



U.S. Economic Update

Redwood High School
September 30 & October 1, 2021

Jon Haveman, Ph.D.
National Economic Education Delegation

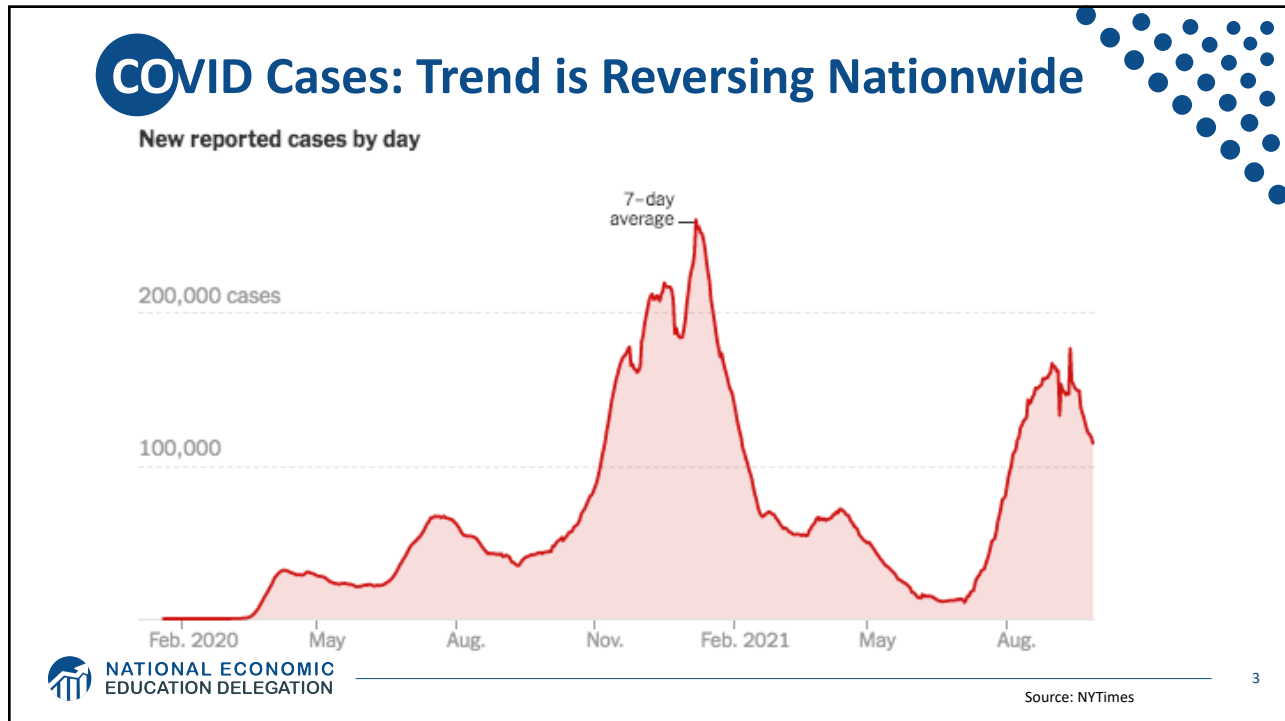


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Outline

- State of the Pandemic
- Evidence of Impact
- Employment Growth
- Inflation

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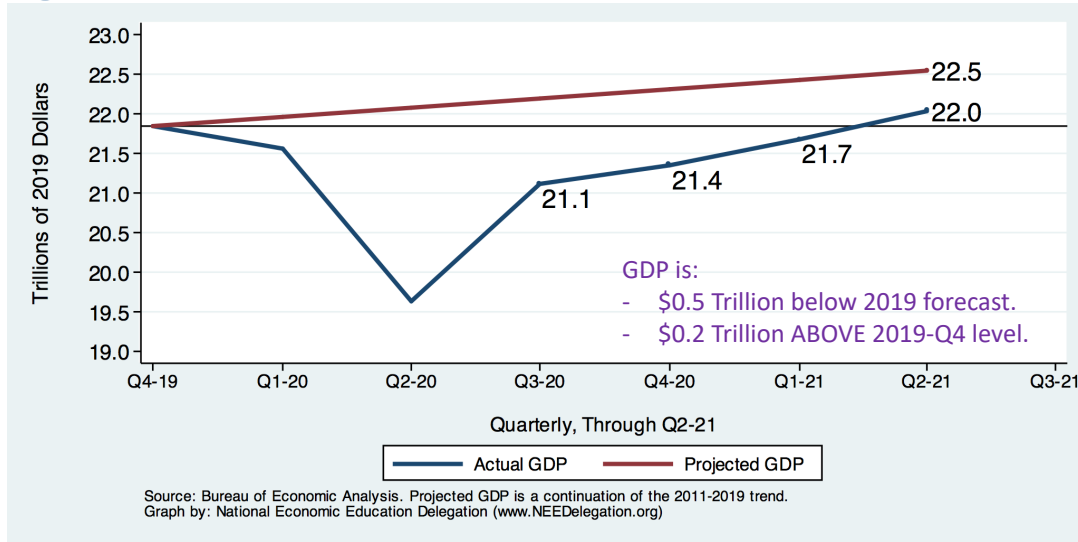
Evidence of Impact

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GDP Trajectory: Pandemic Plunge!



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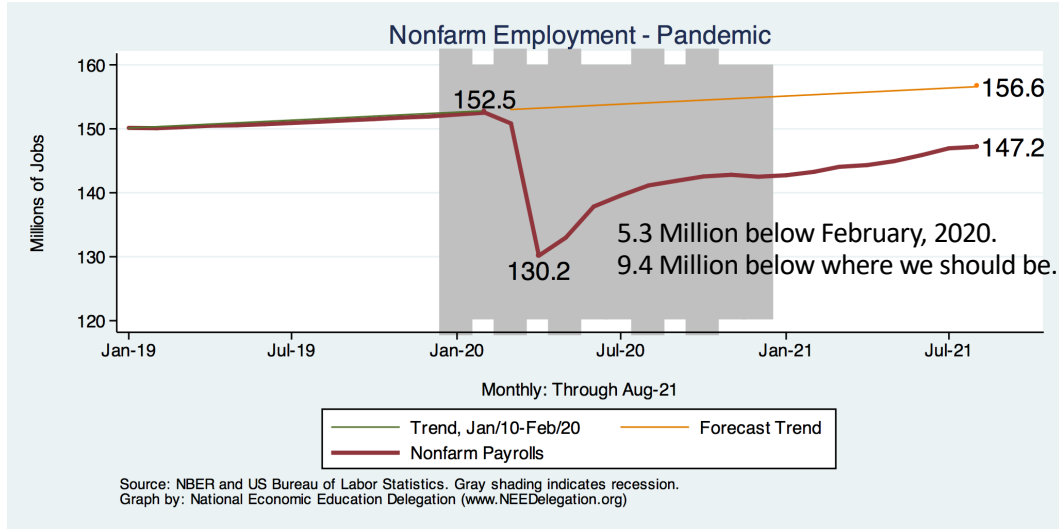
Spending Patterns Since First US Case

In the United States, as of September 19, 2021, total spending by all consumers increased by **19.5%** compared to January 2020.



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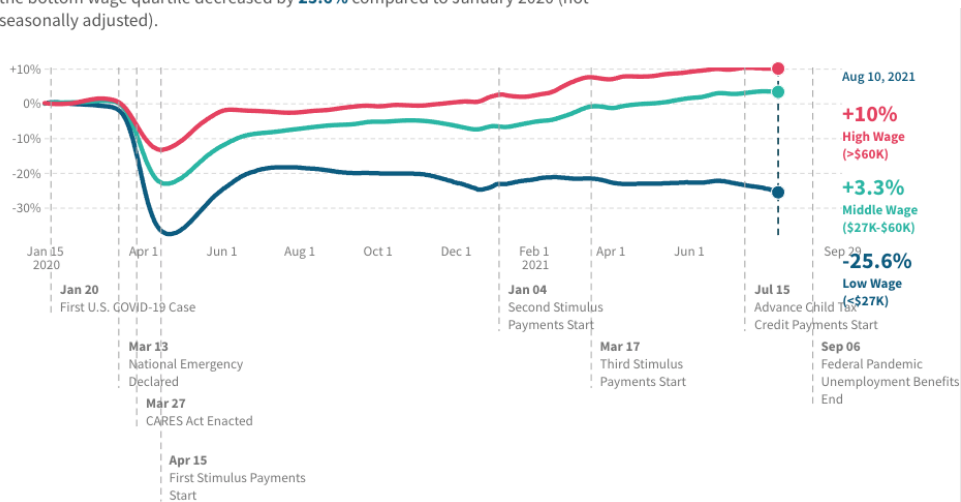
Employment Gap



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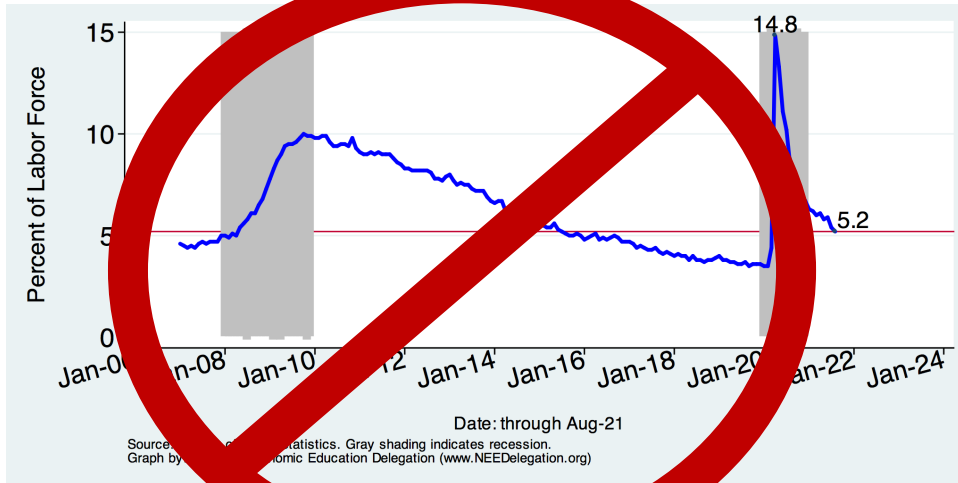
Not All Jobs Are Recovering

In the United States, as of August 10 2021, employment rates among workers in the bottom wage quartile decreased by **25.6%** compared to January 2020 (not seasonally adjusted).



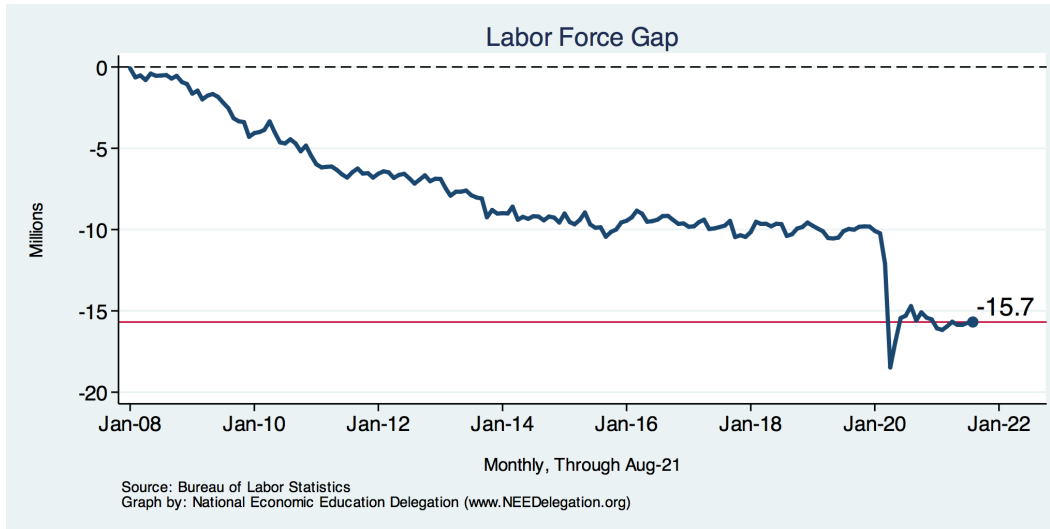
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Unemployment is Recovering



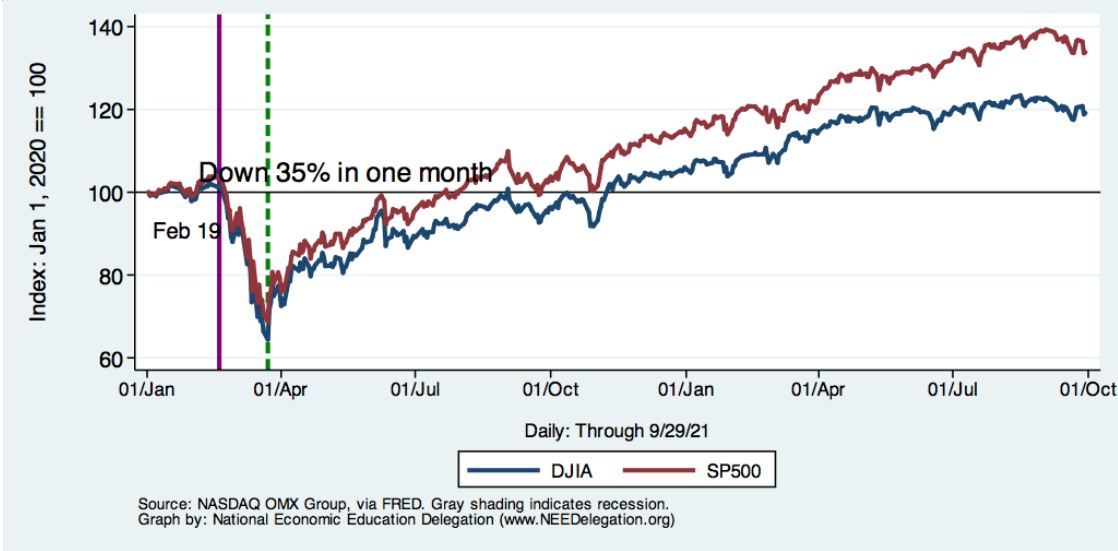
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Labor Force is Shrinking



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DJIA and S&P 500

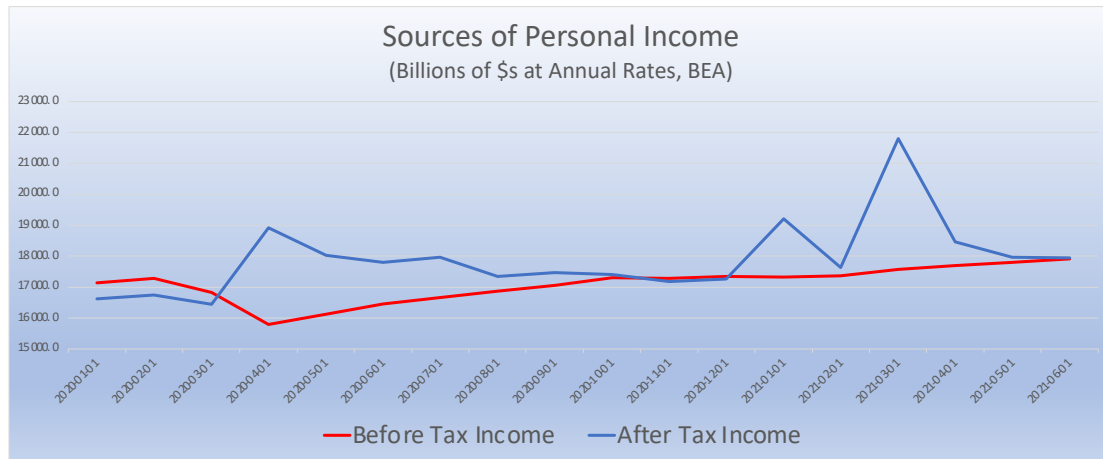


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Government Policy

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Recovery Due to Immense Fiscal Stimulus and Control of COVID



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What Have Been Policy Effects

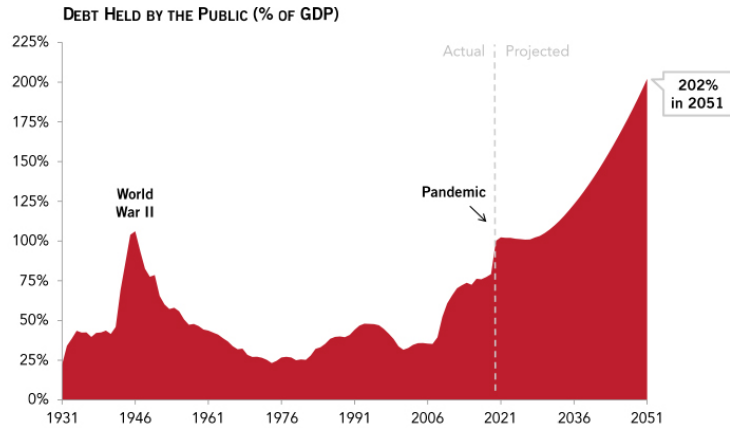
- **Monetary Policy (Fed) acted quickly and effectively to prevent a financial market meltdown and to keep credit flowing. But the Fed lends and does not spend.**
- **Fiscal policy (Congress) acted quickly, but inevitably made some mistakes.**
 - Stimulus Checks, A (\$268b)
 - Expanded Unemployment, B (\$268b)
 - Paycheck Protection Program, C- (\$525b)
- **COVID Spending: \$5 Trillion**
 - Same as spending during WWII, and ~25% of GDP.

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Debt: A Problem Exacerbated...Not Created



The national debt is on an unsustainable path



SOURCE: Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021.
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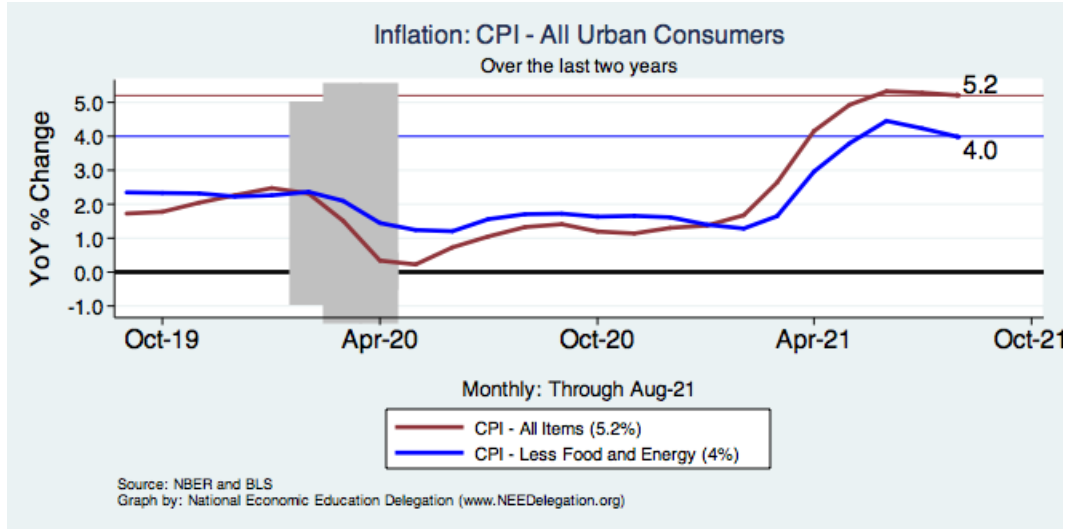
Inflation



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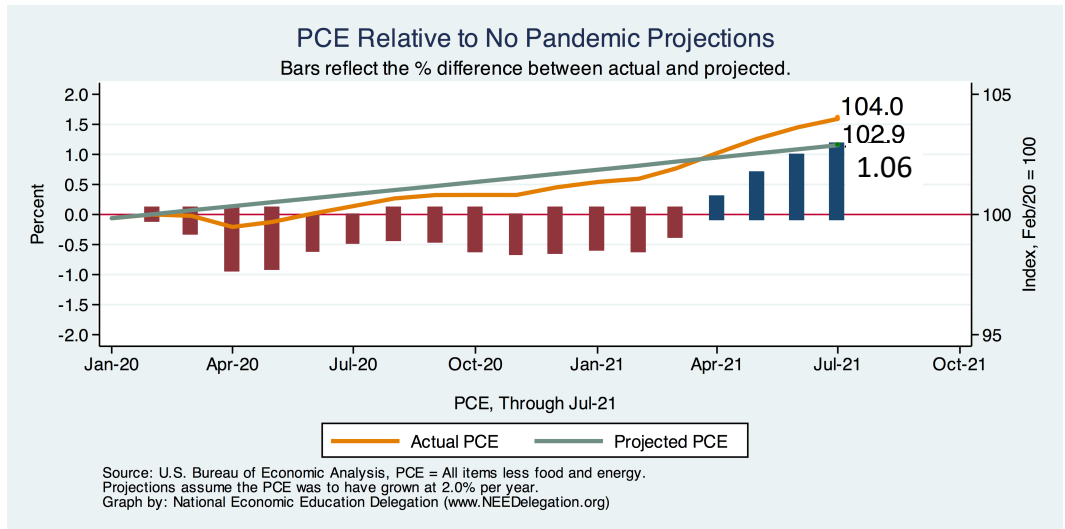
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Inflation – Climbing! Should we worry?



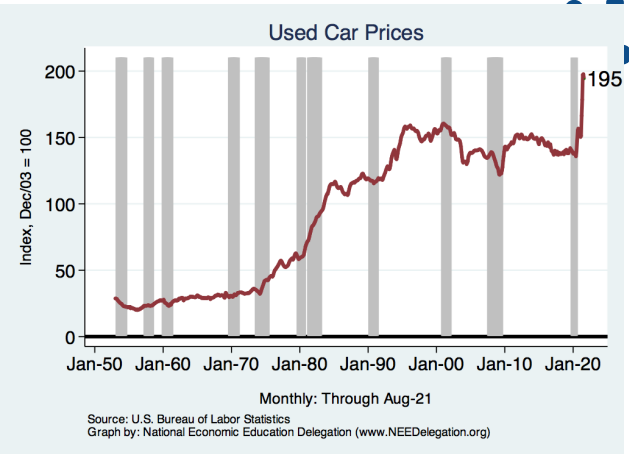
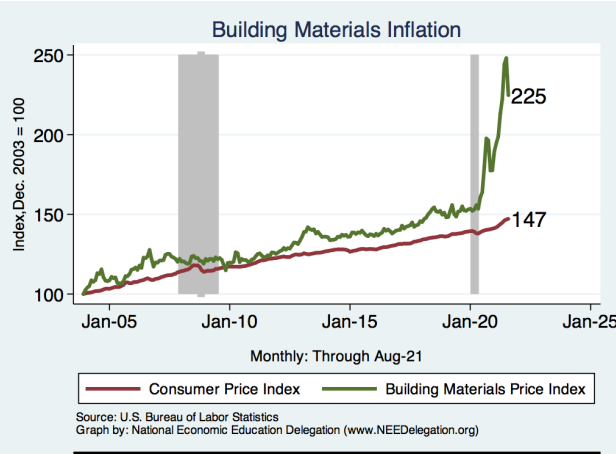
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Inflation – PCE and Fed Suggest: No!



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Inflation: Concentrated



Why do we have inflation?

- Inflation reflects the setting of prices in all markets
- **Aggregate DEMAND is in good shape.**
 - Government support.
 - People are buying things.
- **Aggregate SUPPLY is in bad shape.**
 - Many small businesses are still closed.
 - Some things are hard to get:
 - o Microprocessors.
 - People are buying things they don't usually buy.

Primary Topics Covered

- **GDP**
 - Recovered the decline, but not where it should be.
 - Won't recover previous forecast until early 2022.
- **Employment**
 - Still down 9.3 million jobs relative to forecast. (5.3 million relative to Feb/20).
 - Labor force is 5.7 million smaller than at the beginning of the pandemic.
- **Inflation**
 - Going to be high for a little while, but transitory.
- **Federal Debt**
 - Has grown significantly, but economists are not worried...yet.

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Thank you!

Any Questions?

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Jon D. Haveman

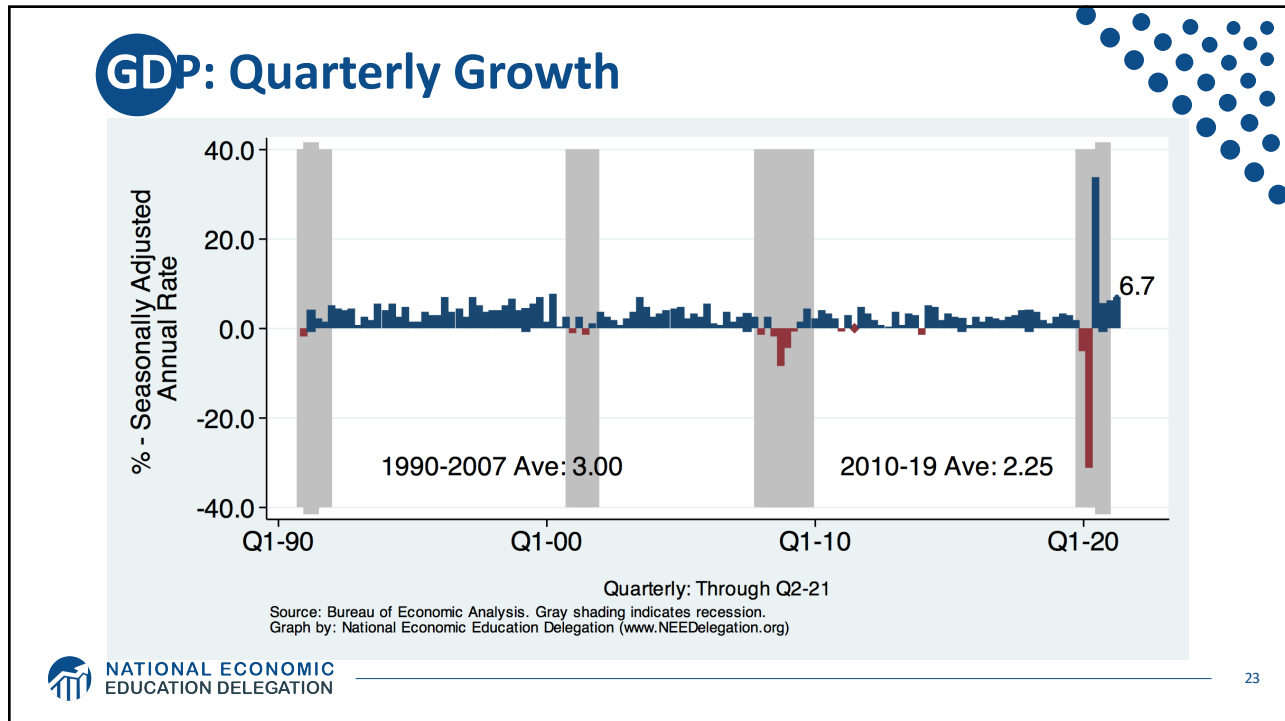
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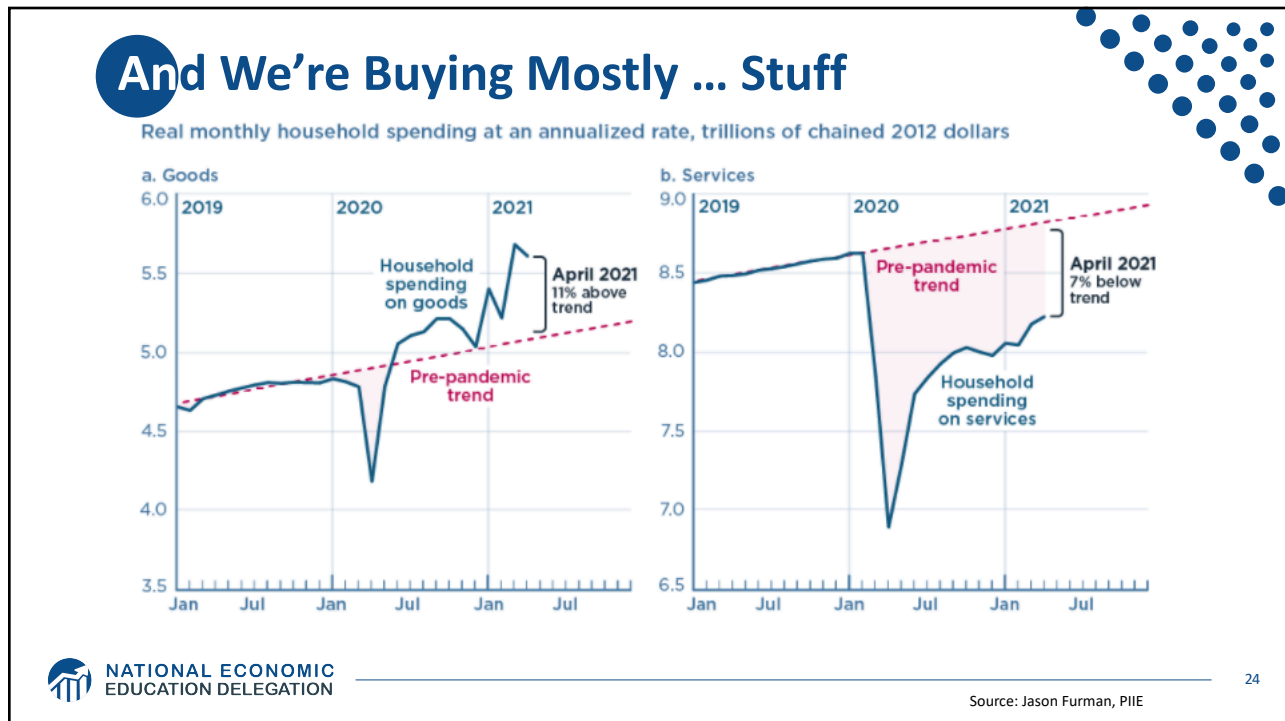
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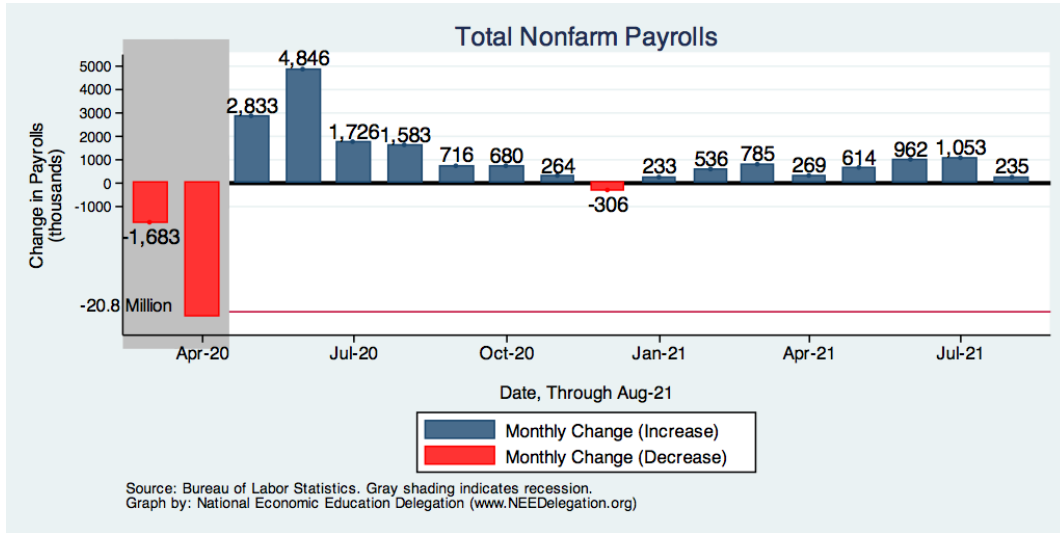


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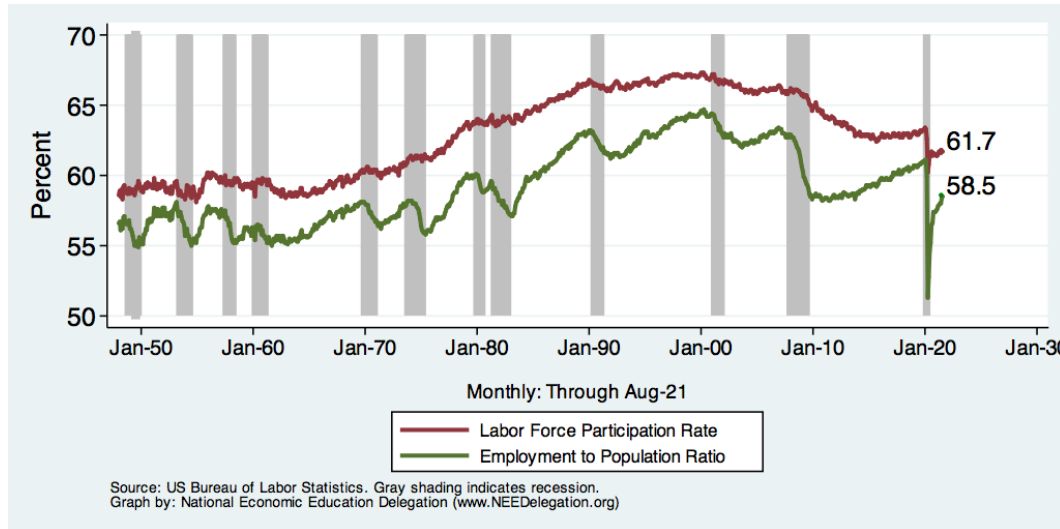
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Monthly Changes in Nonfarm Employment

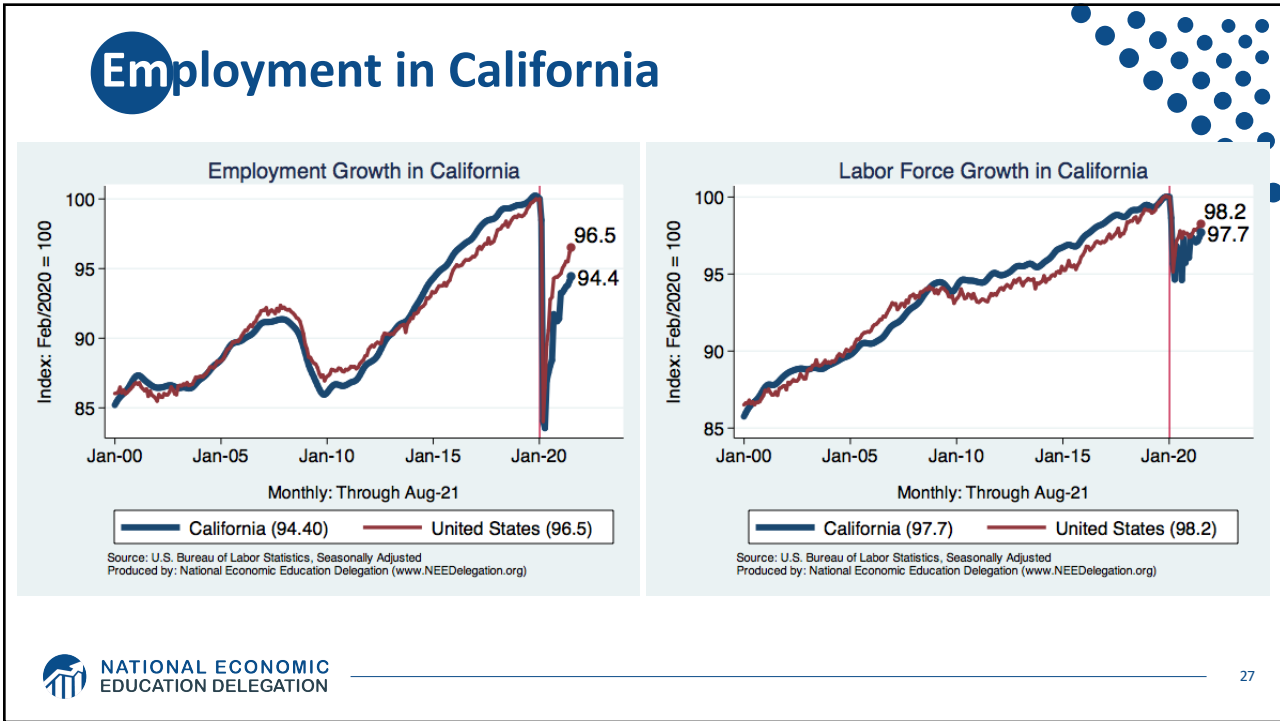


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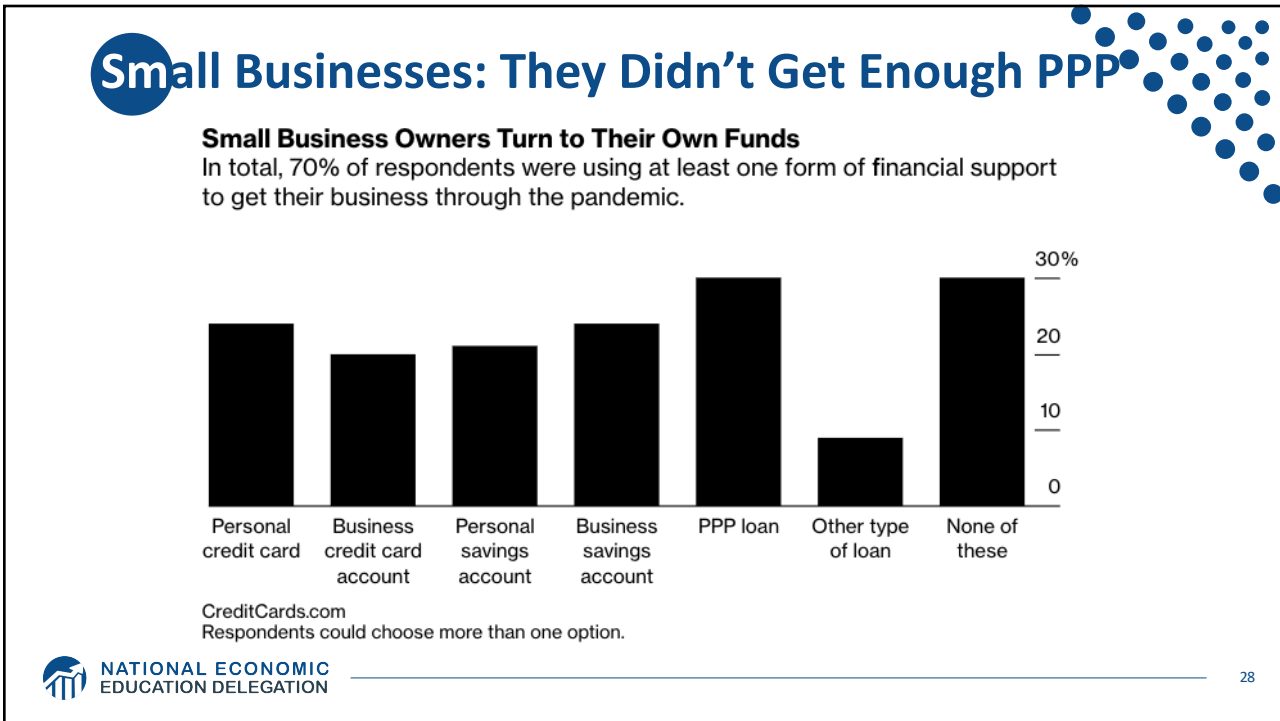
Labor Force is Shrinking



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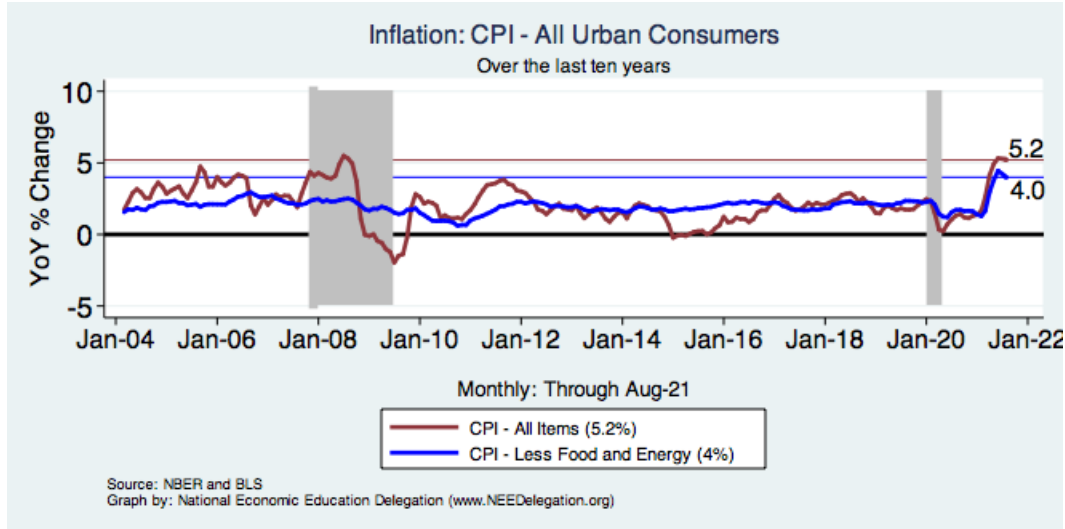


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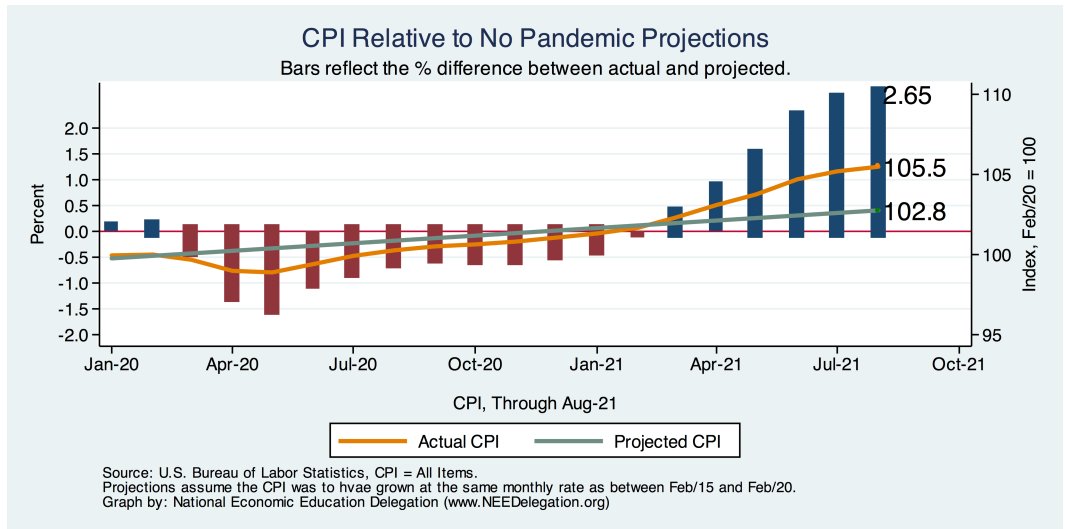


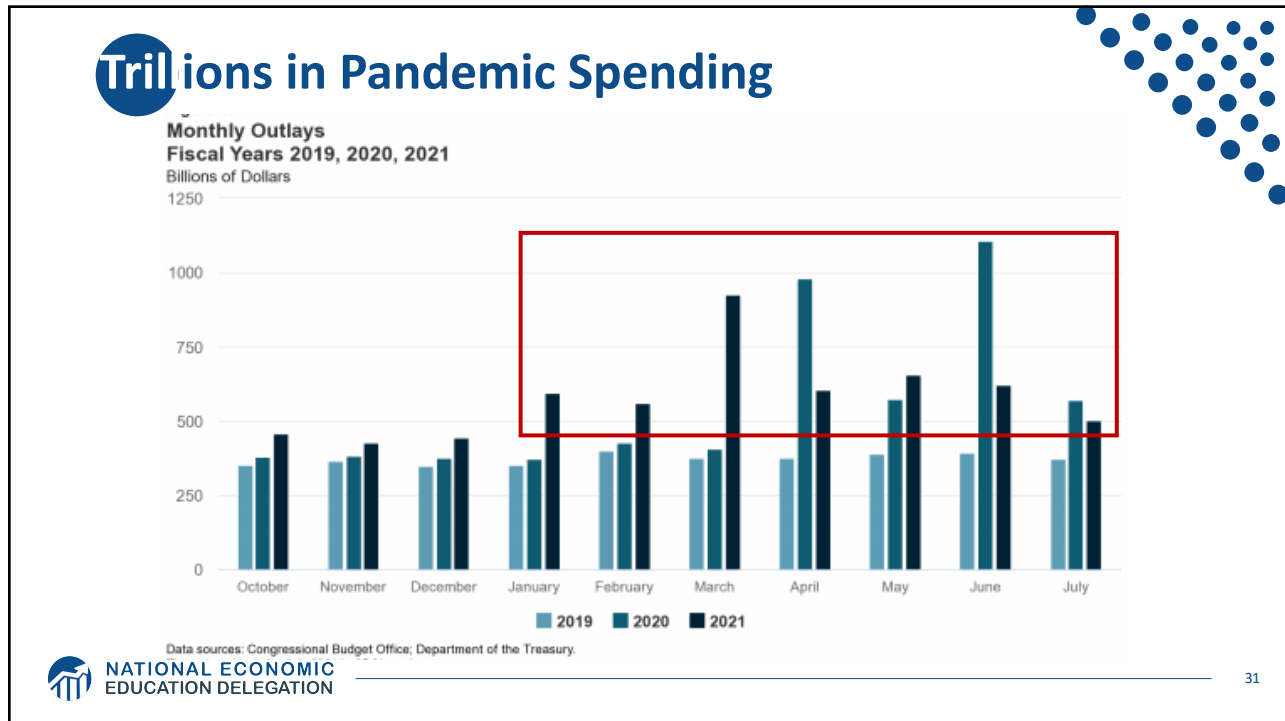
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Inflation – Prepandemic Stability



Inflation – CPI Suggests: Yes!





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Why so Excited About Telecommuting?

- **Productivity at home appears to be really high during pandemic.**
 - Nothing else to do.
 - Short term – corporate culture and new hires – visibility to the boss – camaraderie.
- **CEOs are salivating over reduced Comm RE costs.**

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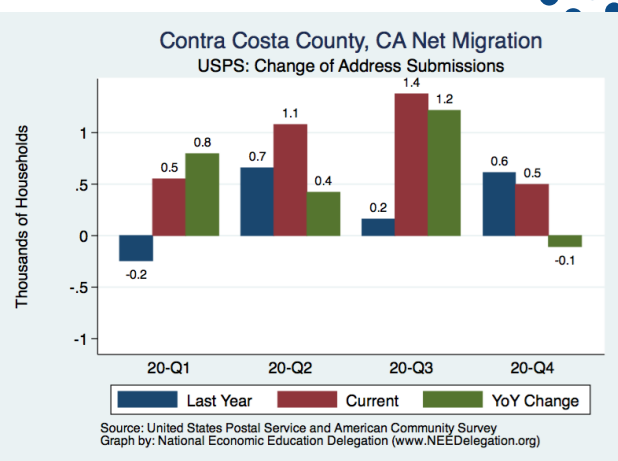
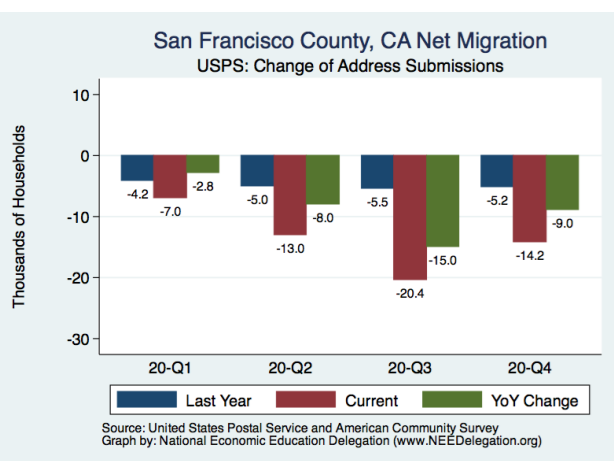
Telecommuting – Will it Stick?

- **Working from home is ALWAYS less productive than working in the office.**
 - But the gap has shrunk because of technology.
- **In the interest of workplace productivity, employers are likely to allow more working from home.**
 - Increased in-office moral and hence productivity.
 - But not 100% or even 50%. How much?
- **Has important implications for real estate.**

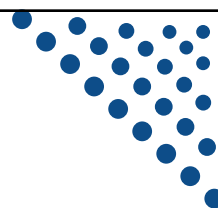


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Population Change: San Francisco & CCC



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For every state and county in the United States.

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



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