



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

University of Pittsburgh, PA  
February-March, 2022

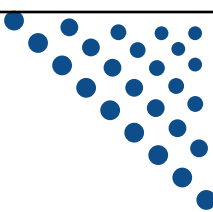
Jon Haveman, Ph.D.  
National Economic Education Delegation

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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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## 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



## Course Outline

- **Contemporary Economic Policy**
  - Week 1 (2/2): Trade and Globalization (Alan Deardorff, University of Michigan)
  - **Week 2 (2/9): US Economy & Coronavirus Economics (Me)**
  - Week 3 (2/16): The Black-White Wealth Gap (Stephanie Seguno, U-Vermont)
  - Week 4 (2/23): Health Economics (Veronika Dolar, SUNY, Old Westbury)
  - Week 5 (3/2): Economic Inequality (Me)



## 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.
- **OLLI allowing, we can stay beyond the end of class to have further discussion.**

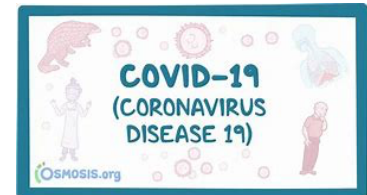
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## US Economy and Coronavirus Economics

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## Credits and Disclaimer

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- **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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## Outline

- **State of the pandemic**

- **The U.S. Economy**

- **Hot Topics**

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



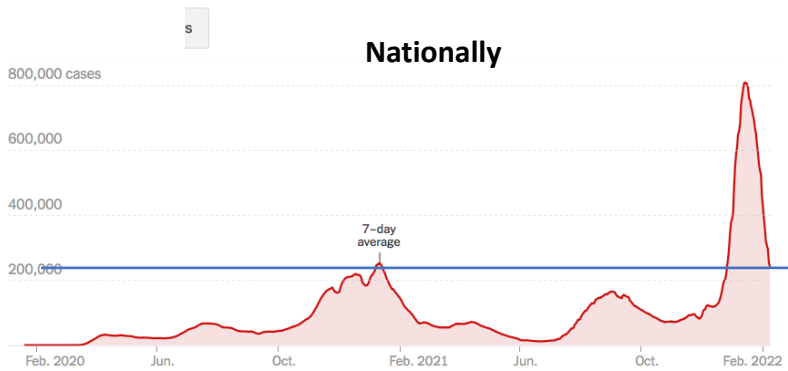
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# State of the Pandemic

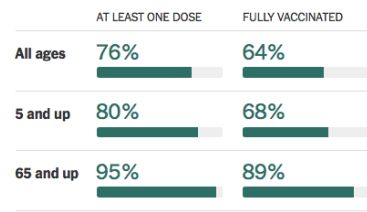
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## Making Real Progress...Until Omicron

### New reported cases



### Vaccinations



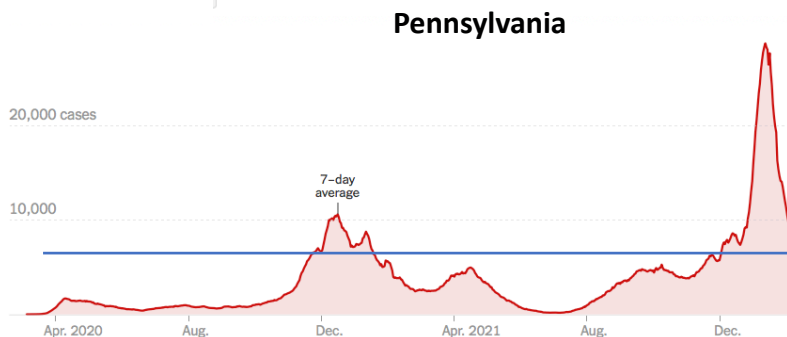
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# Omicron is Making Things Difficult

- 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.

# Pennsylvania Cases Are Falling Nicely

## New reported cases



## Vaccinations

	AT LEAST ONE DOSE	FULLY VACCINATED
All ages	82%	66%
5 and up	87%	70%
65 and up	95%	92%

# The U.S. Economy



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## 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



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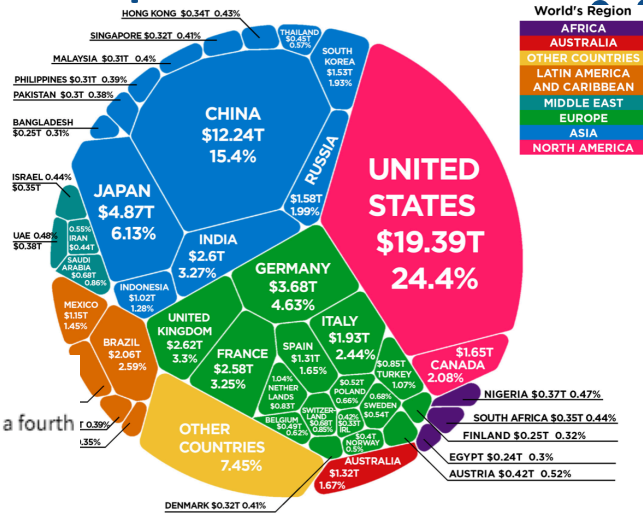
# U.S. Economy in Global Perspective

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

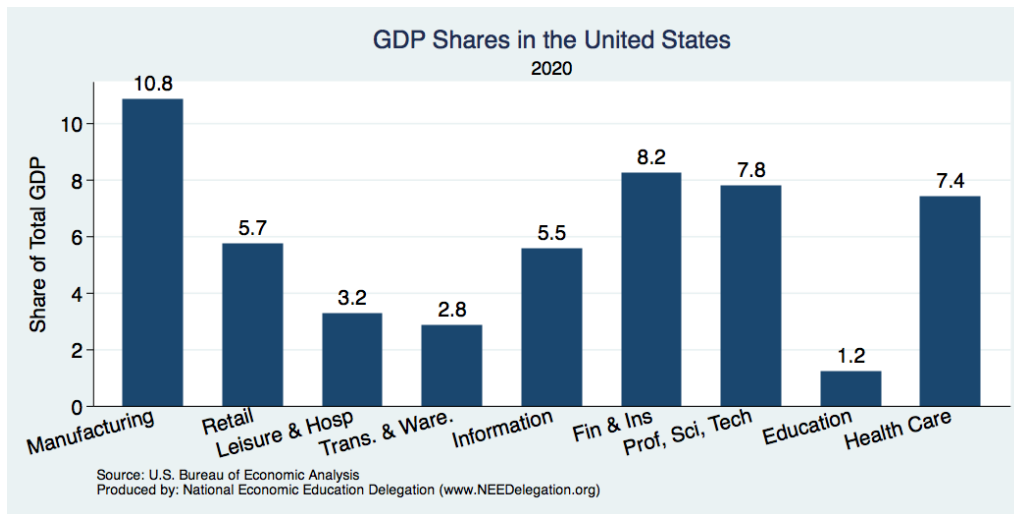
**\$21.845 trillion in 2019-Q4**  
**\$19.663 trillion in 2020-Q2**  
**\$22.531 trillion in 2021-Q4**

## % Share of the Global Economy

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

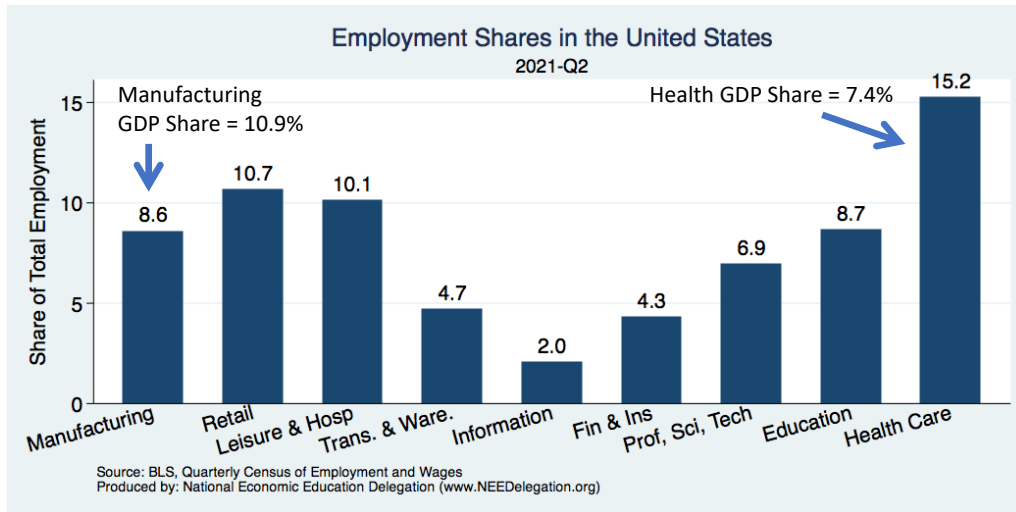


# Composition of the U.S. Economy: GDP





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

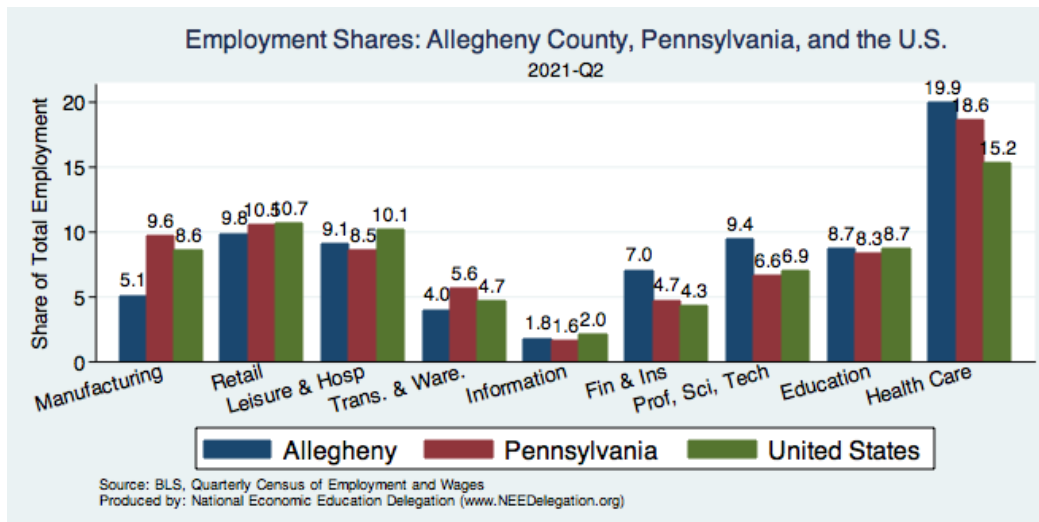


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## Allegheny County Employment: Health



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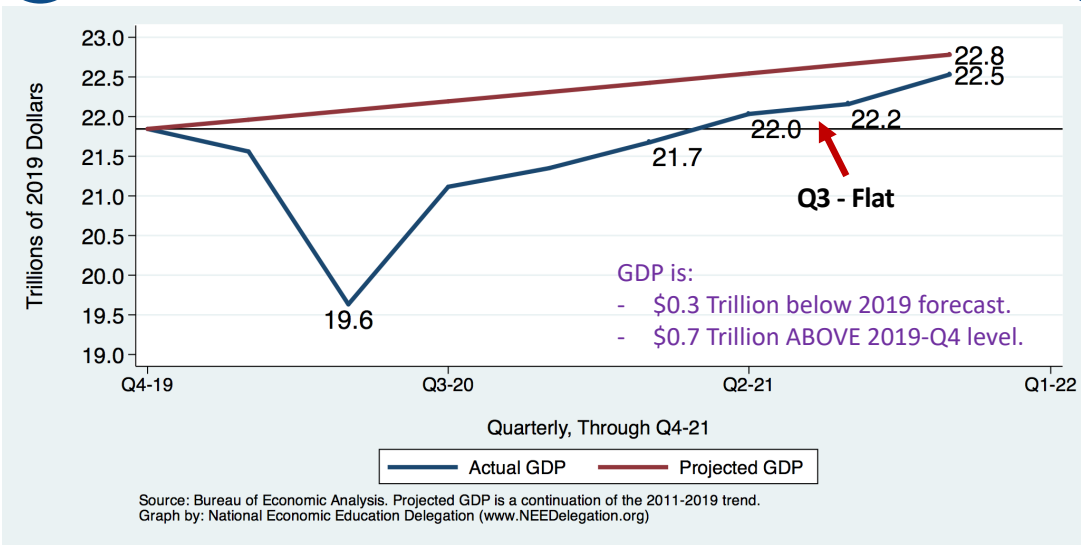
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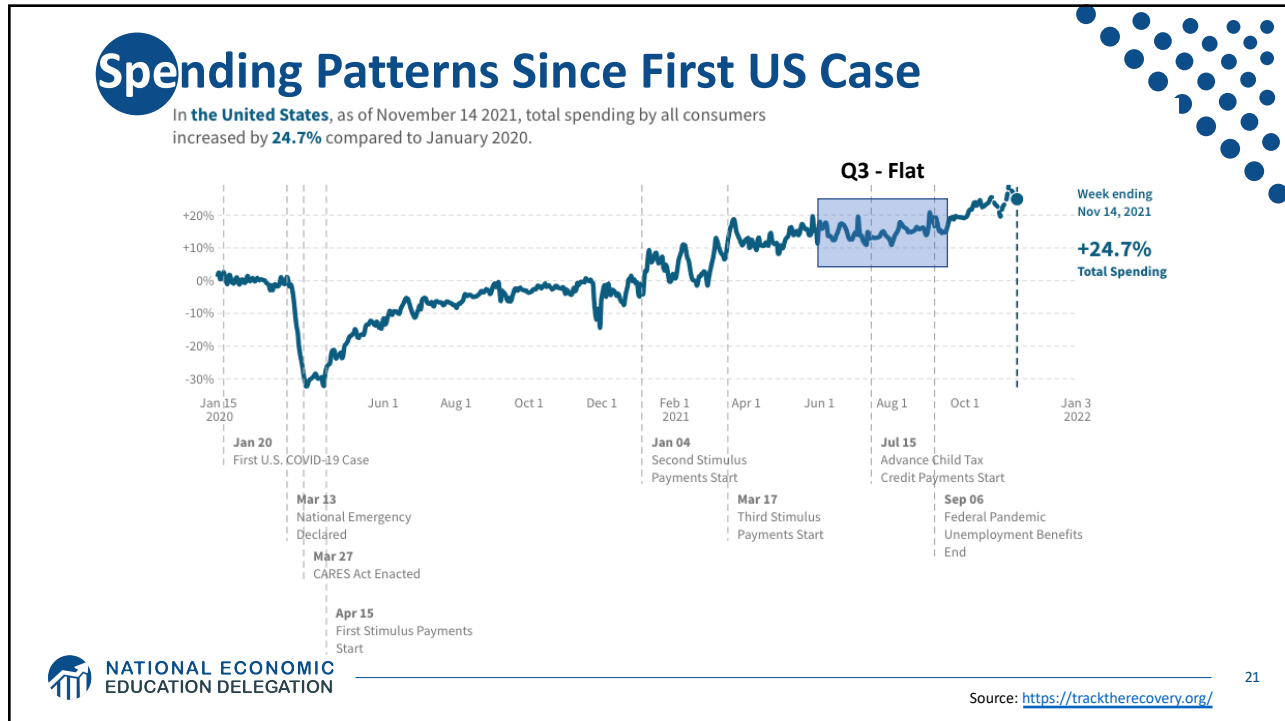
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# Evidence of Impact

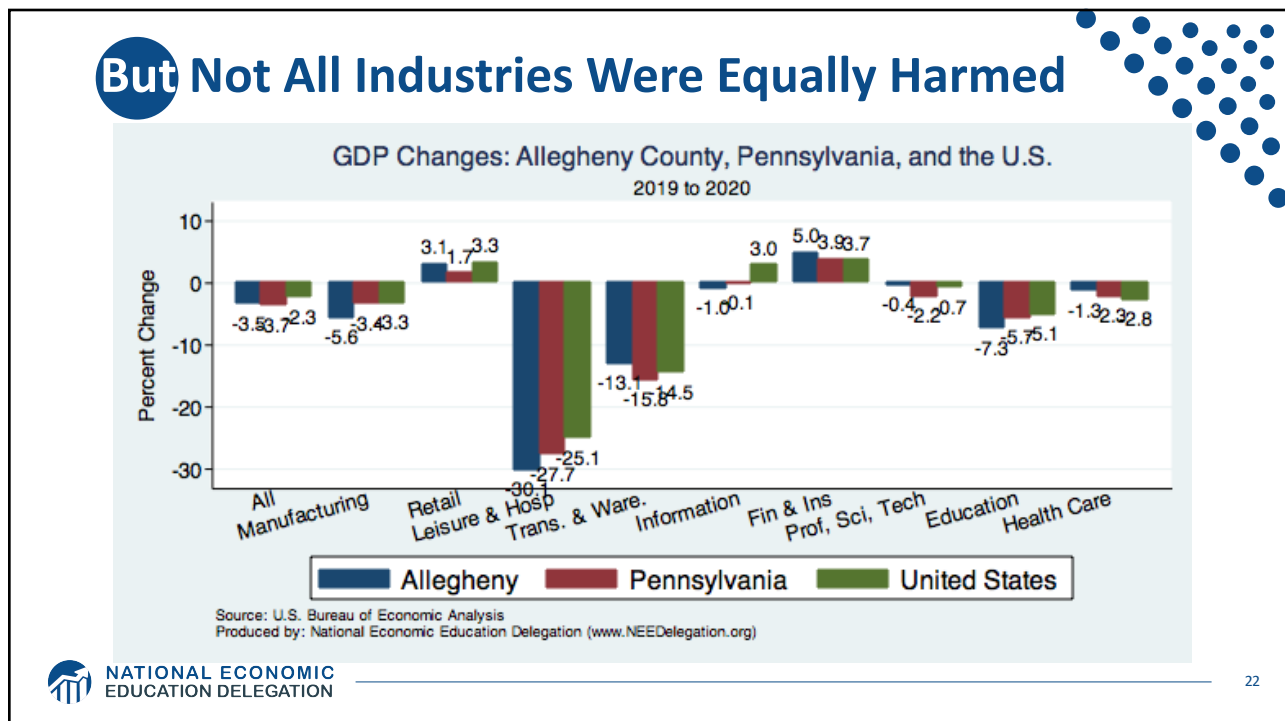


## GDP Trajectory: Pandemic Plunge!





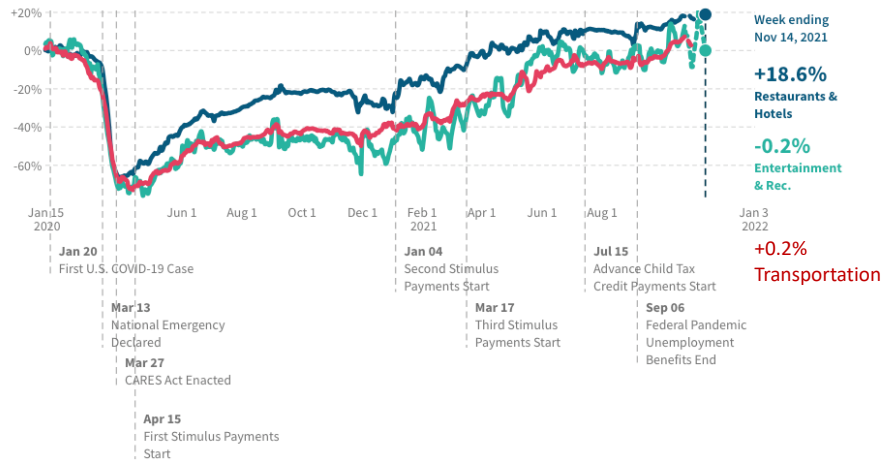
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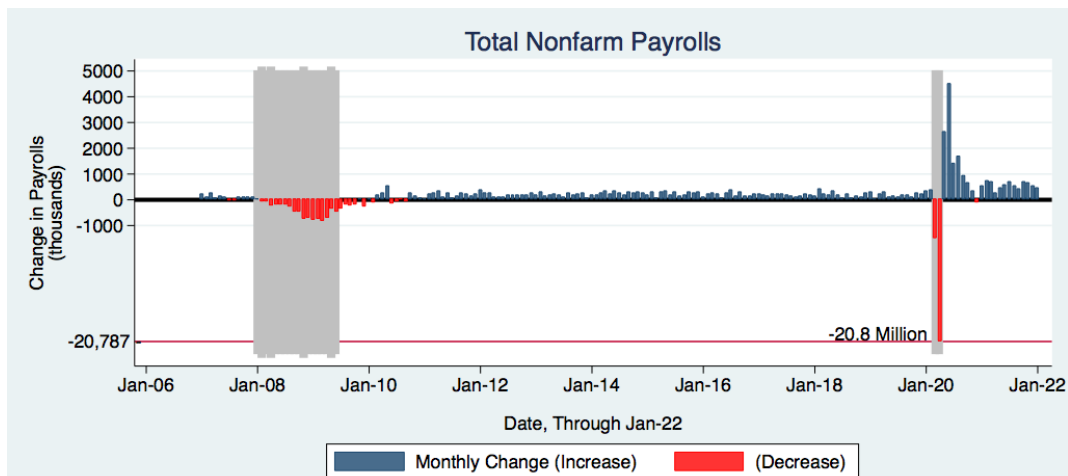
## Spending Patterns – Hardest Hit Sectors

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



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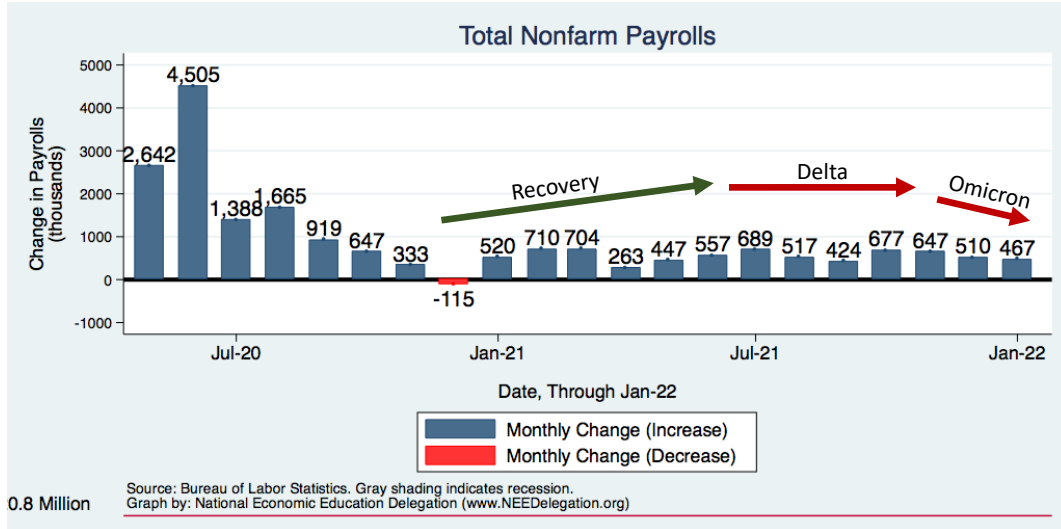
## Monthly Changes in Nonfarm Employment



Source: Bureau of Labor Statistics. Gray shading indicates recession.  
Graph by: National Economic Education Delegation ([www.NEEDelegation.org](http://www.NEEDelegation.org))

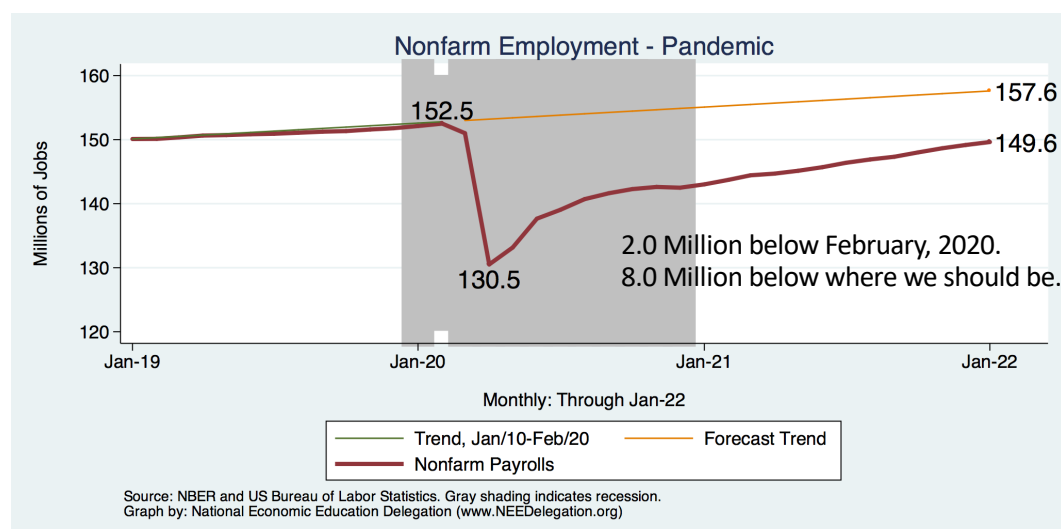
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# Monthly Changes in Nonfarm Employment

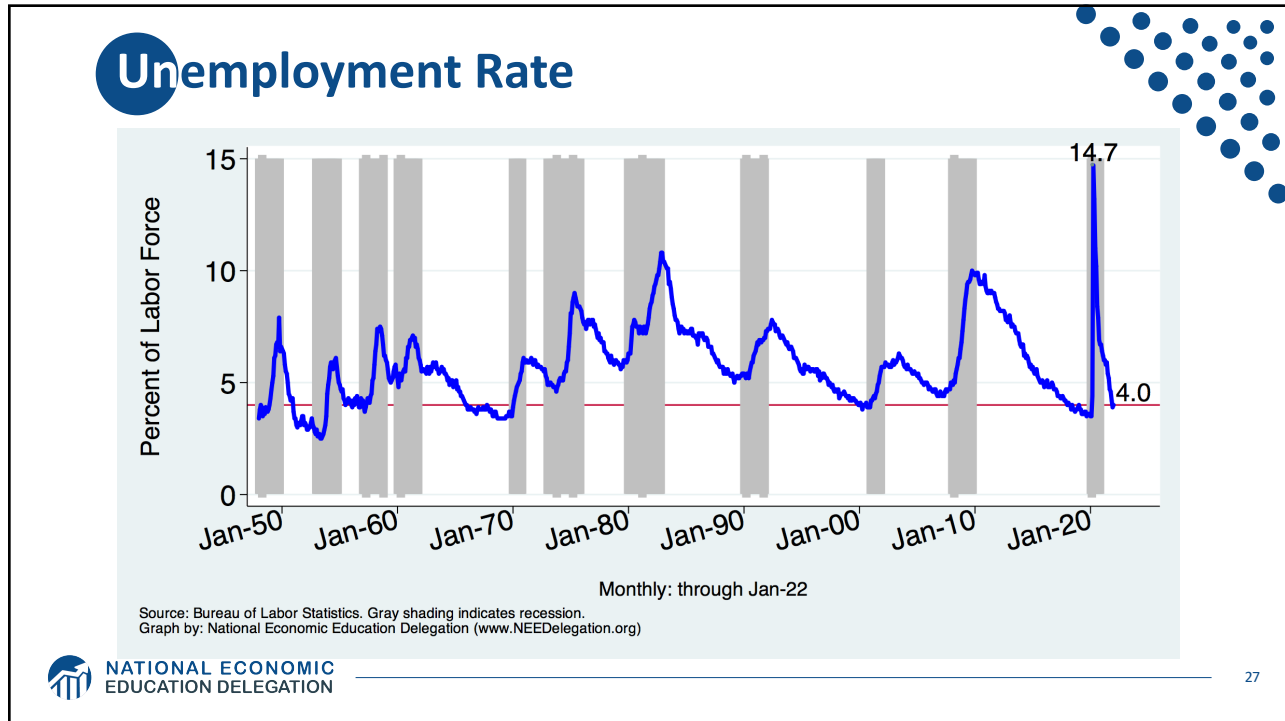


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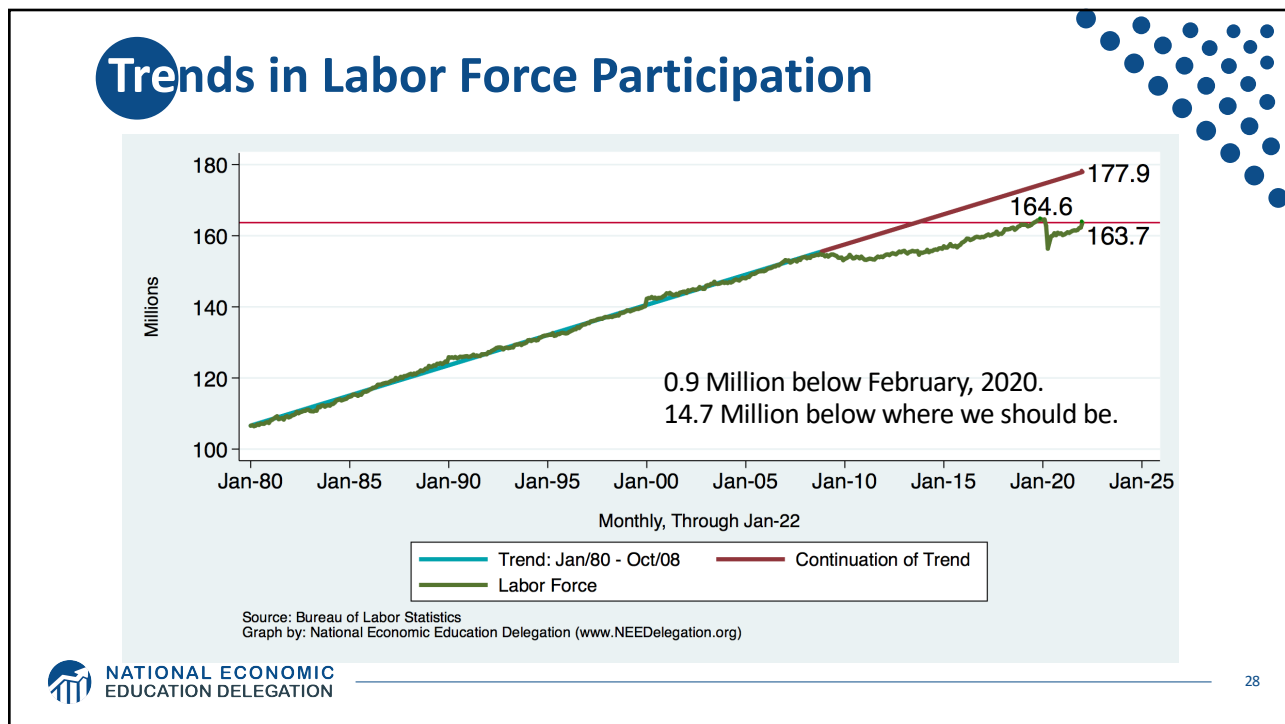
# Employment Gap



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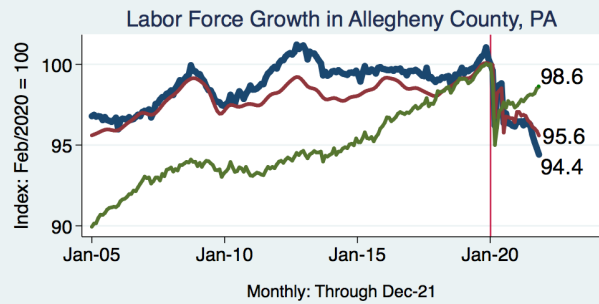
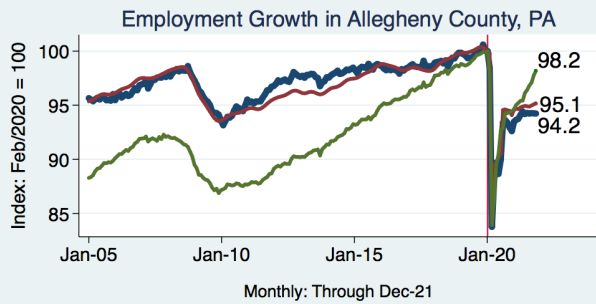


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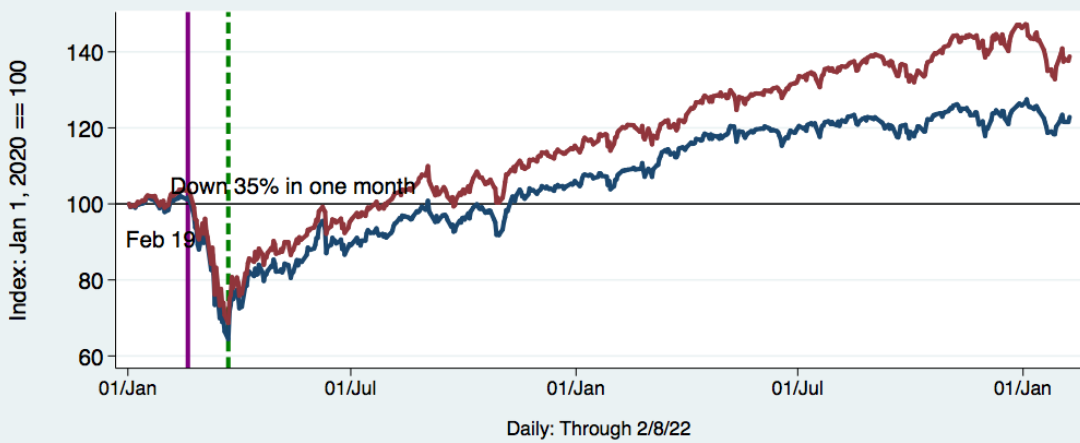
# Employment in Allegheny County



Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted  
Produced by: National Economic Education Delegation (www.NEEDelegation.org)

Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted  
Produced by: National Economic Education Delegation (www.NEEDelegation.org)

# Stocks: Bounced Back Quicker This Time



Source: NASDAQ OMX Group, via FRED. Gray shading indicates recession.  
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

## Hot Topics

- Government policy
- Inflation
- Great resignation
- Housing markets



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## What Have Been Policy Effects?

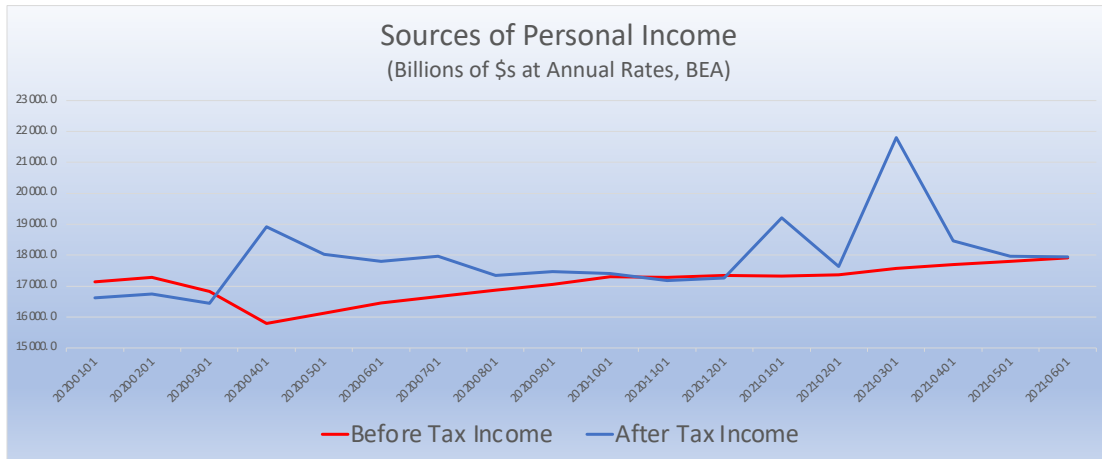
- **MONETARY POLICY (Fed) acted quickly and effectively to prevent a financial market meltdown and to keep credit flowing. But the Fed lends and does not spend.**
- **FISCAL POLICY (Congress) acted quickly, but inevitably made some mistakes.**
  - Stimulus Checks, A (\$268b)
  - Expanded Unemployment, B (\$268b)
  - Paycheck Protection Program, C- (\$525b)



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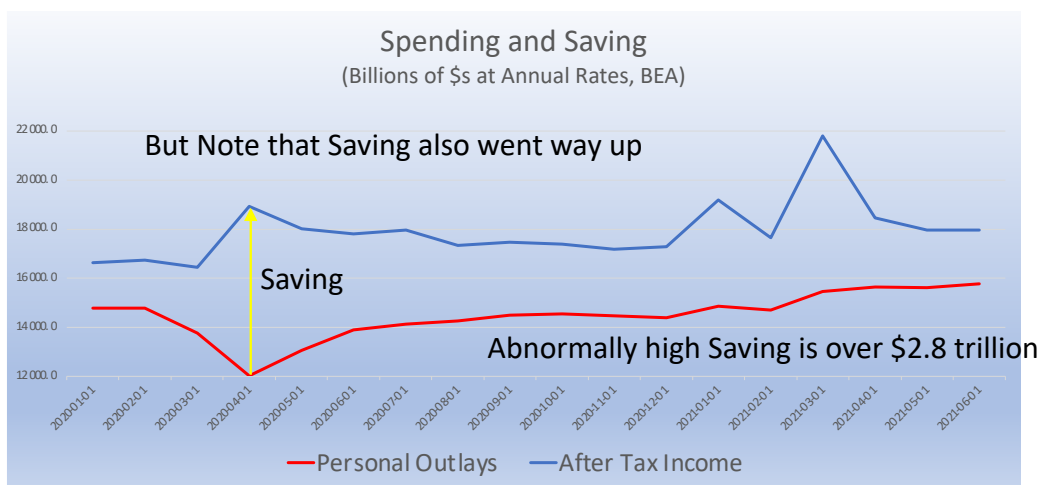


## Recovery Due to Immense Fiscal Stimulus and Control of COVID



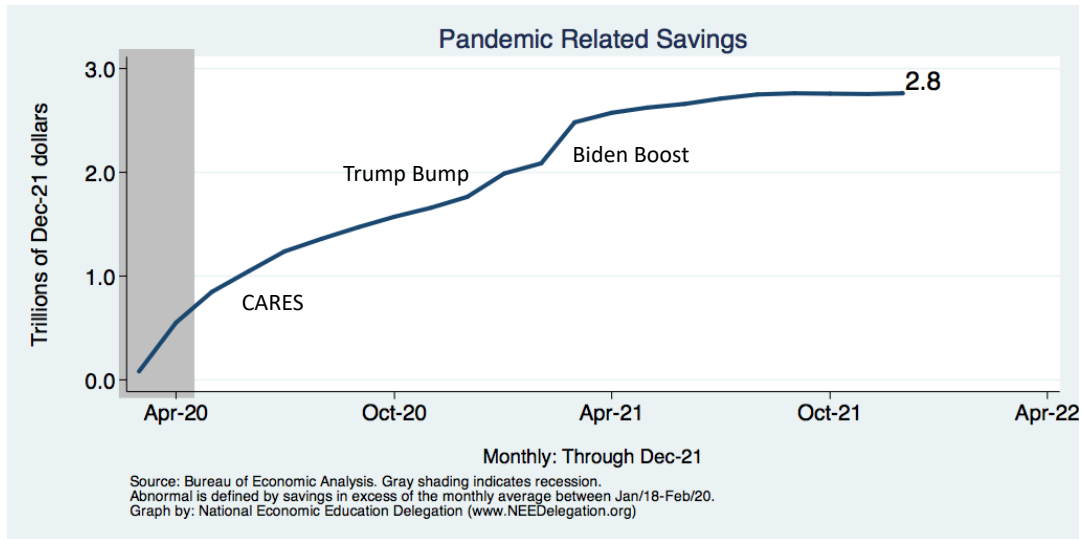
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## Stimulus allowed Spending to Recover



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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.

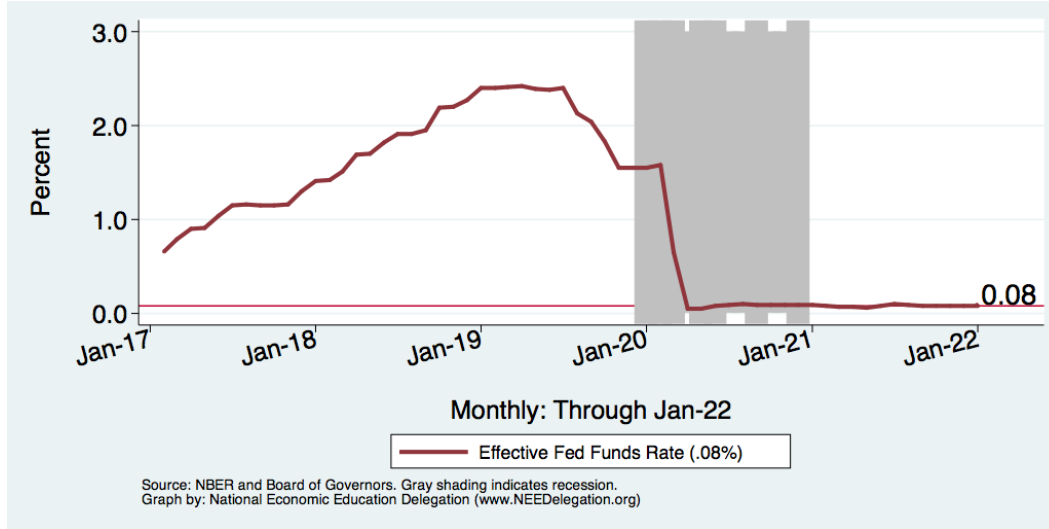


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## Federal Funds Rate – Last 5 Years

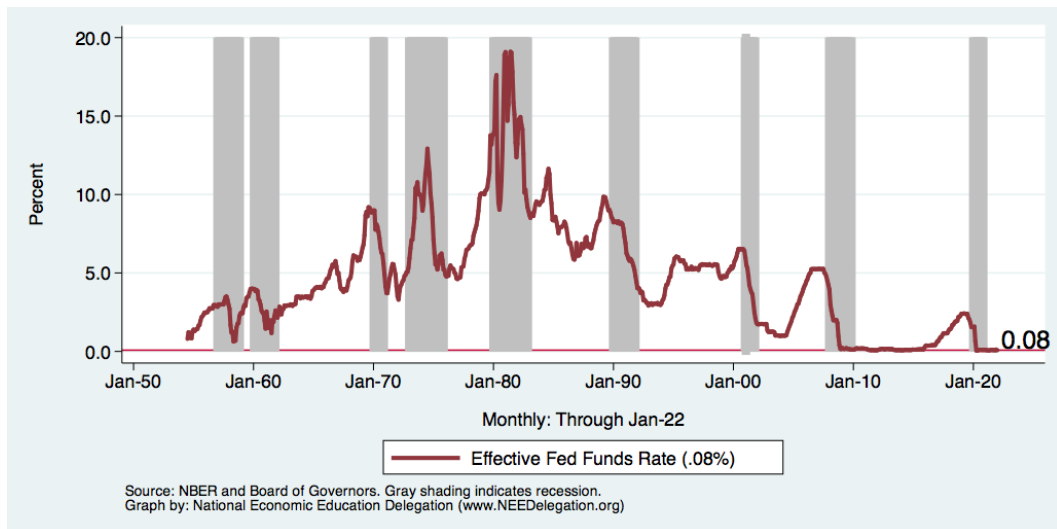


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## Federal Funds Rate

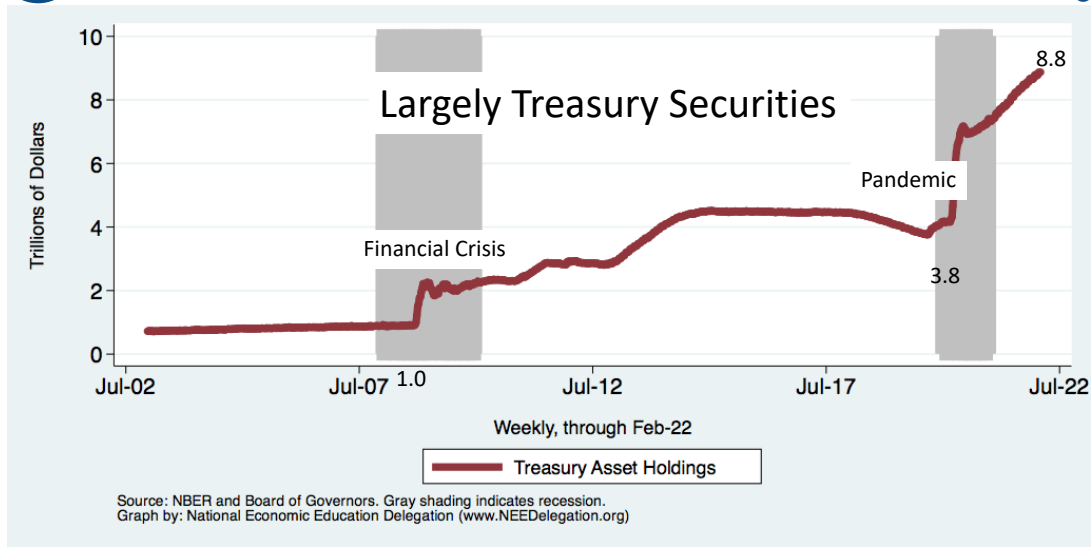


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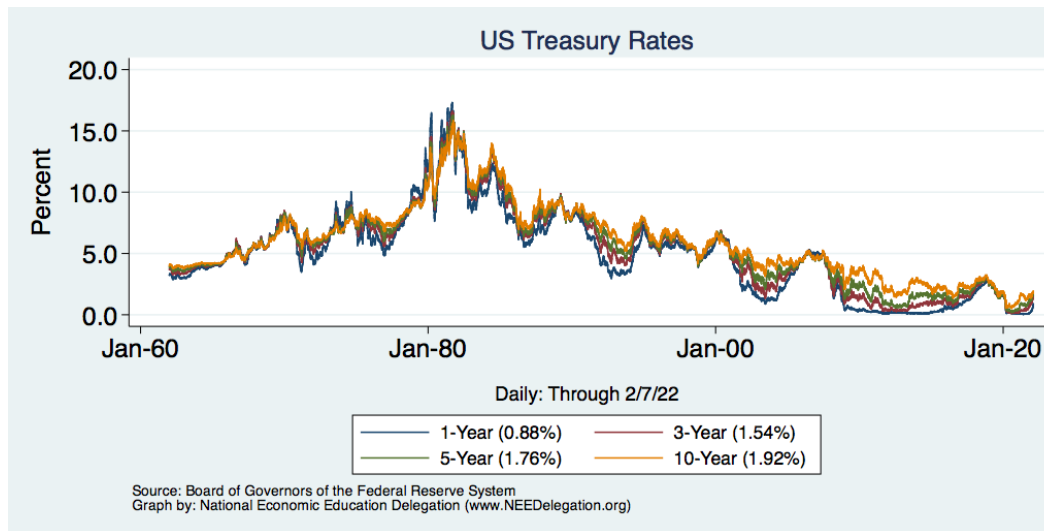
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## Federal Reserve Assets

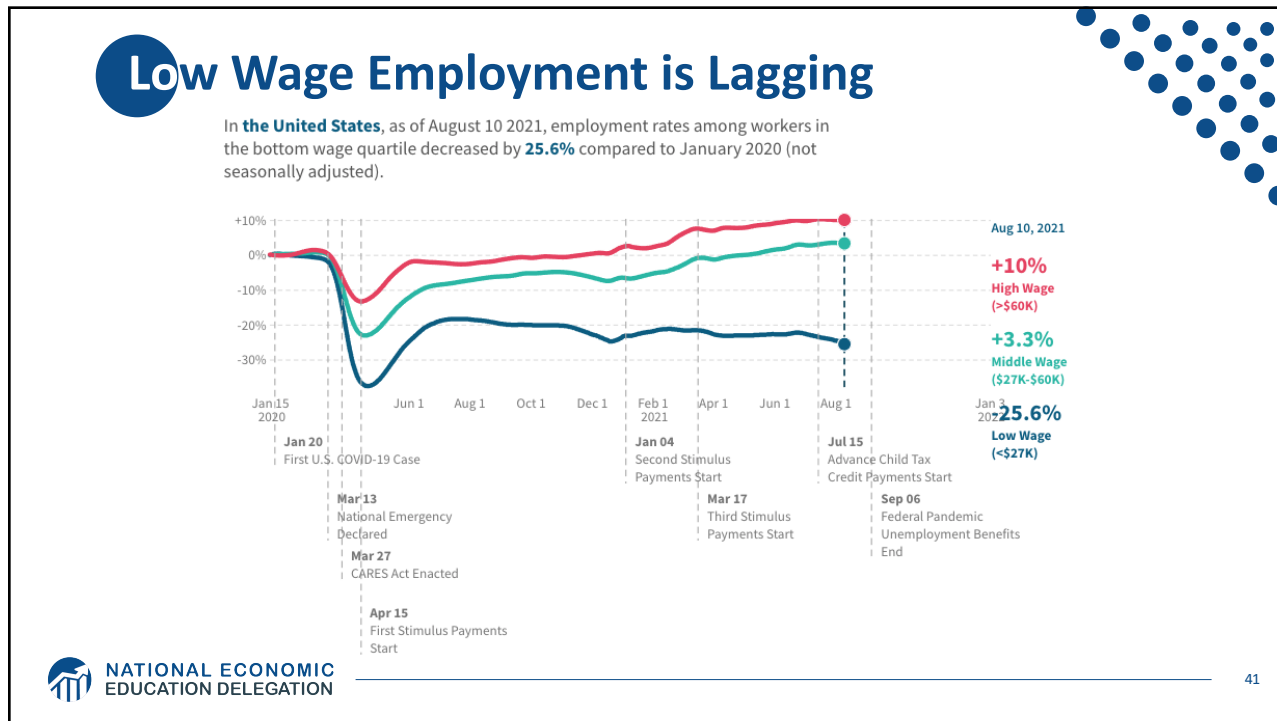


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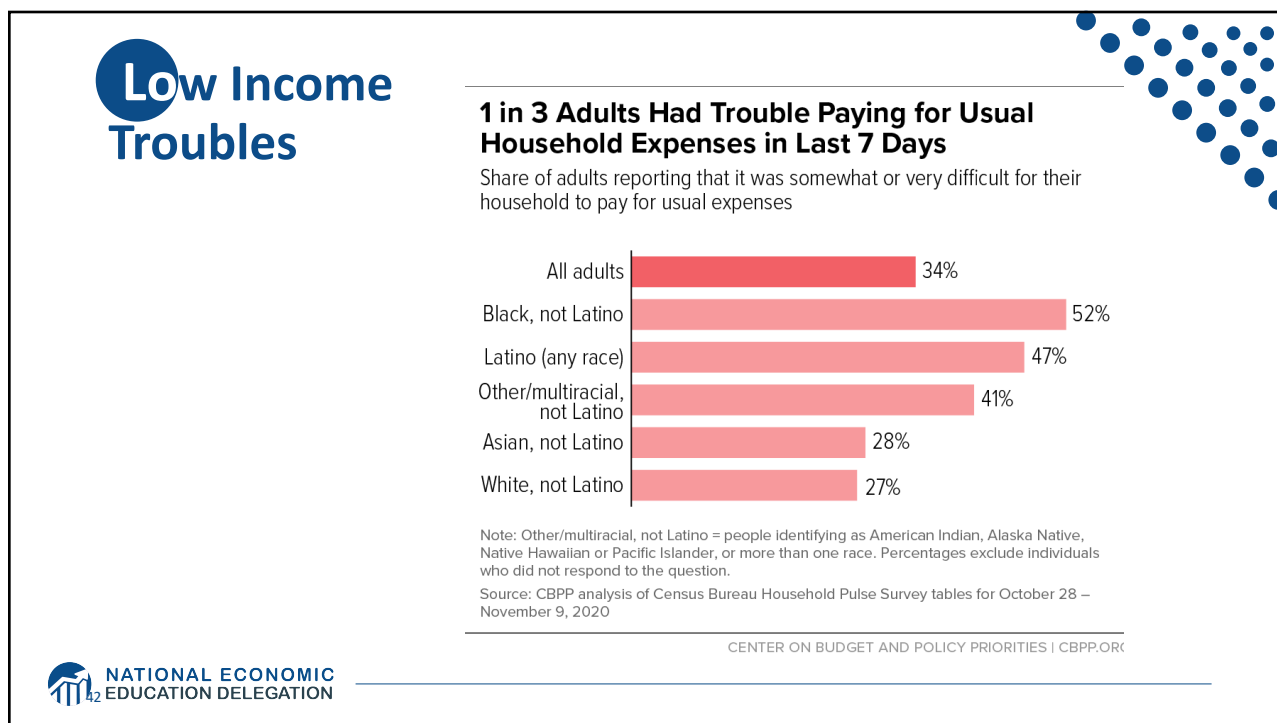
## Treasuries – Low Interest Rates



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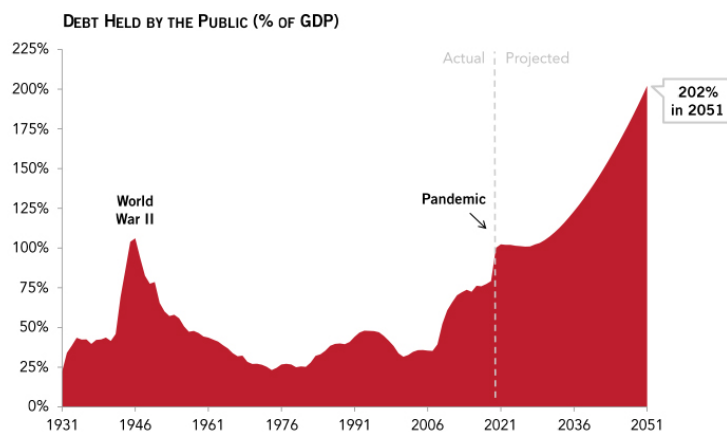


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## A Problem Exacerbated....Not Created



The national debt is on an unsustainable path



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



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## 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.)
- Since March of 2020, Fed net holdings of US Treasury bonds have increased by \$5.0 trillion.



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# Inflation



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## 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.

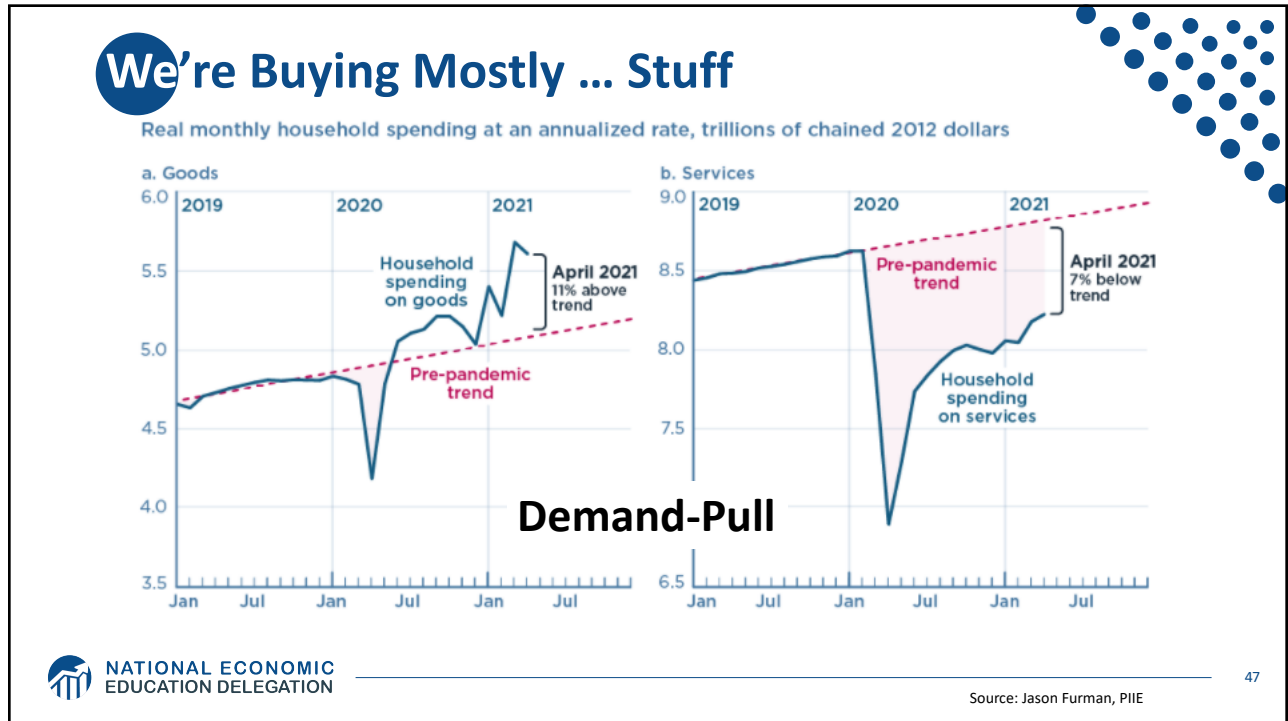


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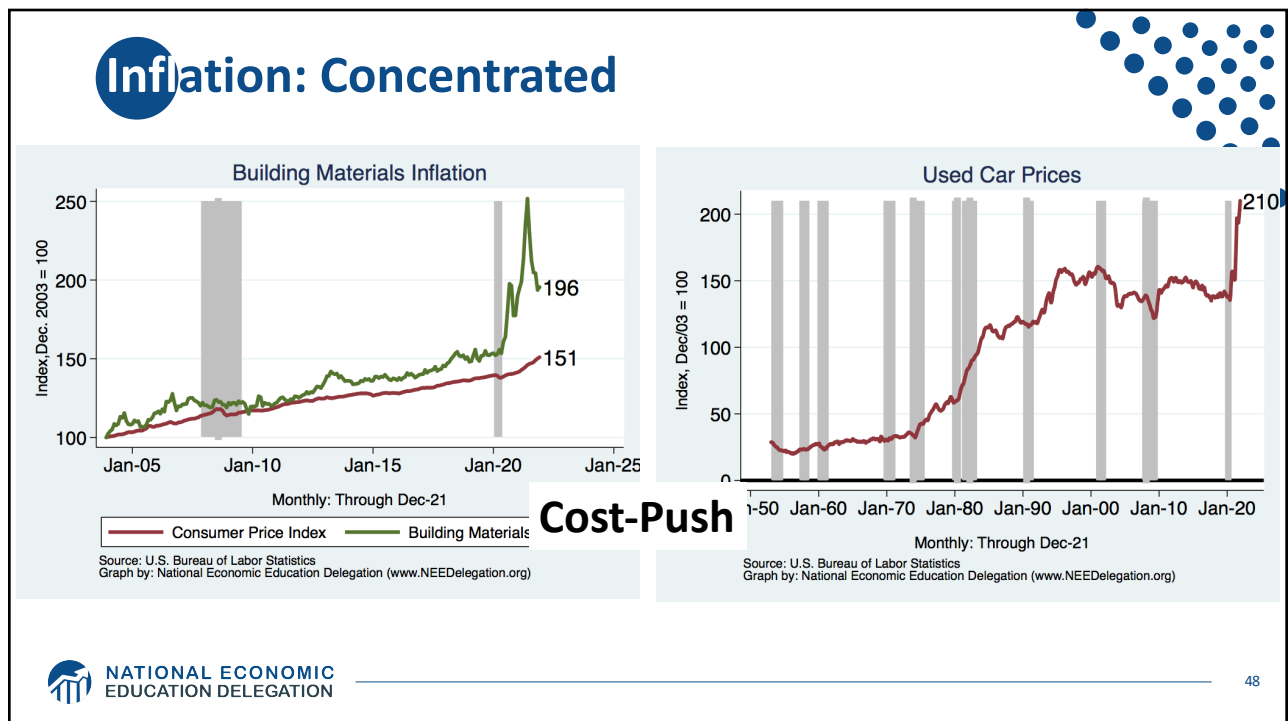
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Source: Investopedia

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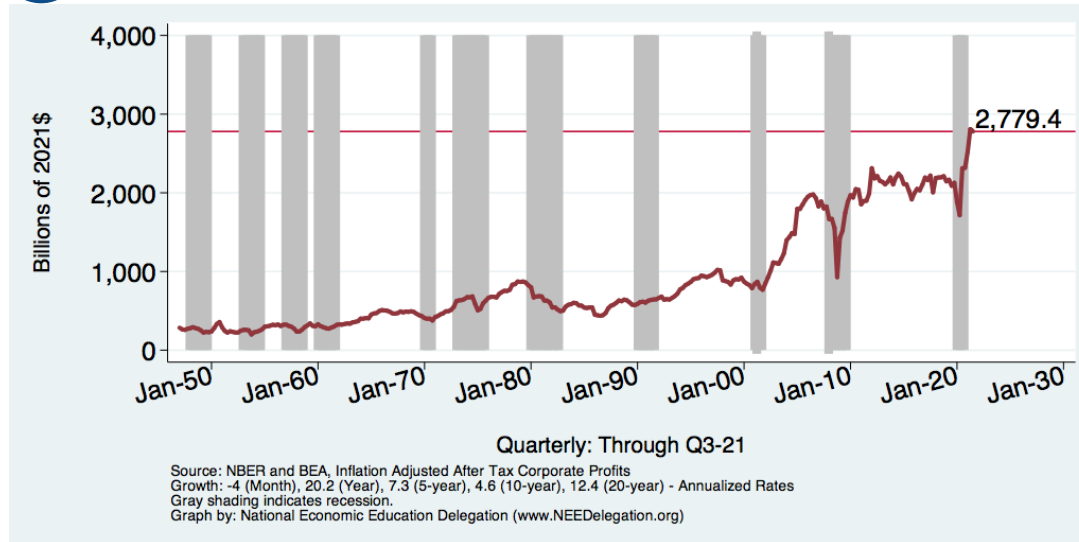
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## Corporate Profits...Adding to Inflation?

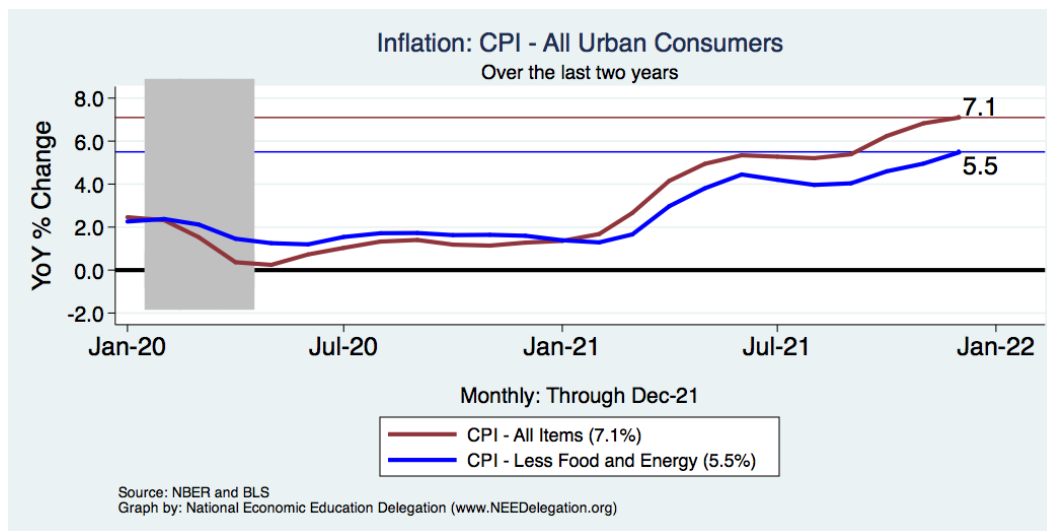


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## Inflation – Climbing! Should we worry?

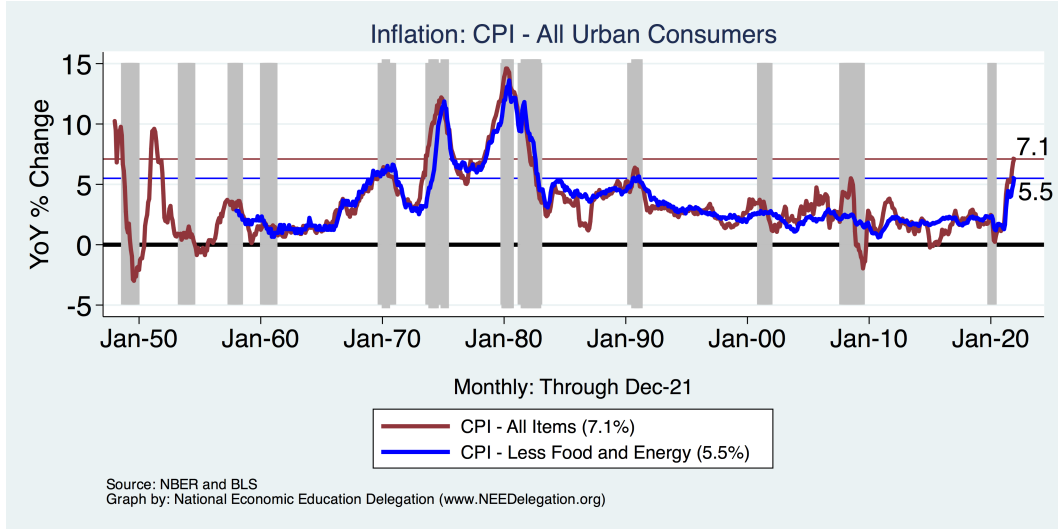


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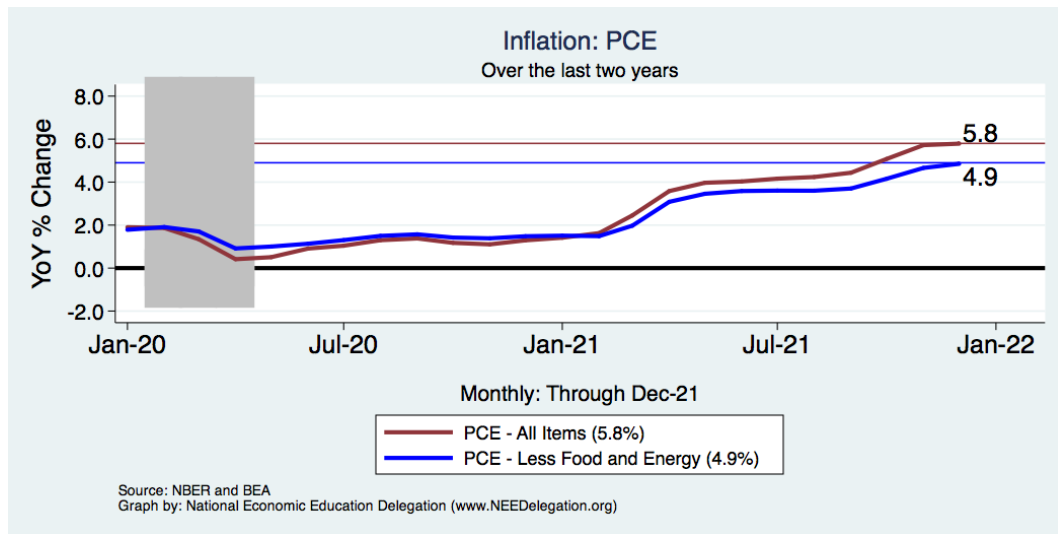
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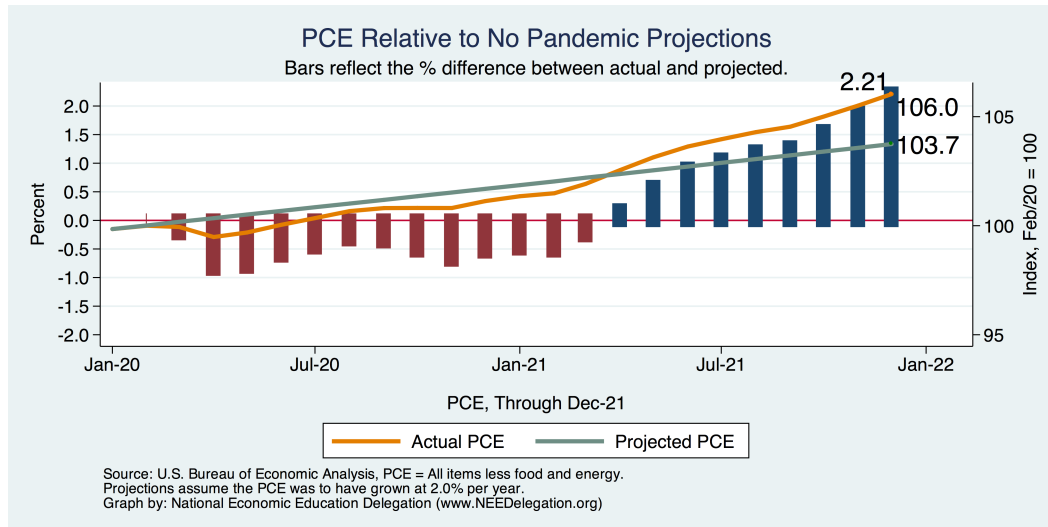
# Inflation in Historical Perspective



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



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



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## 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.

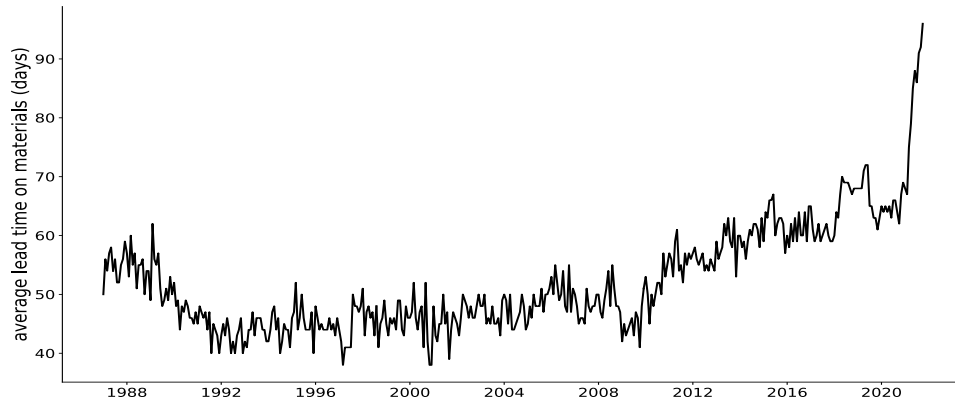


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# Supply Chain Delays: ISM Delivery Days

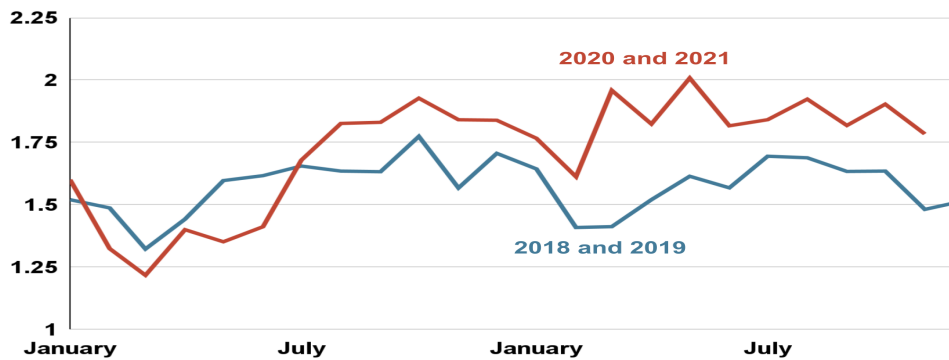
Figure 2: Delivery Delays



# Supply Chain Delays: It's Not All Supply Shortages

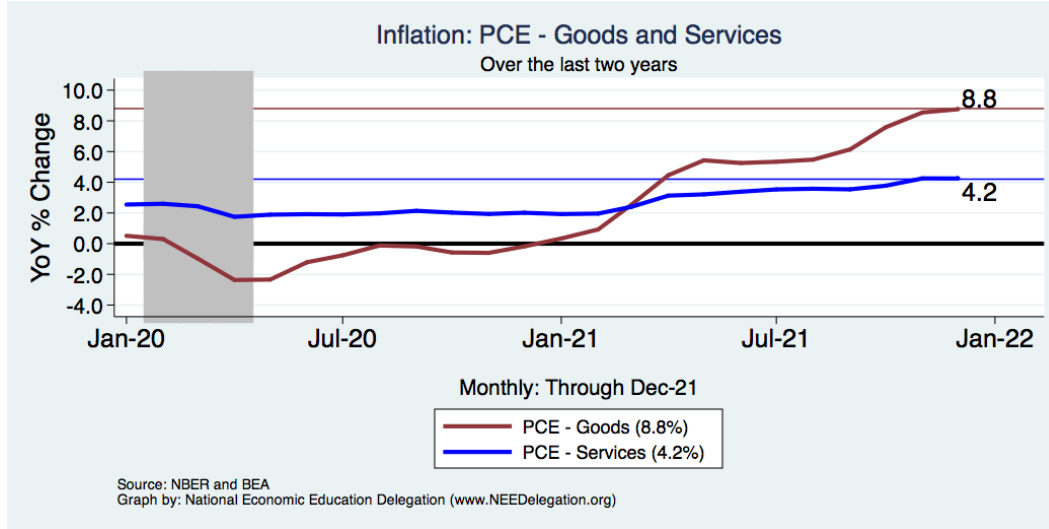
## Containerized imports rose after the pandemic

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.

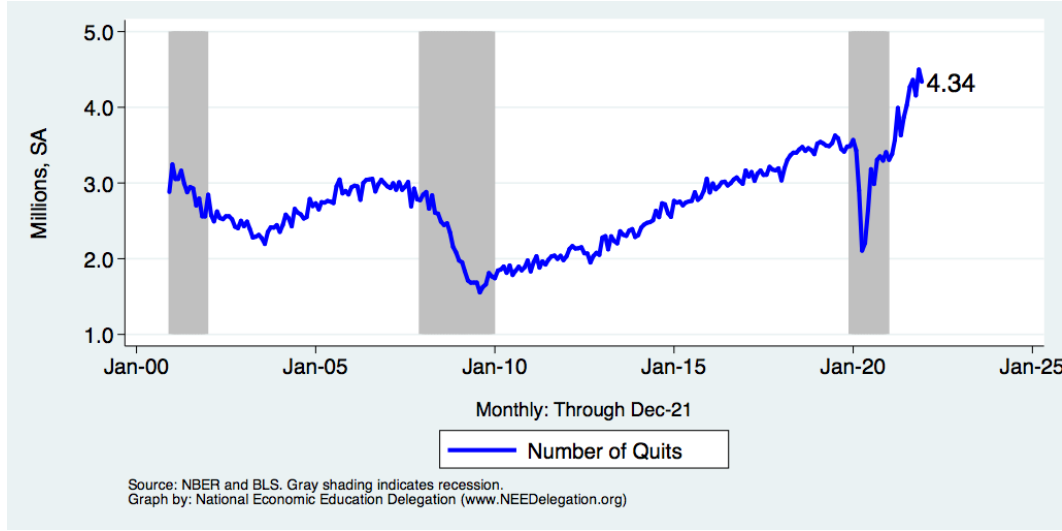
## Inflation – Catching up Gets Credibility



## The Great Resignation

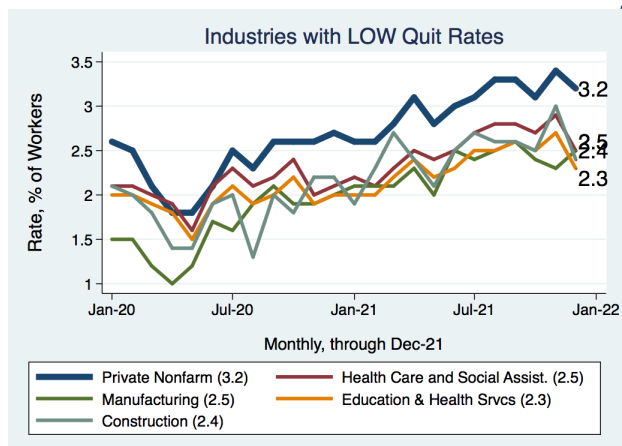
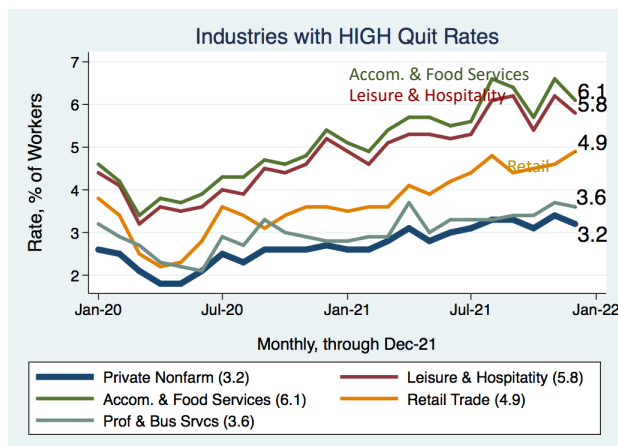


# Quits Are High! The Great Resignation



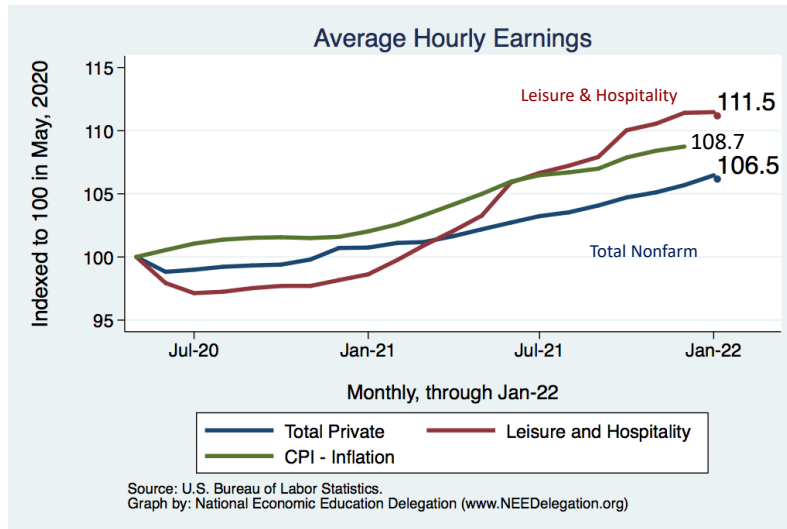
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# Quits – Rising, but More in Some Industries

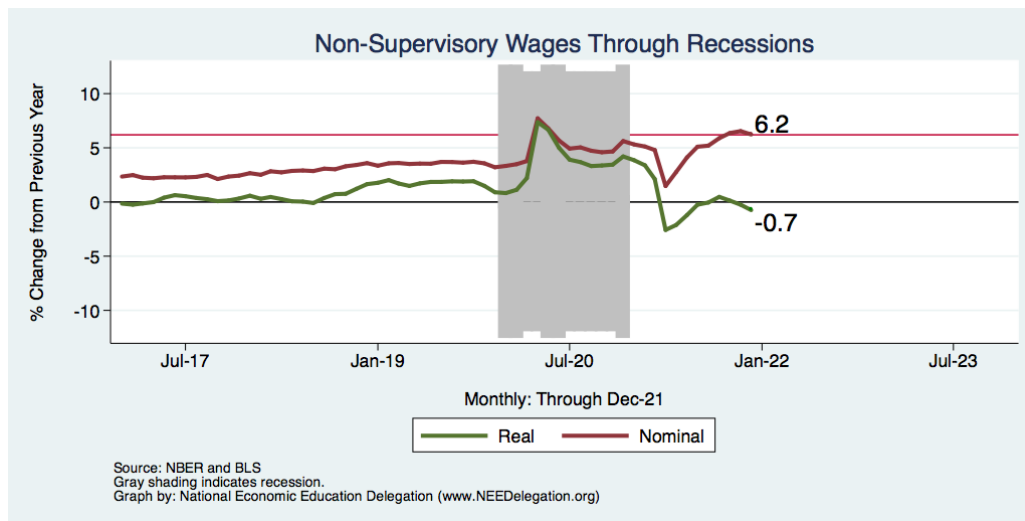


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## This is Happening Despite Rising Wages



## Inflation Adjusted Wages Are Falling

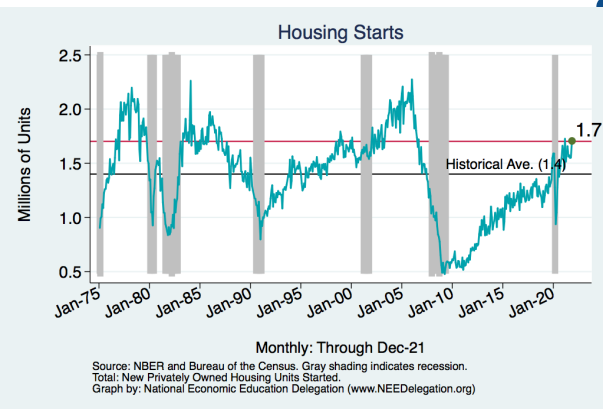
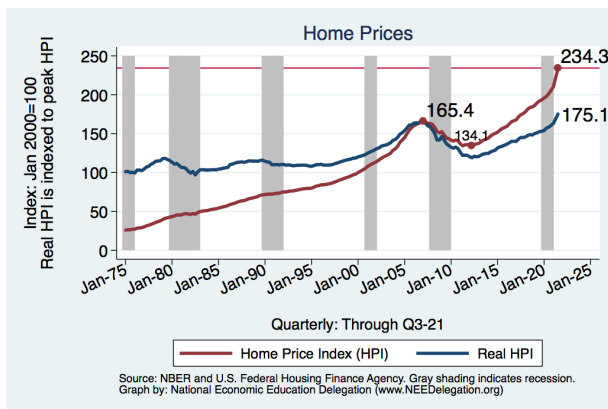


# Real Estate



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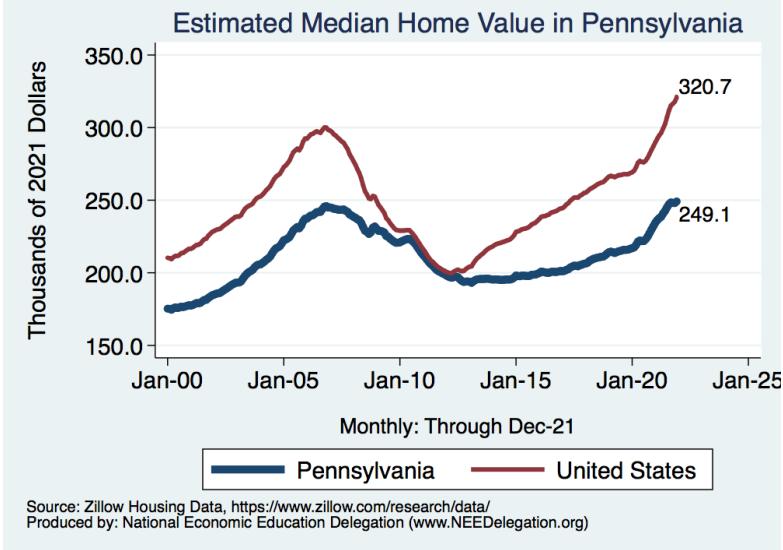
## Home Prices and Housing Starts



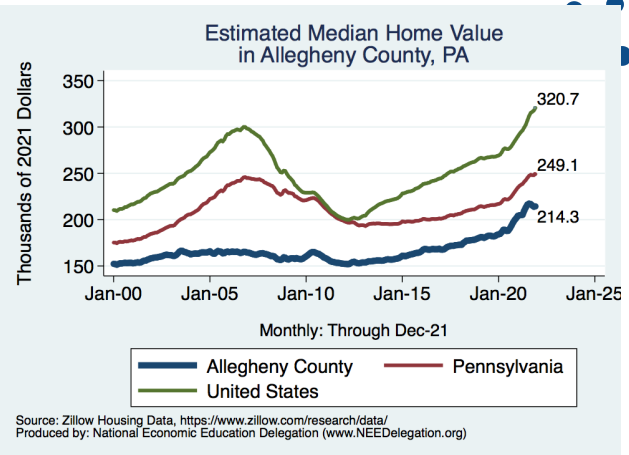
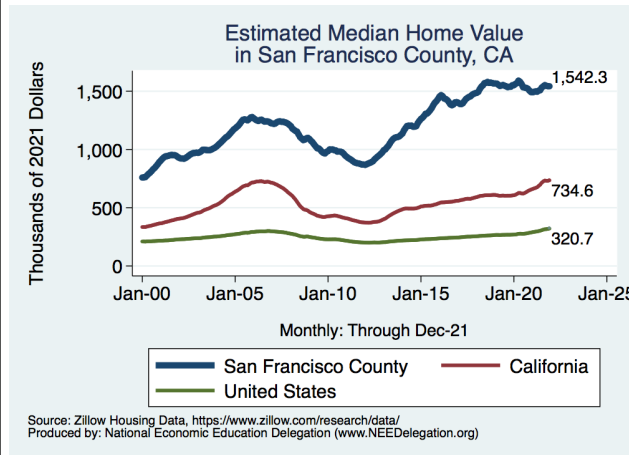
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## Real Estate Prices



## RE Experiences Differ!



## 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. (2.0 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.



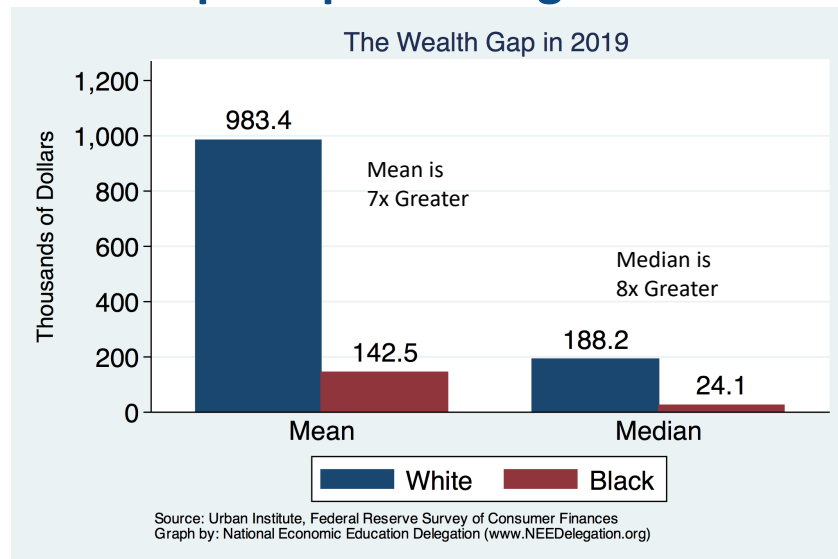
## Best Measures of Progress

- 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.



## B-W Wealth Gap: Stephanie Seguino



Thank you!

# Any Questions?

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

Jon D. Haveman

Jon@NEEDelegation.org

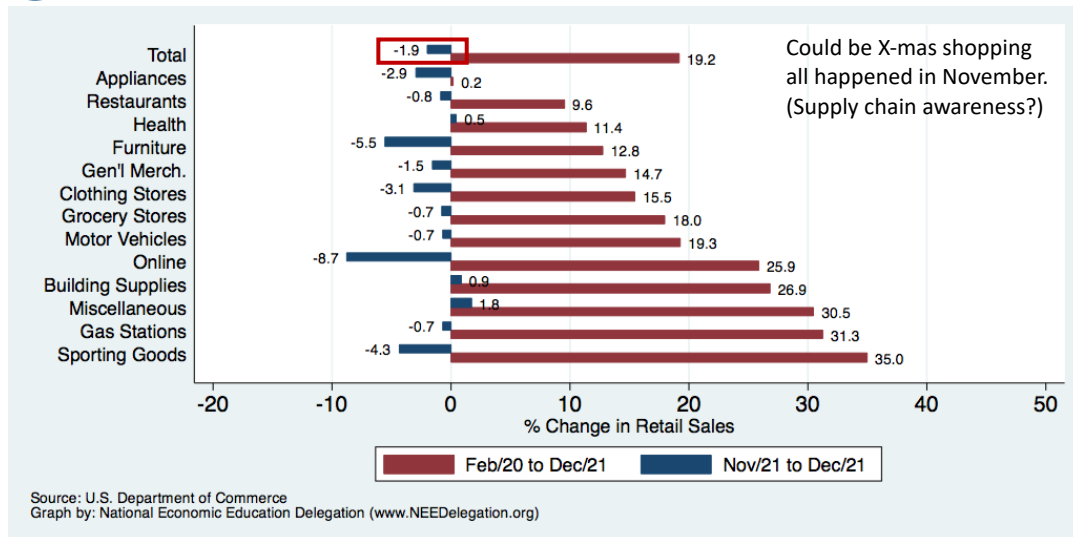
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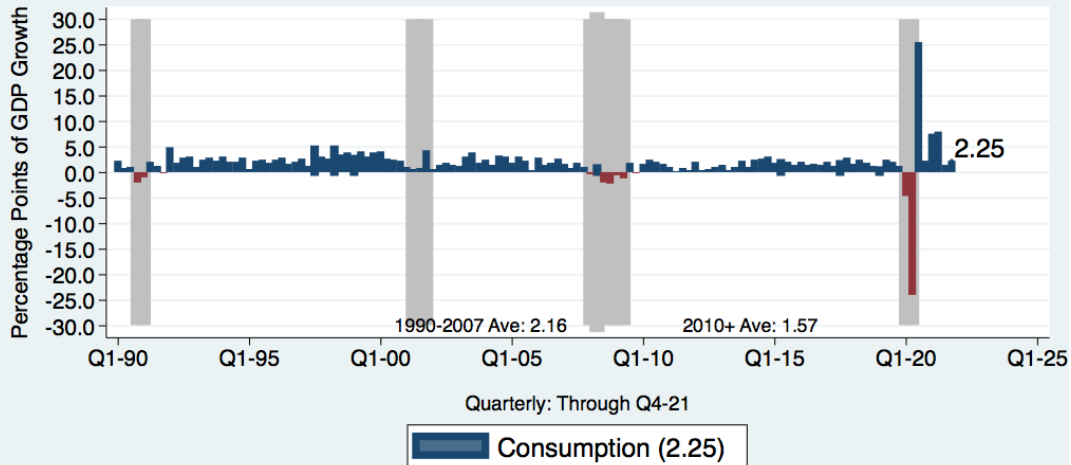
## Retail Sales Are Slowing – Q4-21? Q1-22?



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



## Consumption: Quarterly Growth



Source: Bureau of Economic Analysis. Gray shading indicates recession.  
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

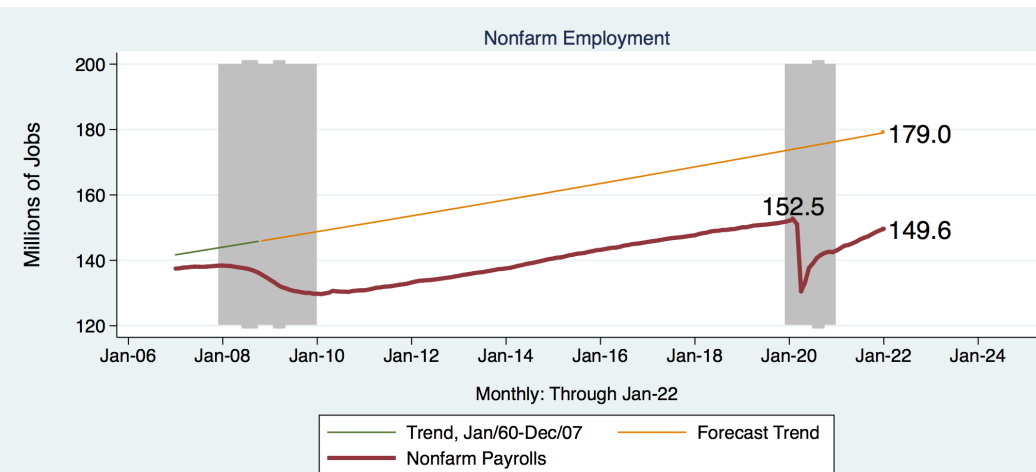


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## Employment Gap



Source: NBER and US Bureau of Labor Statistics. Gray shading indicates recession.  
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

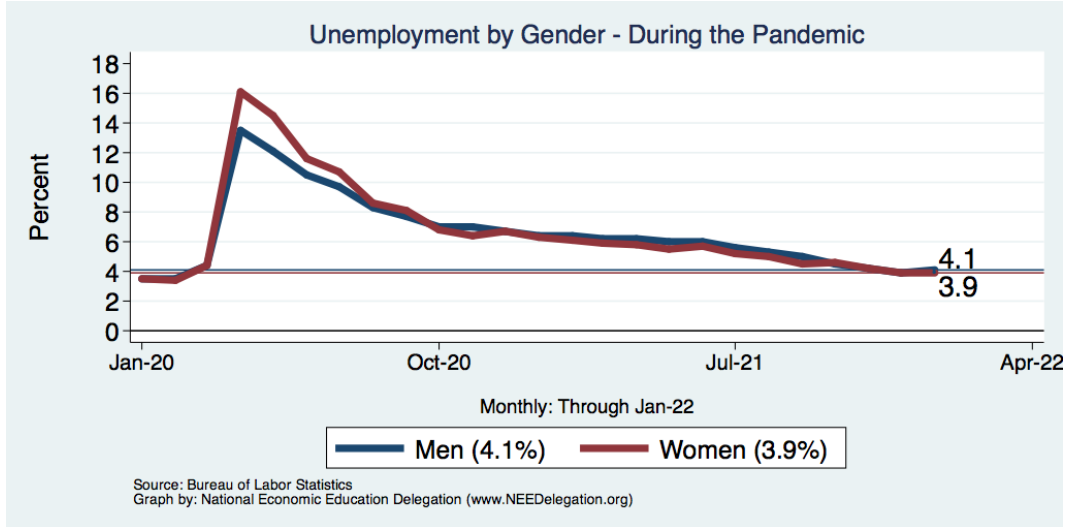


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## Affected Women More Than Men?

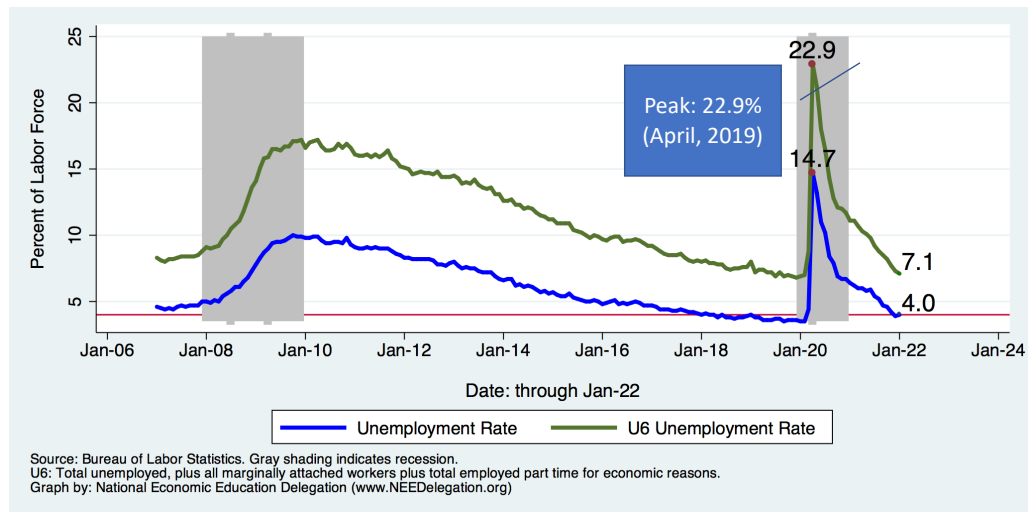


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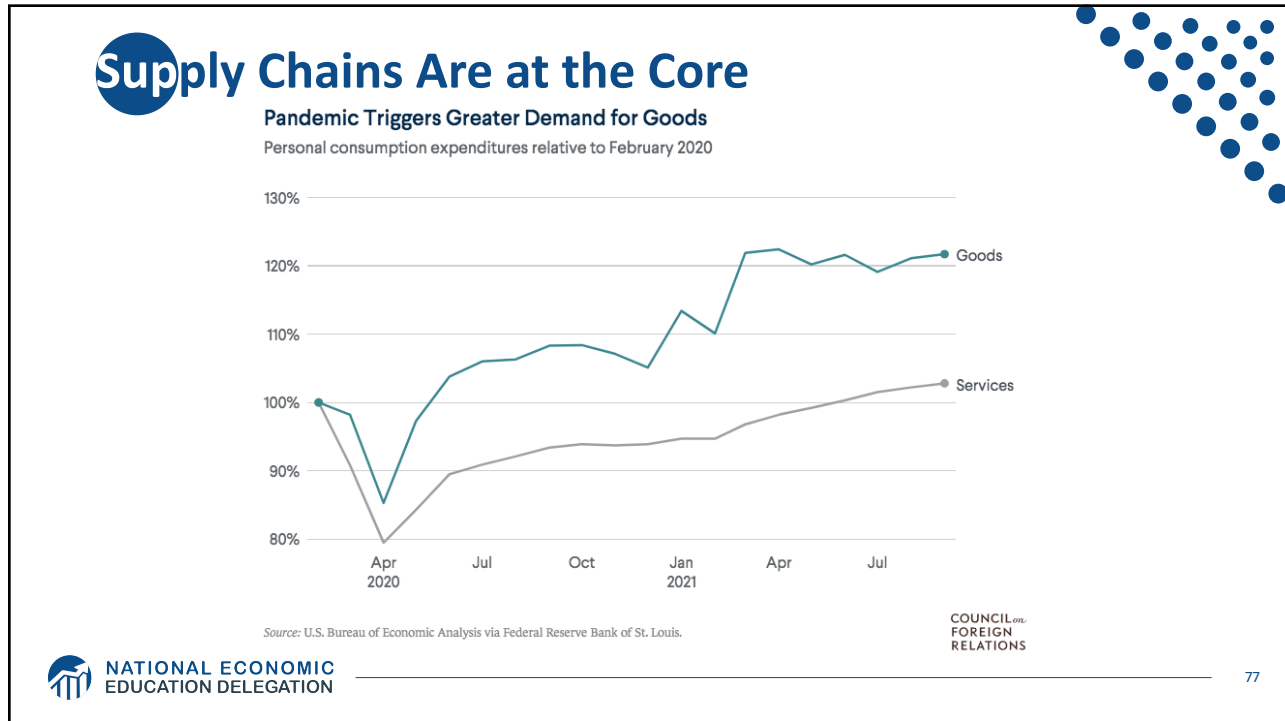
## Another Measure: Unemployment



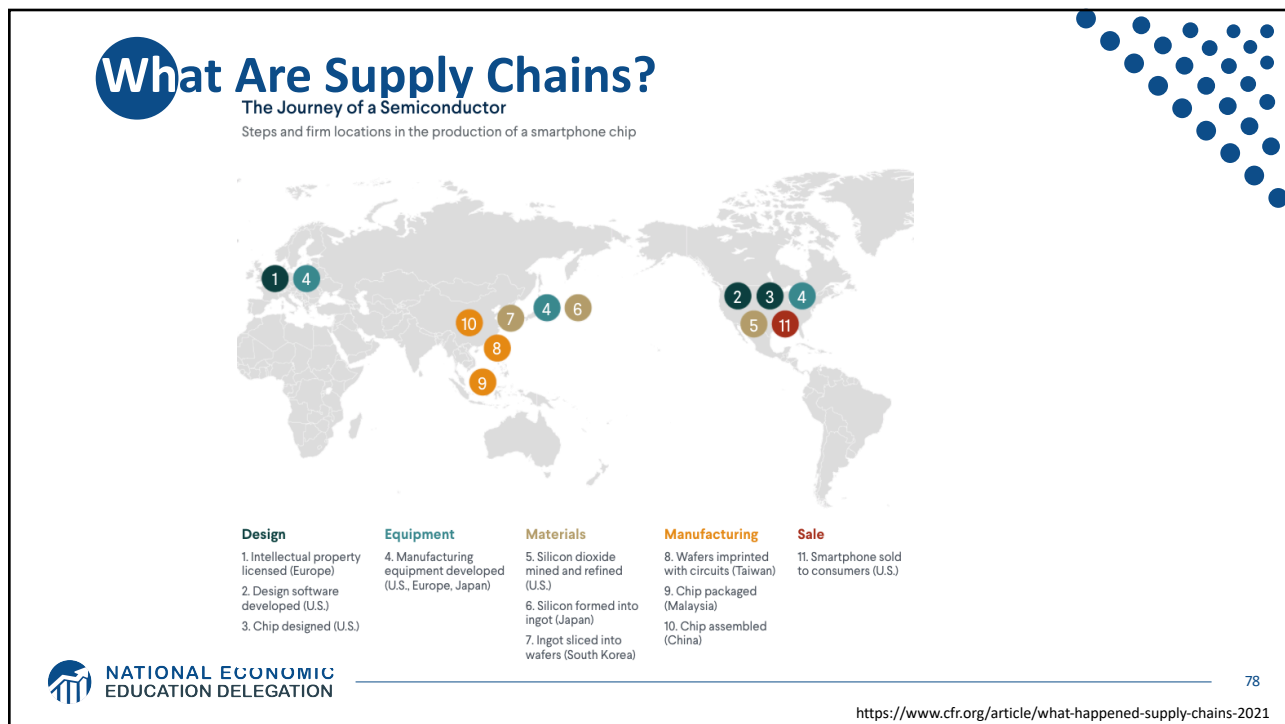
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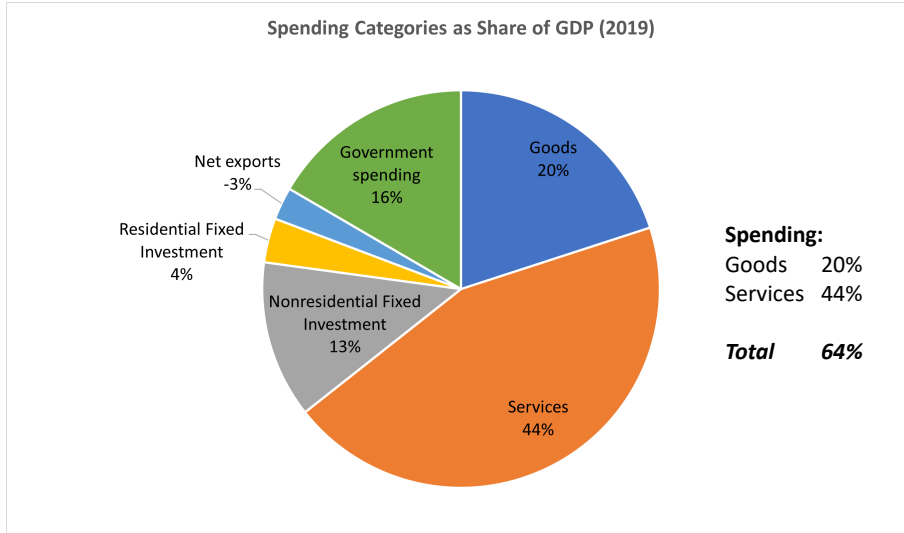


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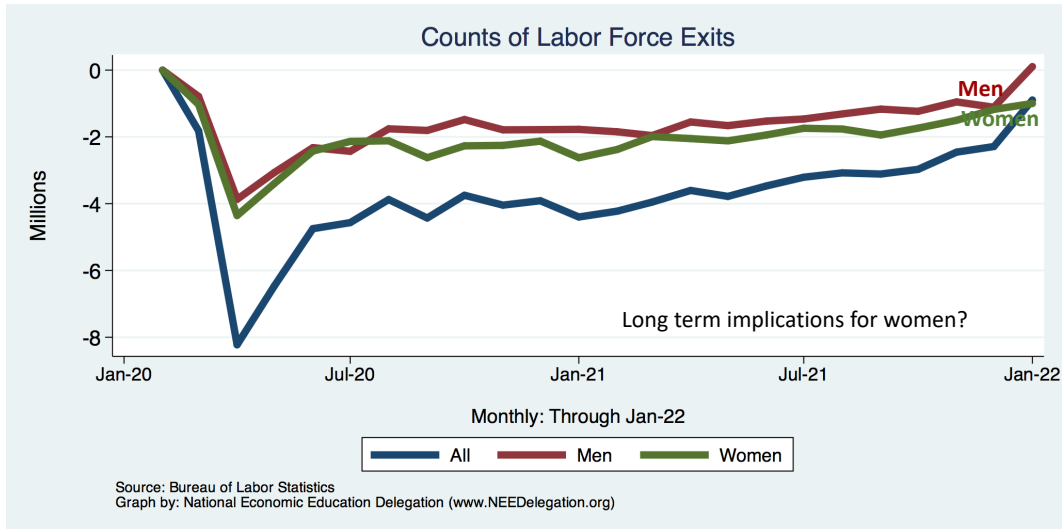
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# Why does spending matter?



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# Affected Women More Than Men



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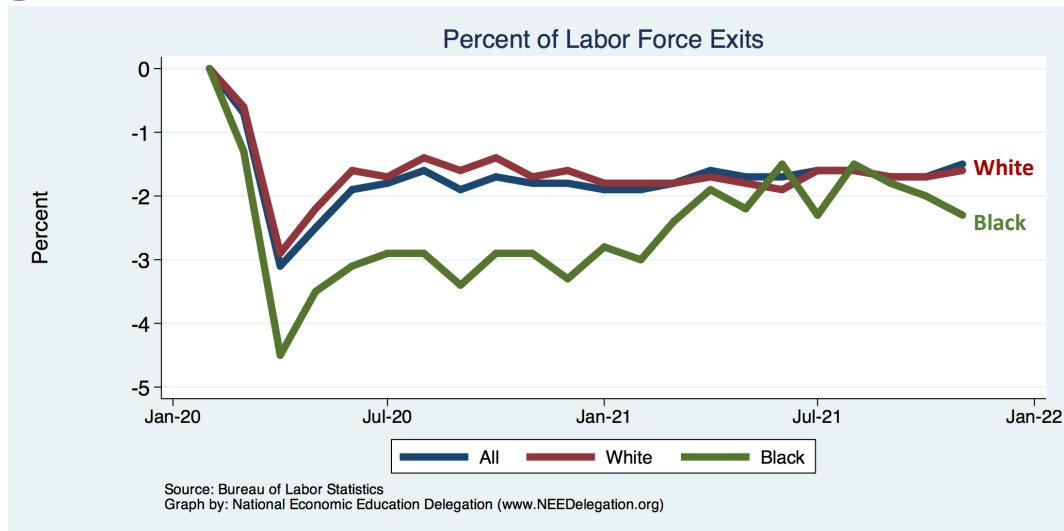


## Why Women More Than Men?

- 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.



## Affecting Black Workers More than White



## 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.



## 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?

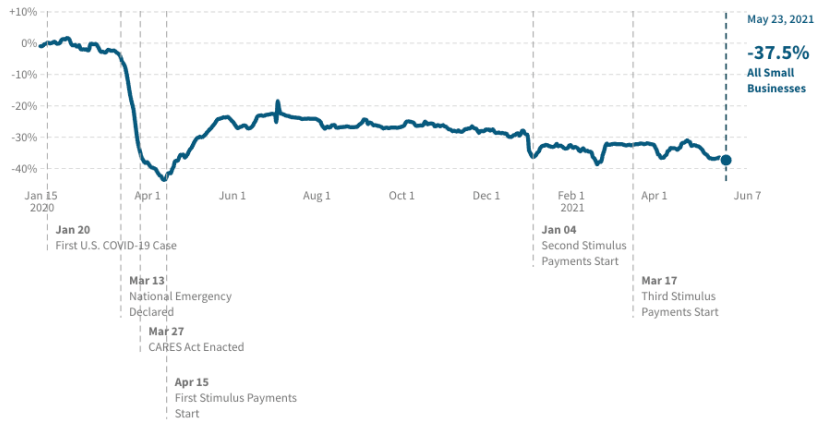


# A Hard-Hit Sector: Small Business

## Small Biz Closures in the United States

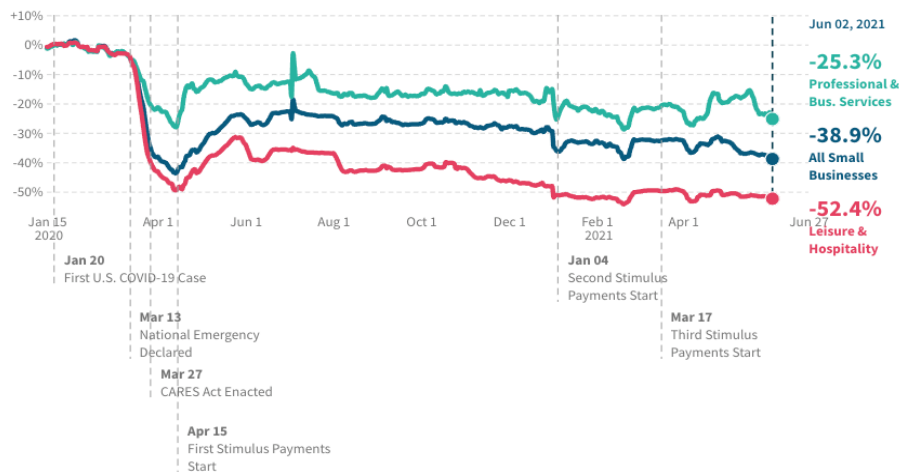
In the United States, as of May 23, 2021, the number of small businesses open decreased by 37.5% compared to January 2020.

[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

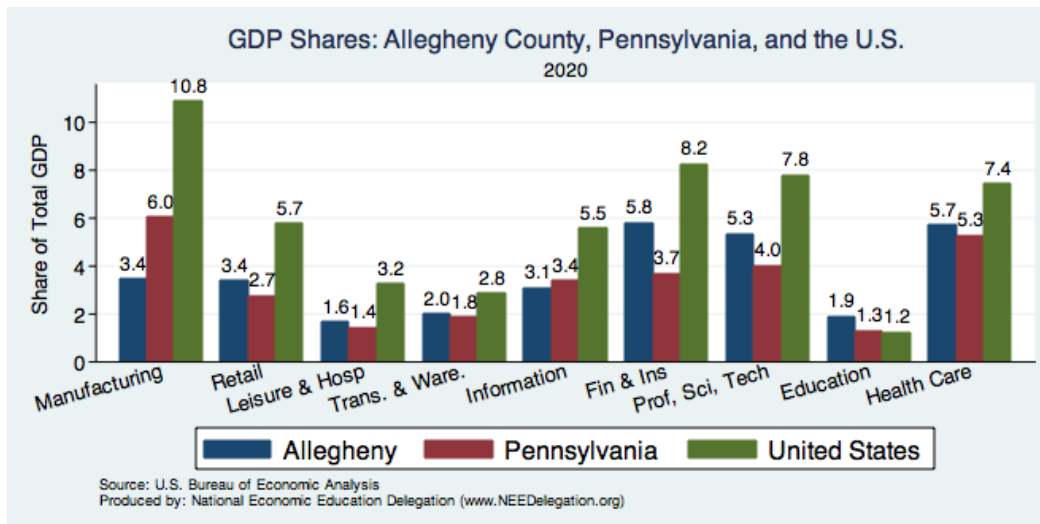
- **Resources to weather the storm.**
- **Racial inequities.**
- **Educational inequities**
- **Telecommuting**
- **Low wage jobs are at risk.**



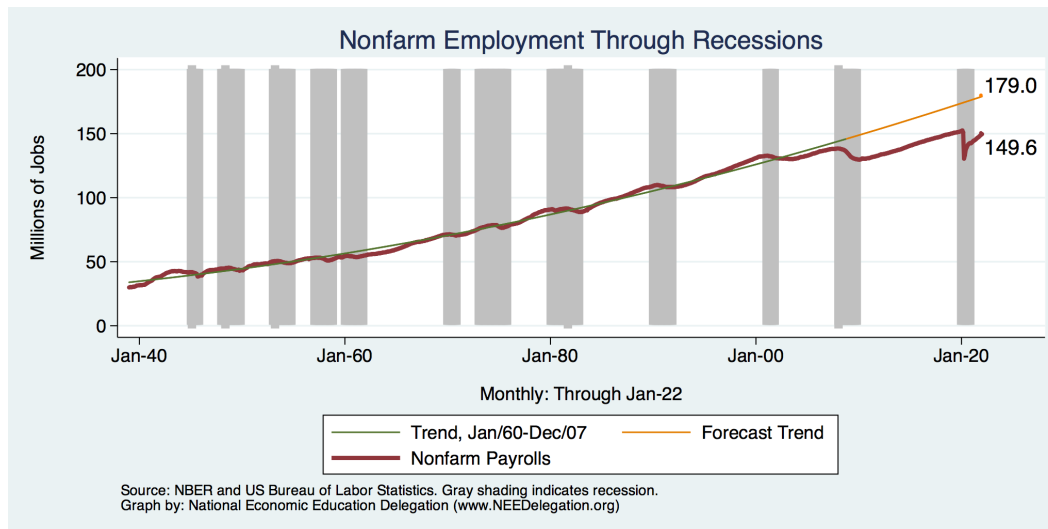
## Structural Changes?

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

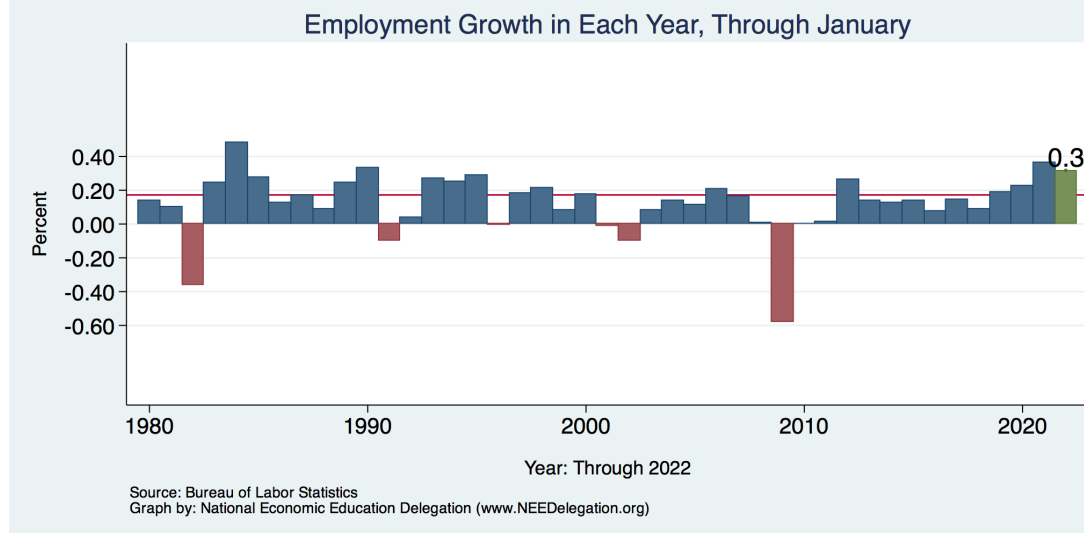
## Allegheny County GSP: Trans & Warehousing

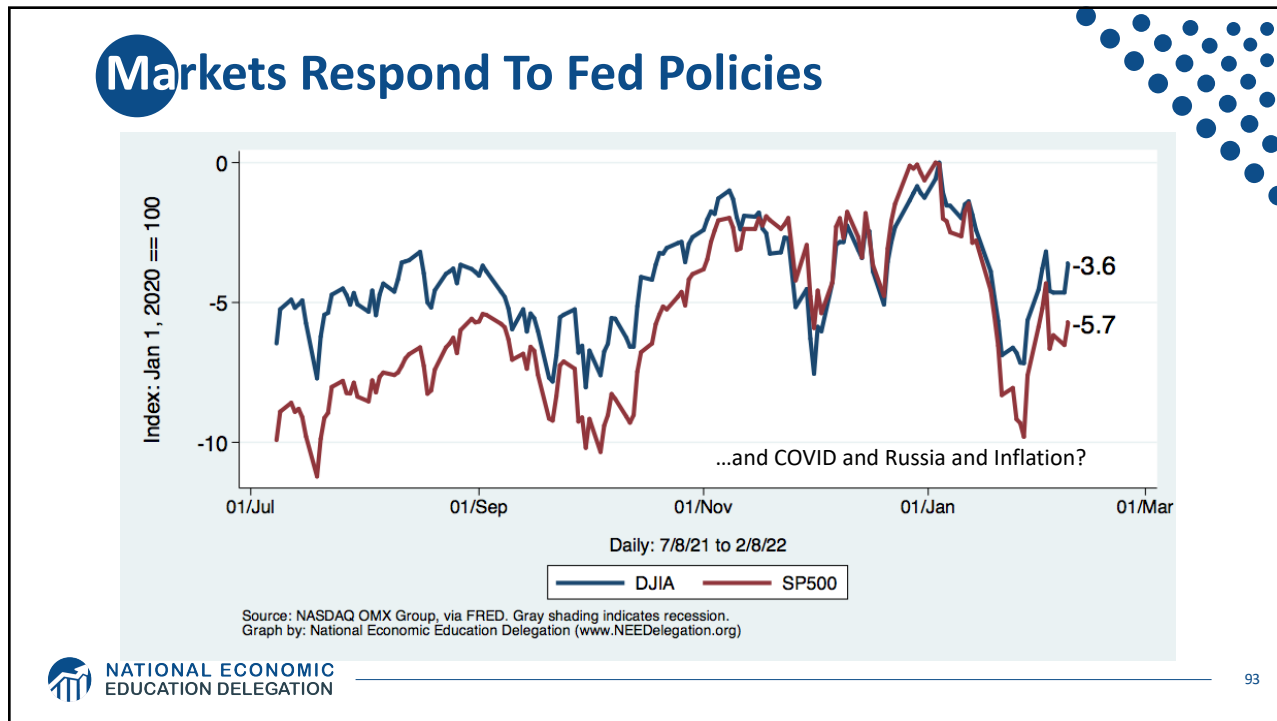


## Employment Gap – In Historical Perspective



## Annual Changes in Nonfarm Employment





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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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