



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

University of Hawaii, Manoa  
February-March, 2022

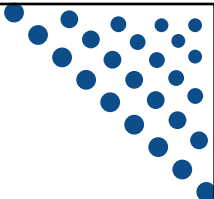
Jon Haveman, Ph.D.  
National Economic Education Delegation

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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: 649+ 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

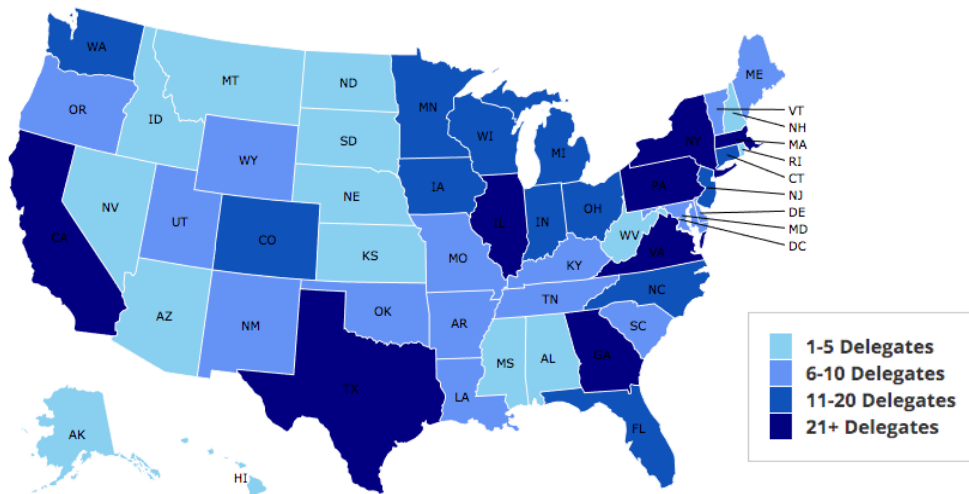


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## Where Are We?



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## 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



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## Course Outline

- **Contemporary Economic Policy**
  - Week 1 (6/30): US Economic Update
  - Week 2 (7/7): The U.S. Federal Debt (Geoffrey Woglom, Amherst College)
  - Week 3 (7/14): Climate Change
  - Week 4 (7/21): Economic Inequality
  - Week 5 (8/4): The Black-White Wealth Gap
  - Week 6 (8/11): Discriminatory Policies
  - Week 7 (8/18): Cryptocurrencies

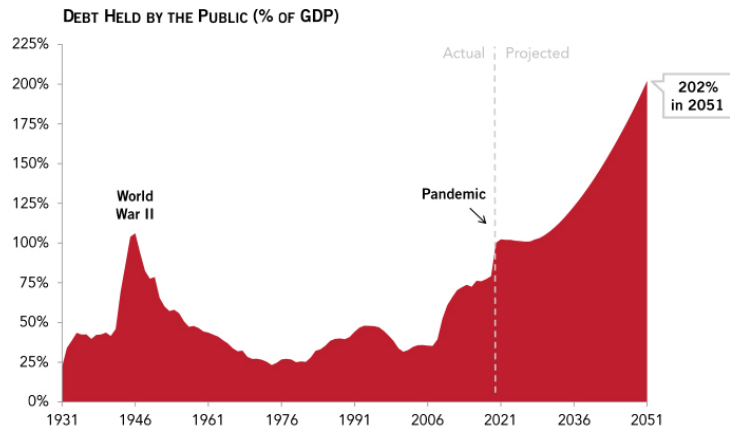


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# The Federal Debt is Becoming A Problem



The national debt is on an unsustainable path



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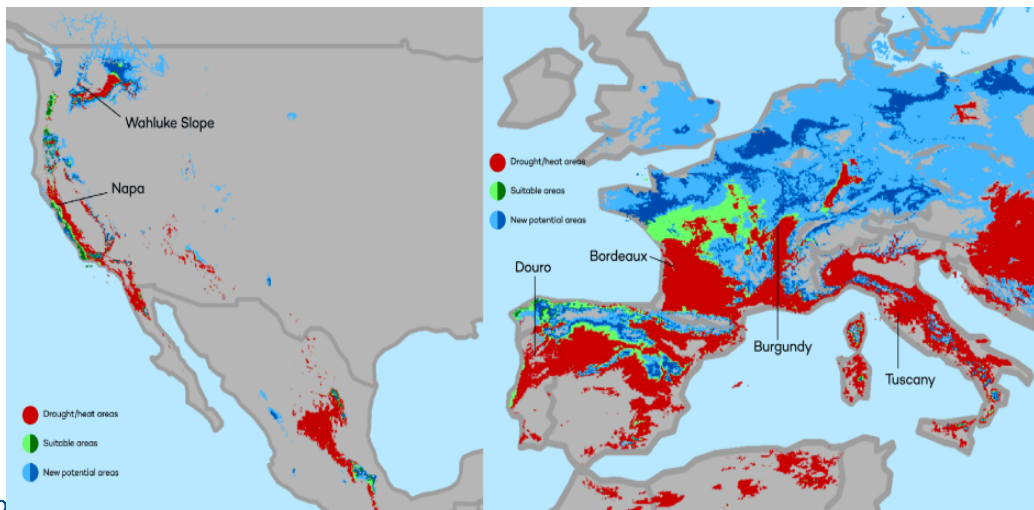


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# Climate Change Economics

The changing map of the world's wine-growing regions.

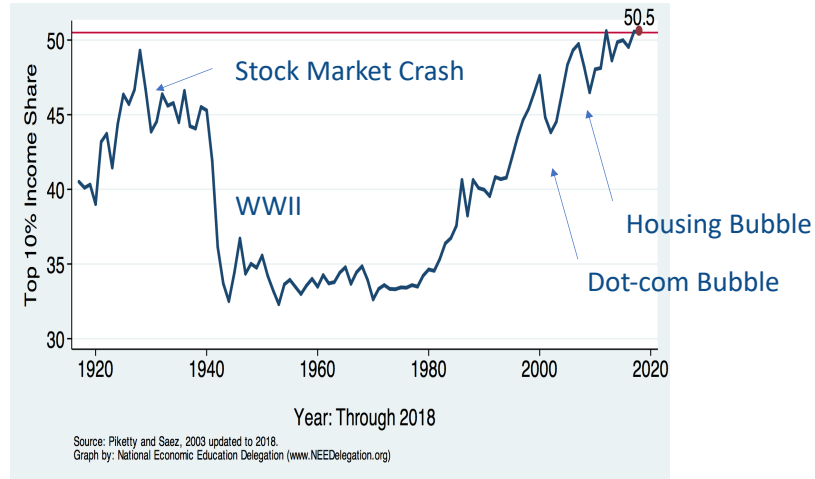


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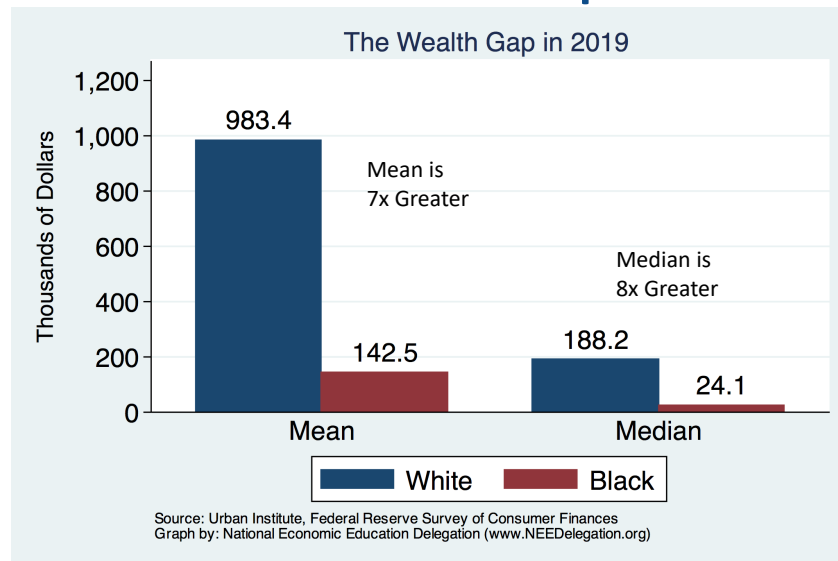
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## National Income Inequality: Share of Top 10%



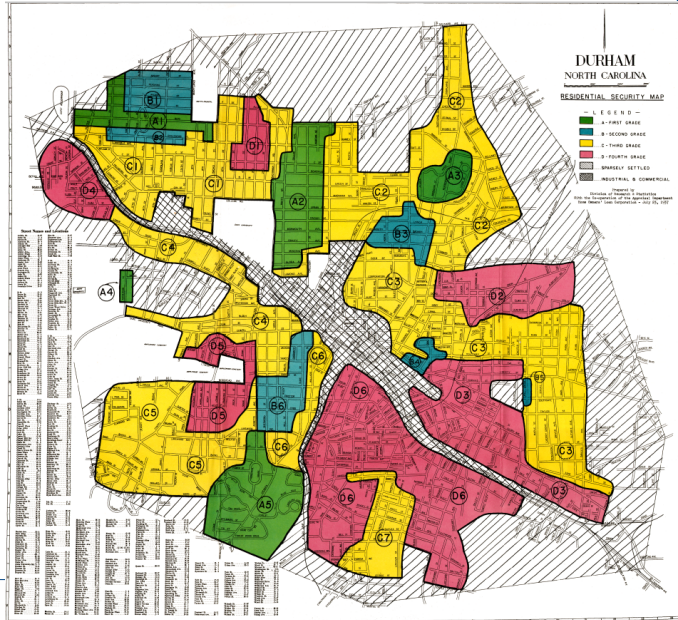
## Evidence of the B-W Wealth Gap



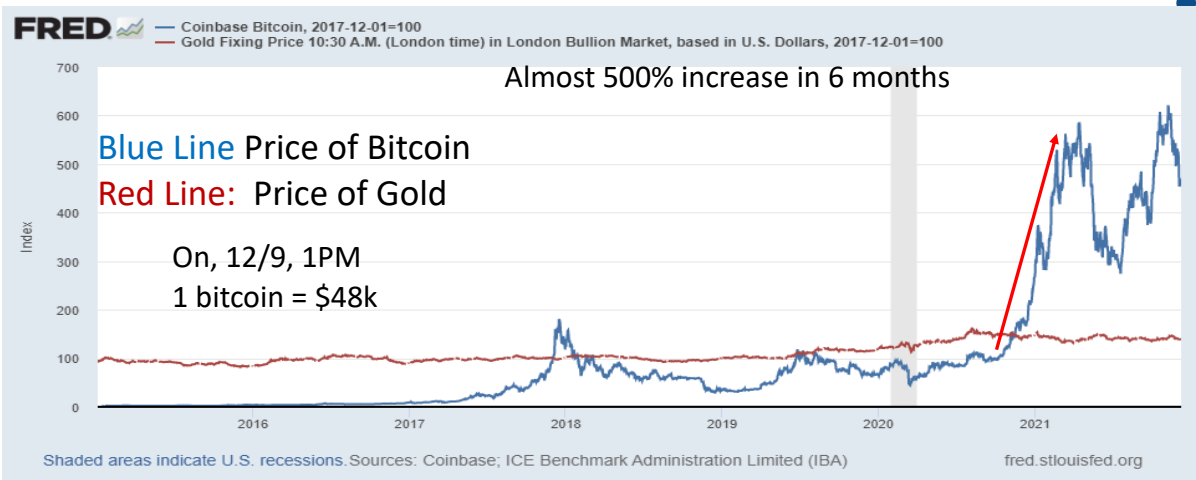
# Misguided Past Policies: Redlining

Red areas were largely Black communities, and considered to be too risky for new home loans.

Yellow areas also suffered from discrimination resulting from FHA guidelines.



# Bitcoins: What is the Excitement About?





## US Economic Update



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## Credits and Disclaimer

- **This slide deck was authored by:**
  - Jon D. Haveman, NEED
  - Scott Baier, Clemson University
  - Geoffrey Woglom, Amherst College (Emeritus)
  - Brian Dombeck, 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).

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## Submitting Questions

- **Please submit questions in the chat.**
  - I will try to handle them as they come up, but may take them in a bunch as time permits.
- **We will do a verbal Q&A once the material has been presented.**
  - And the questions in the chat have been addressed.



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## Outline

- **State of the pandemic**
- **The U.S. Economy**
- **Hot Topics**
  - Government policy
  - Inflation



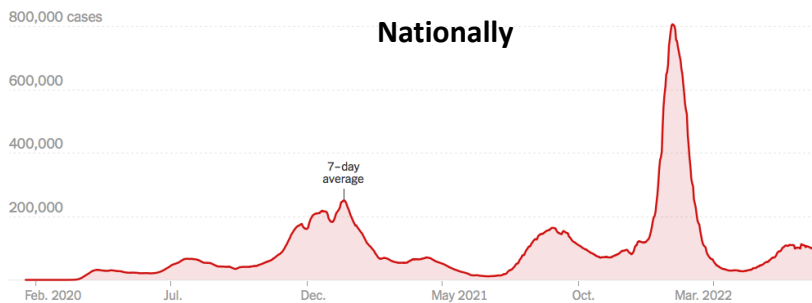
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# State of the Pandemic

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## Making Real Progress...Until Omicron

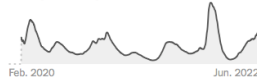
### New reported cases



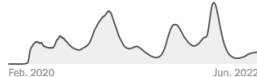
### Vaccinations

	AT LEAST ONE DOSE	FULLY VACCINATED
All ages	78%	67%
5 and up	83%	71%
65 and up	95%	91%

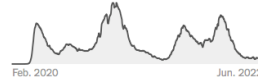
### Test positivity rate



### Hospitalized



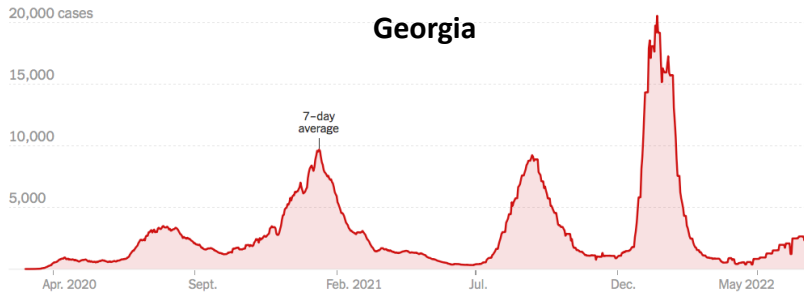
### Deaths



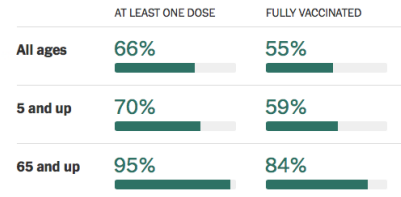
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# Making Real Progress...Until Omicron

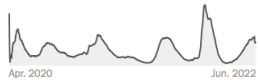
## New reported cases



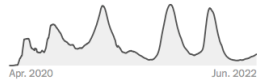
## Vaccinations



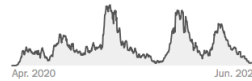
### Test positivity rate



### Hospitalized



### Deaths



# The U.S. Economy

## Some Basic Statistics

Statistic:	Value
Population	332.9 Million
Labor Force (age 16+)	164.4 Million
Employment (Nonfarm)	151.7 Million
Gross Domestic Product (GDP)	\$24.4 Trillion
Income per Capita	\$63,884
Ave. Hourly Earnings	\$31.95

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## U.S. Economy in Global Perspective

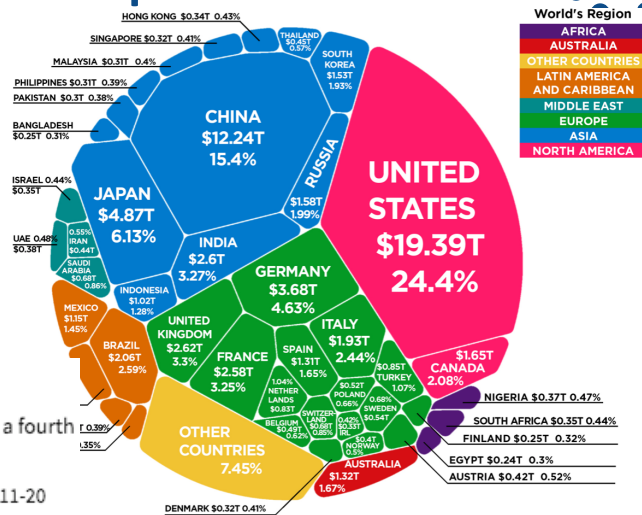
### U.S. Nominal GDP:

**\$21.747 trillion** in 2019-Q4  
**\$19.487 trillion** in 2020-Q2  
**\$24.383 trillion** in 2022-Q1

### % Share of the Global Economy

The 173 countries outside the top 20 make up less than a fourth of the total global economy.

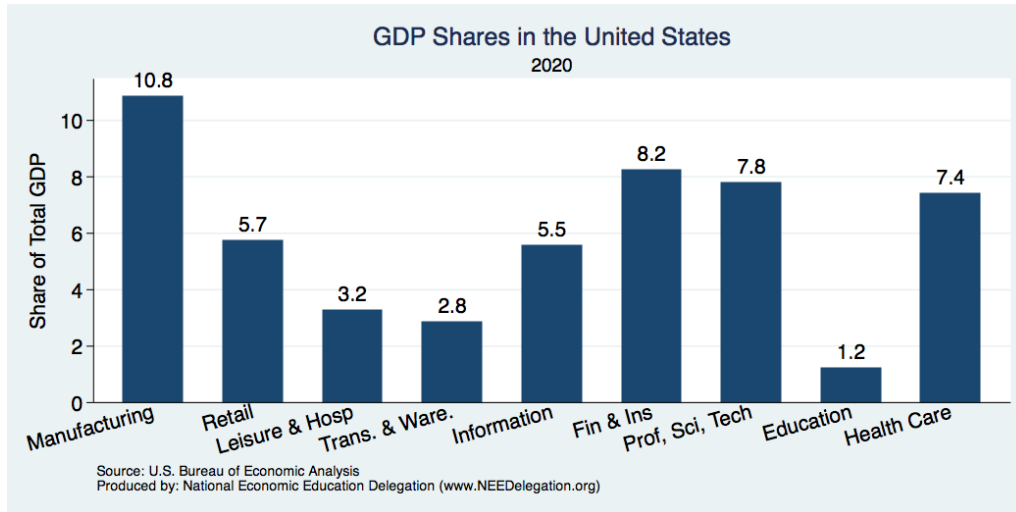
- United States    173 Rest    China    Countries 11-20
- Countries 6-10    Japan    Germany    United Kingdom



Article and Sources:  
<https://howmuch.net/articles/the-world-economy-2017>  
<https://databank.worldbank.org/data/download/GDP.pdf>

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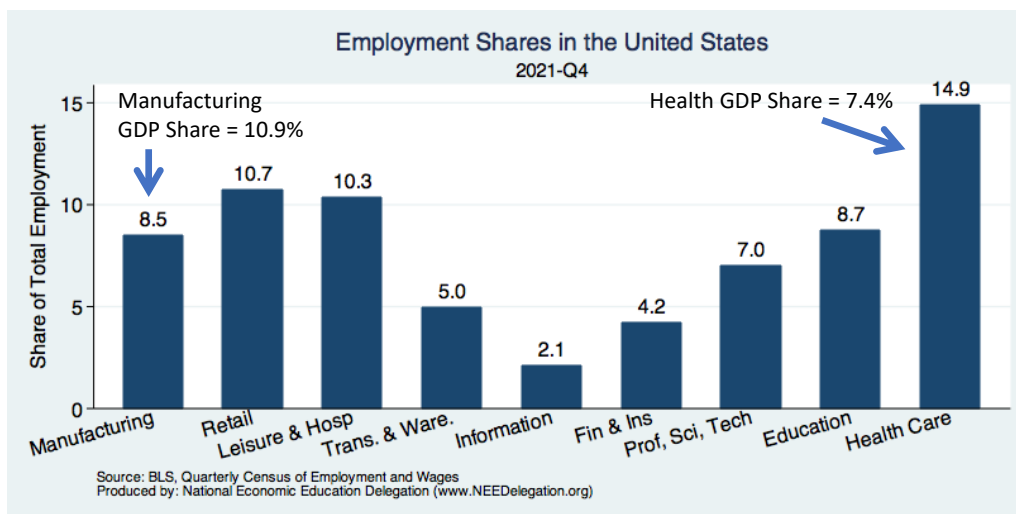
## Composition of the U.S. Economy: GDP



Note: Does not add to 100% because of omitted sectors.

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## Composition of the U.S. Economy: Employment

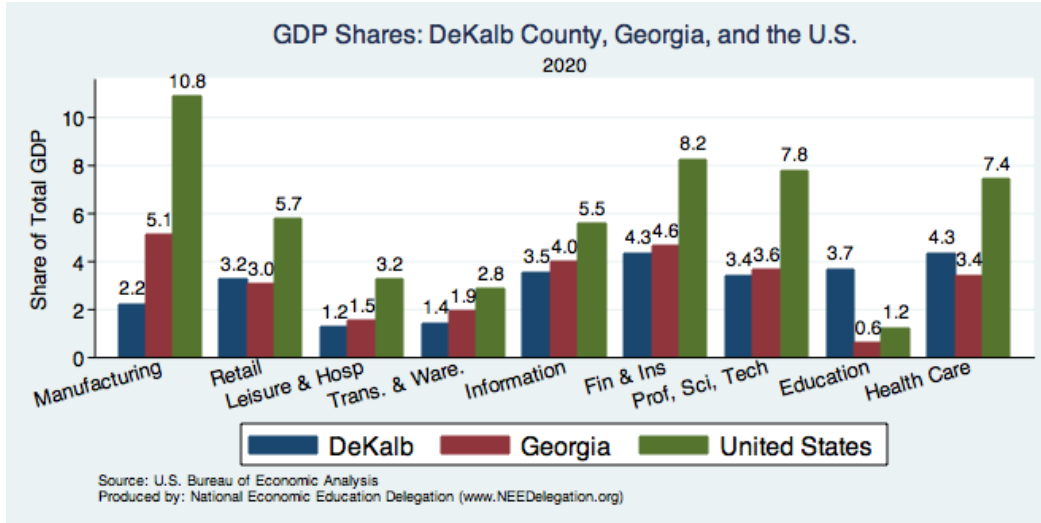


Note: Does not add to 100% because of omitted sectors.

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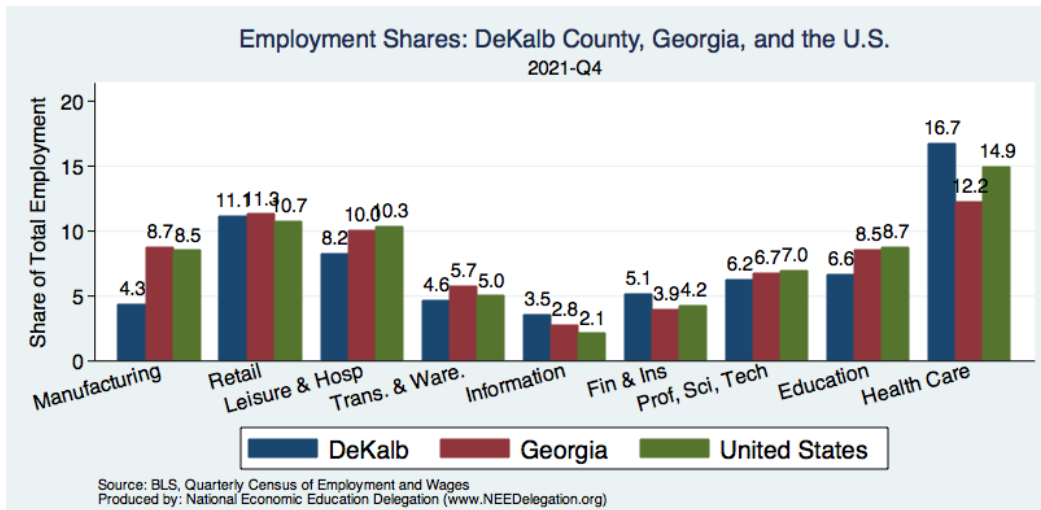
## DeKalb County GSP: Manuf, Finance, Science



Note: Does not add to 100% because of omitted sectors.

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## DeKalb County Employment: Health



Note: Does not add to 100% because of omitted sectors.

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# Evidence of Impact

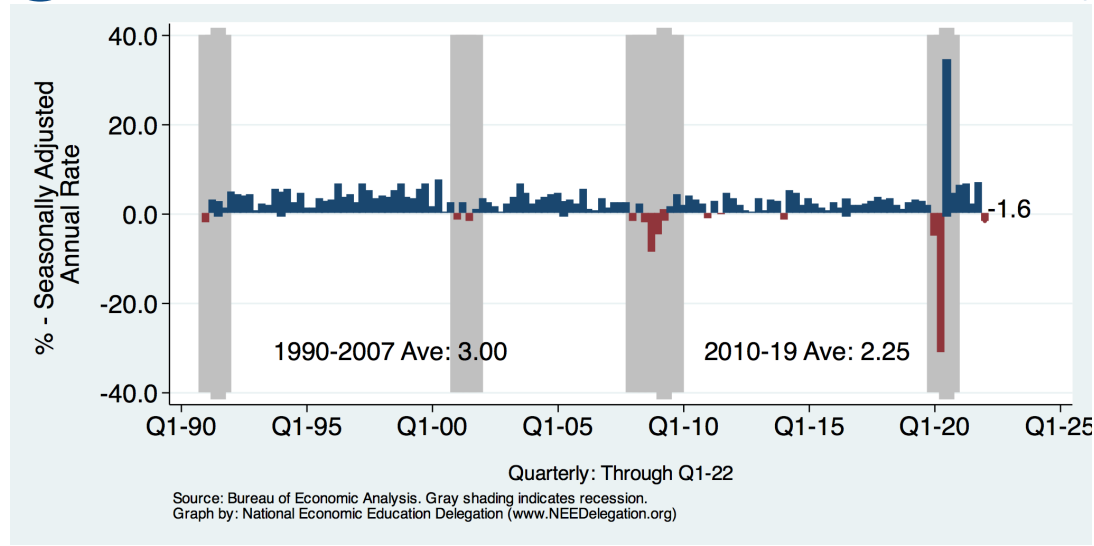


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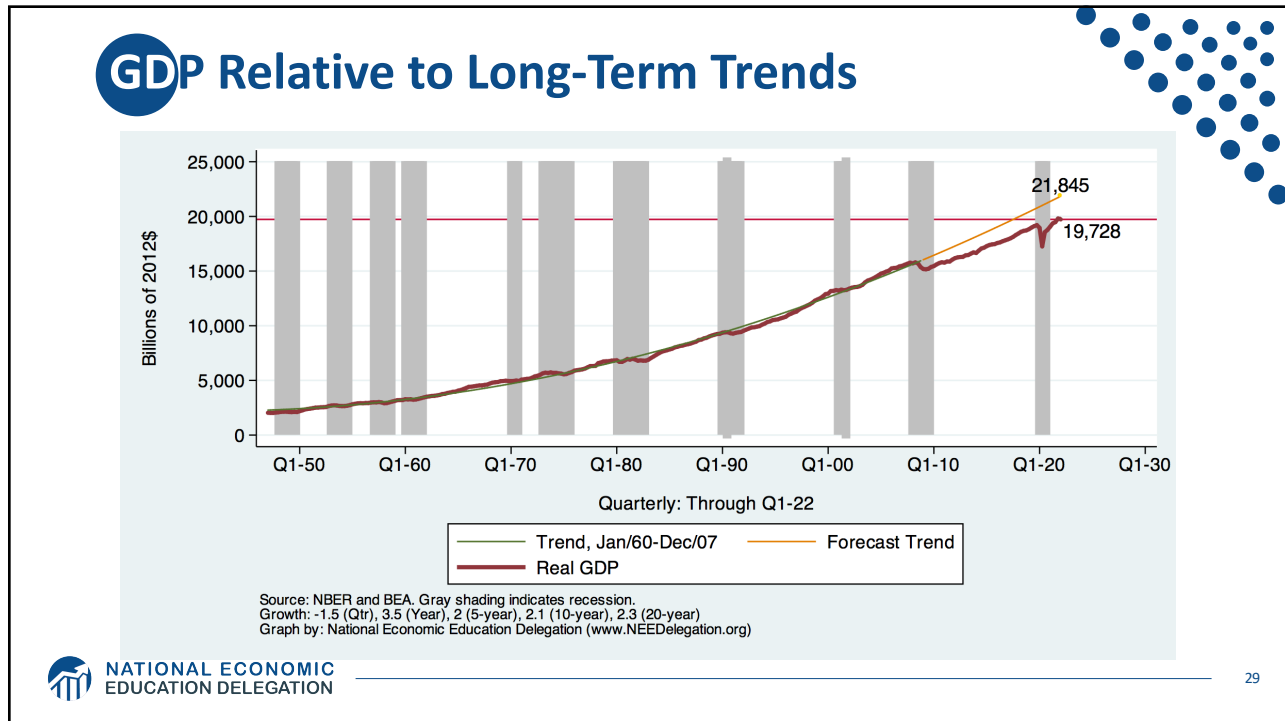
## GDP: Quarterly Growth



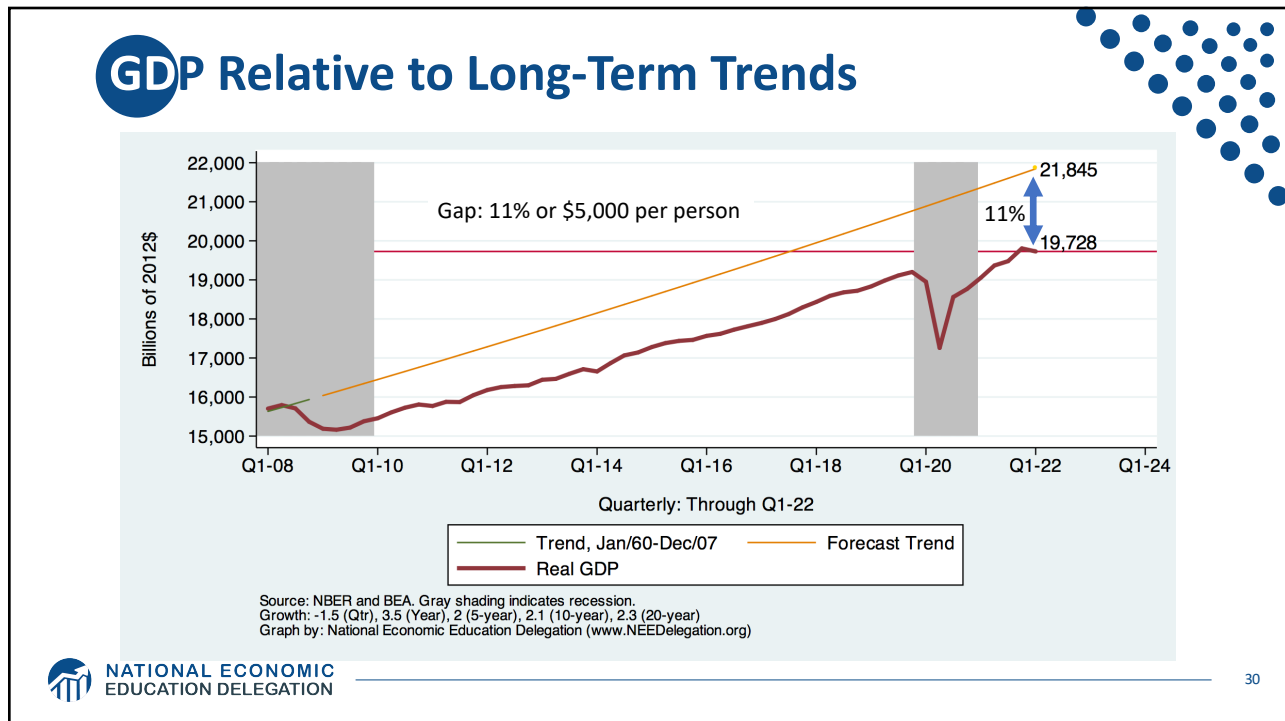
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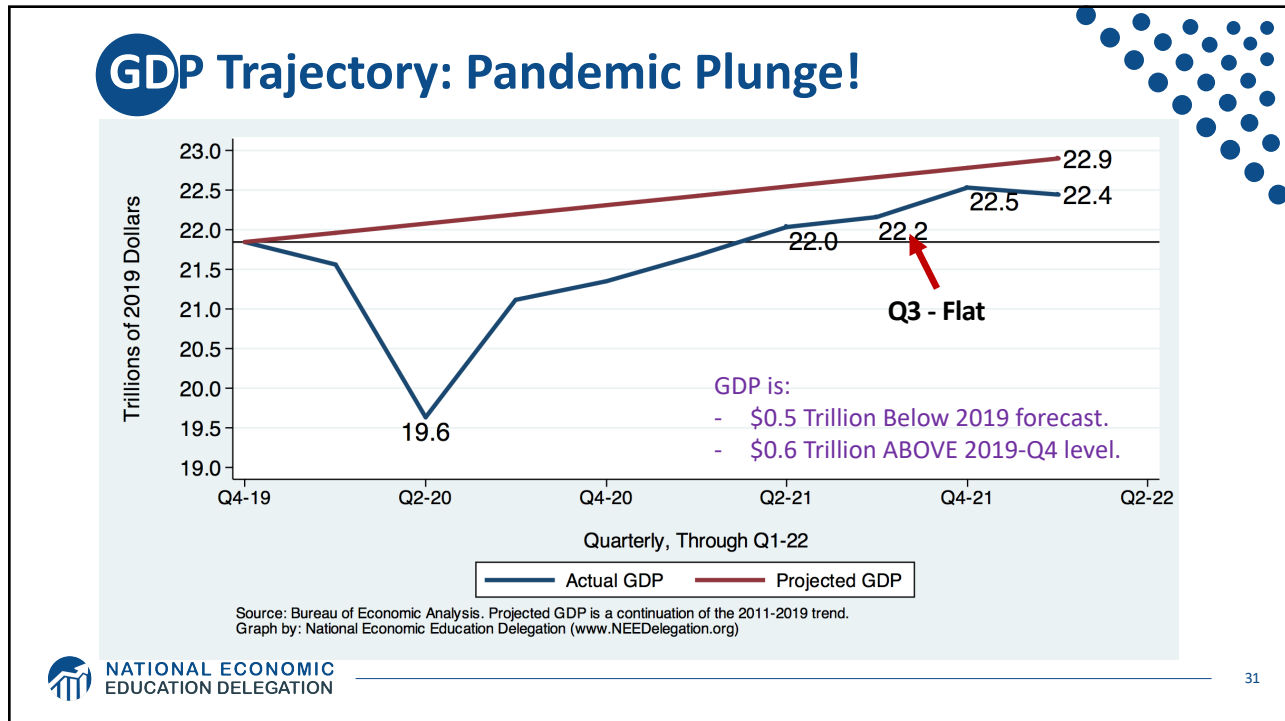
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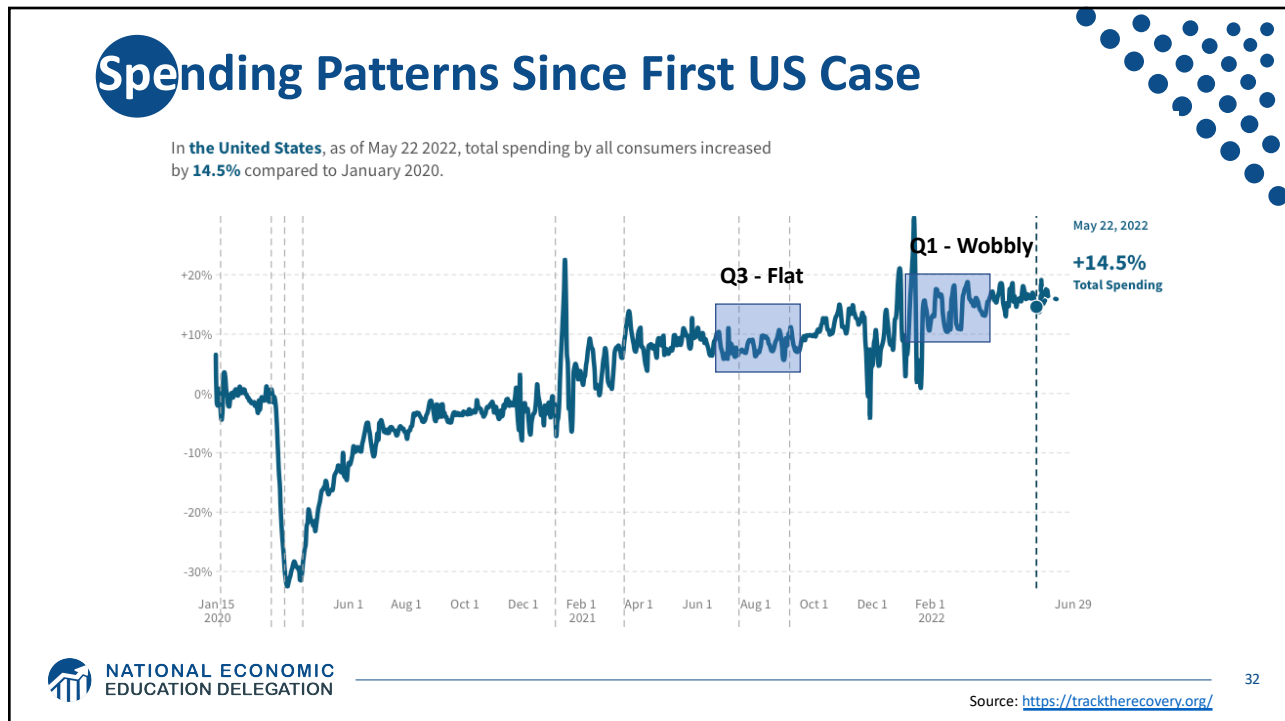
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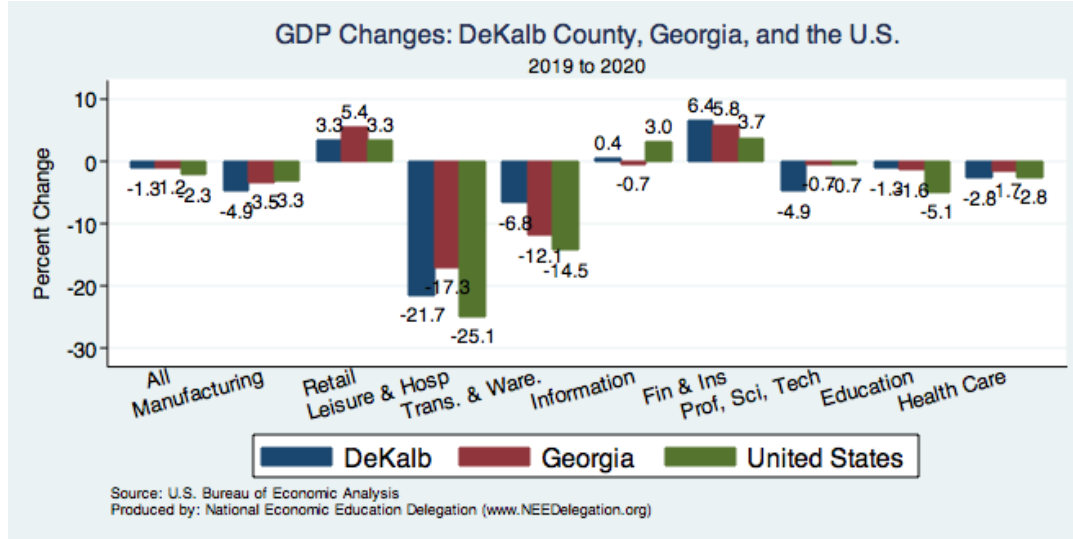


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## But Not All Industries Were Equally Harmed



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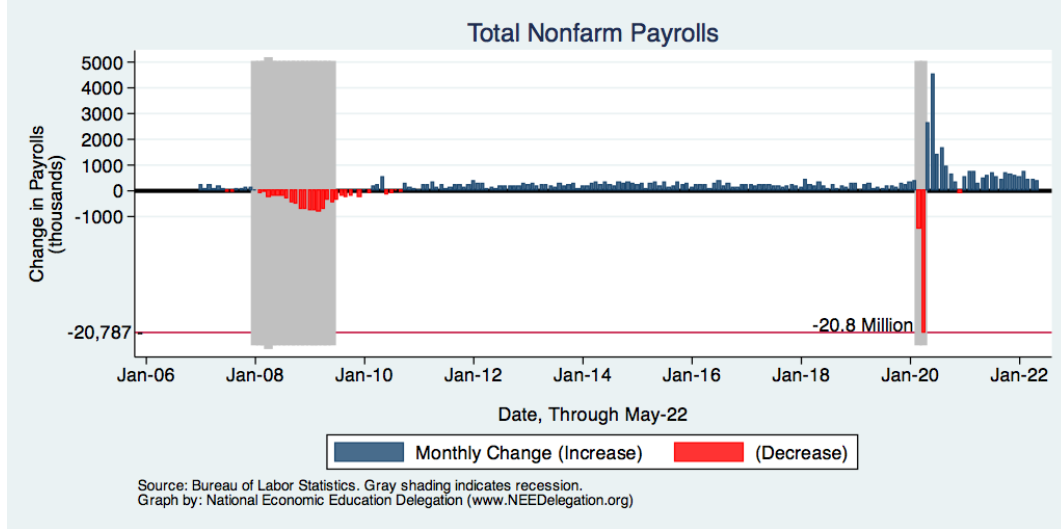
## Spending Patterns – Hardest Hit Sectors

In the United States, as of May 22, 2022, arts, entertainment, and recreation spending by all consumers increased by **18.4%** compared to January 2020.



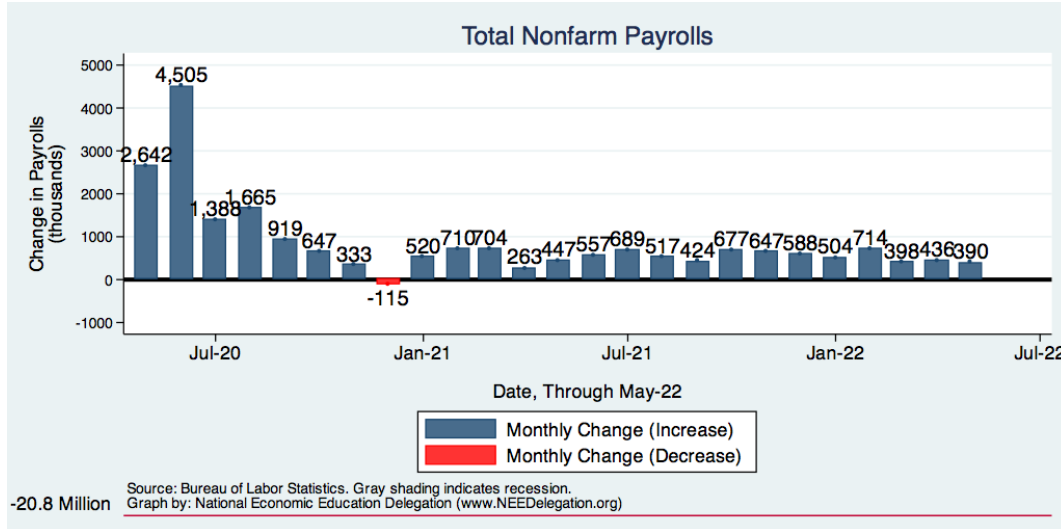
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# Monthly Changes in Nonfarm Employment

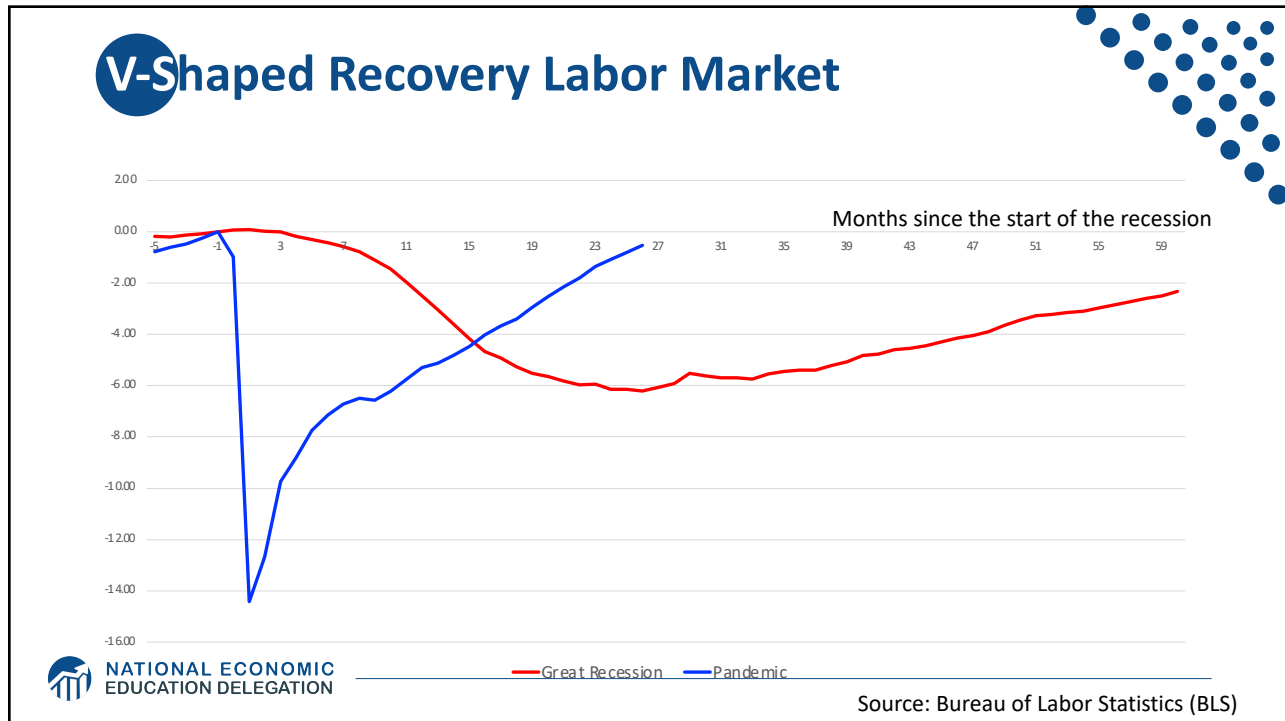


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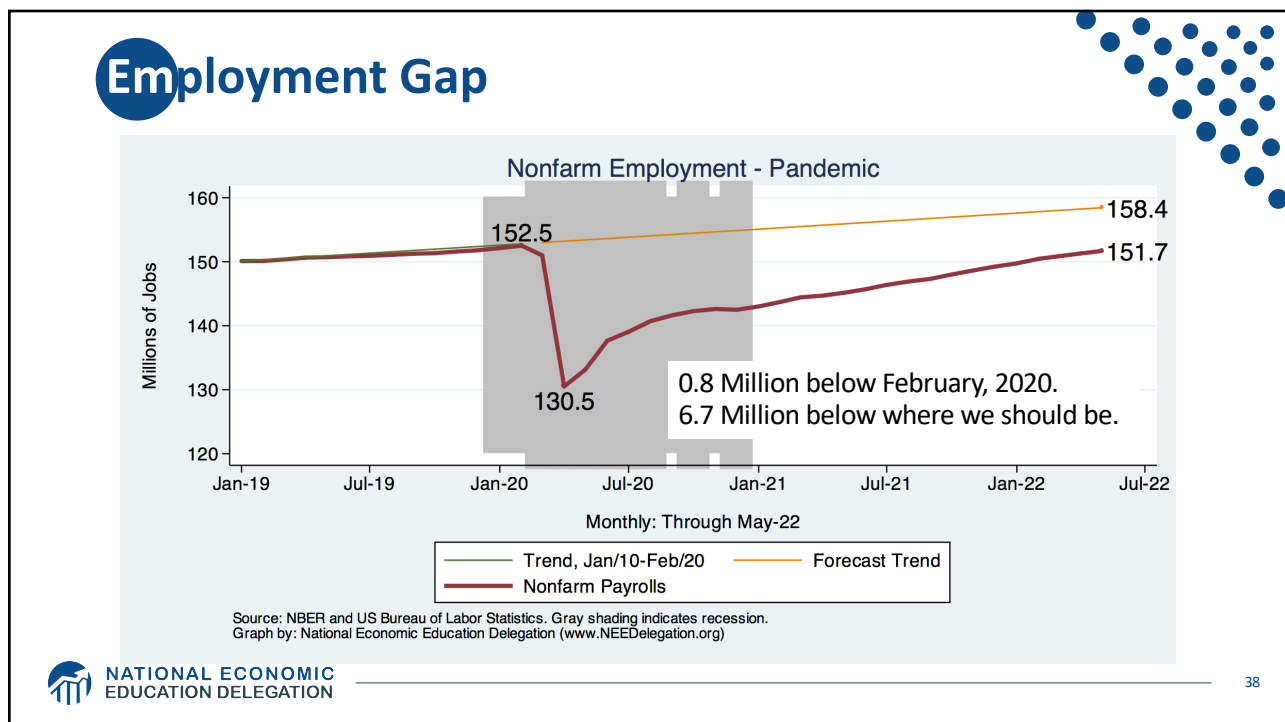
# Monthly Changes in Nonfarm Employment



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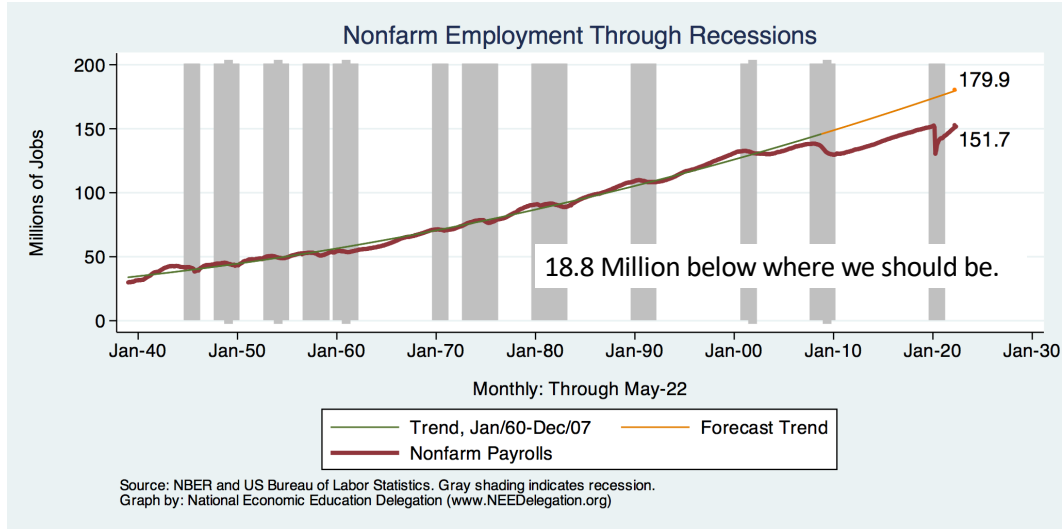


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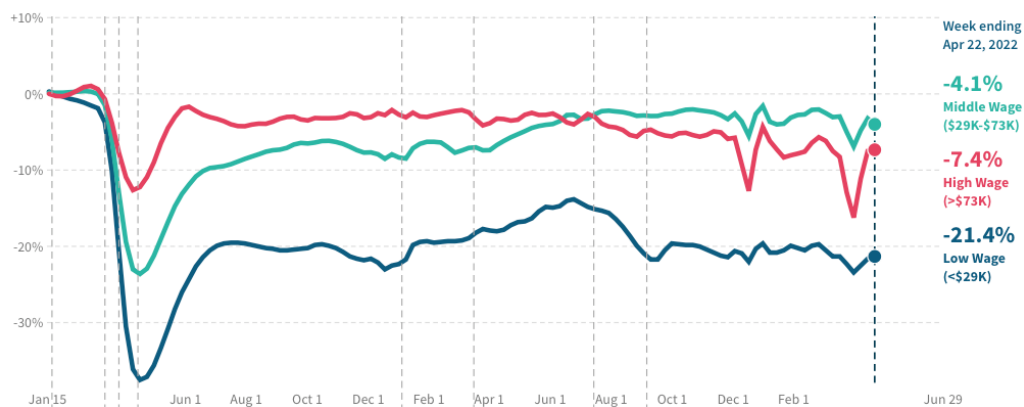
## Employment Gap – In Historical Perspective



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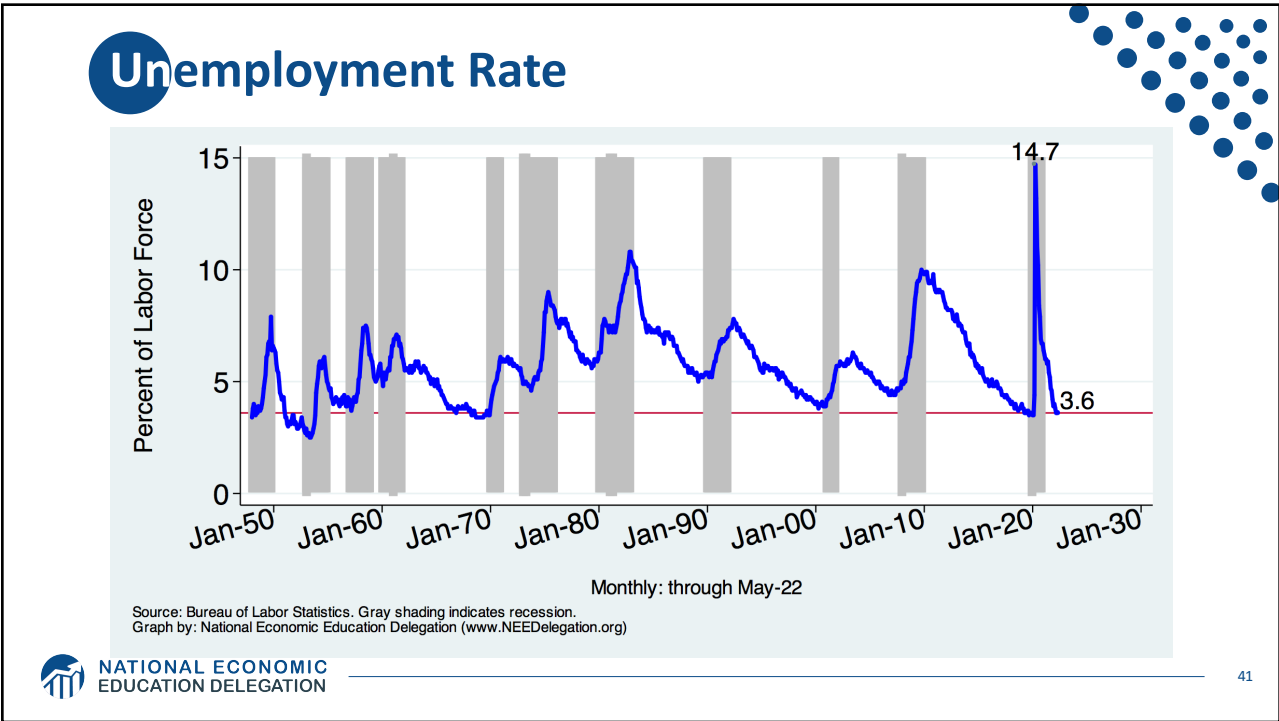
## Low Wage Employment is Lagging

In the United States, as of April 22, 2022, employment rates among workers in the bottom wage quartile decreased by **21.4%** compared to January 2020 (not seasonally adjusted).

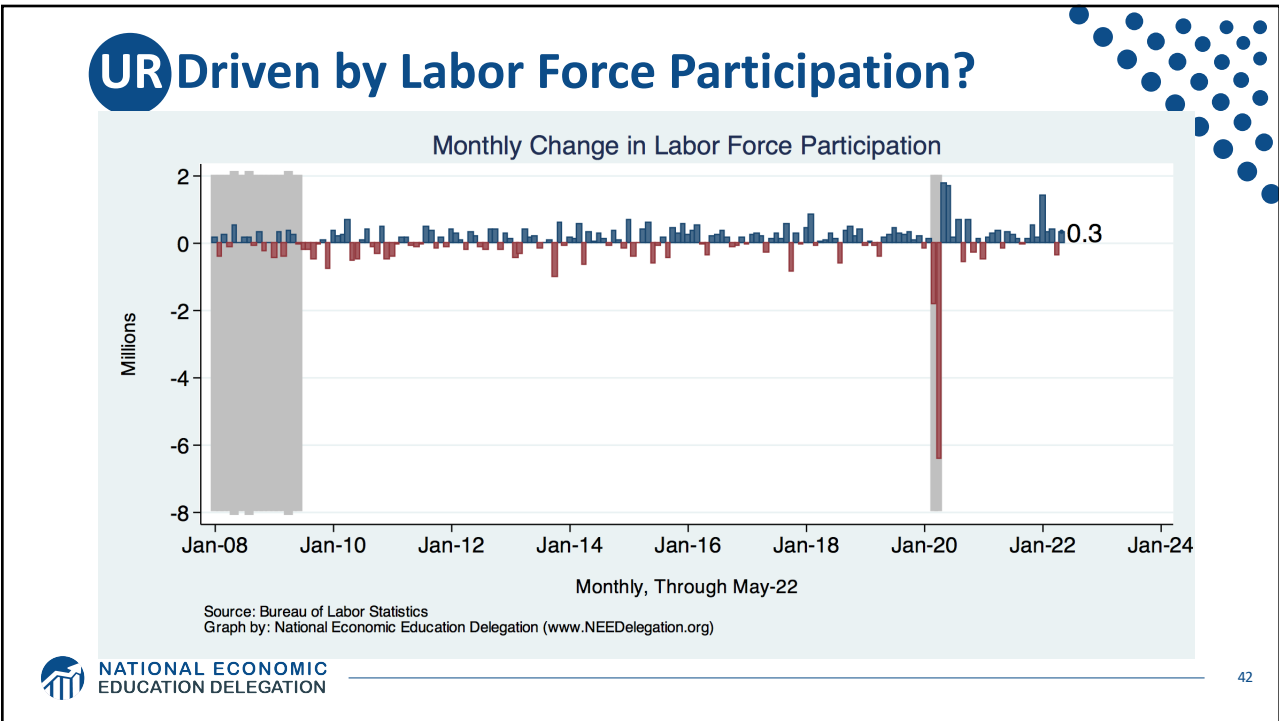


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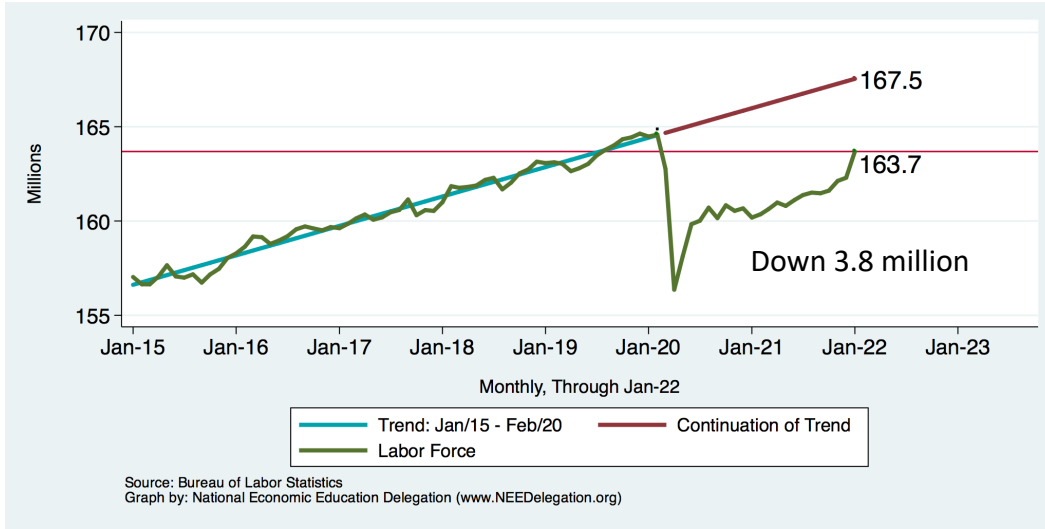


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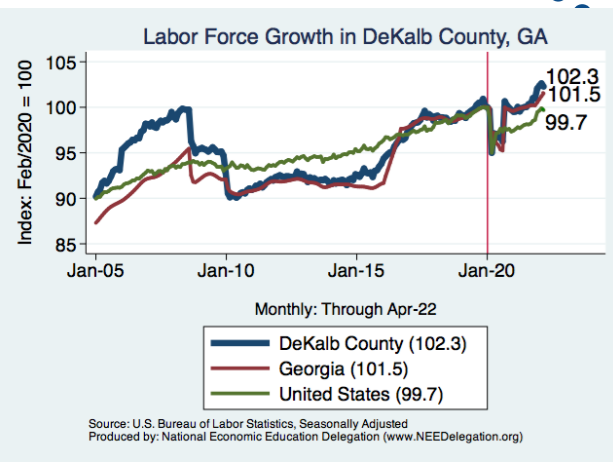
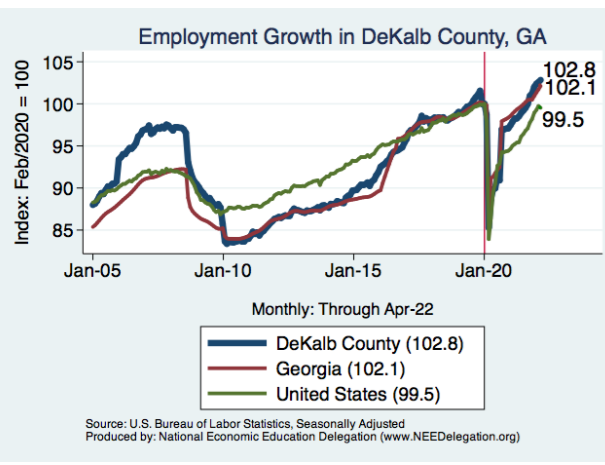
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## Trends in Labor Force Participation



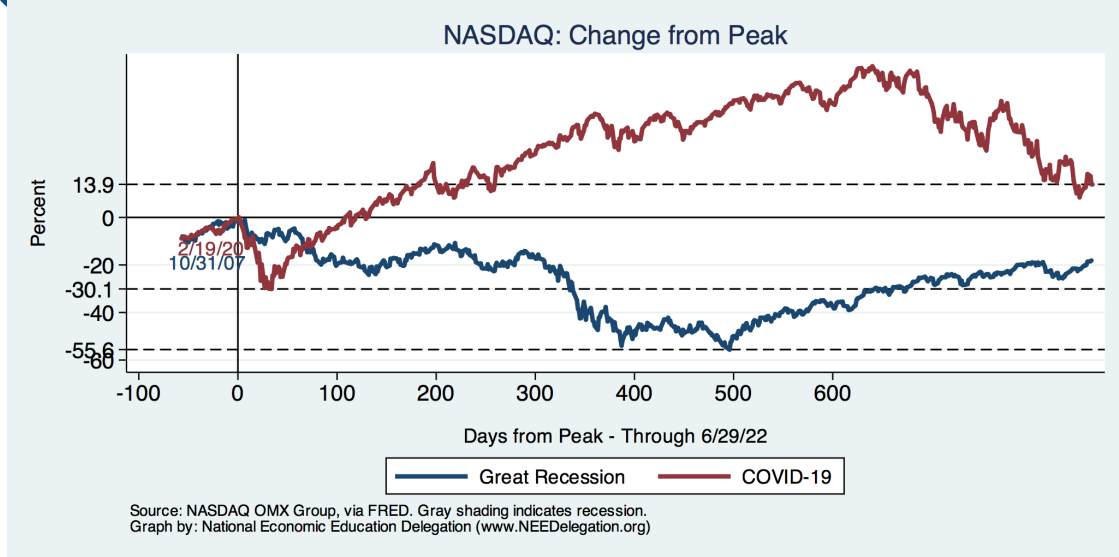
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## Employment in DeKalb County



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## Stocks: Bounced Back Faster This Time



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## Hot Topics

- Government policy
- Inflation

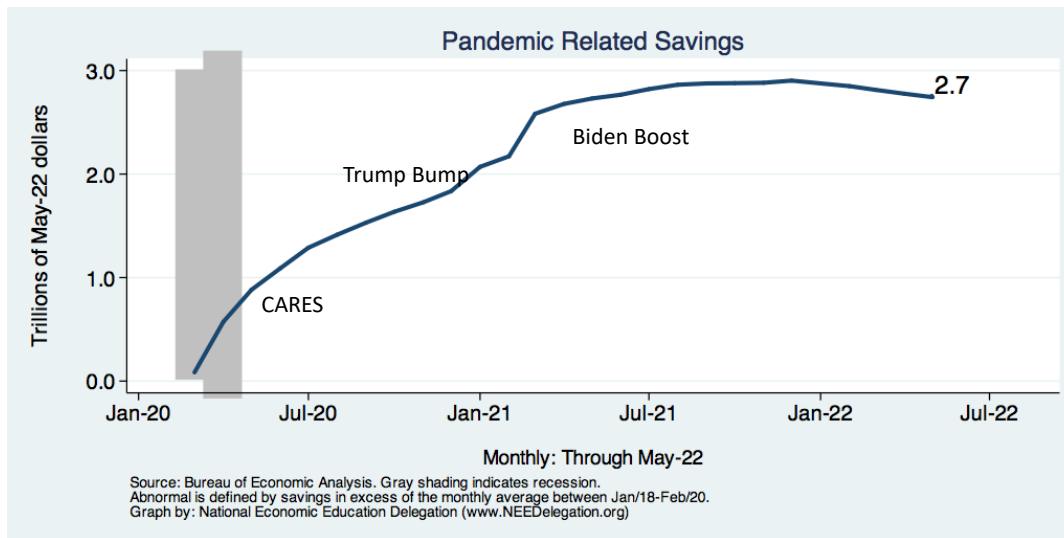
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## What Have Been Policy Effects?

- **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)

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## Abnormally High Savings



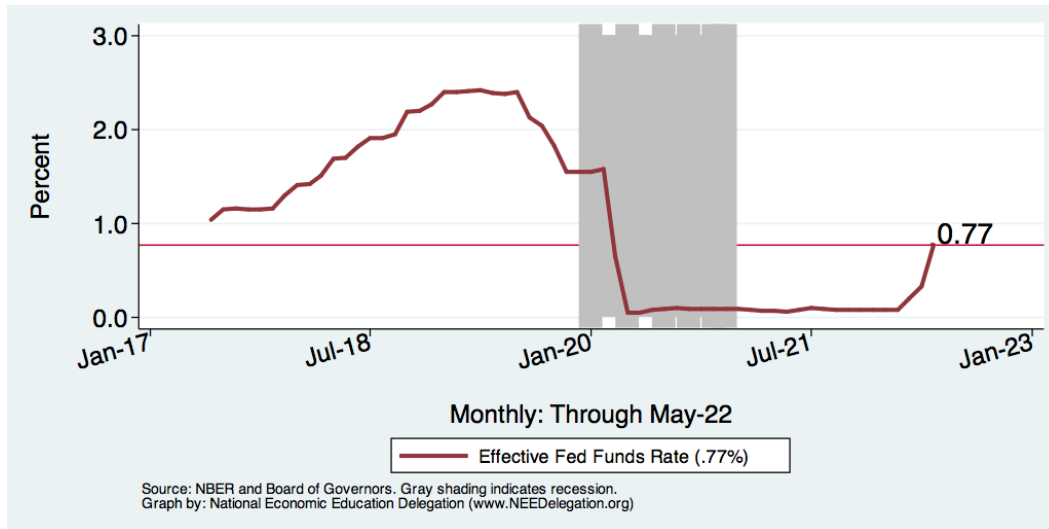
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# Monetary Policy: Federal Reserve

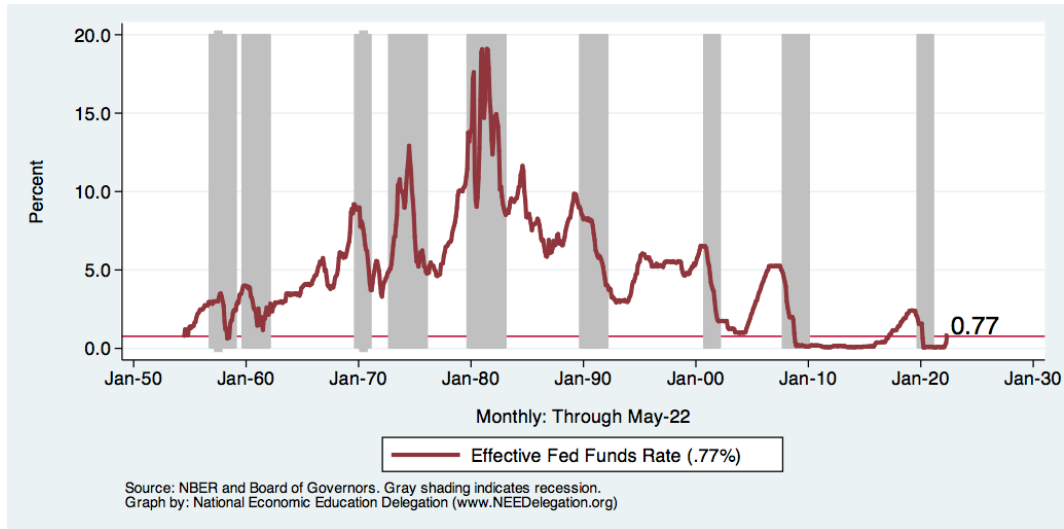
- **Primary goal is to keep interest rates low, to facilitate continued borrowing.**

- Federal Funds Rate – rate at which banks lend to each other, usually overnight.
- Purchases of U.S. Treasury securities – keep money flowing to the government at low rates of interest.

# Federal Funds Rate – Last 5 Years

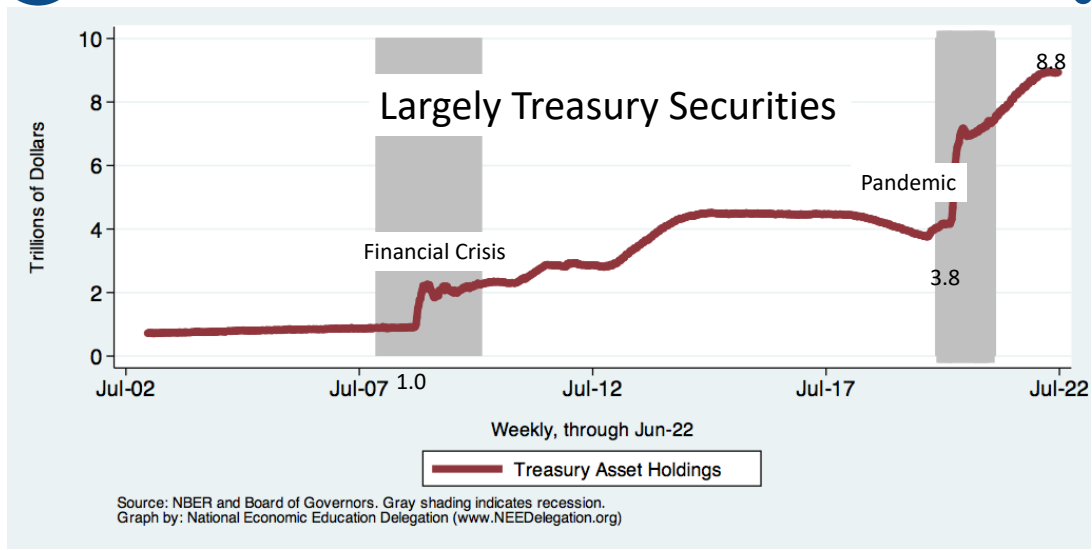


## Federal Funds Rate



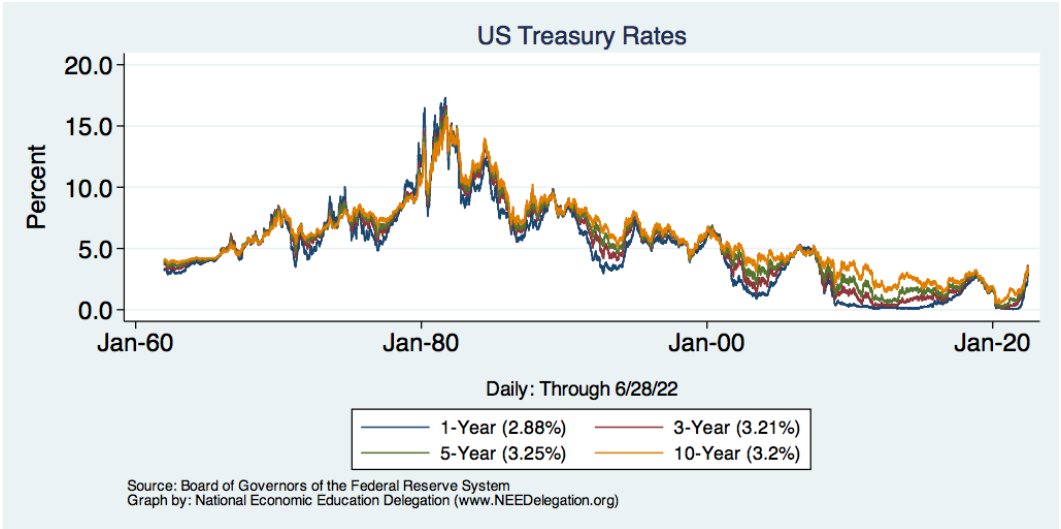
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## Federal Reserve Assets

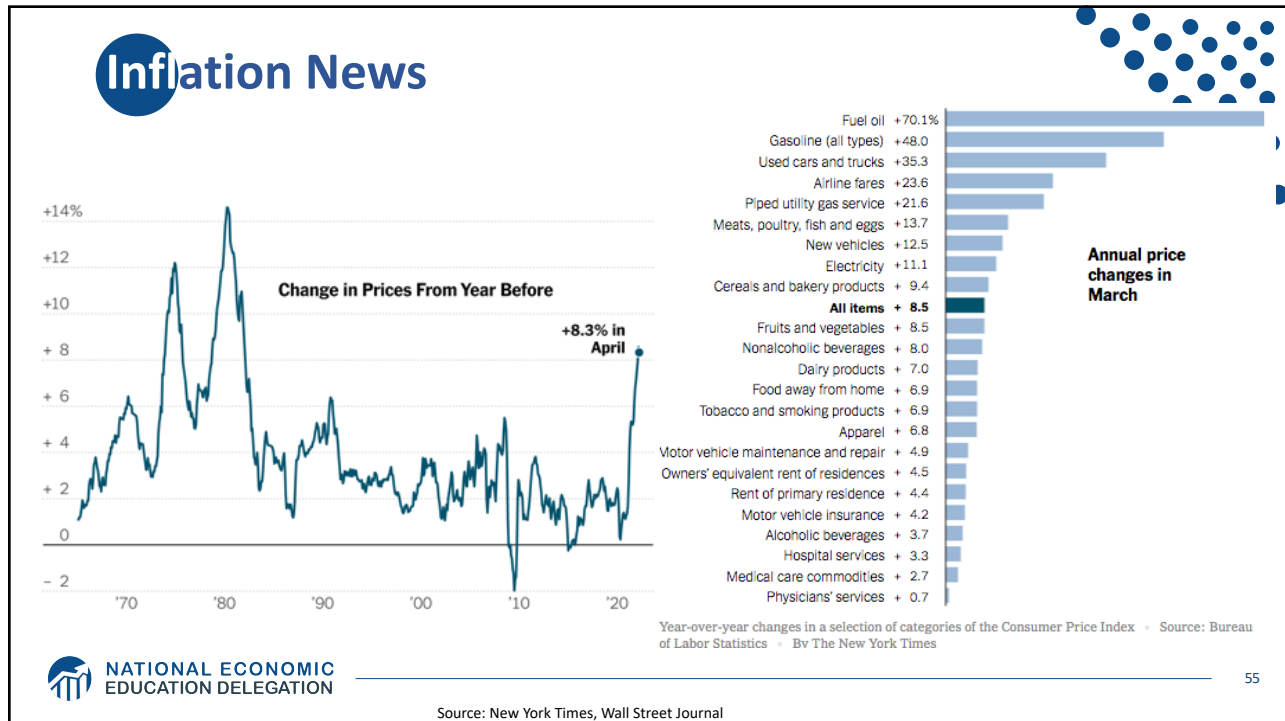


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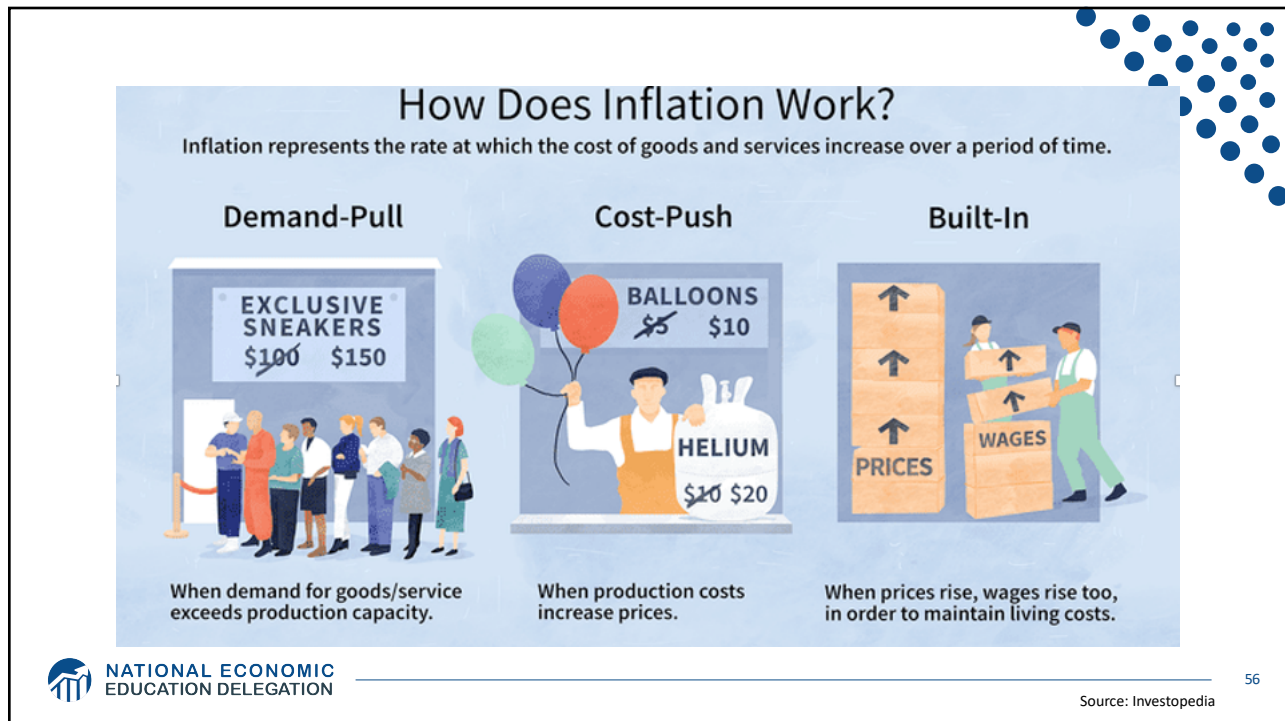
# Treasuries – Low Interest Rates



# Inflation

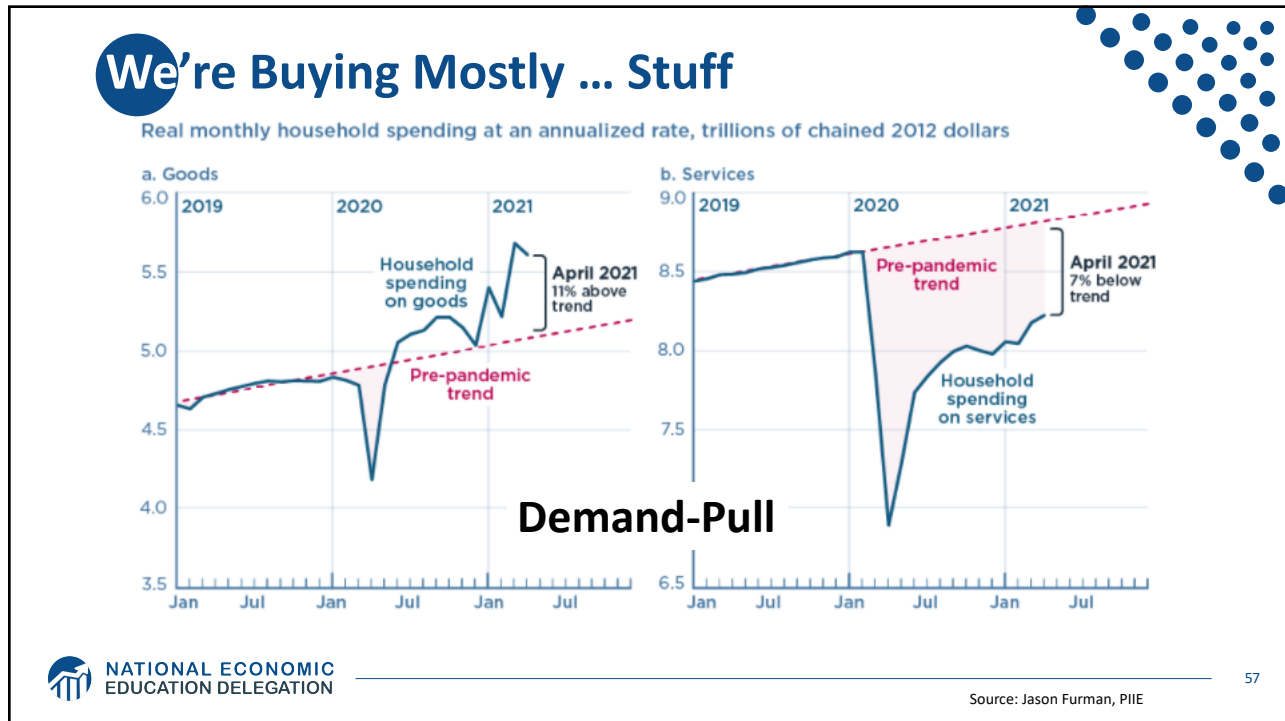


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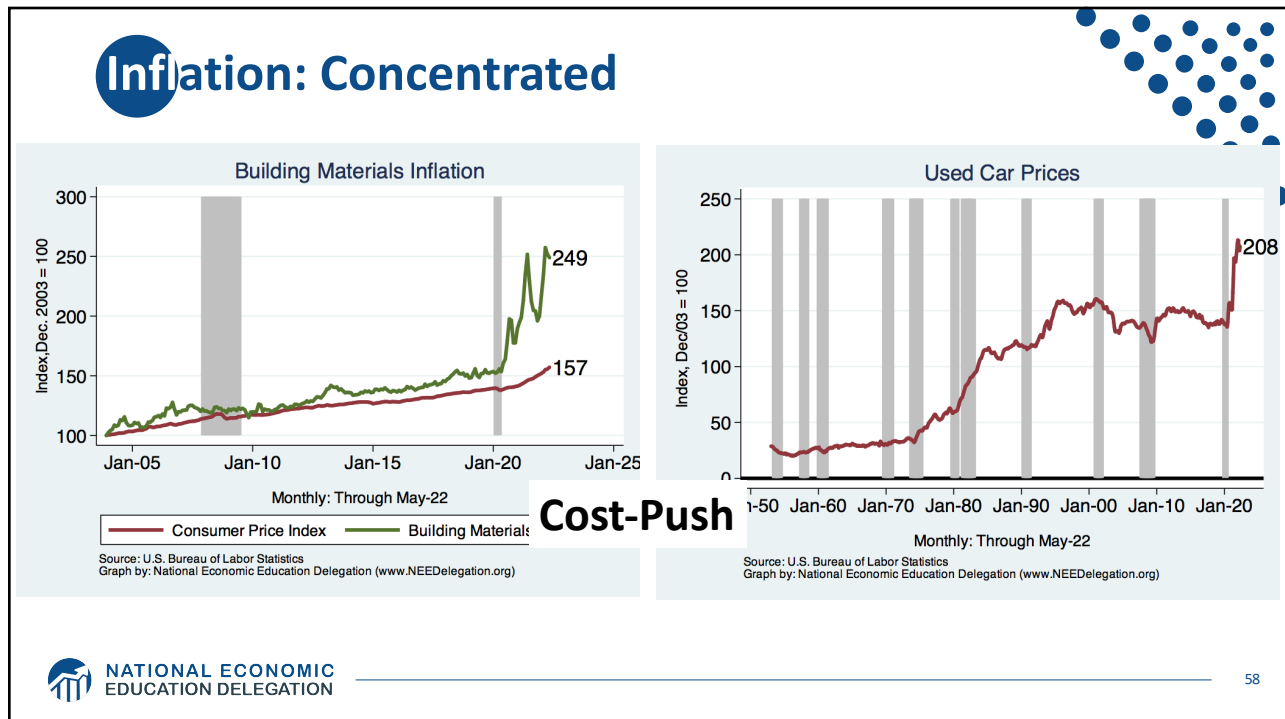


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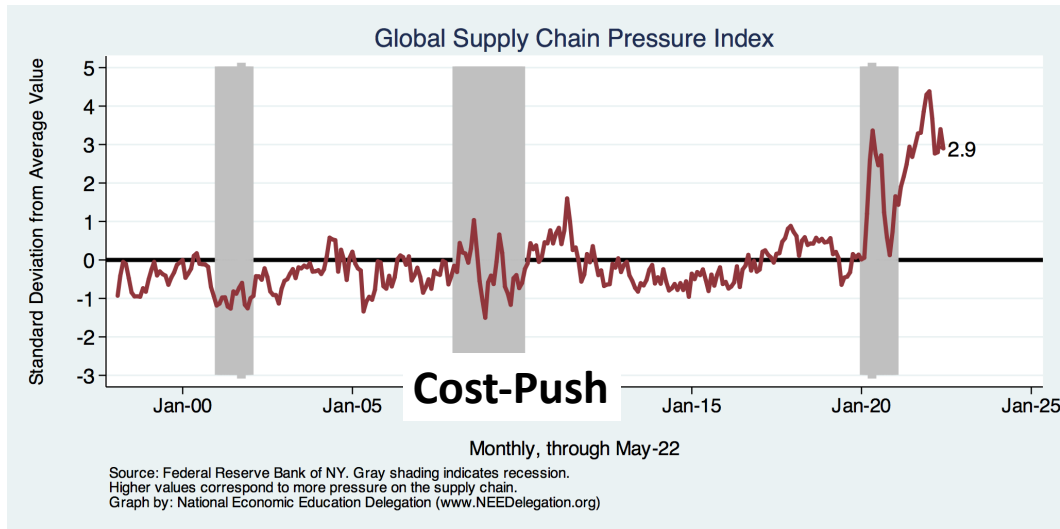


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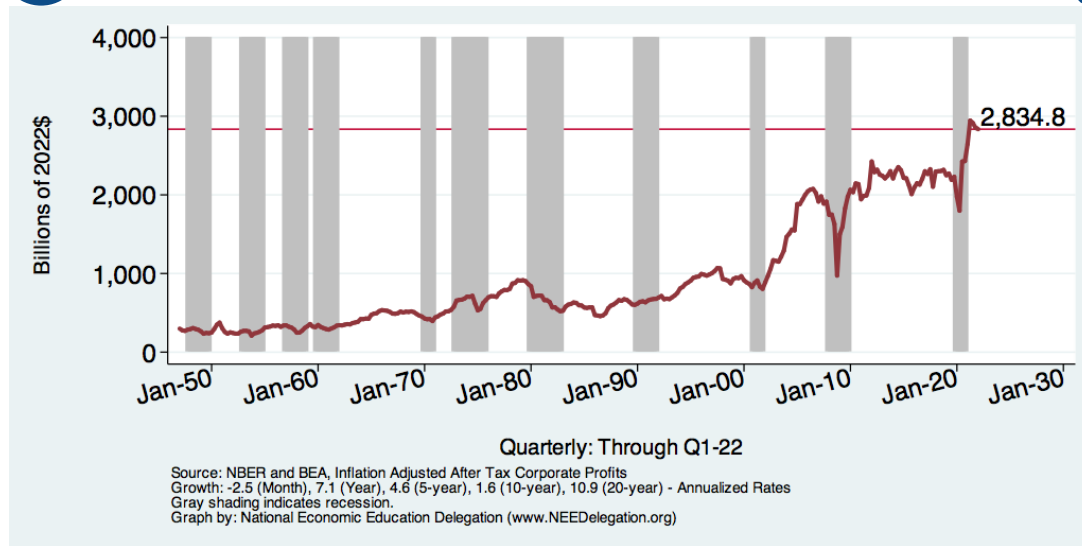
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# Supply Chains



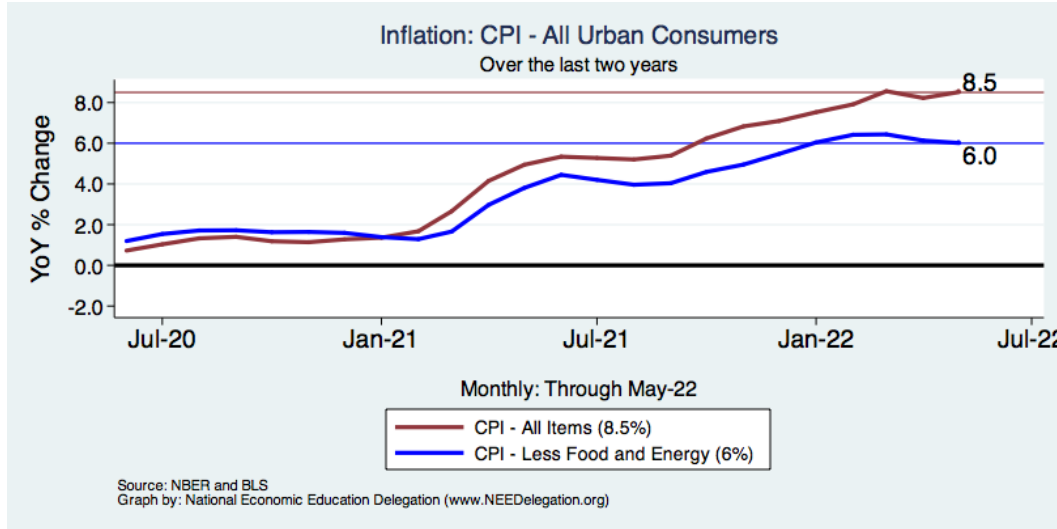
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# Corporate Profits...Adding to Inflation?



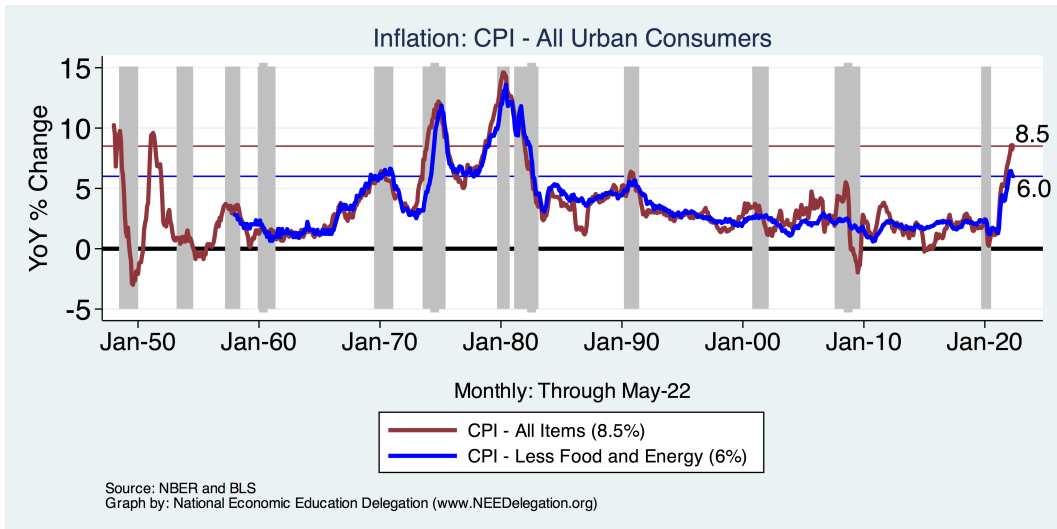
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# Inflation – Climbing! Should we worry?



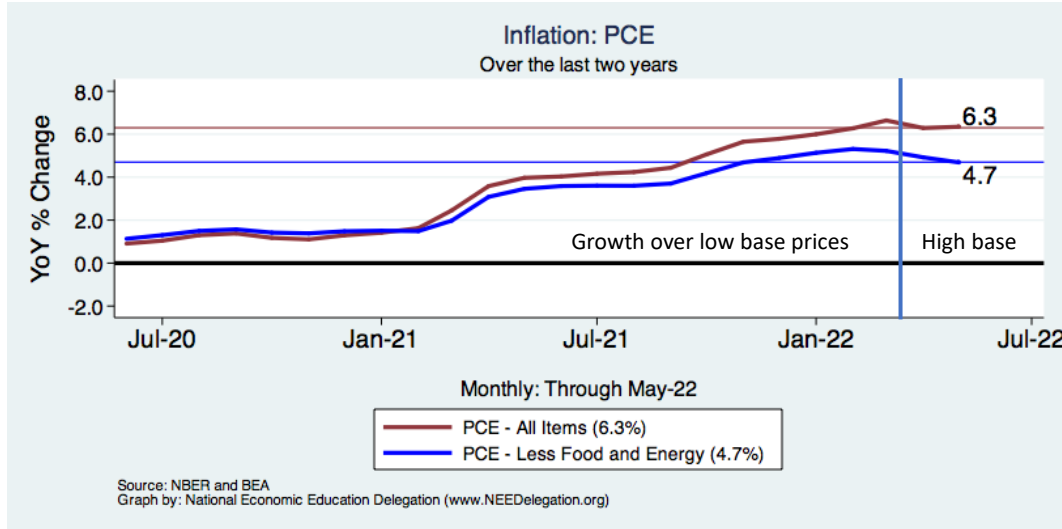
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# Inflation in Historical Perspective



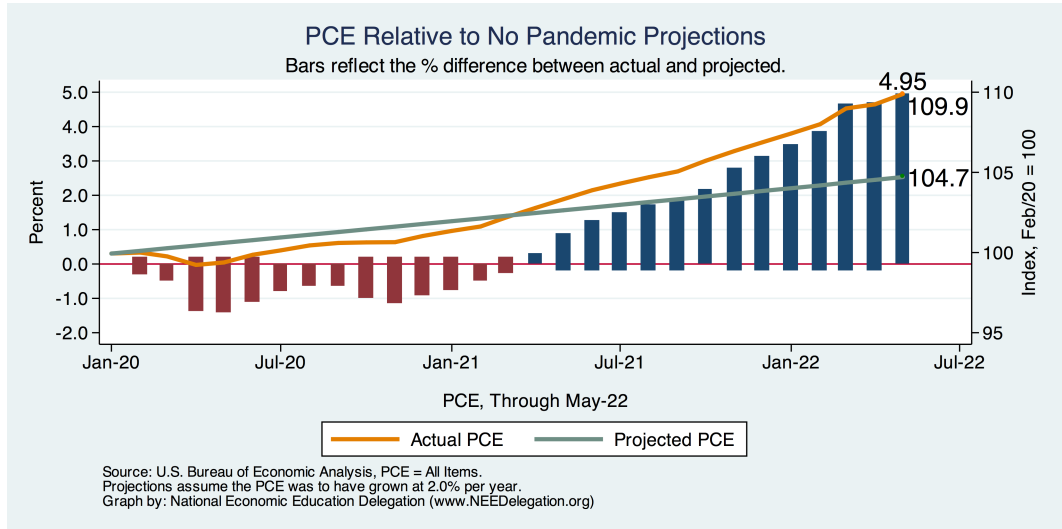
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## Inflation – The Fed’s Metric! Should we worry?



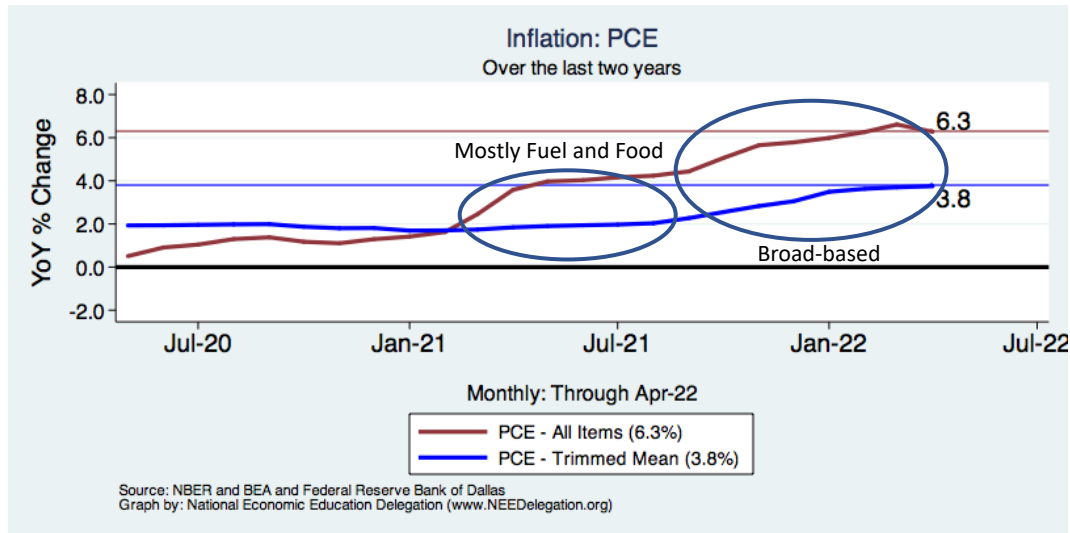
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## Inflation – PCE and Fed Suggest: Probably



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## Price Increases: More Broad-Based



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## 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.

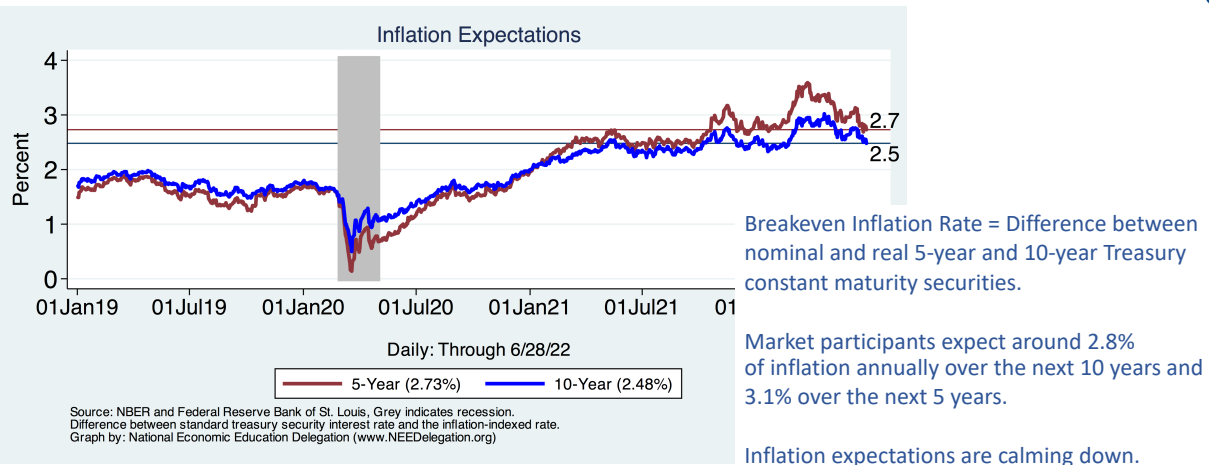


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## Measure of Inflation Expectations



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## Russia and Ukraine

- **Gas prices – Russia is a major world supplier**
- **Food prices – region’s breadbasket**
- **Fertilizer – prices are 3-4x their 2020 levels**
- **Palladium – catalytic convertors, Russia supplies 40%**
- **Neon – semiconductors, Ukraine supplies 70%**
- **Therefore: more supply chain issues, more inflation, food insecurity.**

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## Primary Topics Covered

- **GDP**

- Recovered the decline, but not where it should be.
- Won't recover previous forecast until late 2022...at the earliest.

- **Employment**

- Still down 6.7 million jobs relative to forecast.
- Labor force is 3.8 million smaller than forecast.
- Rising wages are not enticing low-wage workers back to work.

- **Inflation**

- Going to be high for a while, but transitory – maybe?



## Takeaways

- **Economic Growth: The recovery has been a V-shaped recovery**

- **The economic recovery should continue through 2022.**

- IMF expects US growth to be 3.78% -- downward revision from 5.2%
- Economic growth in 2022:Q1 was muted for the reasons discussed below.
- Tailwinds: Strong consumer demand (but maybe stalled a little)
- Headwinds: Inflation, supply chain disruptions, rising commodity prices, labor market challenges

- **The labor market still faces some challenges**

- The unemployment rate is low.
- In many sectors, we have not reached pre-pandemic employment levels.

- **Inflation: What is fueling inflation?**

- Supply chain disruptions
- Changes in the composition of demand



# Takeaways

- **Is a recession on the horizon?**

- Larry Summers, Jamie Dimon, and Elon Musk are worried about a recession.
- While the chances of slipping into a recession have increased, I think on many dimensions the economy is doing quite well.
  - o Consumer's have been driving the recovery, and consumer's account for two-thirds of GDP.
  - o Job creation remains robust – 390k in May.

- **What about first-quarter GDP?**

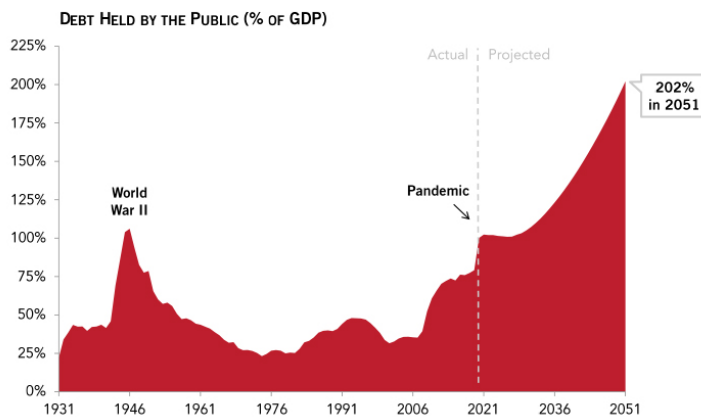
- 2022:Q1 was -1.6%
- Some of this lower growth was driven by Omicron variant.
- Much of this lower growth was driven by lower inventory.
  - o Inventories led GDP growth in 2021:Q4, didn't sell, so production in Q1 fell.



# The Federal Debt – with Geoffrey Woglom



The national debt is on an unsustainable path



SOURCE: Congressional Budget Office, The 2021 Long-Term Budget Outlook, March 2021.  
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**Thank you!**

## Any Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)

Jon D. Haveman

Jon@NEEDelegation.org

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## Structural Changes?

- **Pandemic has been an accelerant.**

- Not a change agent.

- **Retail**

- **Telecommuting**

- **Telehealth**

- **Business travel?**

- **Wealth concentration**

- **Industry concentration**

- **Automation**

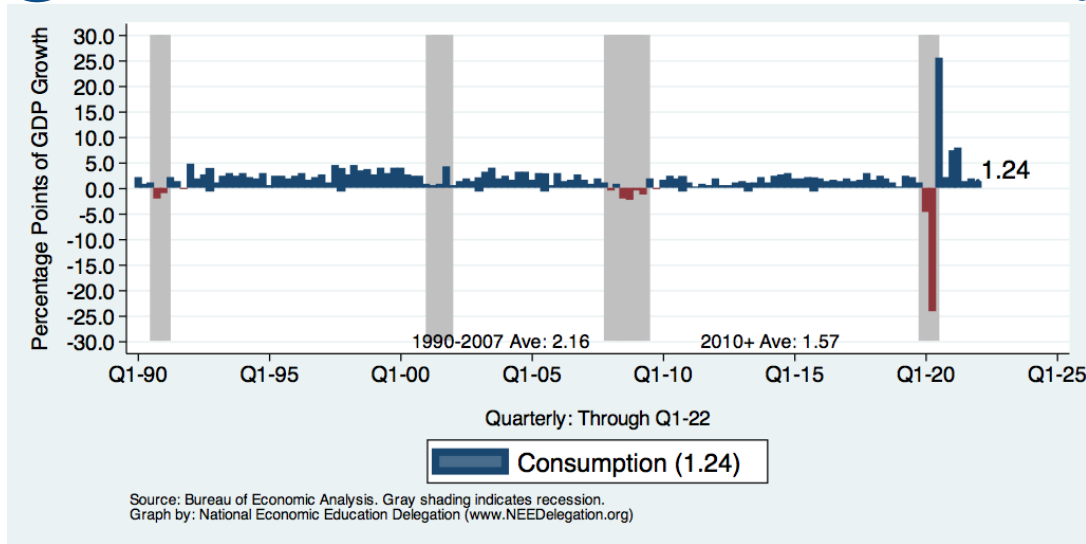


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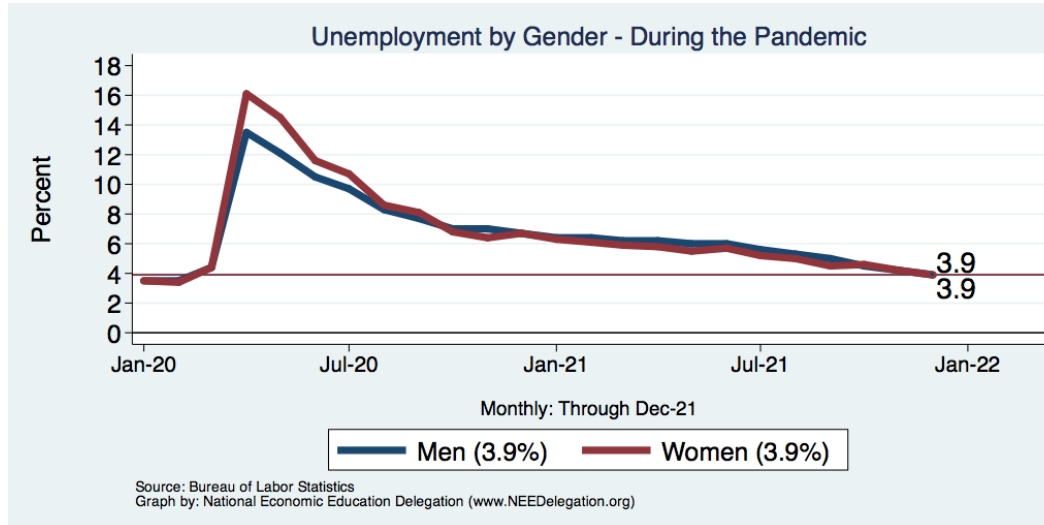
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## Consumption: Quarterly Growth



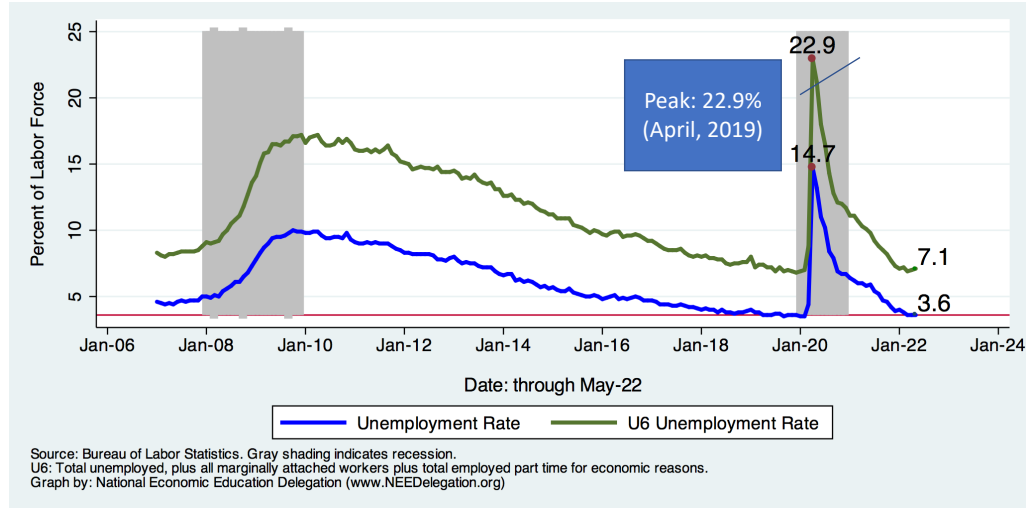
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## Affected Women More Than Men?



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## Another Measure: Unemployment



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## What Are Supply Chains?

The Journey of a Semiconductor

Steps and firm locations in the production of a smartphone chip



**Design**

1. Intellectual property licensed (Europe)
2. Design software developed (U.S.)
3. Chip designed (U.S.)

**Equipment**

4. Manufacturing equipment developed (U.S., Europe, Japan)

**Materials**

5. Silicon dioxide mined and refined (U.S.)
6. Silicon formed into ingot (Japan)
7. Ingot sliced into wafers (South Korea)

**Manufacturing**

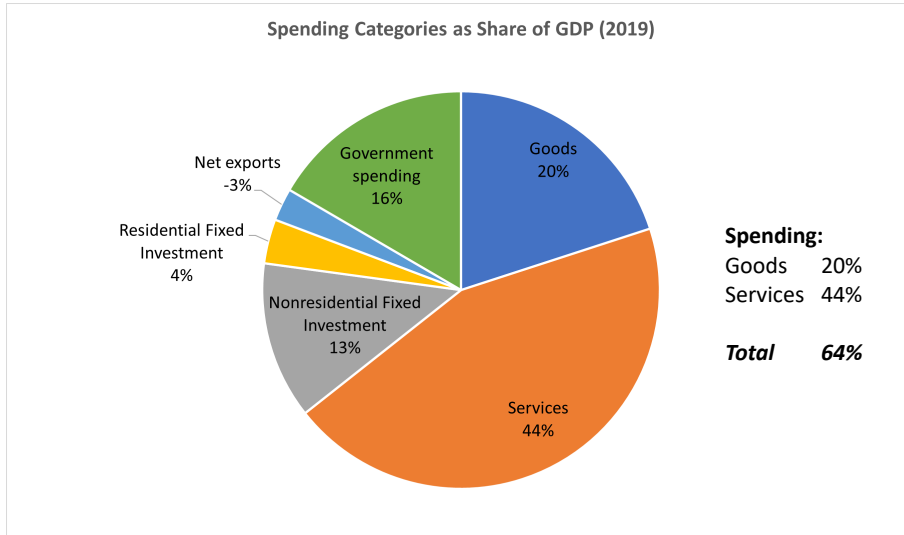
8. Wafers imprinted with circuits (Taiwan)
9. Chip packaged (Malaysia)
10. Chip assembled (China)

**Sale**

11. Smartphone sold to consumers (U.S.)

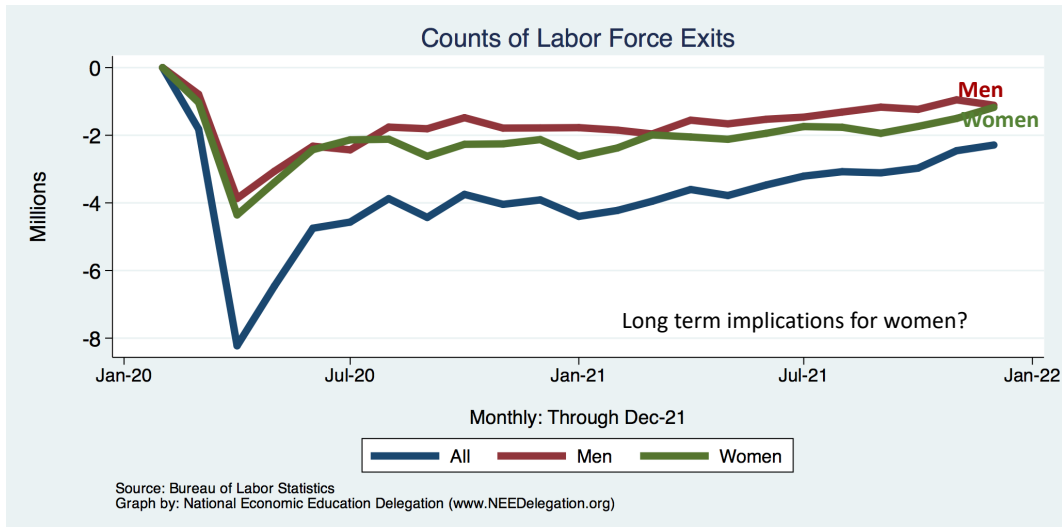
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# Why does spending matter?



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# Affected Women More Than Men



Source: Bureau of Labor Statistics  
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

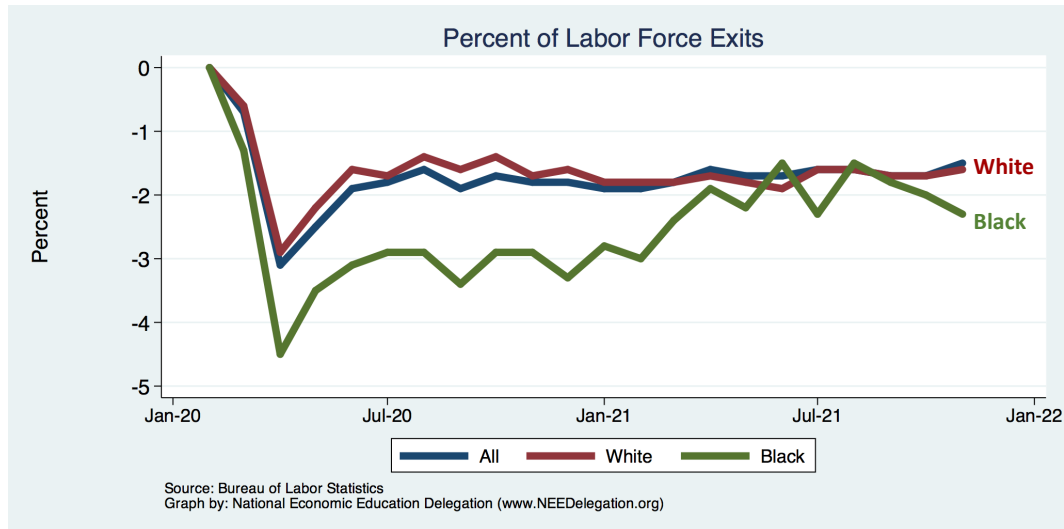
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## Why Women More Than Men?

- Women are disproportionately represented in low-wage and face-to-face jobs.
- Our childcare and school systems don't meet the needs of working mothers.
- COVID-19 has upended the labor market, with disastrous consequences for working women and their families.
  - Many women continued working in high risk jobs.
- The difference in impact is waning.

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## Affecting Black Workers More than White



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## What Index to Follow: CPI or PCE?

- **CPI is the headline statistic, followed by most newspapers.**
  - Allows more granularity – ability to look at specific products.
- **PCE is the one followed by the Fed.**
  - Why?
    - Accounts for short term fluctuations in consumer purchases.
    - Based on more reliable data.
- **Fed generally pays attention to the core inflation #s.**
  - Excluding food and energy.



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## Inflation: Critical Issues

- **Inequities**
  - Price changes vary wildly across goods.
  - How inflation hits you depends on what you buy and your level of income.
    - Some evidence that lower income individuals face higher inflation.
- **Online inflation is much lower than the CPI**
  - Estimates suggest about 2% lower.
- **Both have implications for the policy response.**
  - Safety net? Antitrust action?



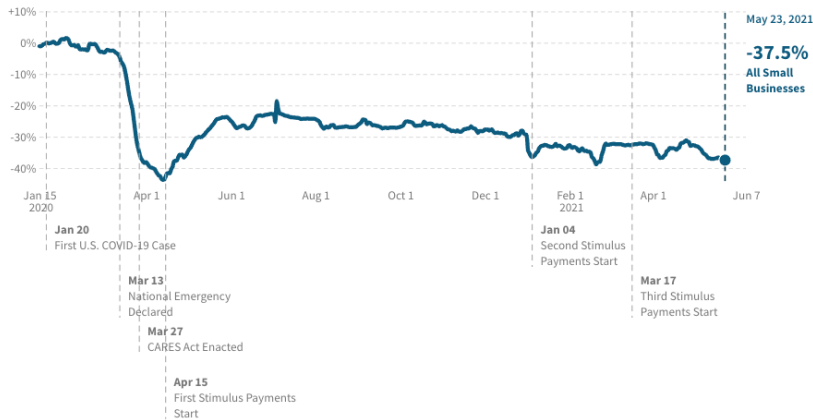
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# A Hard-Hit Sector: Small Business

## Small Biz Closures in the United States

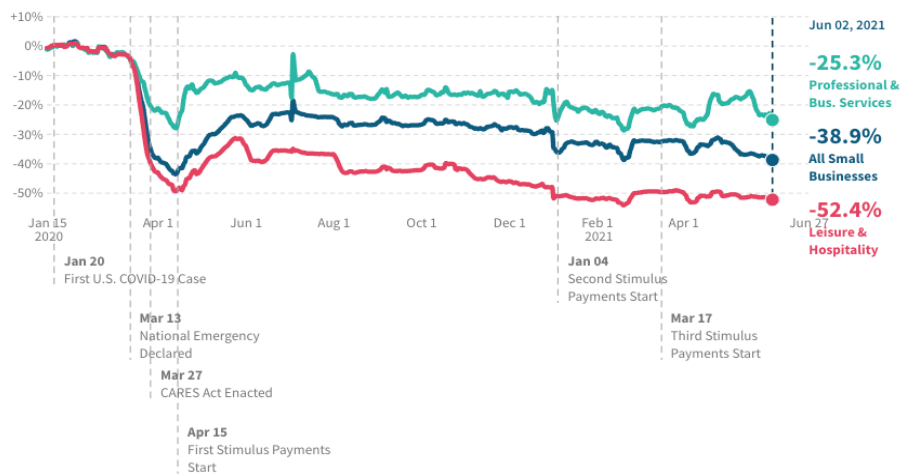
In the United States, as of May 23 2021, the number of small businesses open decreased by 37.5% compared to January 2020.

[DOWNLOAD CHART](#)



# Small Businesses: They Didn't Get Enough PPP

In the United States, as of June 02 2021, the number of small businesses open decreased by 38.9% compared to January 2020.



## A “K-shaped” recovery?

### Executive Summary

- Those with financial wealth/residential real estate have seen its value grow in excess of inflation.
- High income earners (>60k/yr) have largely kept their jobs;
  - middle and low income earners have depressed employment rates
- Women are disproportionately exiting labor force.
- Food insecurity has been very high.



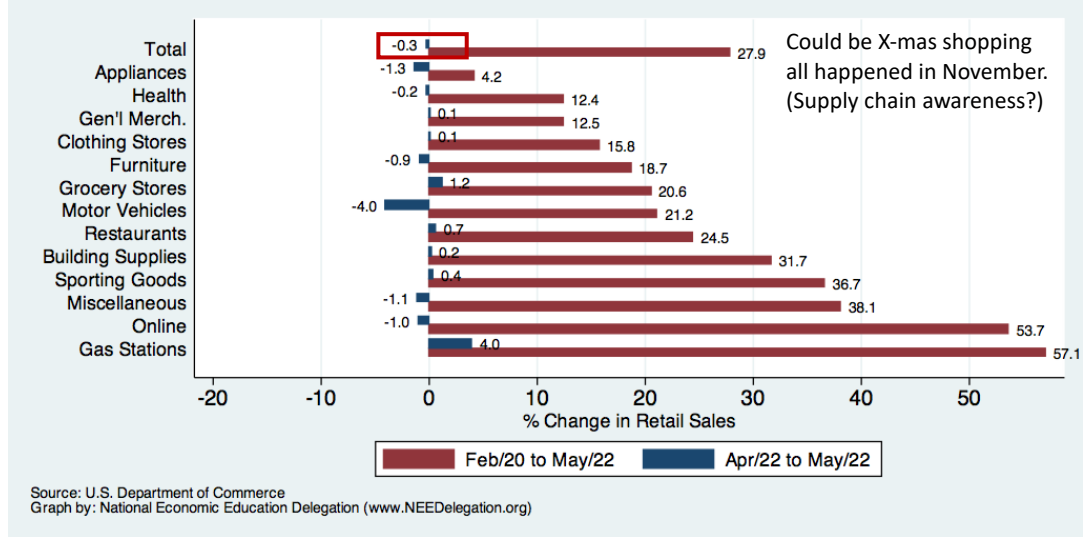
## Coronavirus and Inequality

- **Resources to weather the storm.**
- **Racial inequities.**
- **Educational inequities**
- **Telecommuting**
- **Low wage jobs are at risk.**





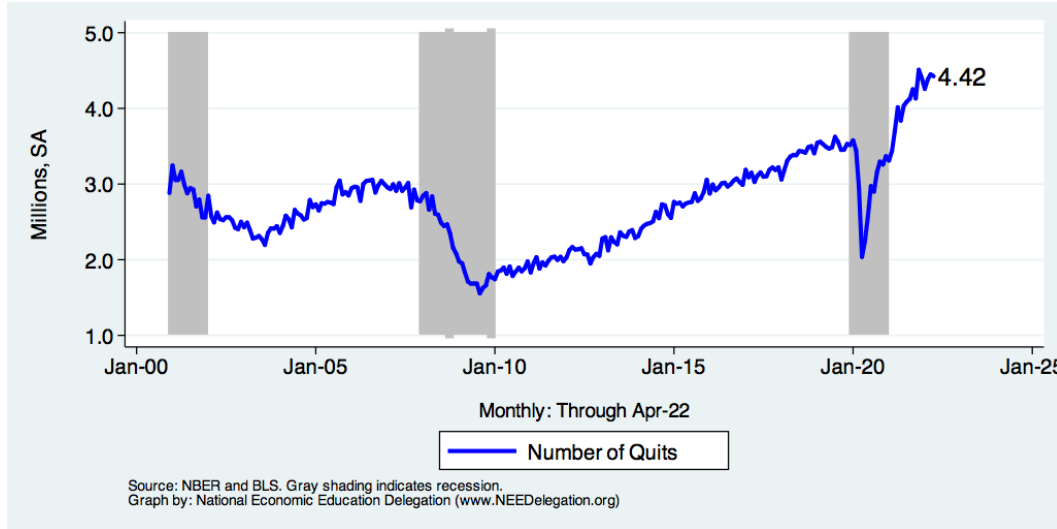
## Retail Sales Are Slowing – Q4-21? Q1-22?



Could be X-mas shopping all happened in November. (Supply chain awareness?)

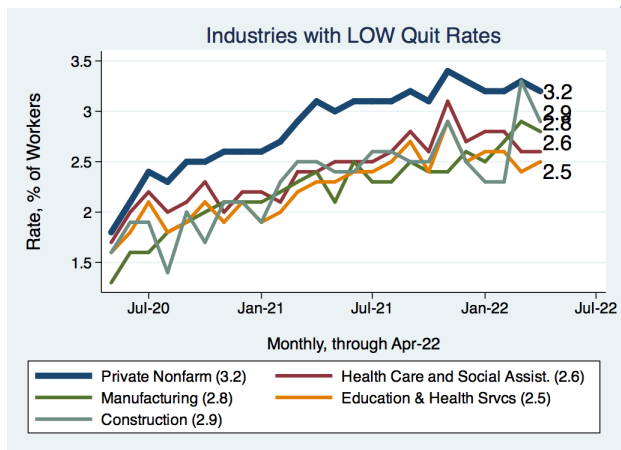
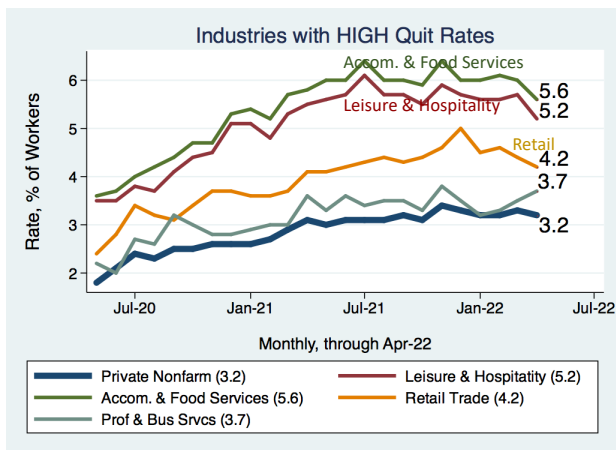
## The Great Resignation

# Quits Are High! The Great Resignation



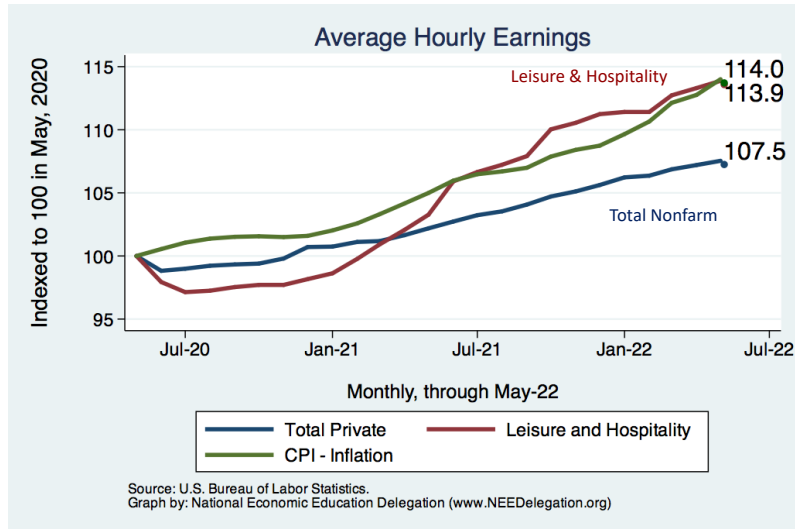
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# Quits – Rising, but More in Some Industries

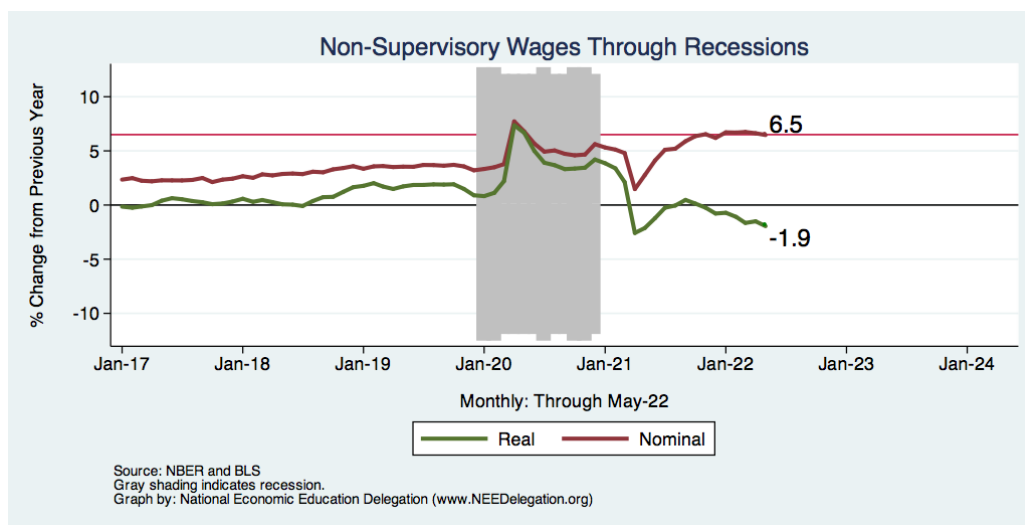


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## This is Happening Despite Rising Wages

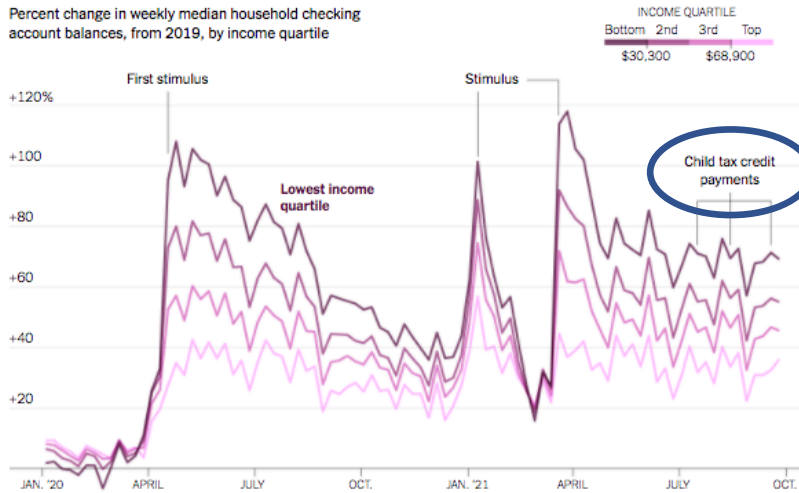


## Inflation Adjusted Wages Are Falling



## Declining Resources May Change Things

Percent change in weekly median household checking account balances, from 2019, by income quartile

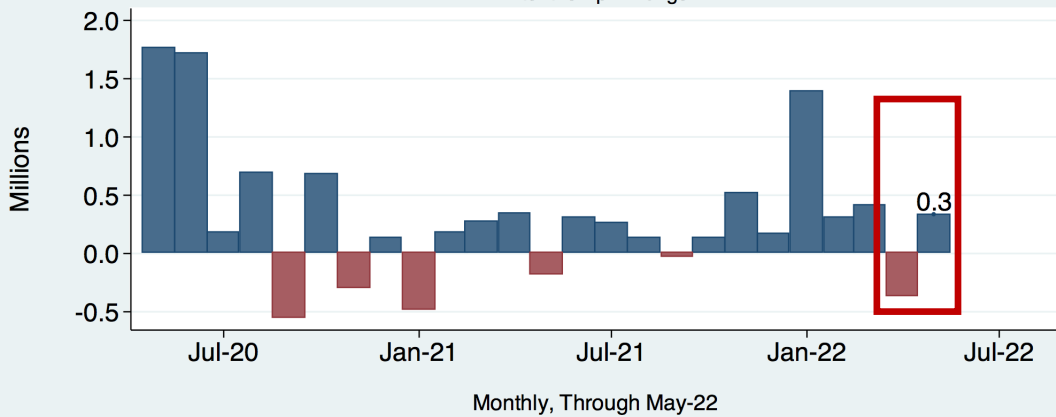


Income quartiles are based on 2019 household income, after taxes and withholdings. Quartile benchmarks shown are rounded to the nearest \$100. - Source: J.P. Morgan Chase Institute - By Ella Koeze

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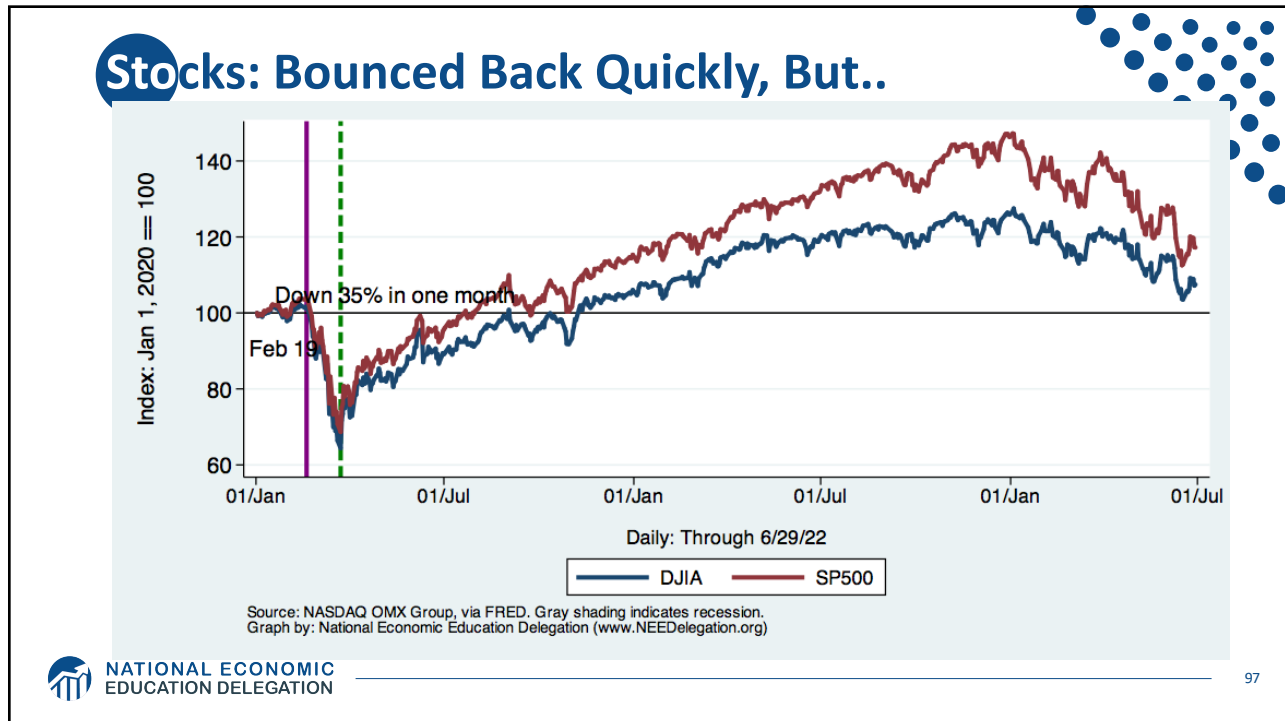
## CTC Expiration Spurs Labor Force Growth

Monthly Change in Labor Force Participation After the April Plunge

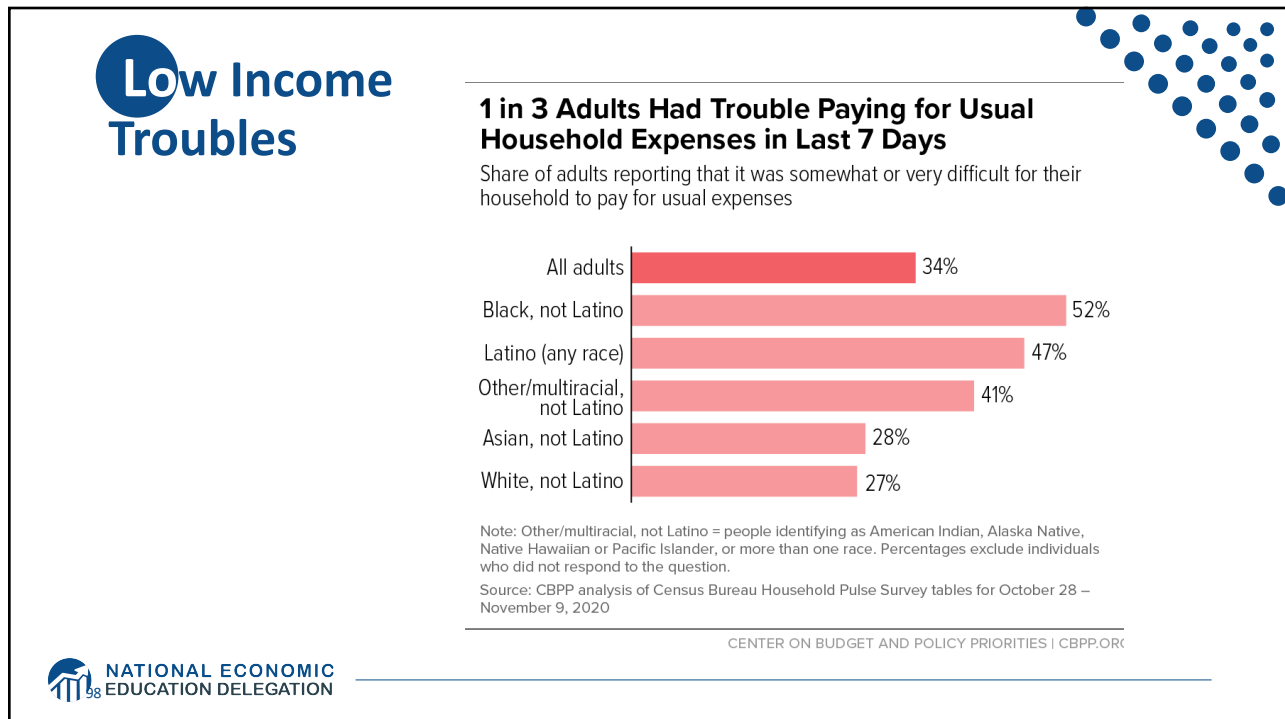


Source: Bureau of Labor Statistics  
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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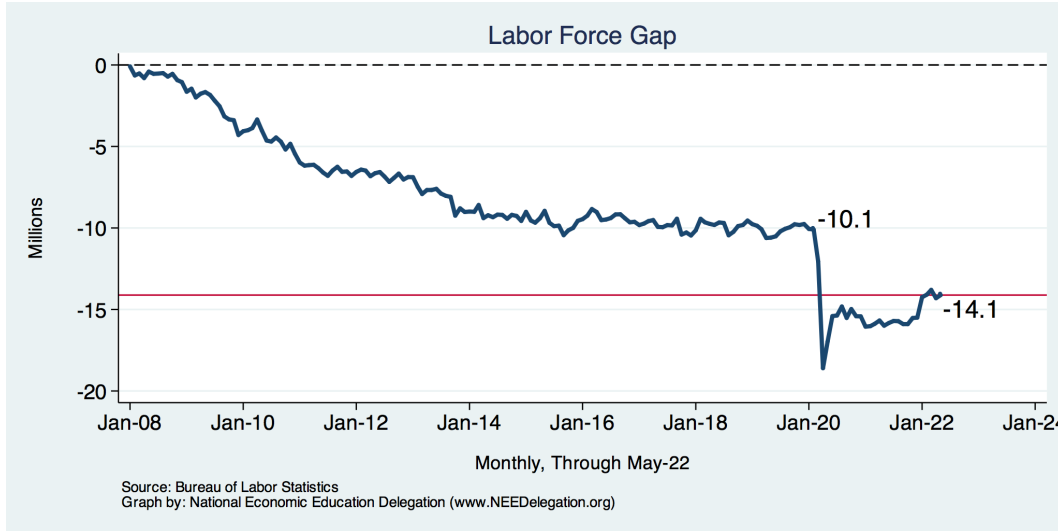


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## Labor Force is Shrinking – Drives Down UR



## Russia/Ukraine(/Belarus)

## 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.



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## The Conflict in Ukraine and the US Economy

- **Short run**
  - Uncertainty
  - Recession?
  - Increase in cost of food and fuel
- **Long run**
  - Decrease in globalization



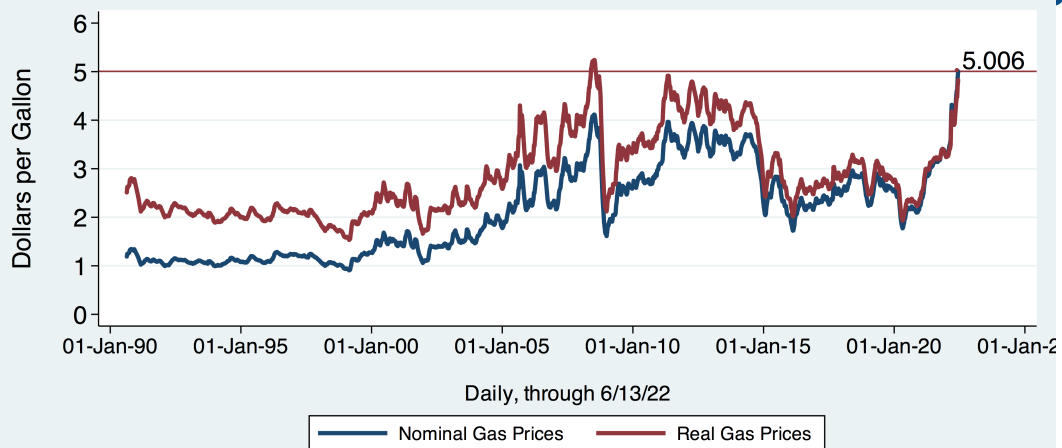
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# Supply Shocks: Then and Now



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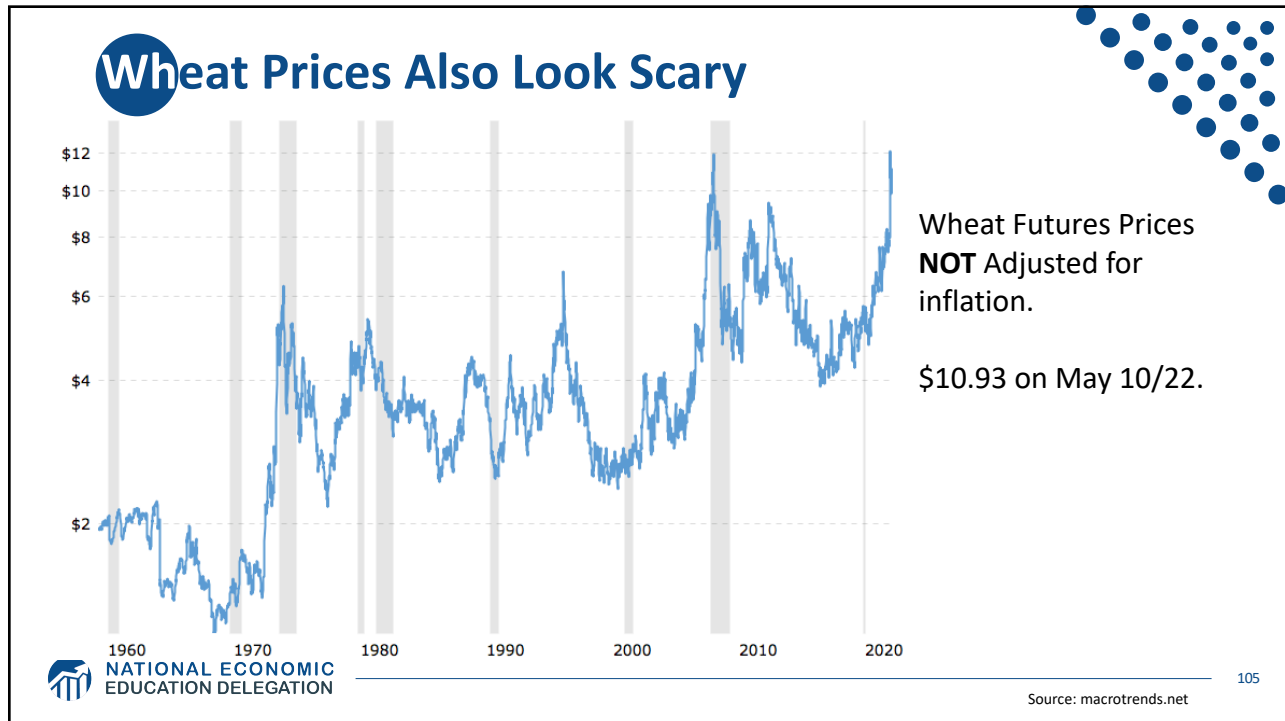
# Gas Prices at the Pump



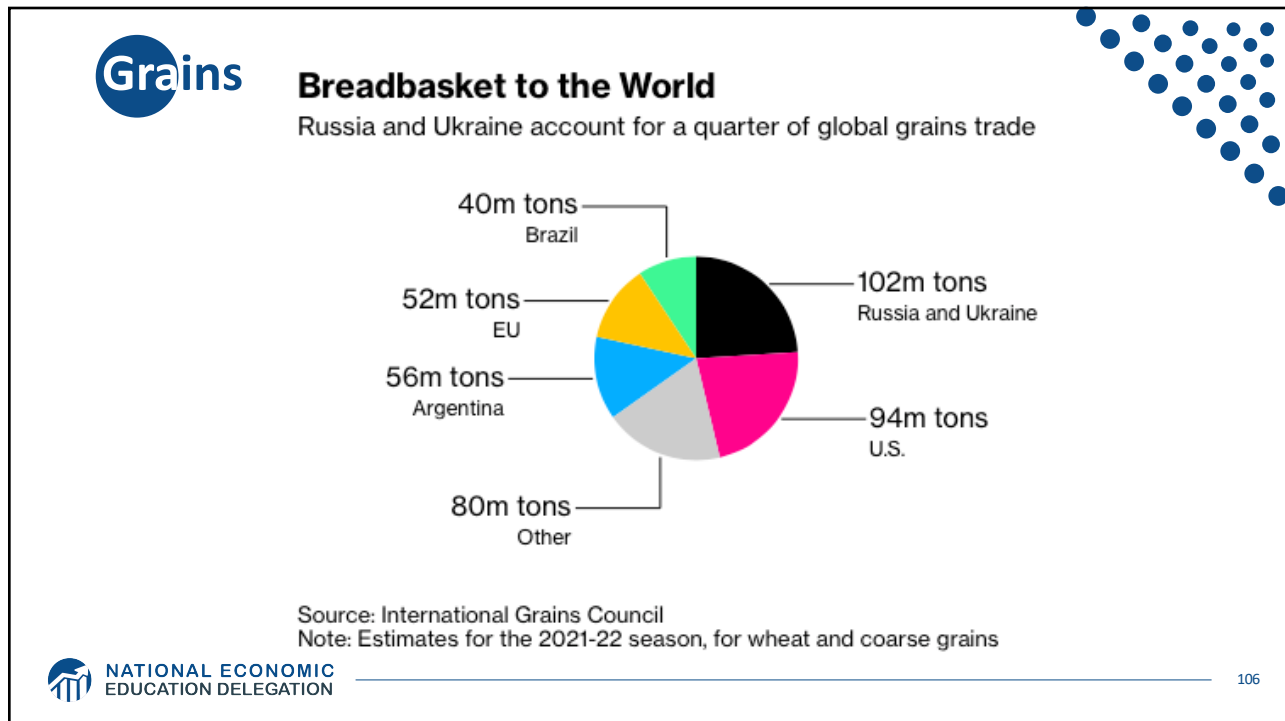
Source: U.S. Bureau of Labor Statistics, U.S. Energy Information Administration  
Projections assume the CPI for rent was to have grown at the same monthly rate as between Feb/15 and Feb/20.  
Graph by: National Economic Education Delegation (www.NEEdelegation.org)

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## Oh, and...

- **40% of the world's PALLADIUM comes from Russia.**
  - Used in catalytic convertors.
- **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.**



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**[www.NEEDelegation.org/LocalGraphs](http://www.NEEDelegation.org/LocalGraphs)**

For every state and county in the United States.

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



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