



Osher Lifelong Learning Institute, Winter 2025
Contemporary Economic Policy


Bradley University
February, 2025

Host: **Geoffrey Woglom, Ph.D.**
National Economic Education Delegation

 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)
- 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

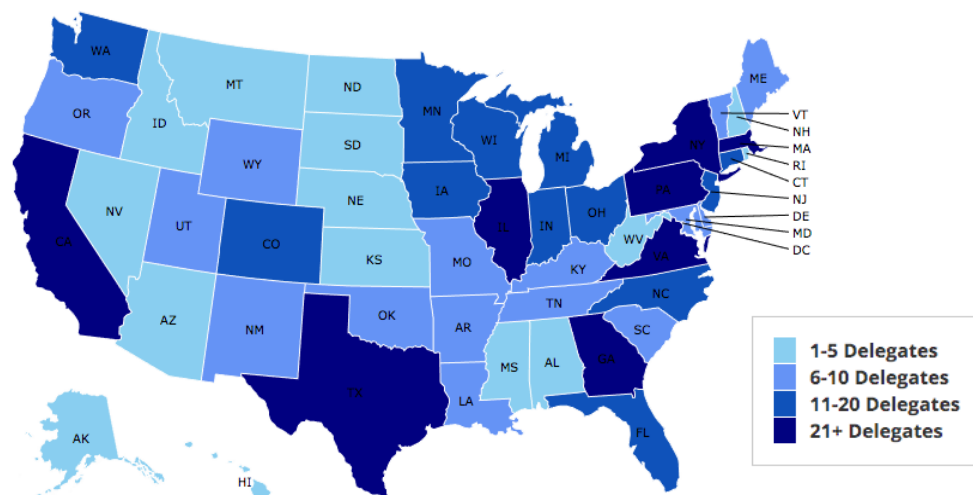


NATIONAL ECONOMIC
EDUCATION DELEGATION

3

3

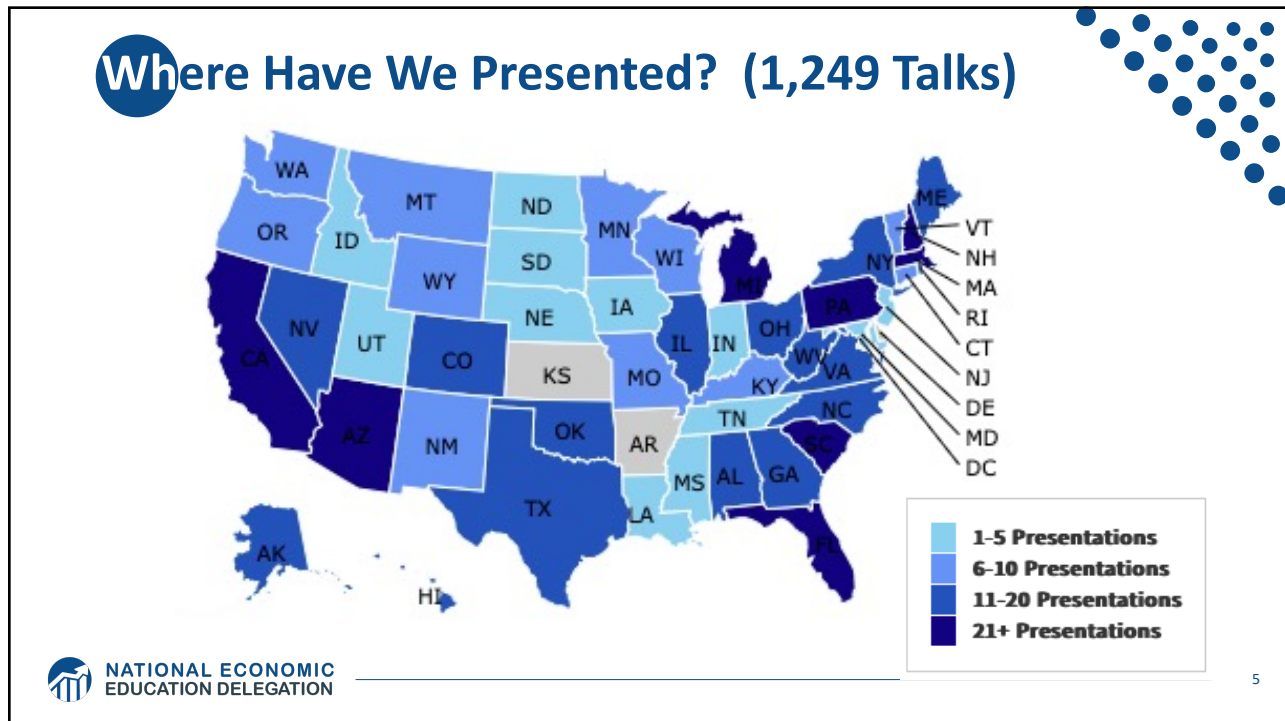
Where Are We?



NATIONAL ECONOMIC
EDUCATION DELEGATION

4

4



5

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

NATIONAL ECONOMIC EDUCATION DELEGATION

6

6

Course Outline

• Contemporary Economic Policy

- Week 1 (2/5): US Economic Update (Jon Haveman, NEED)
- Week 2 (2/12): Economic Mobility (Kathryn Wilson, Kent State)
- Week 3 (2/19): Federal Debt (Geoffrey Woglom, Amherst College)
- Week 4 (2/26): Tariffs and Their Effects (Alan Deardorff, University of MI)



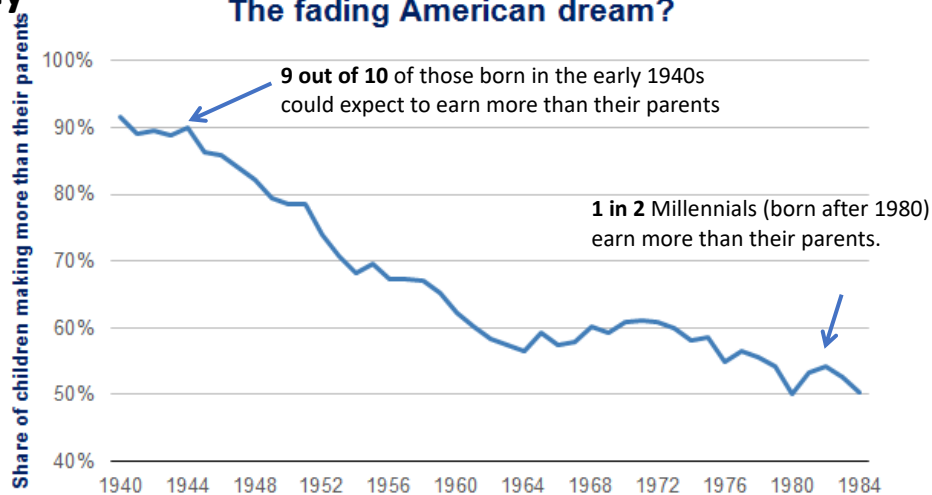
NATIONAL ECONOMIC
EDUCATION DELEGATION

7

7

Mobility

The fading American dream?



Source: Chetty et al., "The fading American dream: Trends in absolute income mobility since 1940"



NATIONAL ECONOMIC
EDUCATION DELEGATION

BROOKINGS

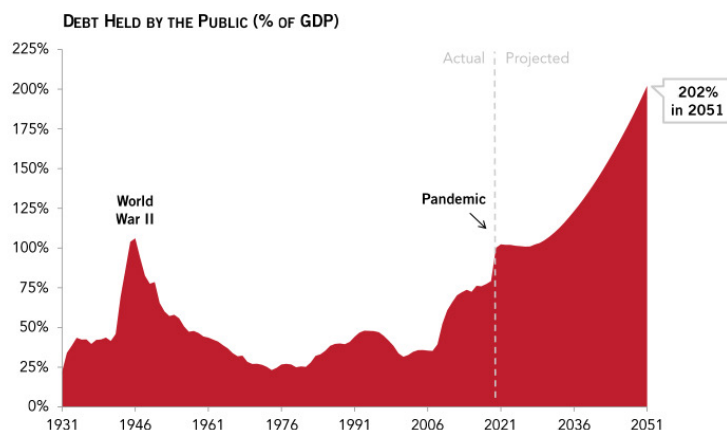
8

8

The Federal Debt is Becoming A Problem



The national debt is on an unsustainable path



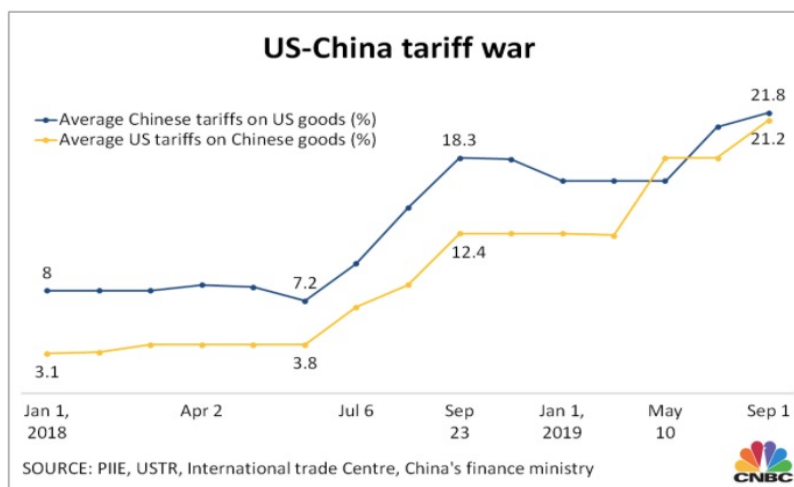
SOURCE: Congressional Budget Office, The 2021 Long-Term Budget Outlook, March 2021.
© 2021 Peter G. Peterson Foundation

PGPF.ORG



NATIONAL ECONOMIC EDUCATION DELEGATION

US-China Tariff War – Tariff Rates



SOURCE: PIIE, USTR, International trade Centre, China's finance ministry



Source: CNBC.com

The first trade salvo was fired by the U.S. in early 2018, but the bilateral trade war between the U.S. and China really kicked into a higher gear in July 2018.



NATIONAL ECONOMIC EDUCATION DELEGATION

Submitting Questions

- **Submit questions 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 tomorrow (https://needecon.org/delivered_presentations.php).**

11



US Economic Update Bradley University

Jon Haveman, Ph.D.
NEED
February 5, 2025



12

Credits and Disclaimer

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

- Jon D. Haveman, NEED
- Scott Baier, Clemson University
- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dornbeck, 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).



13

Outline

- **Economic Indicators**
- **Inflation/Federal Reserve**
- **Current Policy Issues**

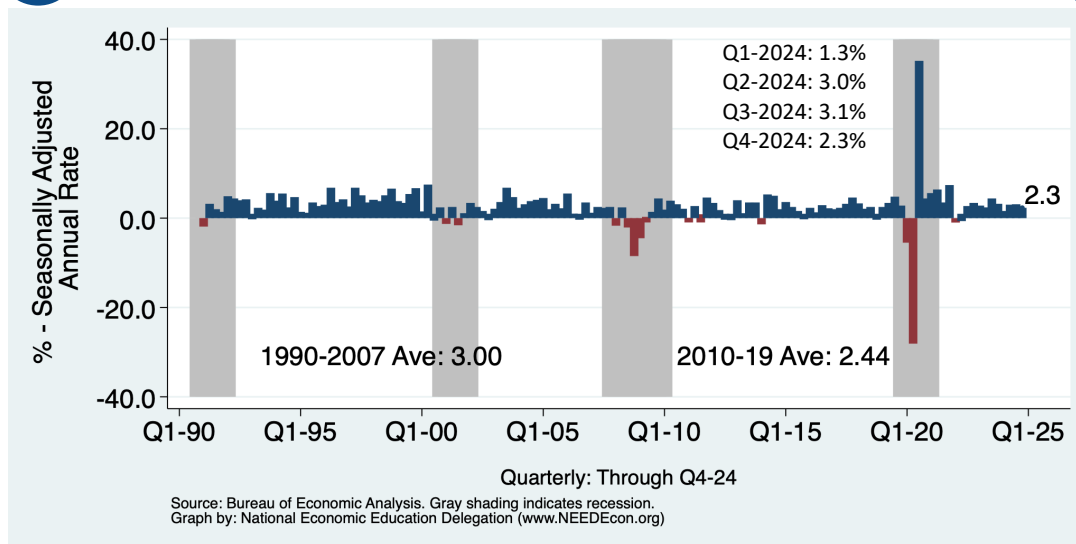


14

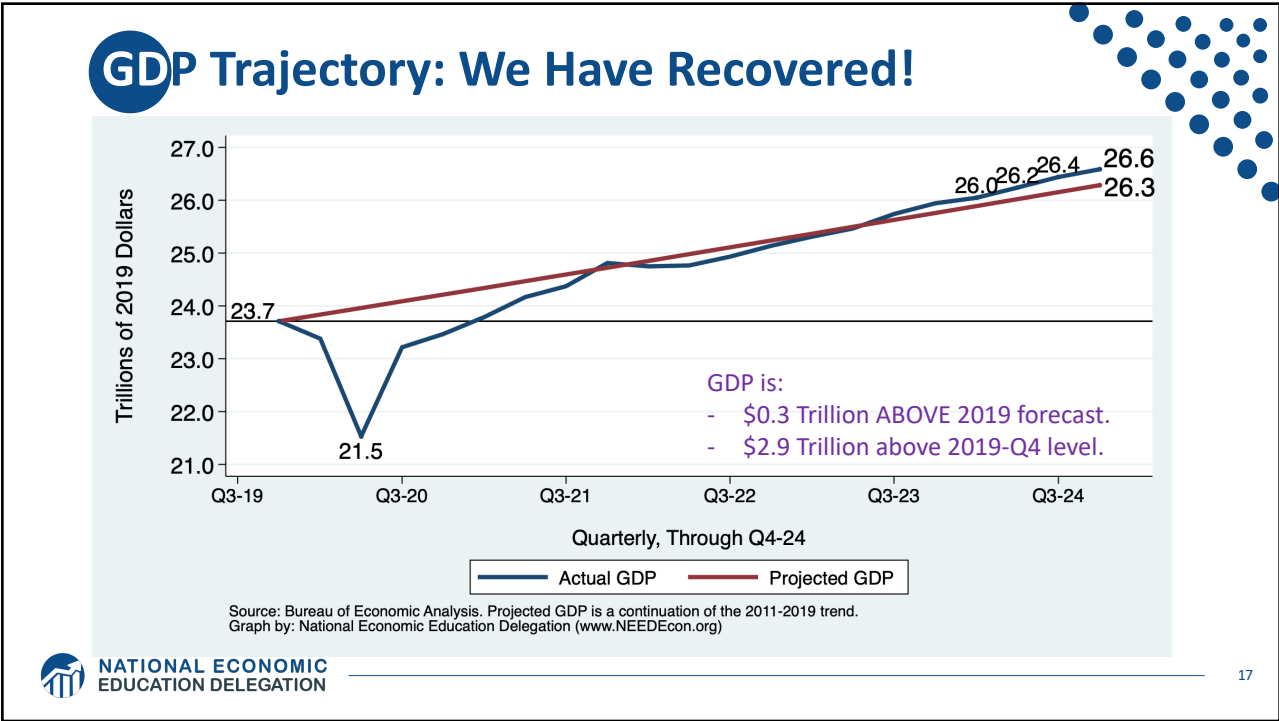
The U.S. Economy

15

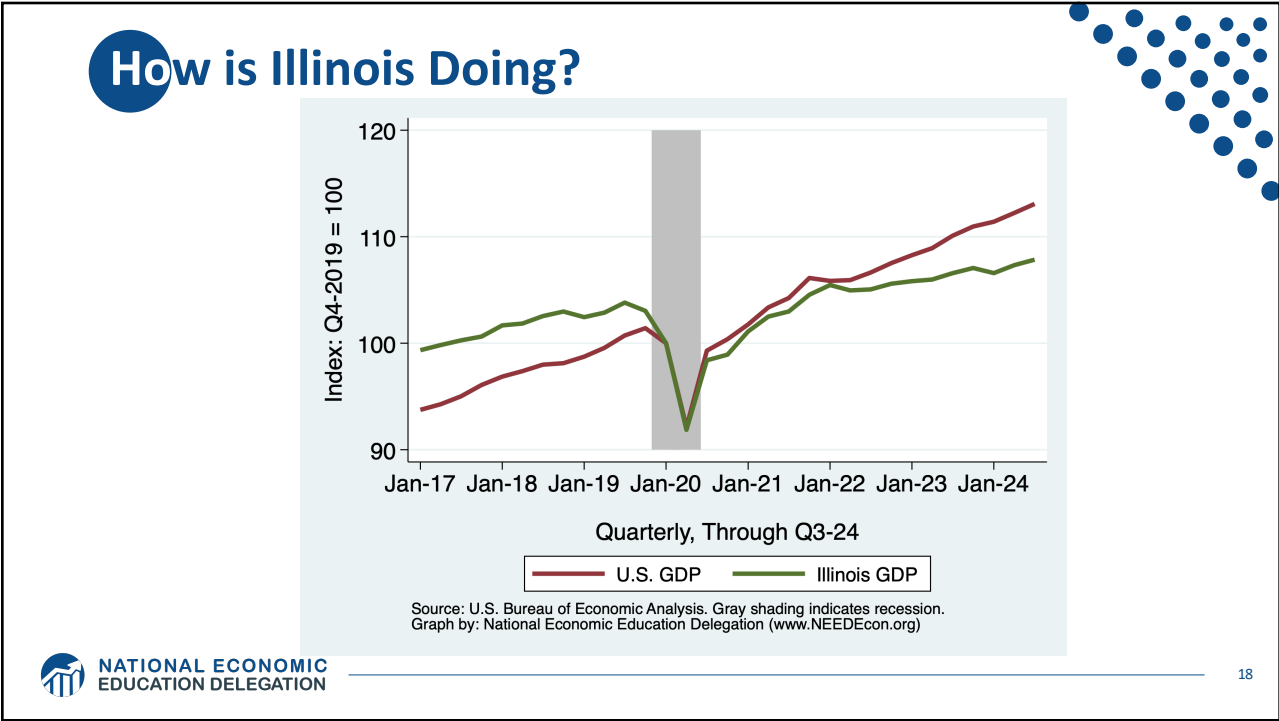
GDP: Quarterly Growth



16

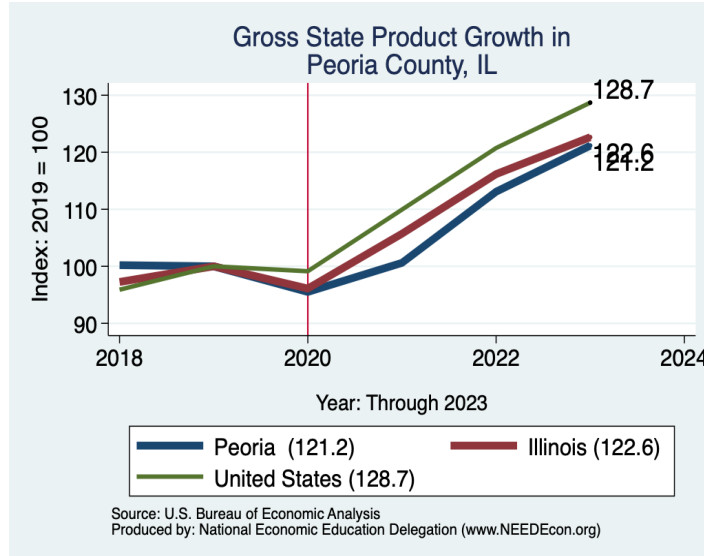


17

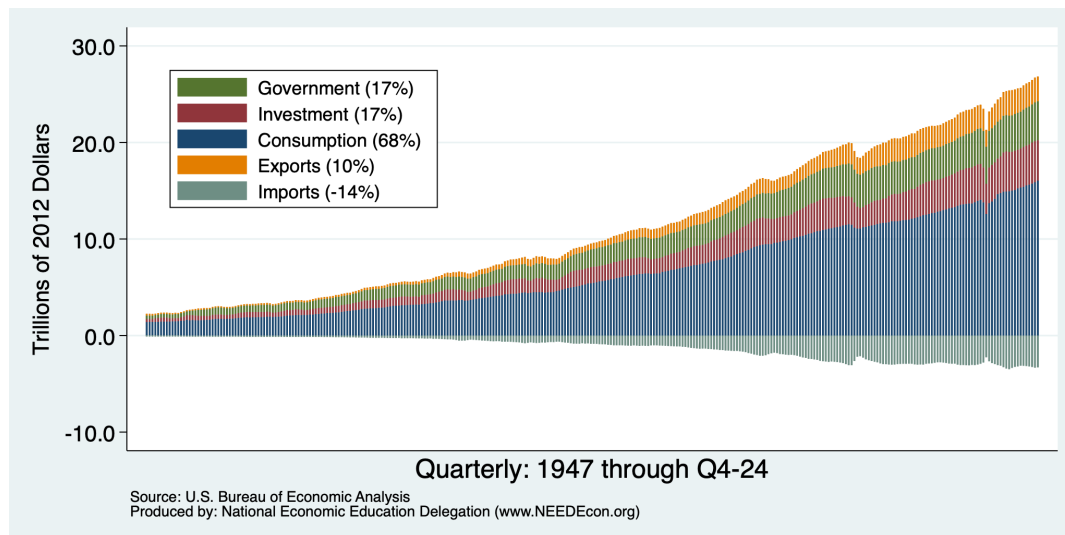


18

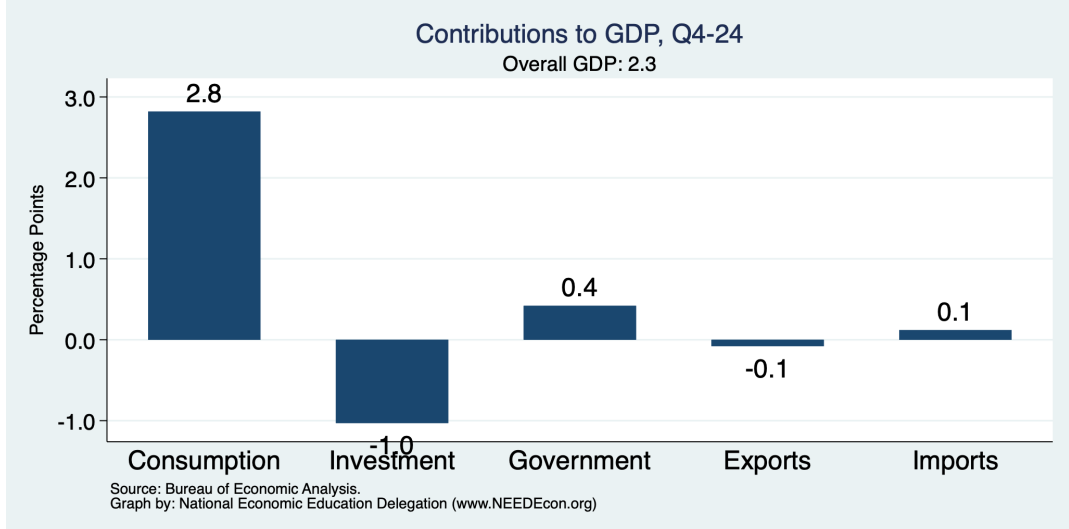
How is Peoria County Doing?



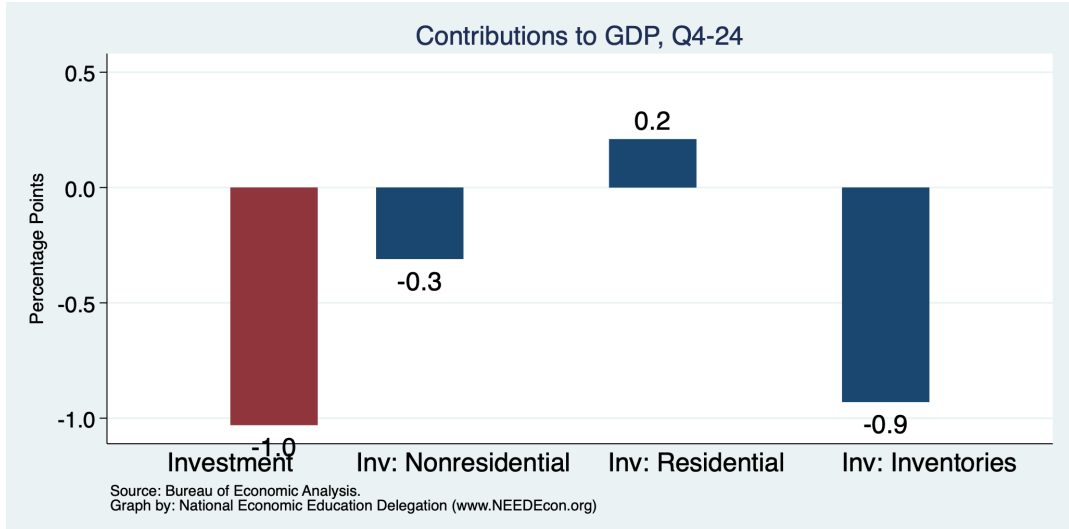
Composition of GDP



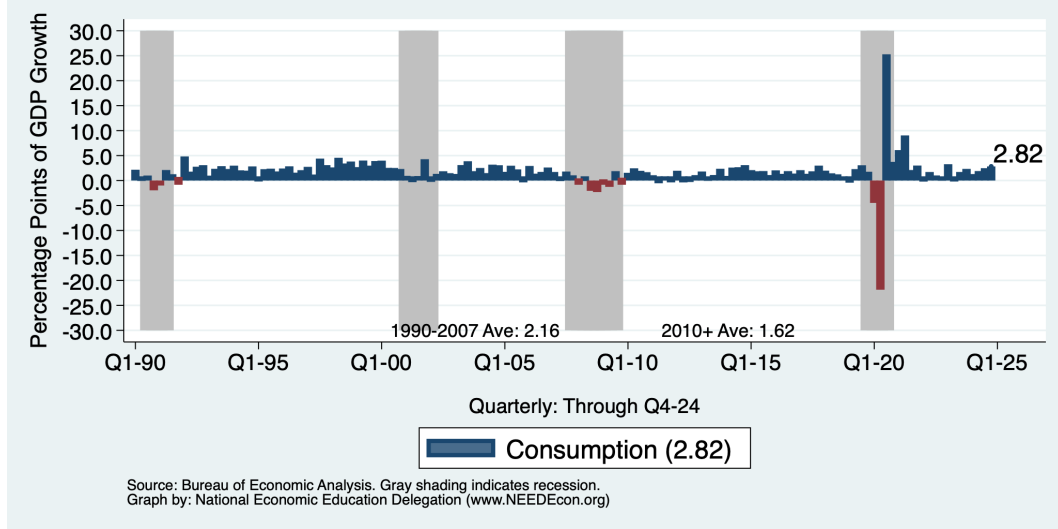
What Have You Done For Me Lately?



About That Investment Number

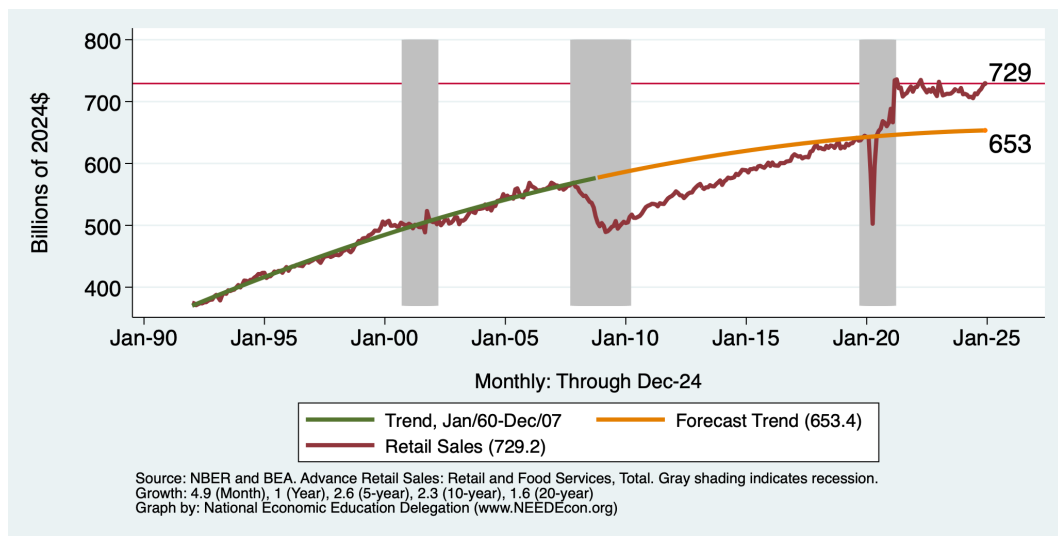


Contribution to GDP Growth: Consumption



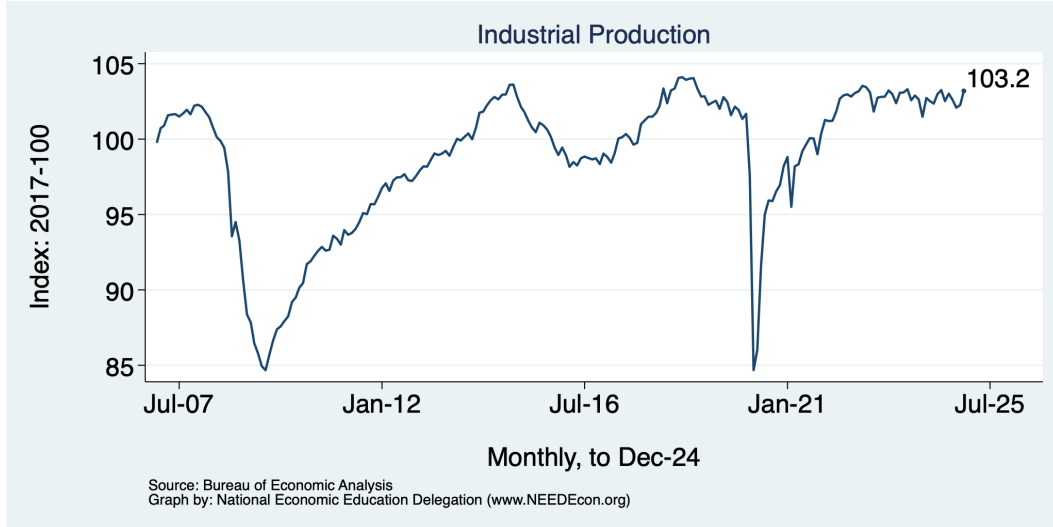
NATIONAL ECONOMIC EDUCATION DELEGATION

Retail Sales Remain Elevated!



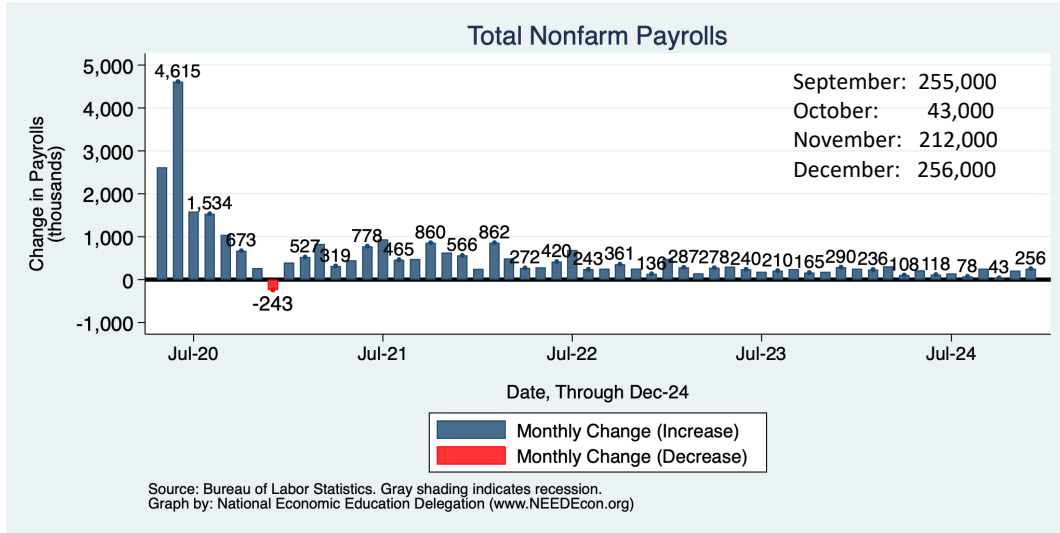
NATIONAL ECONOMIC EDUCATION DELEGATION

Industrial Production (Manuf, Util, Mining)



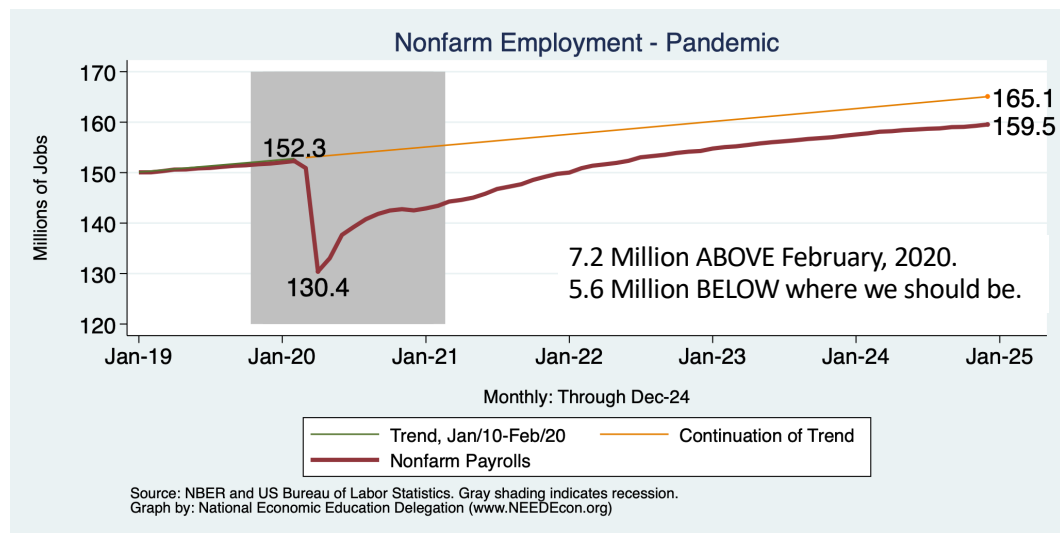
Employment

Monthly Changes in Nonfarm Employment



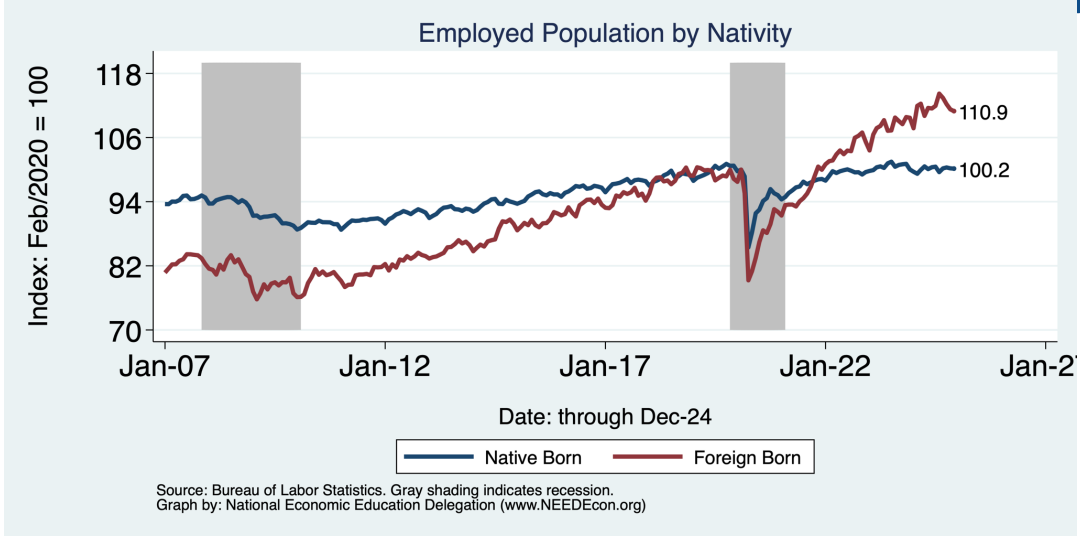
NATIONAL ECONOMIC EDUCATION DELEGATION

Employment Gap

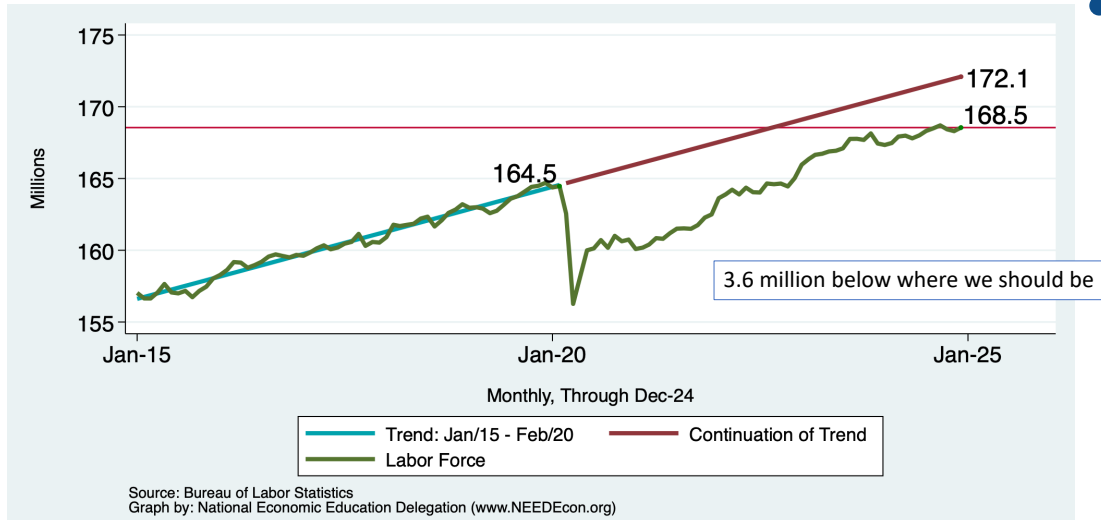


NATIONAL ECONOMIC EDUCATION DELEGATION

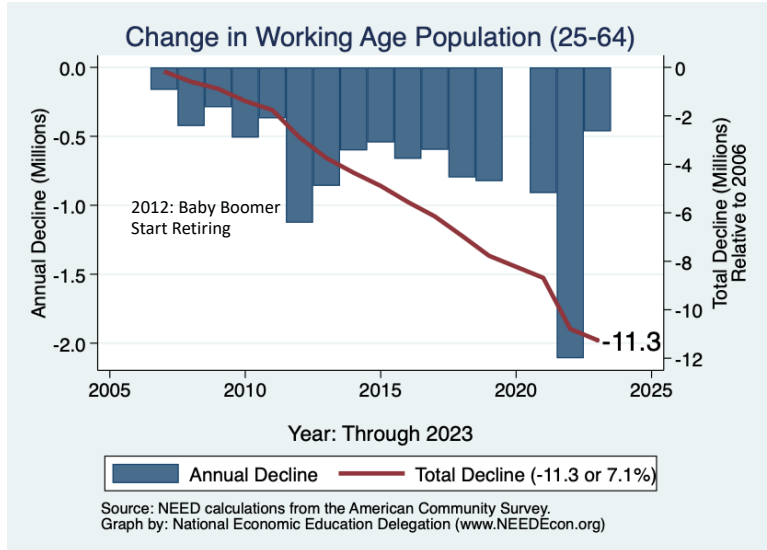
Immigrants to the Rescue?



Where Have All the Workers Gone?

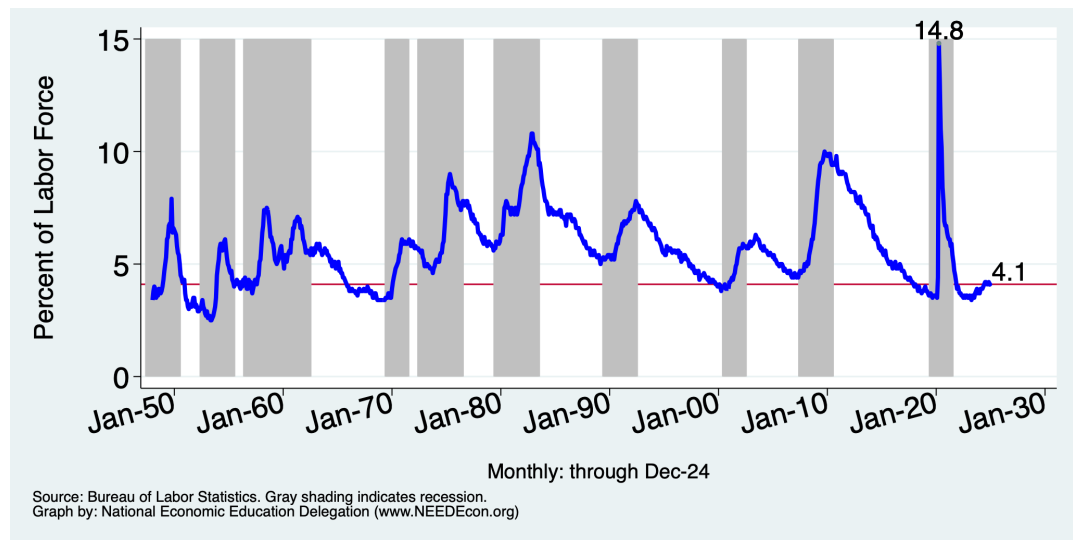


Too Many People Are Retiring!



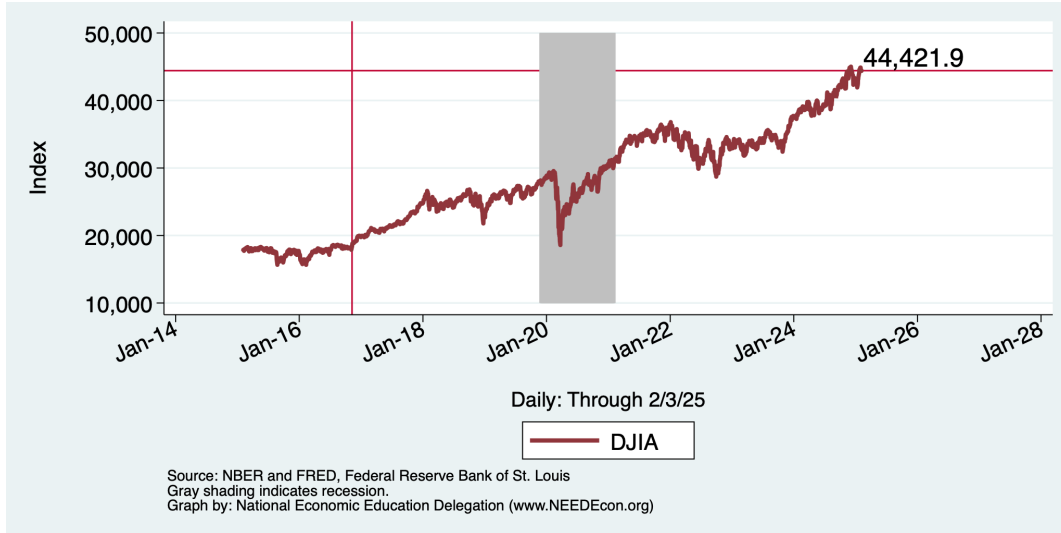
31

What About Unemployment?



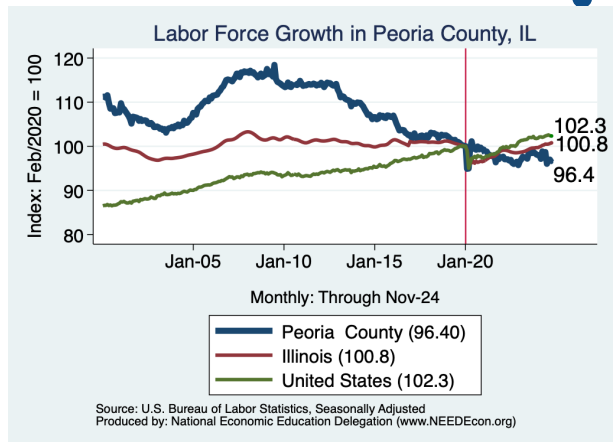
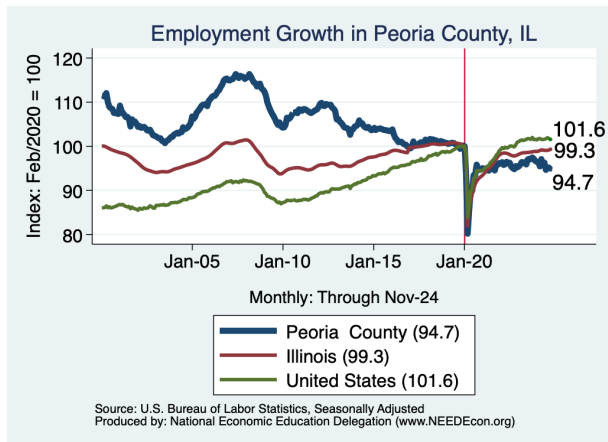
32

And Stocks? Way up!



33

How Are Things in Peoria? Employment



34

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.....

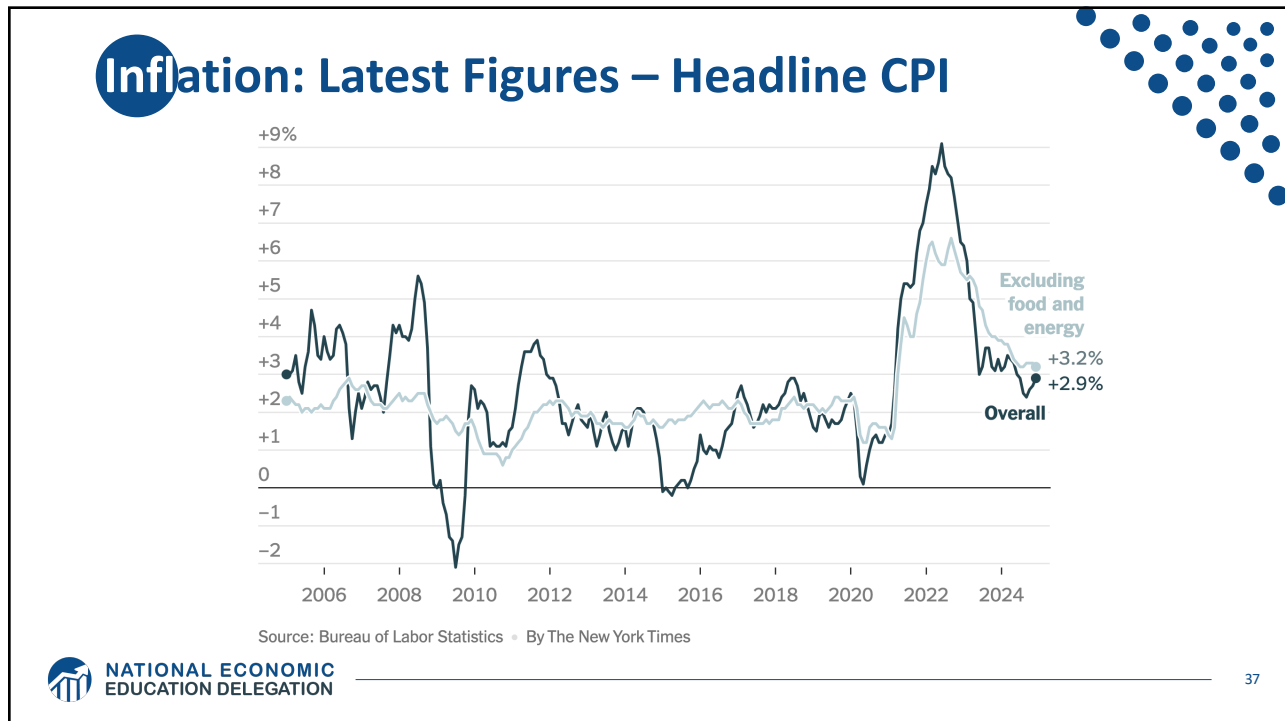


35

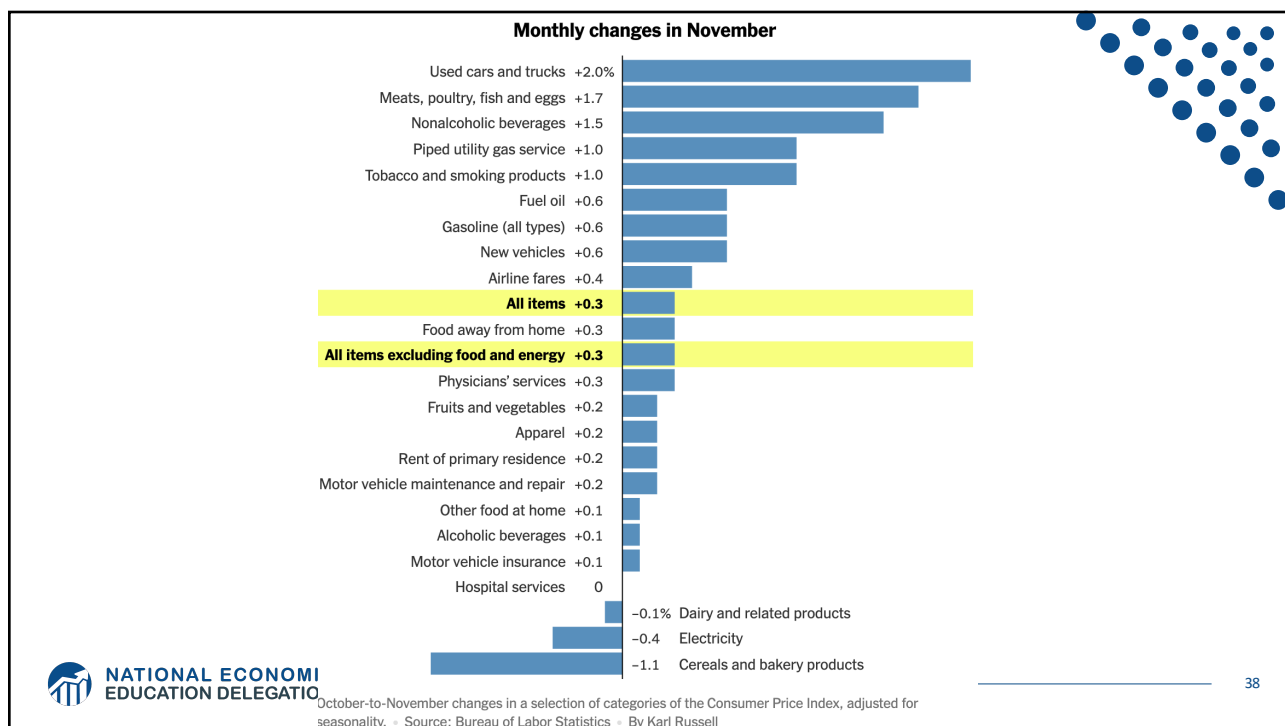
Inflation



36

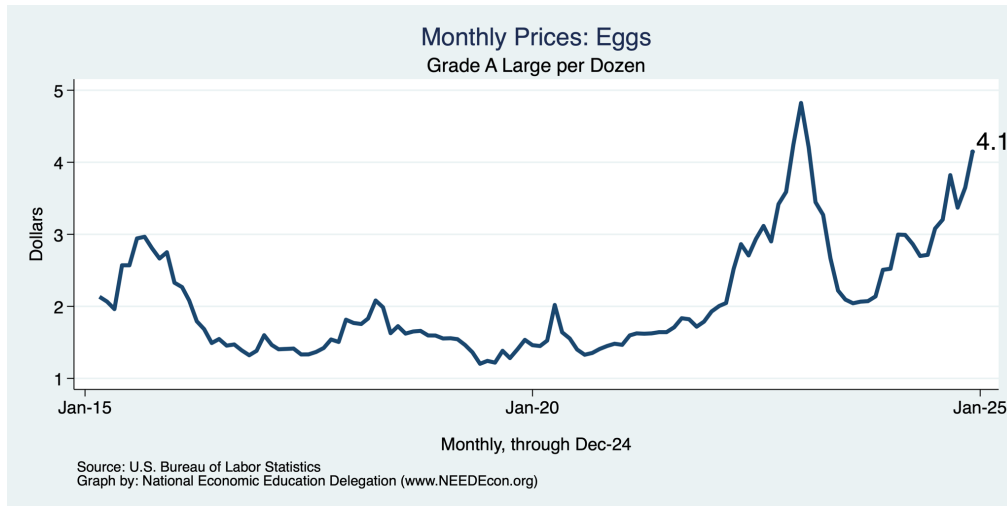


37

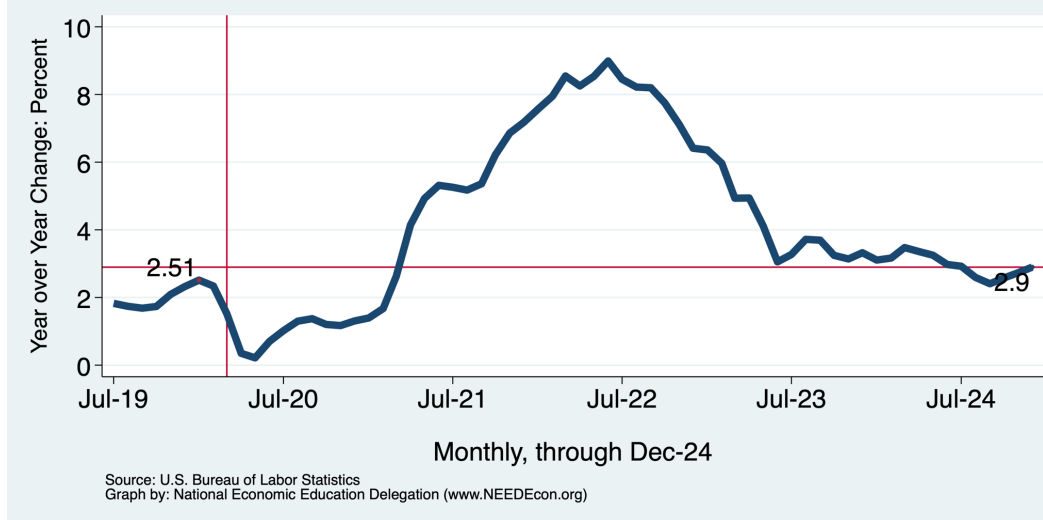


38

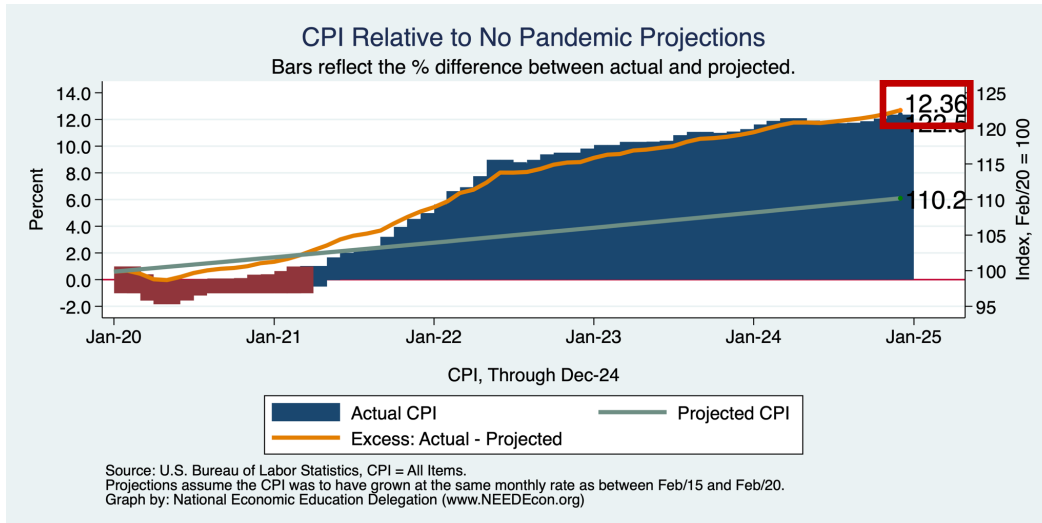
And Then There are Egg Prices



That Brings us to the Pandemic



CPI Deviation from Target



About that 2% Target

- **There is no specific basis for it.**
- **Head of the New Zealand central bank said: I'm targeting 2%.**
 - Everybody else said: ok, let's do that.
- **Will it be ok if inflation stays at around 2.5%?**
 - Probably.
 - Unless you're running for president.

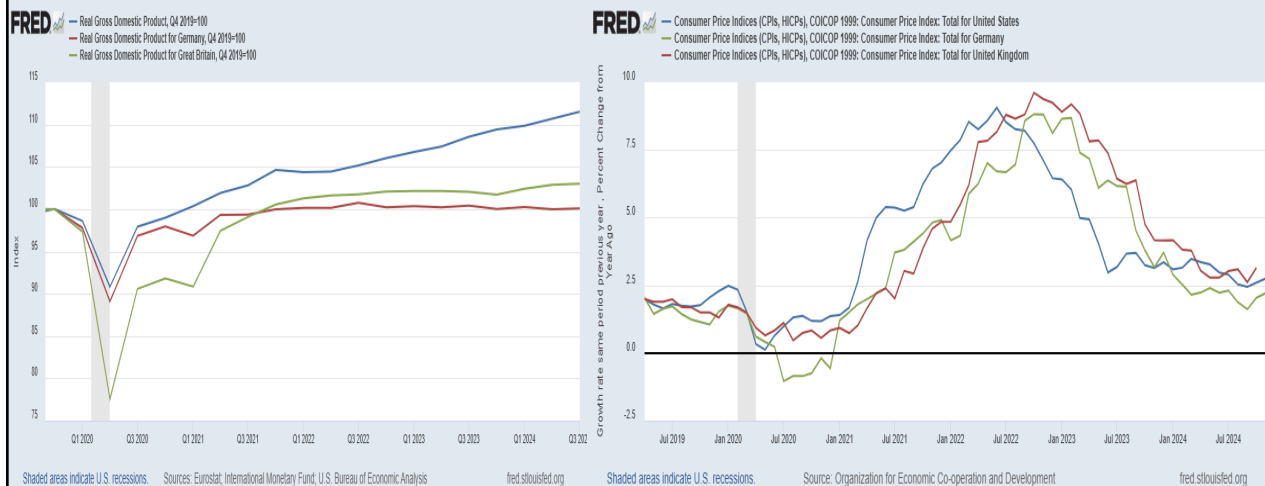


Sources of Pandemic Inflation

- **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.**



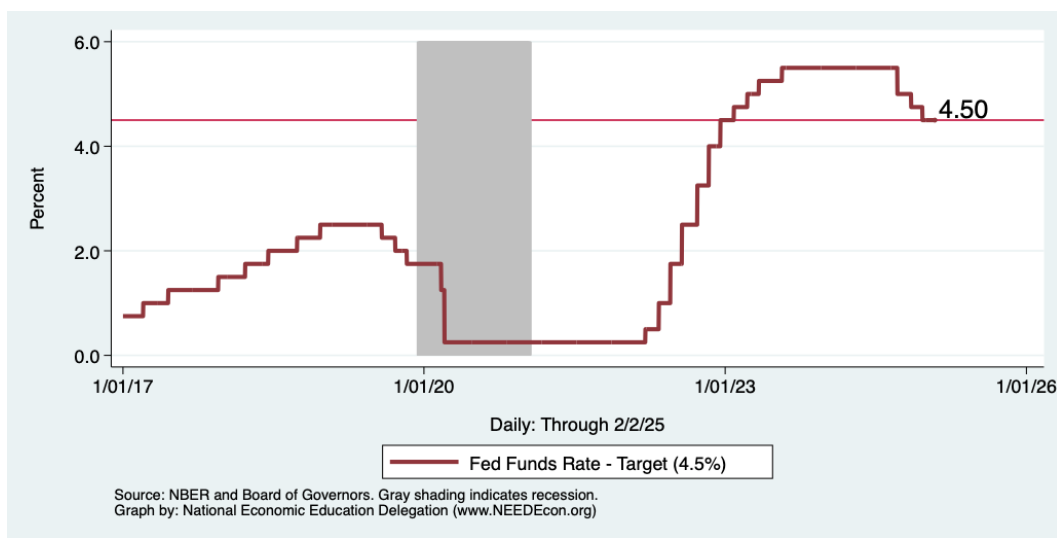
International Comparisons



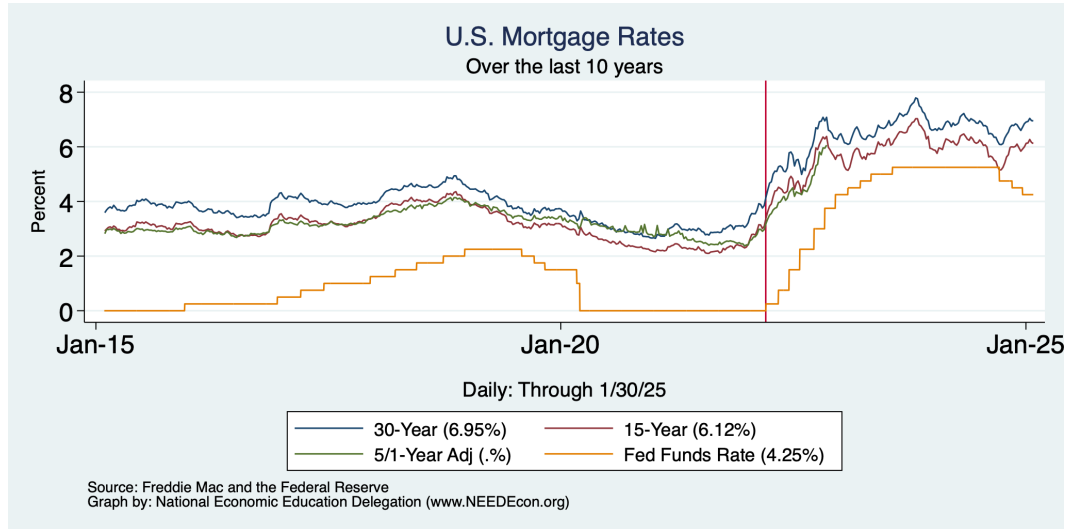
The Fed: Reining in Inflation!



Federal Funds Rate – Recent Activity



Mortgage Rates



NATIONAL ECONOMIC
EDUCATION DELEGATION

47

47

Takeaways

- **We have achieved a soft landing.**
 - Many indicators are well in the black.
 - 2024-Q3 GDP growth was quite good.
- **Inflation has been (largely) tamed.**
- **Fed is slowing its activity and cutting rates (pausing).**
- **Threats to continued growth:**



NATIONAL ECONOMIC
EDUCATION DELEGATION

48

Uncertainties

- **Conflicts in Ukraine and Israel.**
 - Global Supply Chains?
 - Oil Prices?
 - Aid to Ukraine?
- **Asset prices (stocks)**
- **Household balance sheets**
- **Resurgence of inflation**
 - Deportations
 - Tariffs
- **Massive cuts in government spending.**

Government Views on the Current State

Fed, December 2024

Variable	Median ¹				
	2024	2025	2026	2027	Longer run
Change in real GDP	2.5	2.1	2.0	1.9	1.8
September projection	2.0	2.0	2.0	2.0	1.8
Unemployment rate	4.2	4.3	4.3	4.3	4.2
September projection	4.4	4.4	4.3	4.2	4.2
PCE inflation	2.4	2.5	2.1	2.0	2.0
September projection	2.3	2.1	2.0	2.0	2.0
Core PCE inflation ⁴	2.8	2.5	2.2	2.0	
September projection	2.6	2.2	2.0	2.0	
Memo: Projected appropriate policy path					
Federal funds rate	4.4	3.9	3.4	3.1	3.0
September projection	4.4	3.4	2.9	2.9	2.9

Variable (in percent)	CBO December 2024 Projections			
	2024	2025	2026	2027
RGDP growth	2.3	1.9	1.8	1.8
Unemployment	4.2	4.3	4.4	4.4
Inflation (PCE)	2.5	2.2	2.1	2.0
Core Inflation	3.2	2.4	2.3	2.3
Federal Funds	4.6	3.7	3.4	3.4

<https://www.cbo.gov/system/files/2024-12/60890-Economy.pdf>

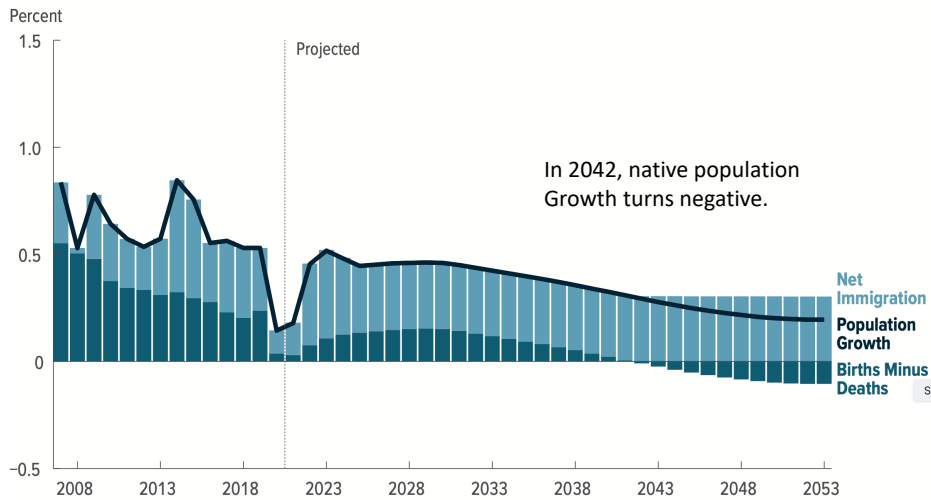
Austin Goolsbee, President of the Chicago Fed, The economy is on a “golden path” and will achieve the “mother of all soft landings.”

On Deportations

- Immigrants work different jobs than does the native-born population.
- 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.

Is Immigration Saving the Day?

Population Growth and Its Underlying Factors



On Tariffs: What is a Tariff?

- **A tariff is a tax on imports.**
- **Much like, say, the 6.25% sales tax in Illinois,**
 - Whatever price the seller charges, the buyer pays an extra 6% that goes to the government.
- **A 10% tariff on imports (such as Trump proposes) will 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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

53

On Tariffs: Effects

- **Higher prices in the U.S. – inflation**
- **More sales for domestic producers.**
- **Higher costs for domestic producers.**
 - e.g., automobile production
 - Parts go across borders several times.
 - Steel is more expensive.
- **Net job losses**
 - Estimates are that for every job created by previous Trump tariffs, eight jobs were lost.
- **Retaliation**
 - Lower sales for exporters.



NATIONAL ECONOMIC
EDUCATION DELEGATION

54

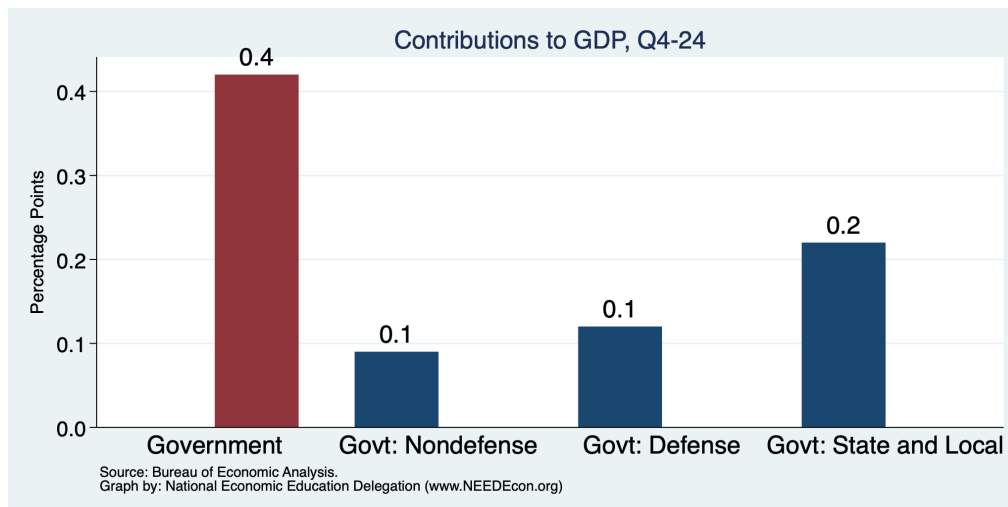
54

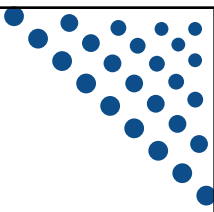
In The Name of Government Efficiency...

- **Elon Musk – who is the efficiency Czar under Trump:**
 - Thinks that he can identify \$2 trillion in cuts.

- **Effect:**
 - Decimate government services. Defense? Social Security? Healthcare?
 - Deep recession.


On Government Spending





Bottom line:

- **Uncertainty...**

 NATIONAL ECONOMIC EDUCATION DELEGATION

57

57



Thank you!

Any Questions?

www.NEEDEcon.org
Jon Haveman, Ph.D.
Jon@NEEDEcon.org

Contact NEED: info@NEEDEcon.org

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

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

 NATIONAL ECONOMIC EDUCATION DELEGATION

58

58