

***Osher Lifelong Learning Institute, Summer 2022***  
**Contemporary Economic Policy**

University of Casper College  
Sep-Oct, 2022

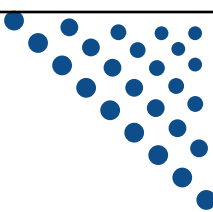
Host: Jon Haveman, Ph.D.  
National Economic Education Delegation

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

- **Delegates: 652+ members**

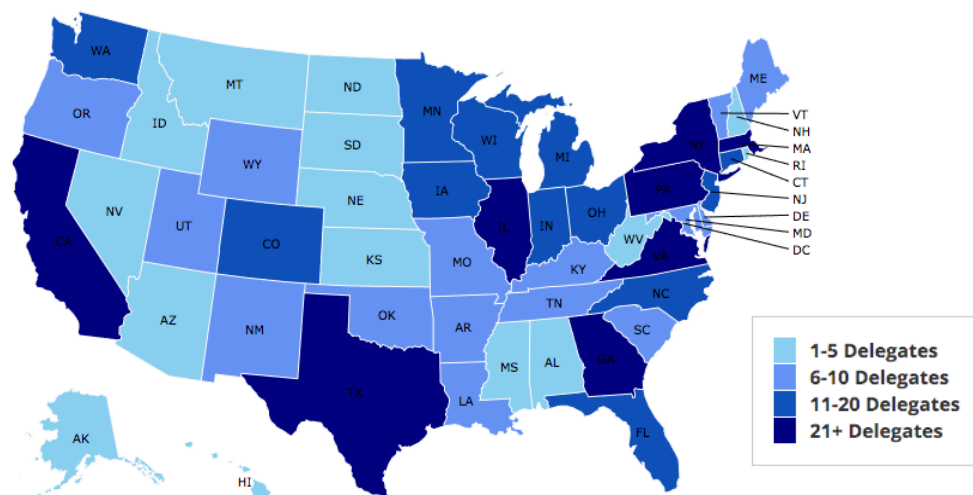
- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 49 Ph.D. Economists**

- Aid in slide deck development

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## Where Are We?



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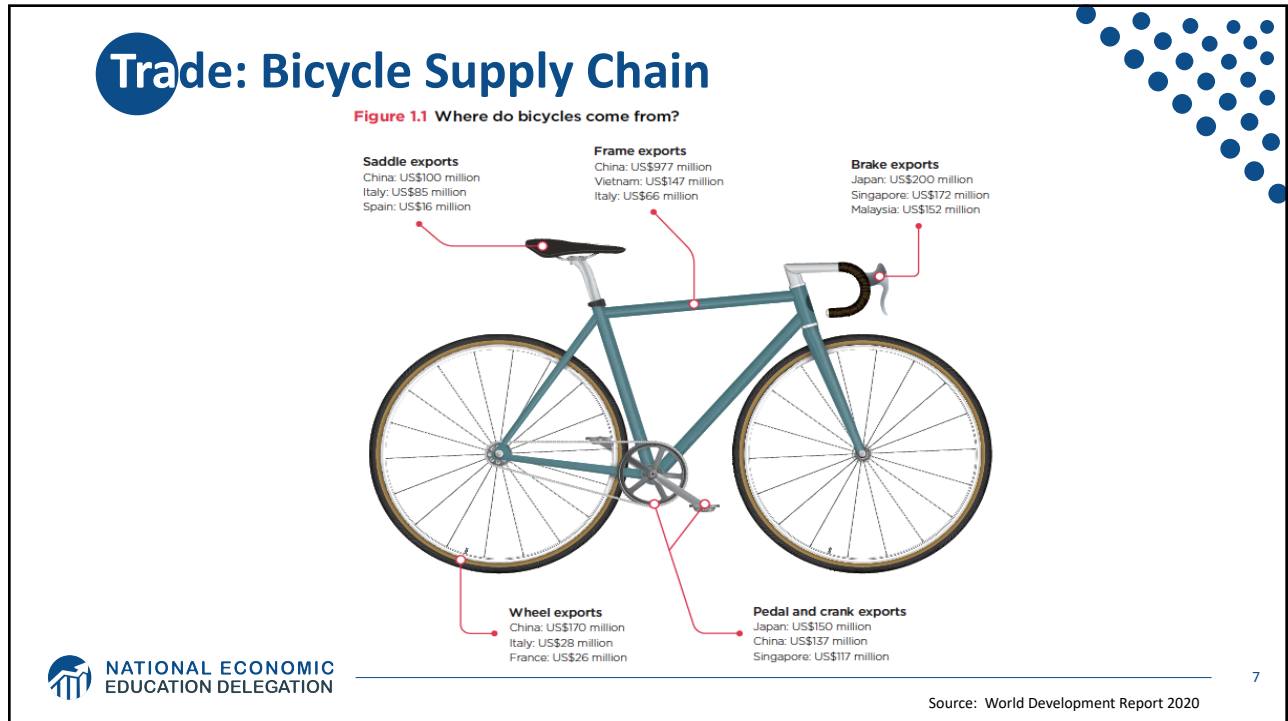
## Available NEED Topics Include:

- Healthcare 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

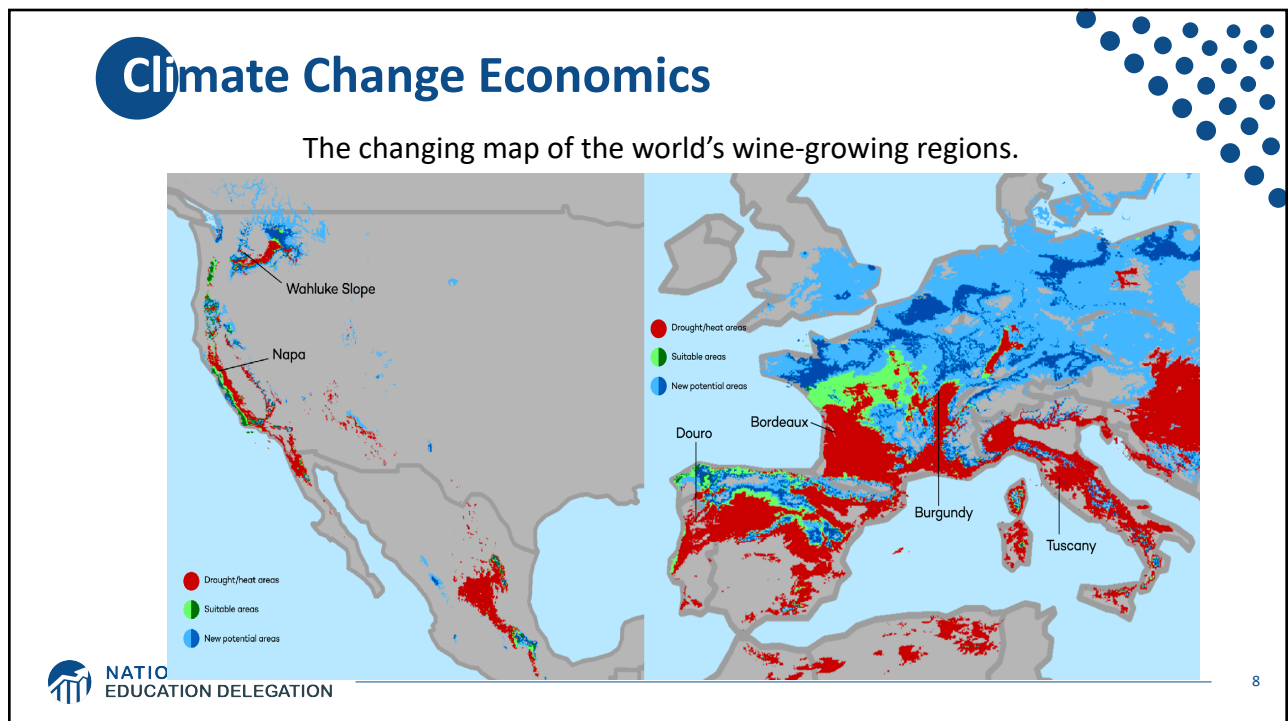
## Course Outline

### • Contemporary Economic Policy

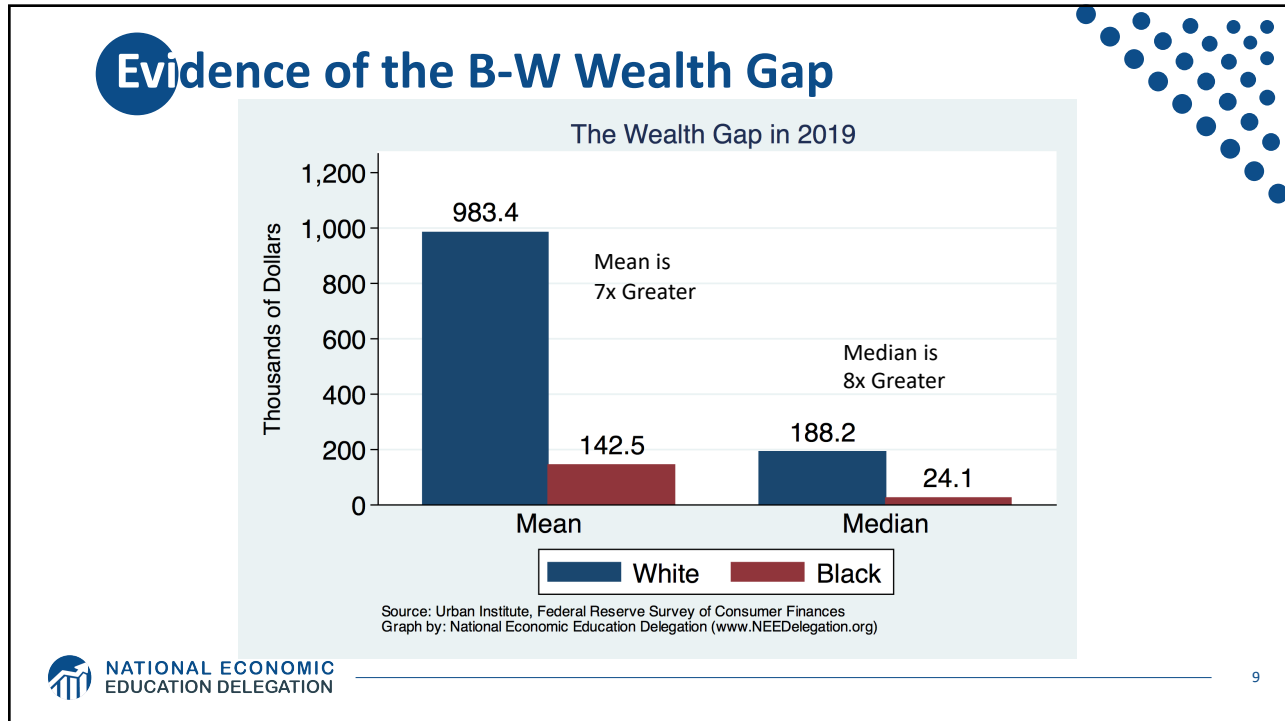
- Week 1 (9/2): Economic Update (Geoffrey Woglom, Amherst College)
- Week 2 (9/9): Trade and Globalization (Alan Deardorff, University of Michigan)
- Week 3 (9/16): Climate Change Economics (Sarah Jacobson, Williams College)
- Week 4 (9/23): The Black-White Wealth Gap (Jon Haveman, NEED)
- Week 5 (9/30): Economic Inequality (Chris Herrington, VA Commonwealth)
- Week 6 (10/7): Autonomous Vehicles (Jon Haveman, NEED)



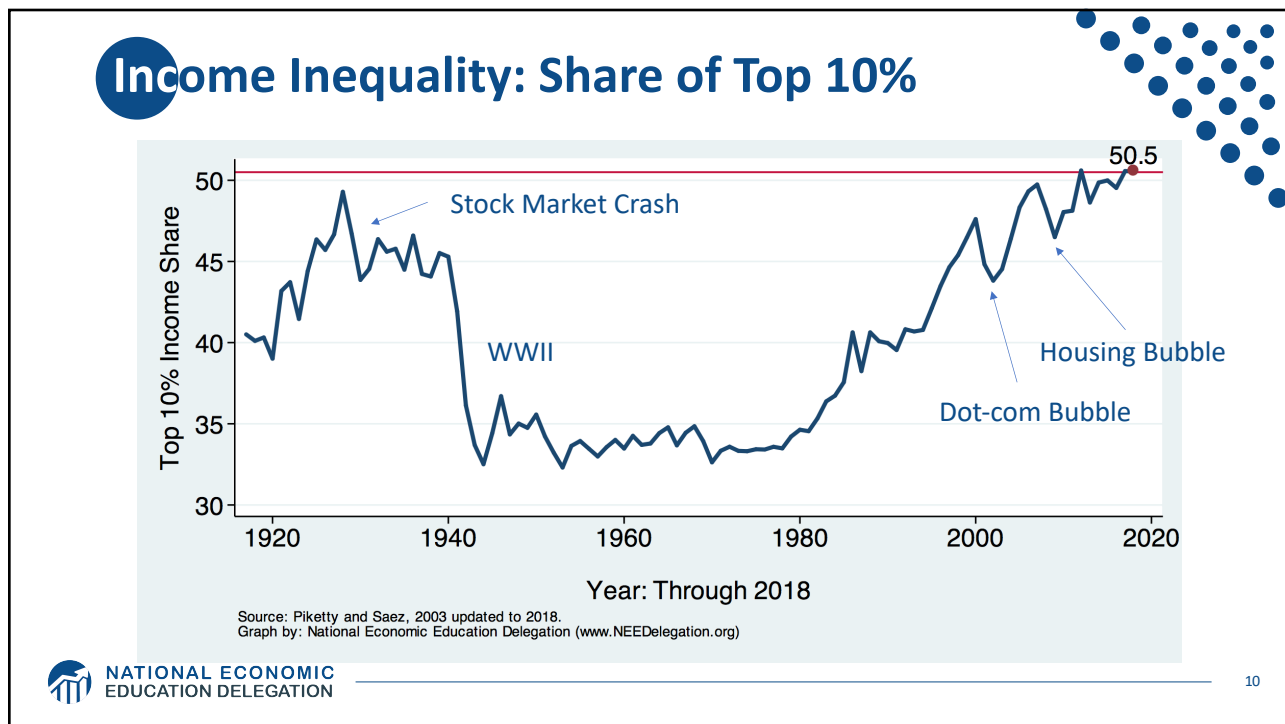
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## Autonomous Vehicles: Jon Haveman



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## Submitting Questions

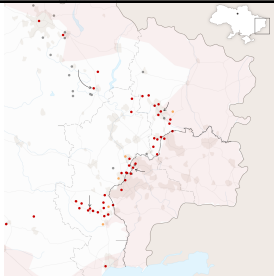
- **Please submit questions of clarification in the chat.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **OLLI allowing, we can stay beyond the end of class to have further discussion.**
- **Slides will be available from the NEED website tomorrow ([https://needelegation.org/delivered\\_presentations.php](https://needelegation.org/delivered_presentations.php))**



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# US Economy: Update

**Geoffrey Woglom, Ph.D.**  
Amherst College, emeritus  
September 2, 2022



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## Outline for the Talk

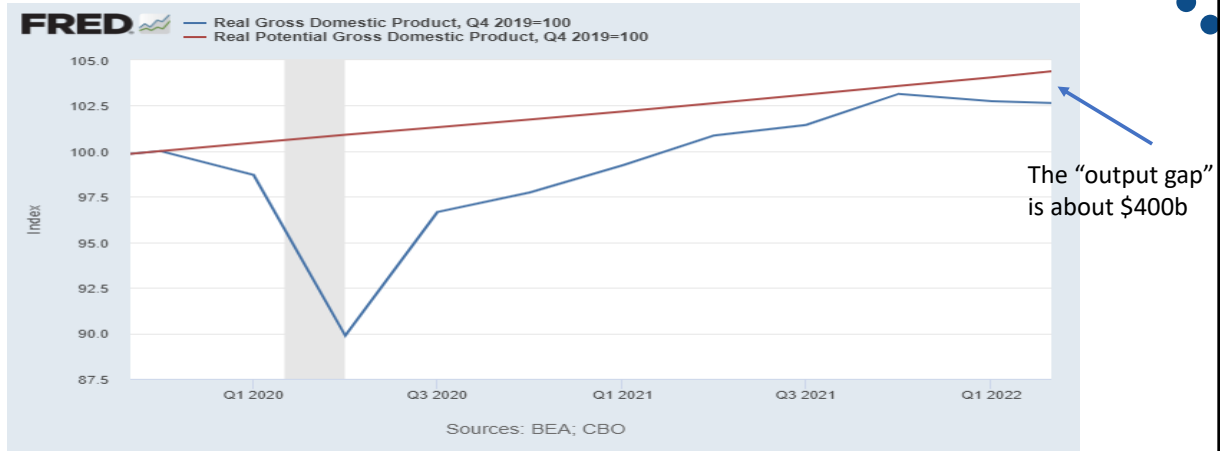
1. Quick summary of the state of the economy.
2. Current confusion on the state of the economy.
3. What's at stake in controlling inflation.
4. What lies ahead.

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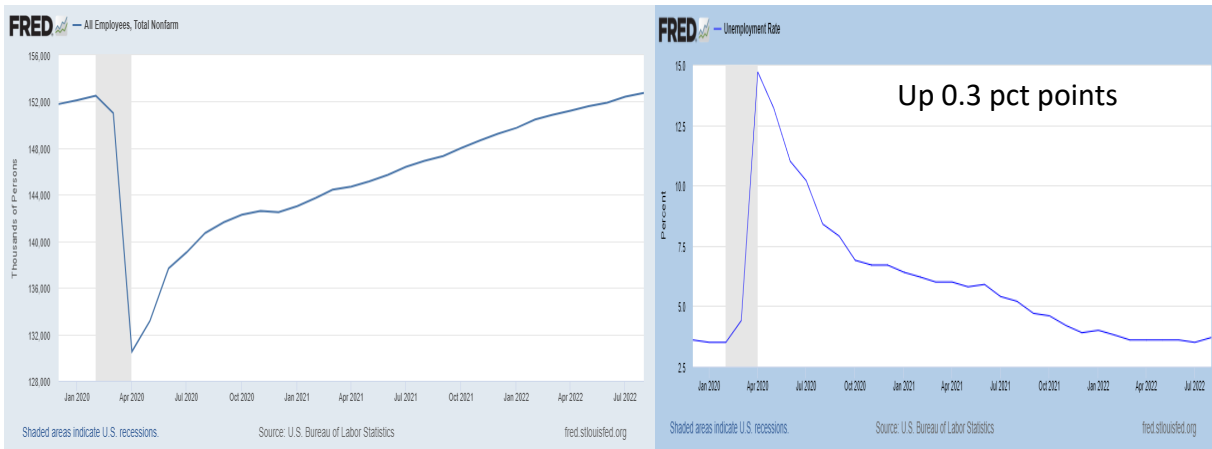
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# Real GDP and 'Potential' during the Recovery



# Labor Market is Almost Fully Recovered





## Three (Apparent) Mysteries

1. Does 2 consecutive quarters of negative real GDP growth mean we are in a recession?
2. Does the uptick in the unemployment rate mean a weak economy headed for recession?
3. Where have all the workers gone?

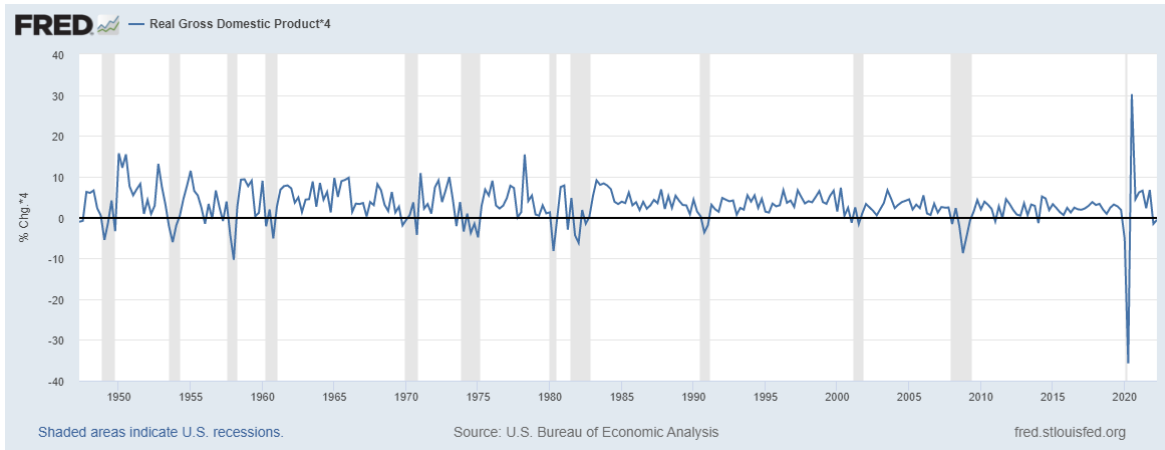


## First, What is a Recession?

- Defined by the National Bureau of Economic Research (NBER)
- “The NBER's definition emphasizes that a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months.”
- Popular Rule of Thumb: Two or more, consecutive quarters where Real GDP falls.
- Recessions are caused by decreases in total spending.



## Real GDP Growth and Recessions



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## Recession or No Recession: What do you think?

- Employment has grown continually.
- But the unemployment rate is up.
- It may be a measurement issue. An alternate measure of GDP (GDI) was up 1.7% in Q1 and 1.3% in Q2.
- Very unlikely, the NBER will call a recession starting in the first half of this year.
- But is the uptick in the unemployment rate a sign of a weak economy



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## Some Definitions

- $CN_{Population} = Labor\ Force + \text{Not in the Labor Force}$
- Not in the Labor Force are people without jobs and who are not looking for jobs
- $Labor\ Force(LF) = Employed(E) + Unemployed(U)$ .
- Unemployed are people without a job who are actively seeking to find a job.
- Unemployment rate(UR) is  $U/LF$



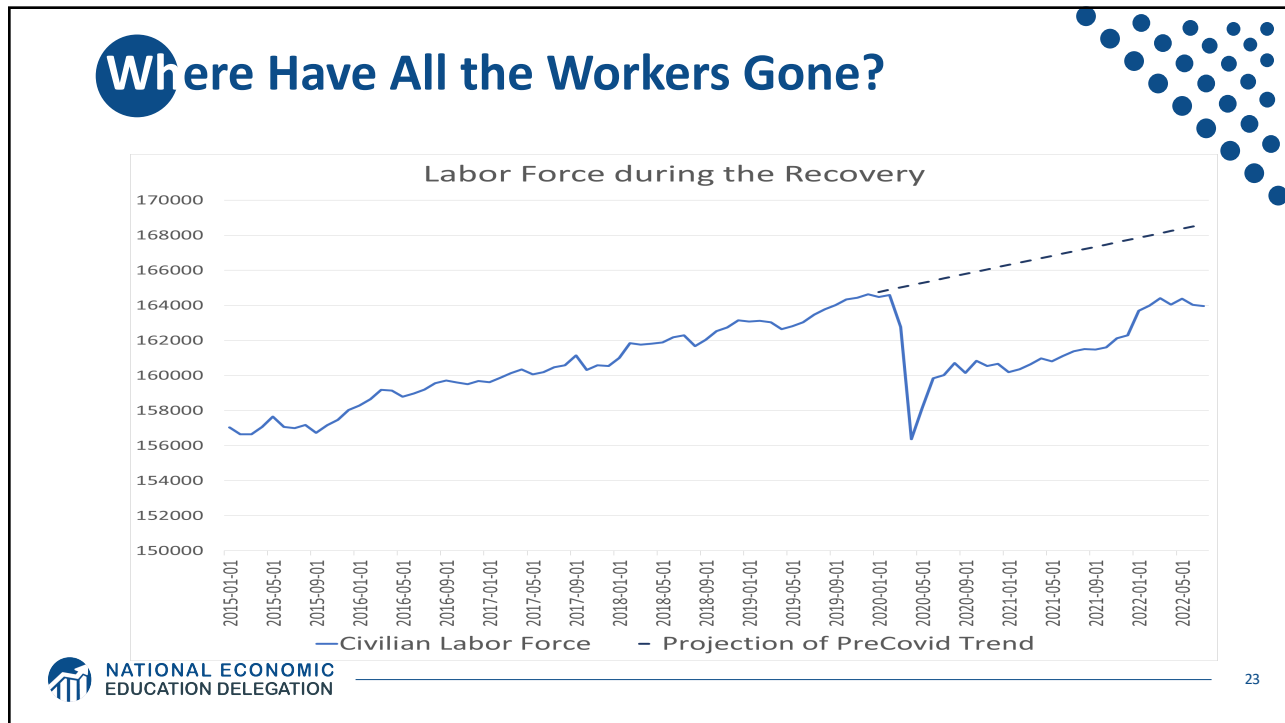
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## Some Arithmetic

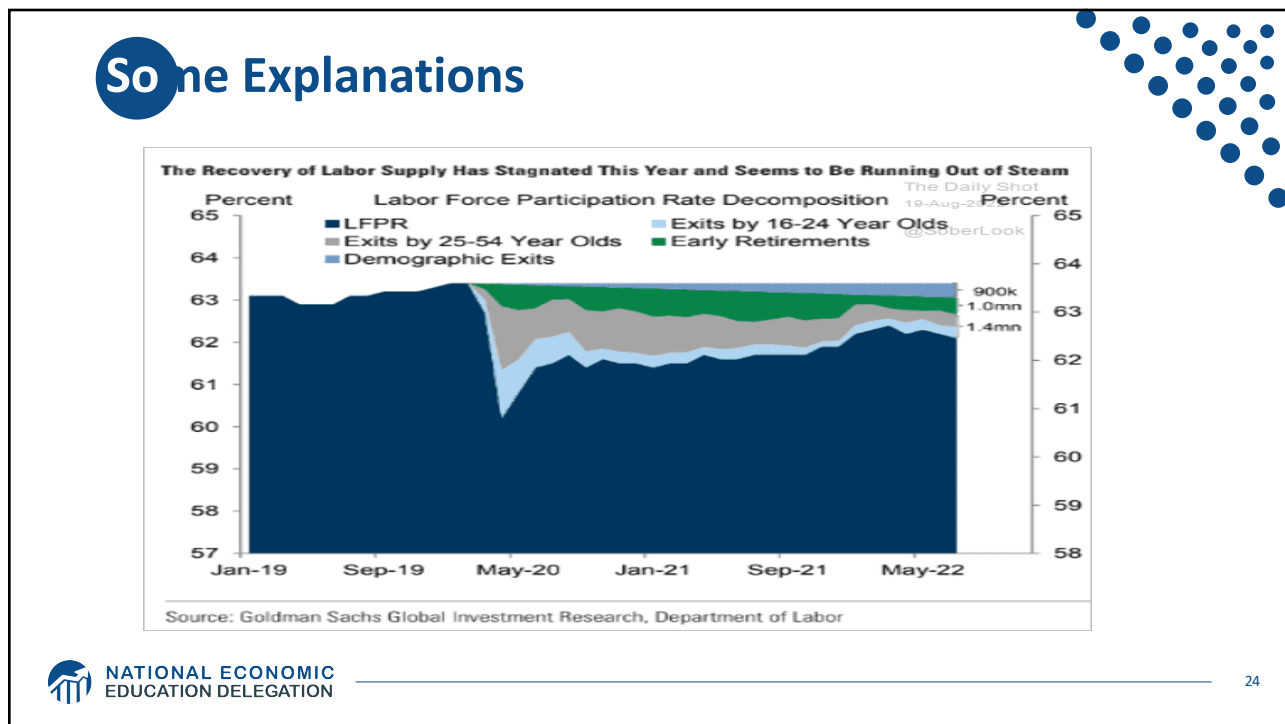
- July:  $LF = 164.0$ ;  $E=158.3$ ;  $U=5.7$ , so  $UR=5.7/164=3.5$
- August  $LF =164.7$ ;  $E=158.7$ ;  $U=6.0$ , so  $UR = 6/164.7=3.65$ , rounded to 3.7
- How did both the number of unemployed increase 300K and the number of employed increase by 400K?
- Is the increase in LF a sign of a weakening economy?



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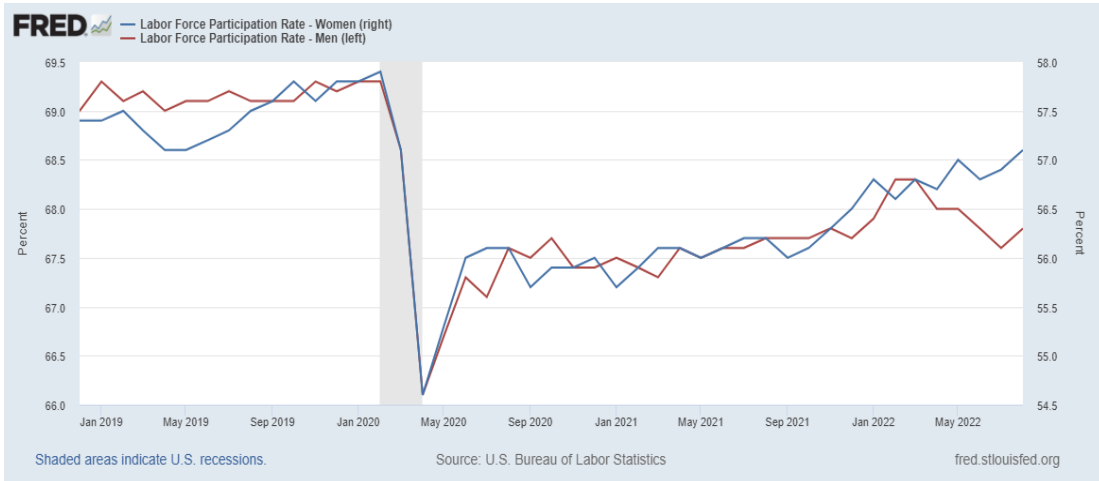


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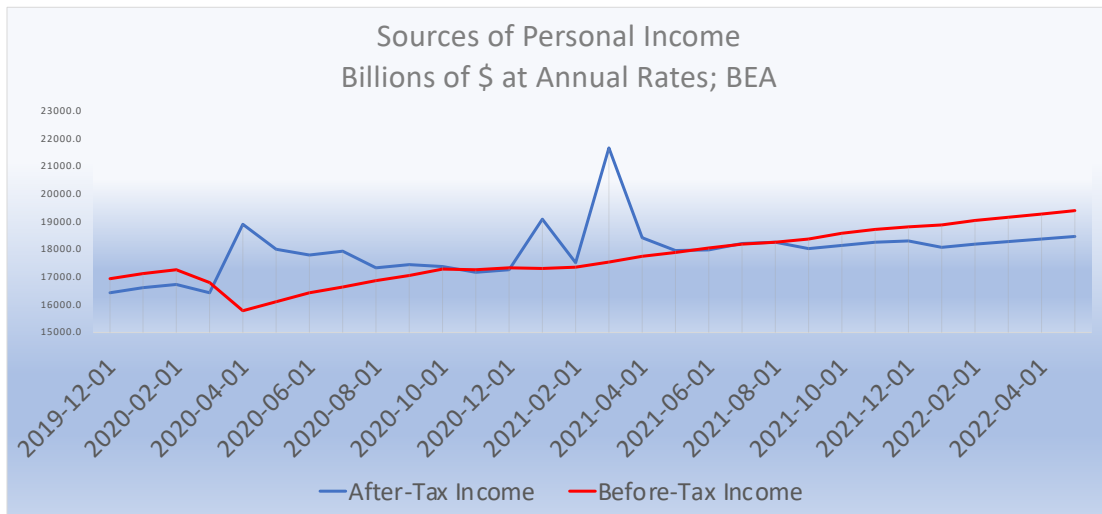


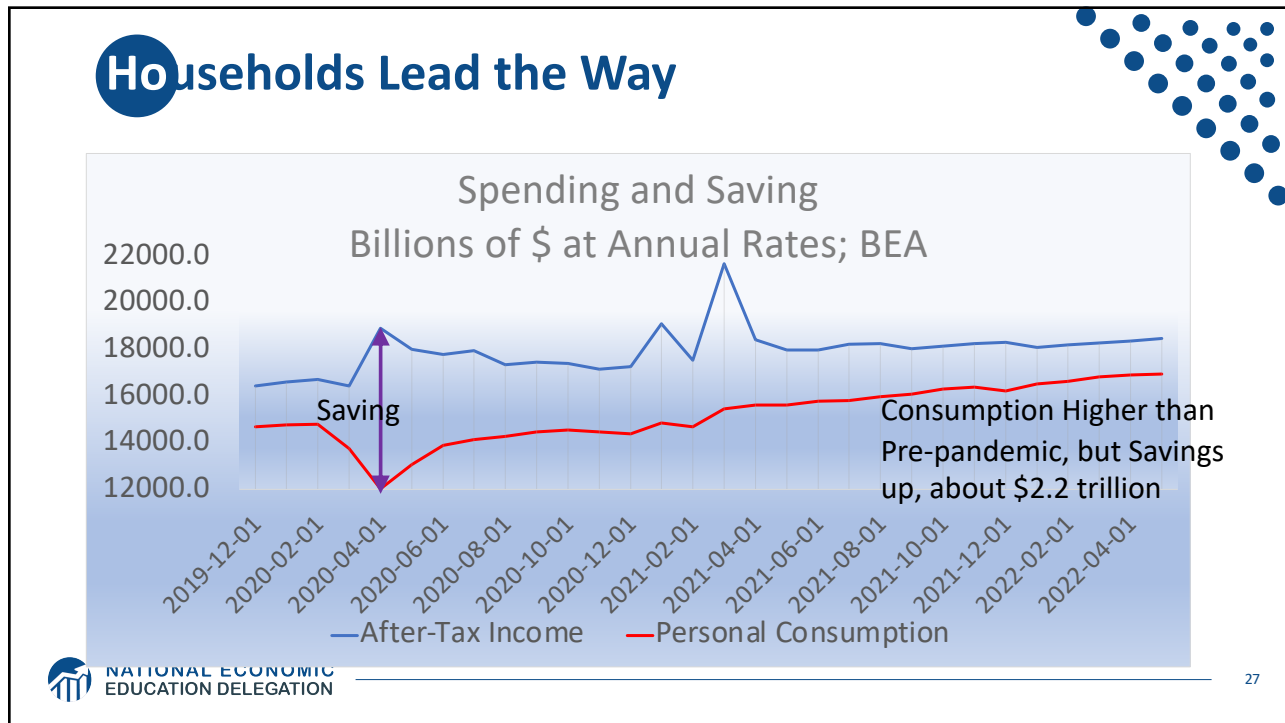
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# Gender Also Matters

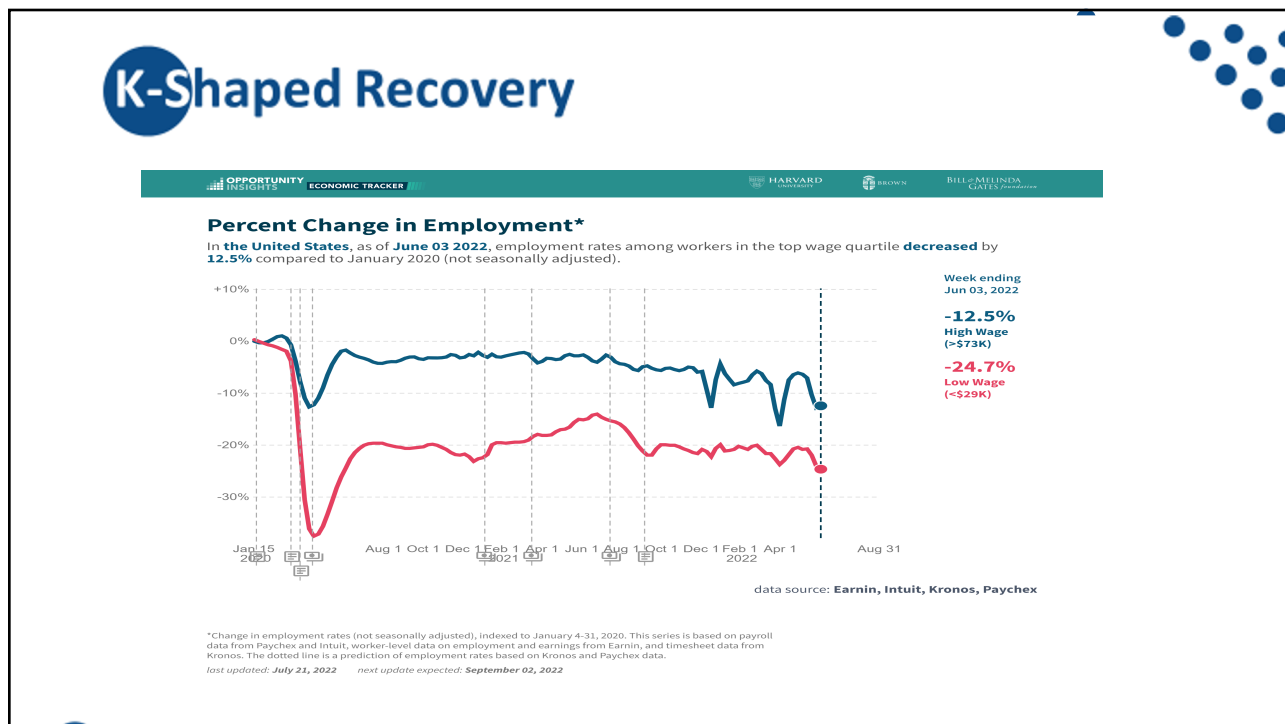


# Fiscally Driven Recovery

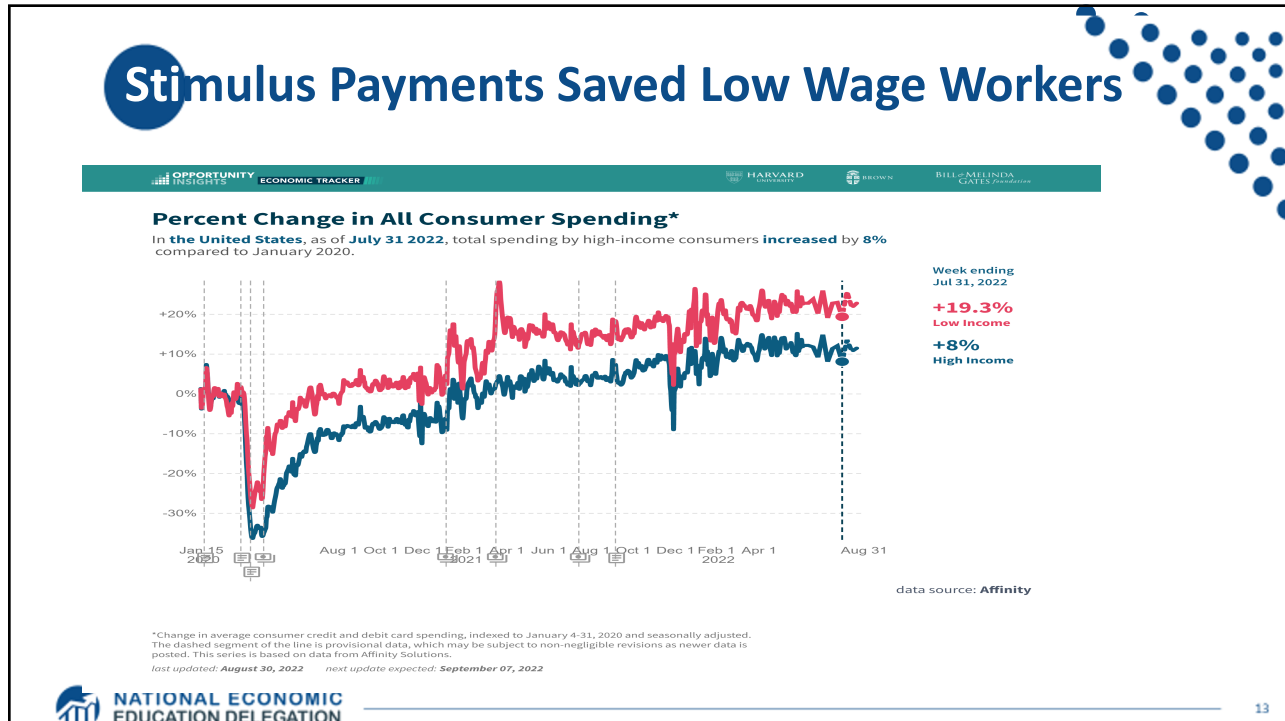




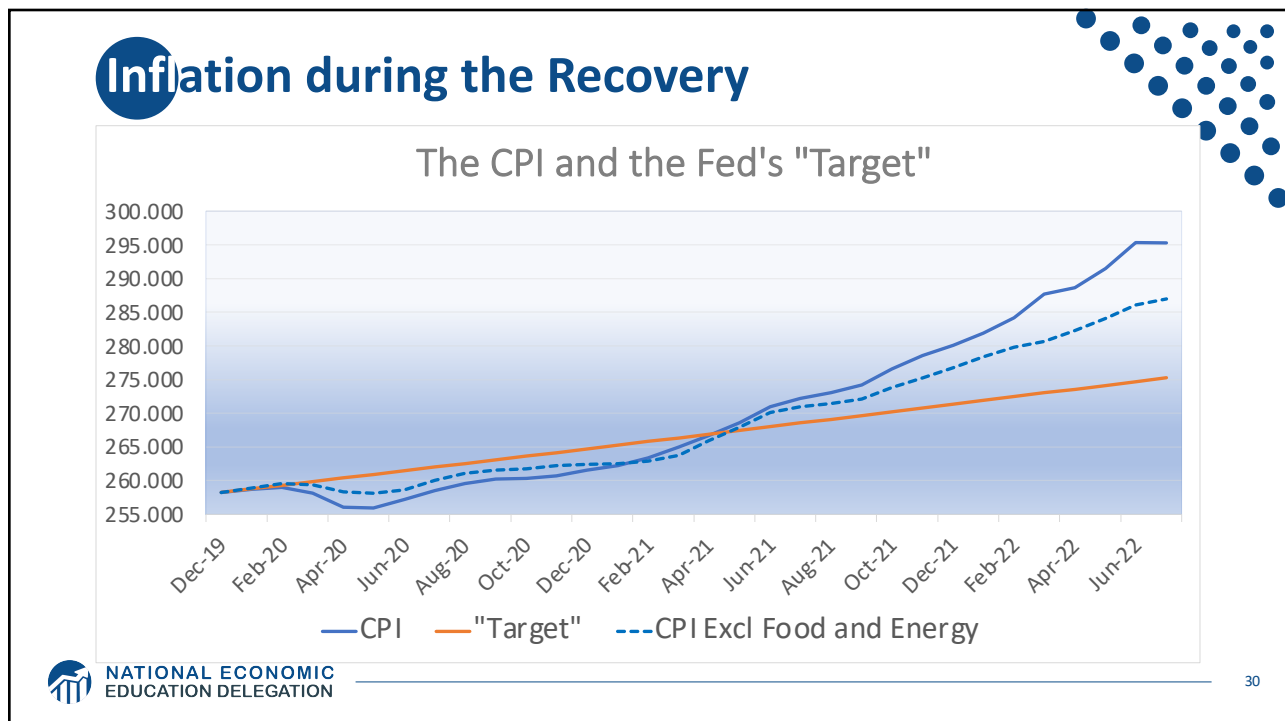
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## Stabilizer in Chief: the Fed



Jerome Powell  
February 2018

- **The Fed's Dual Mandate:**

1. "Stable prices" which means 2% rate of inflation in the Personal Consumption Price Index (which corresponds to about 2.5% inflation in the more well-known CPI).
2. "Maximum employment" which means the highest level of employment (lowest unemployment rate) consistent with mandate 1.

- **Fiscal Policy (taxes and spending, President and the Congress) can affect inflation and unemployment, but it is the Fed's job to achieve the dual mandate**



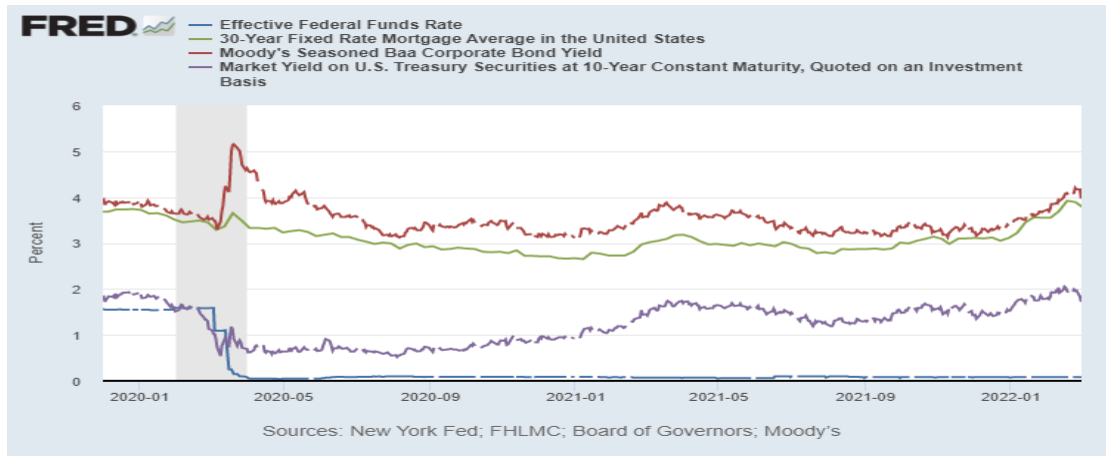
## The Fed in November 2021

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation having run persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved.





# Accommodative Monetary Policy!



# Fed QE during the Recovery

- Zero interest rates until March and a Big QE program

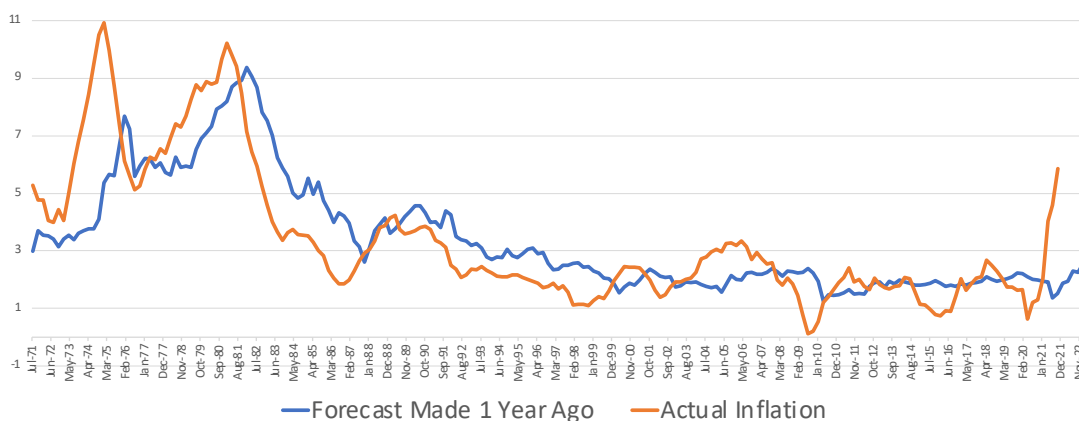


## What's at Stake?

- If people expect inflation, that can lead to high actual inflation.
- Paul Volcker in 1981 realized this point and wrung inflation of the system with a massive recession.
- Unemployment peaked at 11%.
- Europe's lost decade.
- Latin America Debt Crisis.
- But, (for the US) it worked!

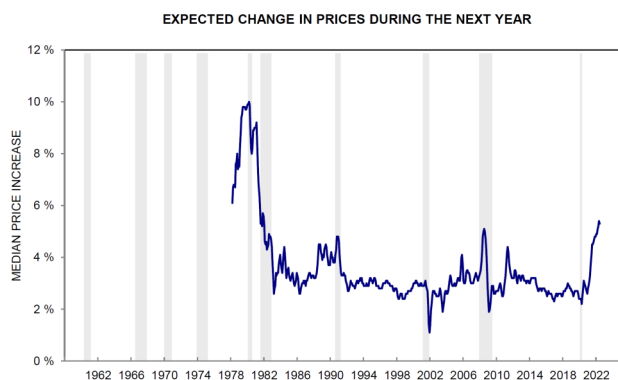
## "Anchoring" Inflation Expectations

Expectations and Subsequent Inflation



## But, Boy Have Things Changed!

- Powell’s Wakeup Moment



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"Surveys of Consumers," University of Michigan, ©

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## Chair Powel at Jackson Hole Conference

Restoring price stability will take some time and requires using our tools forcefully to bring demand and supply into better balance. Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain.

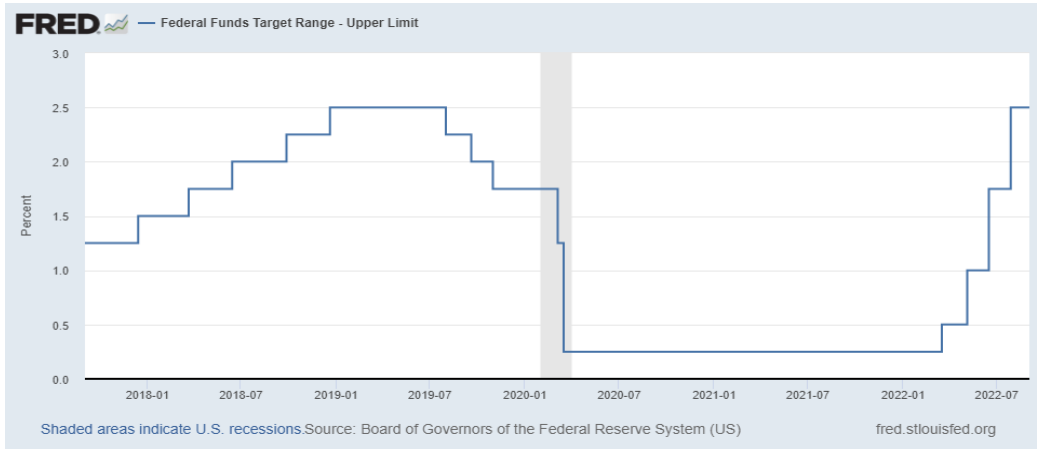


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## Four Increases in 4 Meetings

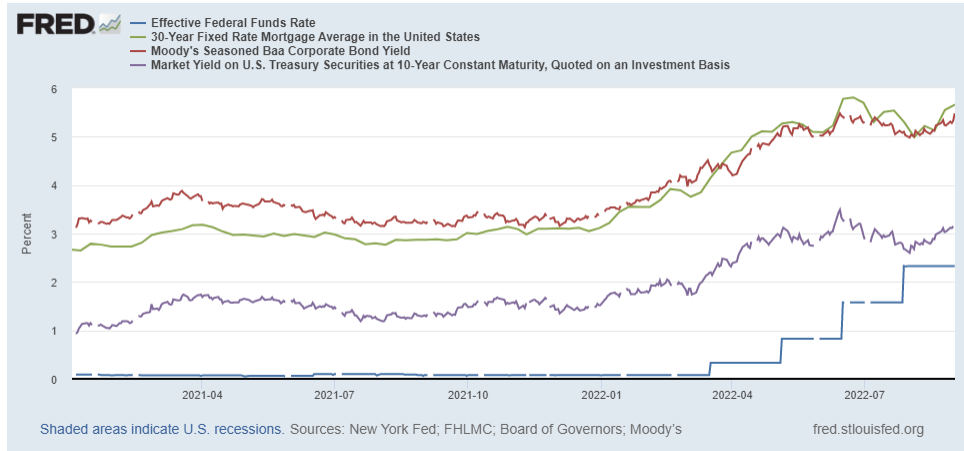


## My Diagnosis for the Uptick in Inflation

- **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 and today's 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.**



# Interest Rates are Headed Higher



# So, What Lies Ahead?

**Darned if I know!**

- **The Goal: a “Soft Landing”?**
- **Working for the Fed**
  1. Supply pressure easing.
  2. Gasoline Prices Falling.
  3. Financial Market Expectations of Inflation pretty stable.

# Global Suppl Chain Pressures

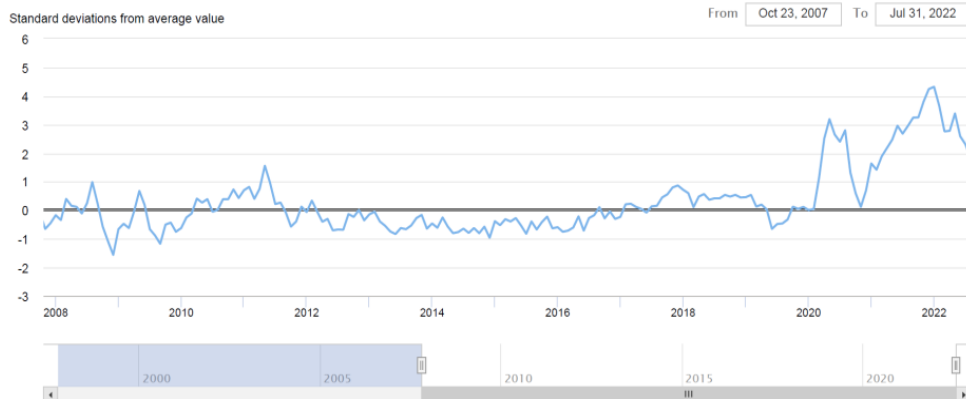


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# Gas Prices

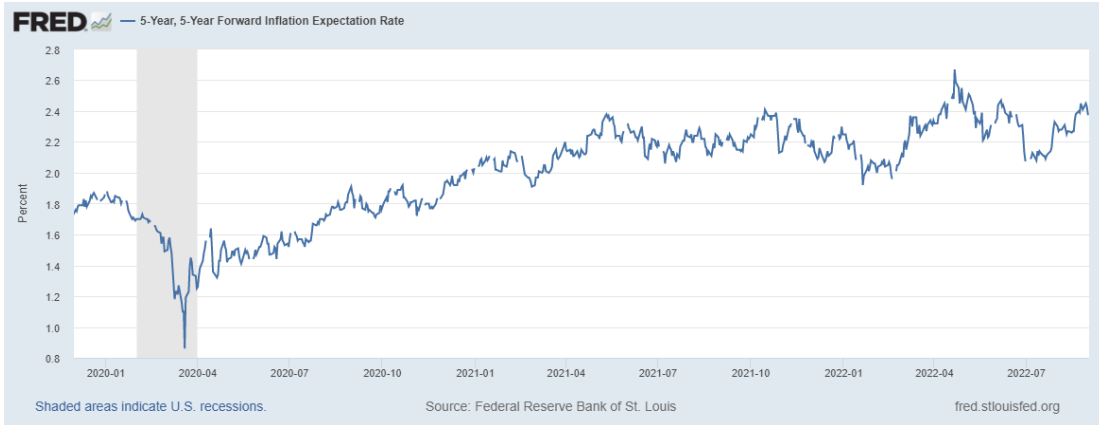


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# Final Market Expectations of Inflation



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# Let's Hear What You Think

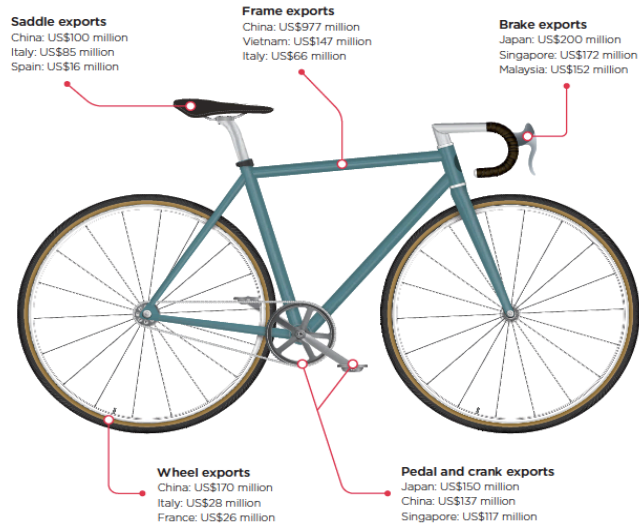
- But, first:



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# Trade: Alan Deardorff, University of Michigan

**Figure 1.1** Where do bicycles come from?



## Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)  
 Geoffrey Woglom  
 grwoglom@amherst.edu

Contact NEED: [Info@NEEDelegation.org](mailto:Info@NEEDelegation.org)

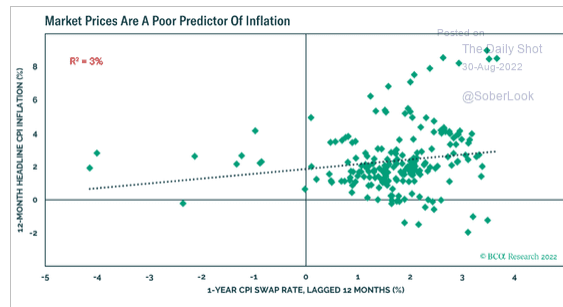
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