



Osher Lifelong Learning Institute, Winter 2022
Contemporary Economic Policy

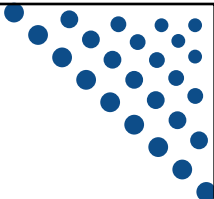
Oklahoma State University
February-March, 2022

Jon Haveman, 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)
- 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

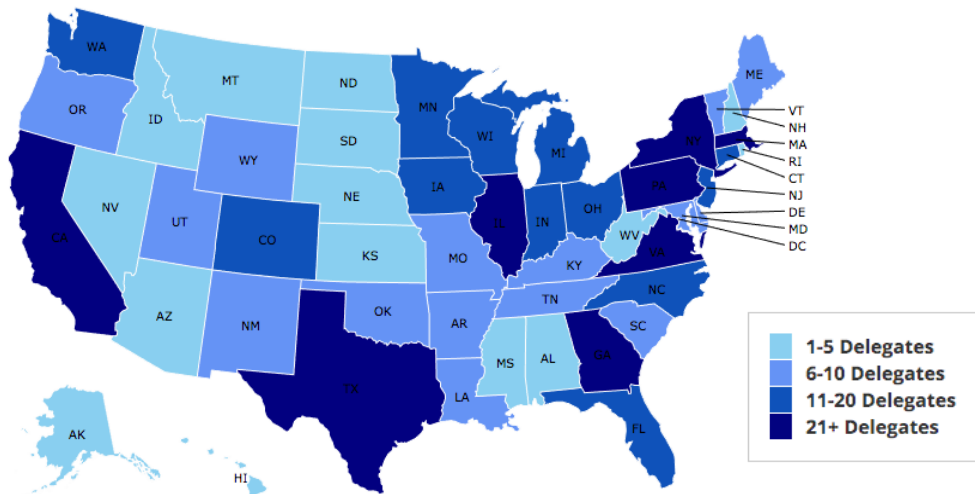
• Global Partners: 48 Ph.D. Economists

- Aid in slide deck development



NATIONAL ECONOMIC EDUCATION DELEGATION

Where Are We?



NATIONAL ECONOMIC EDUCATION DELEGATION

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



5

Course Outline

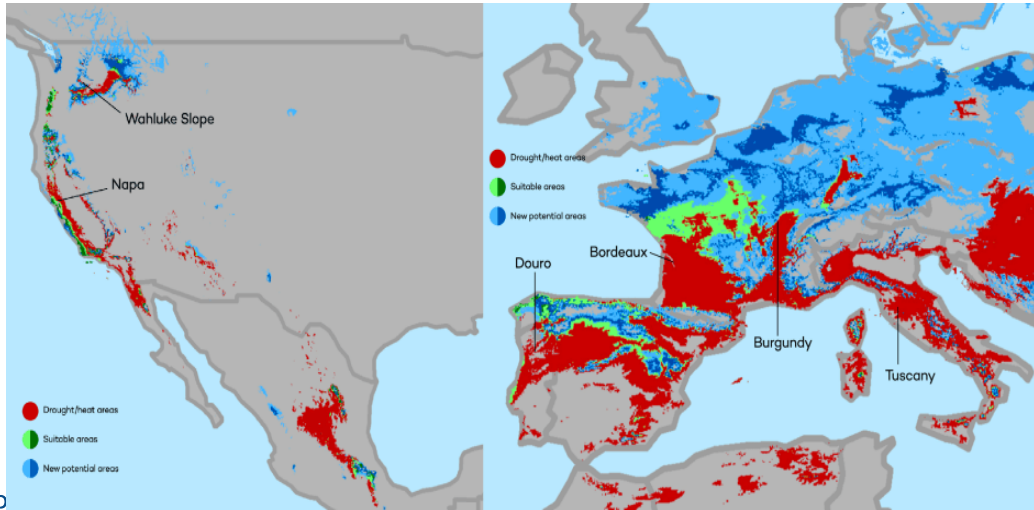
- **Contemporary Economic Policy**
 - Week 2 (2/15): US Economy & Coronavirus Economics
 - Week 3 (2/22): Climate Change Economics (Simone Wegge, CUNY)
 - Week 4 (3/1): Immigration Economics (Roger White, Whittier College)
 - Week 5 (3/8): Infrastructure Economics (Mallika Pung, Univ. of New Mexico)
 - Week 5 (3/15): Trade and Globalization (Alan Deardorff, Univ. of Michigan)
 - Week 6 (3/22): The Black-White Wealth Gap (Me)



6

Climate Change Economics

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



NATIO EDUCATION DELEGATION

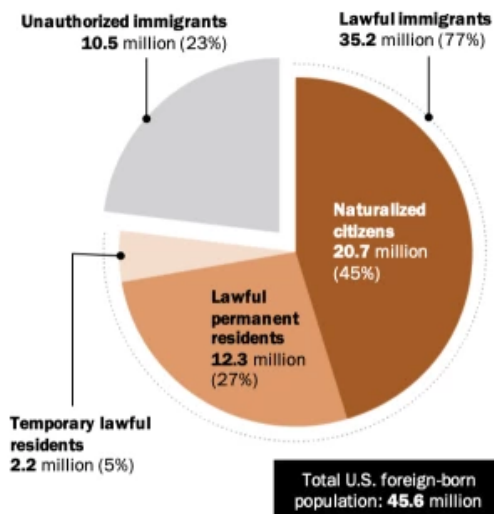
7

7

Immigrant Population in 2017

Foreign-born population estimates, 2017

Categories of the total number of immigrants in the United States.



NATIONAL ECONOMIC EDUCATION DELEGATION

<https://www.pewresearch.org/fact-tank/2019/07/12/how-pew-research-center-counts-unauthorized-immigrants-in-us/>

8

8

Current State of Infrastructure in the US

2021 Infrastructure Grades

AVIATION	↑ D+	PORTS	↑ B-
BRIDGES	↓ C	RAIL	B
DAMS	D	ROADS	D
DRINKING WATER	↑ C-	SCHOOLS	D+
ENERGY	↑ C-	SOLID WASTE	C+
HAZARDOUS WASTE	D+	STORM WATER	D
INLAND WATERWAYS	↑ D+	TRANSIT	D-
LEVEES	D	WASTEWATER	D+
PARKS AND RECREATION	D+		

America's Cumulative Infrastructure Grade

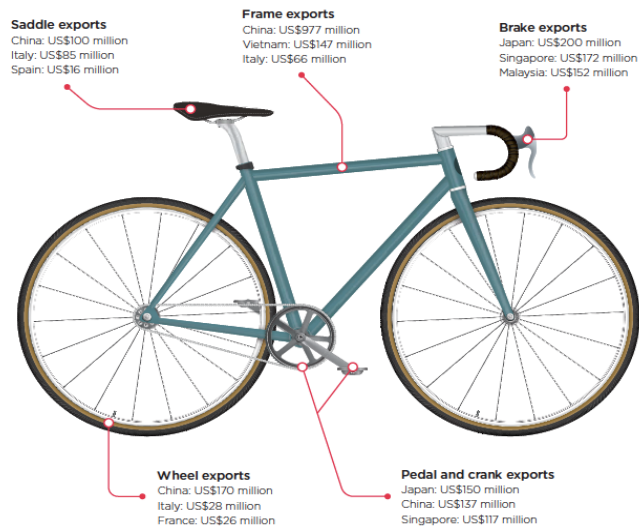


A	EXCEPTIONAL
B	GOOD
C	MEDIOCRE
D	POOR
F	FAILING

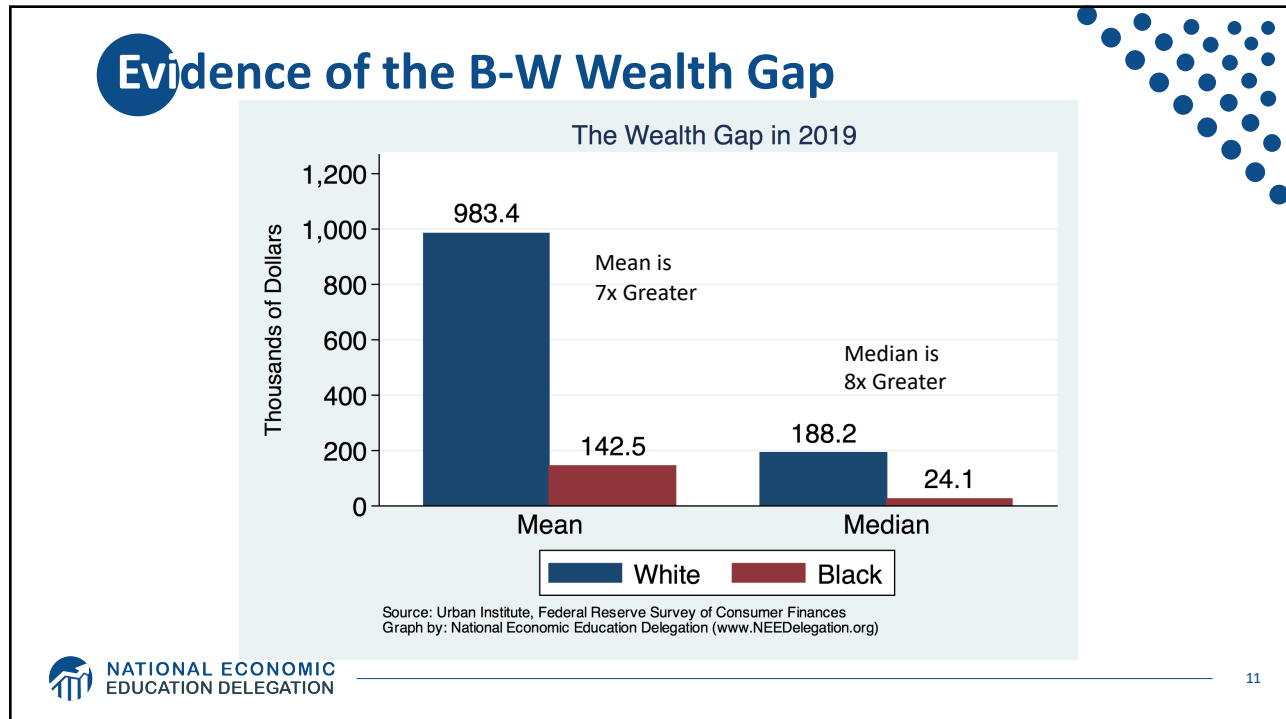
9

Trade: Bicycle Supply Chain

Figure 1.1 Where do bicycles come from?



10



11

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.

NATIONAL ECONOMIC EDUCATION DELEGATION

12

12



US Economy and Coronavirus Economics

Jon Haveman, Ph.D.

National Economic Education Delegation



13

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).

14

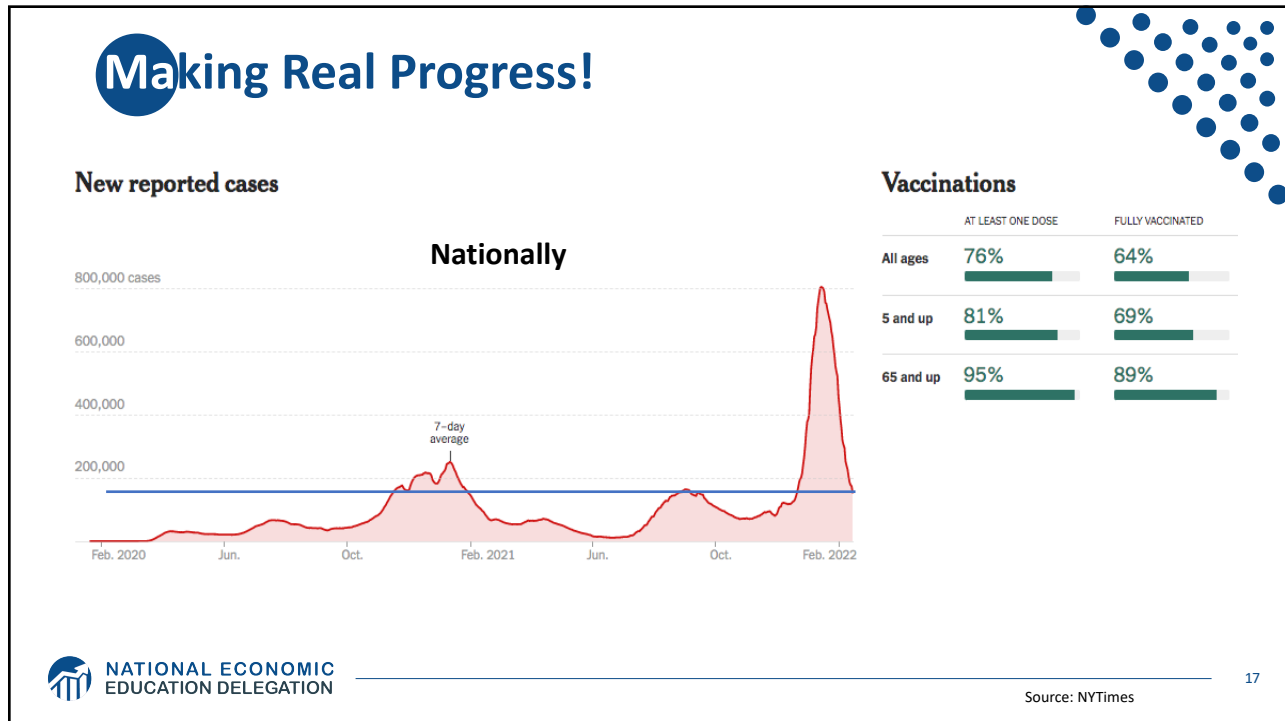
Outline

- **State of the pandemic**
- **The U.S. Economy**
- **Hot Topics**
 - Government policy
 - Debt
 - Inflation
 - Great resignation
 - Housing markets

15

State of the Pandemic

16



17

Omicron Made Things Difficult

- Covid-related absences:
 - Are creating headaches for businesses that were struggling to hire workers even before Omicron.
 - Restaurants and retail stores have cut back hours.
 - Broadway shows called off performances.
 - Airlines canceled thousands of flights over the holidays because so many crew members called in sick;
 - on one day last month, nearly a third of United Airlines Workers at Newark Liberty International Airport, a major hub, called in sick.

NATIONAL ECONOMIC EDUCATION DELEGATION

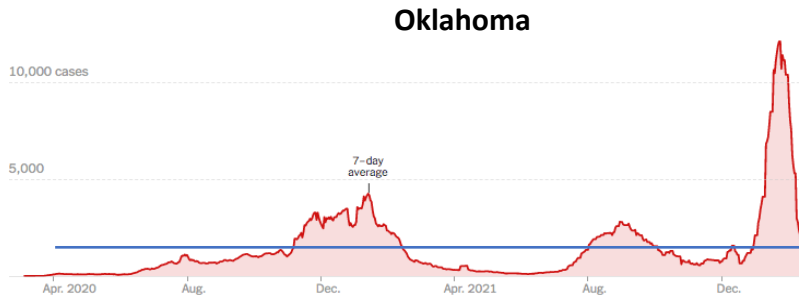
Source: NYTimes.com

18

18

Oklahoma Cases Are Falling Nicely

New reported cases



Vaccinations

	AT LEAST ONE DOSE	FULLY VACCINATED
All ages	70%	56%
5 and up	75%	60%
65 and up	95%	85%

[See more details >](#)

The U.S. Economy

Some Basic Statistics

Statistic:	Value
Population	331.9 Million
Labor Force	163.7 Million
Employment	149.6 Million
Gross Domestic Product (GDP)	\$23.9 Trillion
Income per Capita	\$63,002
Ave. Hourly Earnings	\$31.31

21

U.S. Economy in Global Perspective

U.S. Real GDP (2019\$):

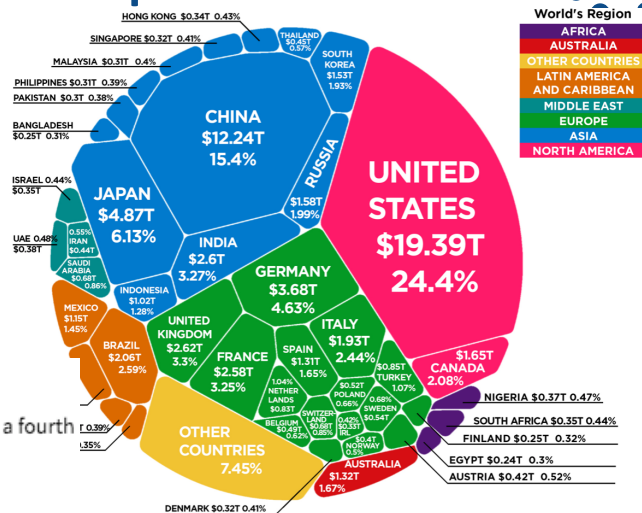
\$21.845 trillion in 2019-Q4

\$19.663 trillion in 2020-Q2

\$22.531 trillion in 2021-Q4

% Share of the Global Economy

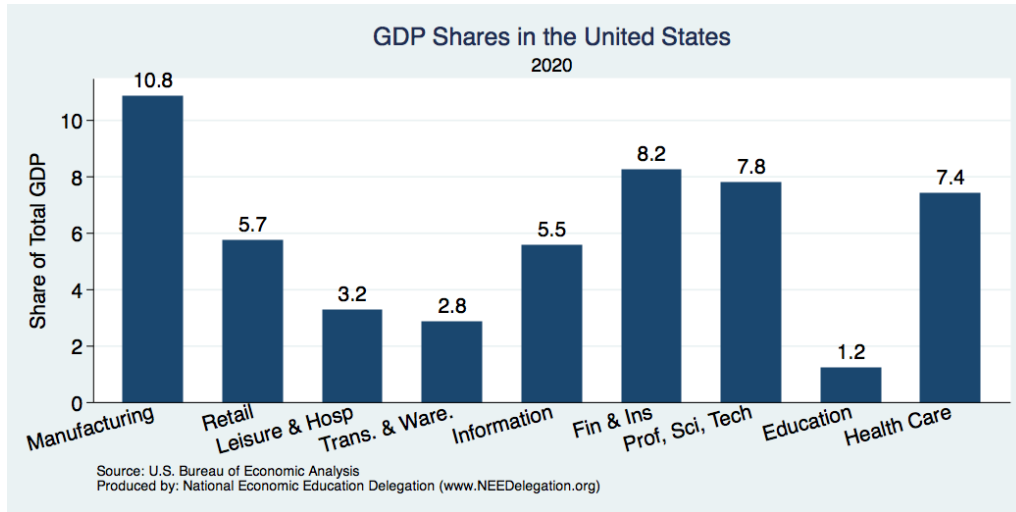
The 173 countries outside the top 20 make up less than a fourth of the total global economy.



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

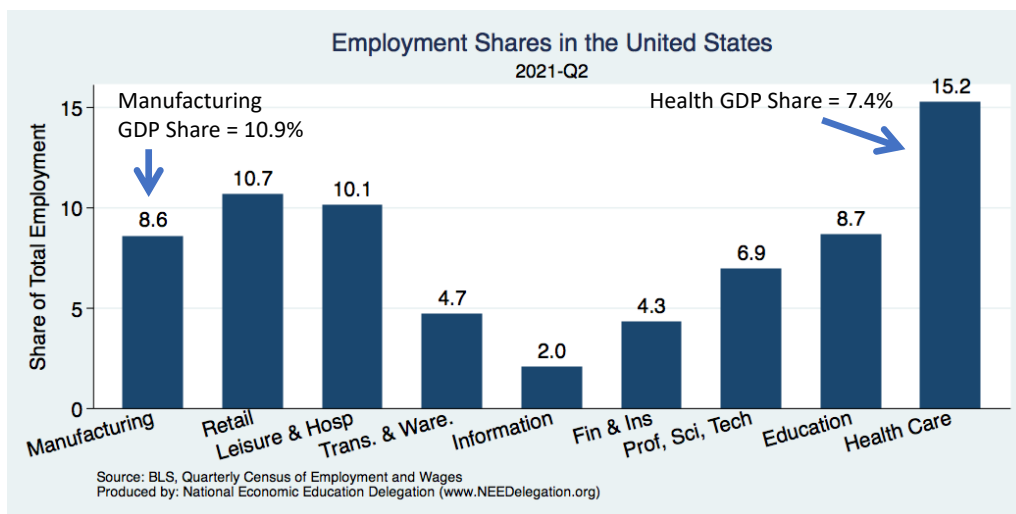
22

Composition of the U.S. Economy: GDP



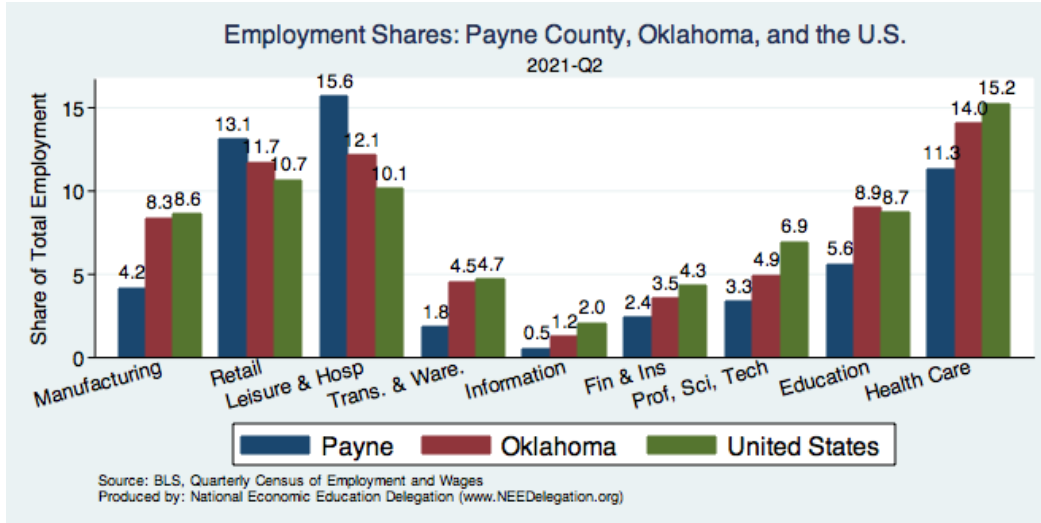
23

Composition of the U.S. Economy: Employment



24

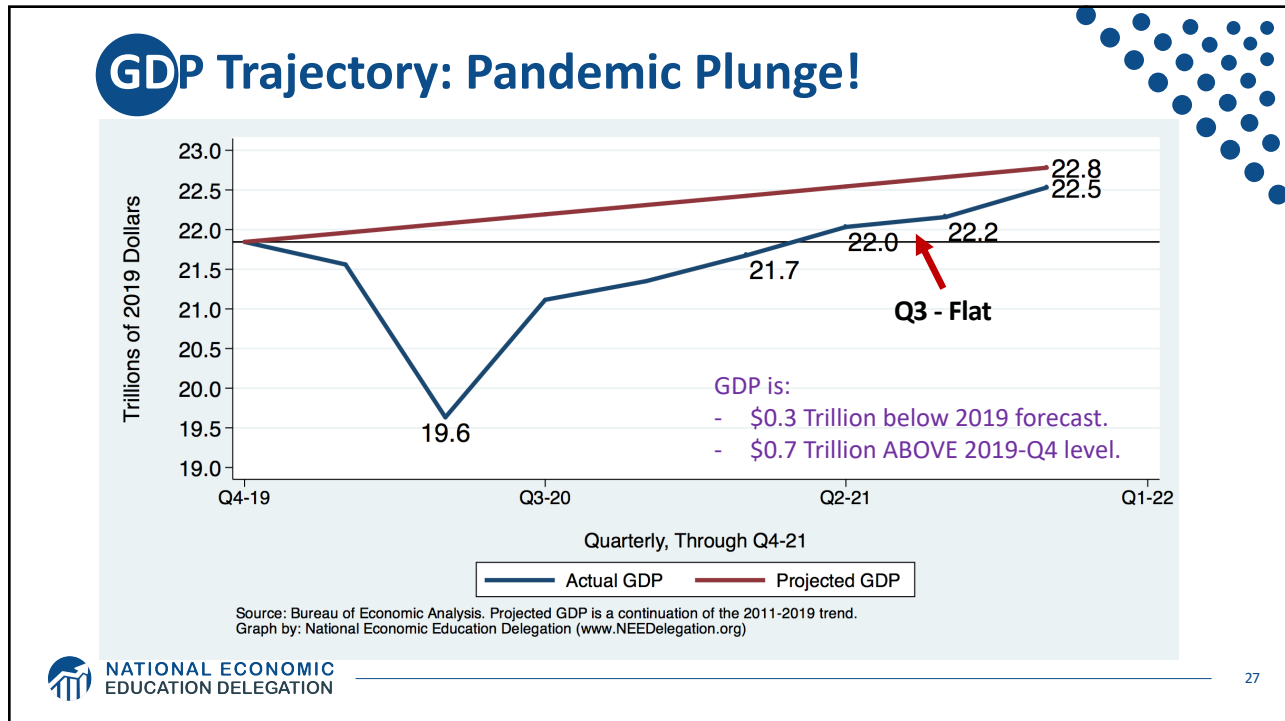
Allegheny County Employment: Health



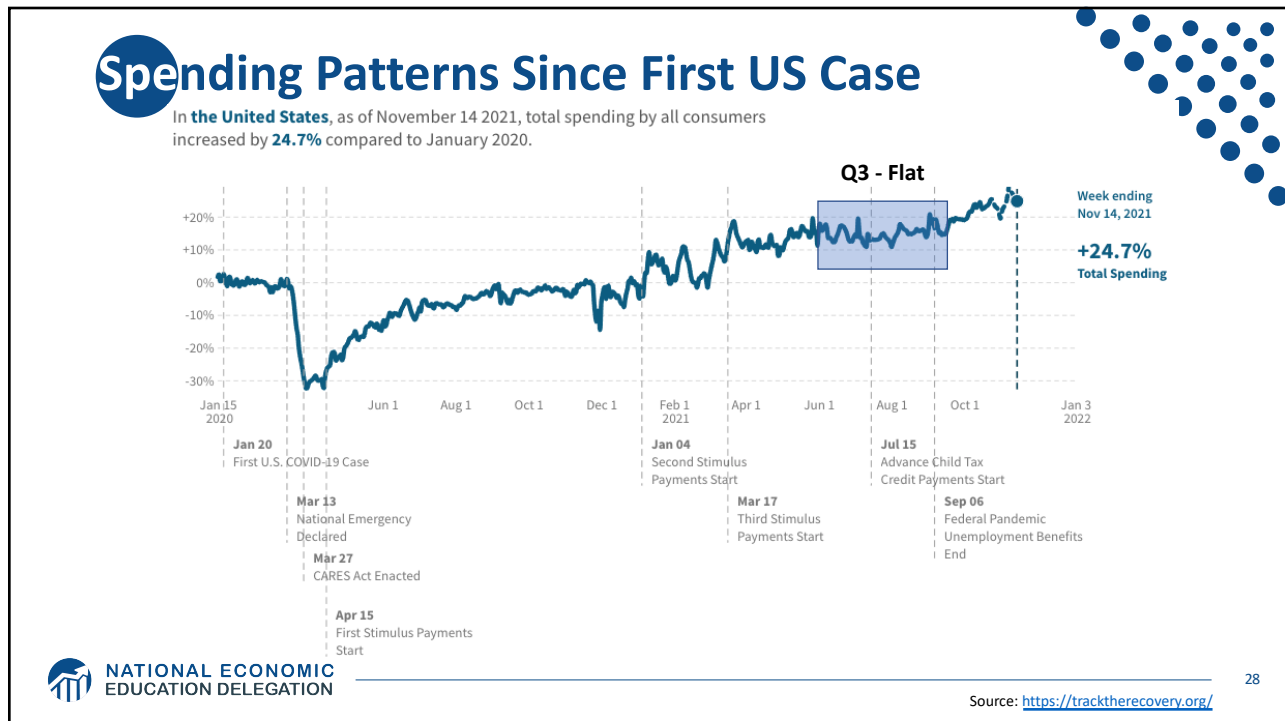
25

Evidence of Impact

26

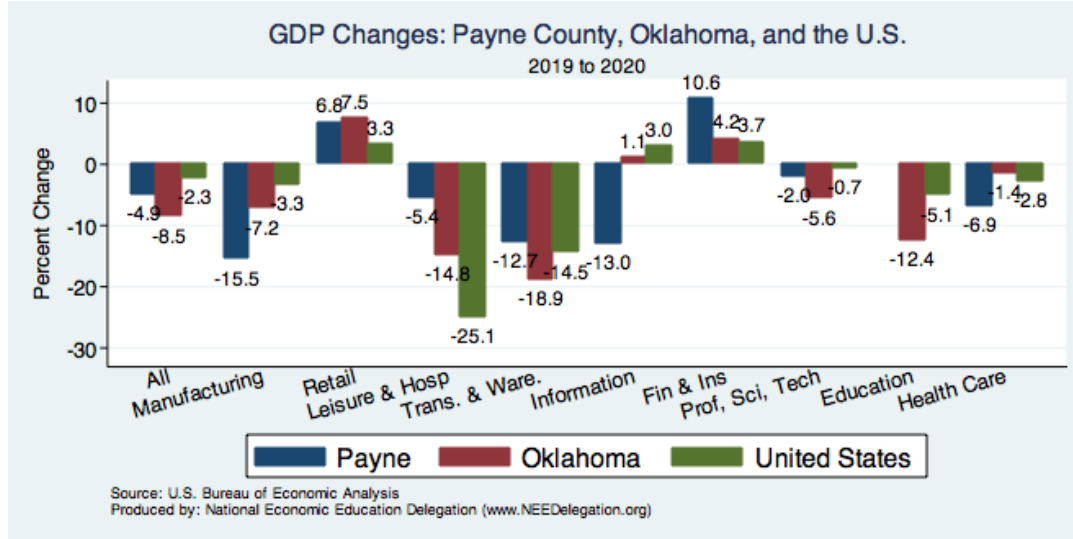


27



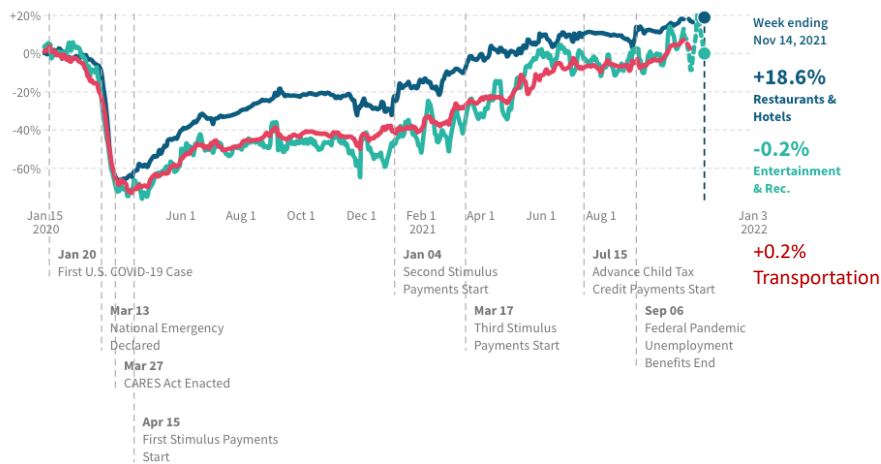
28

But Not All Industries Were Equally Harmed

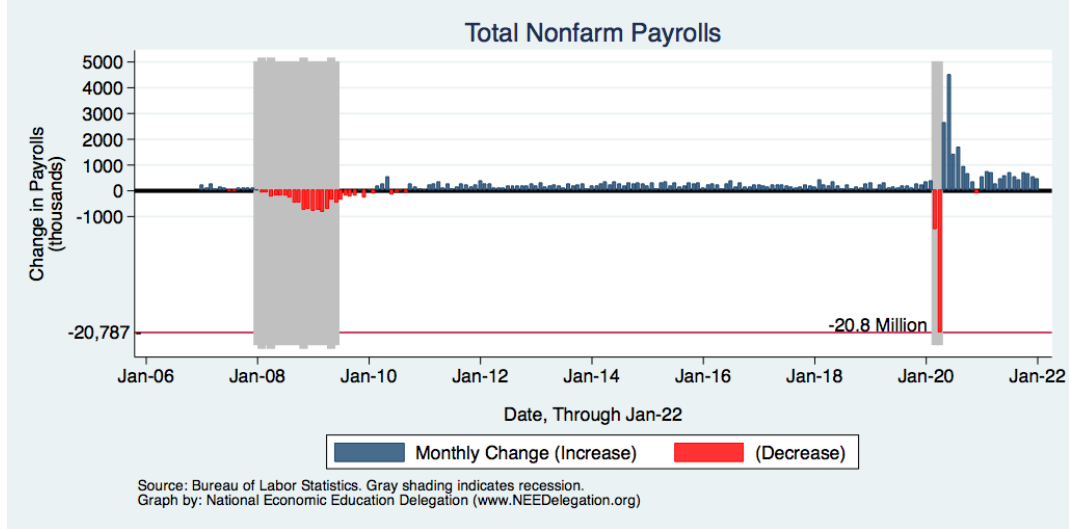


Spending Patterns – Hardest Hit Sectors

In the United States, as of November 14, 2021, restaurant and hotel spending by all consumers increased by **18.6%** compared to January 2020.

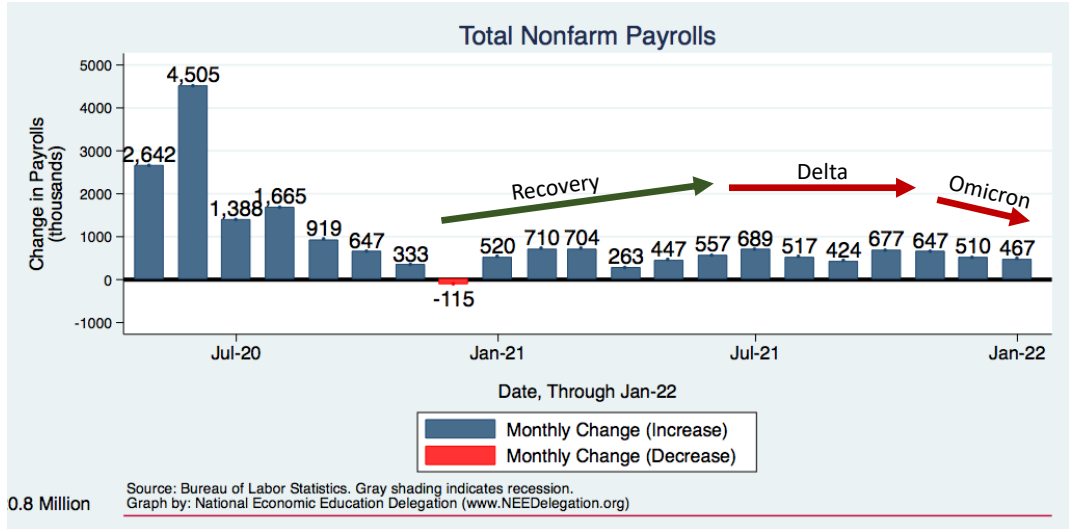


Monthly Changes in Nonfarm Employment



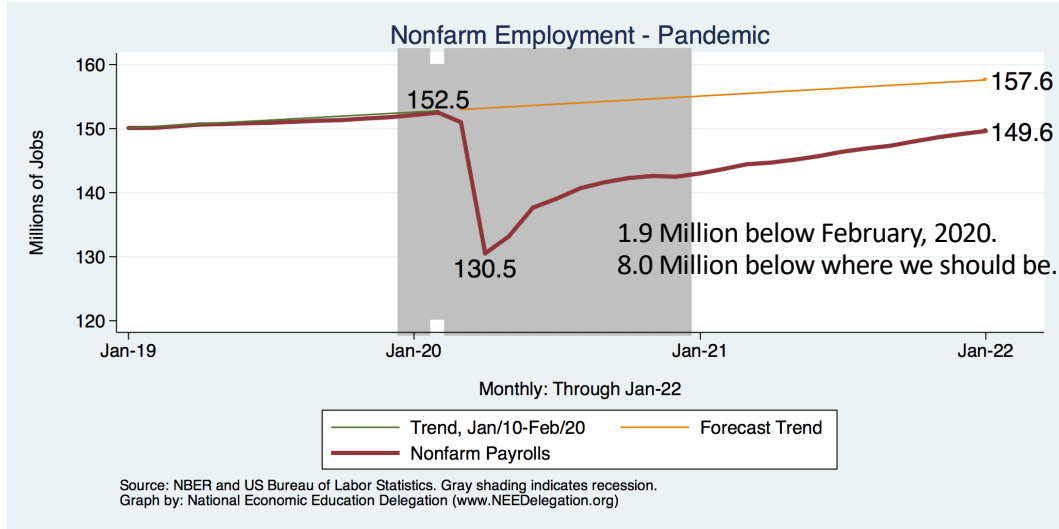
31

Monthly Changes in Nonfarm Employment



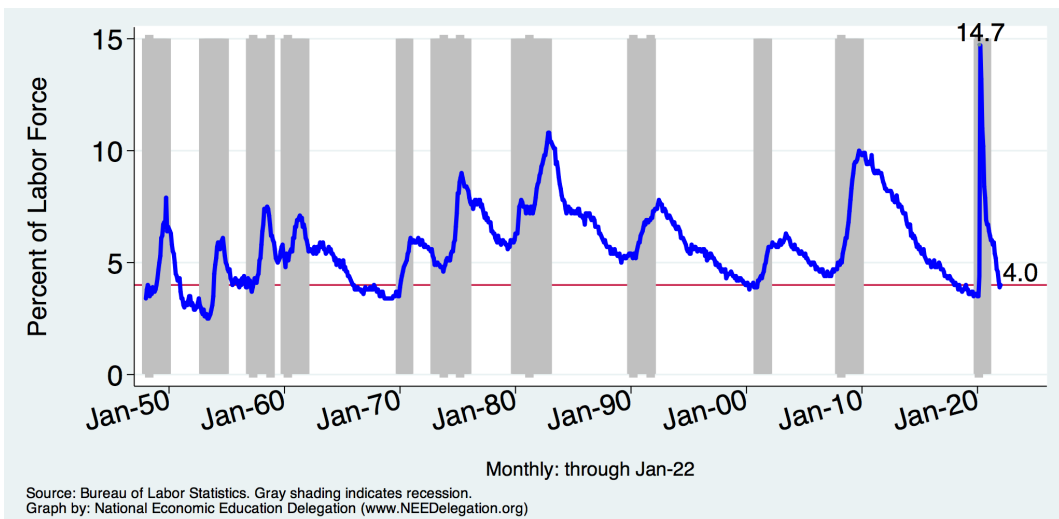
32

Employment Gap



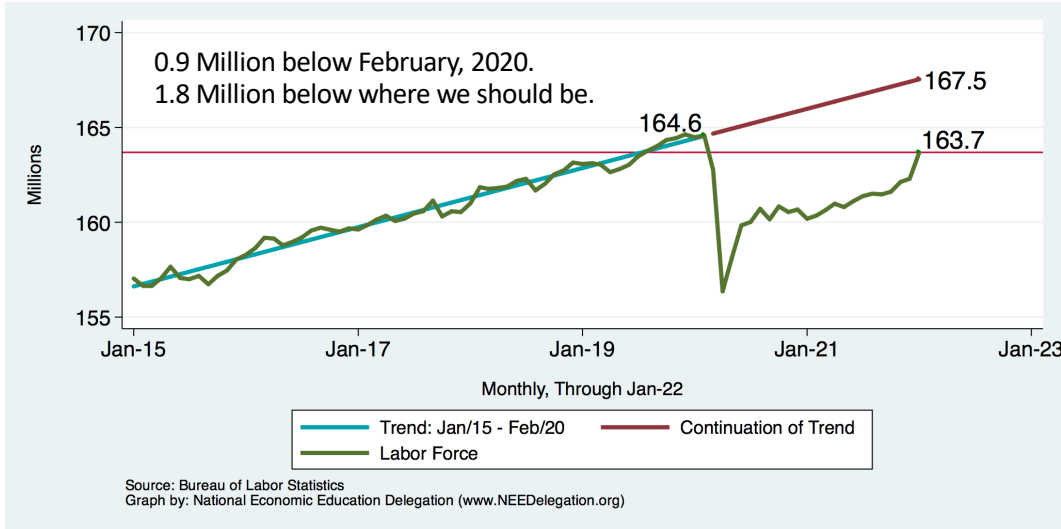
33

Unemployment Rate



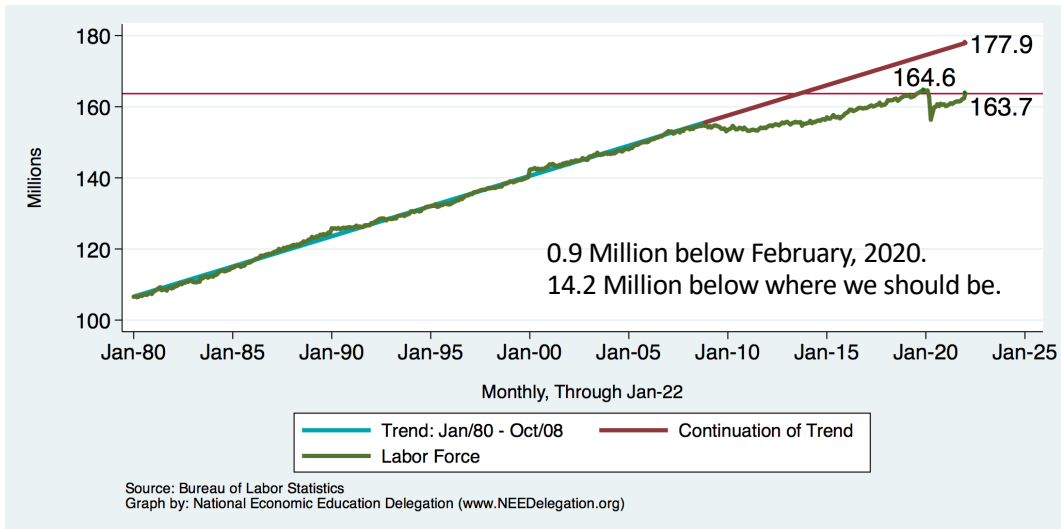
34

Trends in Labor Force Participation



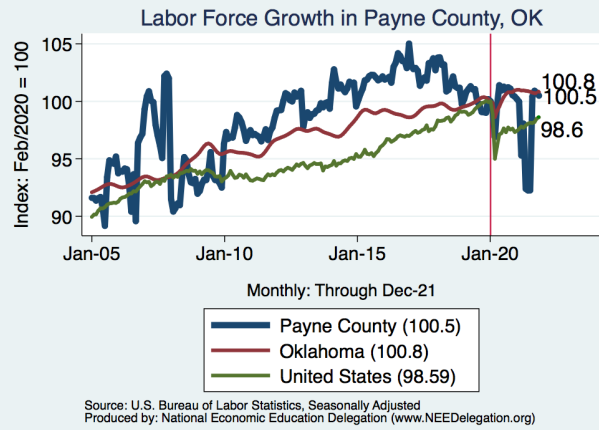
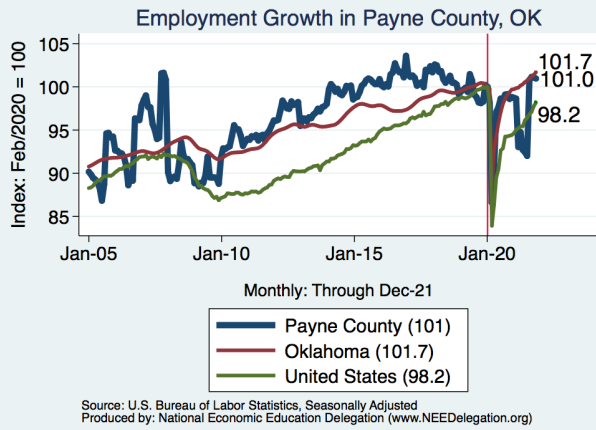
35

Trends in Labor Force Participation



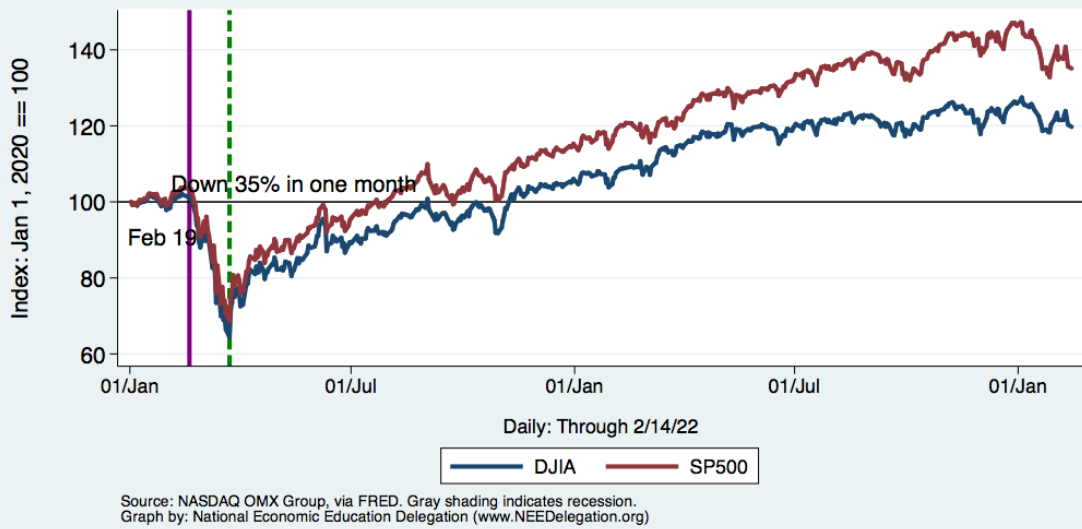
36

Employment in Payne County



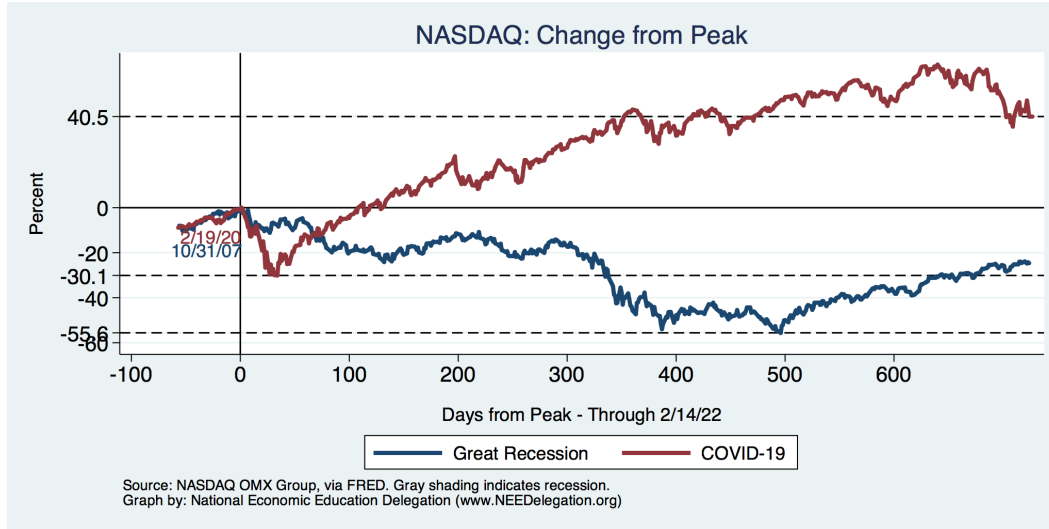
37

Stocks: Bounced Back Quicker This Time



38

NASDAQ: Then (Great Recession) and Now



Hot Topics

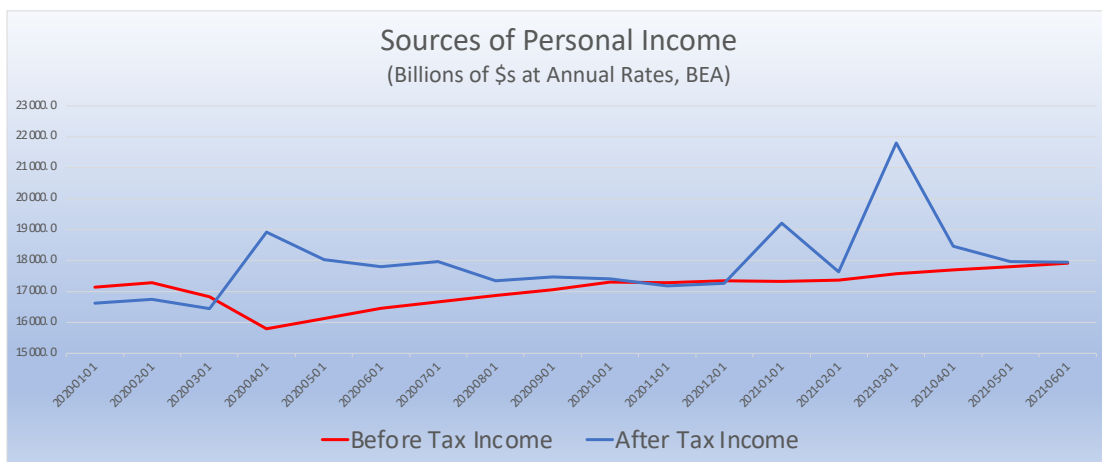
- Government policy
- Debt
- Inflation
- Great resignation
- Housing markets

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)

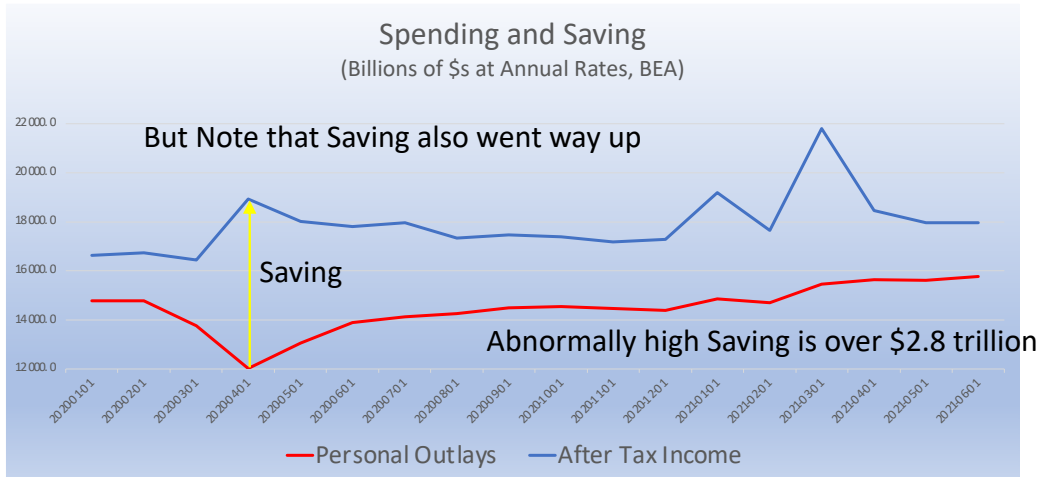
41

Recovery Due to Immense Fiscal Stimulus and Control of COVID



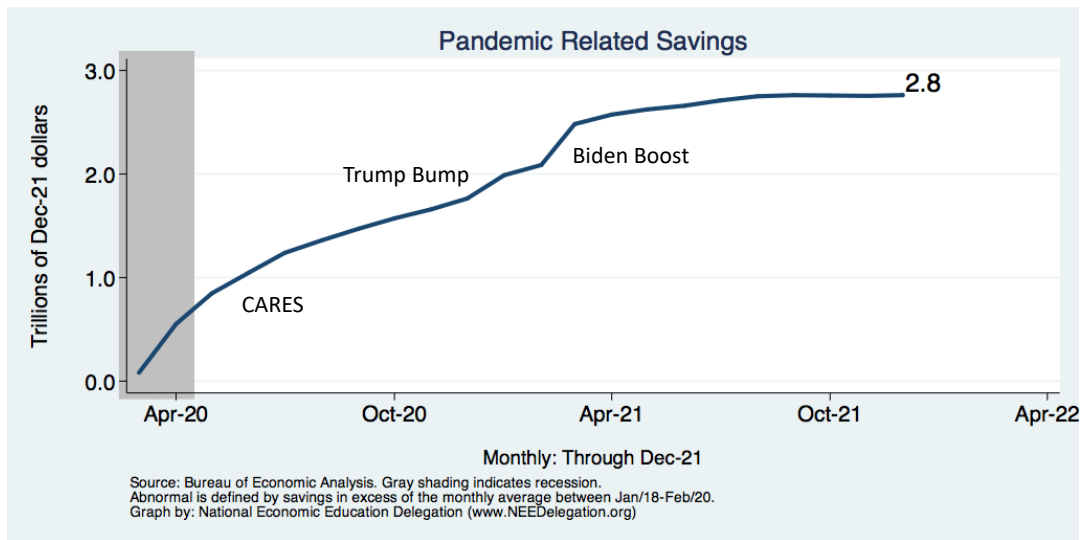
42

Stimulus allowed Spending to Recover



43

Abnormally High Savings



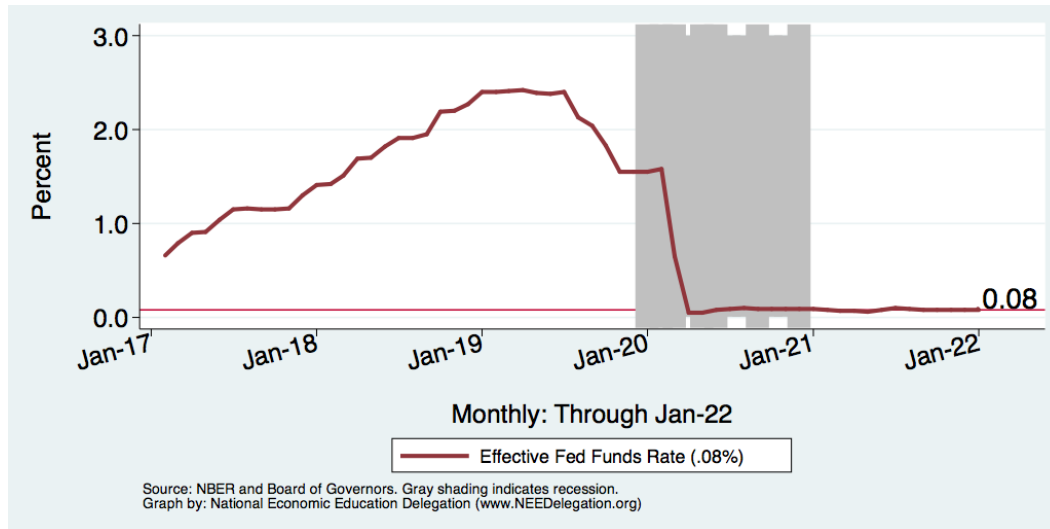
44

Monetary Policy: Federal Reserve

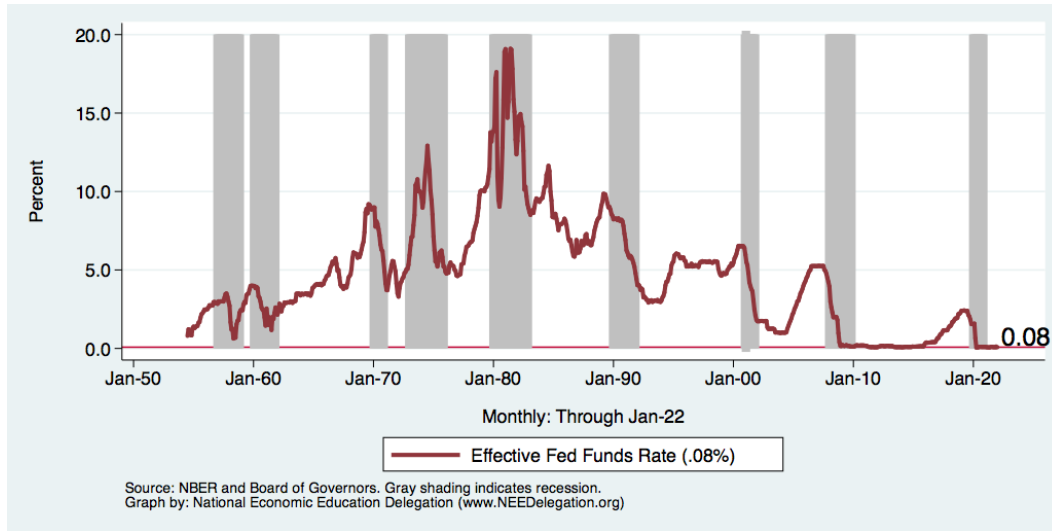
- **Primary goal is to keep interest rates low, to facilitate continued borrowing.**

- 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

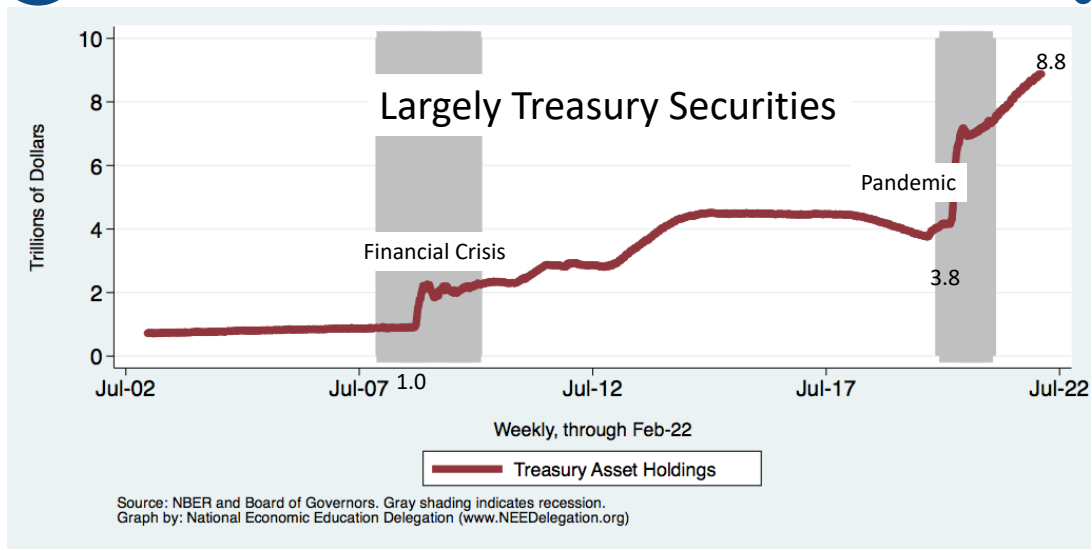


NATIONAL ECONOMIC EDUCATION DELEGATION

47

47

Federal Reserve Assets

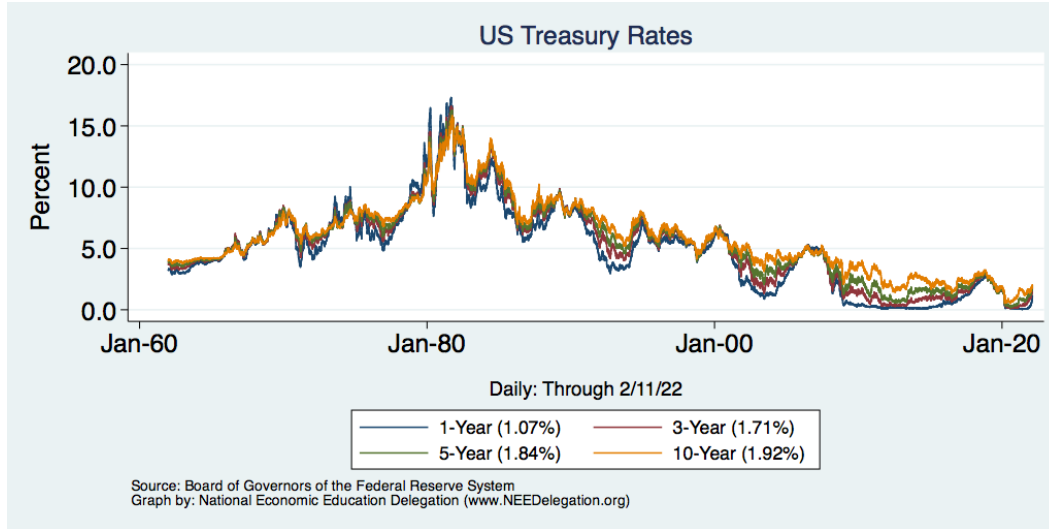


NATIONAL ECONOMIC EDUCATION DELEGATION

48

48

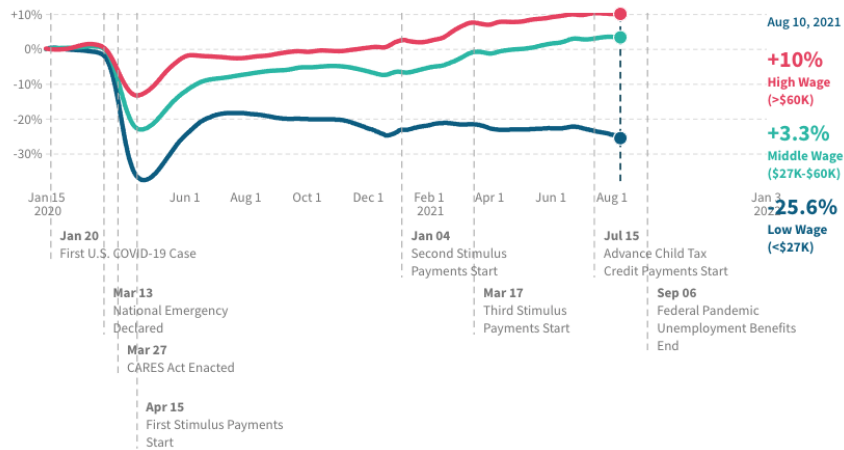
Treasuries – Low Interest Rates



49

Low Wage Employment is Lagging

In the United States, as of August 10 2021, employment rates among workers in the bottom wage quartile decreased by **25.6%** compared to January 2020 (not seasonally adjusted).

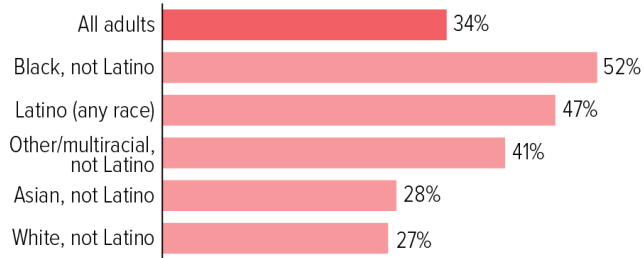


50

Low Income Troubles

1 in 3 Adults Had Trouble Paying for Usual Household Expenses in Last 7 Days

Share of adults reporting that it was somewhat or very difficult for their household to pay for usual expenses



Note: Other/multiracial, not Latino = people identifying as American Indian, Alaska Native, Native Hawaiian or Pacific Islander, or more than one race. Percentages exclude individuals who did not respond to the question.

Source: CBPP analysis of Census Bureau Household Pulse Survey tables for October 28 – November 9, 2020

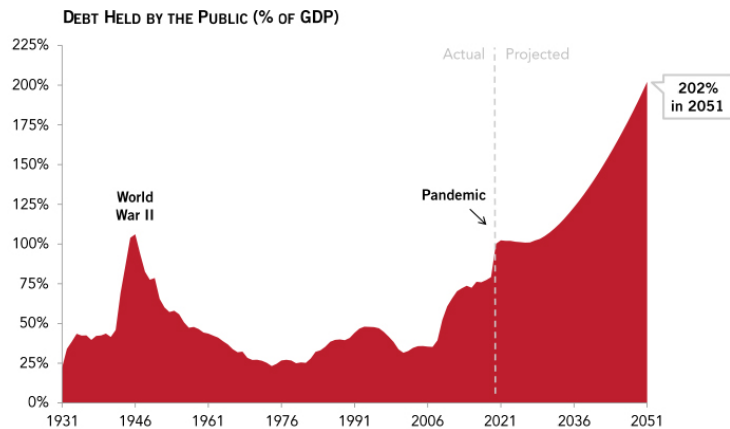
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG



A Problem Exacerbated...Not Created



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



Current Deficits in Perspective:

- The budgetary cost of the 3 major fiscal packages during the pandemic was over \$5 trillion. As a share of the economy this is almost the size of war production in 1943.

(Romer, *Brookings Papers on Economic Activity*, 3/25/2021.)



53

Inflation



54

How Does Inflation Work?

Inflation represents the rate at which the cost of goods and services increase over a period of time.

Demand-Pull

When demand for goods/service exceeds production capacity.

Cost-Push

When production costs increase prices.

Built-In

When prices rise, wages rise too, in order to maintain living costs.

NATIONAL ECONOMIC EDUCATION DELEGATION

55 Source: Investopedia

55

We're Buying Mostly ... Stuff

Real monthly household spending at an annualized rate, trillions of chained 2012 dollars

a. Goods

Household spending on goods

Pre-pandemic trend

April 2021 11% above trend

b. Services

Household spending on services

Pre-pandemic trend

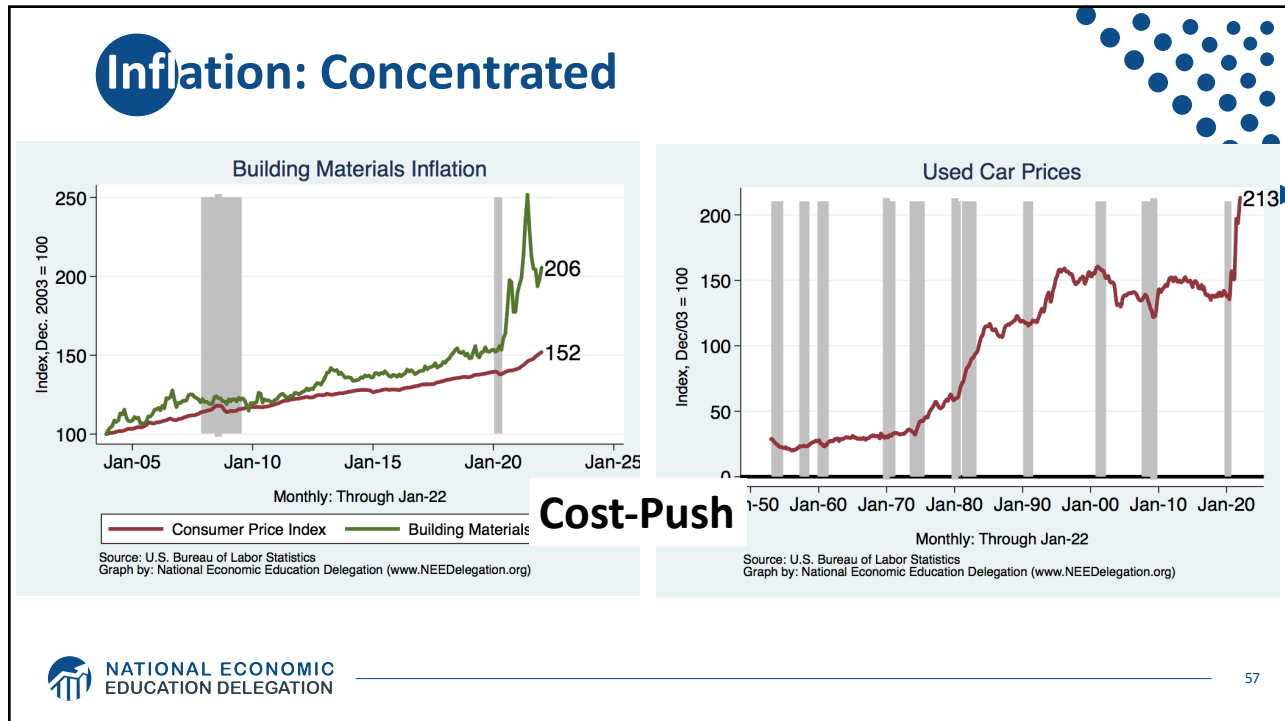
April 2021 7% below trend

Demand-Pull

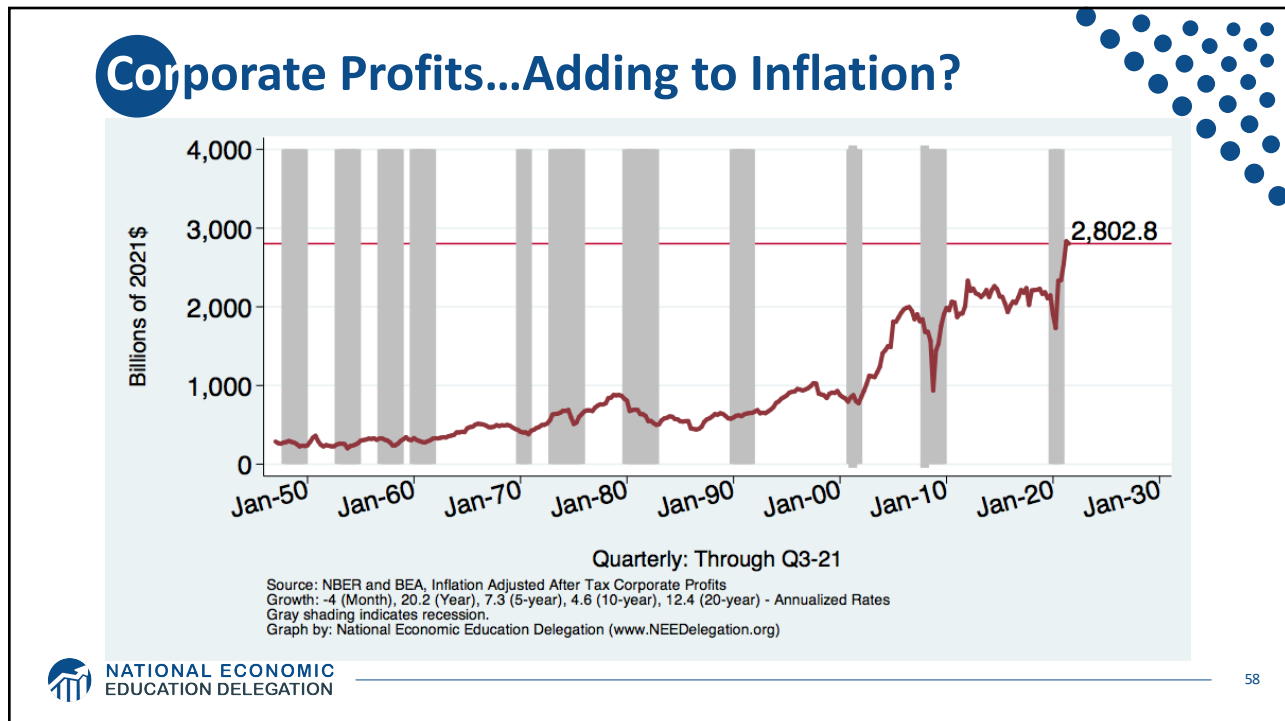
NATIONAL ECONOMIC EDUCATION DELEGATION

56 Source: Jason Furman, PIIE

56



57

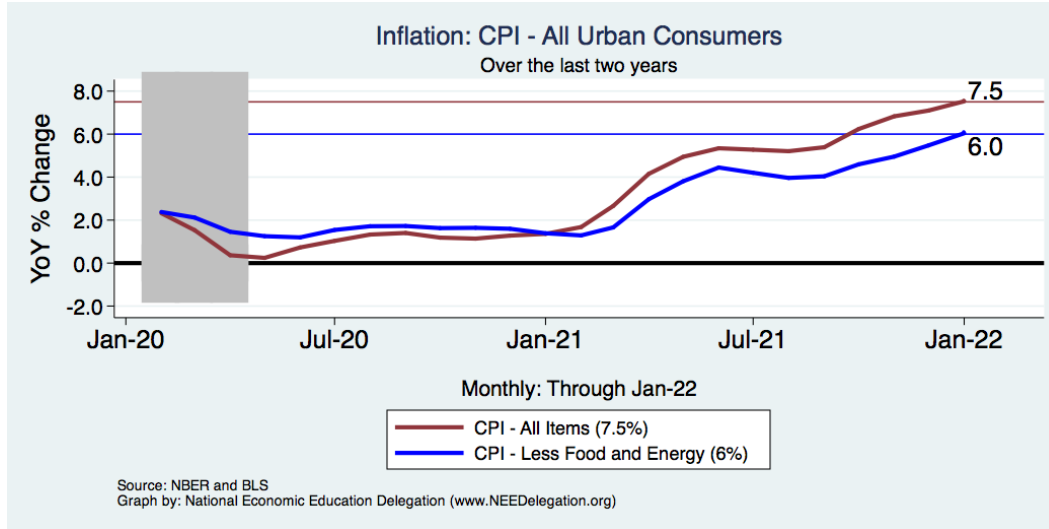


NATIONAL ECONOMIC EDUCATION DELEGATION

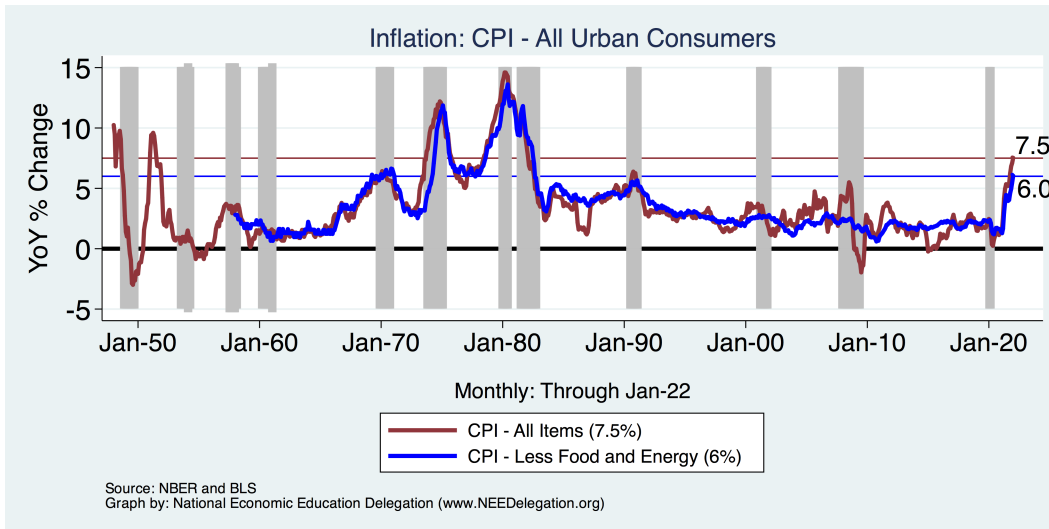
58

58

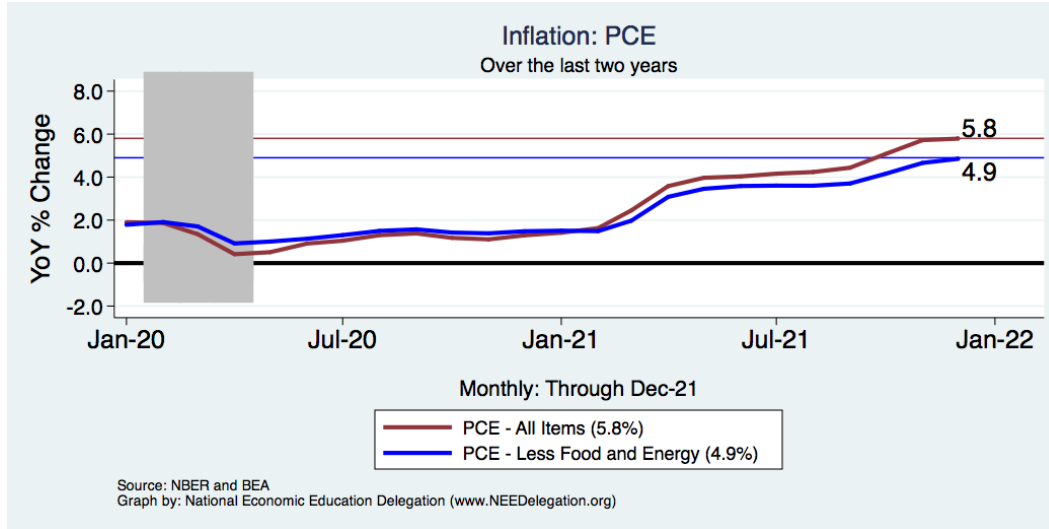
Inflation – Climbing! Should we worry?



Inflation in Historical Perspective

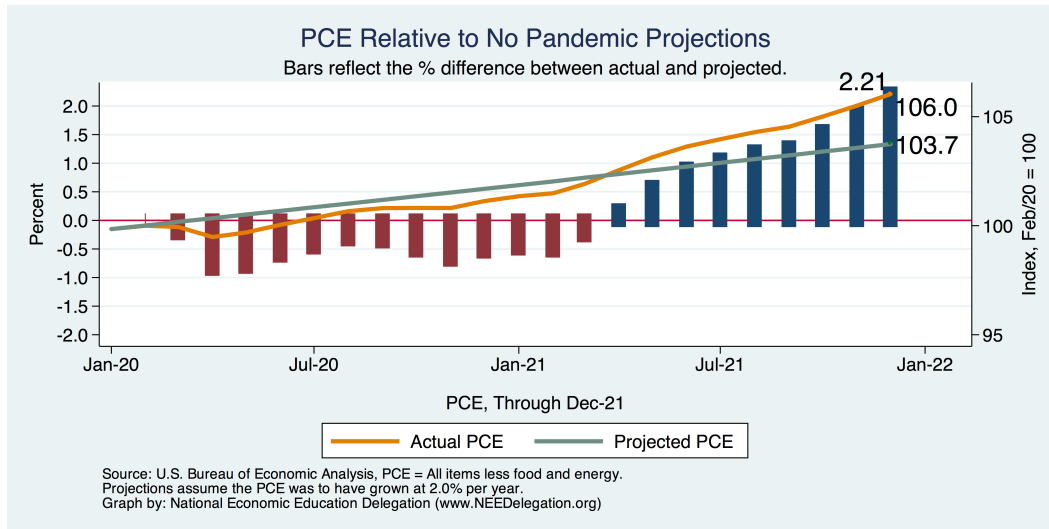


Inflation – The Fed’s Metric! Should we worry?



61

Inflation – PCE and Fed Suggest: I don't know.



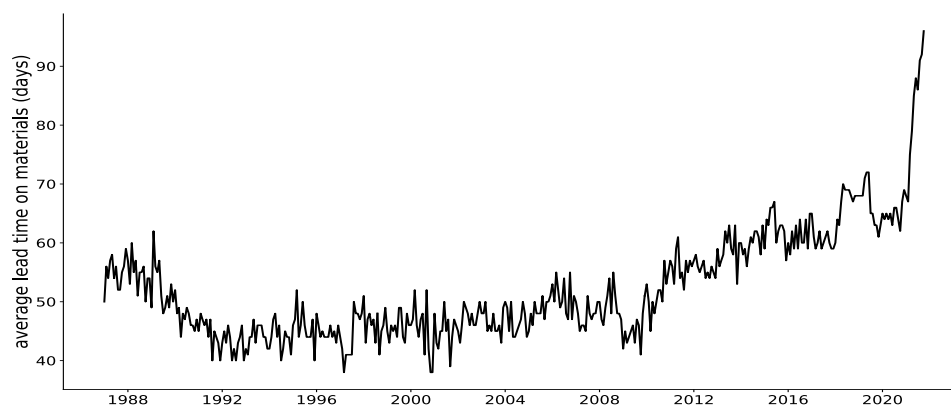
62

What is Driving Inflation?

- **Profiteering / Greed: President Biden and Senator Elizabeth Warren.**
- **Supply Chains Disruptions:**
 - The pandemic has impacted the ability to get parts and supplies.
 - Labor shortages and rising wages have raised costs and help push up prices.
- **Increased Demand:**
 - During the pandemic there has been an increase in demand for goods. For many of these goods, it is not easy to ramp up production.
 - The fiscal and monetary authorities have provided lots of stimulus.

Supply Chain Delays: ISM Delivery Days

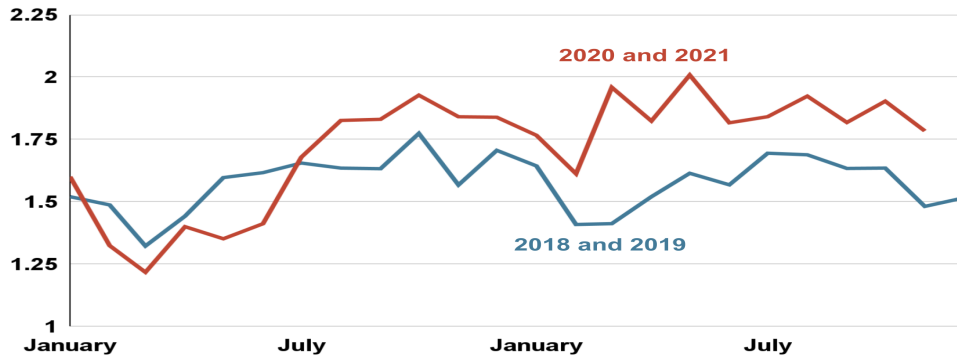
Figure 2: Delivery Delays



Supply Chain Delays: It's Not All Supply Shortages

Containerized imports rose after the pandemic

Millions of TEUs of containerized imports through six major US ports



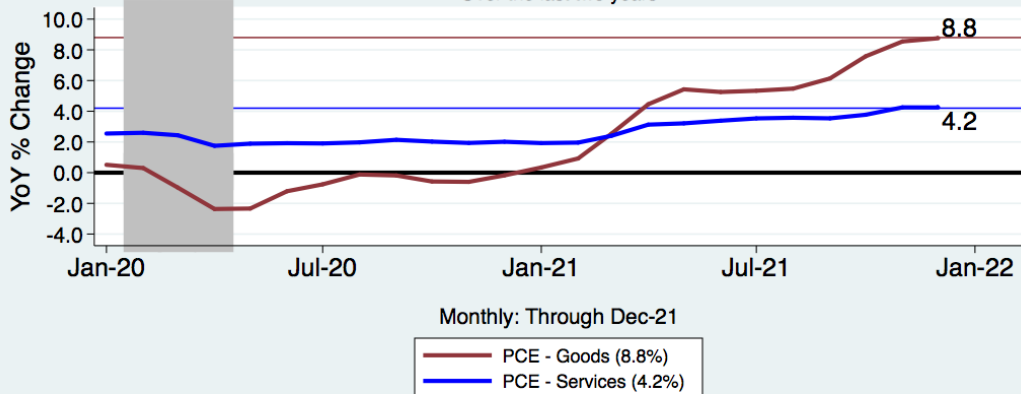
Source: Port Authorities of Los Angeles, Long Beach, Houston, New York and New Jersey, Savannah, Seattle and Tacoma. Author's calculations.

FULL STACK ECONOMICS

65

Inflation – Catching up and Demand Pull

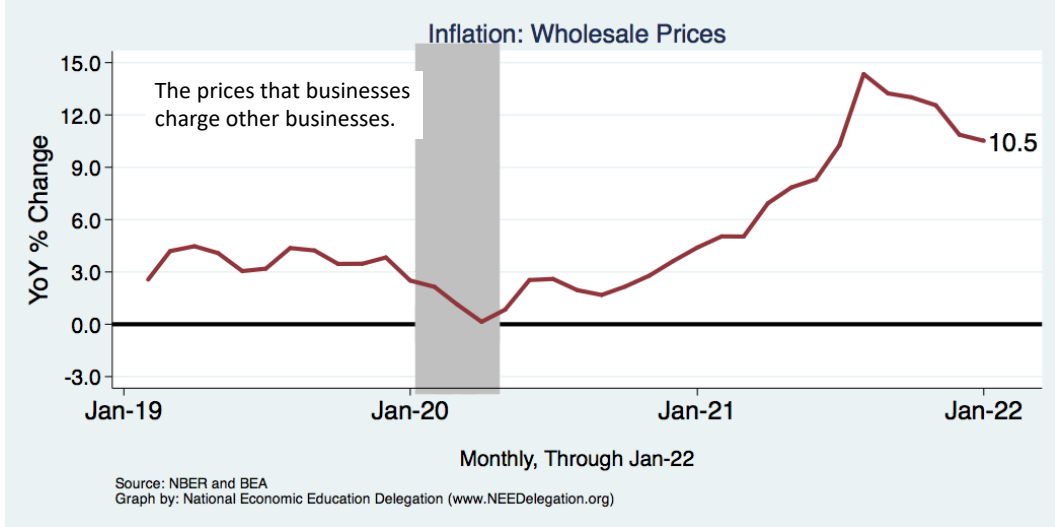
Inflation: PCE - Goods and Services
Over the last two years



Source: NBER and BEA
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

66

Inflation – But so Does Cost Push

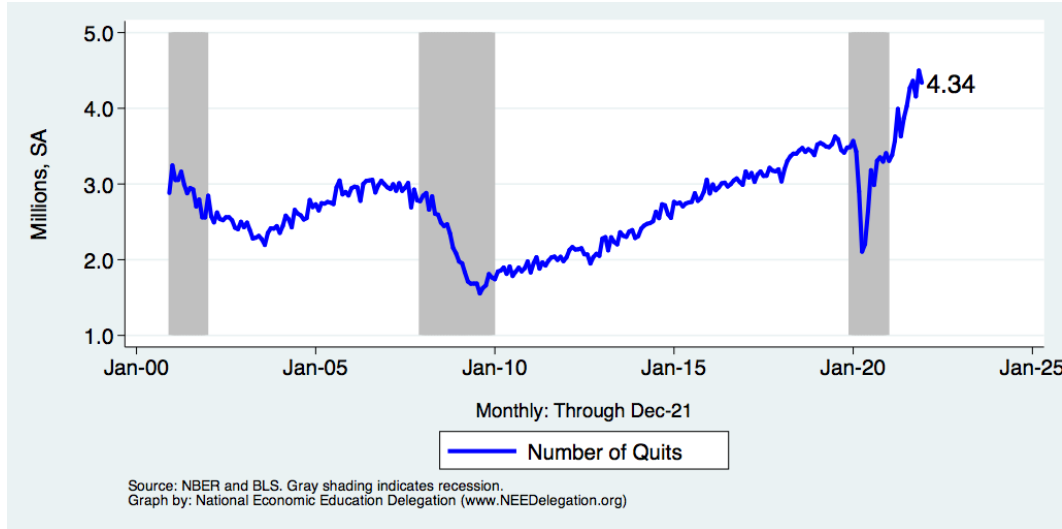


67

The Great Resignation

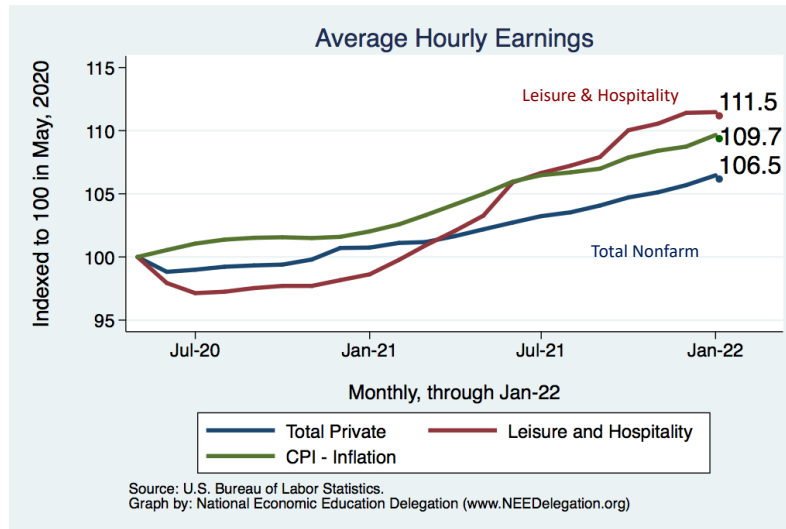
68

Quits Are High! The Great Resignation



69

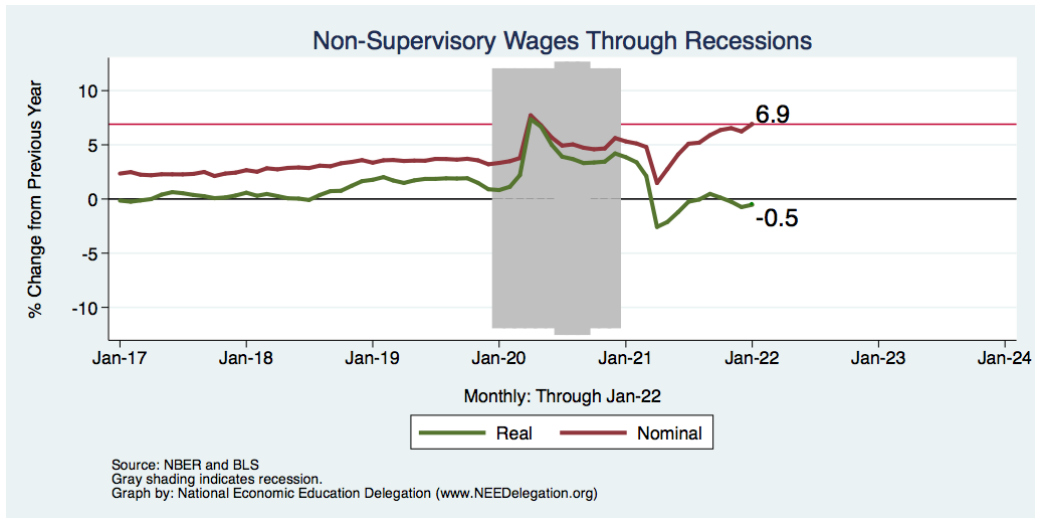
This is Happening Despite Rising Wages



L&H wages rising
Not much faster
Than inflation

70

Inflation Adjusted Wages Are Falling

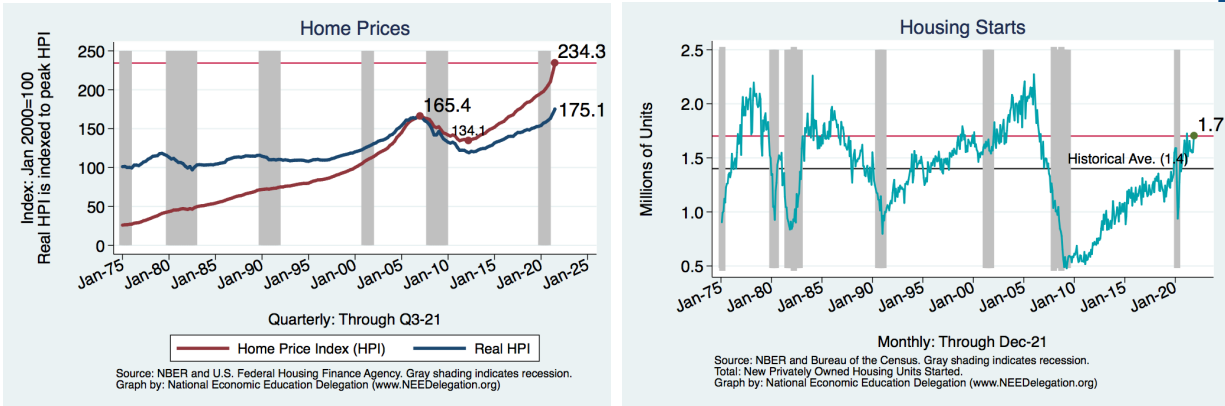


71

Real Estate

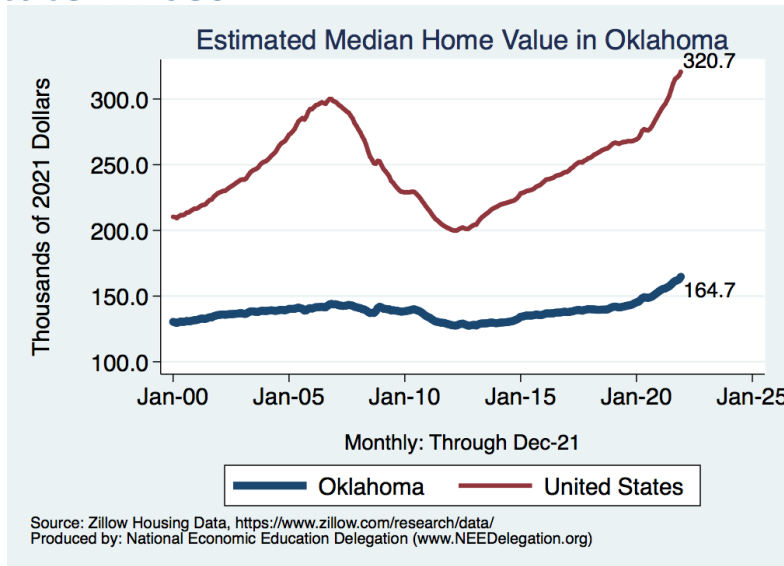
72

Home Prices and Housing Starts



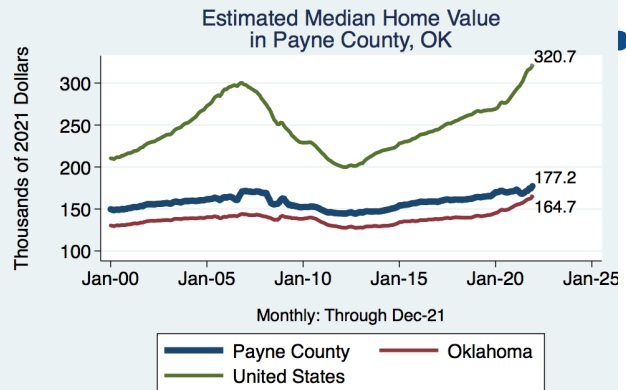
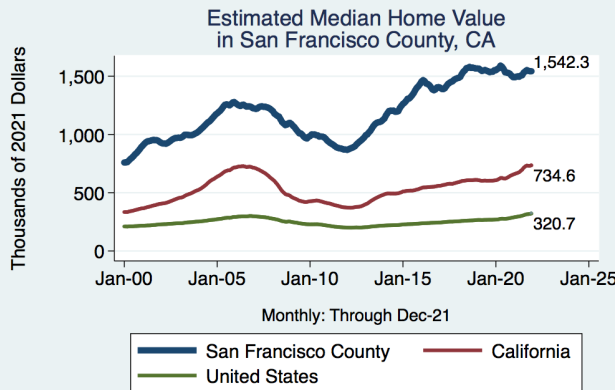
73

Real Estate Prices



74

RE Experiences Differ!



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDelegation.org)

Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDelegation.org)

Primary Topics Covered

- **GDP**
 - Recovered the decline, but not where it should be.
 - Won't recover previous forecast until late 2022.
- **Employment**
 - Still down 8.0 million jobs relative to forecast. (1.9 million relative to Feb/20).
 - Labor force is 0.9 million smaller than at the beginning of the pandemic.
 - Rising wages may be enticing low-wage workers back to work.
- **Inflation**
 - Going to be high for a while, but transitory – maybe?

Conclusion

- **Recovery is well underway, but may be slowing.**
- **GDP expanded by 5.7% percent in 2021, 3-4% in 2022.**
- **2021 was an odd year.**
 - Workers attained the upper hand.
 - Supply chains broke.
 - Inflation surged.
 - The economy rebuilt itself.
- **Biggest problems:**
 - Supply chain bottlenecks.
 - Labor force participation.



77

Best Measures of Progress

- **INFLATION – getting it under control.**
- **REAL WAGES– need to see progress.**
- **WORKFORCE PARTICIPATION – need growth here to get GDP growth.**

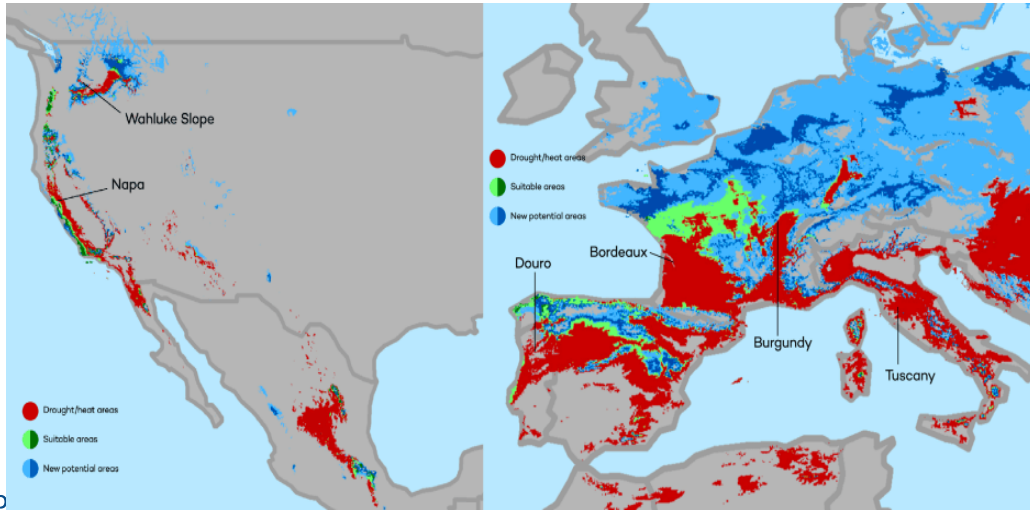
Pay no attention to the unemployment rate.



78

Climate Change Economics – Simone Wegge

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



Thank you!

Any Questions?

www.NEEDelegation.org

Jon D. Haveman

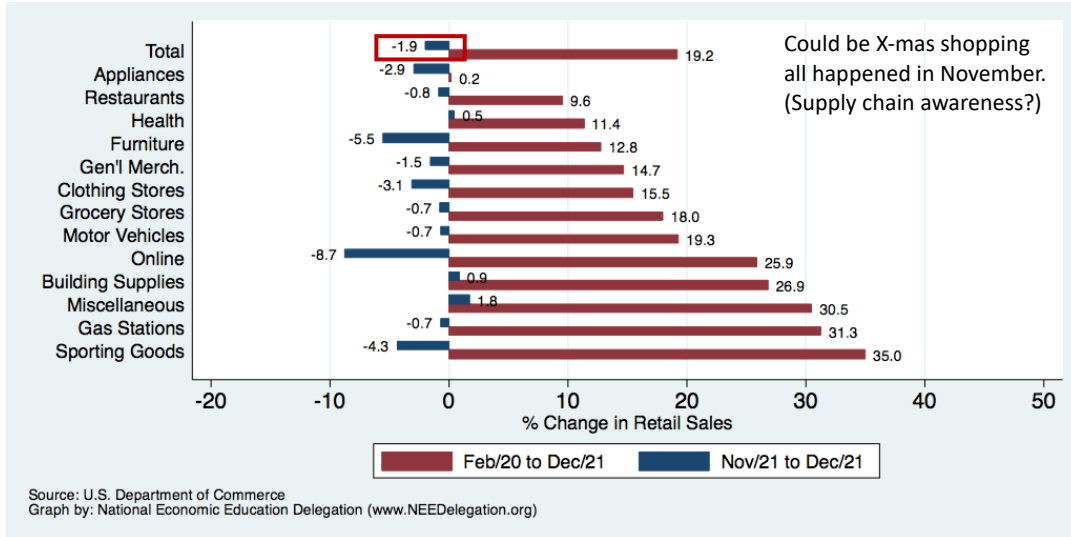
Jon@NEEDelegation.org

Contact NEED: info@NEEDelegation.org

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

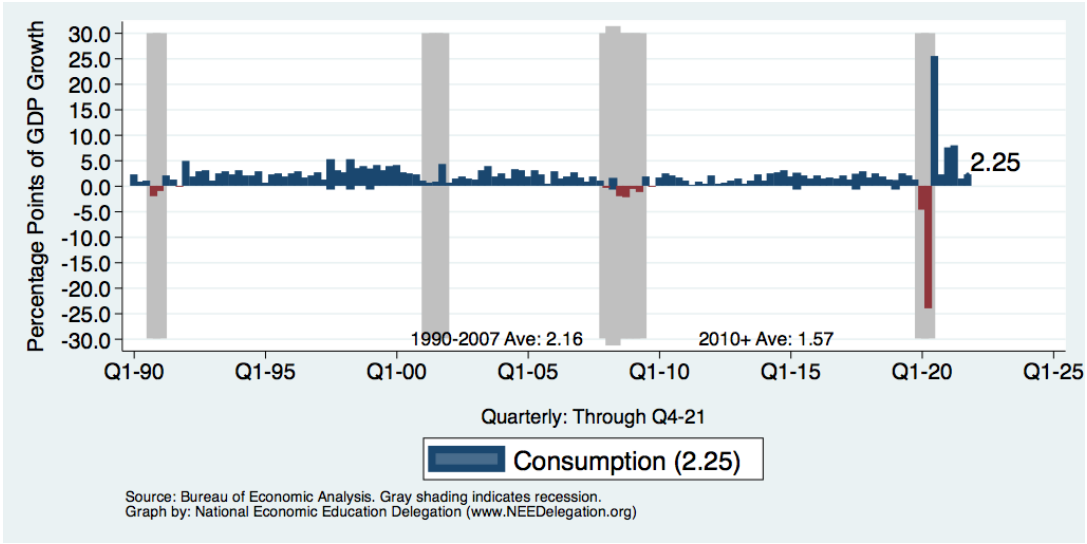
Become a Friend of NEED: www.NEEDelegation.org/friend.php

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



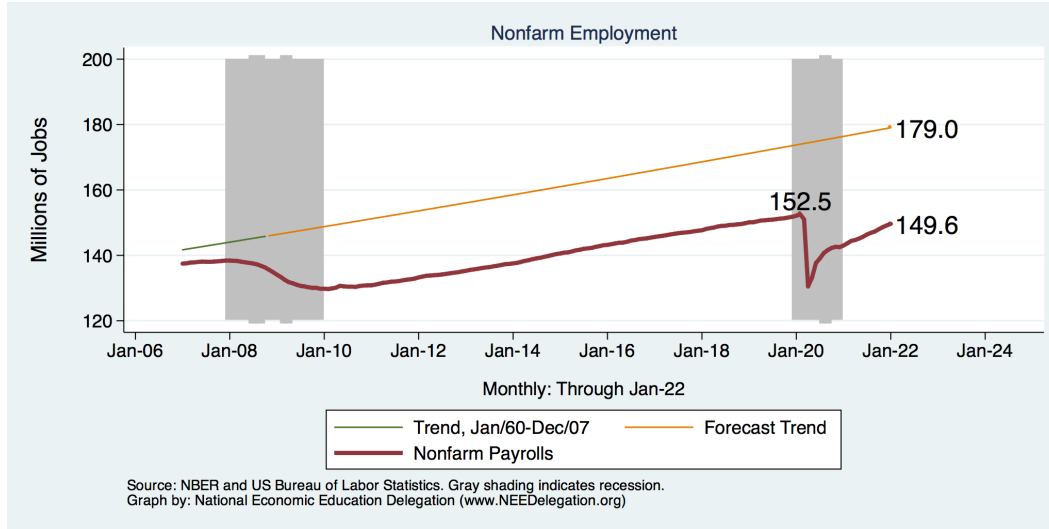
81

Consumption: Quarterly Growth



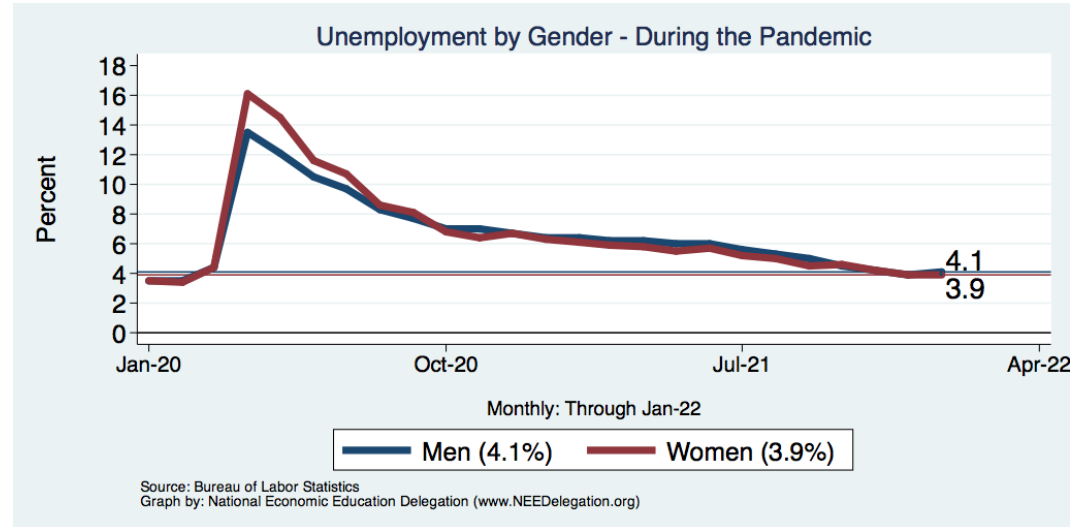
82

Employment Gap



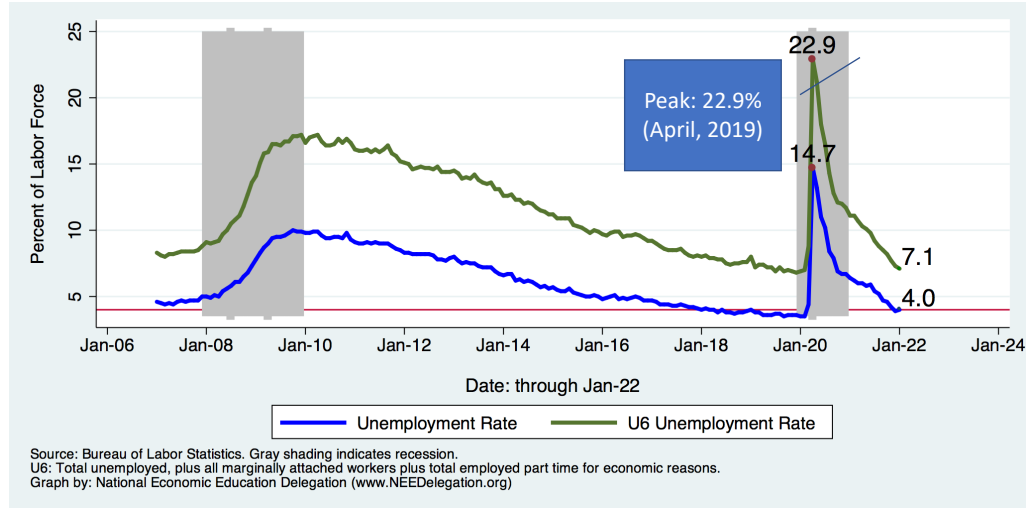
83

Affected Women More Than Men?



84

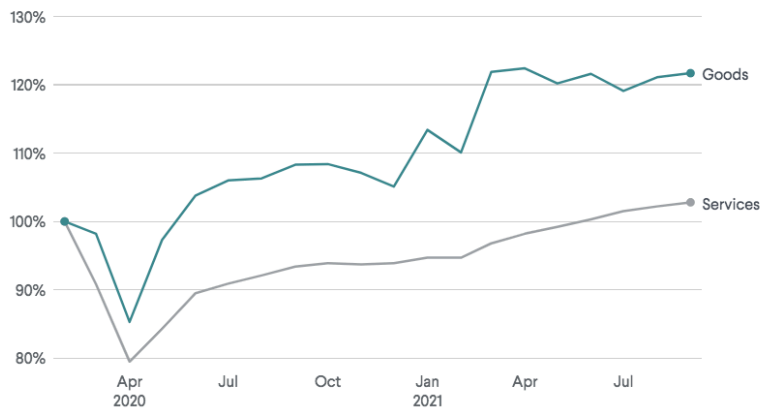
Another Measure: Unemployment



Supply Chains Are at the Core

Pandemic Triggers Greater Demand for Goods

Personal consumption expenditures relative to February 2020



Source: U.S. Bureau of Economic Analysis via Federal Reserve Bank of St. Louis.

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.)

NATIONAL ECONOMIC EDUCATION DELEGATION

87
<https://www.cfr.org/article/what-happened-supply-chains-2021>

87

Why does spending matter?

Spending Categories as Share of GDP (2019)

Category	Share of GDP
Goods	20%
Services	44%
Government spending	16%
Nonresidential Fixed Investment	13%
Residential Fixed Investment	4%
Net exports	-3%
Total	64%

Spending:
 Goods 20%
 Services 44%

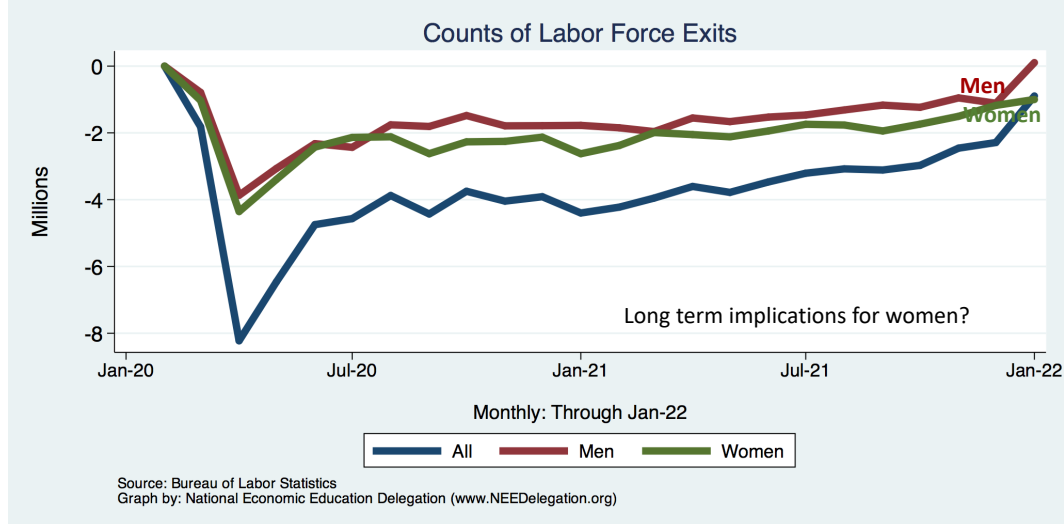
Total 64%

NATIONAL ECONOMIC EDUCATION DELEGATION

88

88

Affected Women More Than Men



NATIONAL ECONOMIC
EDUCATION DELEGATION

89

89

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.

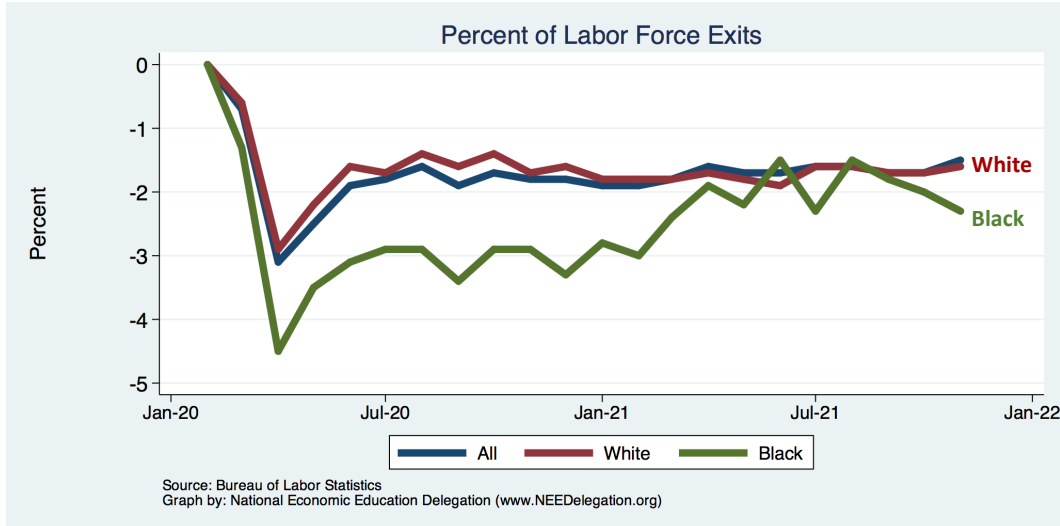


NATIONAL ECONOMIC
EDUCATION DELEGATION

90

90

Affecting Black Workers More than White



NATIONAL ECONOMIC
EDUCATION DELEGATION

91

91

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

92

92

Inflation: Critical Issues

- **Inequities**

- Price changes vary wildly across goods.
- How inflation hits you depends on what you buy and your level of income.
 - o 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?

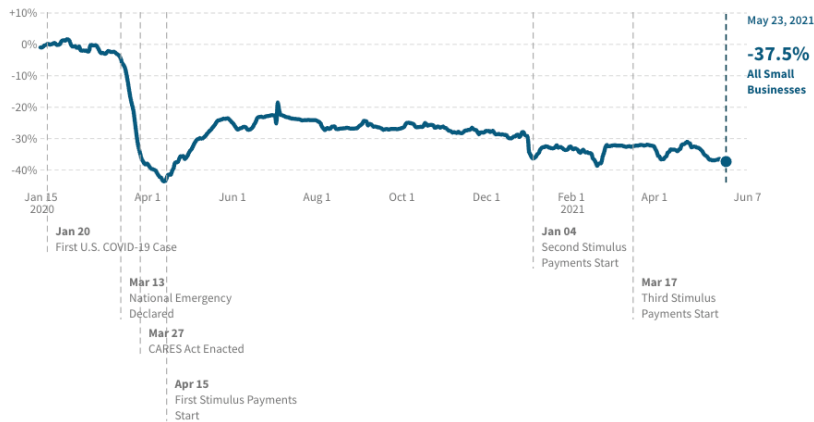
93

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.

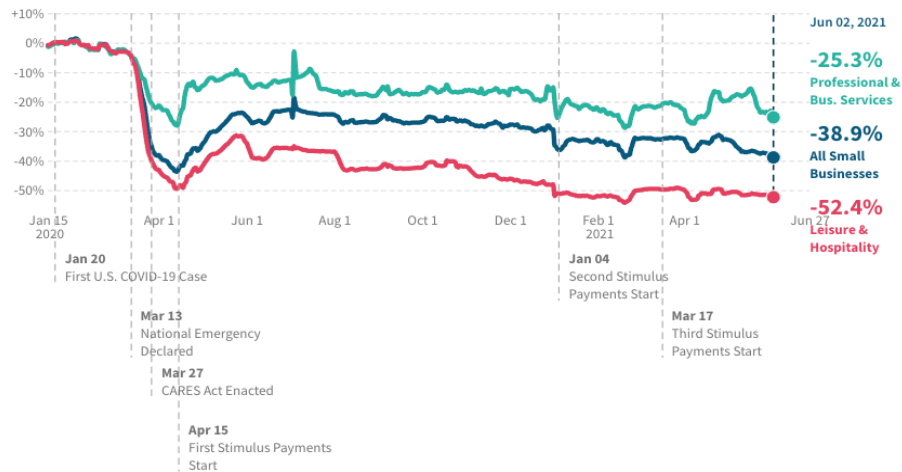
[DOWNLOAD CHART](#)



94

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.



95

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.

96

Coronavirus and Inequality

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

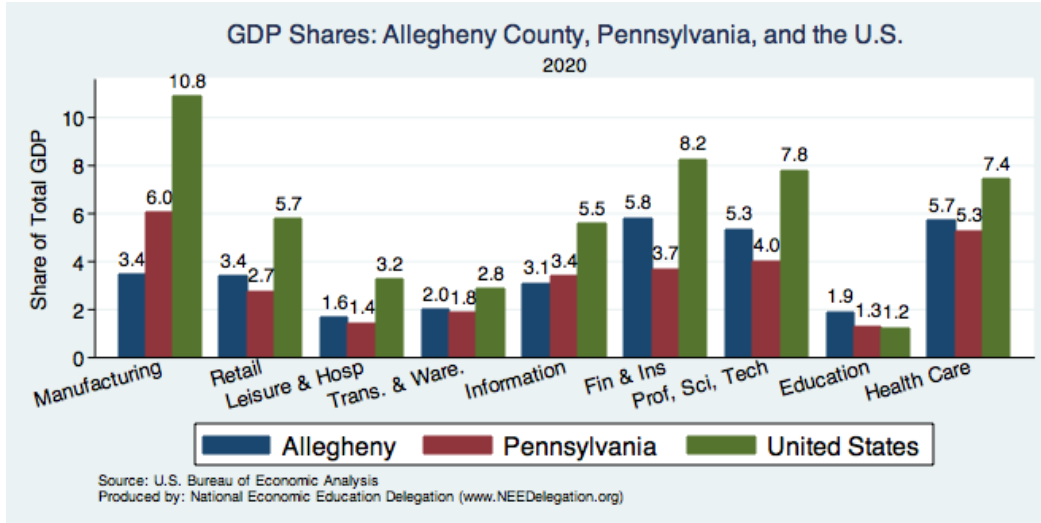
97

Structural Changes?

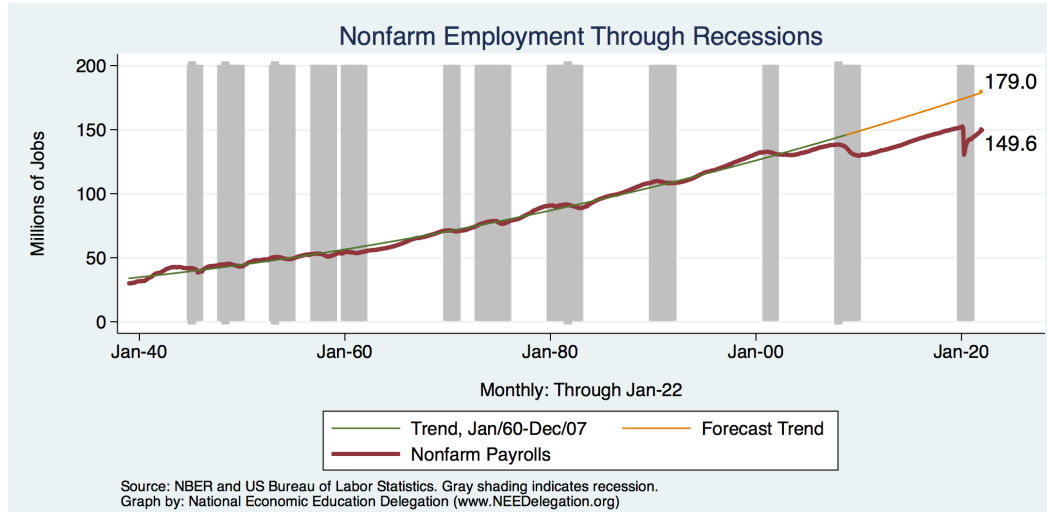
- **Pandemic has been an accelerant.**
 - Not a change agent.
- Retail
- Telecommuting
- Telehealth
- Business travel?
- Wealth concentration
- Industry concentration
- Automation

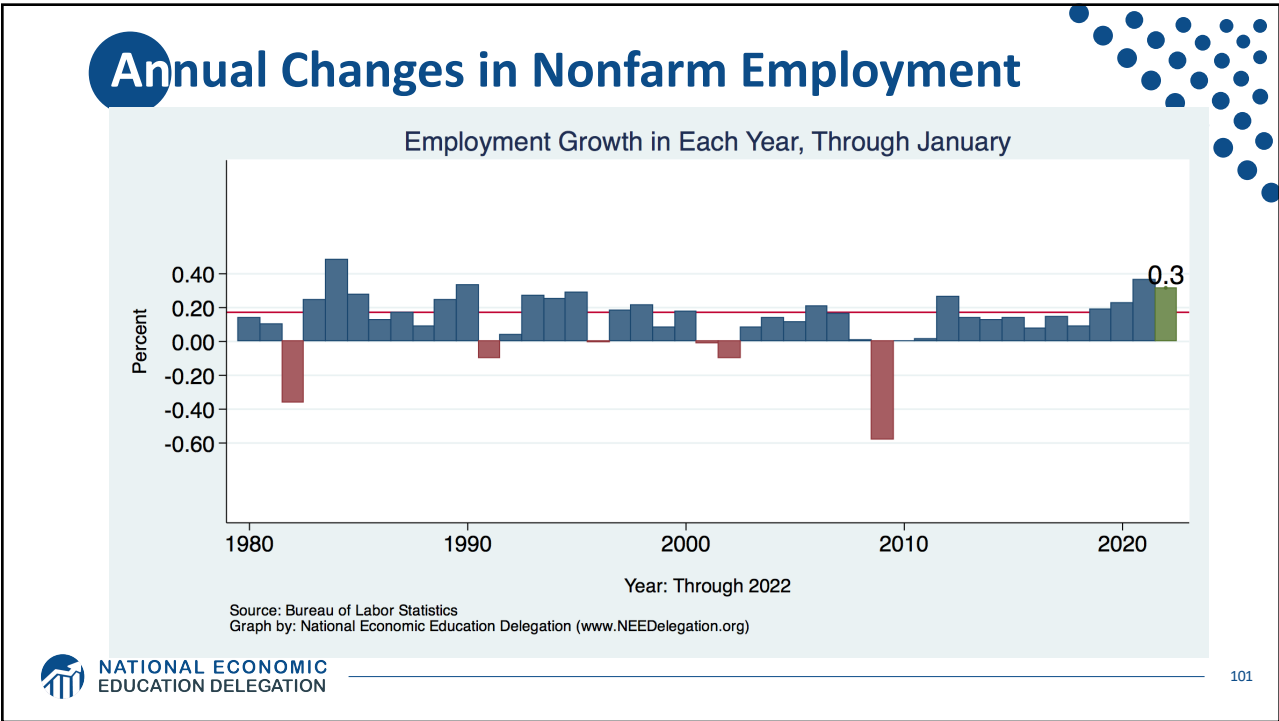
98

Allegheny County GSP: Trans & Warehousing

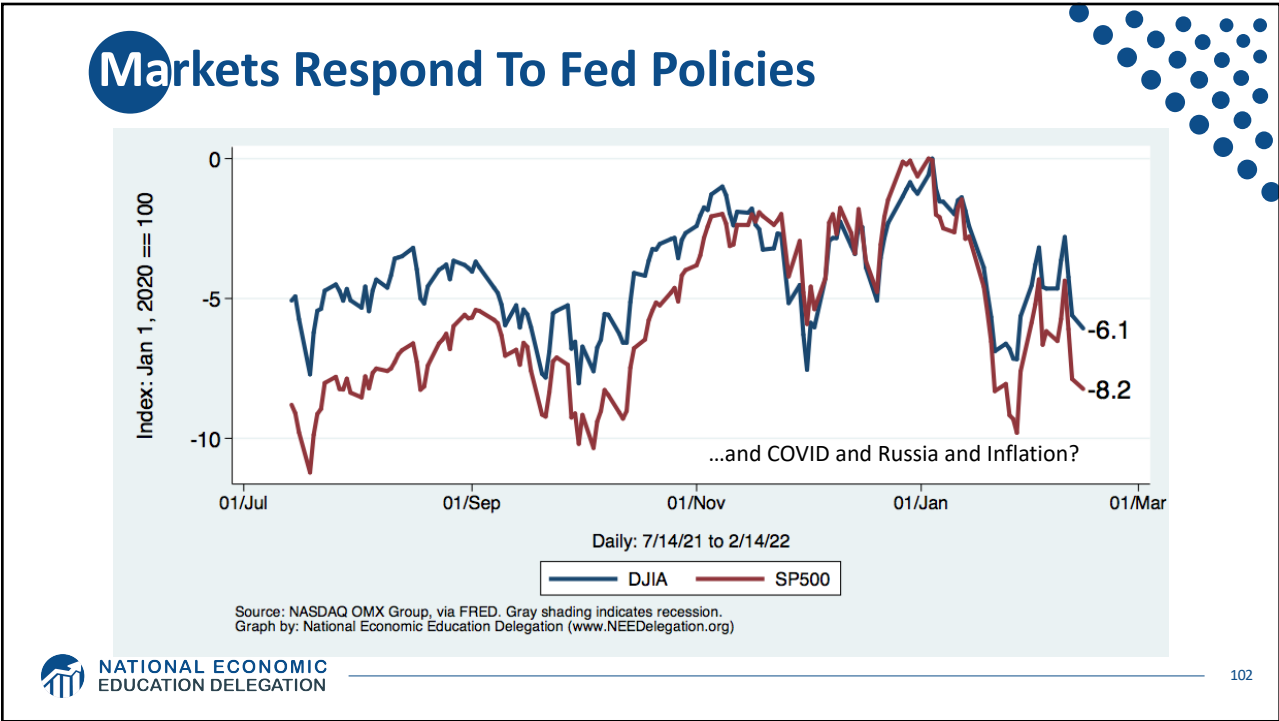


Employment Gap – In Historical Perspective

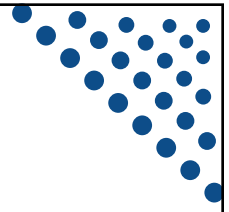




101



102



www.NEEDelegation.org/LocalGraphs

For every state and county in the United States.
Detailed graphs on employment, housing, moves, and other statistics.

