

U.S. Economic Report

October 10, 2019

California Marine Affairs &
Navigation Conference

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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 are intended to reflect the consensus of the economics profession.



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Who Are We?

• Honorary Board: 44 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)
- 3 Nobel Prize Winners
 - o Akerlof, Smith, Maskin

• Delegates: 367 members

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

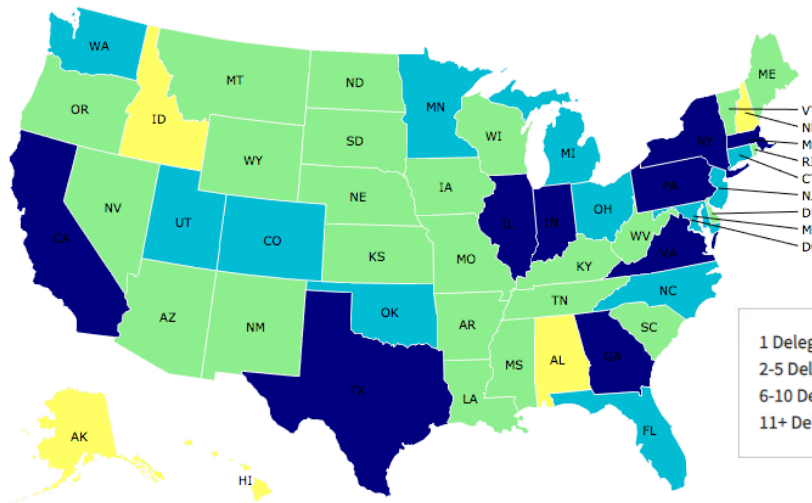
• Global Partners: 42 Ph.D. Economists

- Aid in slide deck development



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Where Are We?



1 Delegate - Yellow
 2-5 Delegates - Green
 6-10 Delegates - Light Blue
 11+ Delegates - Blue



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Credits and Disclaimer

- **This slide deck was authored by:**
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- **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 – Economic Outlook

- **U.S. Economy**
- **Trade War**
- **Summary**

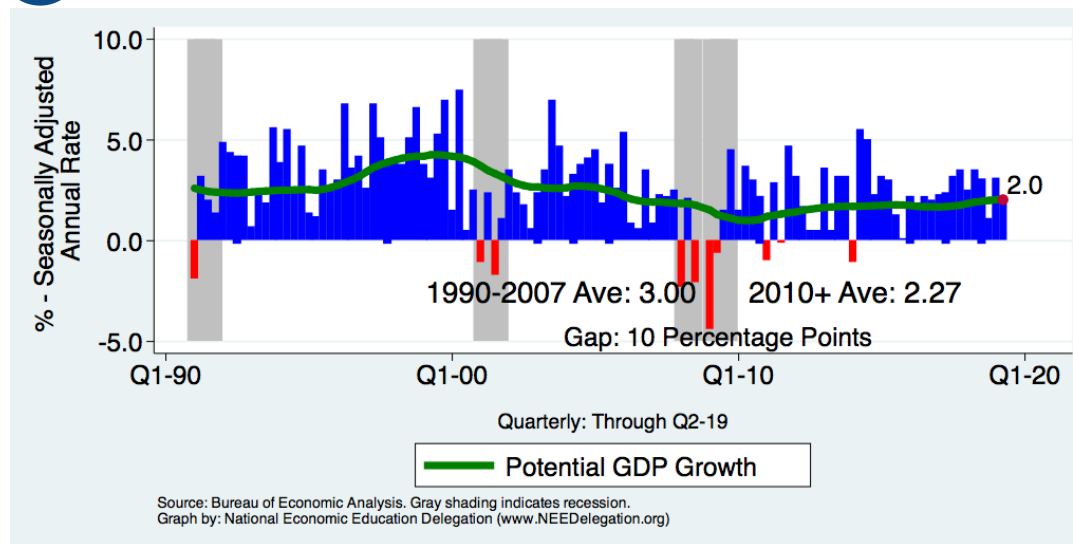


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U.S. Economy

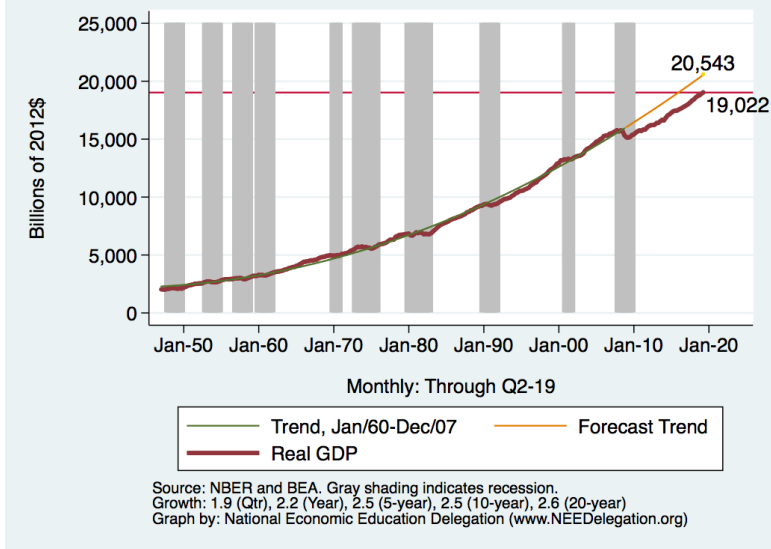
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GDP Growth During Economic Recovery



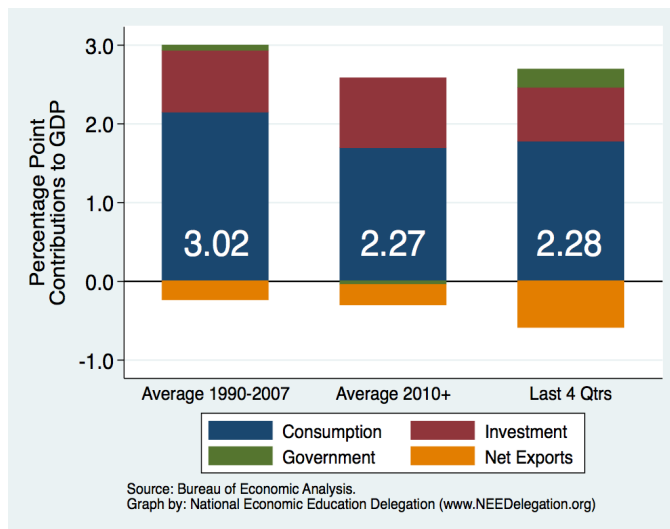
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GDP Relative to Long-Term Trends



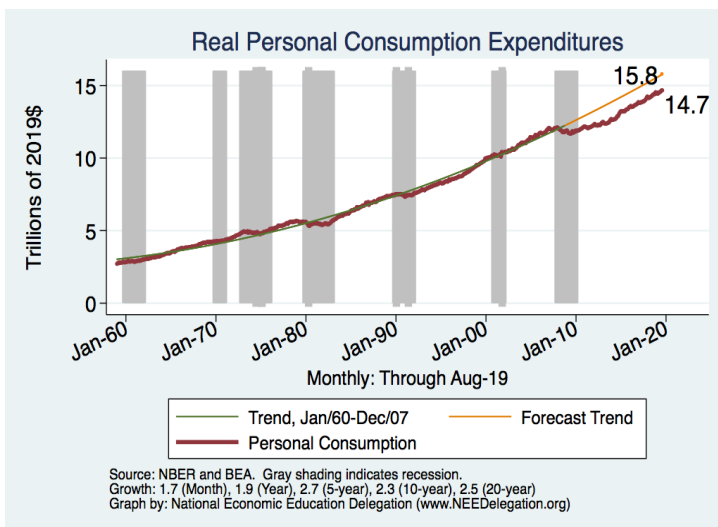
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Expenditure Summary



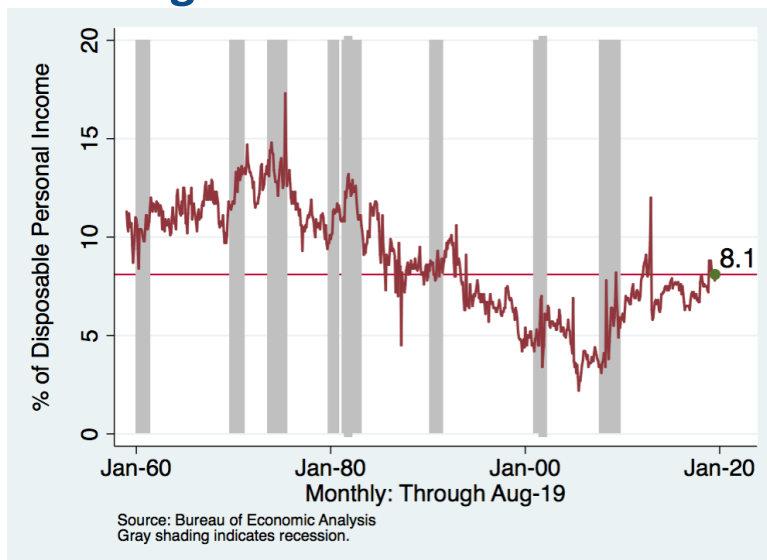
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Personal Consumption Expenditures



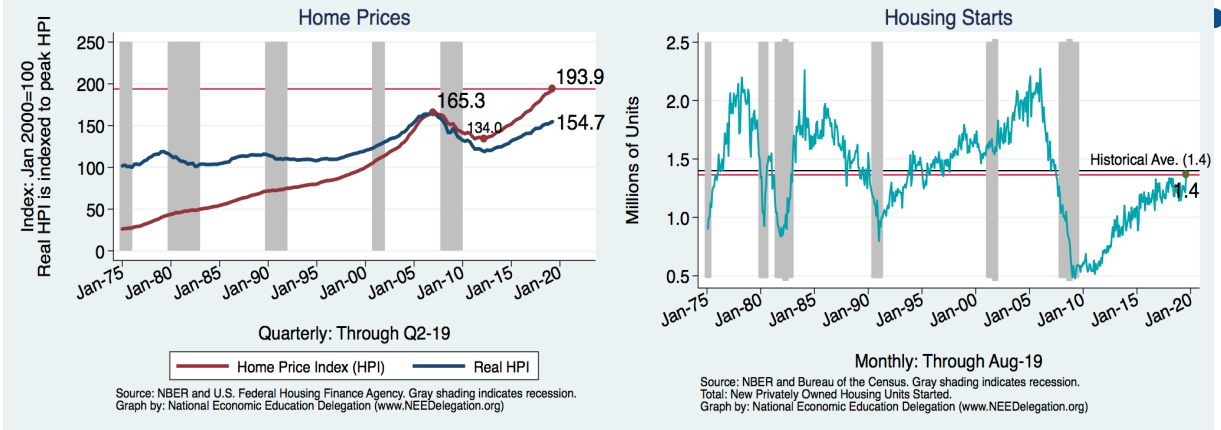
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Personal Savings



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Home Prices and Housing Starts



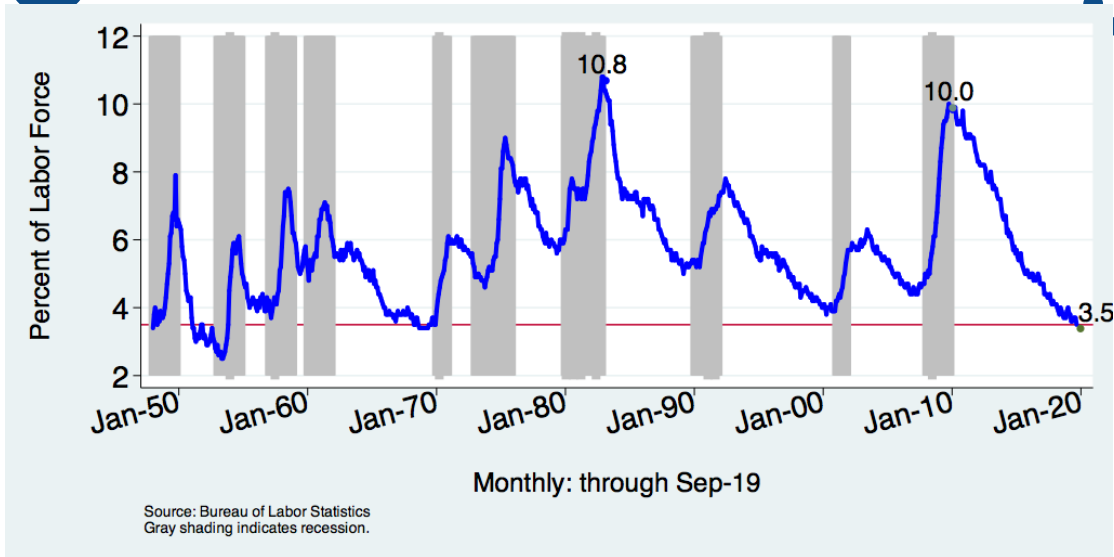
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Summary

- **Recent years have seen relatively tepid increases in demand for output.**
 - In particular, consumption and government spending have been slow relative to other periods.
- **This tepid growth has lead to slow increases in employment.**
 - Although labor markets have tightened, wages have not experienced rapid growth.

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Unemployment Rate

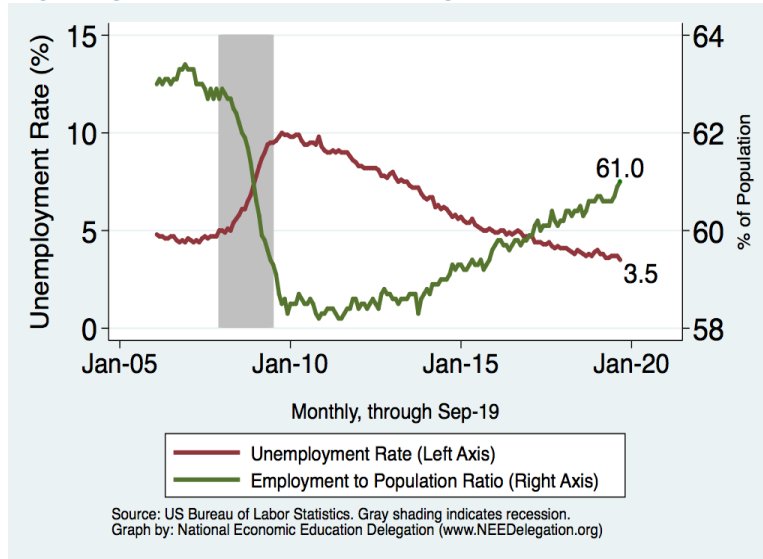


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Slow Employment Recovery

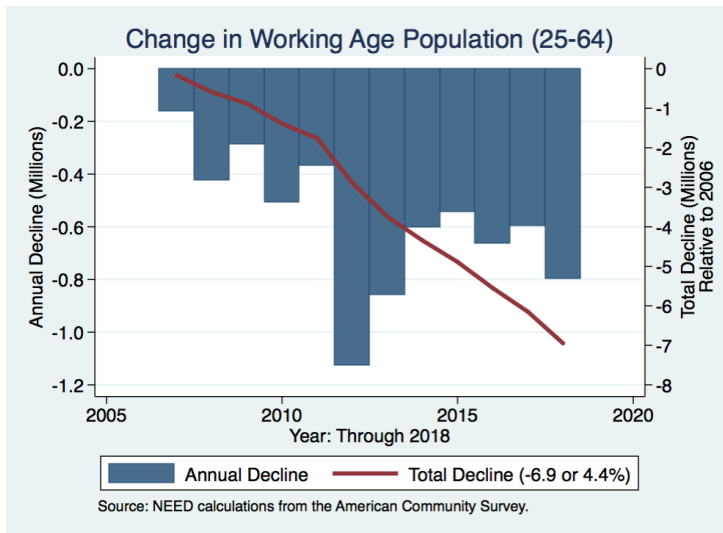


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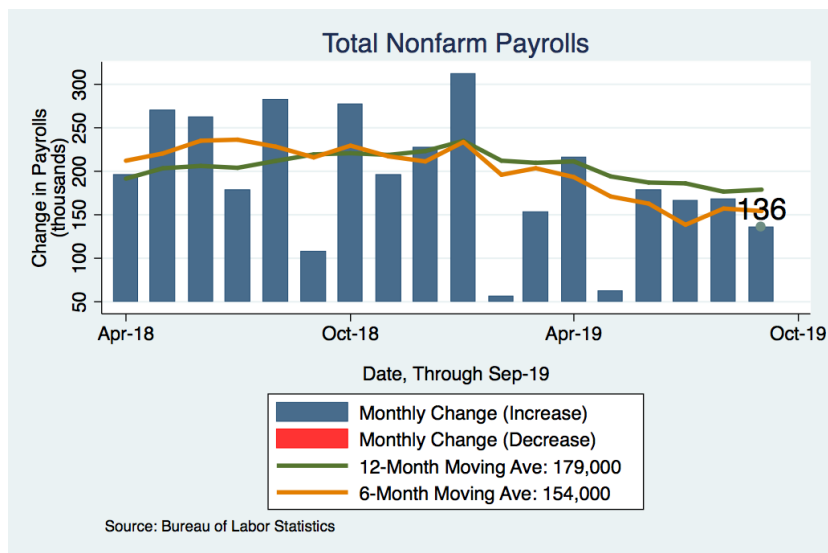
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Baby Boomers Are Retiring!



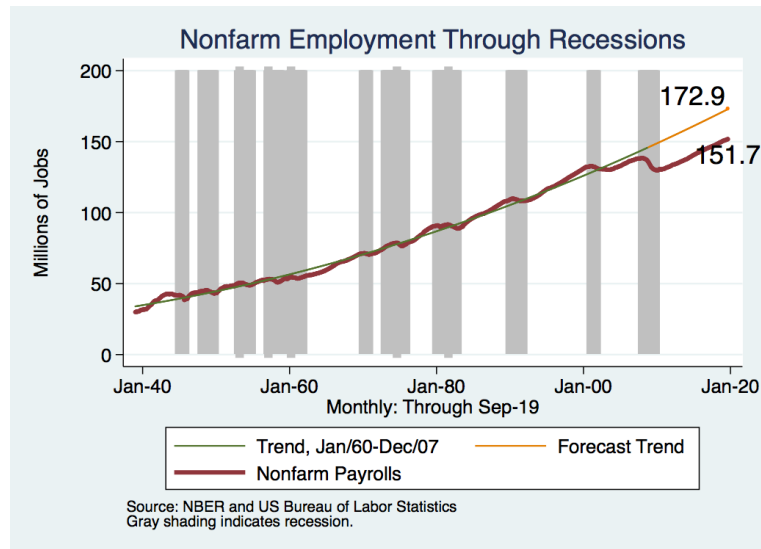
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Monthly Changes in Nonfarm Employment



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Employment Growth



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Cautious Outlook

- **Job growth is slowing**
- **Wage growth, but not too much**
- **Business investment is helpful, but will uncertainty bite?**
 - Slowed significantly in Q2/19
- **Inflation and interest rates remain favorable**
- **Potential source of concern:**
 - Auto and light truck sales are slowing
 - Home building is slowing



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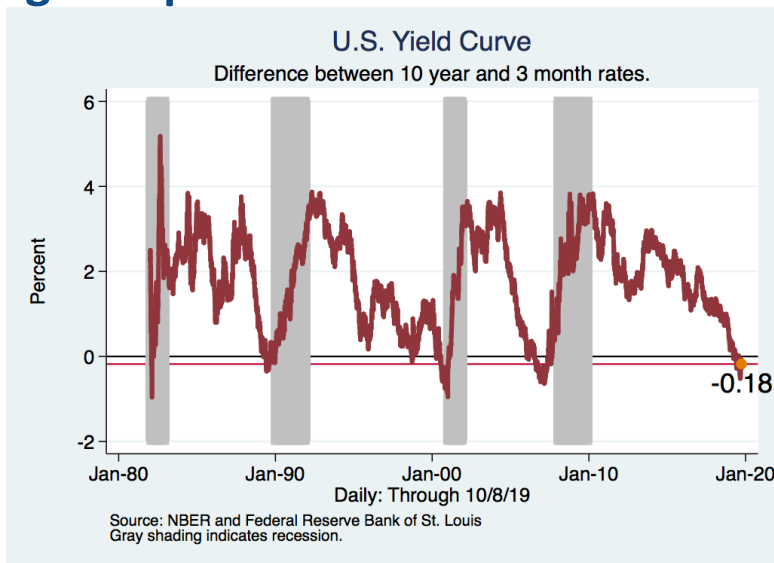
Things to Be Worried About

- Yield Curve
- Growing Pessimism
- Growth Abroad
- Corporate Debt
- Government Debt
- Policy Uncertainty
 - Trade and immigration policy, especially



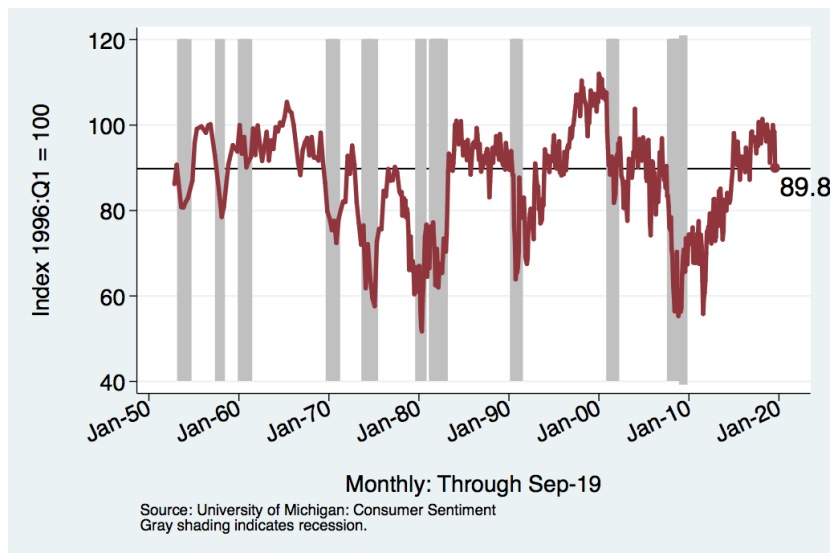
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Alarming Compression of Interest Rates



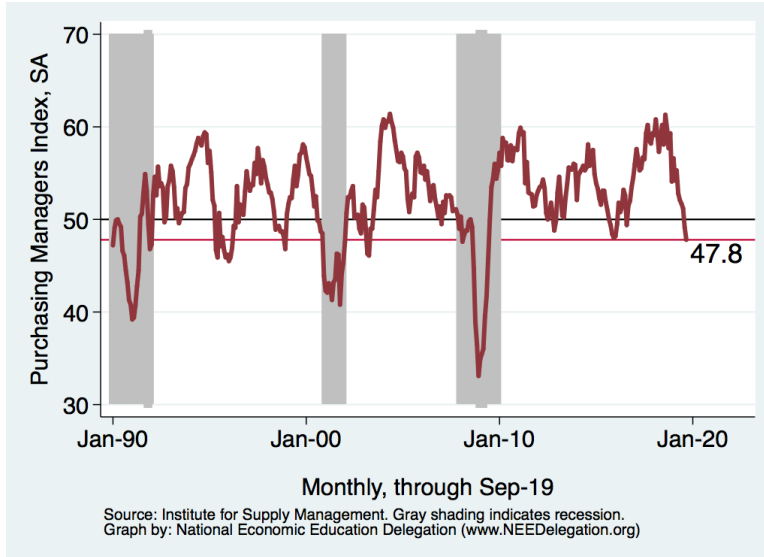
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Consumer Confidence: Waning?



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Producer Confidence: Not What it Used to be!



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Overall Summary

- **Tailwinds and headwinds both exist (mostly headwinds)**
 - Economic forecasts for near term are moderate, but gaining pessimism.
 - 2020 and 2021 forecasts are less sanguine.
- **There remains room for the economy to grow**
 - Labor force growth is available
 - Consumption has room to grow
 - Business investment is slowing
 - Slack in housing markets
- **Long term concerns unaddressed...**
 - Inequality, Infrastructure, Federal Debt



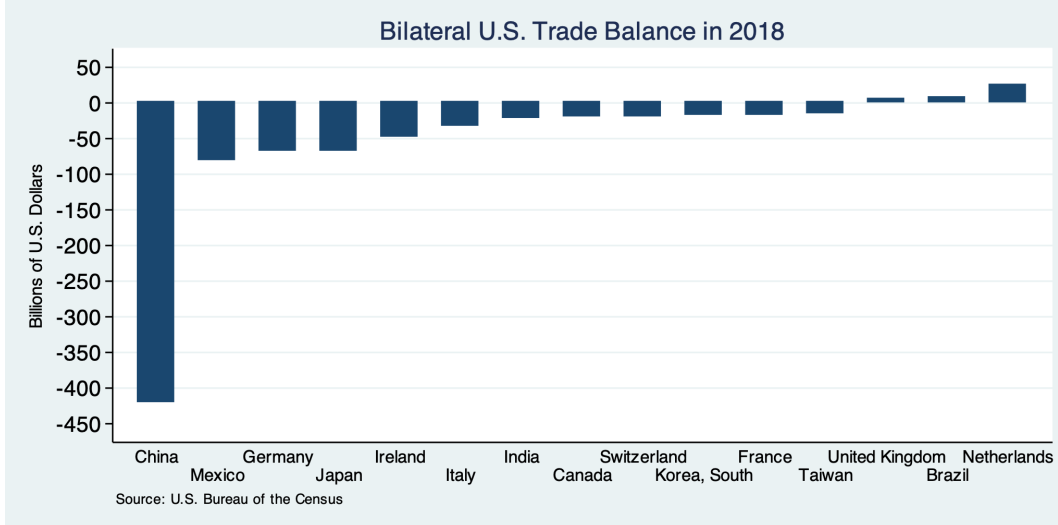
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A Few Words on Trade Policy/Wars



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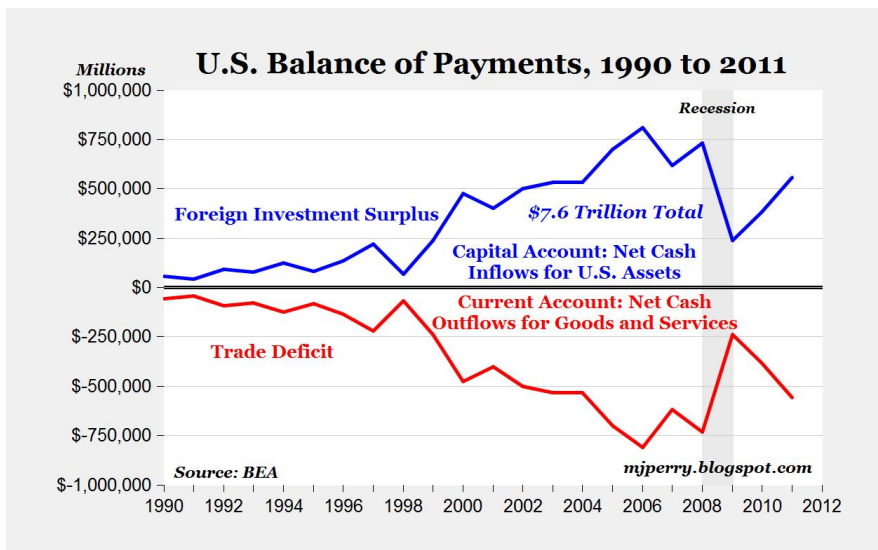
Bilateral trading relationships



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Trade and Investment Flows Balance Out

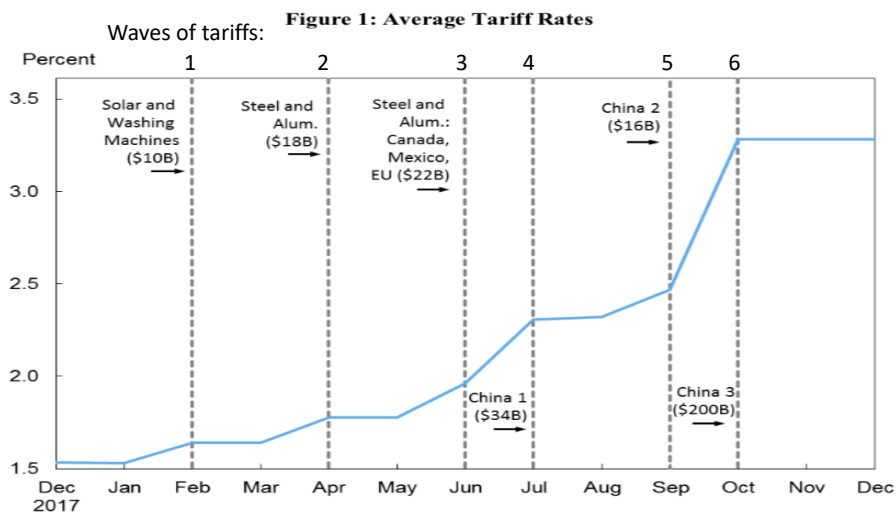


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Trade War

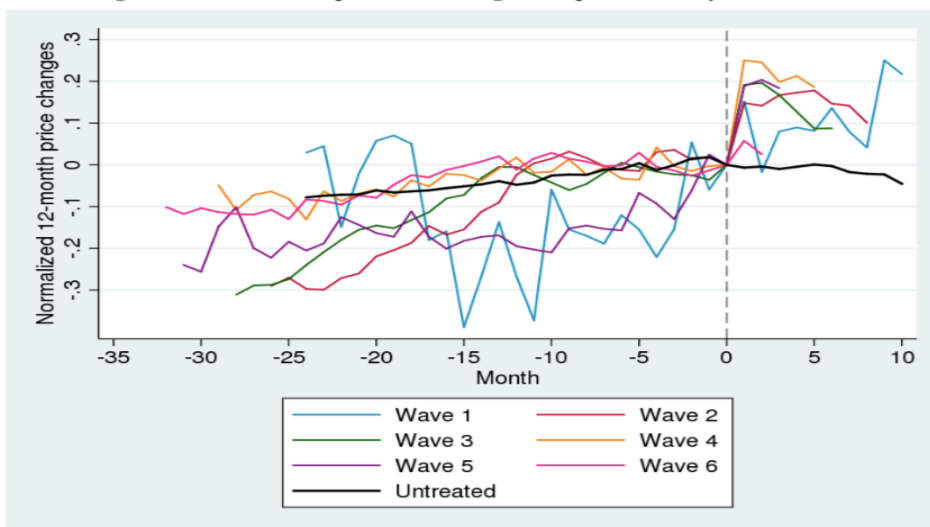


Source: US Census Bureau; USTR; USITC; authors' calculations.

Source: Amiti, et al. 2019.

Trade War

Figure 3: 12-month Proportional Change in Import Prices by Tariff Wave

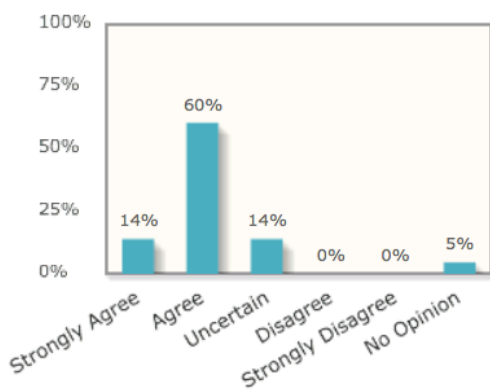


Source: Amiti, et al. 2019.

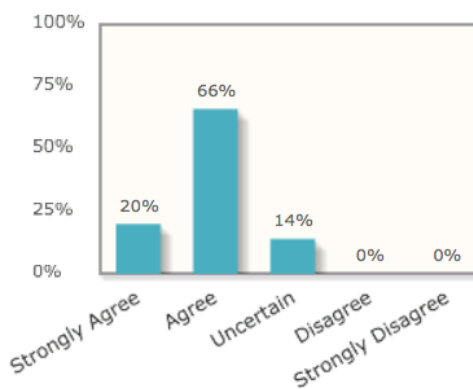
Agreement on Incidence

Question A: The incidence of the latest round of US import tariffs is likely to fall primarily on American households.

Responses

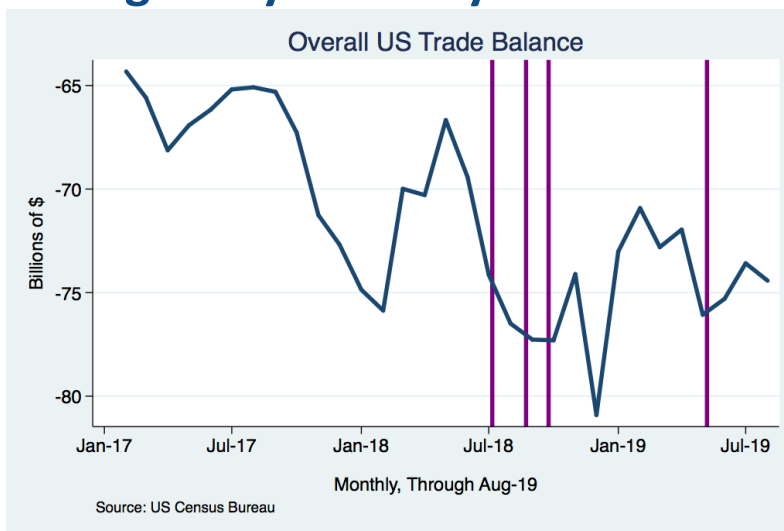


Responses weighted by each expert's confidence



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Is It Working? Maybe...Maybe Not...



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Trade Talks

What Might a China-US Trade Deal Include?

- **US wants** (per FT, 3/25/19):
 - Huge Chinese purchases of US exports
 - to reduce US trade deficit
 - Liberalization of market access for US goods and services
 - Reform of Chinese industrial policy
 - especially “forced transfers” of IP
 - US permitted to use punitive tariffs if these are violated
 - without China retaliating or complaining to WTO

- **China wants:**
 - Removal of US tariffs
 - Removal on restrictions on Huawei



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Thank you!

Any Questions?

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