



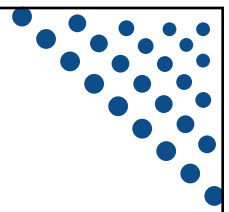
# Osher Lifelong Learning Institute, Winter 2022 Contemporary Economic Policy

University of Nevada, Las Vegas  
February-March, 2023

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



## 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.



## 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

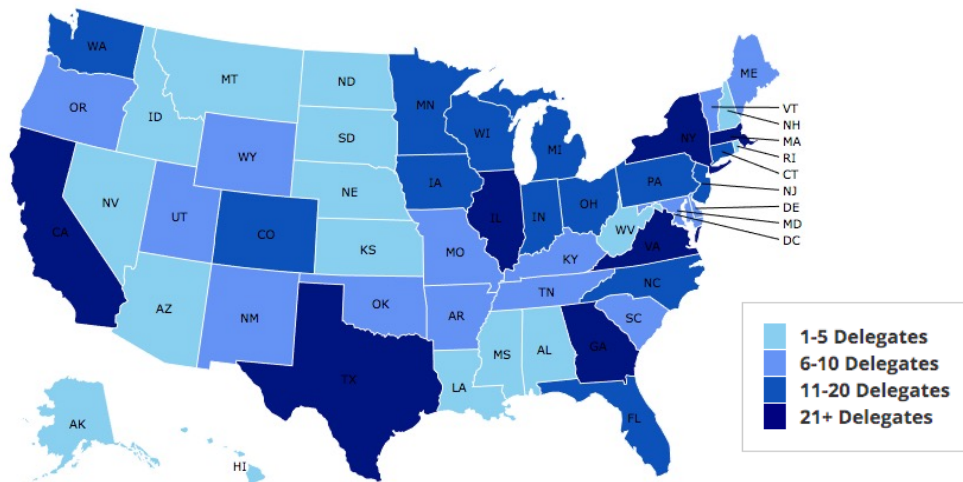
- **Global Partners: 48 Ph.D. Economists**

- Aid in slide deck development



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## Where Are We?



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## 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



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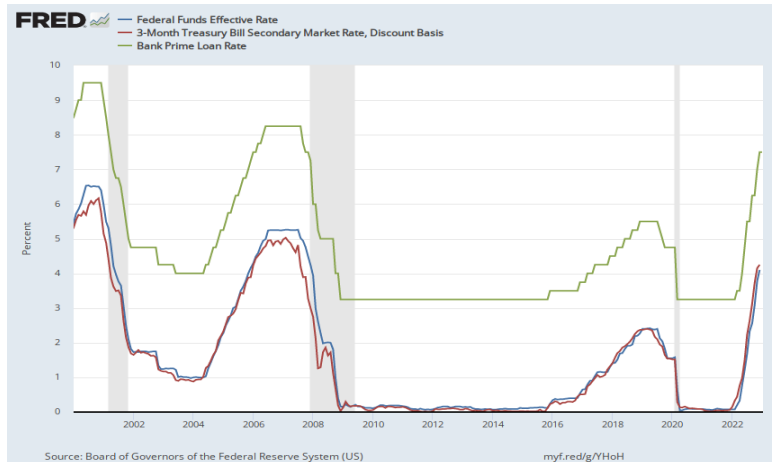
## Course Outline

- **Contemporary Economic Policy**
  - **Week 1 (2/15): US Economic Update (Geoffrey Woglom, Amherst College)**
  - Week 2 (2/22): Monetary Economics (Geoffrey Woglom)
  - Week 3 (3/1): Trade and Globalization (Alan Deardorff, Univ. Michigan)
  - Week 4 (3/8): Trade Deficits and Exchange Rates (Alan Deardorff)
  - Week 5 (3/22): Economic Mobility (Jon Haveman, NEED)
  - Week 6 (3/29): The Black-White Wealth Gap (Jon Haveman)



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# Monetary Policy

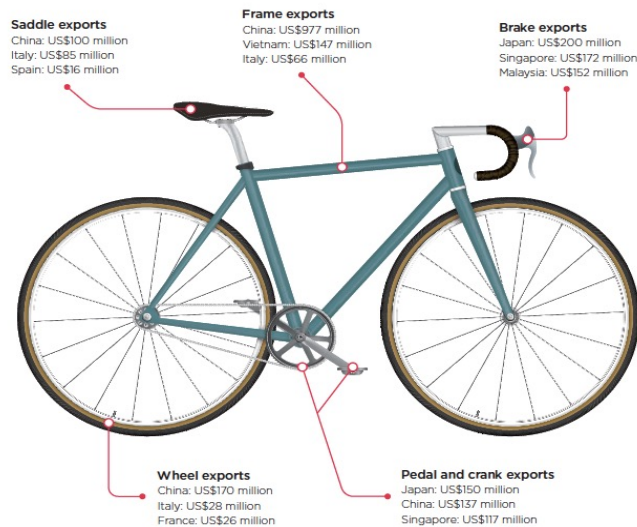


Blue is the fed funds rate.  
 Red is the rate on 3 month Treasuries.  
 Green is the prime bank lending rate

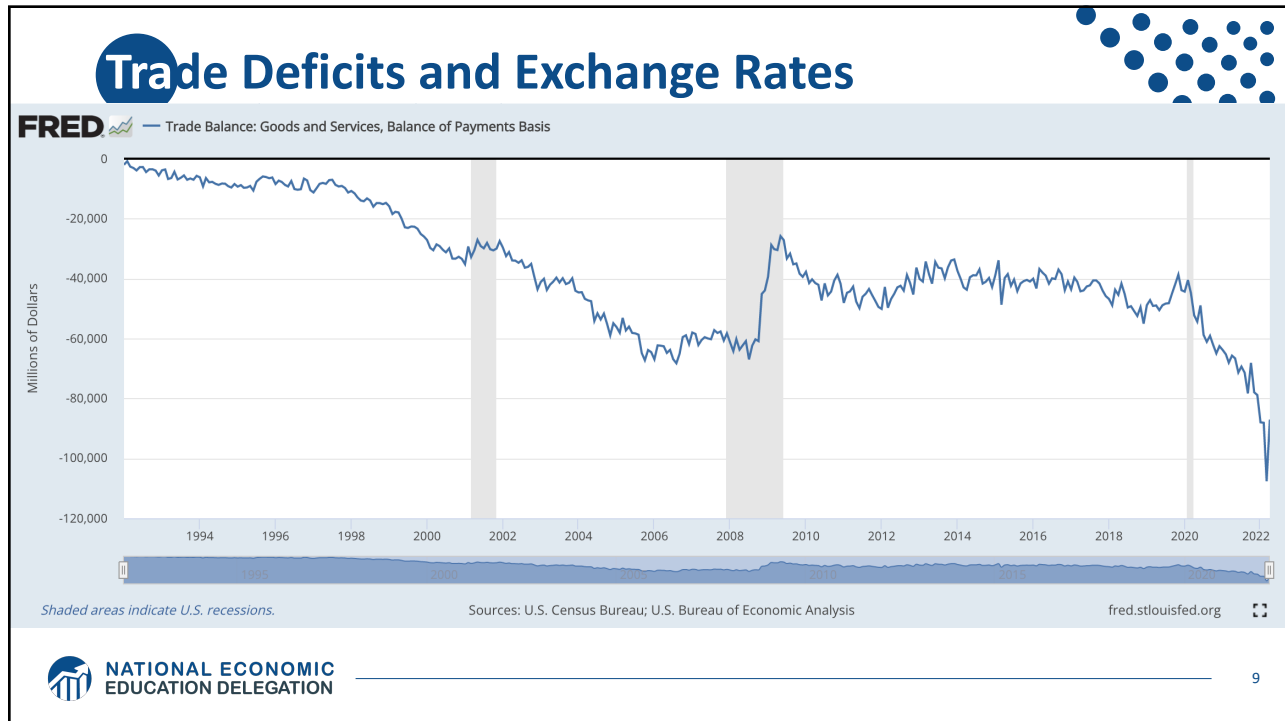
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# Trade: Bicycle Supply Chain

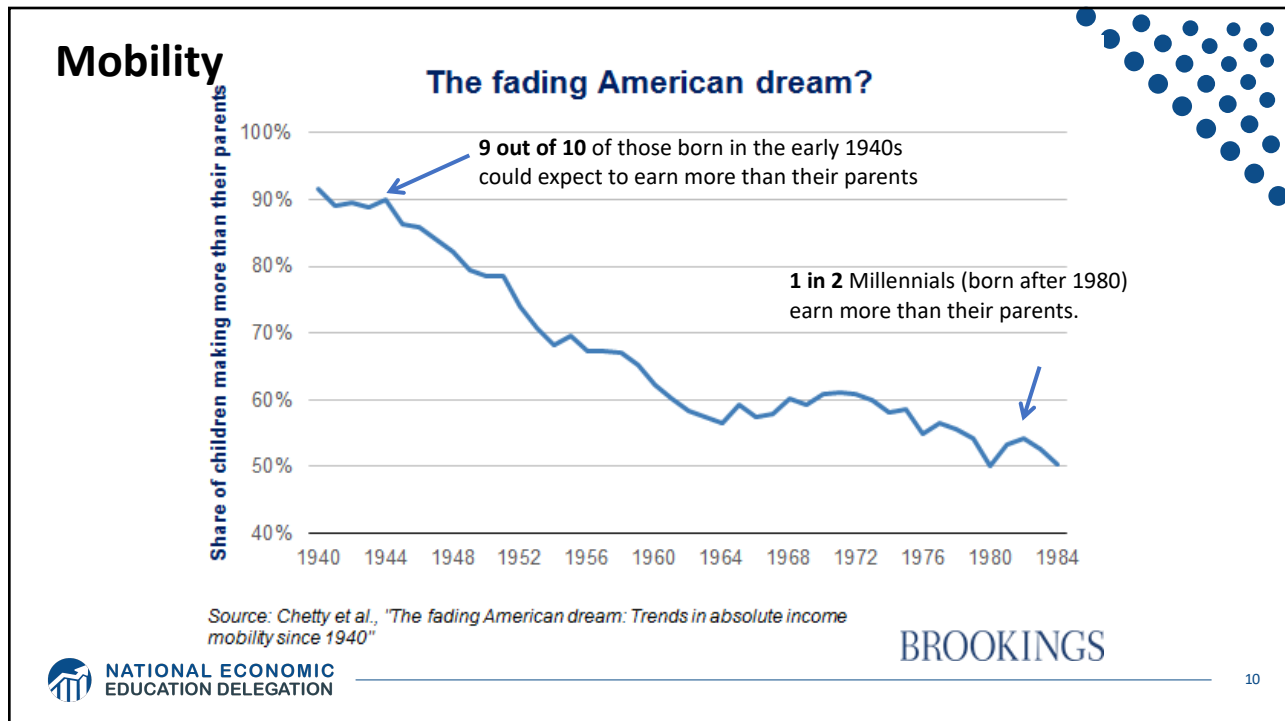
Figure 1.1 Where do bicycles come from?



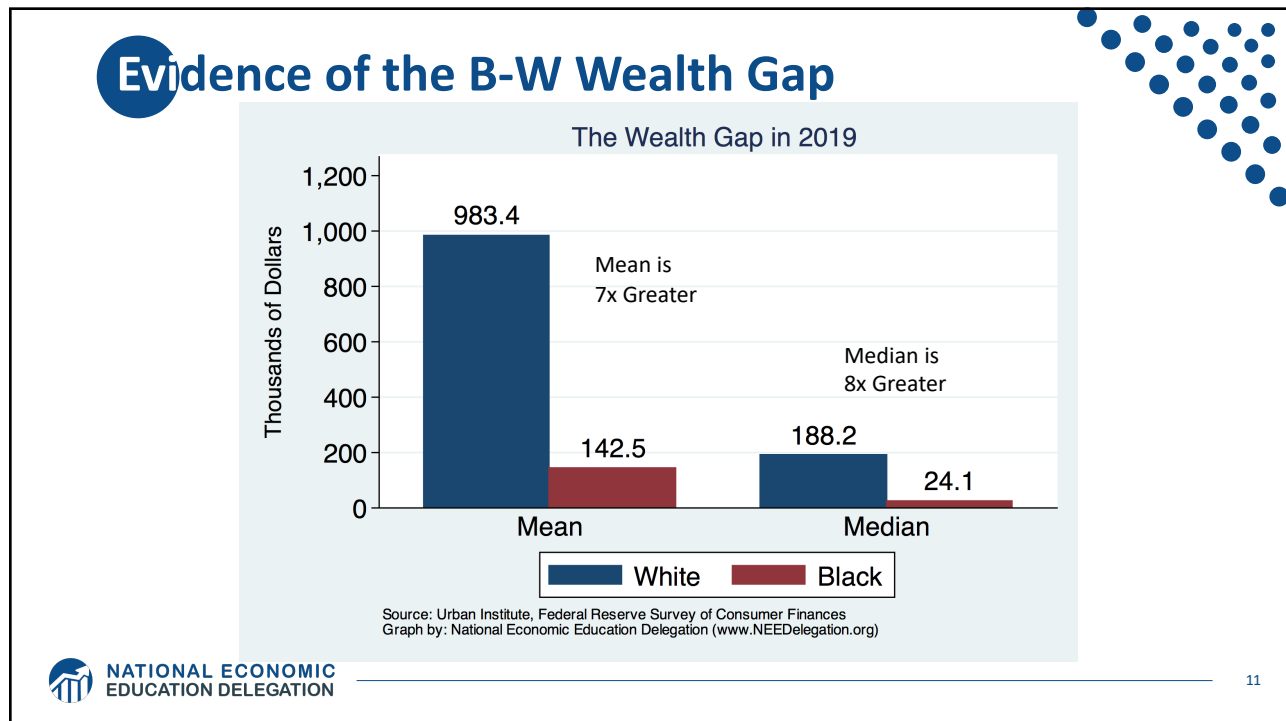
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## Submitting Questions

- **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.**
- **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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## Credits and Disclaimer

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

- Jon D. Haveman, NEED
- Scott Baier, Clemson University
- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dombek, 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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## US Economy: Update

Geoffrey Woglom,  
Professor of Economics  
Amherst College, emeritus  
February 15, 2023



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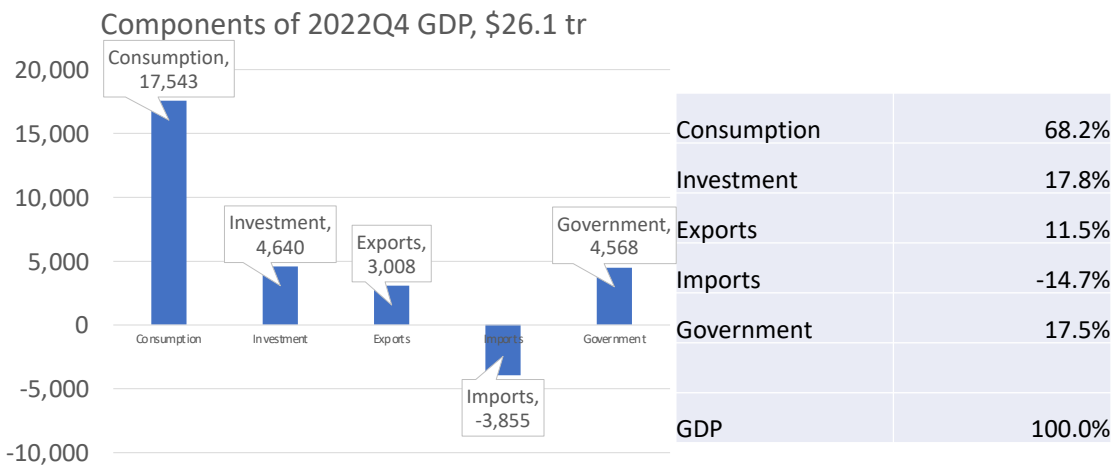
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## Outline for the Talk

1. Summary of the state of the economy.
2. The Effect of M&F policies.
3. What lies ahead for the economy.
4. What's at stake in controlling inflation.

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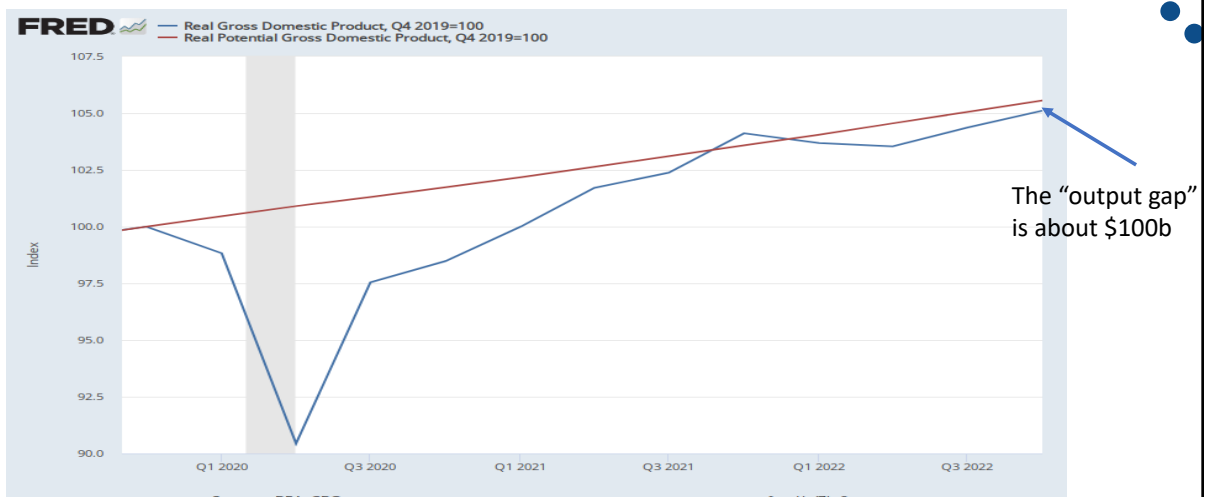
## Gross Domestic Product



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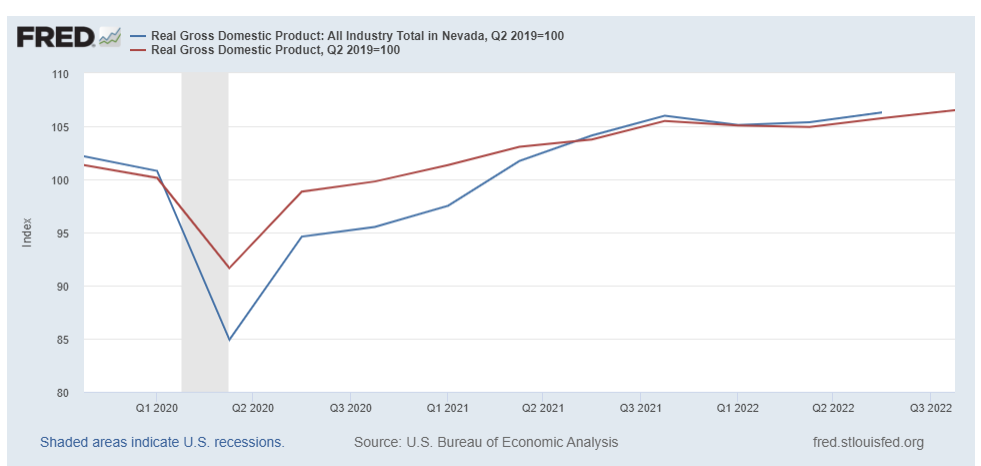


# Real GDP and 'Potential' during the Recovery



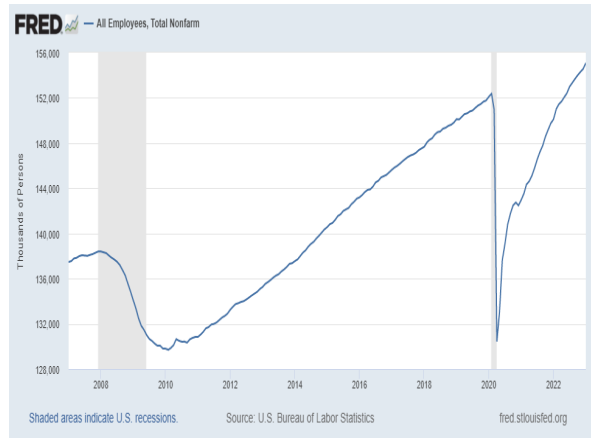
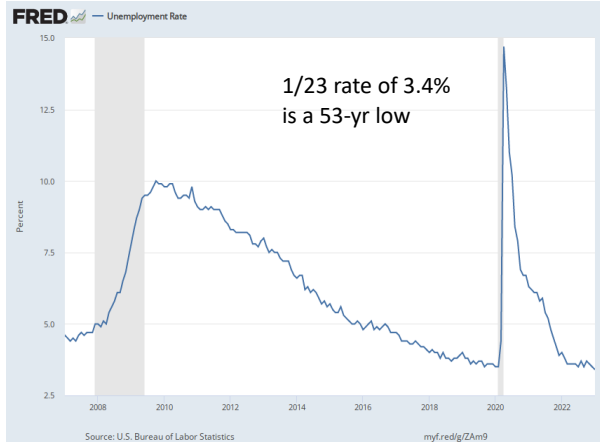
Sources: BEA; CBO  
myf.red/stlouisfed  
Source: Fred, St Louis Fed

# RGDP in Nevada

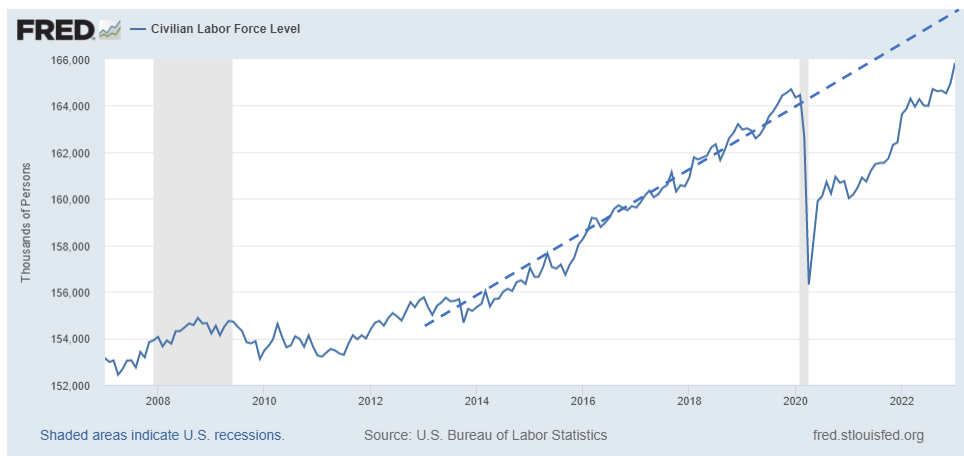


Source: U.S. Bureau of Economic Analysis  
fred.stlouisfed.org

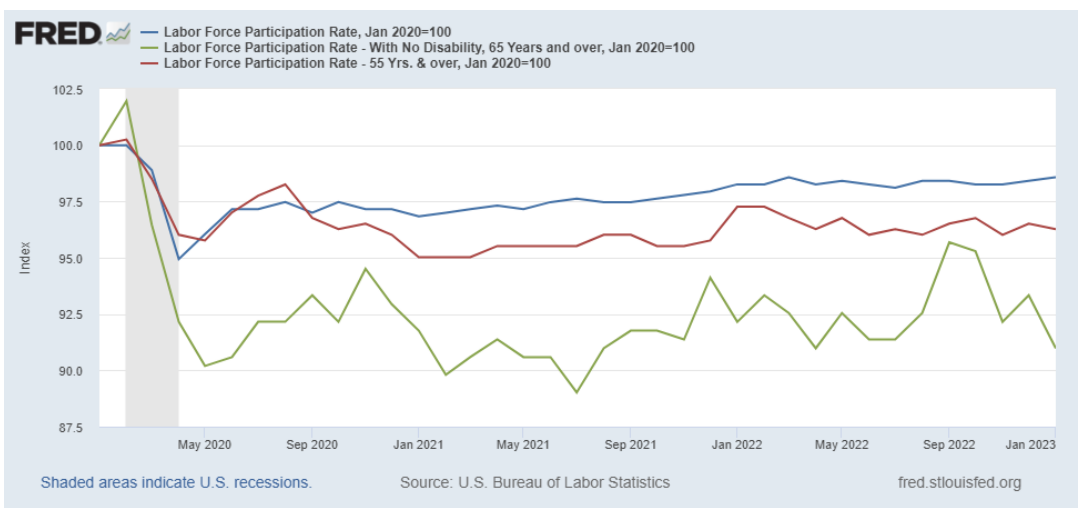
# Labor Market: Fully Recovered?



# Where Have All the Workers Gone?

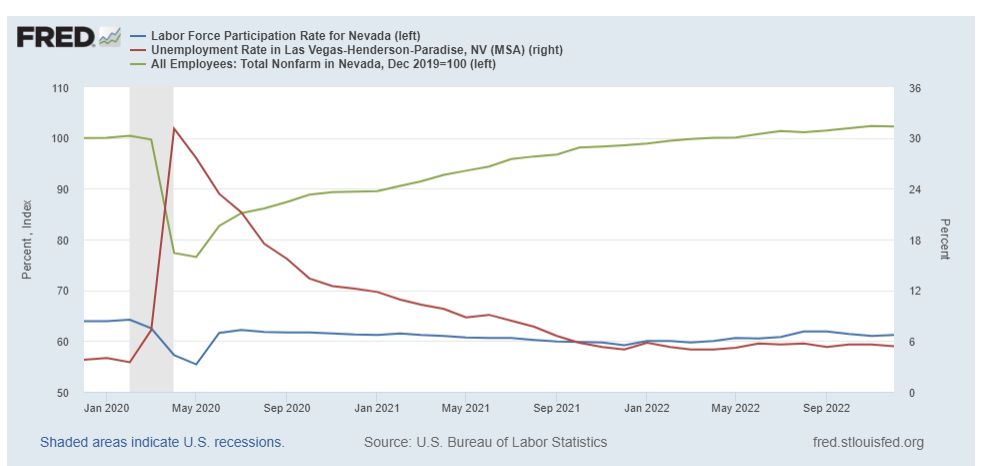


# Early Retirements?



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# Labor Market in Nevada



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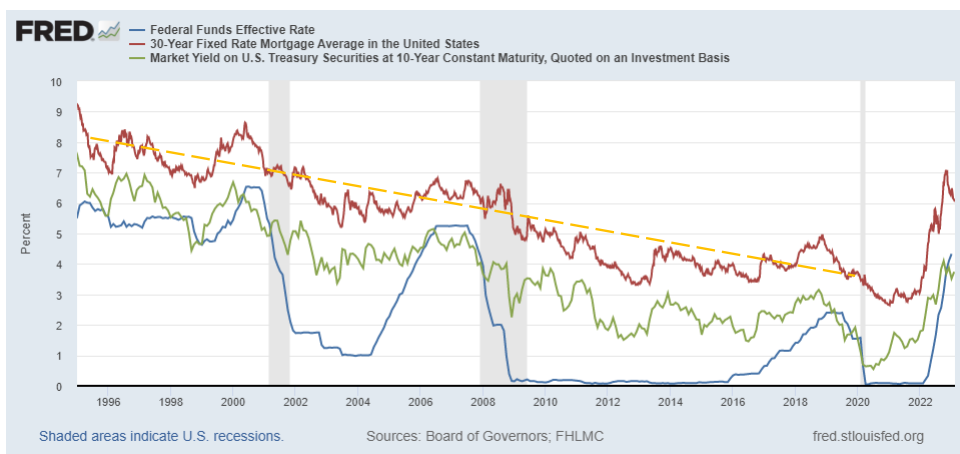
## Overall Good News on the Real Side

- GDP is very close to its potential.
- The labor market as measured by the unemployment rate is fully recovered.
- Fly in the ointment: labor force has lost over 1.5 million workers.
- But there is also a *nominal* side: interest rates, asset prices, inflation and wages.
- News isn't so good!



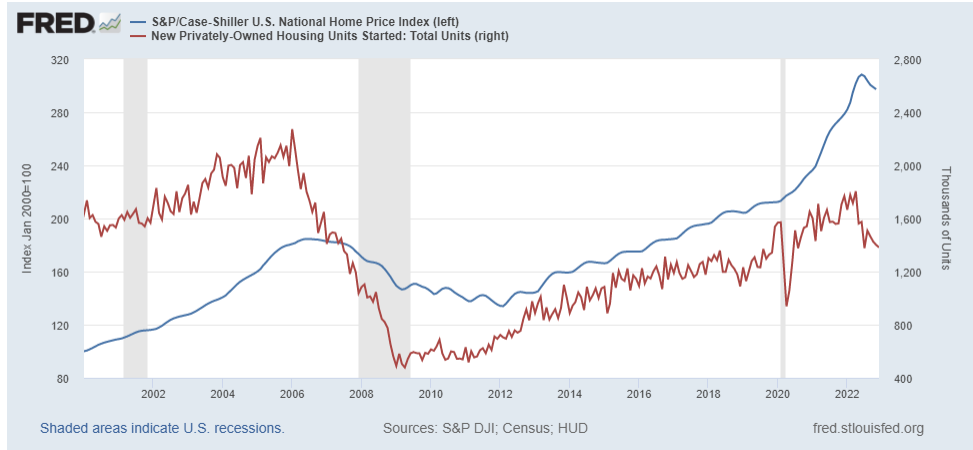
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## Interest Rates: Era of Falling Rates Over?



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# What about Housing?



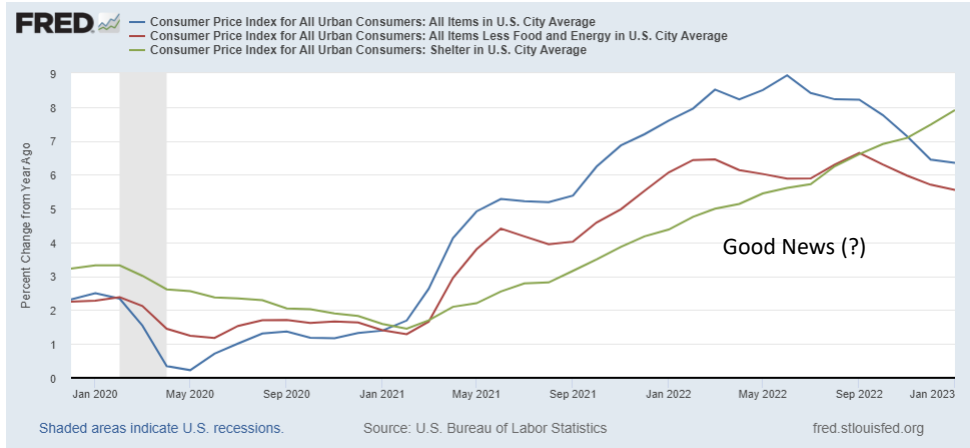
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# Stock Prices: Rates and Recession?



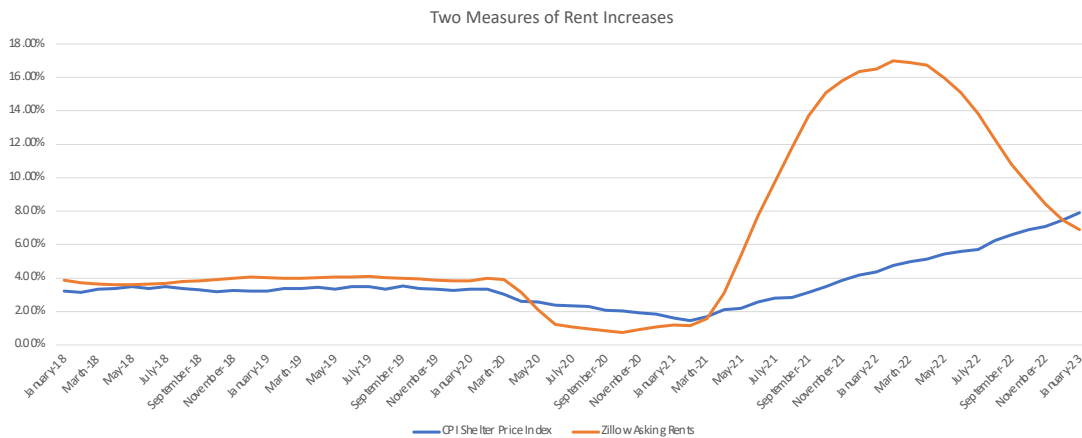
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# Inflation during the Recovery



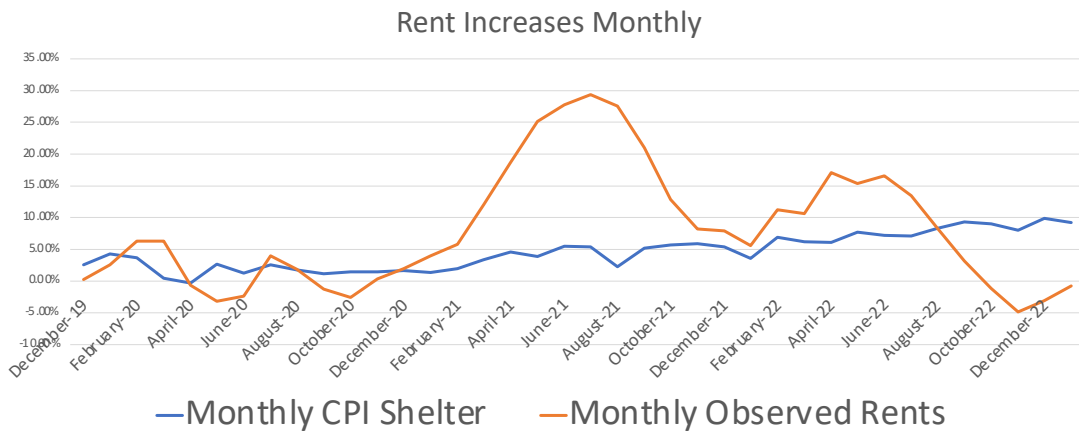
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# Rents Paid and Rents Asked For

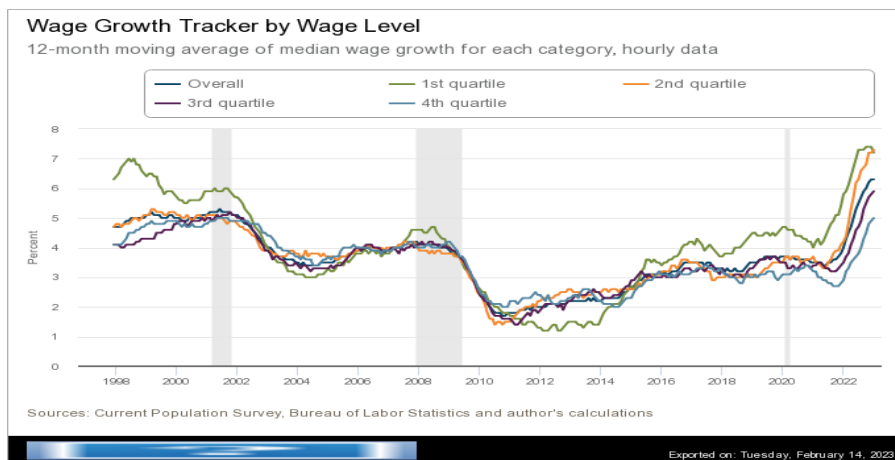


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# A Different Look



# Wages Haven't Kept Pace with Inflation



# Policy Effects

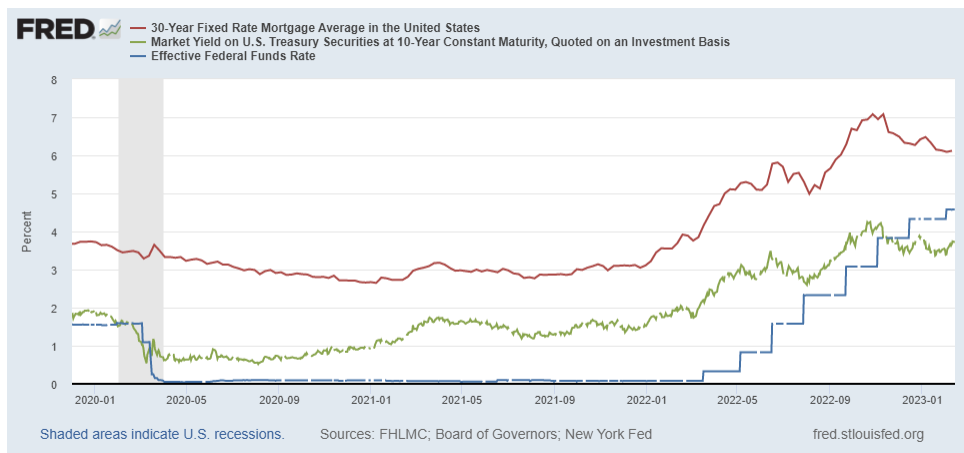
## Fiscal:

- **2020-2021: massive stimulus. Cares Act, 3 rounds of stimulus checks, expanded unemployment benefits, Payroll Protection Loans.**

## Monetary:

- **2020-2/2022: policy interest rate at zero, new round of quantitative easing.**
- **3/2022-present: most rapid increase in interest rates since Paul Volcker**

# Accommodative Monetary Policy until 3/2022





## Where we Stand

- The ARP was probably too big, but helped many poor families, and the Fed was aware of the size of the stimulus.
- Monetary policy was too easy for too long, but since March of last years has been much more restrictive.
- Yes, there were supply chain issues that temporarily raised inflation, but there was (is?) too much total spending.

So, where are we headed?

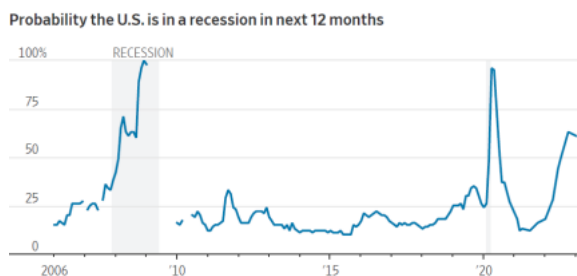


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## What about the “R” Word?



Note: Gaps indicate question not asked or data unavailable.  
Source: Wall Street Journal surveys of economists

Latest Observation,  
1/2023: **61%**



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Source *Wall Street Journal*,  
1/15/2023

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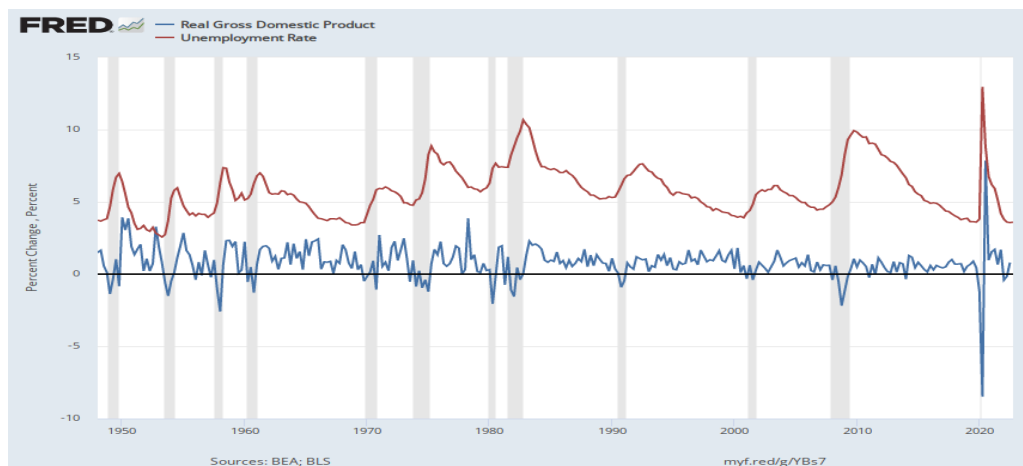
## What is a Recession?

- 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.



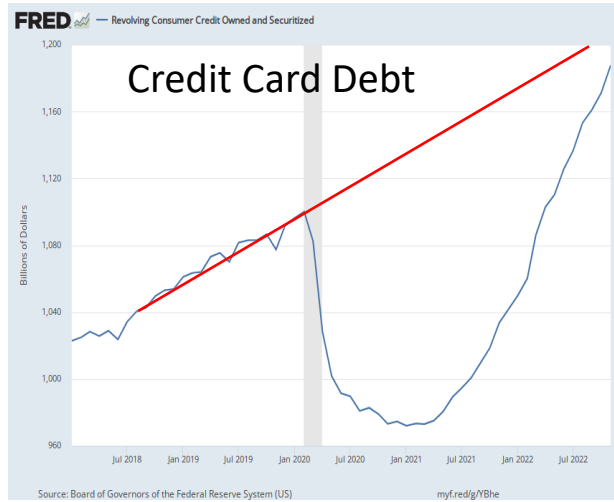
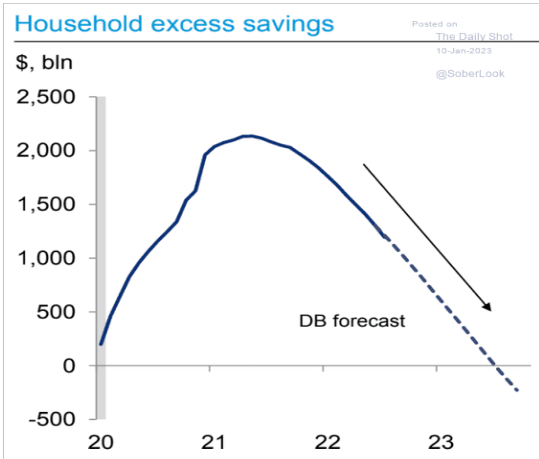
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## Real GDP Growth and Recessions



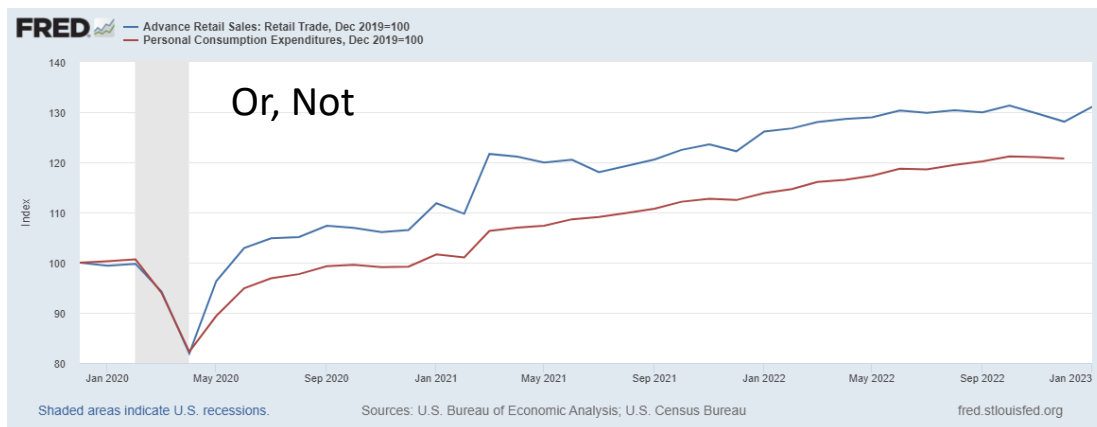
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# Prospects for Consumer Spending?



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# Consumer Spending Slowing?

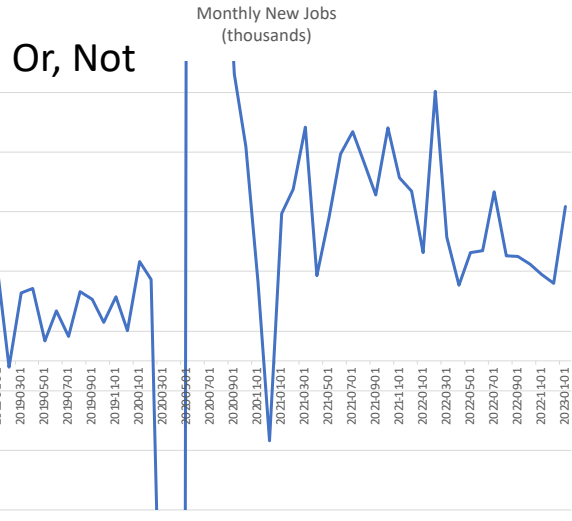
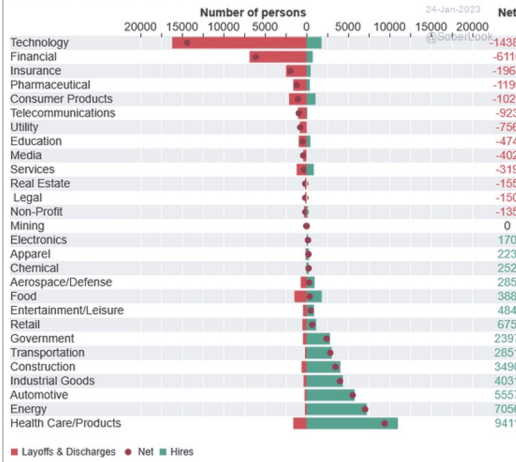


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# Labor Market Cooling?

**US: Industries shedding and gaining workers in December 2022**

Source: Challenger, Gray & Christmas, Inc.



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MACROBOND

# We (I) Don't Know What's Ahead

- There are some signs that consumer spending is slowing.
- Housing is certainly slowing.
- But the labor market seems very strong (517K jobs added in January).
- What will the Fed do?

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## 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 out 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!

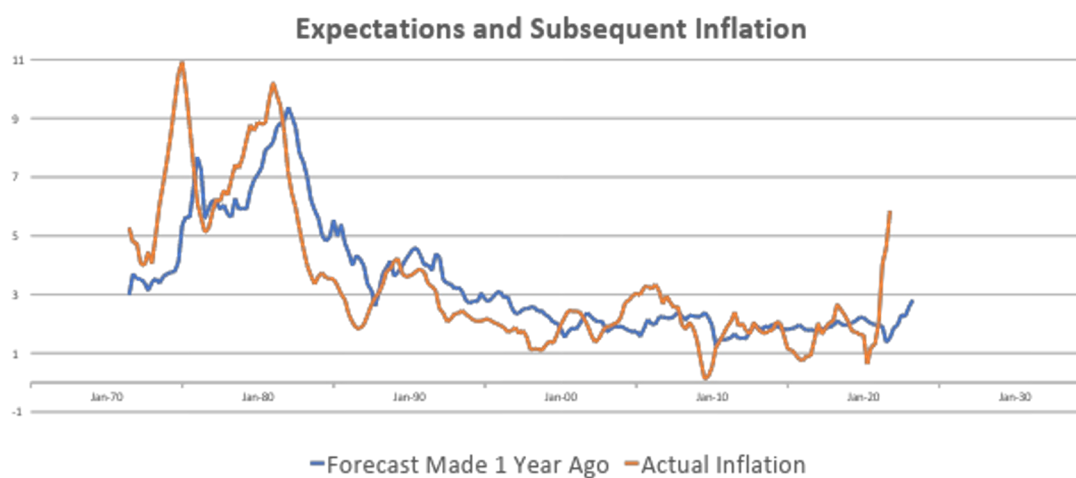


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## "Anchoring" Inflation Expectations



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Forecasts: Philadelphia Fed, "Survey of Professional Forecasters"

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## How Did We Get Here? The Fed?

- Why was the Fed so late to act?
- What is the Fed's current thinking, and how will they respond to incoming economic data?
- A brief description of the Fed and their policy tools and the answer to the previous two questions are the topics for next week.



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## Let's Hear from You!

**Geoffrey Woglom**  
grwoglom@amherst.edu

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