



US Economy and Russia/Ukraine Conflict

Marin County Dept of Education Property Tax Forum

May 12, 2022
Jon Haveman, Ph.D.
Executive Director, NEED



**NATIONAL ECONOMIC
EDUCATION DELEGATION**

1

1

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.

**NATIONAL ECONOMIC
EDUCATION DELEGATION**

2

2

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)
- 3 Nobel Prize Winners
 - o Akerlof, Smith, Maskin

- **Delegates: 651+ 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: 49 Ph.D. Economists**

- Aid in slide deck development



NATIONAL ECONOMIC
EDUCATION DELEGATION

3

3

Available NEED Topics Include:

- **Coronavirus Economics**
- **US Economy**
- **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**
- **US Social Policy**



NATIONAL ECONOMIC
EDUCATION DELEGATION

4

4

Outline

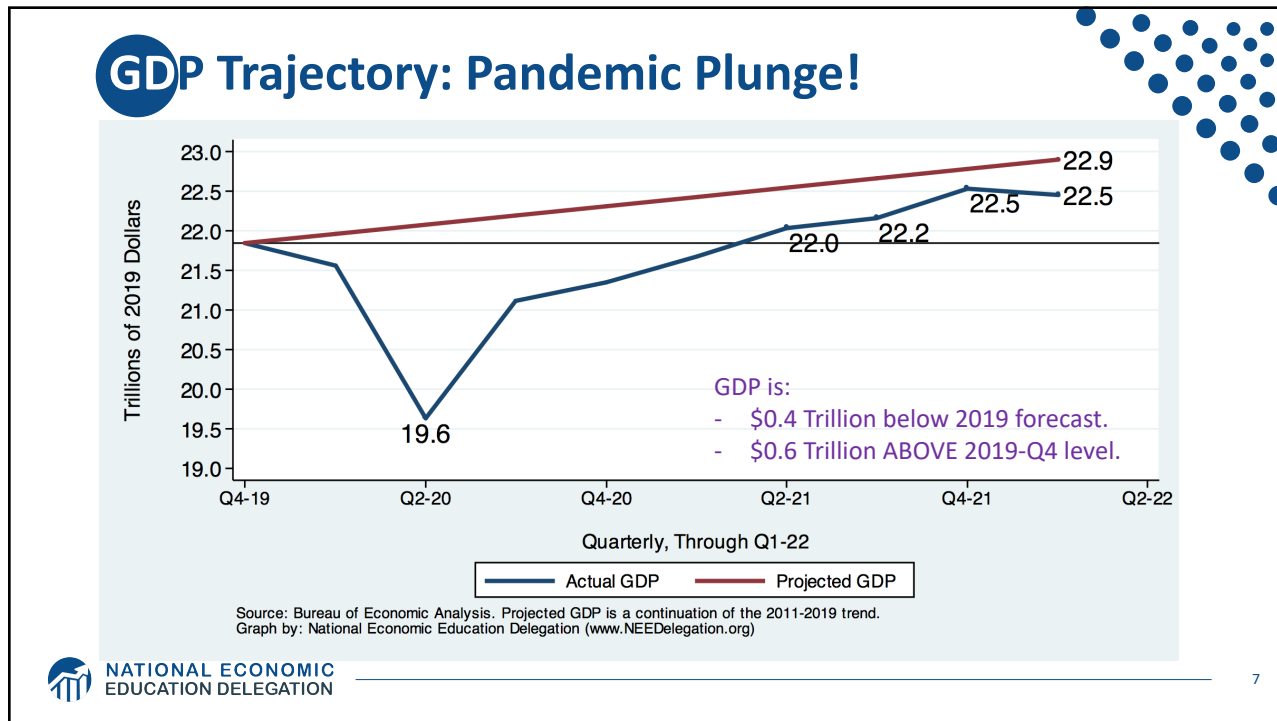
- The U.S. Economy
- Inflation
- Russia/Ukraine
- Housing Markets

5

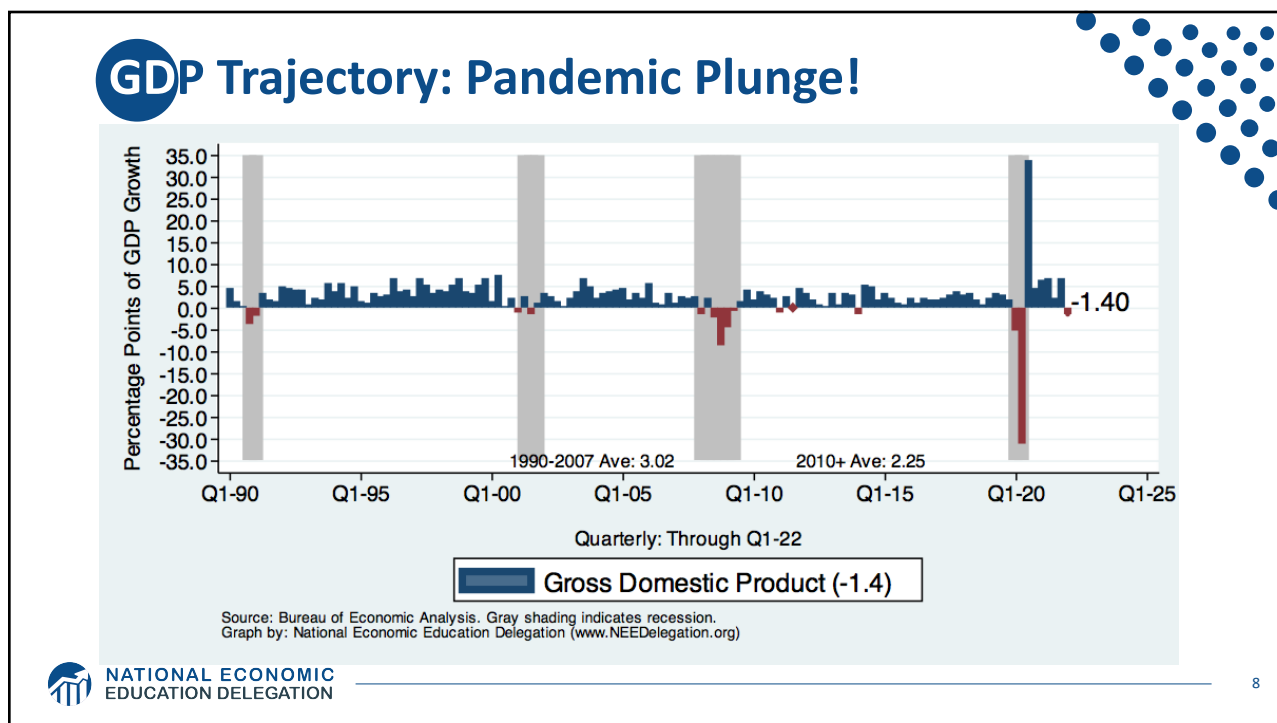
The U.S. Economy

The Role of the Pandemic versus Policy Adjustments? And what now?

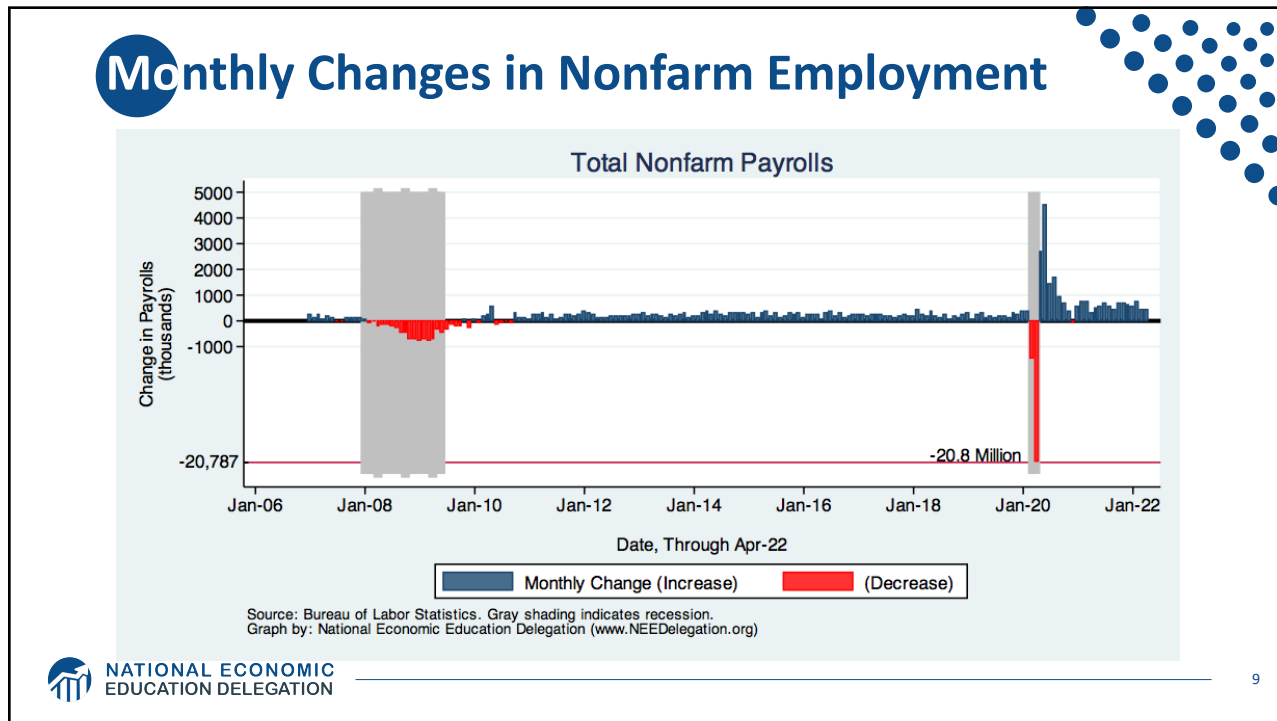
6



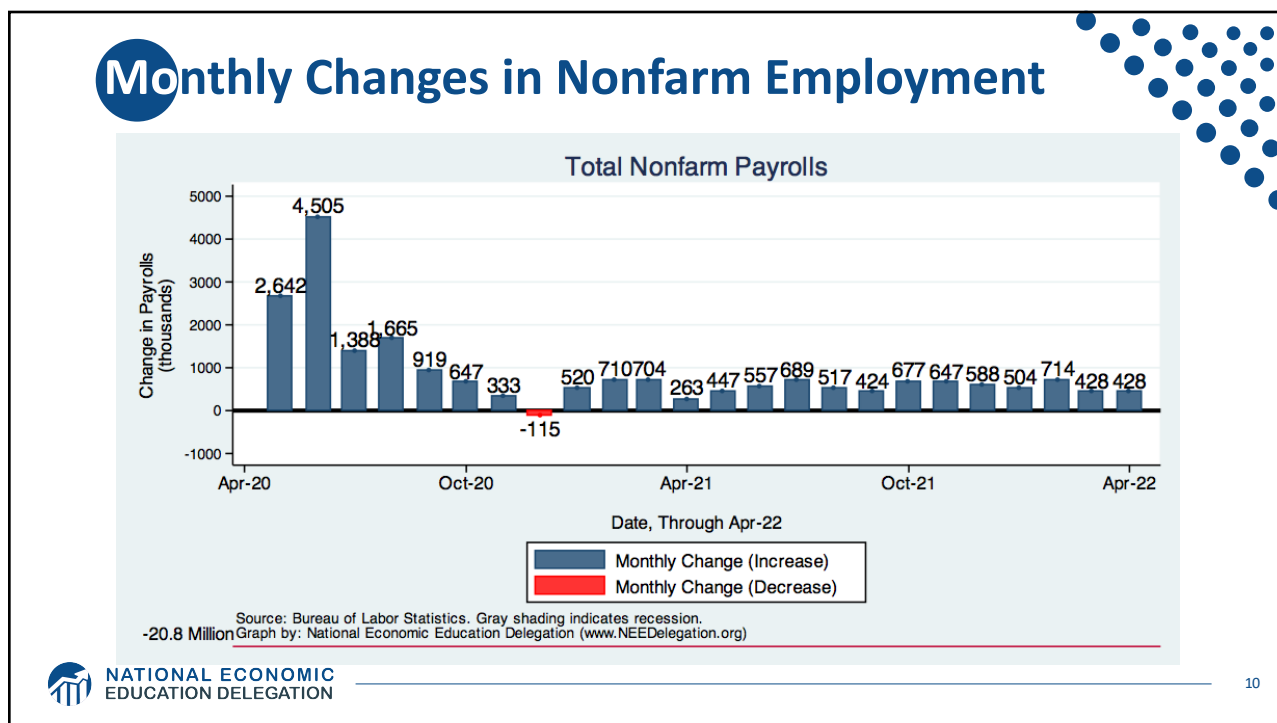
7



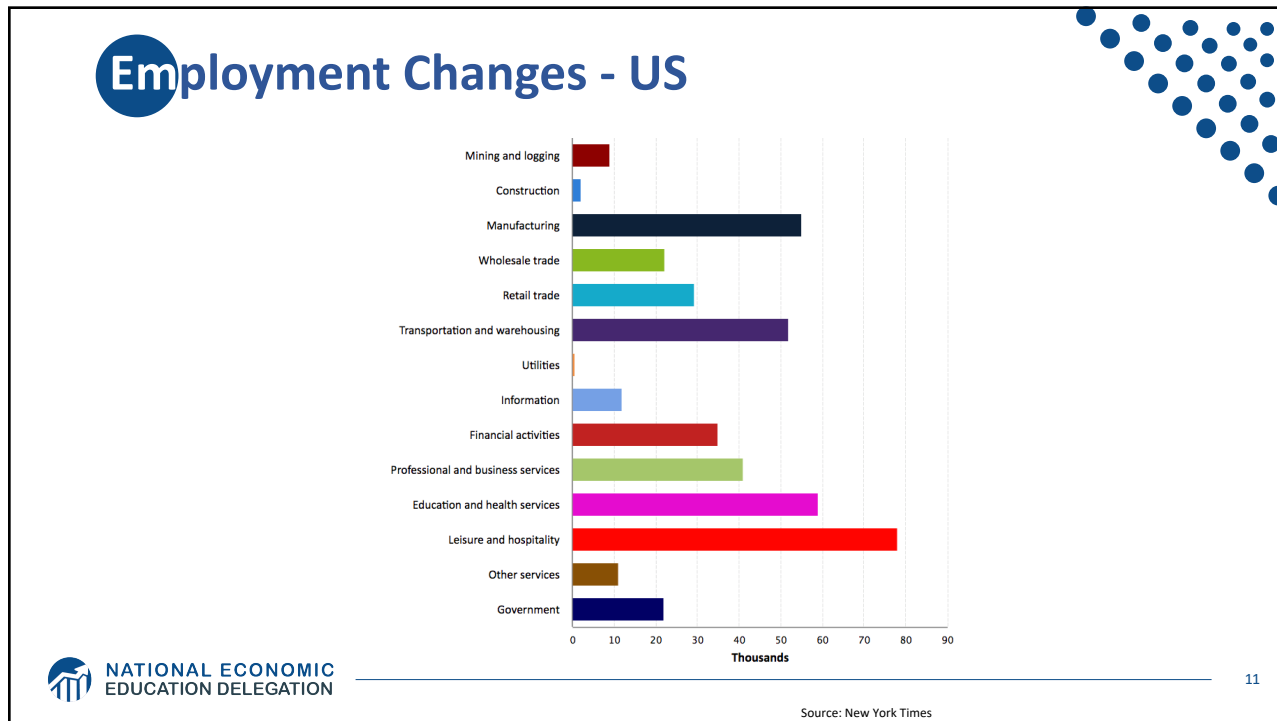
8



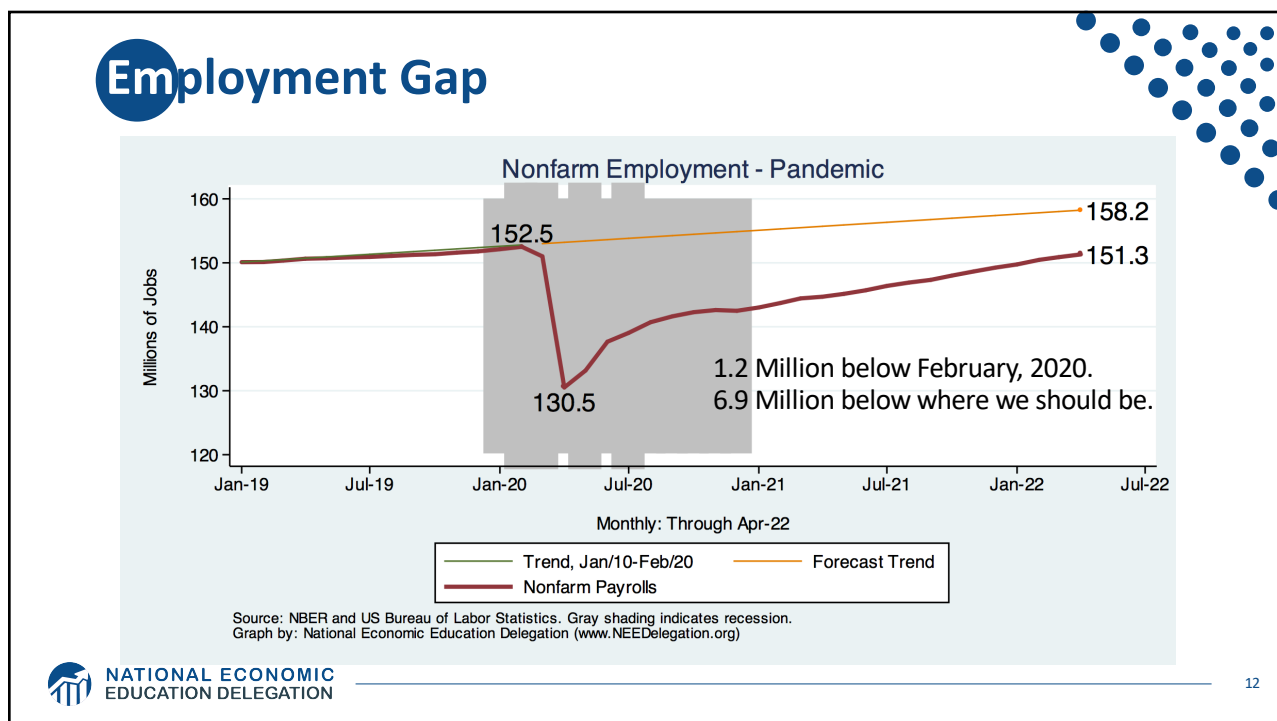
9



10

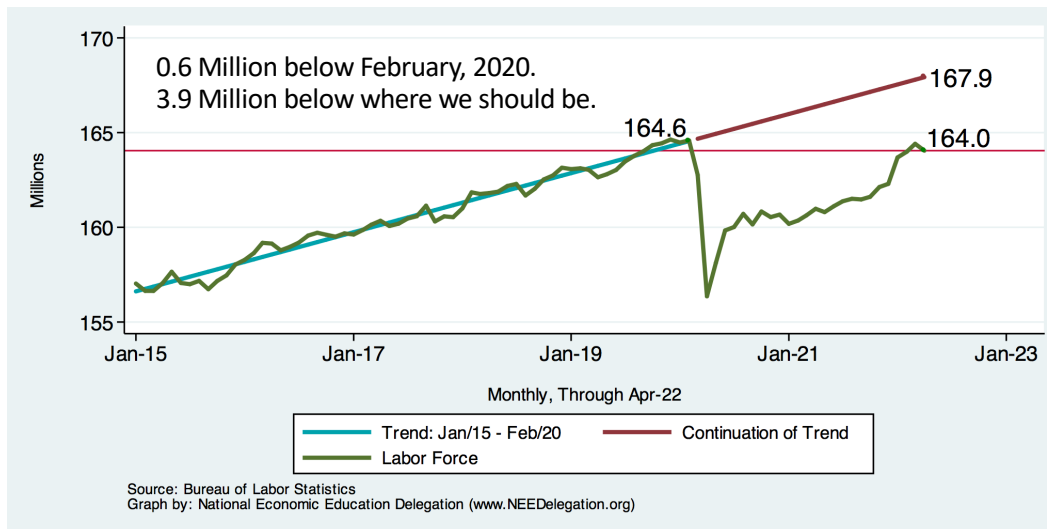


11



12

Trends in Labor Force Participation

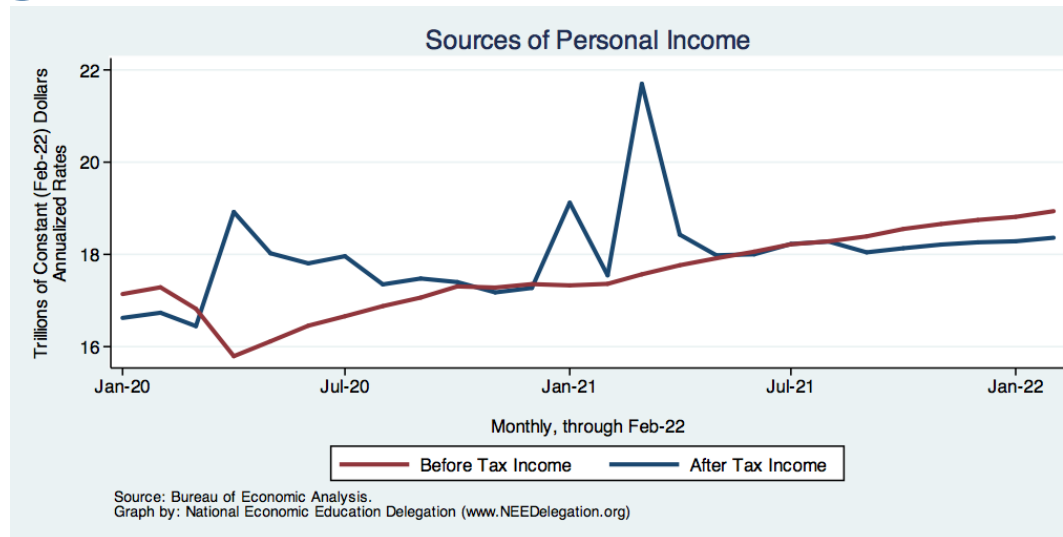


NATIONAL ECONOMIC EDUCATION DELEGATION

13

13

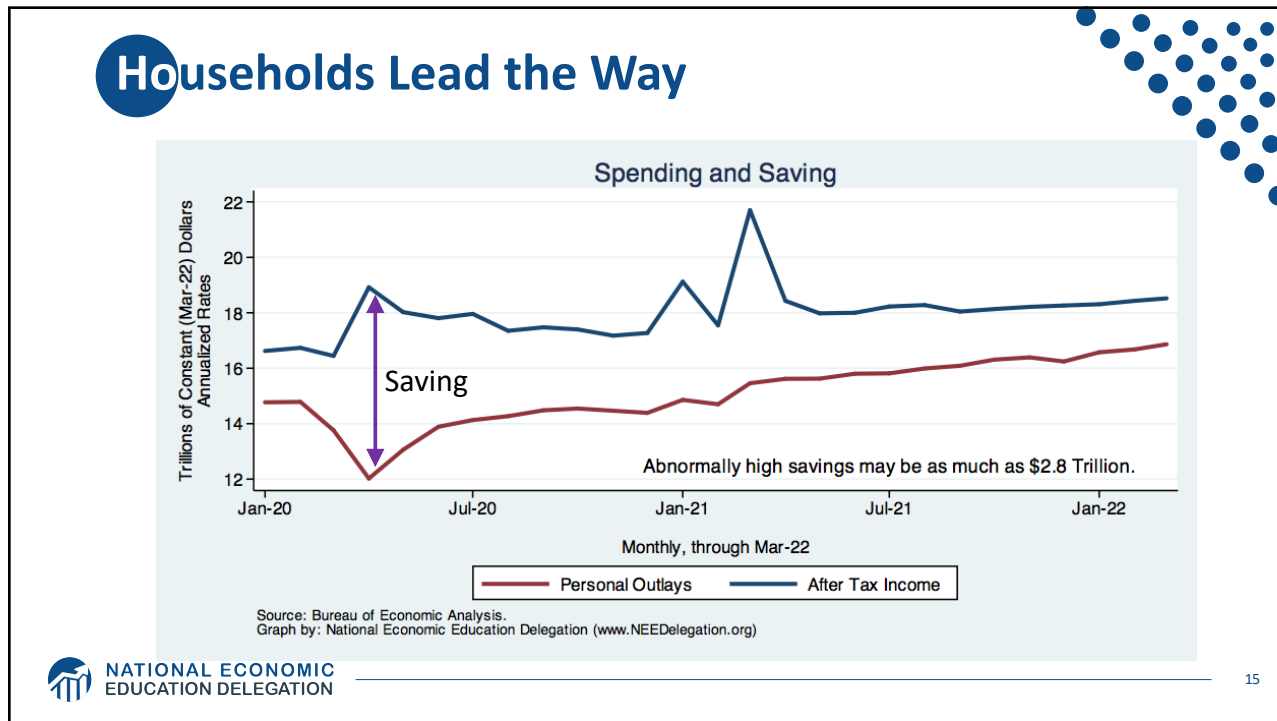
Fiscally Driven Recovery



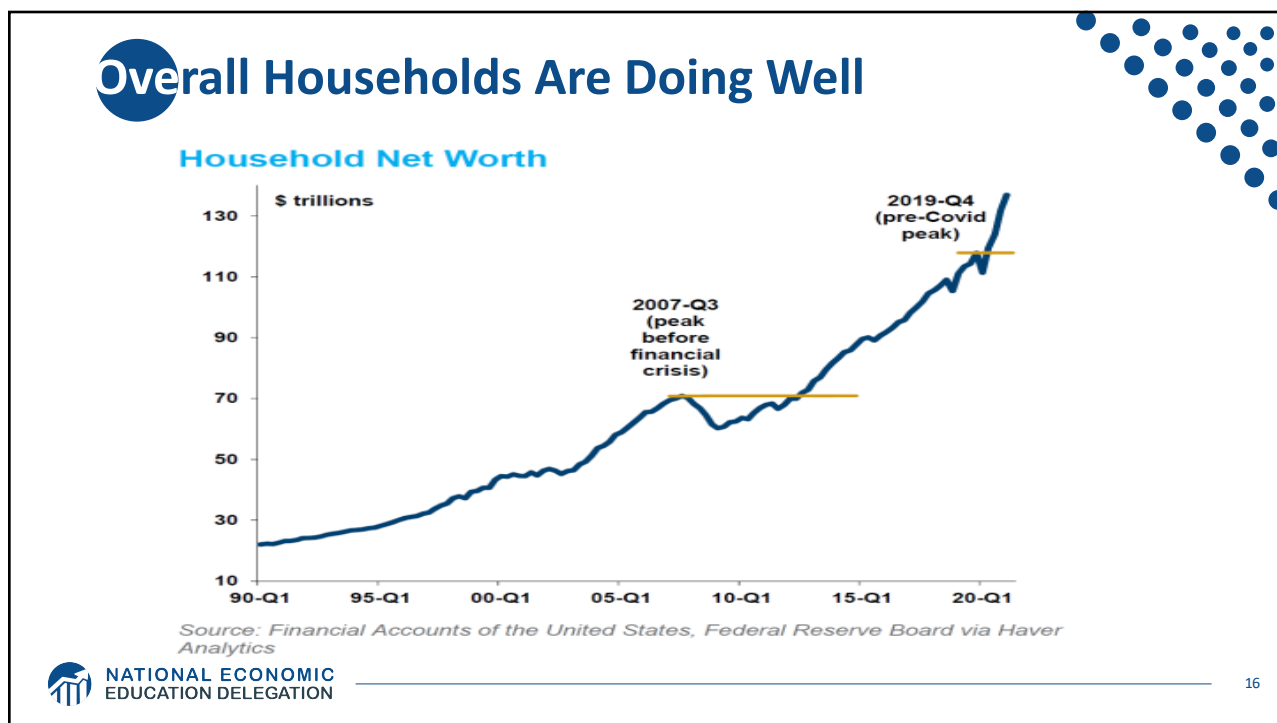
NATIONAL ECONOMIC EDUCATION DELEGATION

14

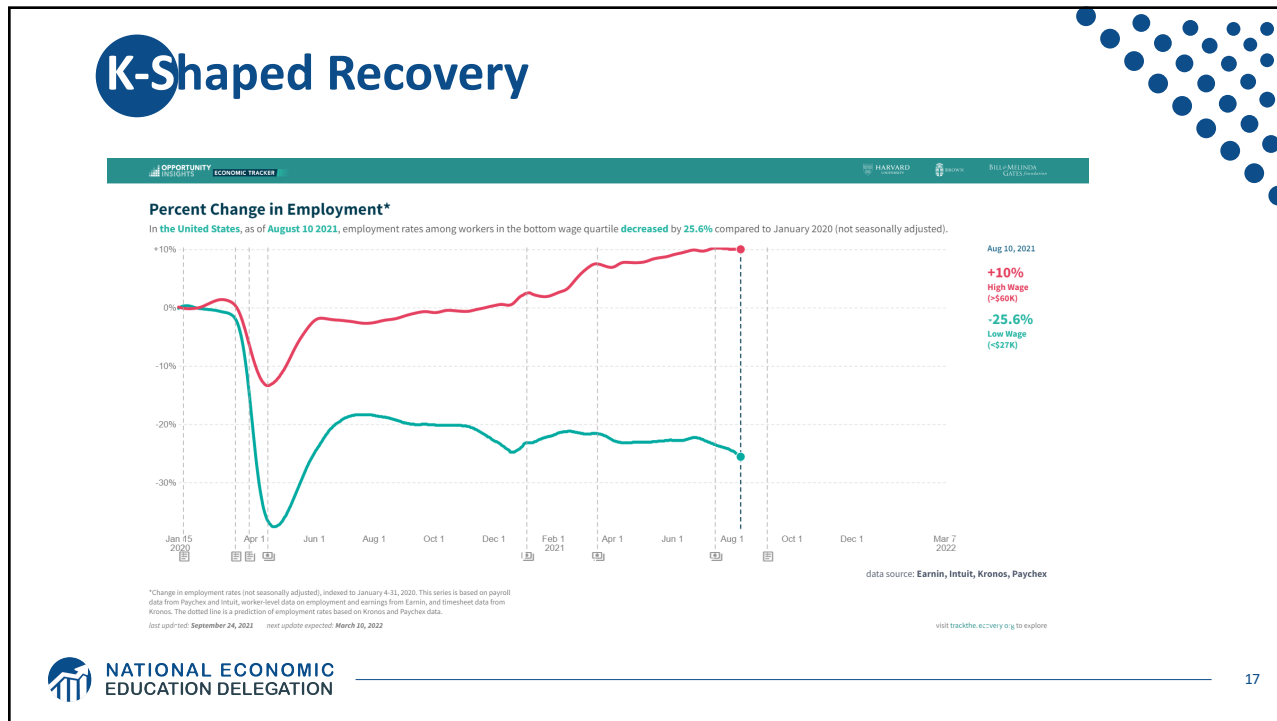
14



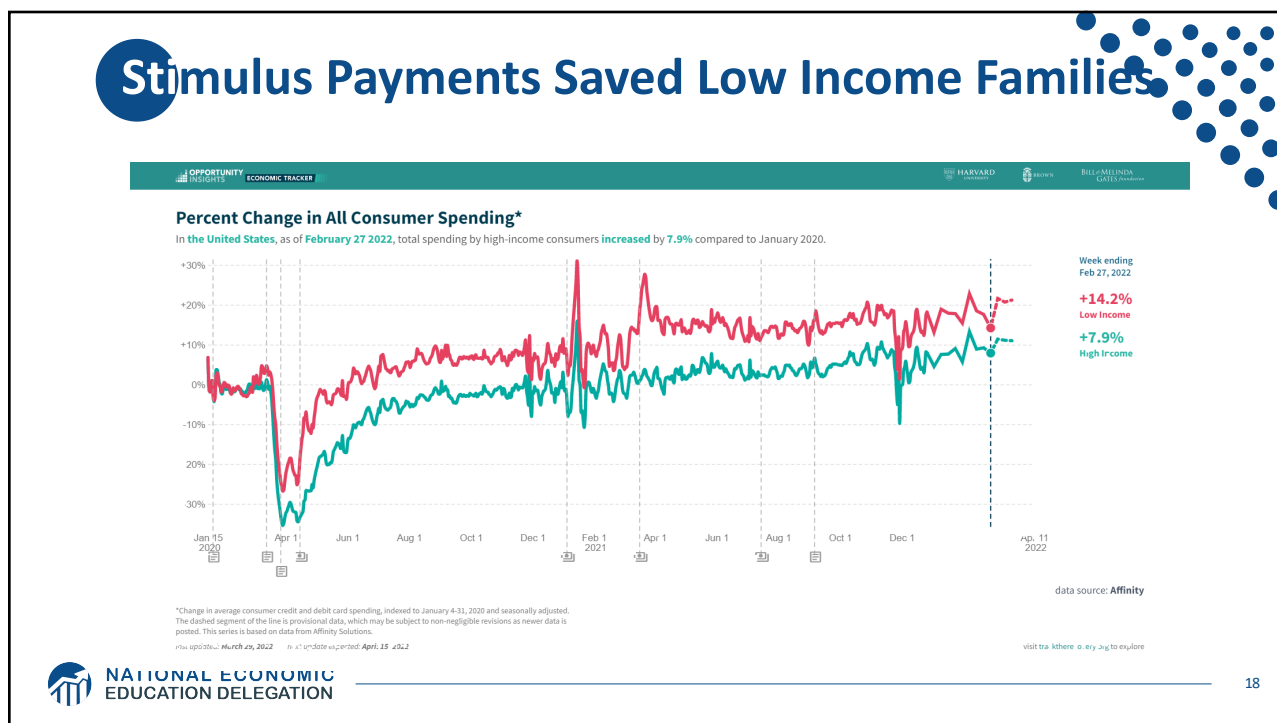
15



16



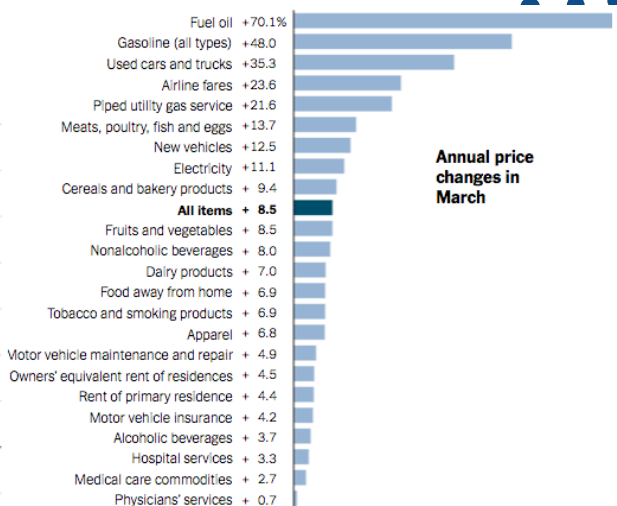
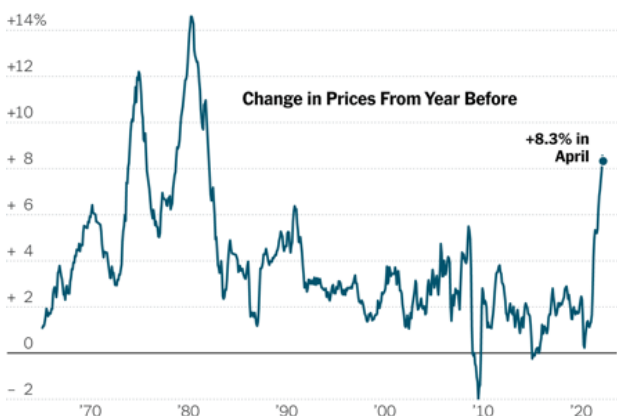
17



18

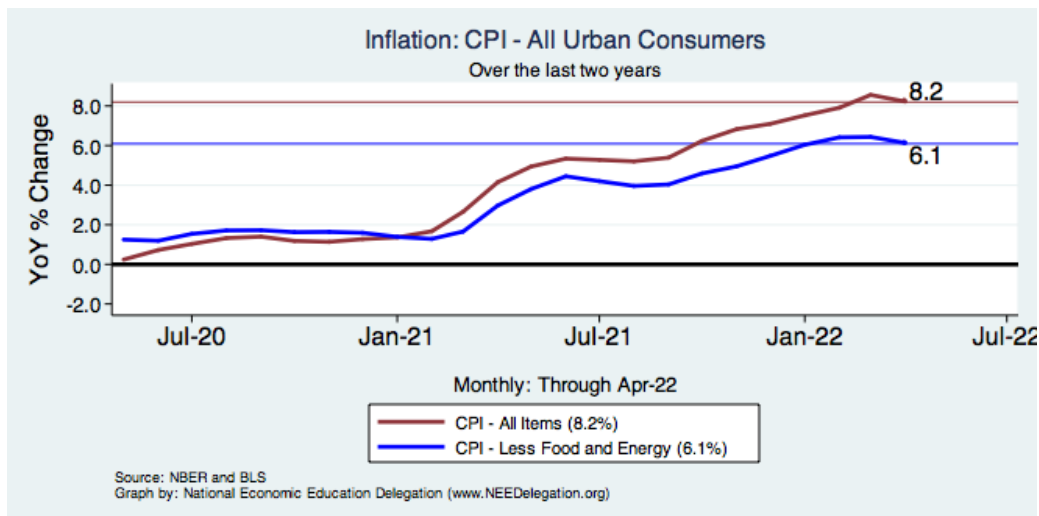
Inflation

Inflation News

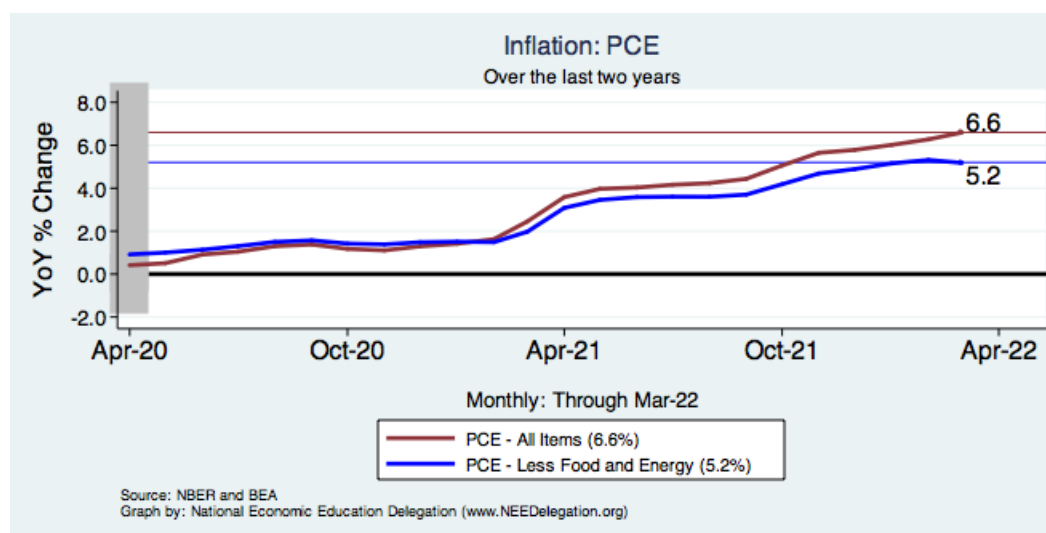


Year-over-year changes in a selection of categories of the Consumer Price Index • Source: Bureau of Labor Statistics • By The New York Times

Food and Fuel are A Big Part of the Story



Inflation – The Fed’s Metric! Not Sooo High.



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.

NATIONAL ECONOMIC EDUCATION DELEGATION

23

Source: Investopedia

23

We're Buying Mostly ... Stuff

Real monthly household spending at an annualized rate, trillions of chained 2012 dollars

a. Goods

April 2021
11% above trend

b. Services

April 2021
7% below trend

Demand-Pull

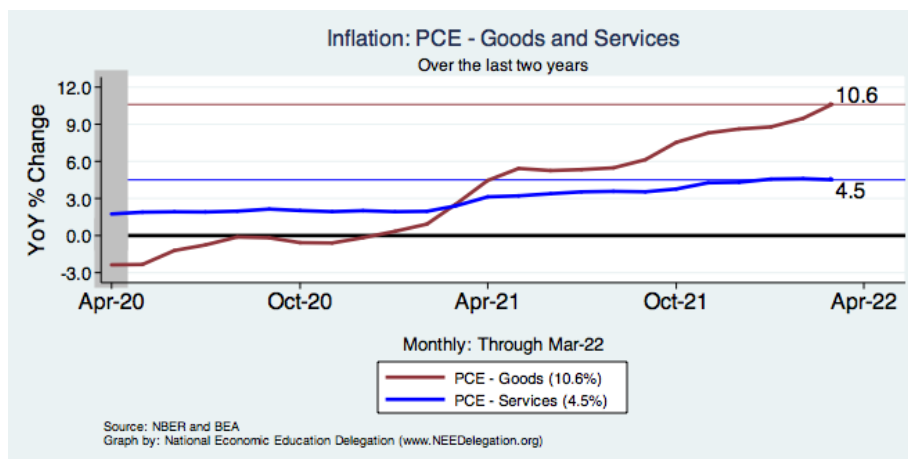
NATIONAL ECONOMIC EDUCATION DELEGATION

24

Source: Jason Furman, PIIE

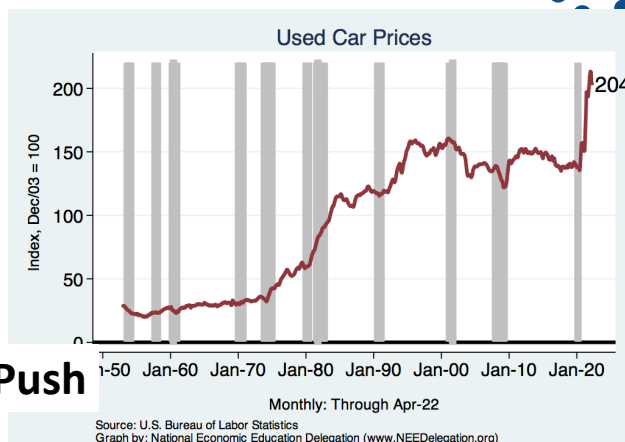
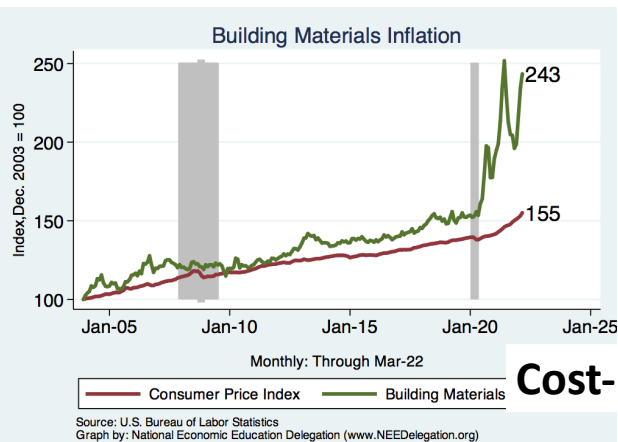
24

Goods are Driving Inflation



25

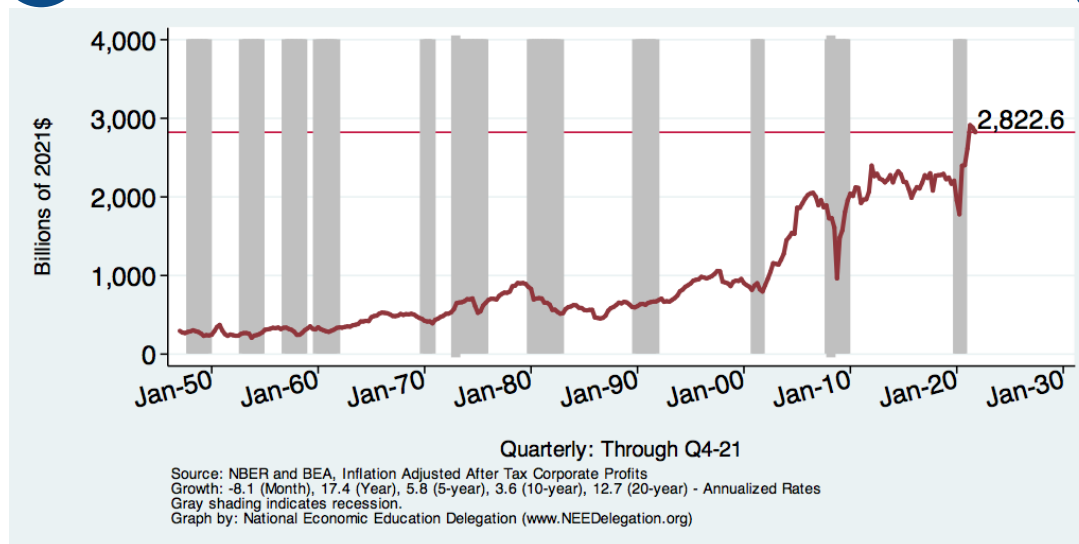
Inflation: Concentrated



Cost-Push

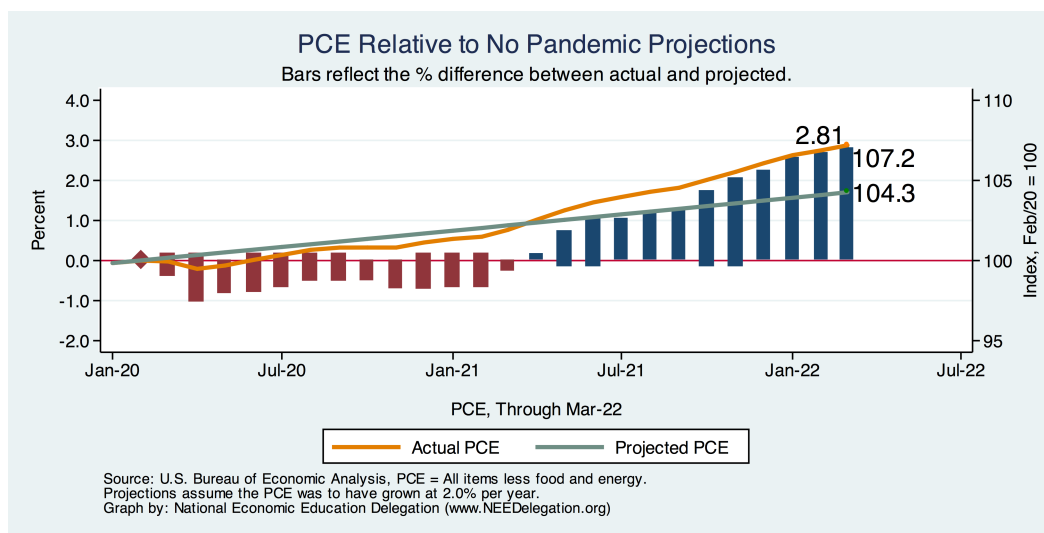
26

Corporate Profits...Adding to Inflation?



NATIONAL ECONOMIC EDUCATION DELEGATION

Inflation – PCE and Fed Suggest: I don't know.

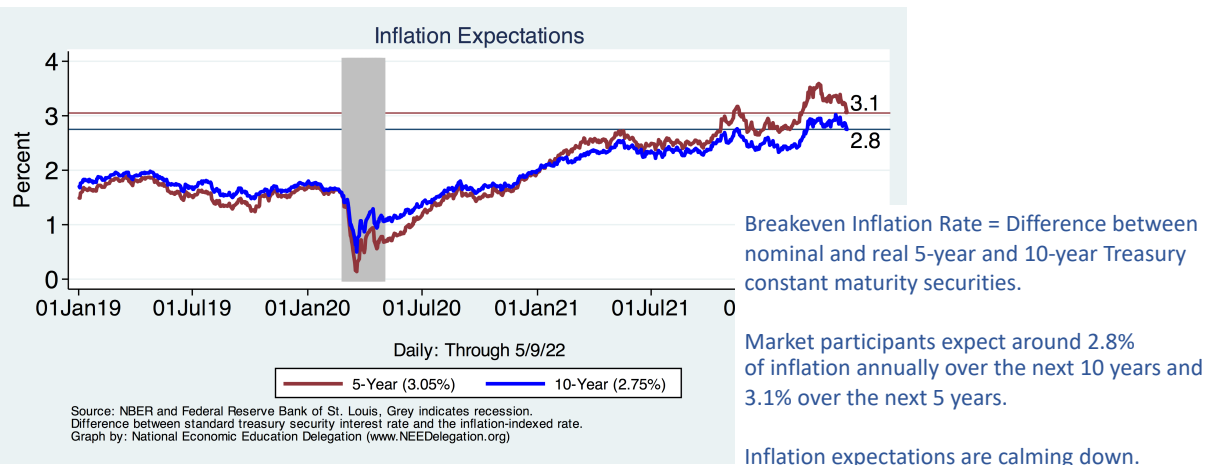


NATIONAL ECONOMIC EDUCATION DELEGATION

My Diagnosis for the Uptick in Inflation

- Yes, there were supply chain issues that affected some areas in particular (e.g., computer chips).
- But there is too much total spending and in the absence of bold Fed actions is likely to continue.
- 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.

Measure of Inflation Expectations



Russia/Ukraine(/Belarus)



NATIONAL ECONOMIC
EDUCATION DELEGATION

31

31

Consequences for the Global Economy

- **Primarily:**
 - Oil
 - Wheat
- **Why?**
 - Major suppliers of each
 - 29% of world wheat production
 - 20-40% of Europe's oil and gas
 - Russia part of OPEC+
 - Russian and Ukrainian combined economies are small.
 - Don't forget Belarus.



NATIONAL ECONOMIC
EDUCATION DELEGATION

32

32

The Conflict in Ukraine and the US Economy

- **Short run**

- Uncertainty
- Recession?
- Increase in cost of food and fuel

- **Long run**

- Decrease in globalization

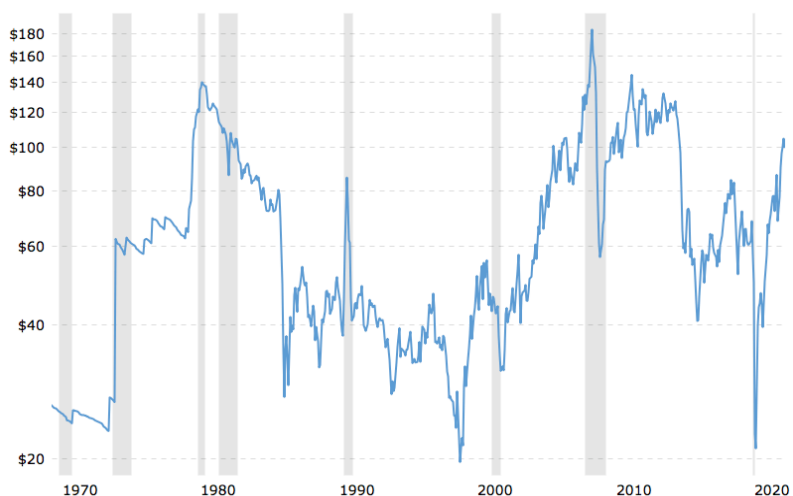


NATIONAL ECONOMIC
EDUCATION DELEGATION

33

33

Supply Shocks: Then and Now



Historical Oil Price
adjusted for Inflation.

\$99.76 on May 10/22



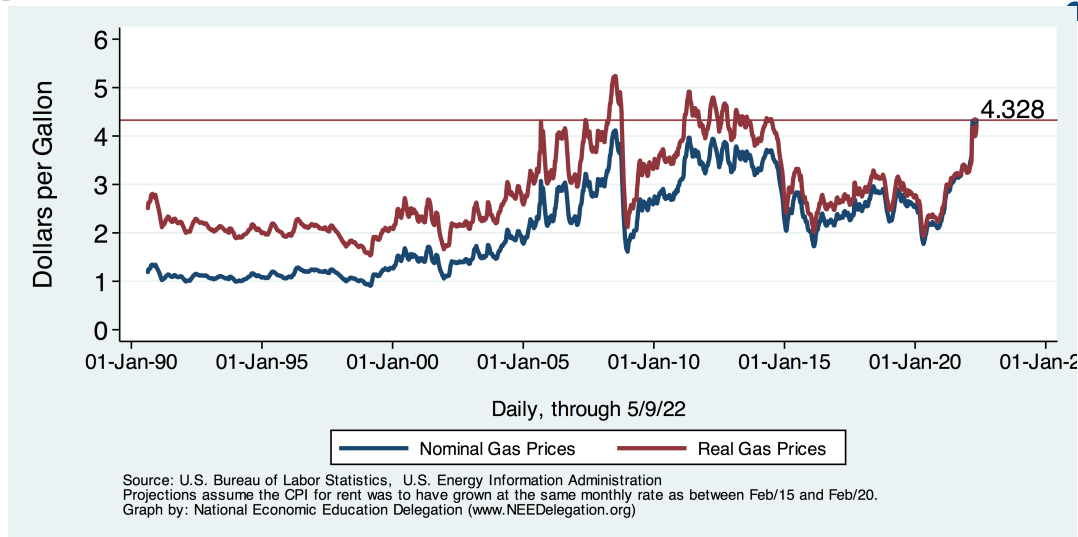
NATIONAL ECONOMIC
EDUCATION DELEGATION

34

Source: macrotrrends.net

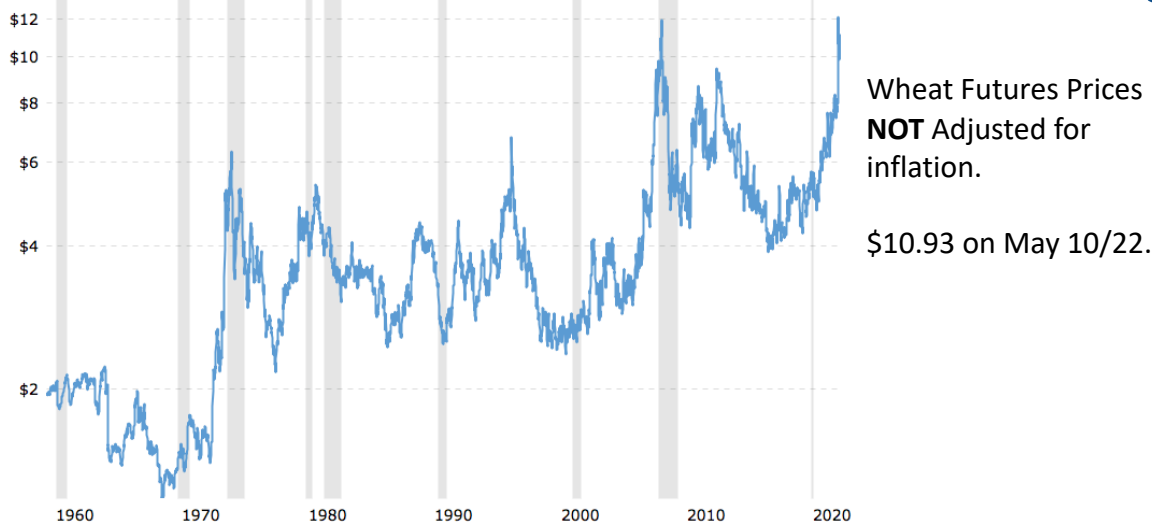
34

Gas Prices at the Pump

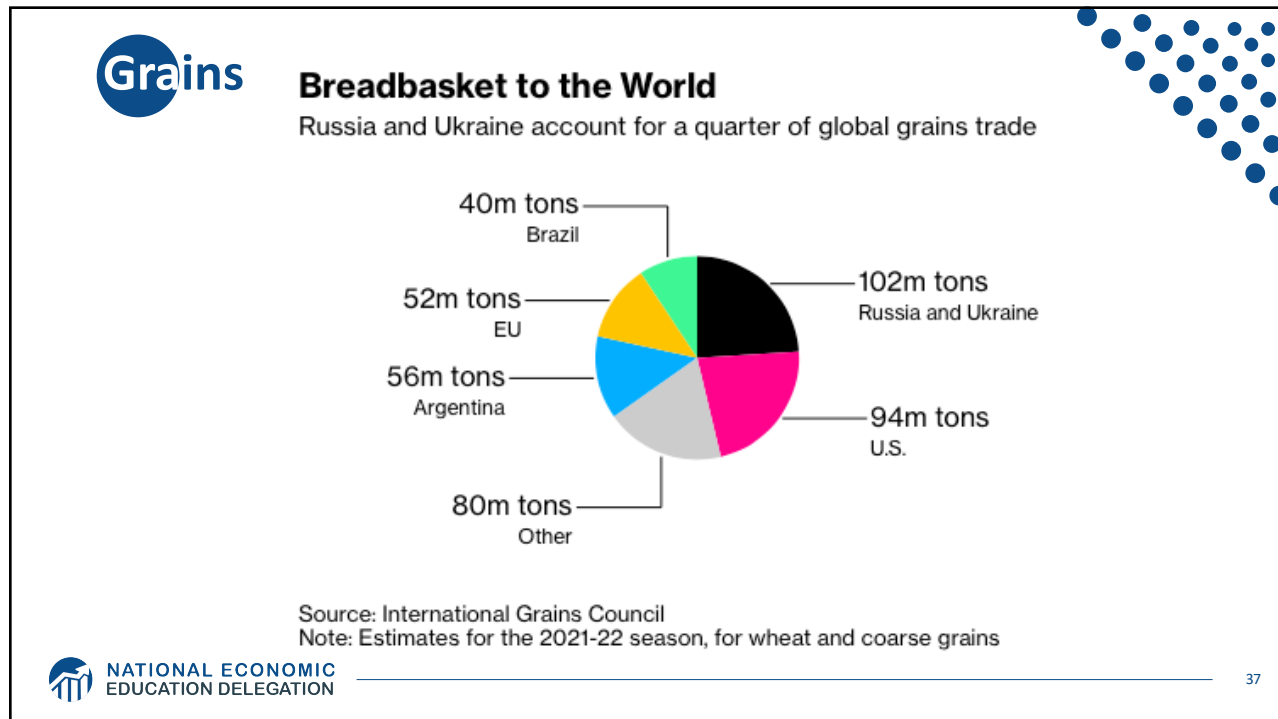


35

Wheat Prices Also Look Scary



36



37

Oh, and...

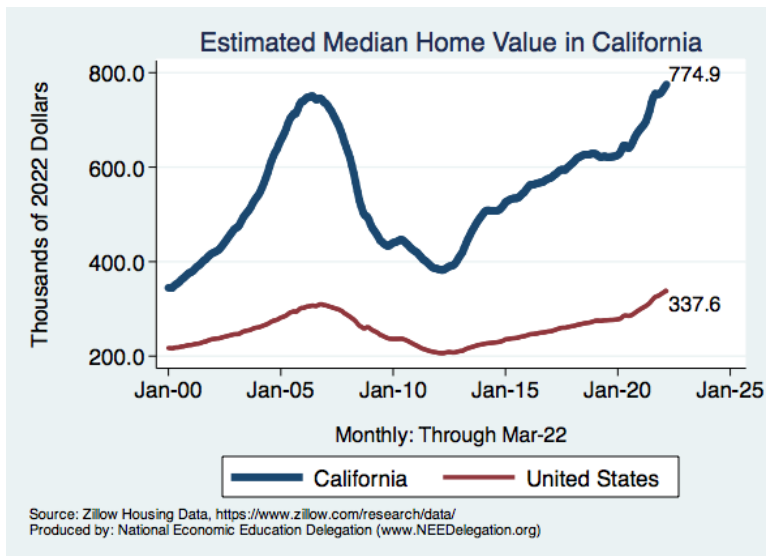
- **40% of the world's PALLADIUM comes from Russia.**
 - Used in catalytic converters.
- **70% of the world's NEON comes from Ukraine.**
 - Used in production of semiconductors.
- **Fertilizer: Russia is the world's largest supplier.**
 - Prices are 3-4x their 2020 levels.
- **Therefore: more supply chain issues, more inflation, food insecurity.**

NATIONAL ECONOMIC EDUCATION DELEGATION

38

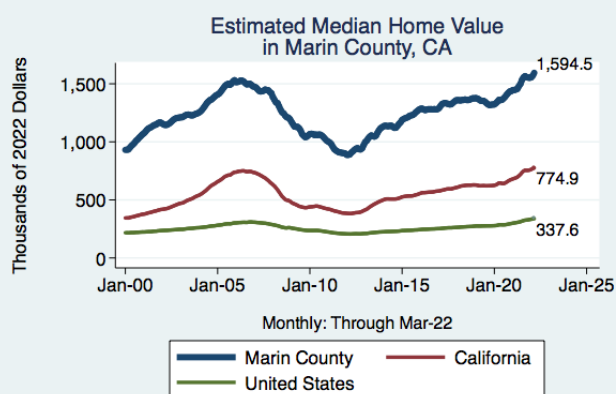
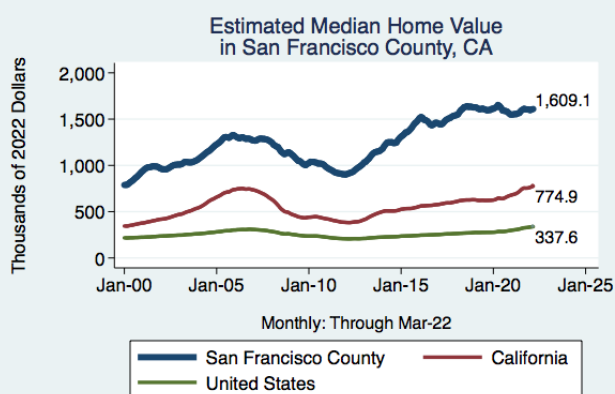
38

Real Estate Prices



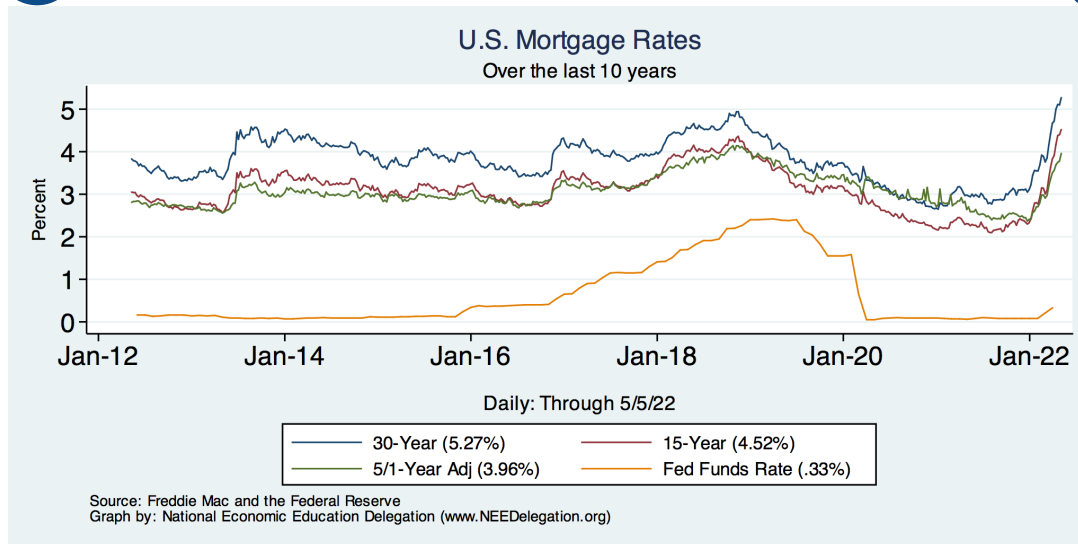
NATIONAL ECONOMIC EDUCATION DELEGATION

RE Experiences Differ!

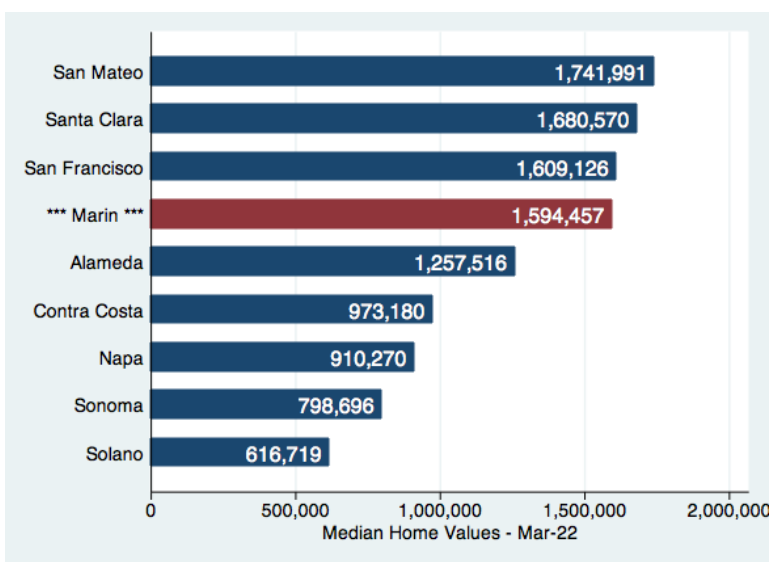


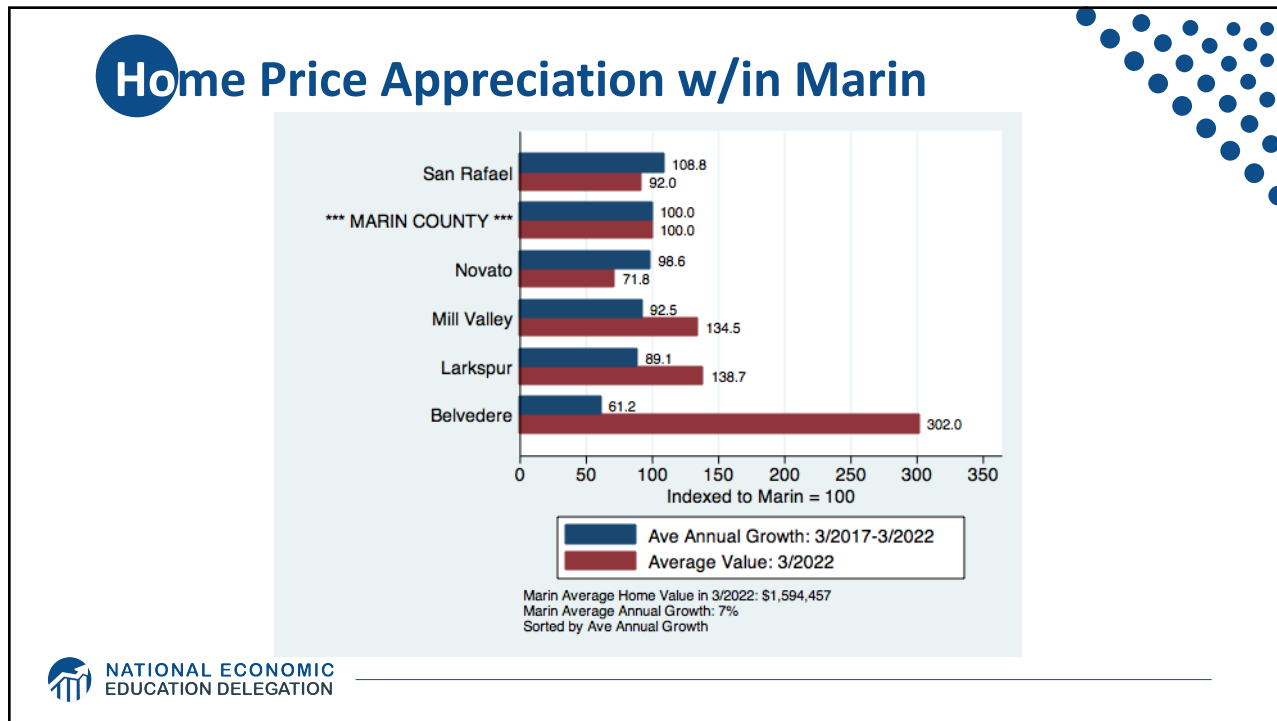
NATIONAL ECONOMIC EDUCATION DELEGATION

Interest Rates are Rising!

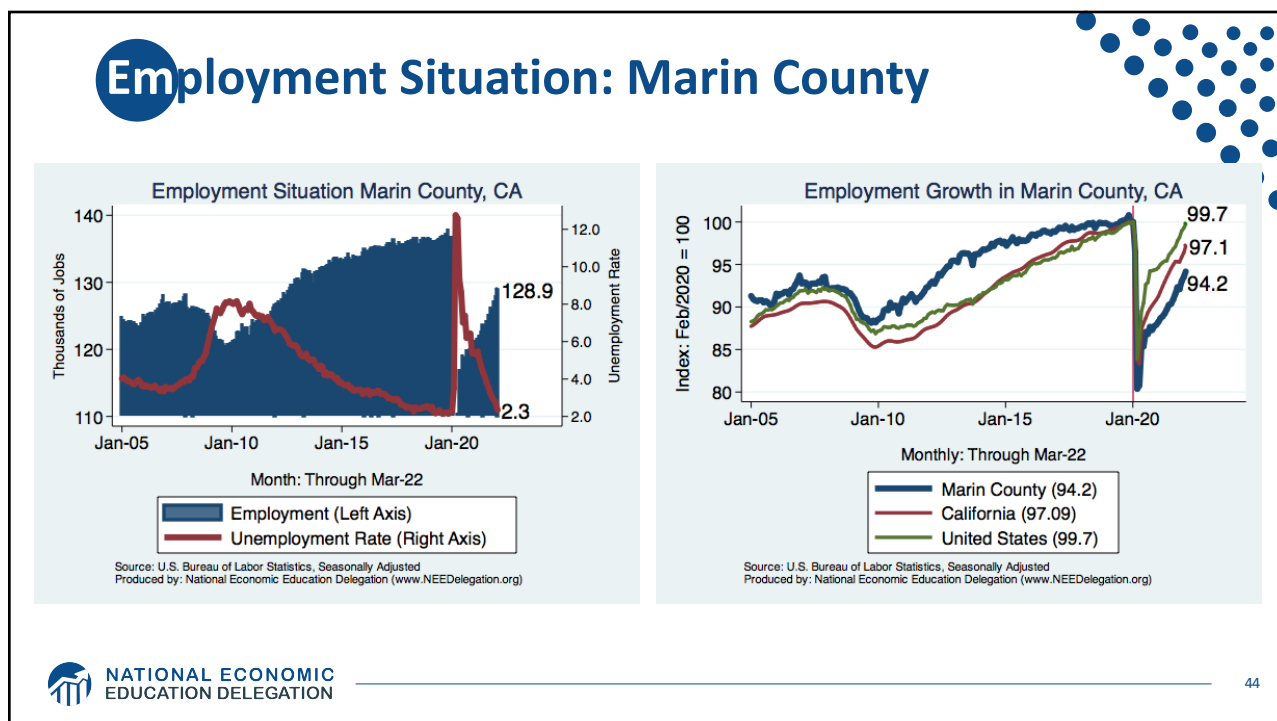


Marin's Home Price Position



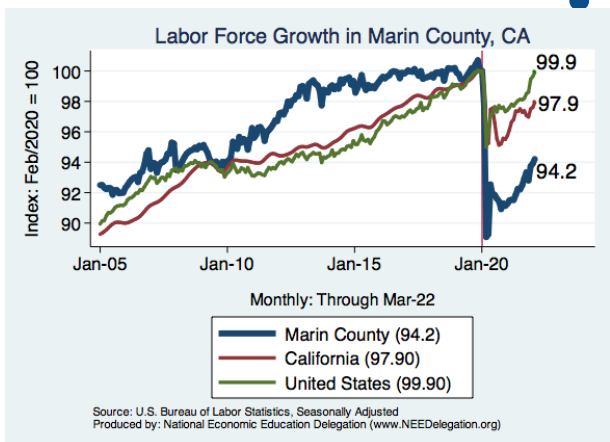
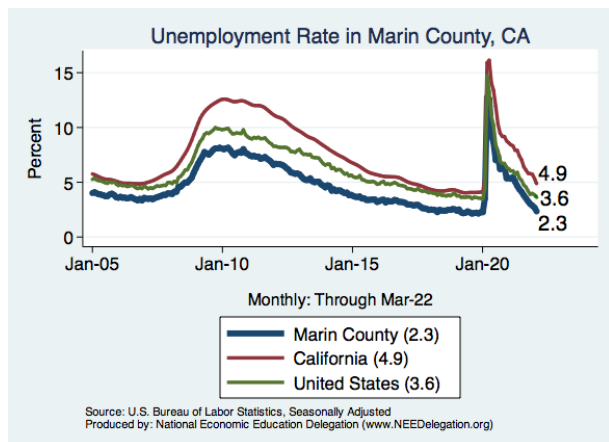


43



44

Employment Situation: Marin County



www.NEEDelegation.org/LocalGraphs

For every state and county in the United States.

Detailed graphs on employment, housing, moves, and other statistics.

State Budget

- **January: \$268 Billion budget proposed.**
- **Surplus has grown to \$68 Billion from \$31 Billion since then.**
- **Bodes well for education spending. Why?**
 - State Appropriations Limits (SAL) from Proposition 4 (1979)
 - Revenues above the limit must be split between rebates and additional spending on schools.
- **Regardless of revenues, because of the SAL, could have budget appropriations problems.**

Conclusion

- **GDP will likely expand about 4% in 2022.**
 - Completing the recovery.
- **Employment is still lagging.**
- **Real estate markets likely to cool.**
 - Expect much slower rates of appreciation going forward
- **Biggest problems:**
 - Supply chain bottlenecks.
 - Labor force participation.
 - Russian invasion of Ukraine.
- **There is much uncertainty.**
- **Budget: Proposition 4 (1979) suggests growing state spending.**

Thank you!

Any Questions?

www.NEEDelegation.org

Jon D. Haveman

Jon@NEEDelegation.org

Contact NEED: info@NEEDelegation.org

Submit a testimonial: www.NEEDelegation.org/testimonials.php

Become a Friend of NEED: www.NEEDelegation.org/friend.php



NATIONAL ECONOMIC
EDUCATION DELEGATION

49