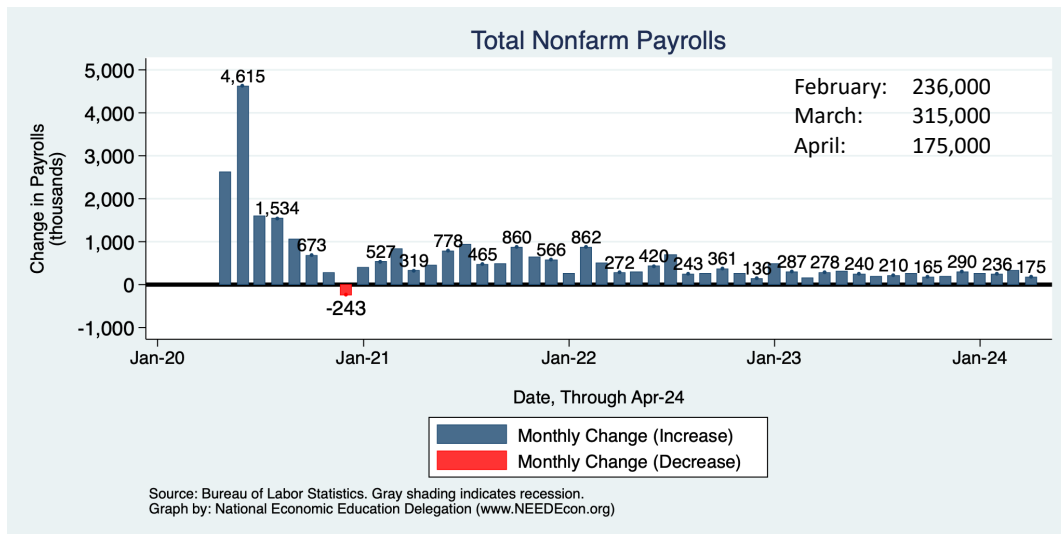


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# Employment

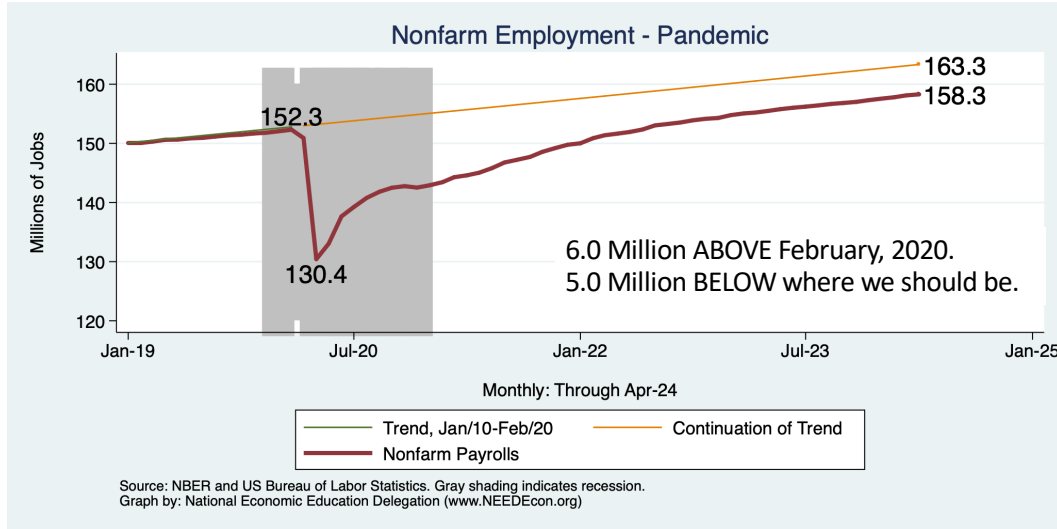
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## Monthly Changes in Nonfarm Employment



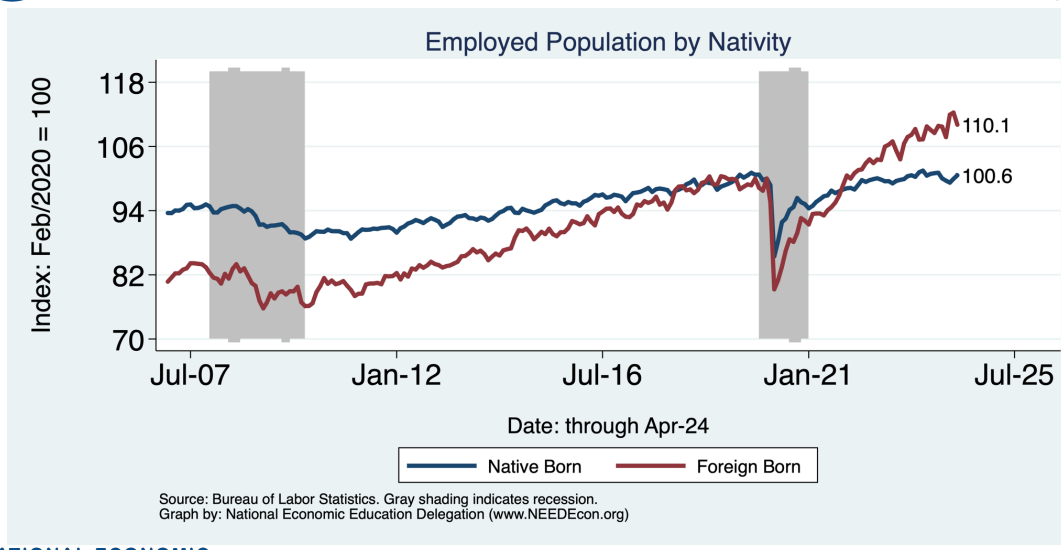
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# Employment Gap



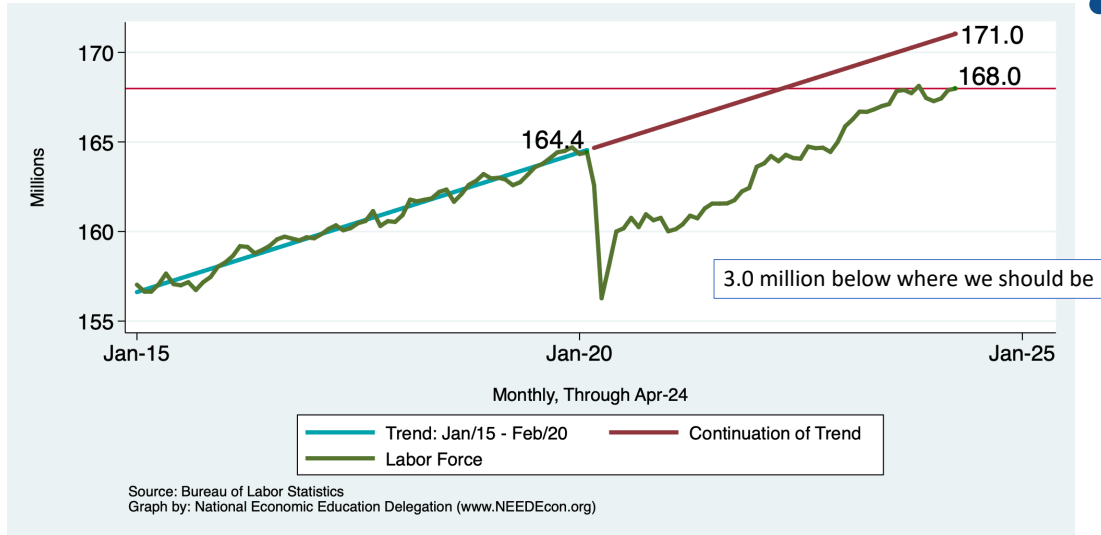
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# Immigrants to the Rescue?



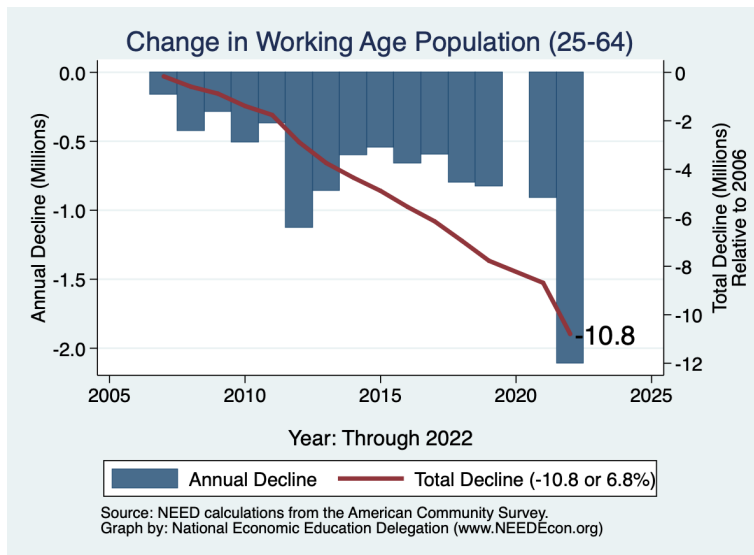
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## Where Have All the Workers Gone?



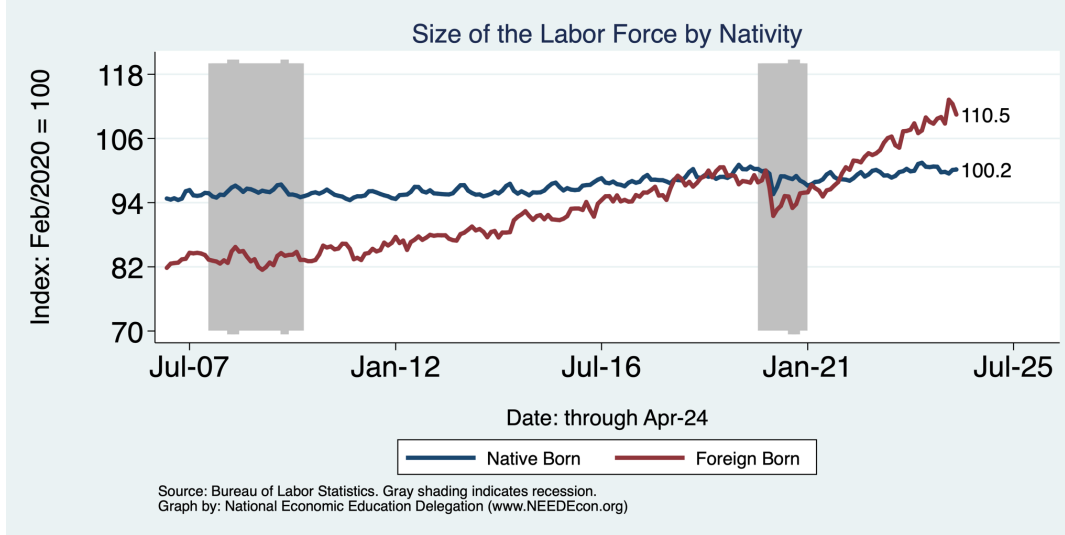
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## Baby Boomers Are Retiring!



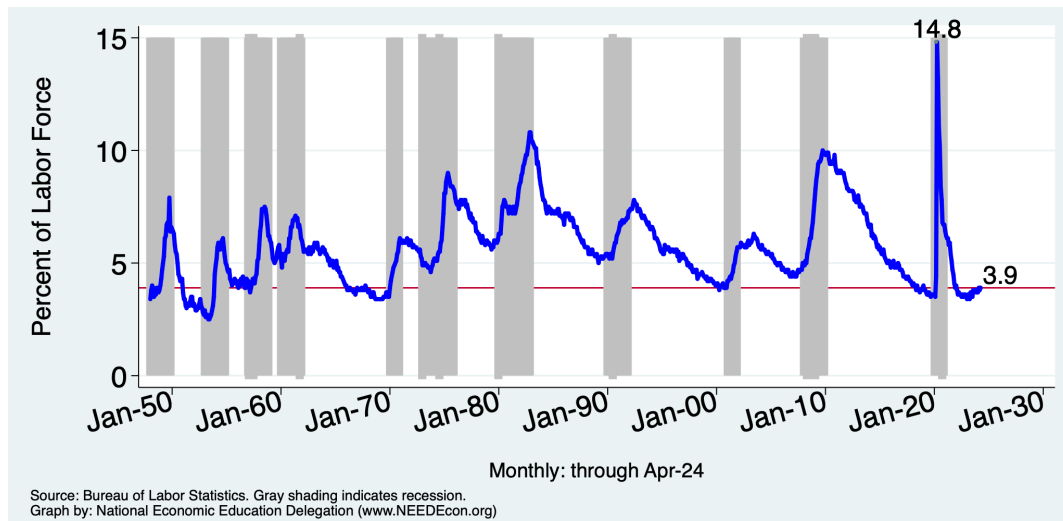
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## Immigrants to the Rescue?



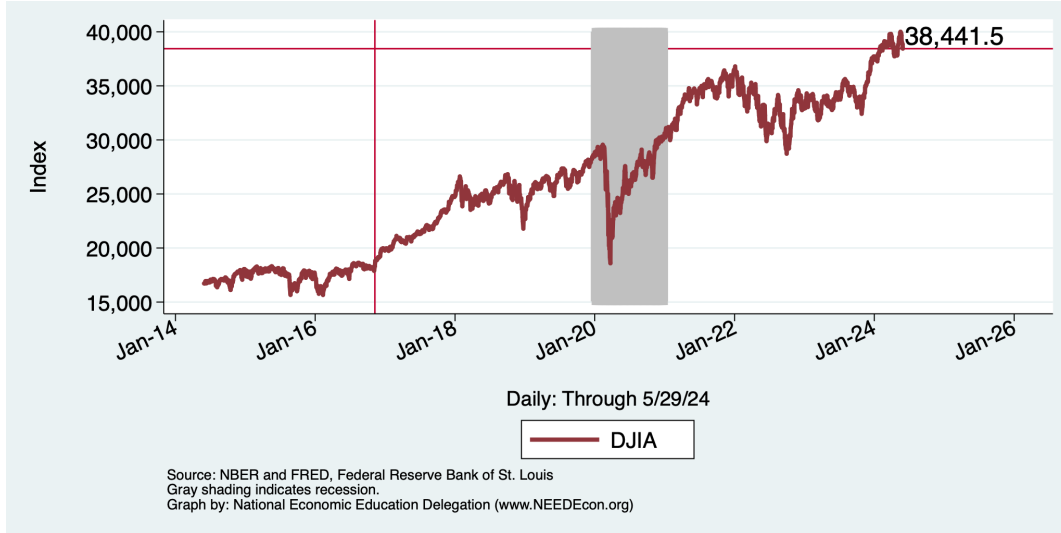
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## What About Unemployment?



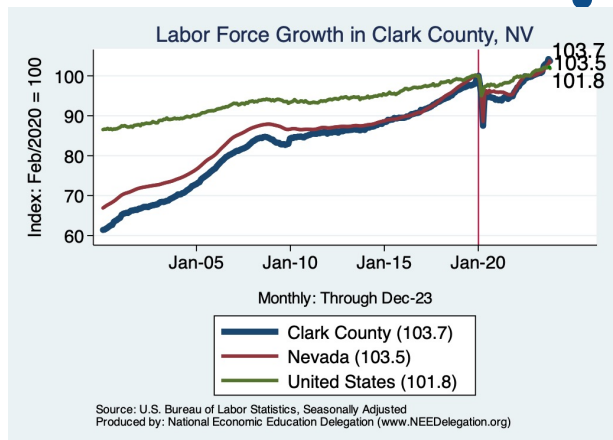
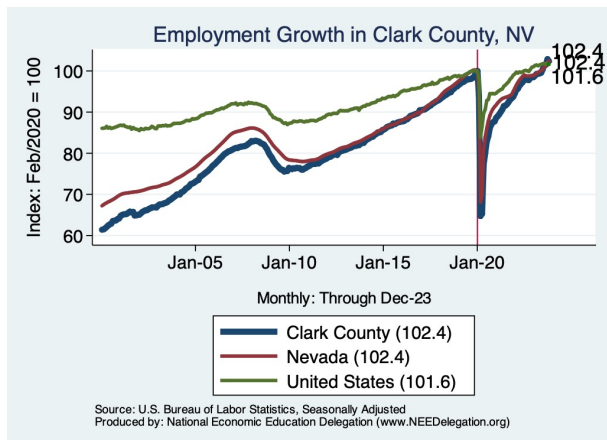
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## And Stocks? Way up!



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## How Are Things Where You Are?



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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.
  - Hampered by lots of early retirements!
  - Labor force is still too small.
  - Thank goodness for immigrants!
- Inflation.....

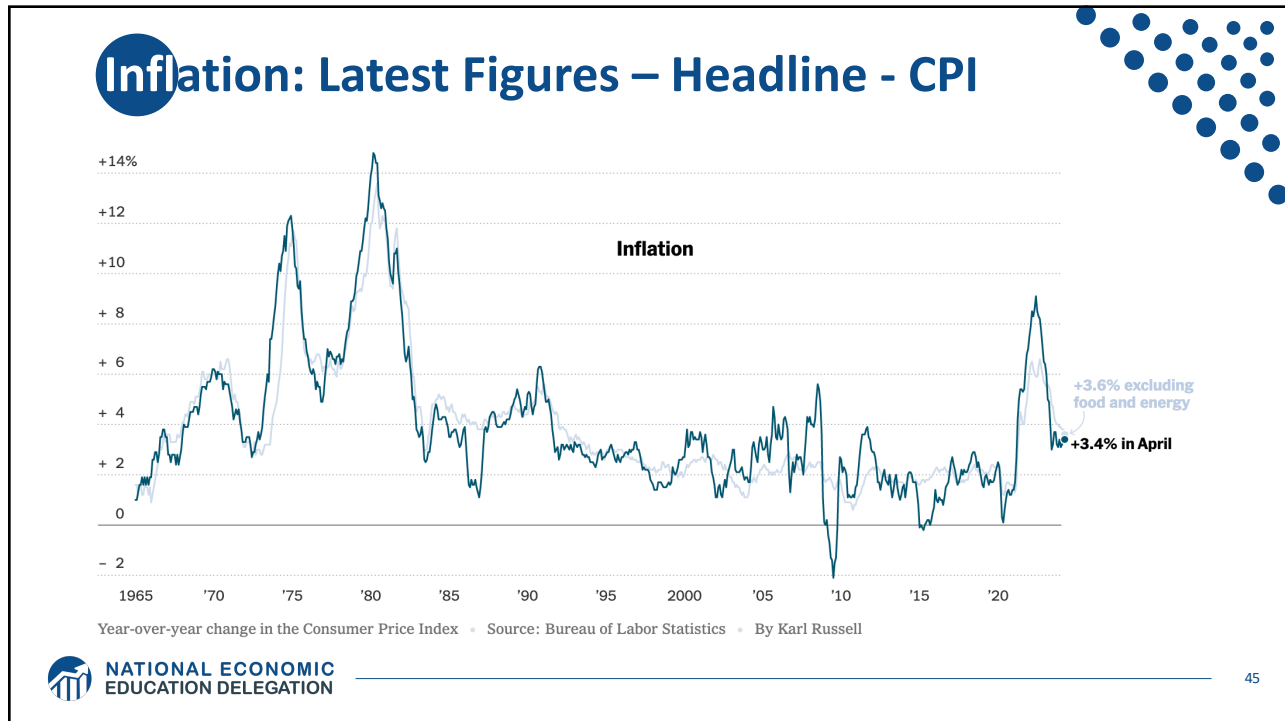


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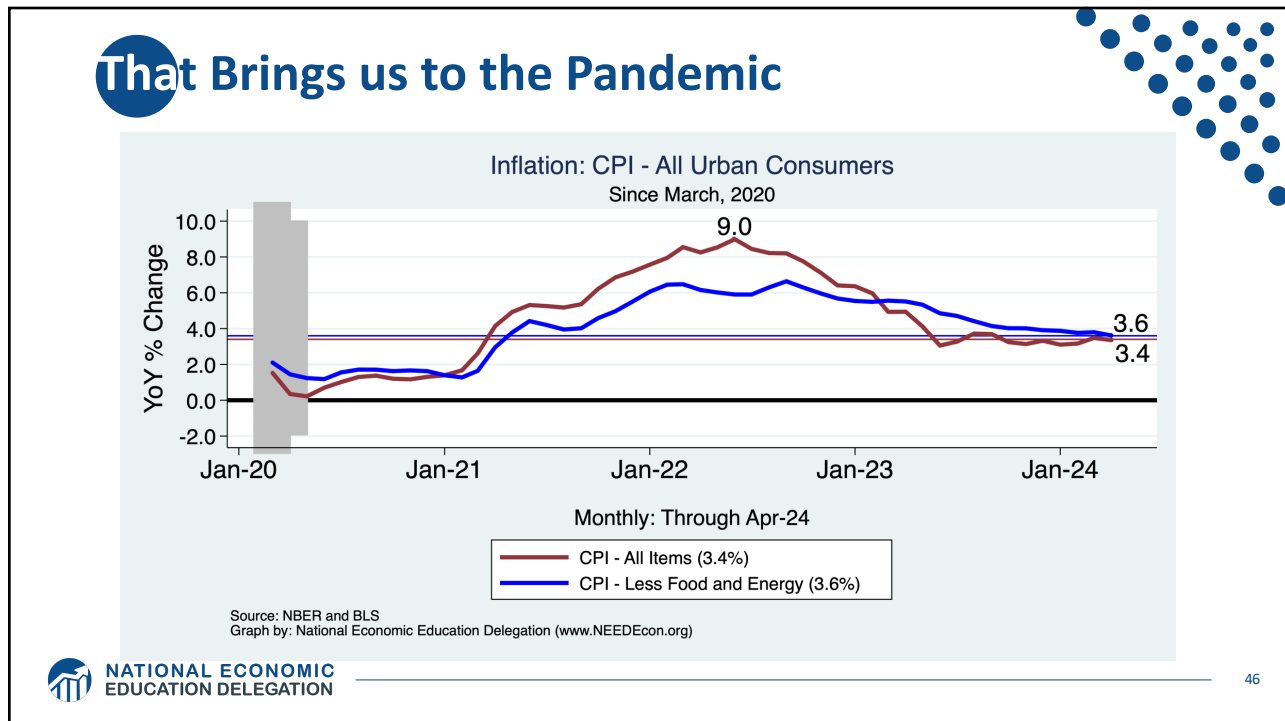
## Inflation



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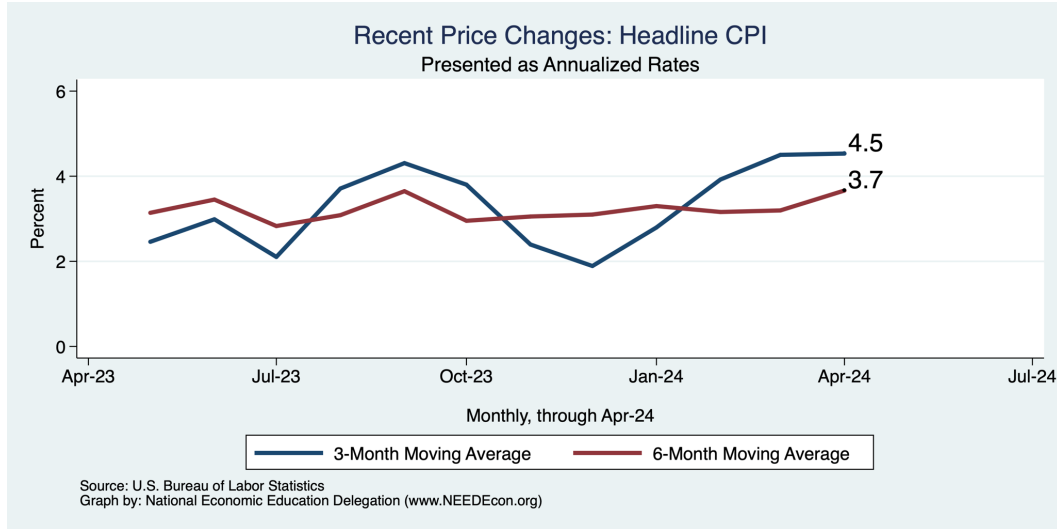


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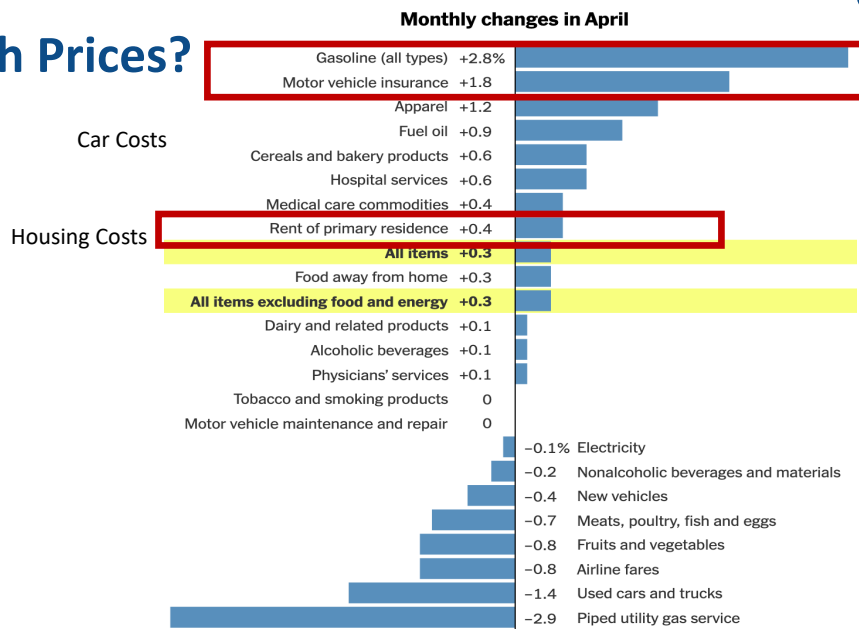
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# Inflation in the Last 6 Months – Not Good.

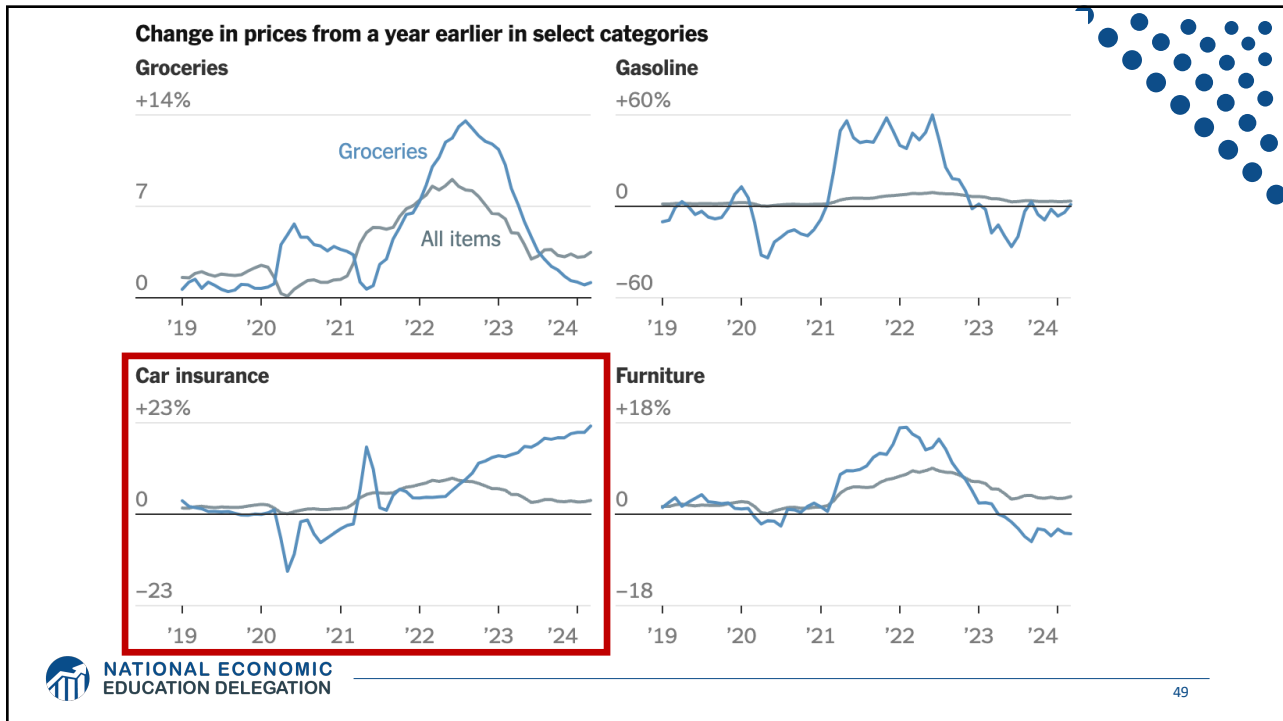


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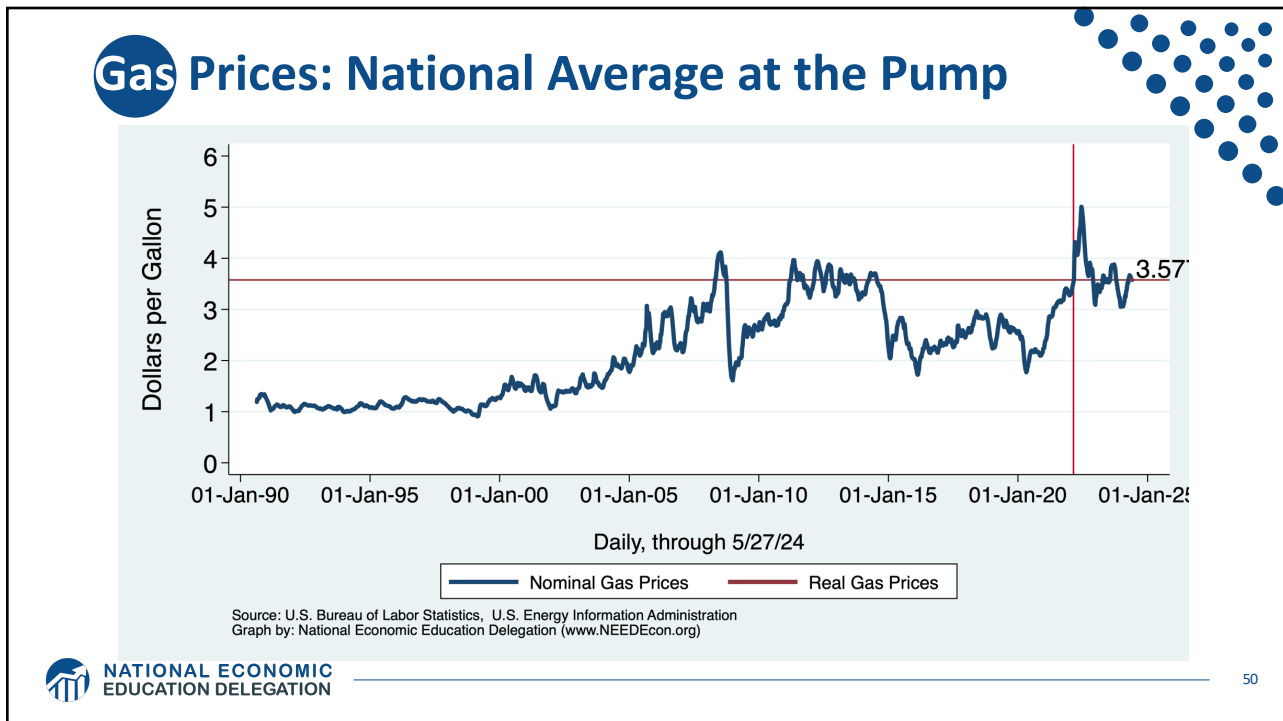
# Which Prices?



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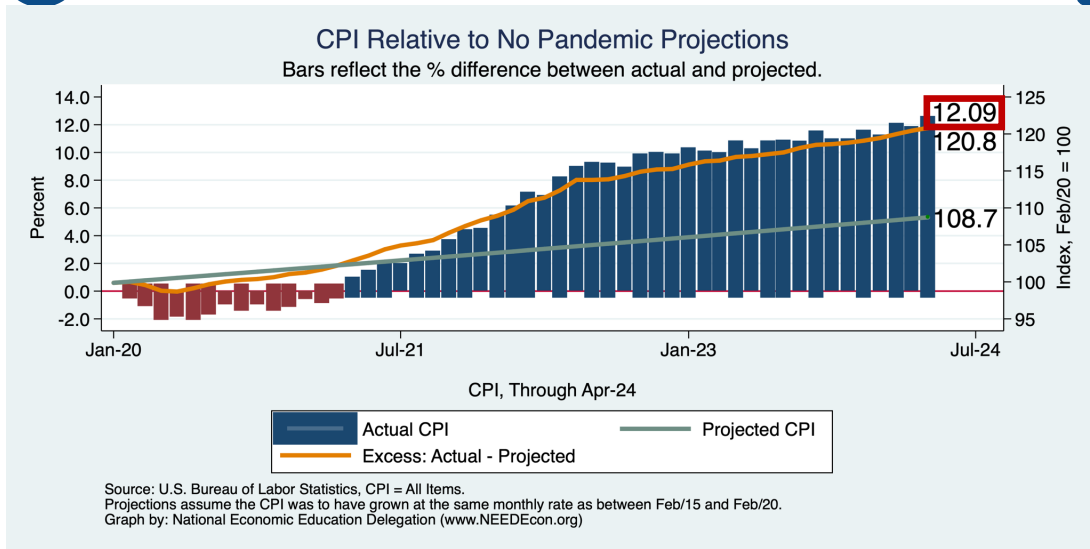


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# How Much Higher Are Prices?



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# How Does Inflation Work?

Inflation represents the rate at which the cost of goods and services increase over a period of time.

## Demand-Pull



When demand for goods/service exceeds production capacity.

## Cost-Push



When production costs increase prices.

## Built-In



When prices rise, wages rise too, in order to maintain living costs.

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## Inflation is Not just a U.S. Problem

Year-over-year change in consumer prices in the eurozone



Source: Eurostat • By The New York Times



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## Sources of Pandemic Inflation

- **Supply Chain issues were significant – less so now.**
- **Composition of spending changed significantly.**
  - Is now bouncing back, as are prices.
- **But there was too much total spending.**
  - Fiscal stimulus led households to increase saving over 2021 by more than \$2 trillion. Strong retail sales numbers suggest they are prepared to spend it.
- **Whose to Blame: ARP probably too big, but the Fed could have acted sooner.**
- **Bottom line: Recovery from a dramatic economic disruption is seldom painless.**

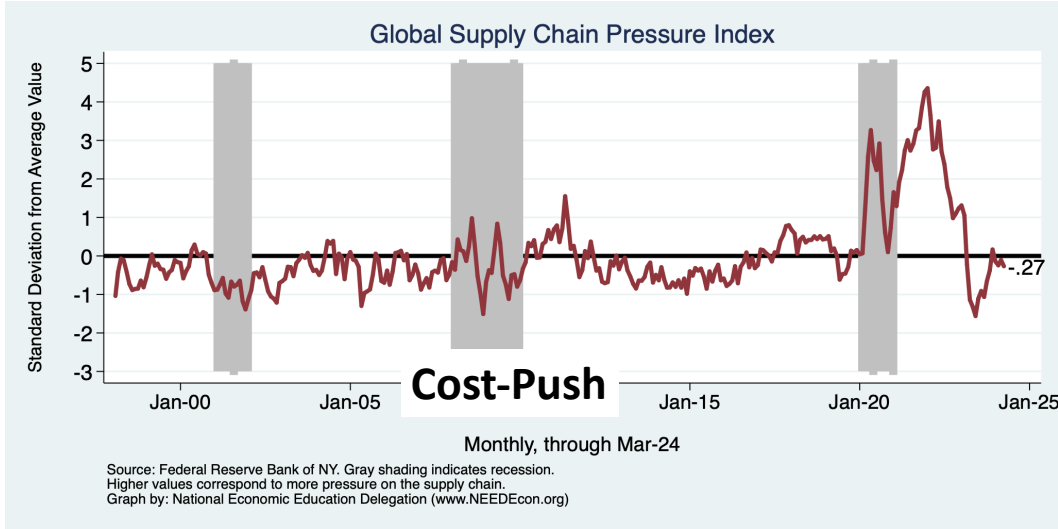


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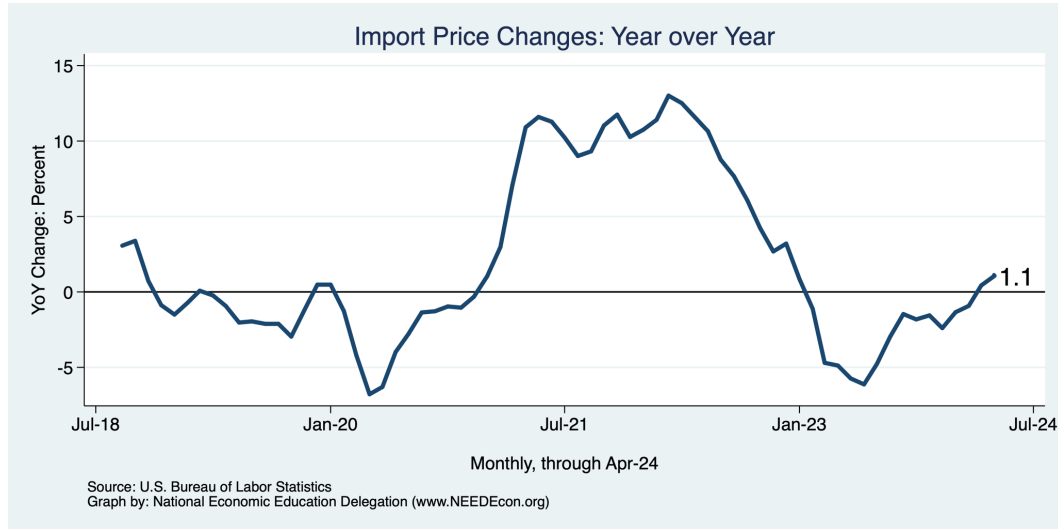
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# Supply Chains



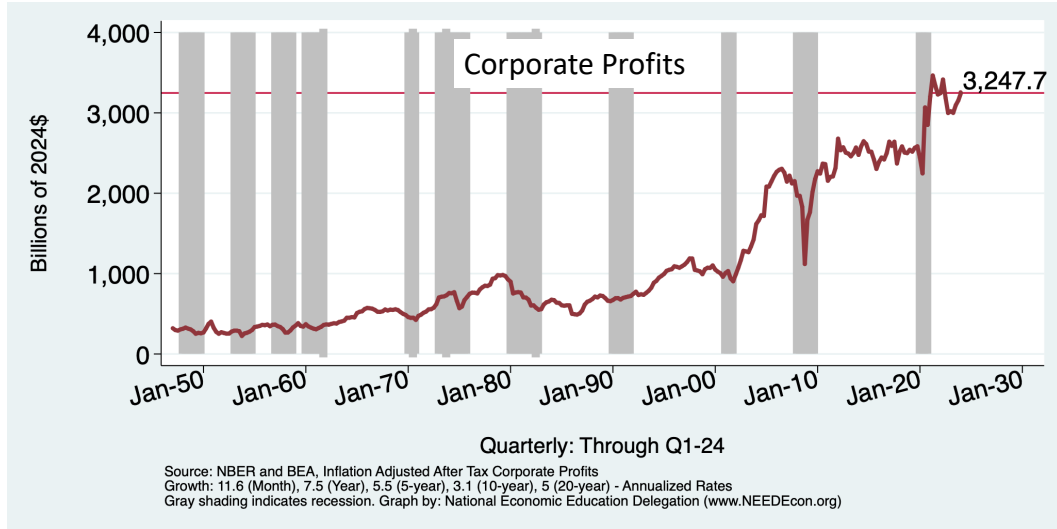
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# Import Prices Are Elevated



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# Corporations Have Pricing Power!



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# Shrinkflation

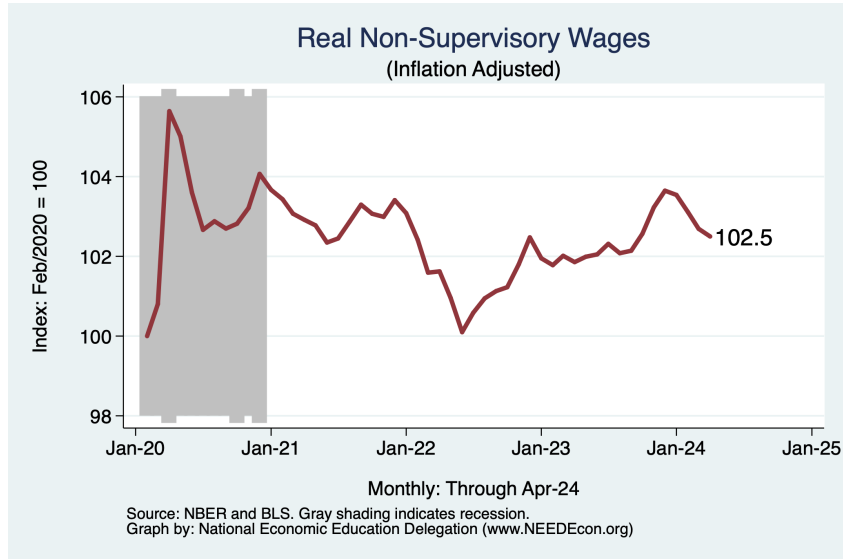
Change in price from January 2019 to October 2023



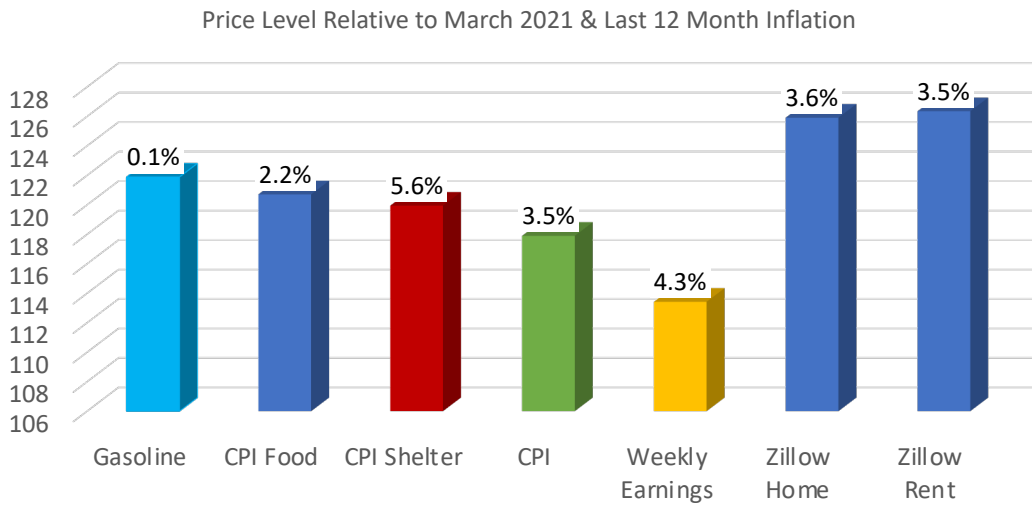
Source: Bureau of Labor Statistics • By The New York Times

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## Wage Growth – Exceeds Inflation

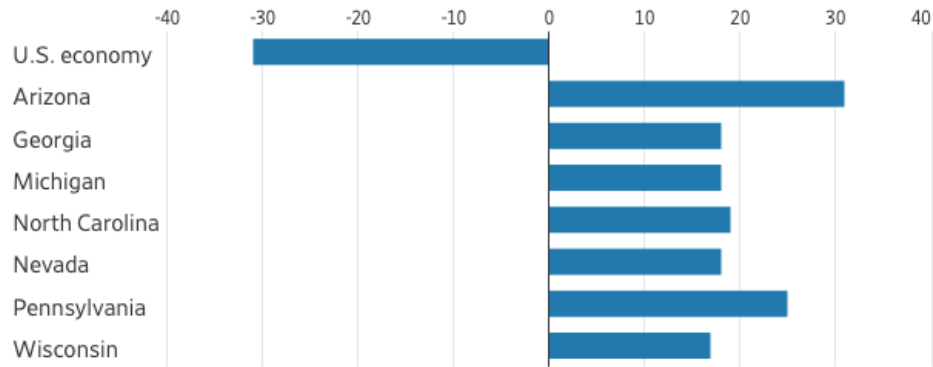


## High Prices versus Inflation



## Mismatch: Feelings About the Economy

Has the U.S. economy, or your state's economy, gotten better or worse in the last two years? \*Net share answering 'better.'



\*Share saying better minus share saying worse. Negative indicates greater share said worse.  
Source: Wall Street Journal Poll



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Source: What's Wrong With the Economy? It's You, Not the Data

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## My Thoughts on the Future of Inflation

- Most indicators suggests continued declines.
- Market expectations are worsening.
- Return to 2% might take a little longer.
- Federal Funds rate to stay high for some time.
- Popular expectations may take a little while to catch up.



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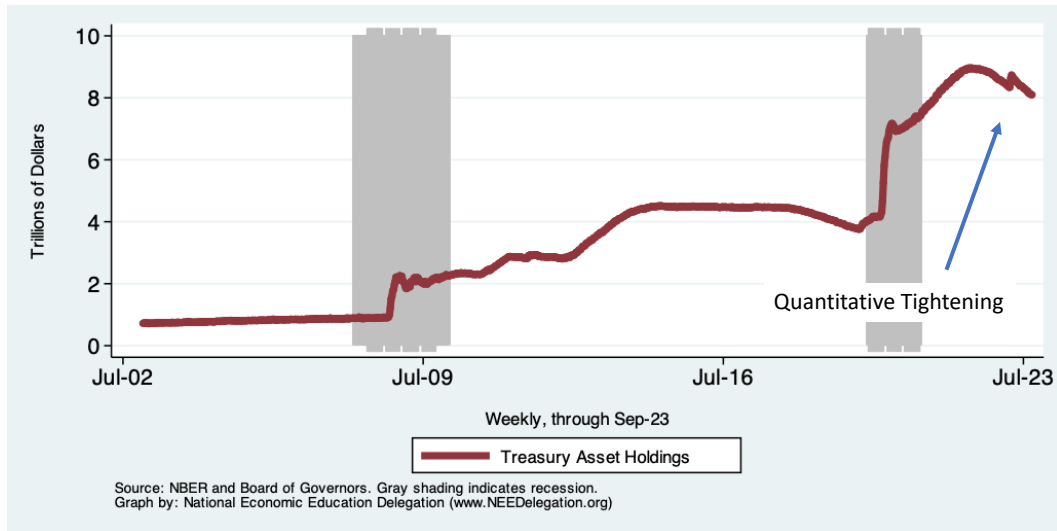
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# The Fed: Reining in Inflation!

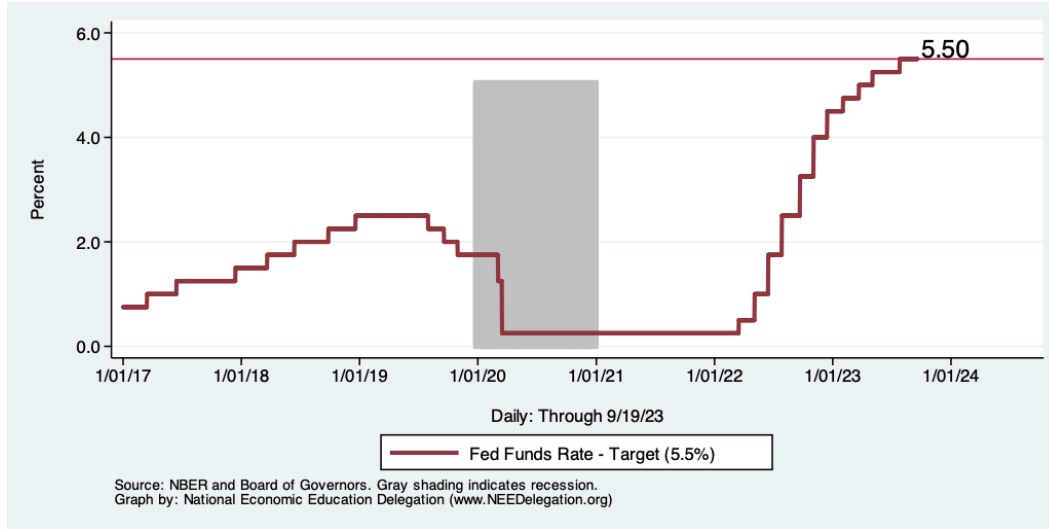
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## Fed: Also Reducing its Asset Holdings



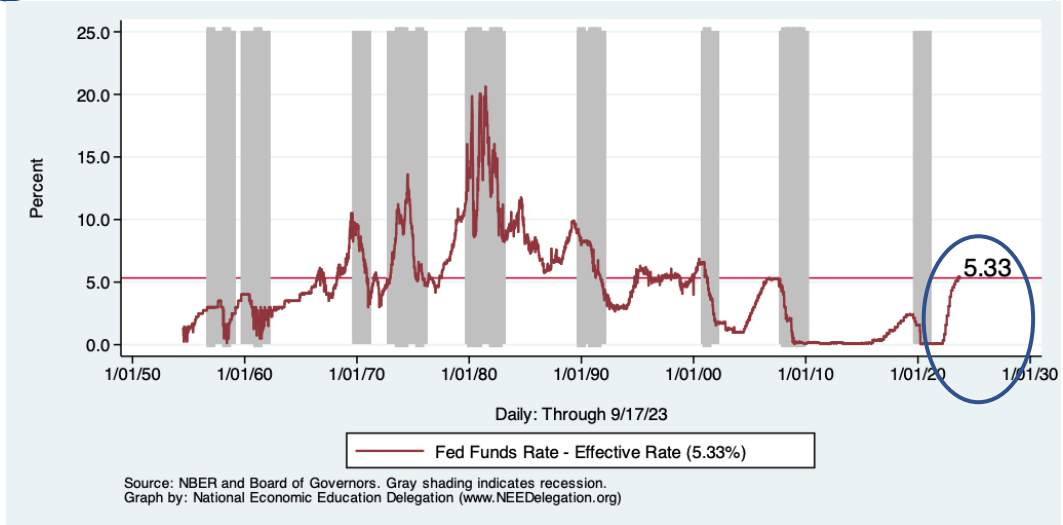
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## Federal Funds Rate – Recent Activity



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## History of the Federal Funds Rate



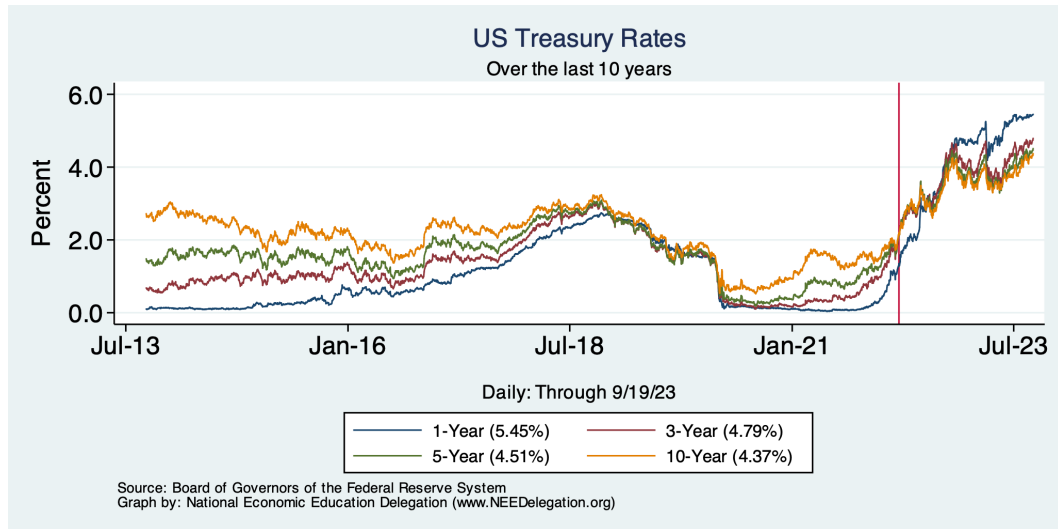
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# Implications for Demand

- Investment borrowing
- Home loans – tied to 10-year Treasury
- Car loans
- Credit cards
- Savings accounts – positive
- And more....
  
- All of which slows the economy.

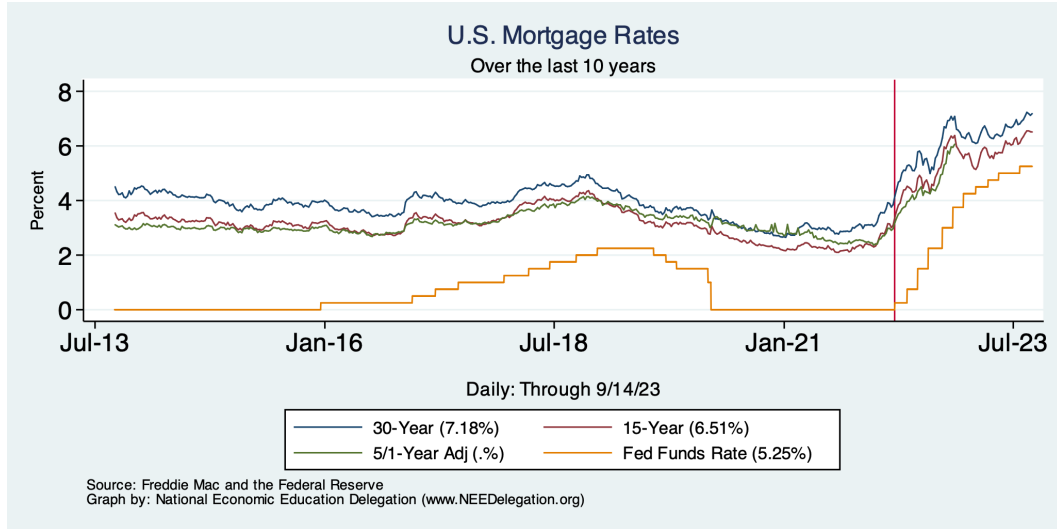
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# Treasuries

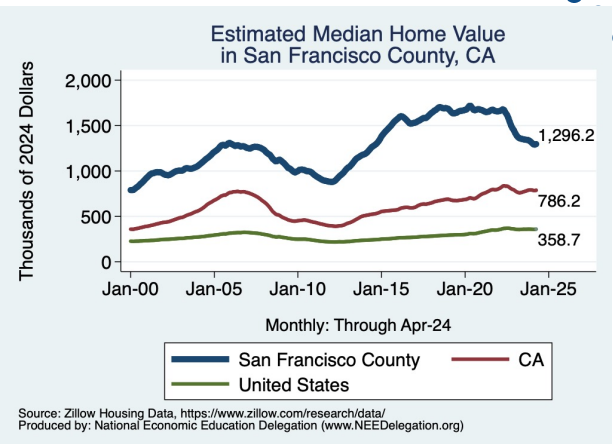
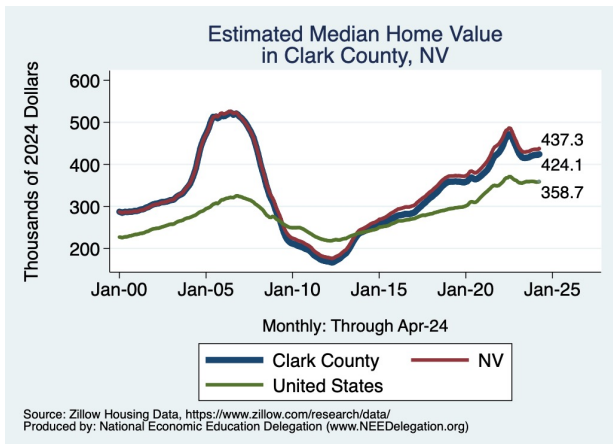


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# Mortgage Rates



# Home Prices ... Returned to Normal (?)



## What will the Fed Do?

### Pending Developments:

- **May- June 12 full set of inflation and unemployment for April.**
- **Wednesday, June 12 Fed policy meeting with new economic projections.**

**Will likely hold rates fixed unless there is significant progress on PCE.**



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## Takeaways

- **Is a recession on the horizon?**
  - No. Potentially a slowdown.
  - Many indicators are well in the black.
    - 2024-Q1 GDP growth was ok.
- **Inflation has been tamed.**
- **Fed is slowing its activity.**
- **Threats to continued growth:**



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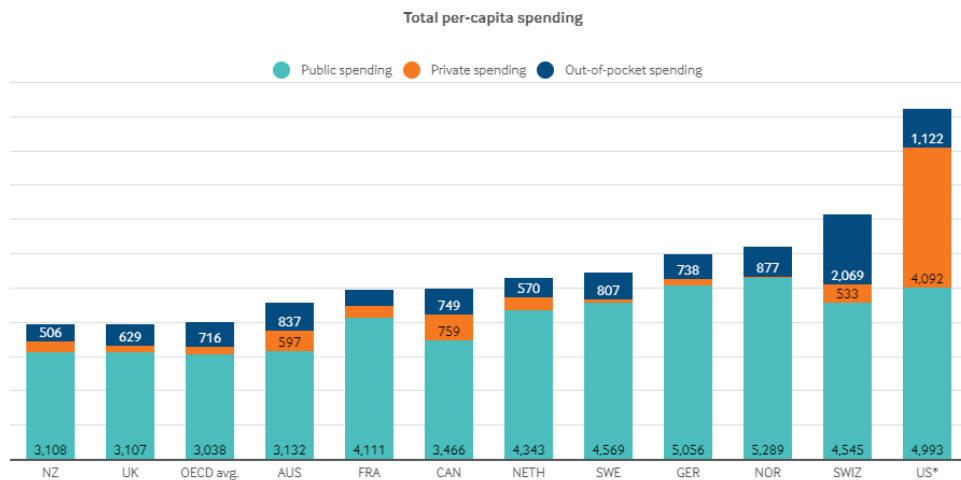
# Uncertainties

- **Resurgence of inflation (though...why?)**
- **Conflicts in Ukraine and Israel.**
  - Global Supply Chains?
  - Oil Prices?
  - Aid to Ukraine and Israel?
- **Asset prices (stocks)**
- **Household balance sheets**
- **Fed Actions in a Political Year.**

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# International Comparison: Health Spending

Dollars (US\$), adjusted for differences in cost of living



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**Thank you!**

## Any Questions?

[www.NEEDEcon.org](http://www.NEEDEcon.org)

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Jon@NEEDEcon.org

Contact NEED: [info@NEEDEcon.org](mailto:info@NEEDEcon.org)

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## Parting Thoughts on Inflation

- **Was Milton Friedman right?**

- "Inflation is always and everywhere a monetary phenomenon."
- As a generalization, but not "always and everywhere".
  - o See price changes from disruptions in the economy.

- **What did we see during the pandemic?**

- Lots of causes that had nothing (?) to do with monetary policy.

- **Where is inflation going?**

- I expect back down to close to 2% sometime next year.

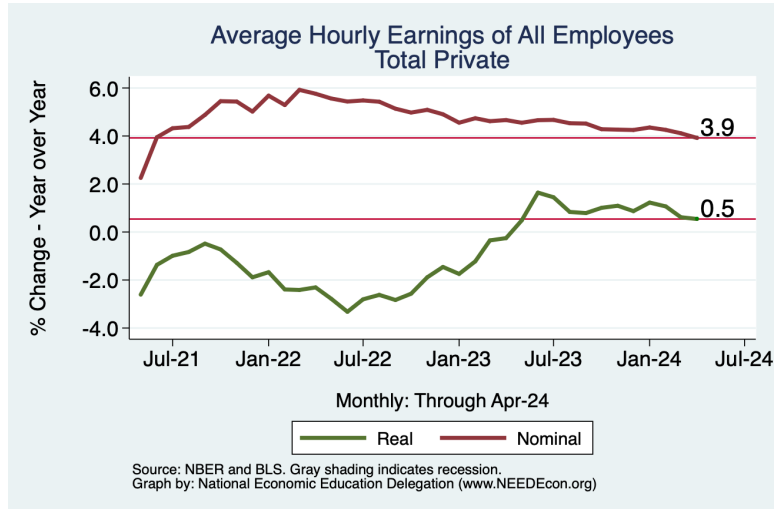


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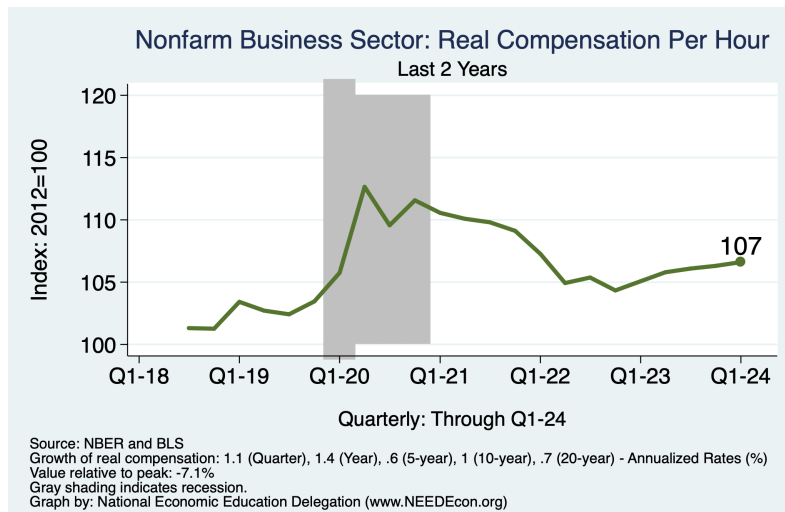
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# Wage Growth



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# Compensation Growth: Pretty good!



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