



## *Osher Lifelong Learning Institute, Winter 2024* **Contemporary Economic Policy**

University of Rhode Island  
Spring 2024

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

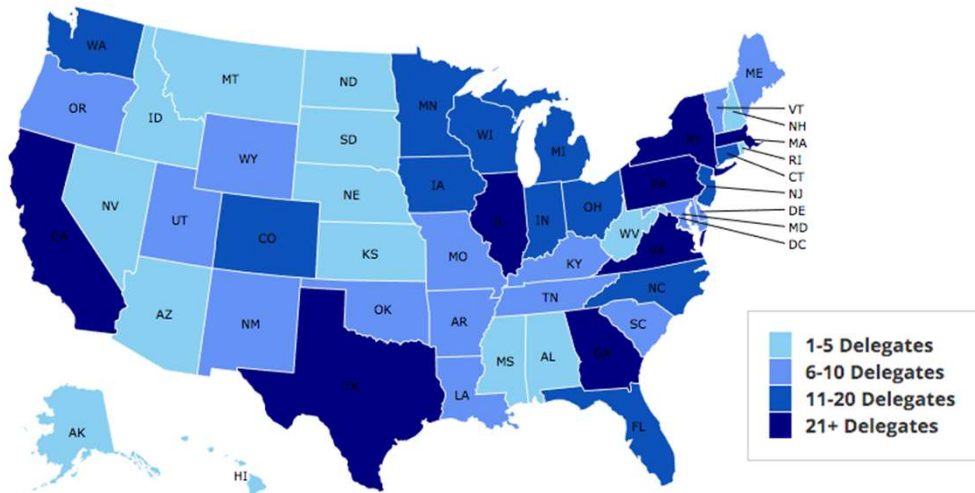
- **Delegates: 652+ members**

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

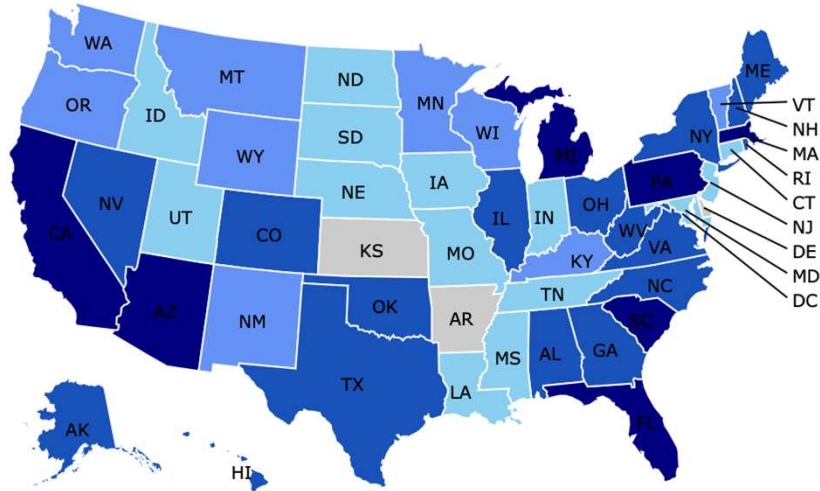
- **Global Partners: 48 Ph.D. Economists**

- Aid in slide deck development

# Where Are We?



## Where Have we Given Talks?



## 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
- US Social Policy

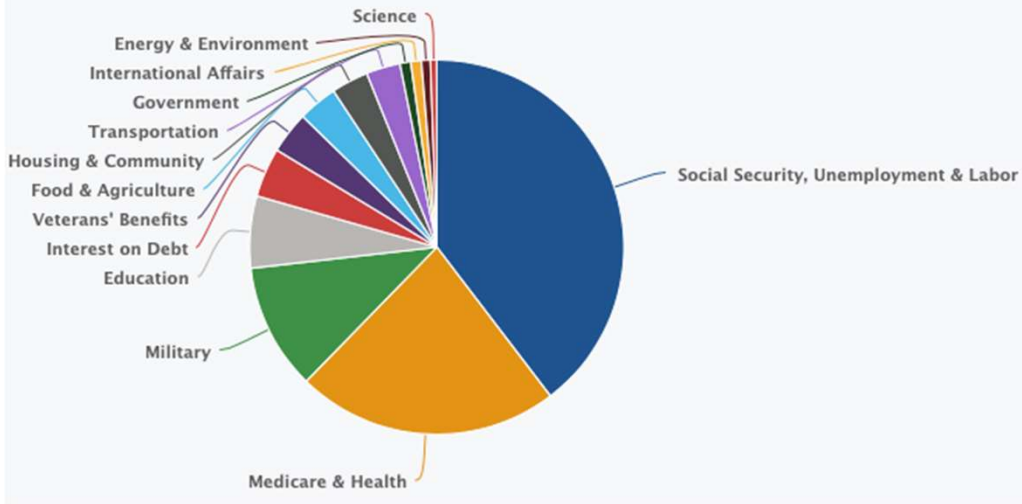
# Course Outline

## • Contemporary Economic Policy

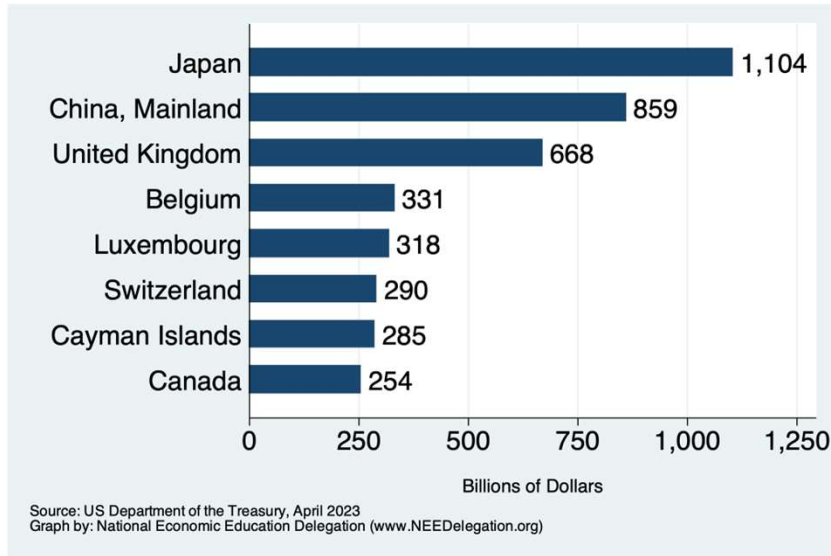
- Week 1 (4/15): Economic Update (Geoffrey Woglom, Amherst College)
- Week 2 (4/22): US Federal Budget (Brian Peterson, Lagrange College)
- Week 3 (4/29): Federal Debt (Joseph Carolan, Oakland University)
- Week 4 (5/6): Climate Change Economics (Sarah Jacobson, Williams College)
- Week 5 (5/13): Trade and Globalization (Avik Chakrabarti, Univ. Wisconsin- Milwaukee)
- Week 6 (5/20): International Institutions (Alan Deardorff, University of Michigan)

## Total Federal Spending Fiscal Year 2021

\$7 Trillion



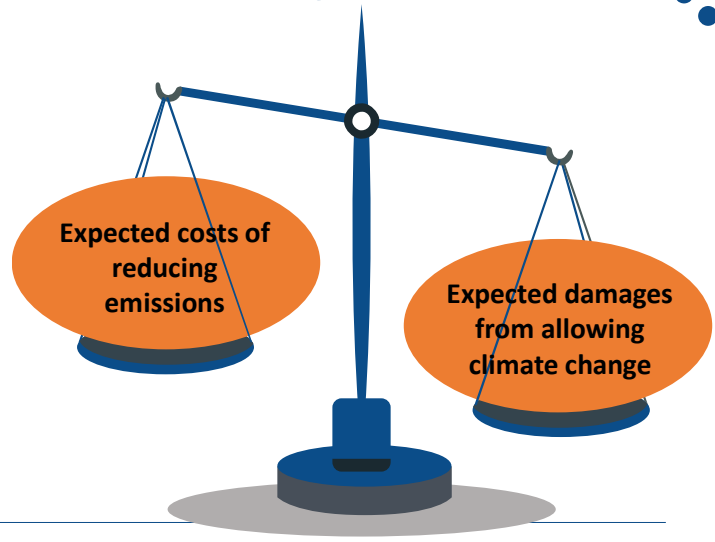
## Who Holds US Debt?



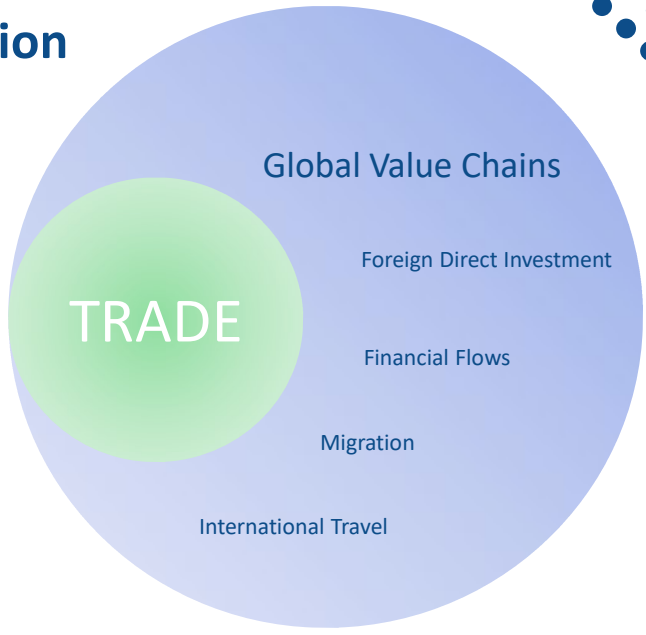
## How Economists Decide How Much to Fight Climate Change: Cost Benefit Analysis

Abating greenhouse gas emissions is costly...  
... but without action, climate change damages are even more costly.

Goal is not zero emissions, but efficient level that achieves a balance.



# What is Globalization



# Main Economic Institutions



INFLATION



# US Economy: Update

**Geoffrey Woglom,**  
 Professor of Economics  
 Amherst College, emeritus  
 April 15, 2024



## 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).

## Submitting Questions

- **Submit questions in the chat or by raising your digital hand.**
  - 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 tonight**  
**([https://needelegation.org/delivered\\_presentations.php](https://needelegation.org/delivered_presentations.php)).**
- **My macro site: <https://sites.google.com/view/macro-current-issues/home>**



## Outline for the Talk

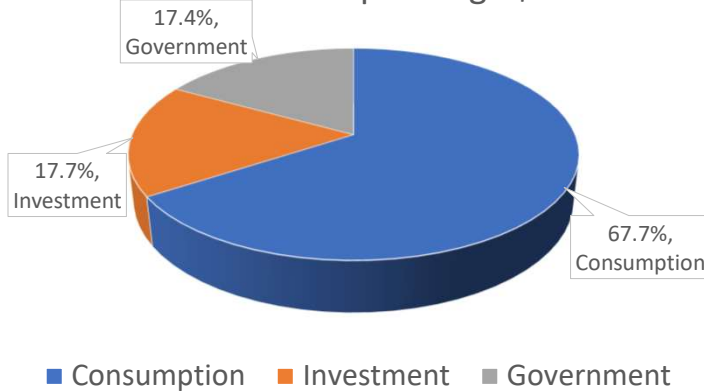
1. **Summary of the state of the macroeconomy.**
2. **The Effect of M&F policies on the recovery.**
3. **Describe an unprecedented monetary policy achievement that may be unfolding.**
4. **Major challenges and uncertainties going forward**





# Gross Domestic Product: 2023Q4 = \$28 tr

Total Domestic Spending = \$28.7



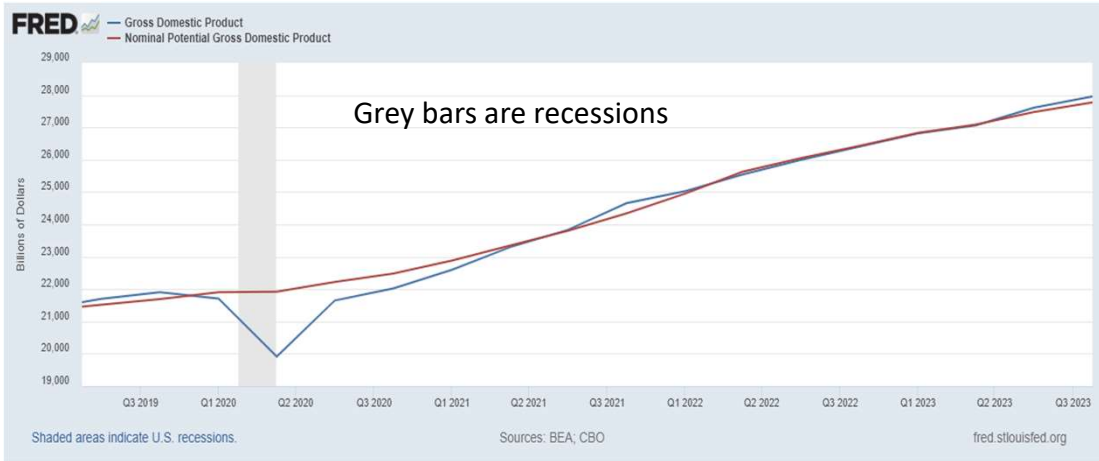
**\$28.74**  
**Less Imports**  
**-\$3.84**  
**Plus Exports**  
**+\$3.05**  
**Equals GDP**  
**\$27.95**

# Different Breakdown



Note: State and Local Government comprises 10% of GDP!

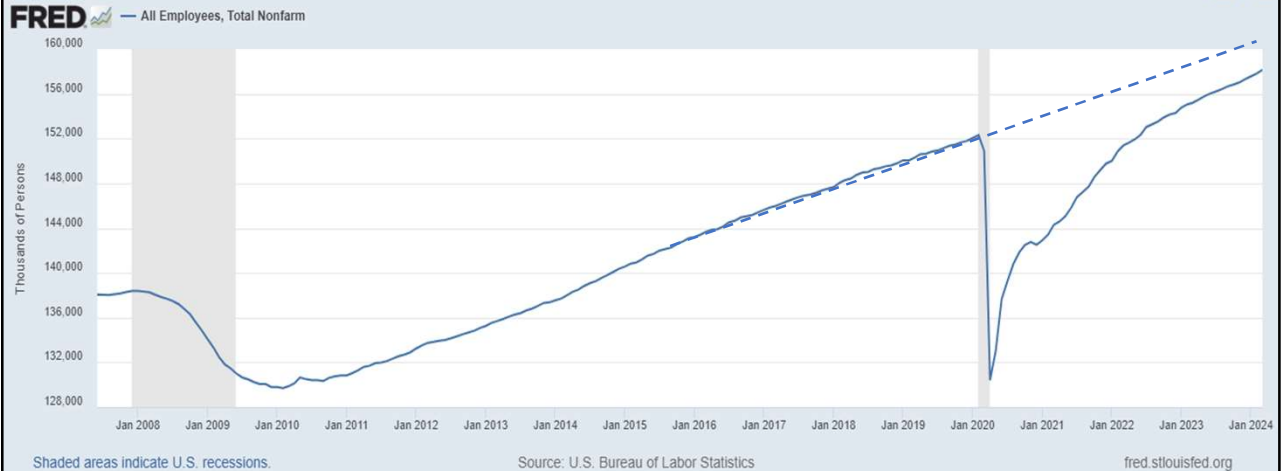
# GDP and 'Potential' during the Recovery



# Unemployment is Near Record Lows



# Where Have All the Workers Gone?



# The Aging of the Labor Force



# Supplemented by Foreign Workers



# How is Rhode Island Doing?



## Labor Market in Rhode Island



## Overall Good News on the Real Side

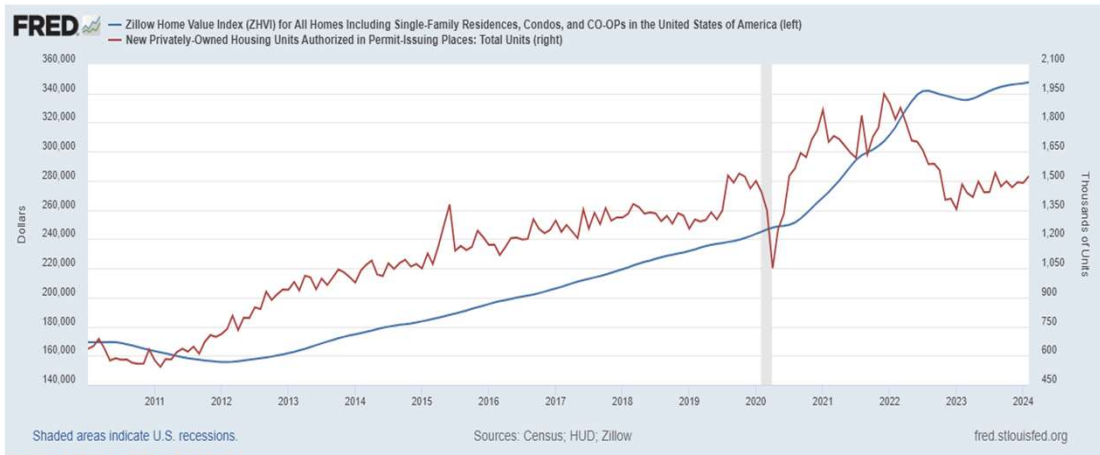
- GDP is very close to its potential.
- The labor market as measured by the unemployment rate is fully recovered.
- There was no apparent Great Resignation
- But there is also a *nominal* side: interest rates, asset prices, inflation and wages.
- News isn't so good, but is getting better.



# Interest Rates: Era of Falling Rates Over?



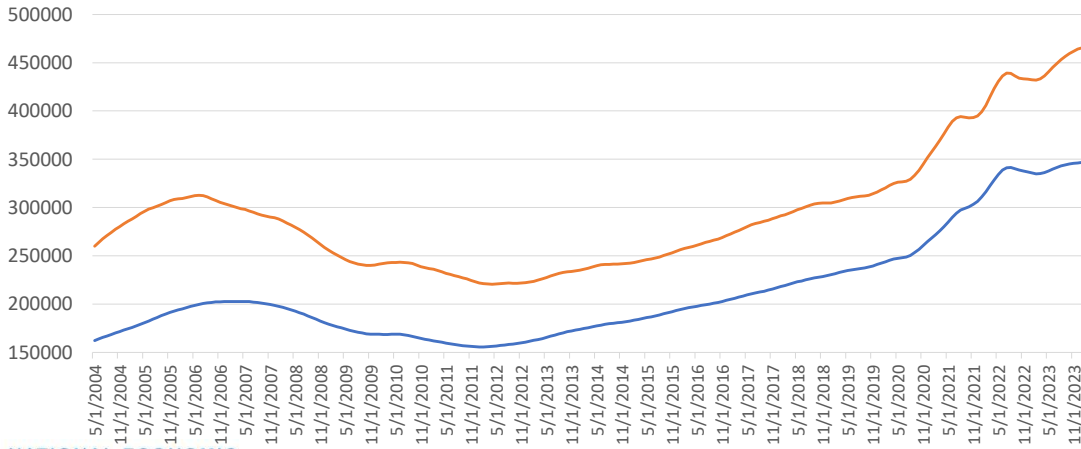
# Mortgage Rates are Having an Effect ?



# National Housing Market and Closer to Home

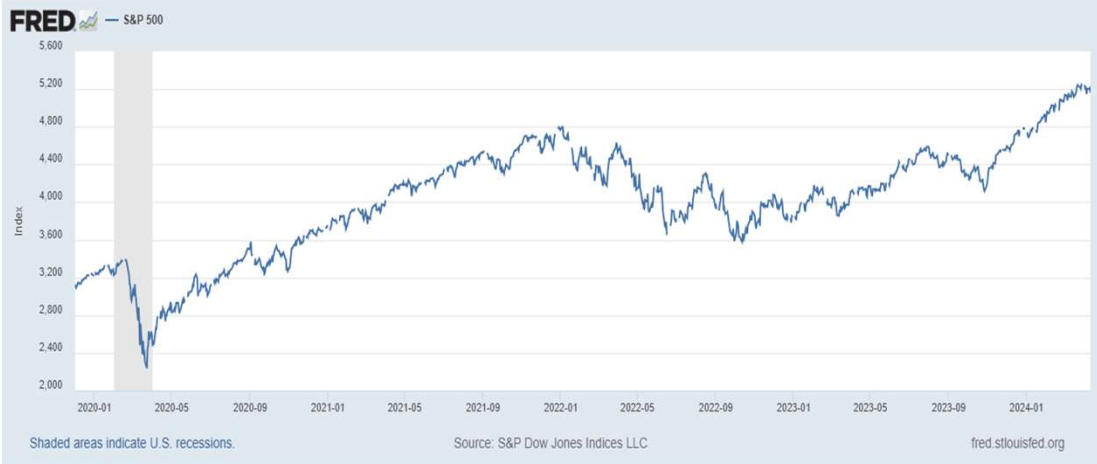
Single Family Home Prices

— US — Providence



<https://www.zillow.com/research/data/>

# Stock Prices: Fear Giving Way to Greed?

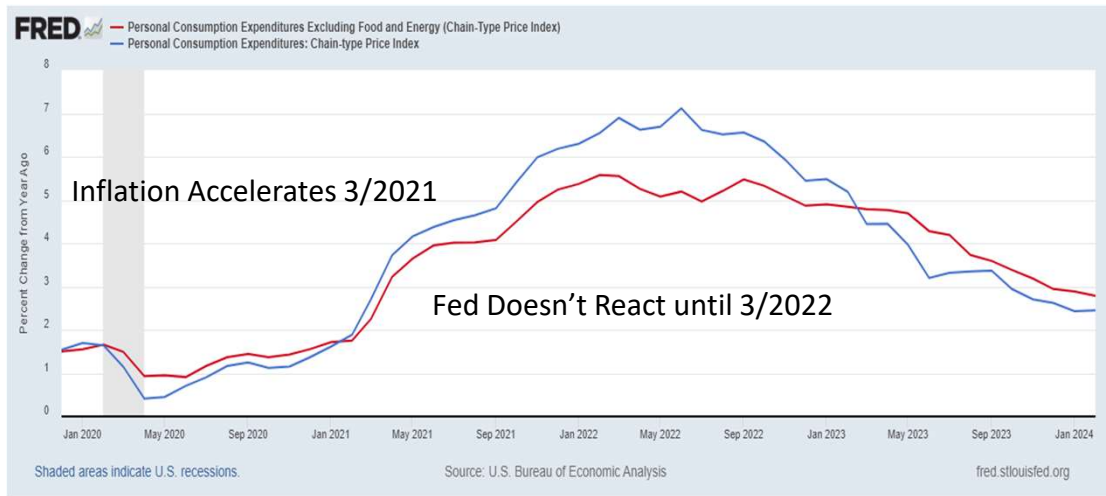


fred.stlouisfed.org

# Inflation during the Recovery (CPI)



# Fed's Measure (PCE)

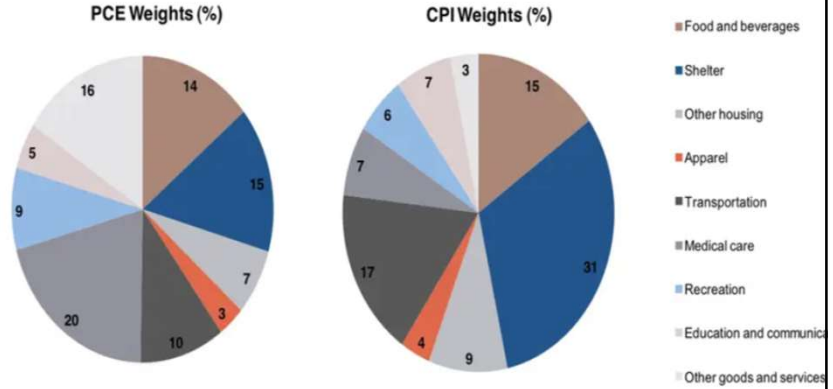




# CPI vs. PCE: Differences

CPI tends typically to be 0.3 pct point higher  
 Feb:  
 CPI, 3.2% PCE, 2%.5%  
 Core CPI, 3.8% Core PCE, 2.8%.

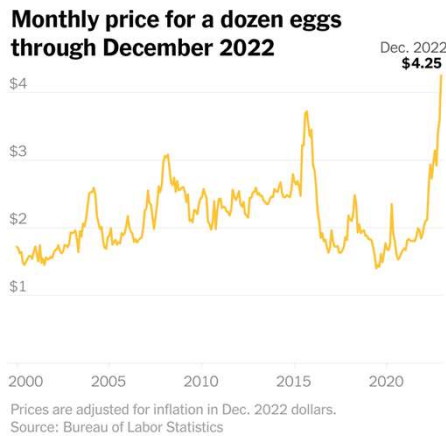
Chart 18: PCE vs CPI – weight comparisons



Source: Haver Analytics, SG Cross Asset Research/Economics

# Uses of Inflation Measures

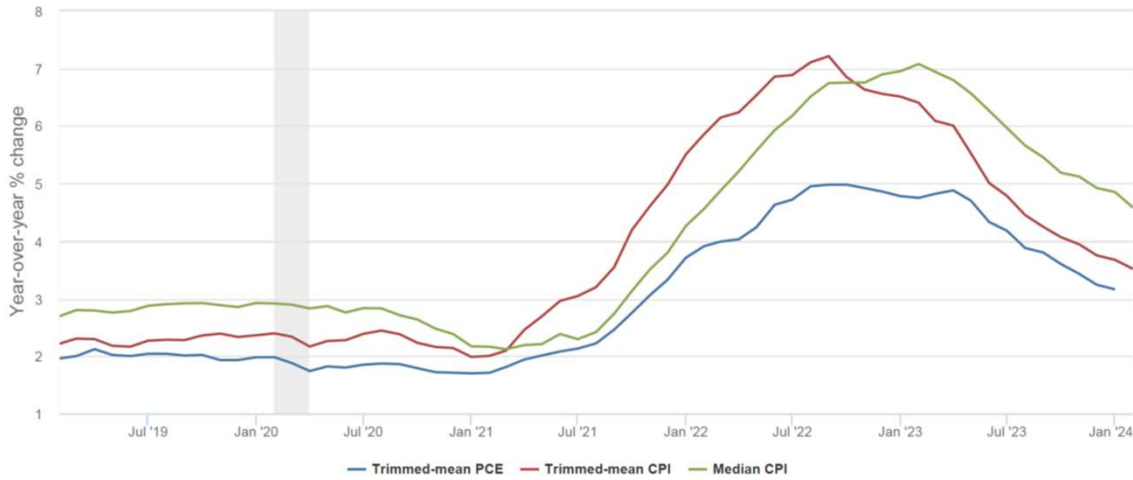
- Two Reasons for Measuring Recent Inflation:
1. What has happened to the Cost of Living?
  2. What is likely to happen to inflation over the next 12-18 months?



# Measuring "Underlying" Inflation

Alternative Core Inflation Measures

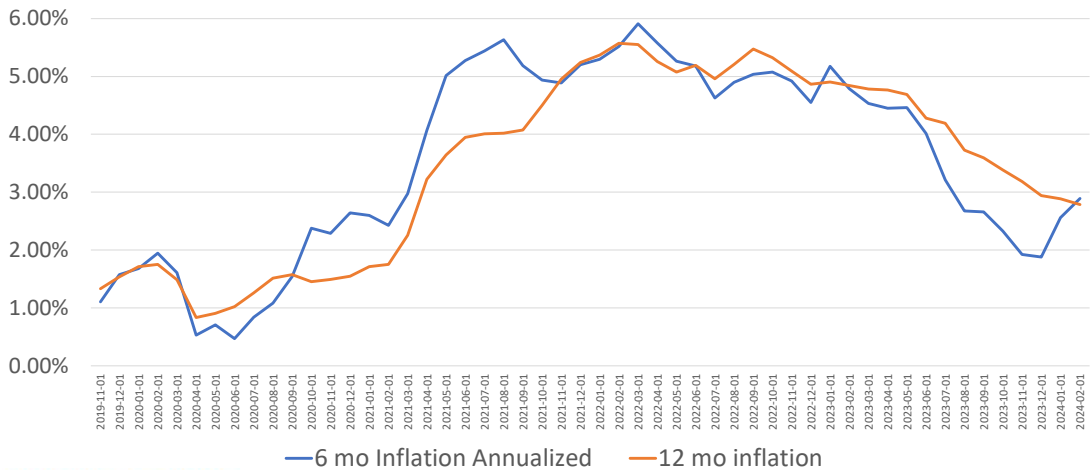
MACRO SNAPSHOT  
by the St. Louis Fed



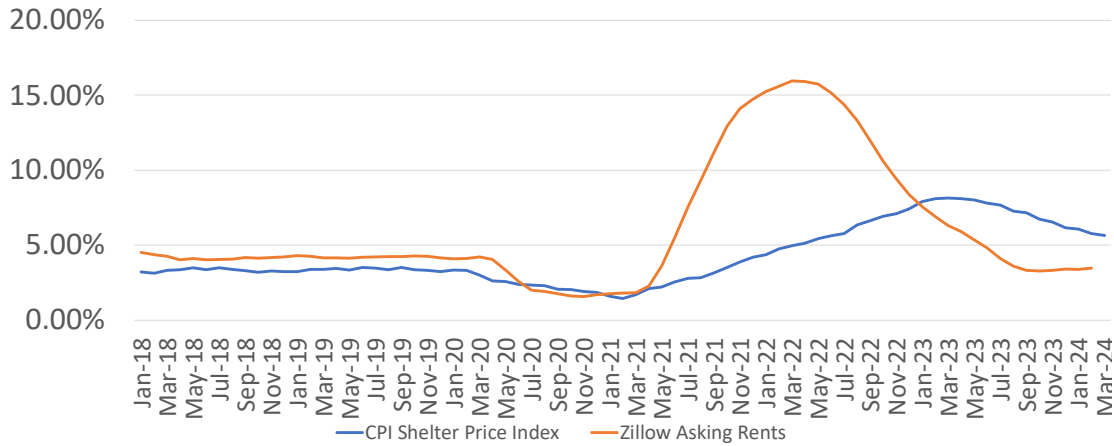
Seasonally adjusted. Recessions are shaded. Sources: Federal Reserve Banks of Dallas and Cleveland. Powered by FRED.

# What is Special about Measuring Over 1 Year?

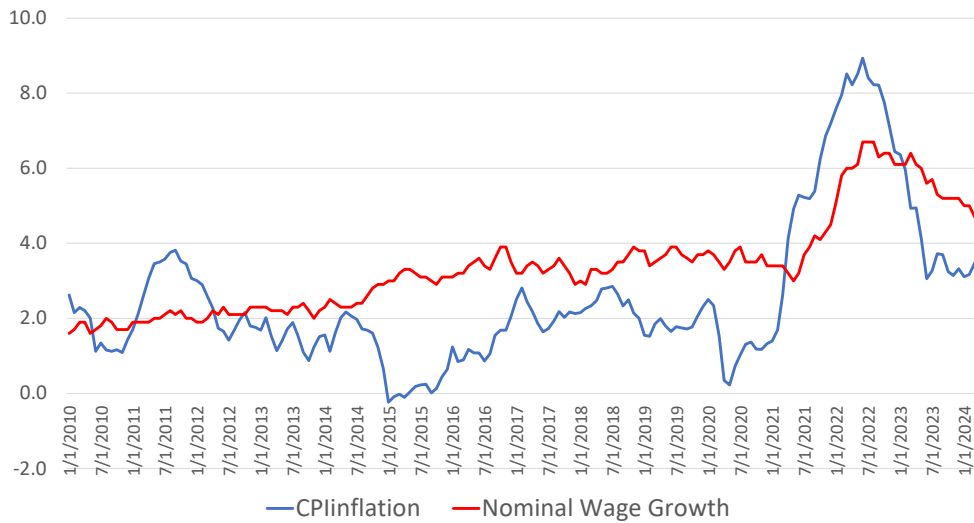
PCE Core Inflation: 2 Horizons



## The Importance & Problems with Rents



## Wages Haven't Kept Pace with Inflation, Yet



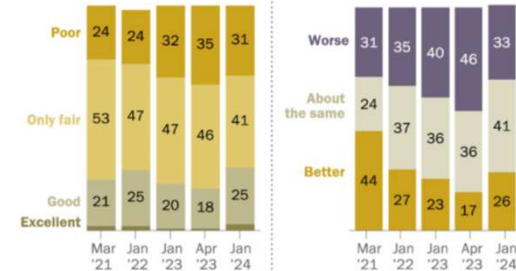
# The “Nominal” Side

- Inflation: A lot of progress on inflation, but the recent data are troubling.
- But, this is not the popular view

Views of the nation's economy | Pew Research Center

## Modest improvement in national economic outlook

% who say that economic conditions in this country today are \_\_\_      % who say they expect that economic conditions in the country will be \_\_\_ a year from now

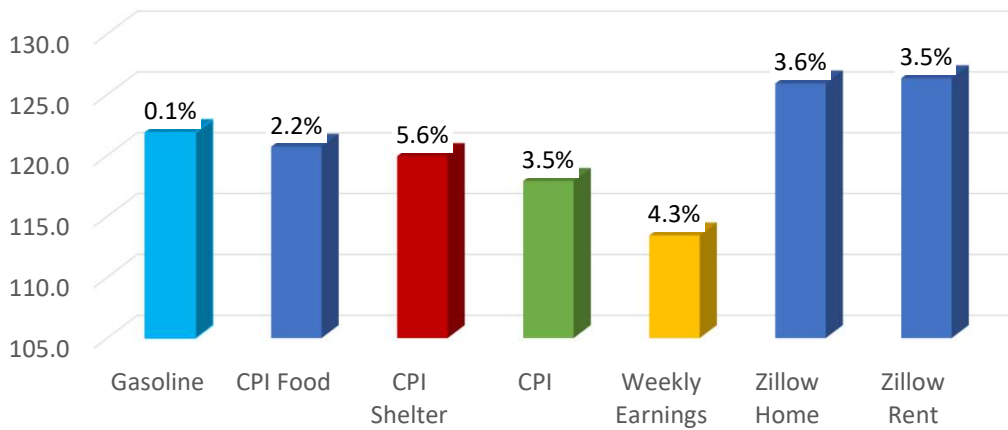


Note: No answer responses are not shown. Refer to the topline for full trend. Source: Survey of U.S. adults conducted Jan. 16-21, 2024.

PEW RESEARCH CENTER

# High Prices versus Inflation

Price Level Relative to March 2021 & Last 12 Month Inflation



# Policy Effects

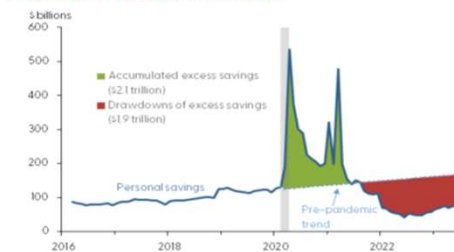
- Stabilization policies aim to affect the level of total spending or “aggregate demand.”
- Fiscal Policies of increasing spending and/or cutting taxes can raise total spending. (Congress and the President)
- Monetary Policy affects total spending via interest rates: lower interest rates leads to more spending (the Fed)

Except in deep recessions, the Fed has primary responsibility for stabilization policies.

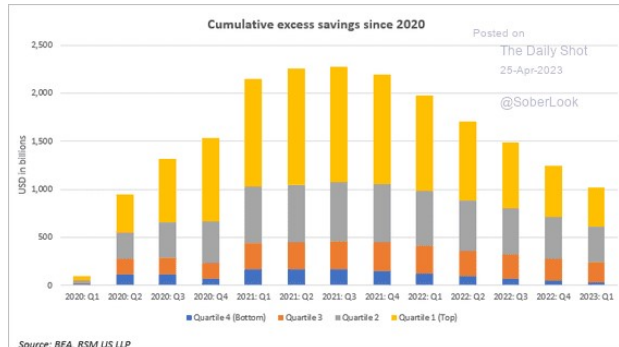
# Policy Effects: Fiscal

- 2020-2021: massive stimulus, \$4.6t: Cares Act, 3 rounds of stimulus checks, expanded unemployment benefits, Payroll Protection Loans.

Aggregate Personal Savings



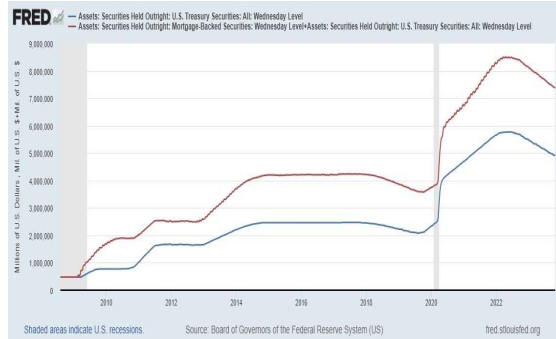
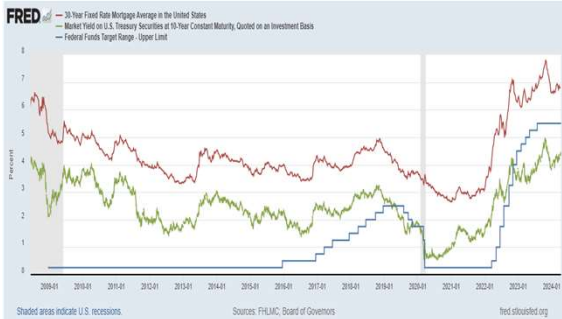
Source: Abdelrahman, Hamza et al., “Excess No More? Dwindling Pandemic Savings,” Federal Reserve Bank of San Francisco, Aug. 2023. <https://www.frb.sf.org/our-district/about/sf-fed-blog/excess-no-more-dwindling-pandemic-savings/>



Source: BEA, RSM US LLP

## Policy Effects: Monetary

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



## Fed's Evolving Views on the Economy

Percent March 2024

Variable	Median <sup>1</sup>			
	2024	2025	2026	Longer run
Change in real GDP	2.1	2.0	2.0	1.8
December projection	1.4	1.8	1.9	1.8
Unemployment rate	4.0	4.1	4.0	4.1
December projection	4.1	4.1	4.1	4.1
PCE inflation	2.4	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation <sup>4</sup>	2.6	2.2	2.0	
December projection	2.4	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	4.6	3.9	3.1	2.6
December projection	4.6	3.6	2.9	2.5

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

How did this happen?

## Long-Term Inflation Expectations Remained “Well Anchored”

### Inflation expectations

Median one-, three-, and five-year ahead expected inflation rate

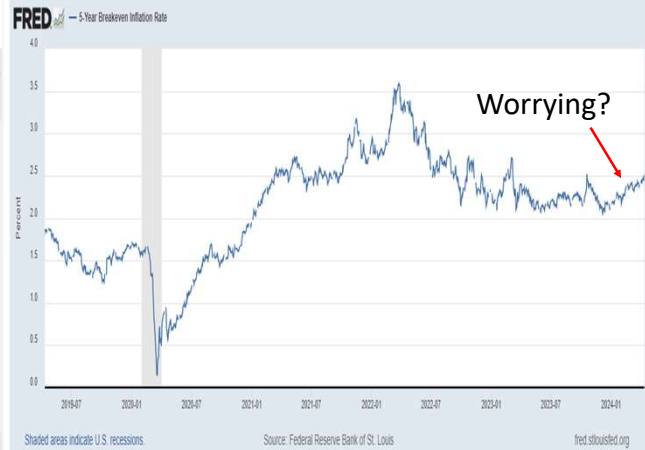


Source: New York Fed Survey of Consumer Expectations

Note: Collection of data for the five-year-ahead inflation expectation began in January 2022.



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## Assessing Credit and Blame (my views)

- **Congress and the President: Fiscal Stimulus prevented deep world-wide recession. American Rescue Plan probably too big.**
- **The Fed. Major blame for being late in reacting to increase in inflation. Since 3/22, so far so good. Verdict is out: good policy or good luck?**



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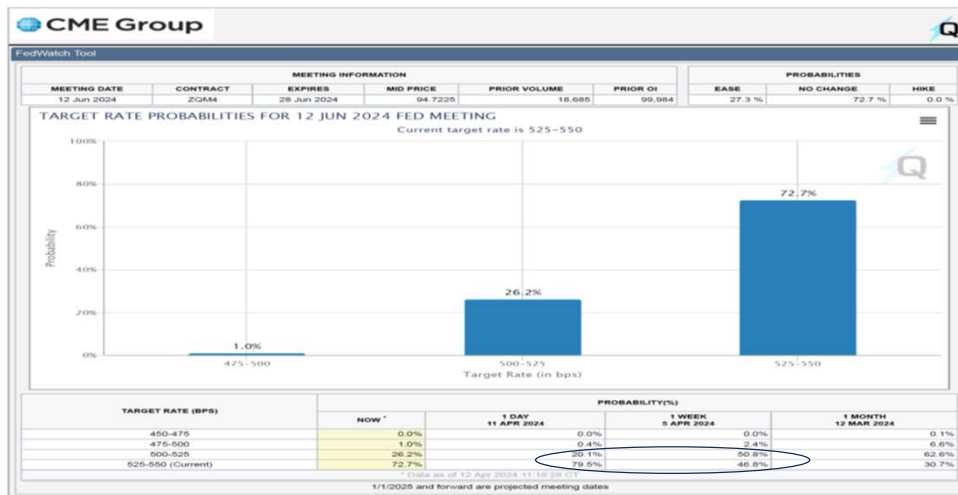
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# What will the Fed Do?

## Pending Developments:

- Friday, April 26, BEA releases March PCE inflation
- Wednesday May 1, next Fed Policy Meeting
- May- June 12 full set of inflation and unemployment for April.
- Wednesday, June 12 Fed policy meeting with new economic projections

# Interest Rate Cuts?





# Uncertainties

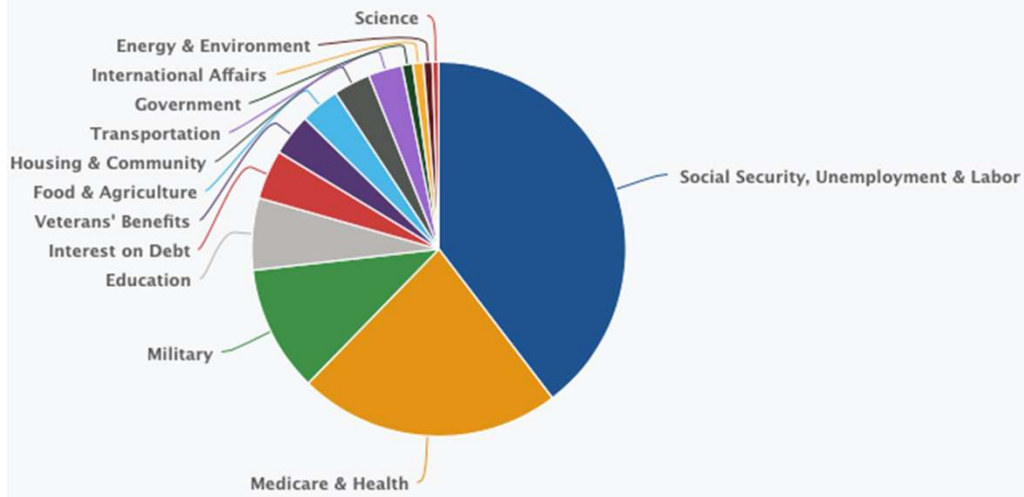
- **Conflicts in Ukraine and Israel.**

- Global Supply Chains?
- Oil Prices?
- Aid to Ukraine and Israel?
  - o Total world aid \$380 billion of which US total is \$45 Billion.

- **Fed Actions in a Political Year.**

## Total Federal Spending Fiscal Year 2021

\$7 Trillion



**Let's Hear from You!**

**Geoffrey Woglom [grwoglom@amherst.edu](mailto:grwoglom@amherst.edu)**

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

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