



US Economy: Contradictory Economy and Recovery

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National Economic Education Delegation



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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: 645+ 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: 49 Ph.D. Economists**
 - Aid in slide deck development

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Credits and Disclaimer

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- 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).

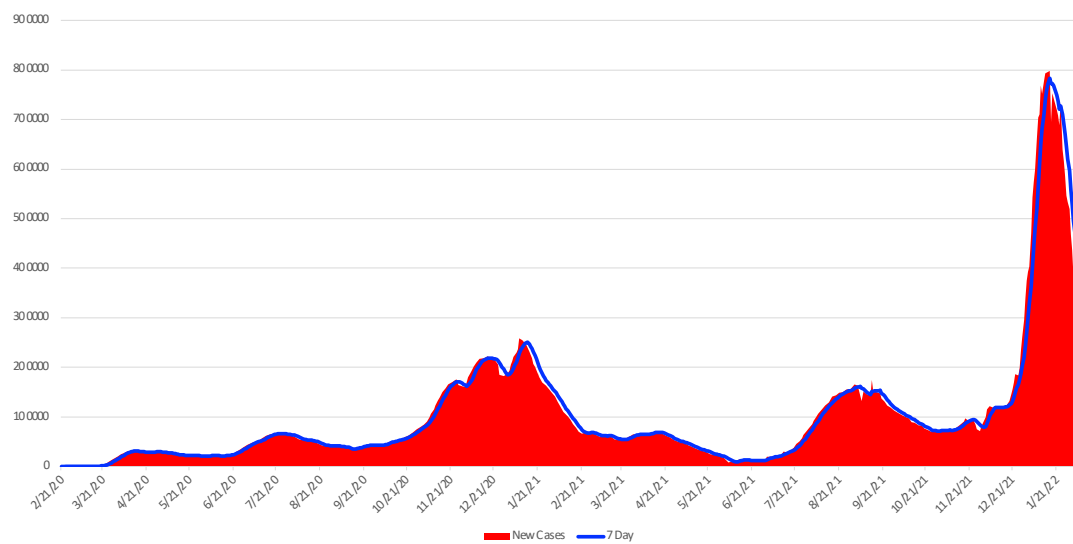


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COVID-19 Cases US



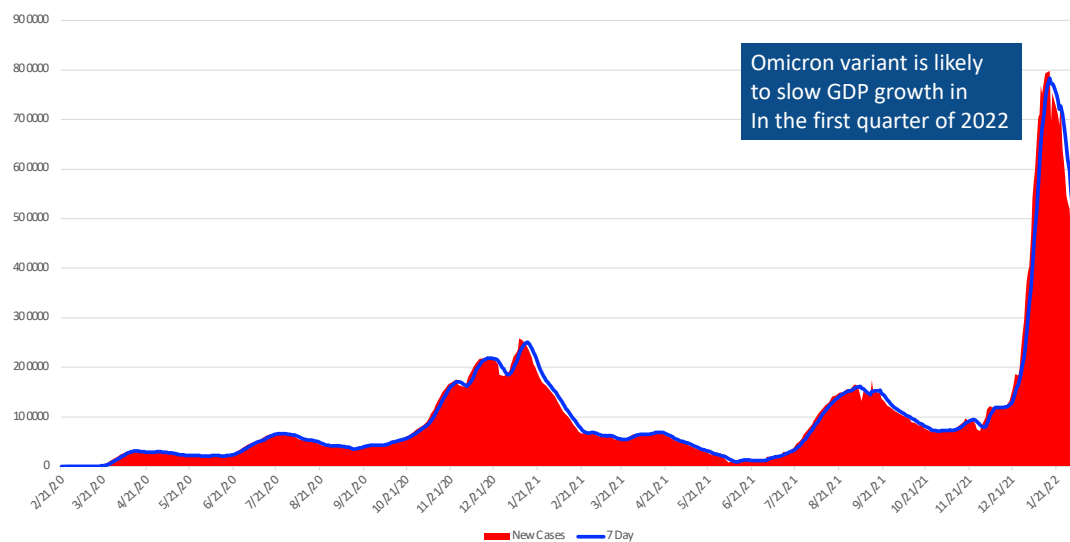
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Takeaways

- **Economic Growth: The economic recovery will continue through 2022.**
 - IMF expects US growth to be 5.2%
 - Economic growth in 2022:Q1 will be muted for reasons discussed below.
- **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

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COVID-19 Cases US



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Brief Outline

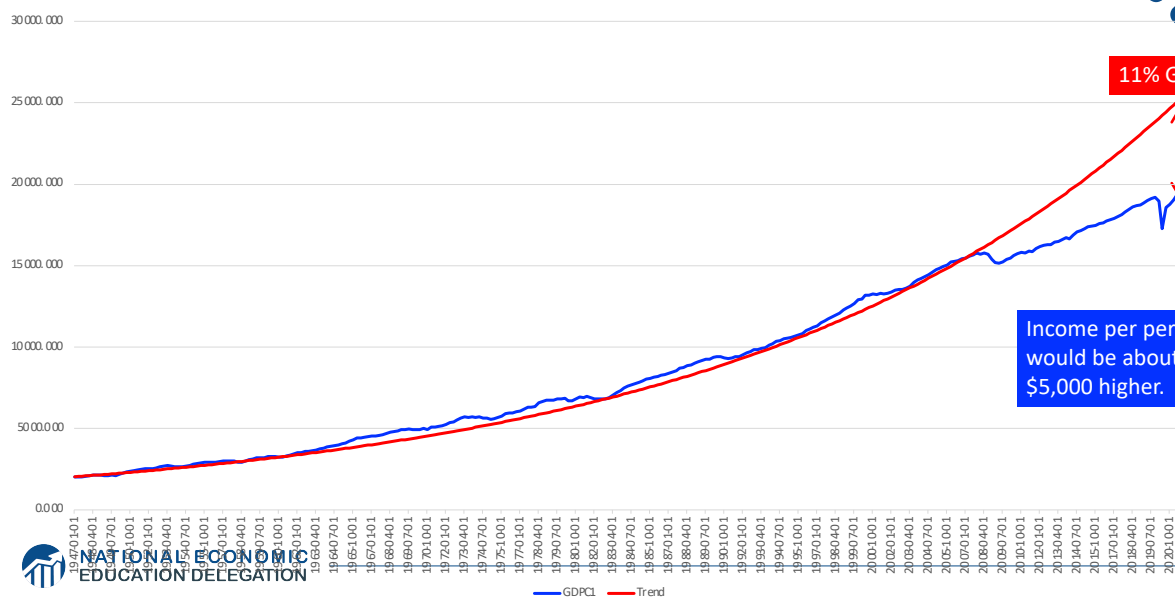
- GDP: Longer Run Trends
- GDP: Income and its components --- what is supporting the economic recovery.
- Labor Markets and Employment Dynamics
- Inflation and Supply Chain Disruptions
- Conclusion
- Debt and Deficit
- Infrastructure package



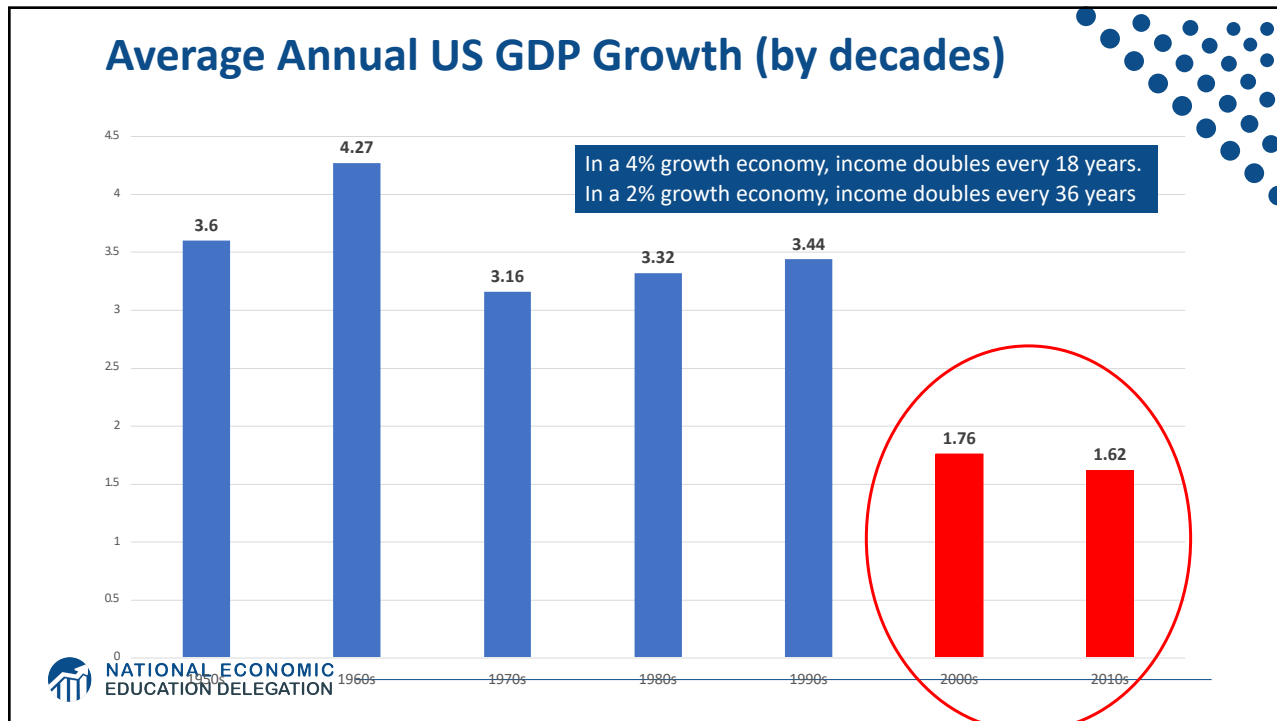
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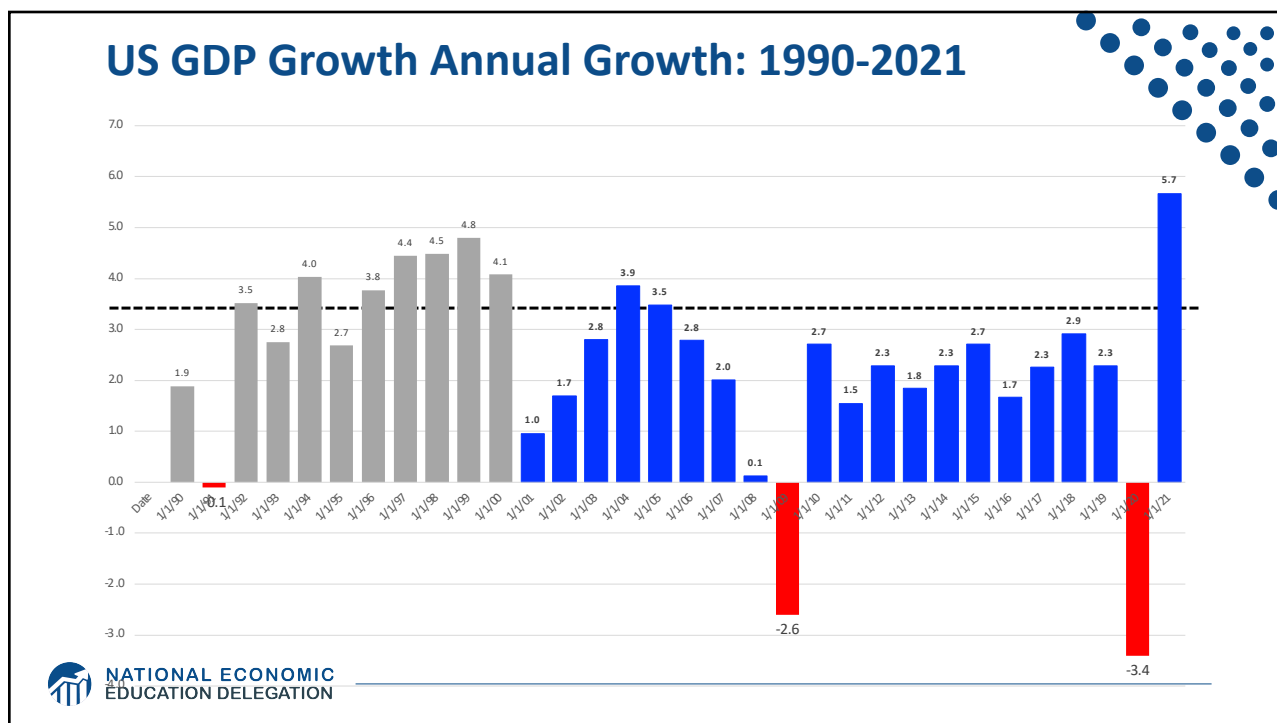
US GDP Level and GDP Trend



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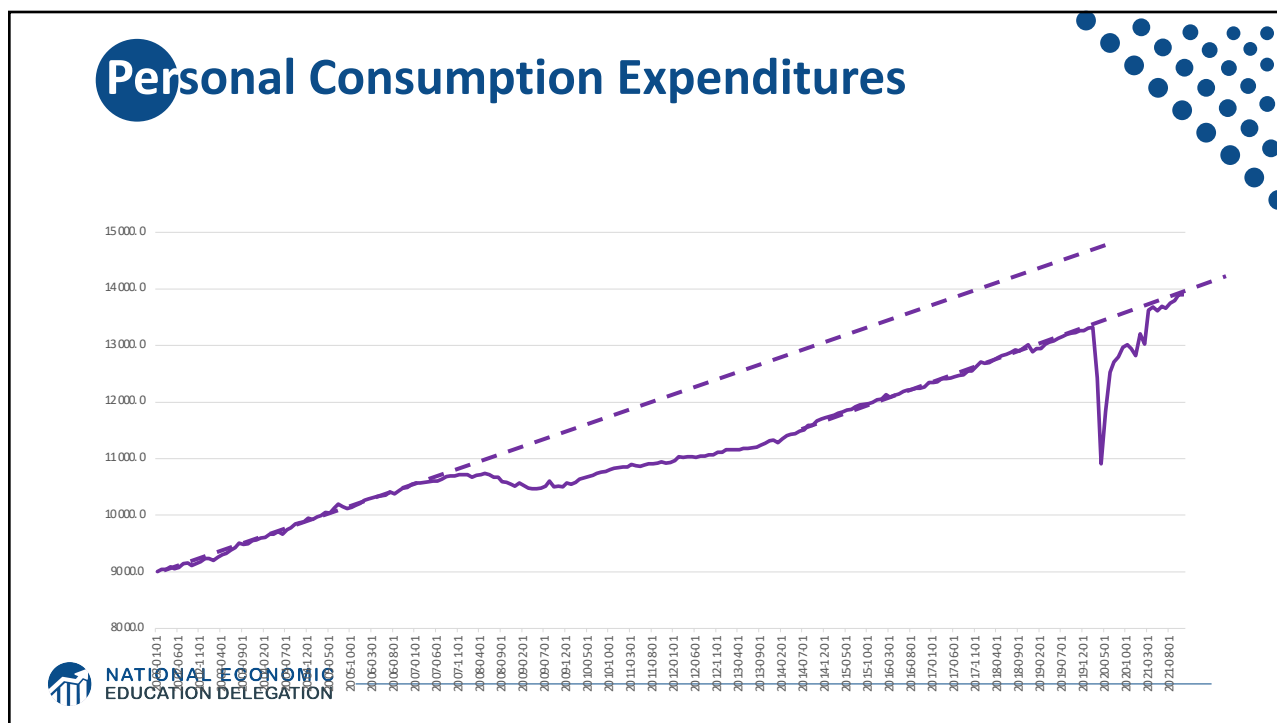
Economic Recovery

- **GDP: $Y = C + I + G + NX$**
- **Consumption has been the main driver for the economic recovery**
 - Support for the recovery was that the economy was in relatively good shape structurally before the pandemic.
 - Amount of fiscal and monetary stimulus provided income and job support.
- **Investment has supported GDP growth in 2021:Q3 and 2021:Q4**
 - I do not anticipate investment being as supportive in the first half of 2022

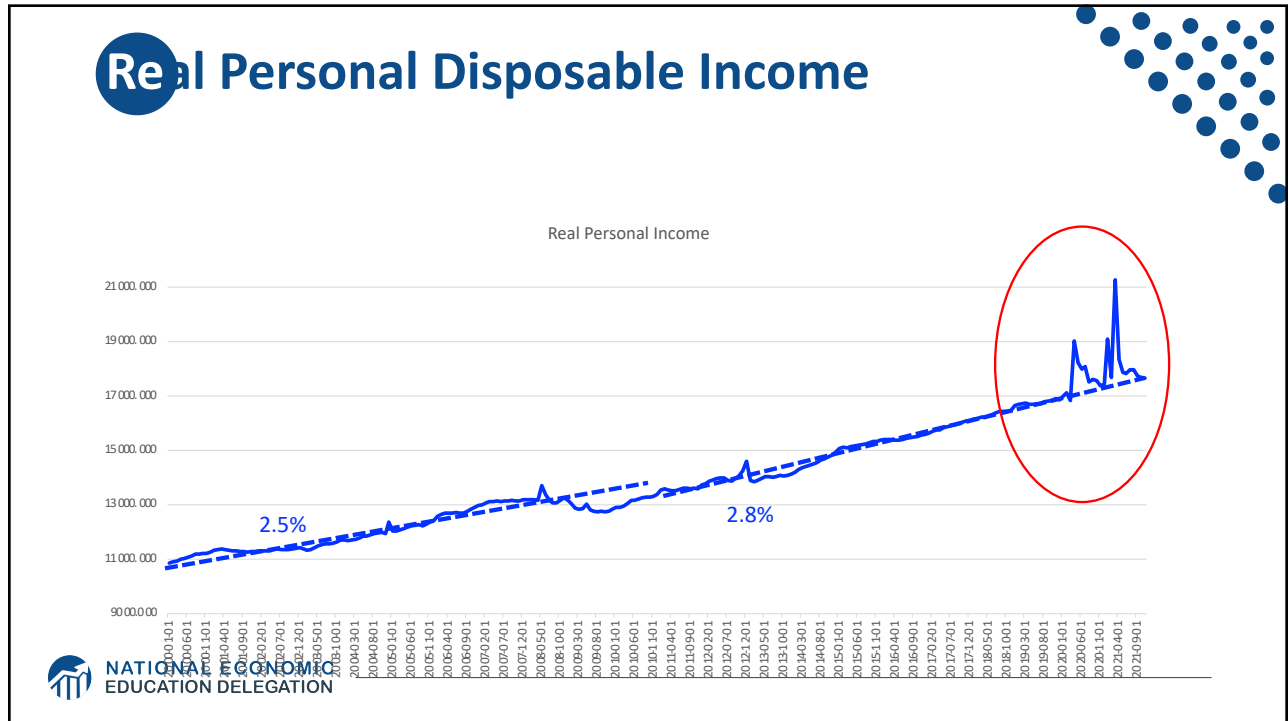
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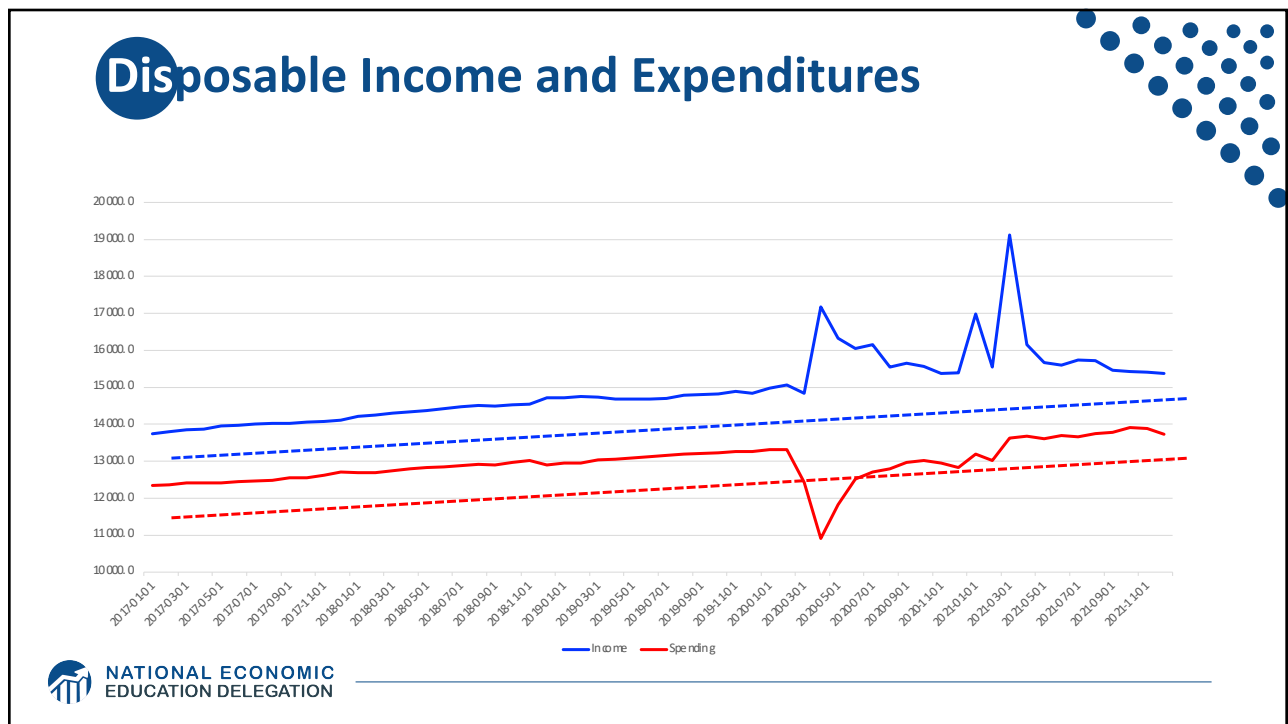
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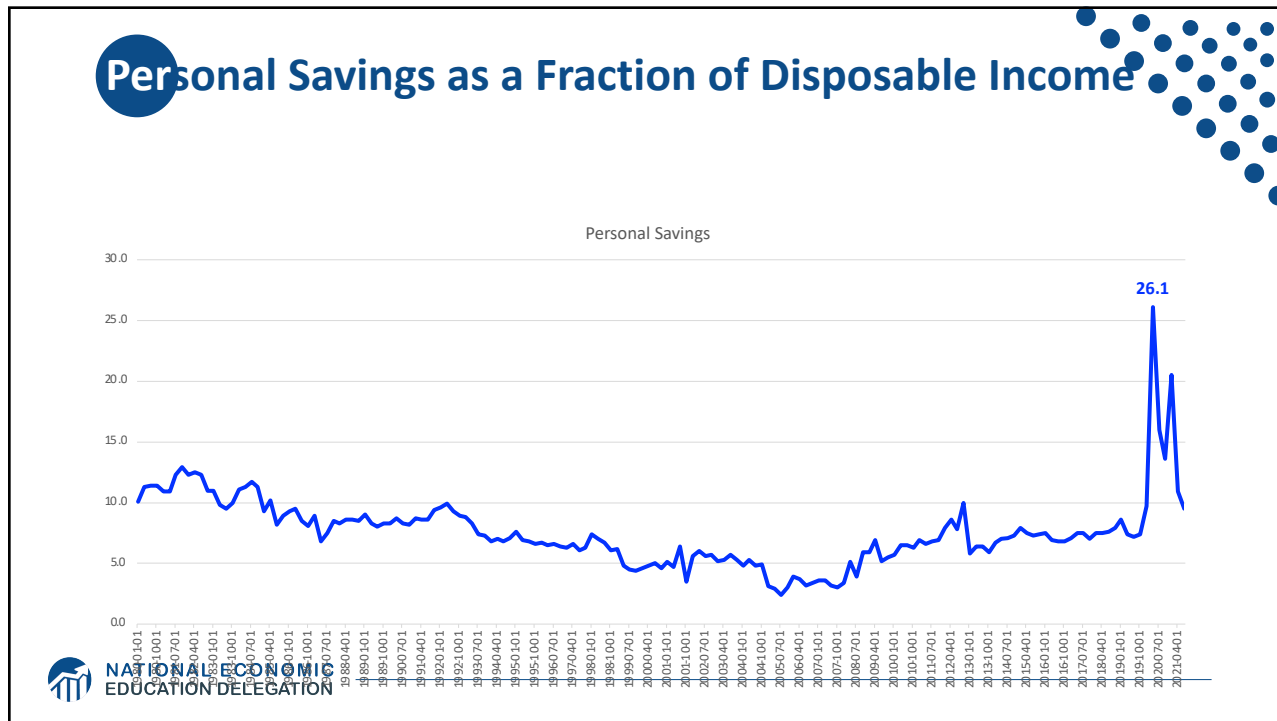
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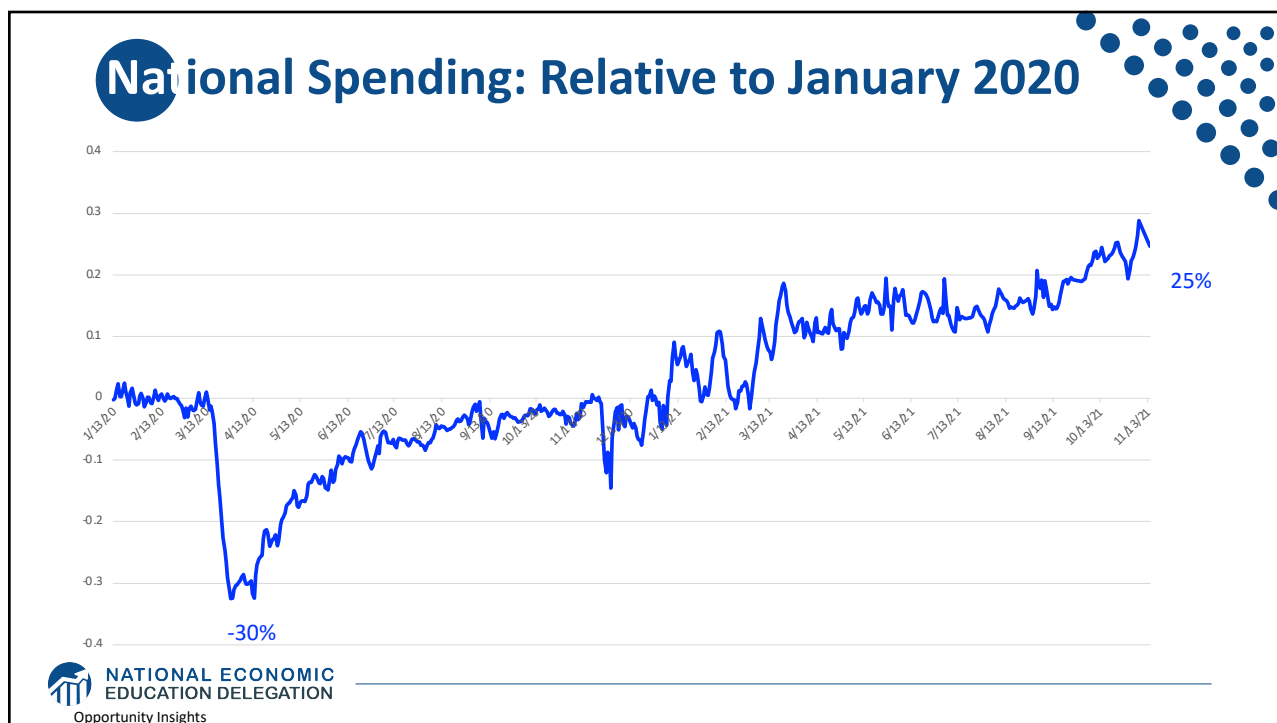
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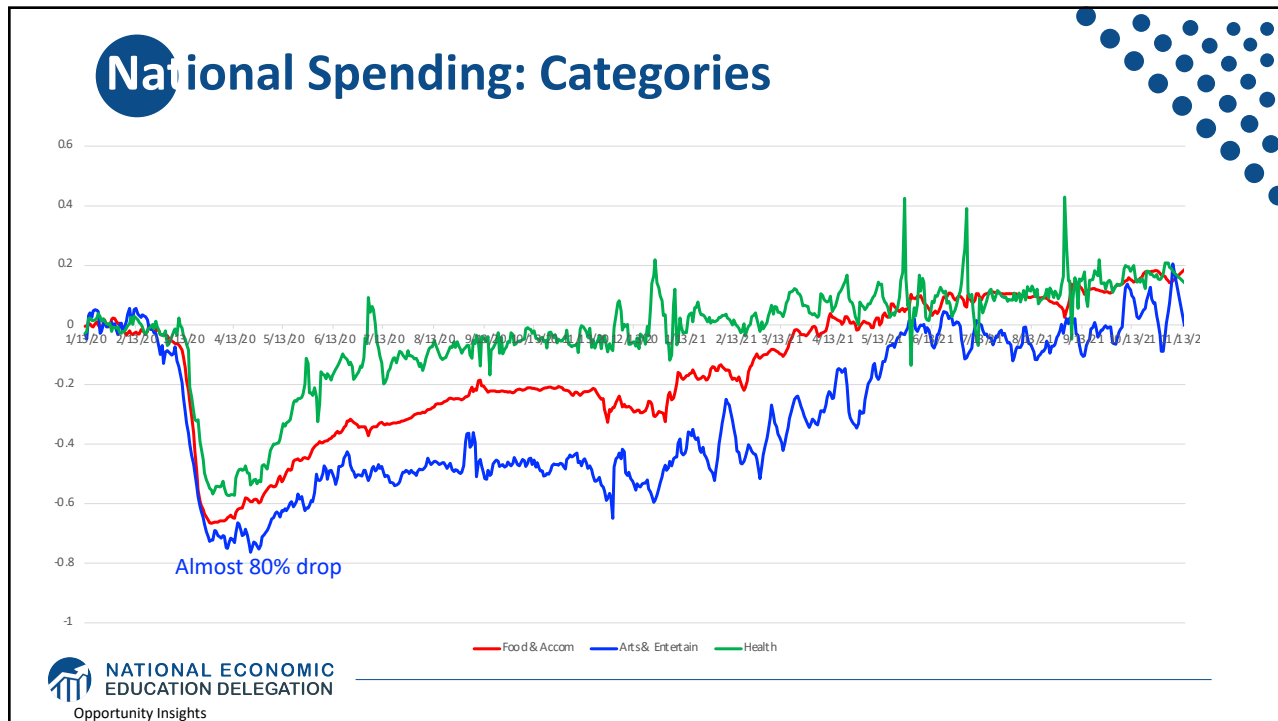
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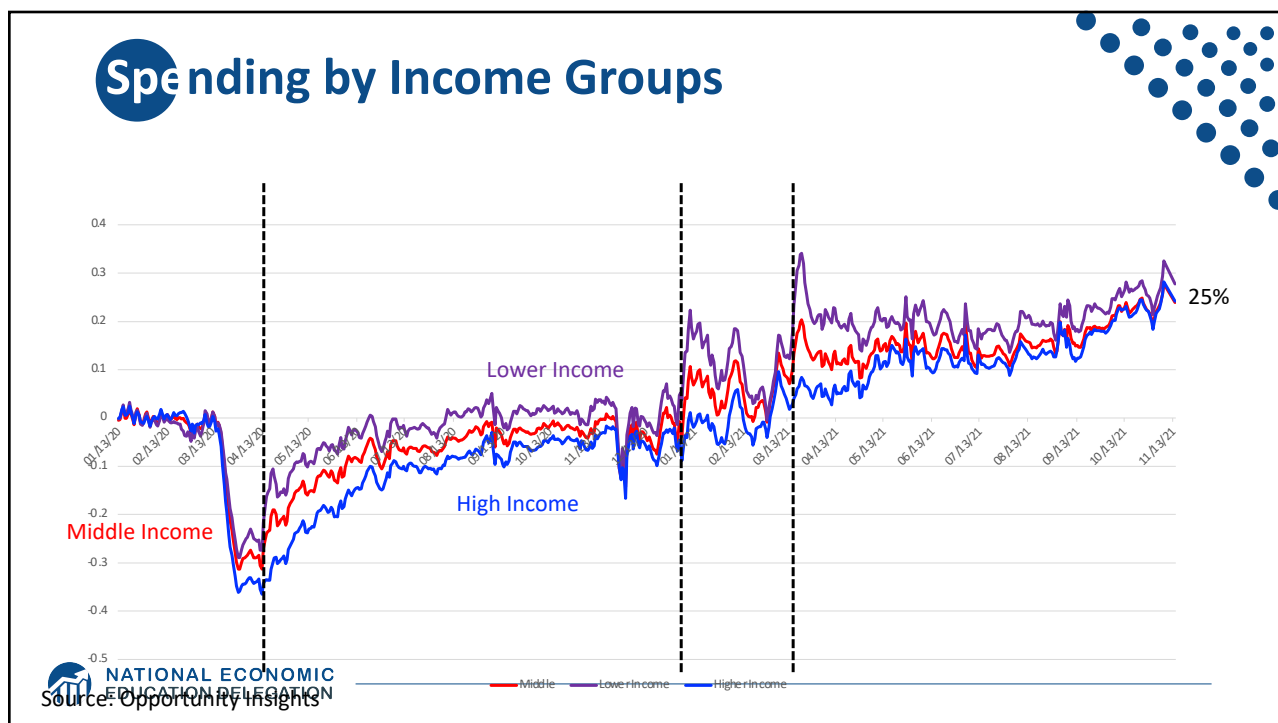
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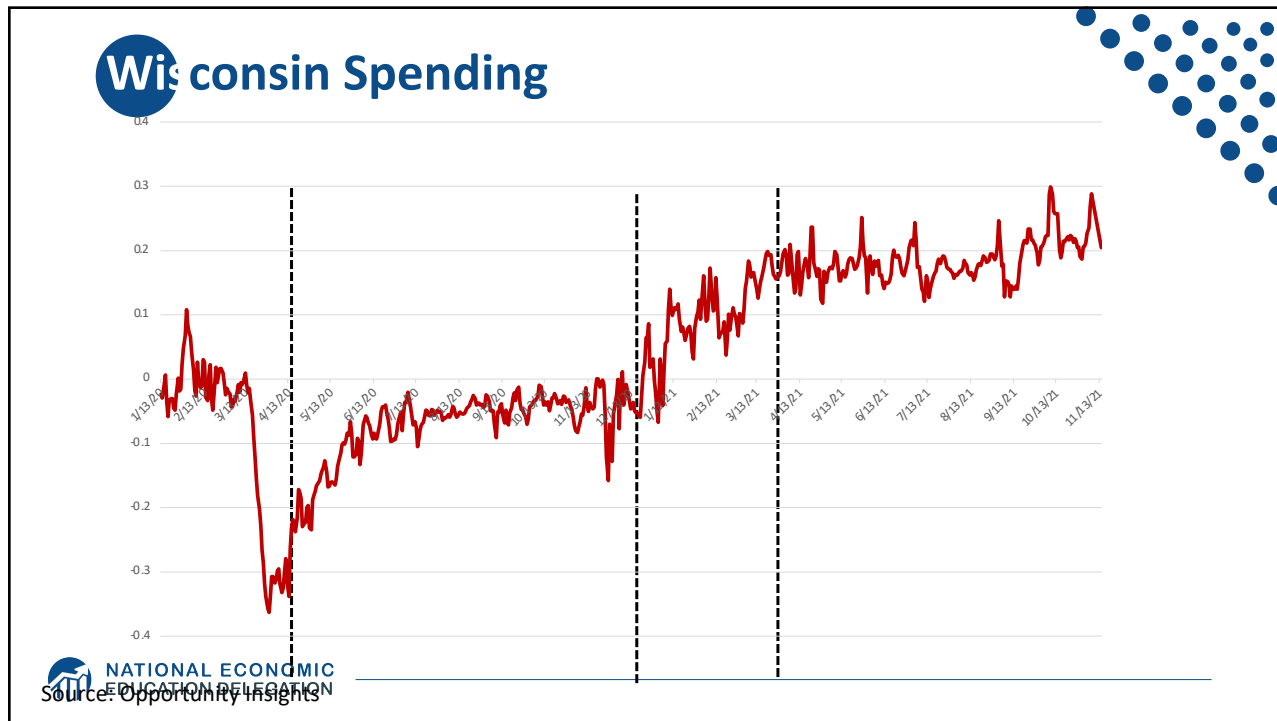
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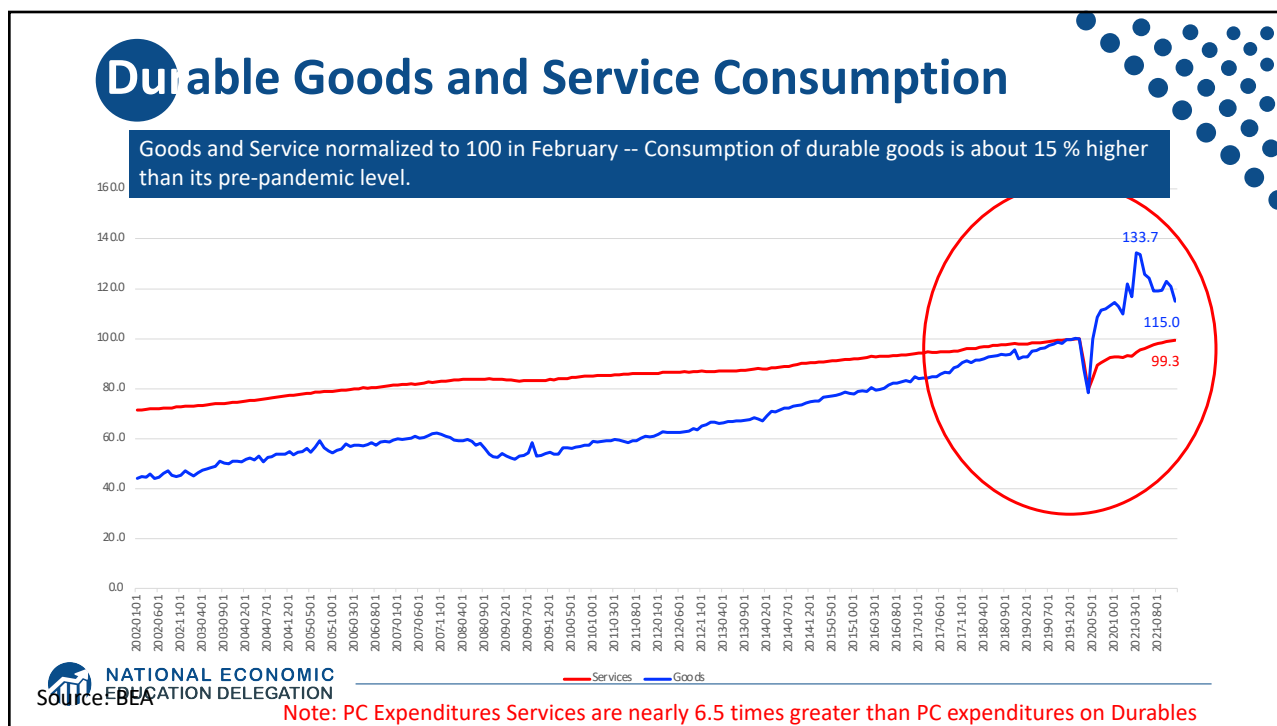
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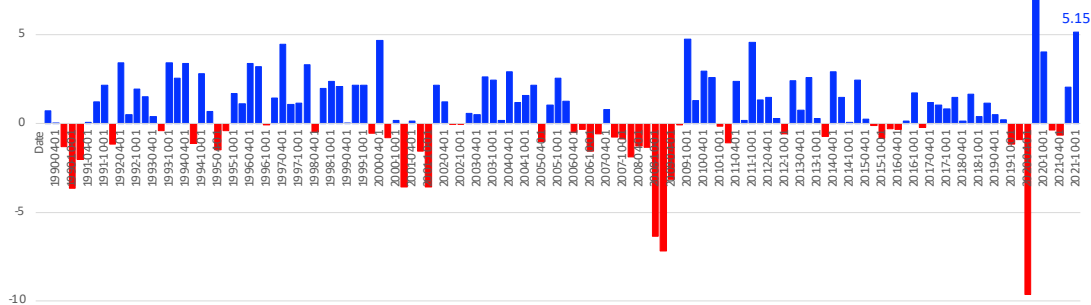
Take Away: Consumption

- Consumption has rebounded rapidly coming out of the recession.
- The rebound in consumption was supported by the stimulus packages that were passed by the Trump and Biden Administration.
- Compared to before the pandemic consumption has shifted more toward the consumption of goods and away from services.
 - This a demand effect that is causing some of the supply chain disruptions

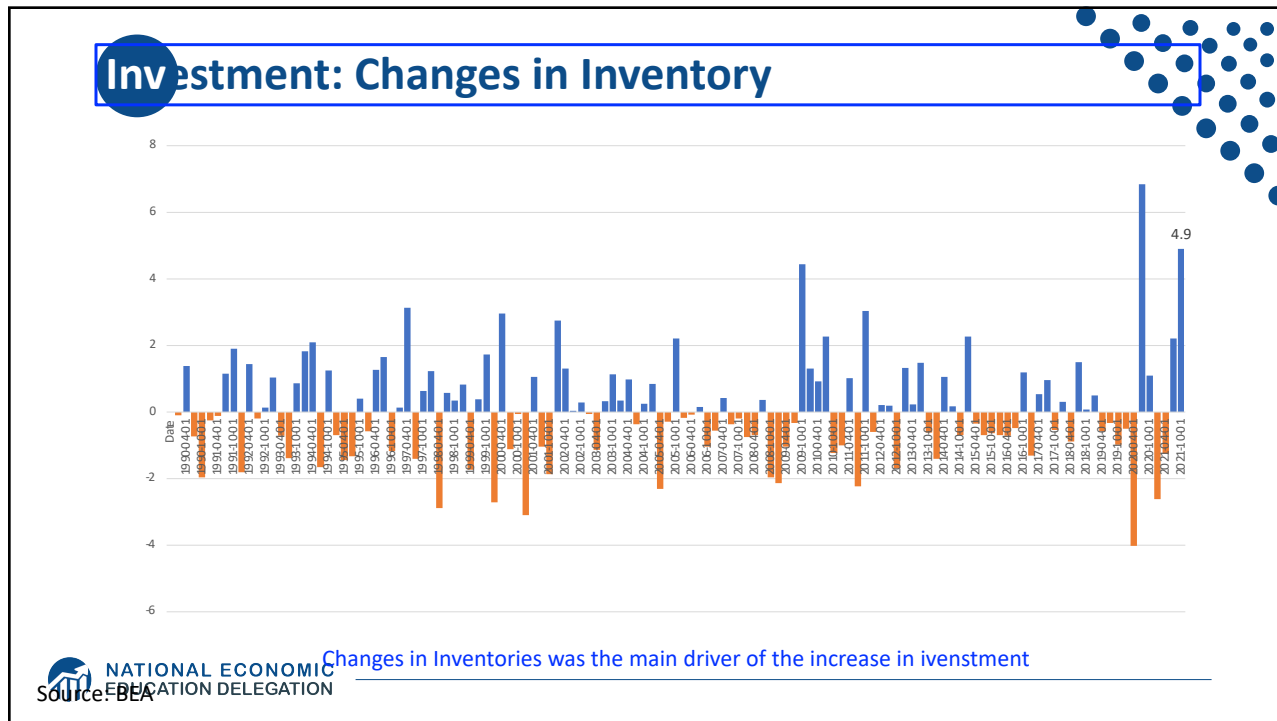


Investment's Contribution to GDP Growth

Uncertainty clouds investment decisions:
I would not anticipate strong growth from Investment until there is more clarity on direction of the pandemic.



Source: BEA Quarterly Growth in Investment multiplied by Investment's share of GDP



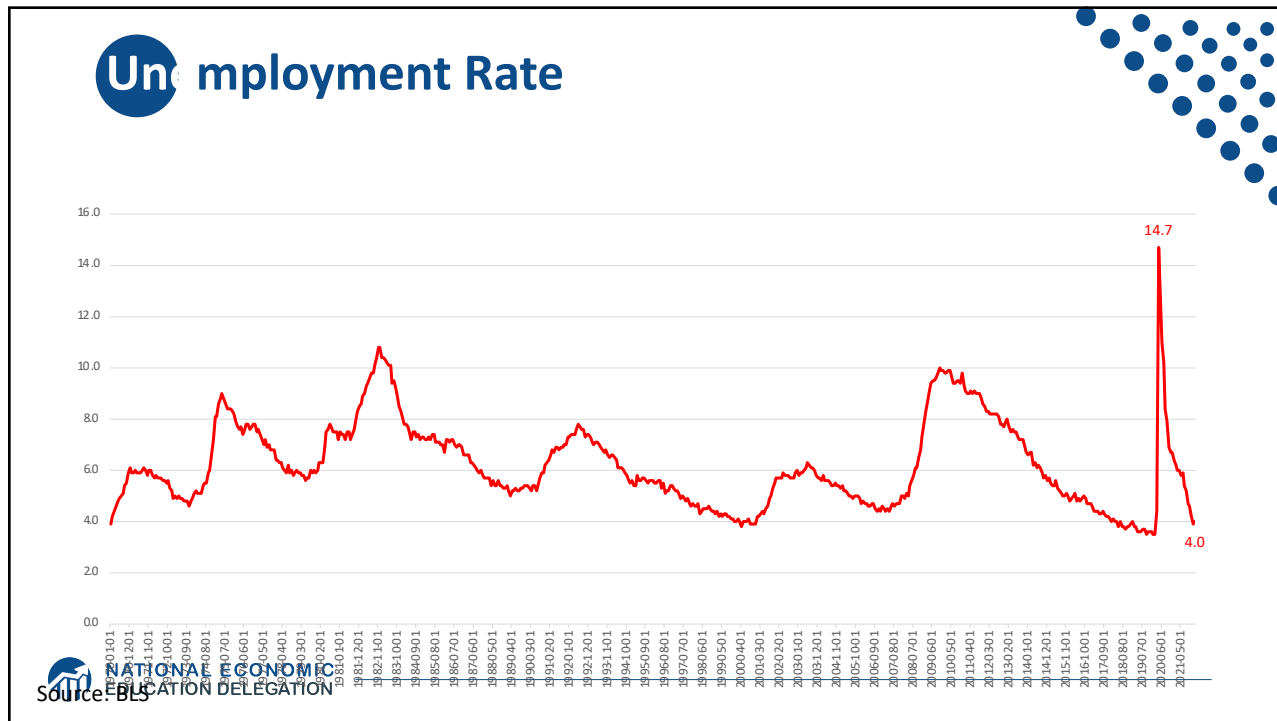
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Employment

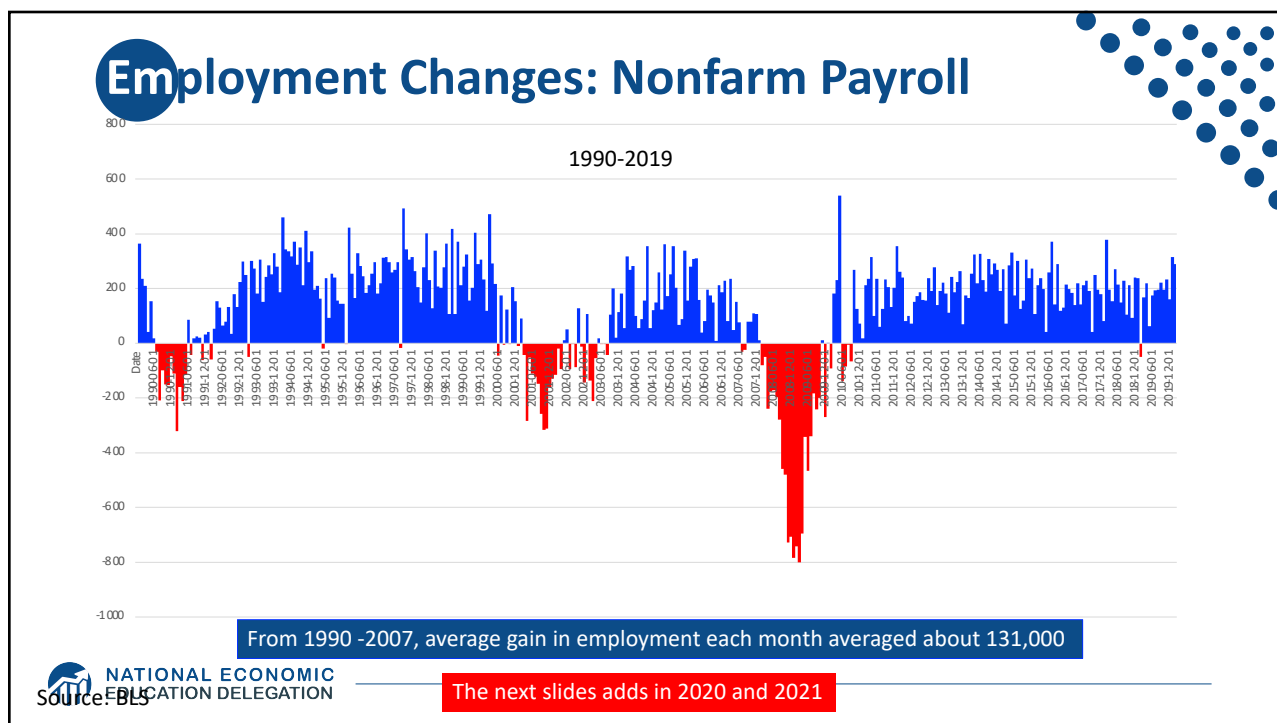
- Unemployment
- Employment Growth
- Employment by Sector

Source: BEA

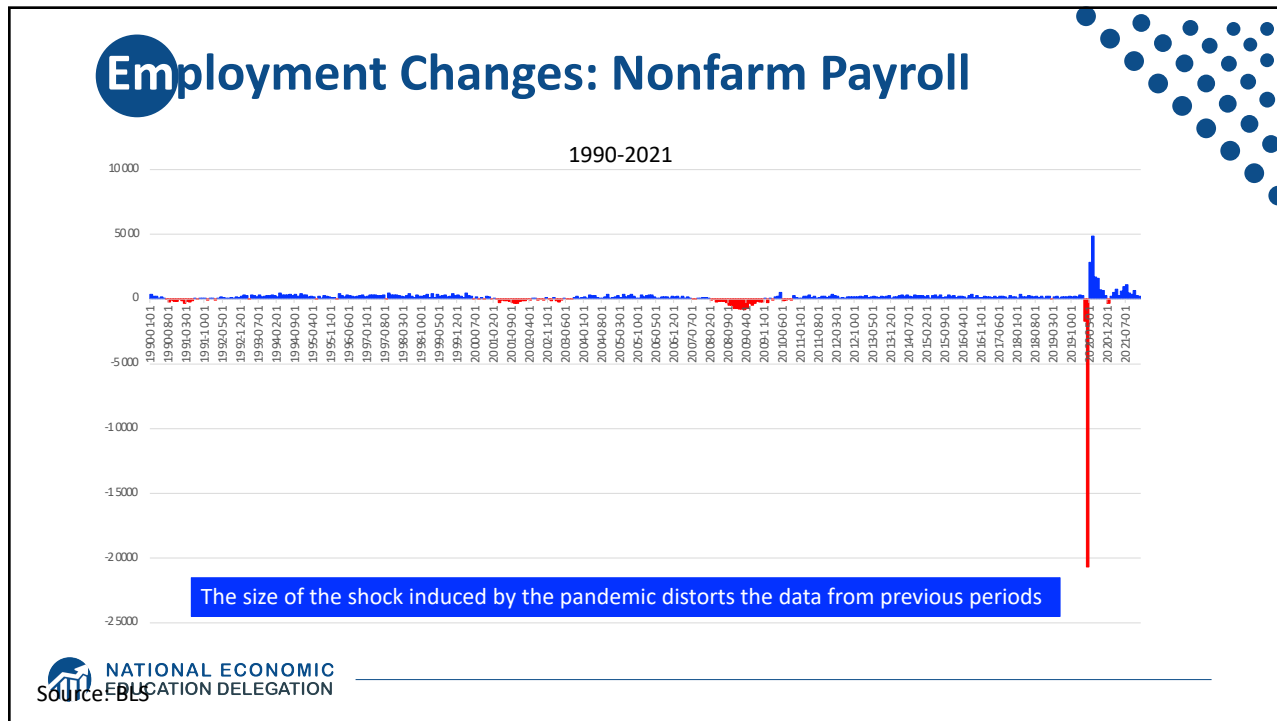
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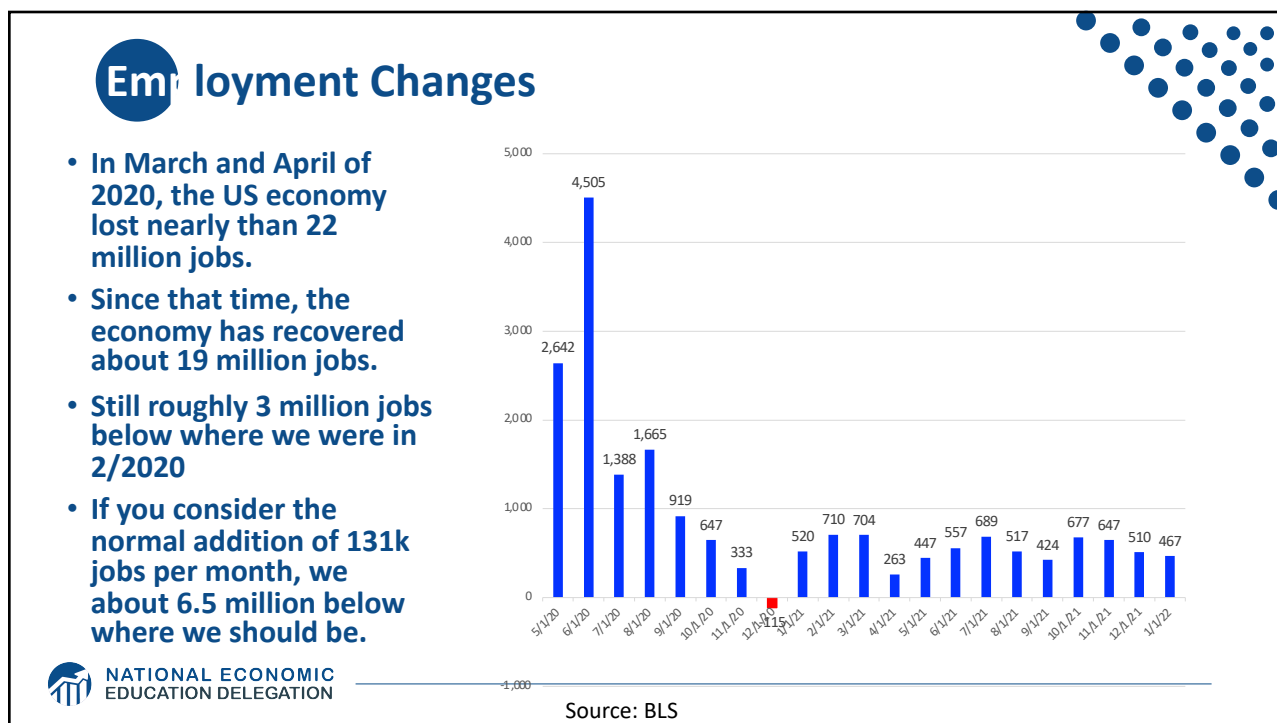
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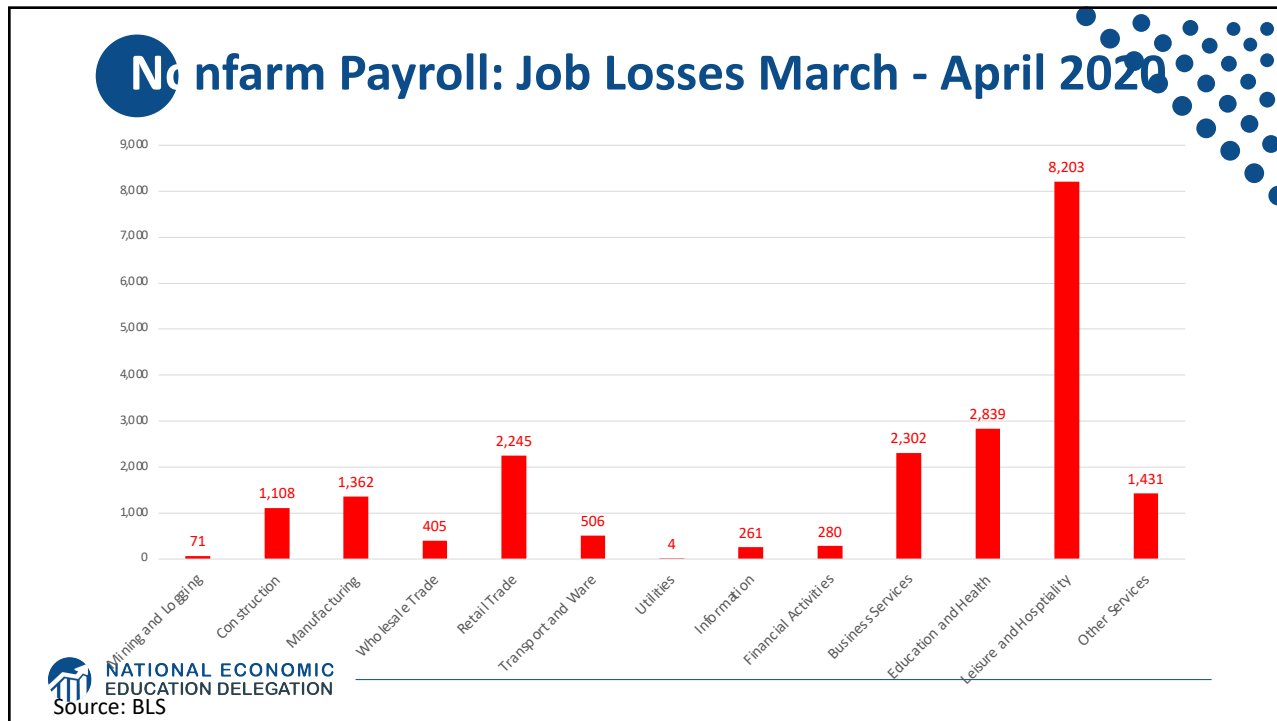
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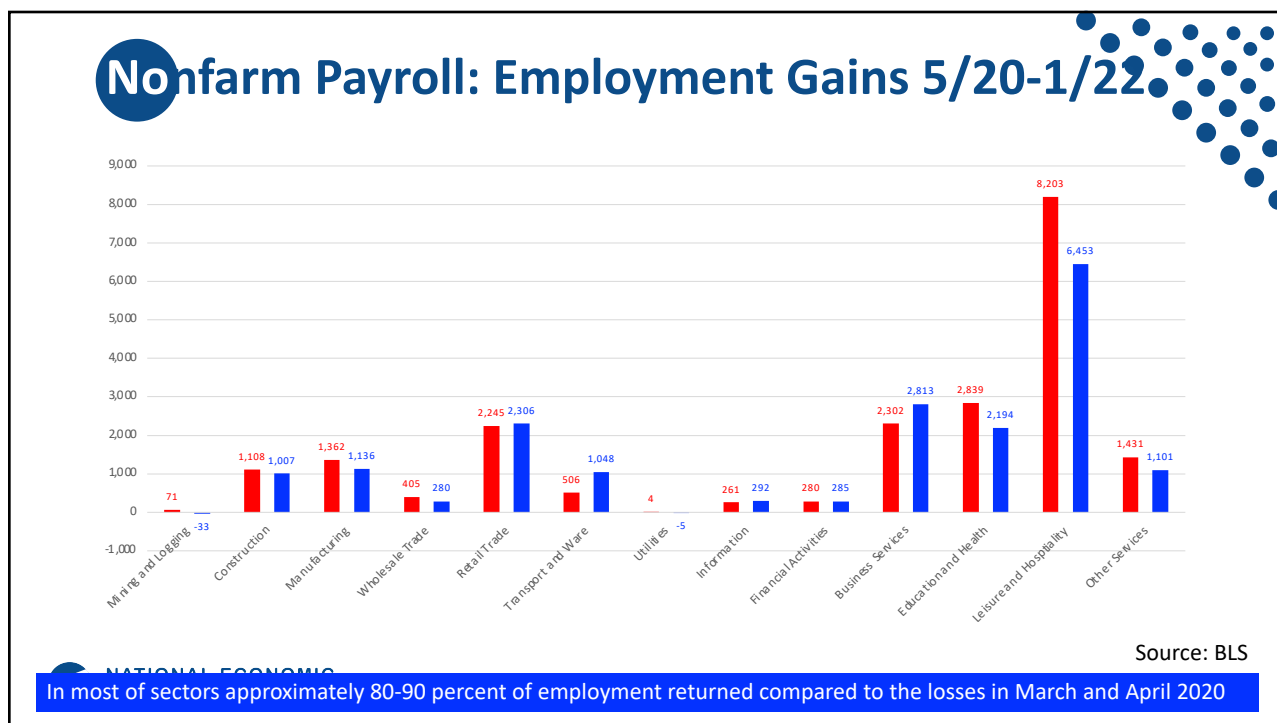
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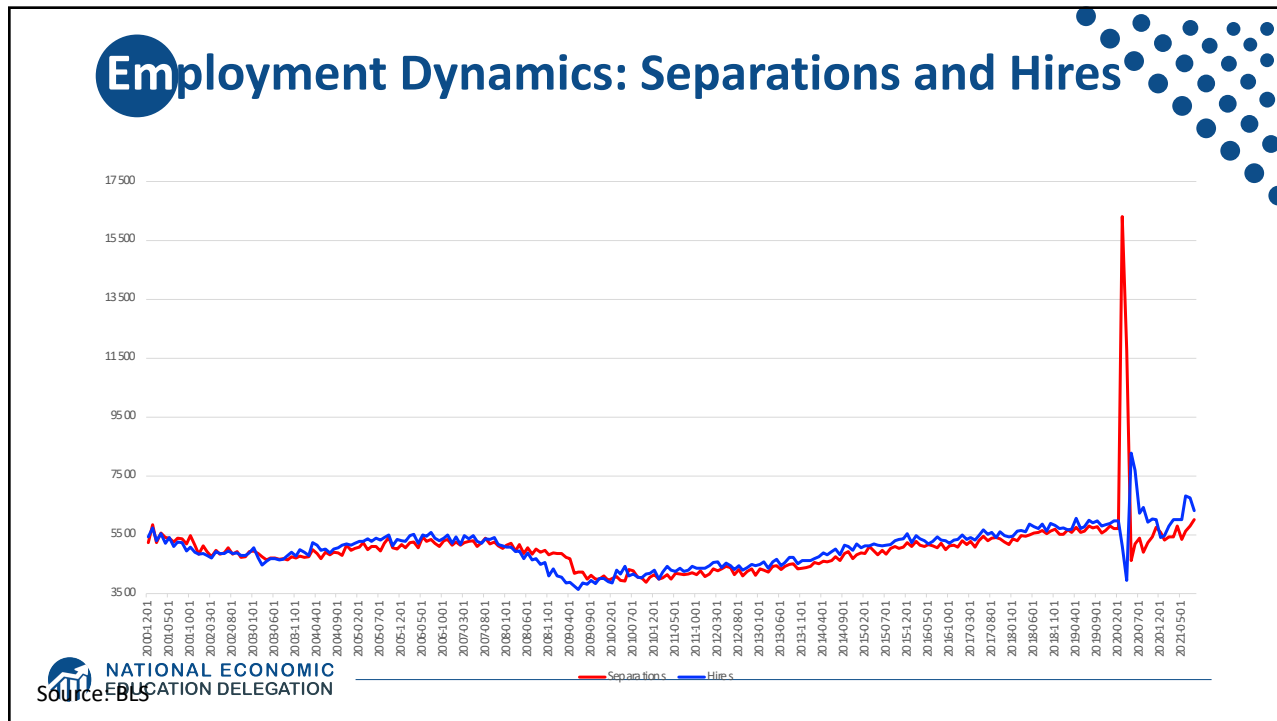
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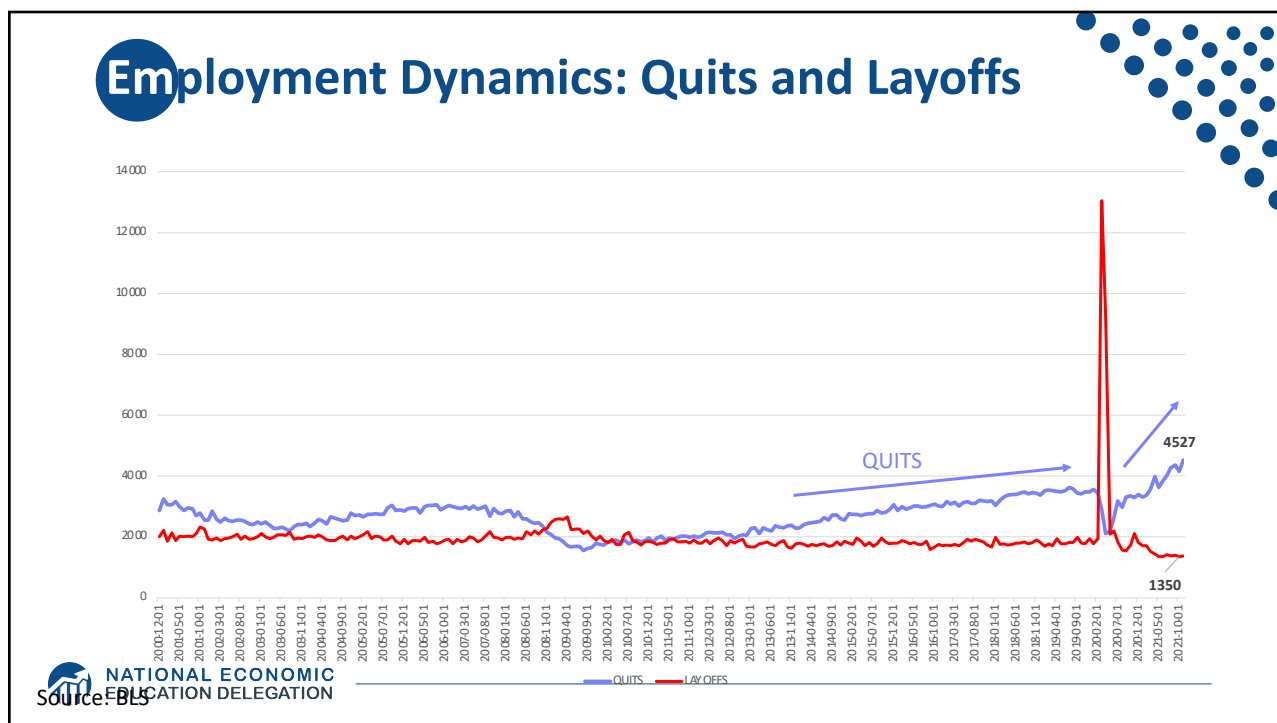
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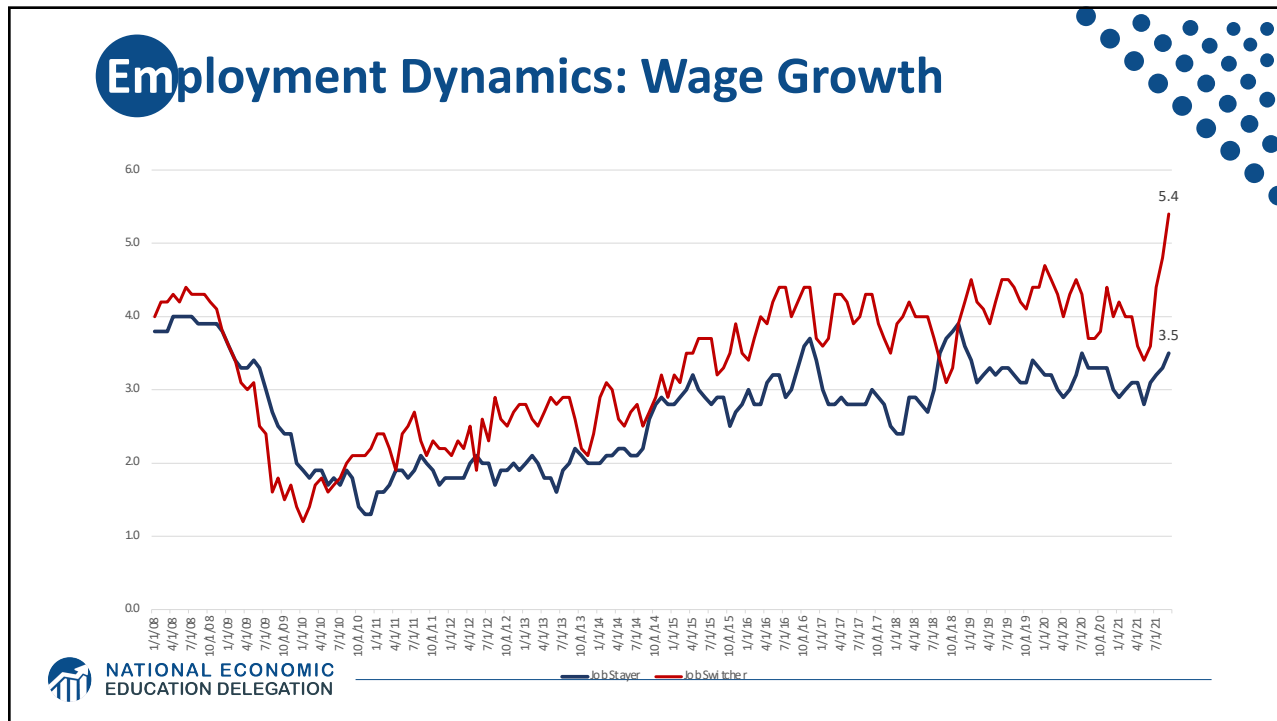
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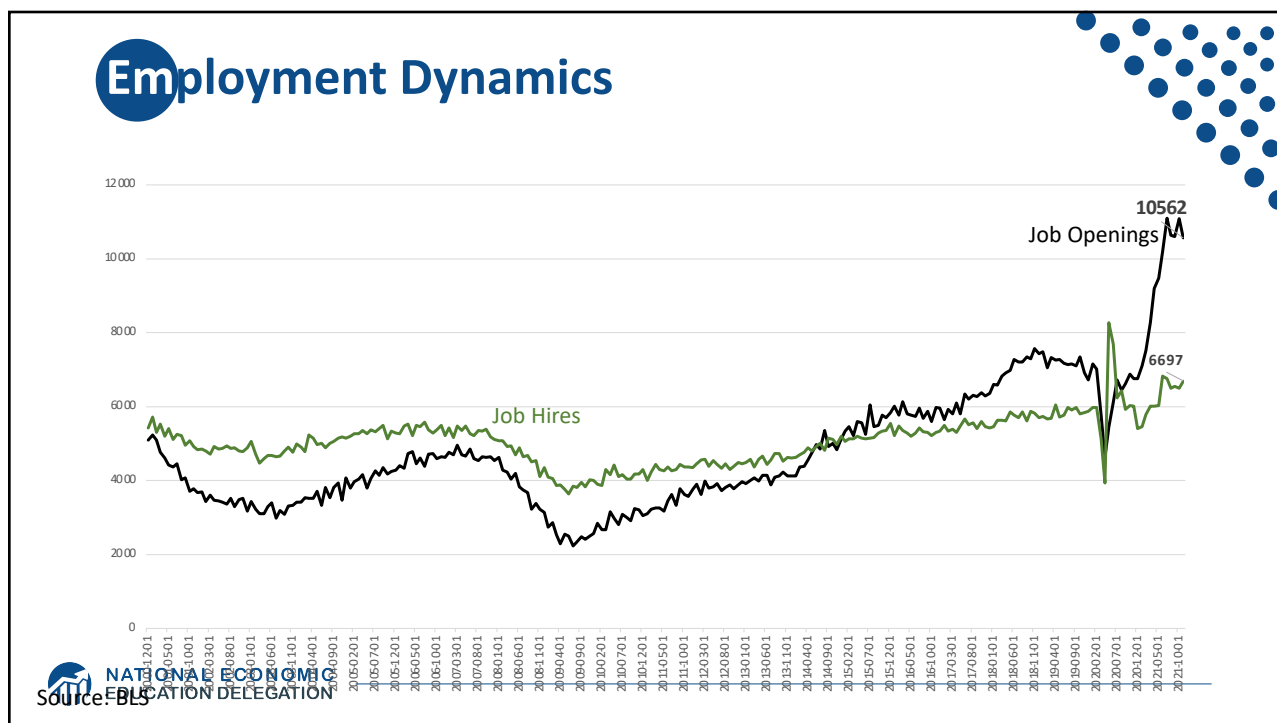
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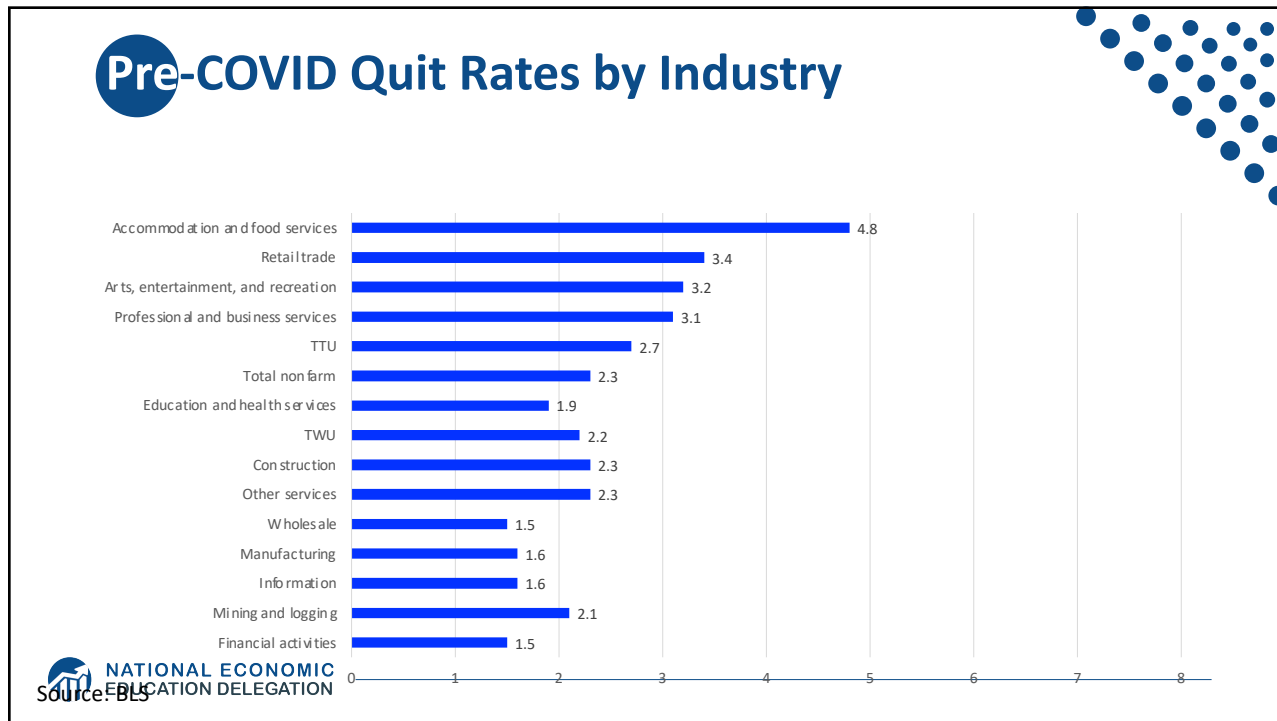
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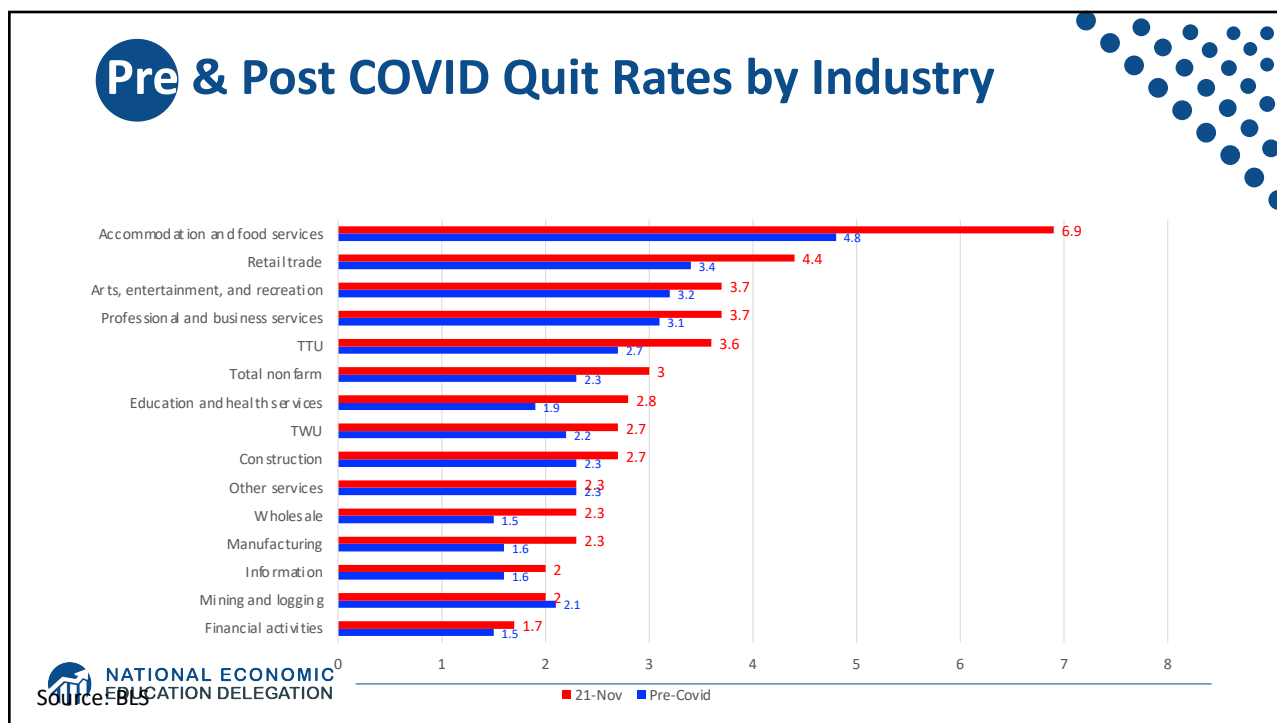
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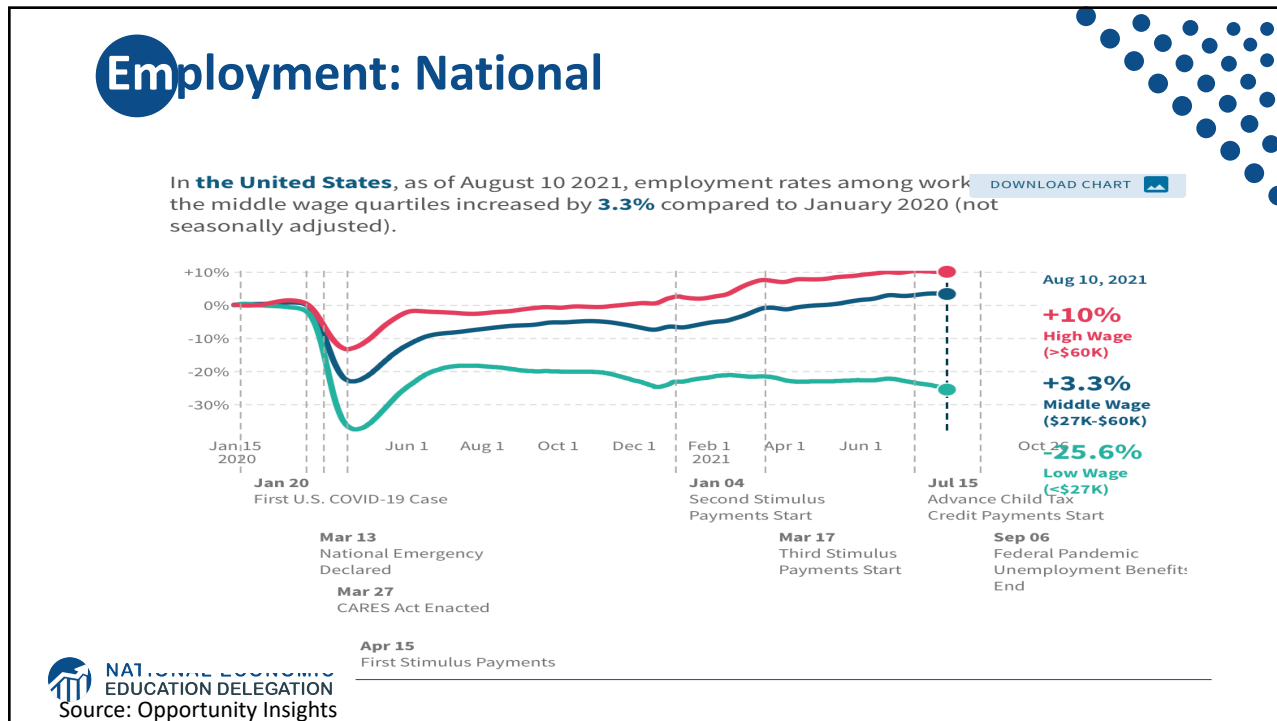
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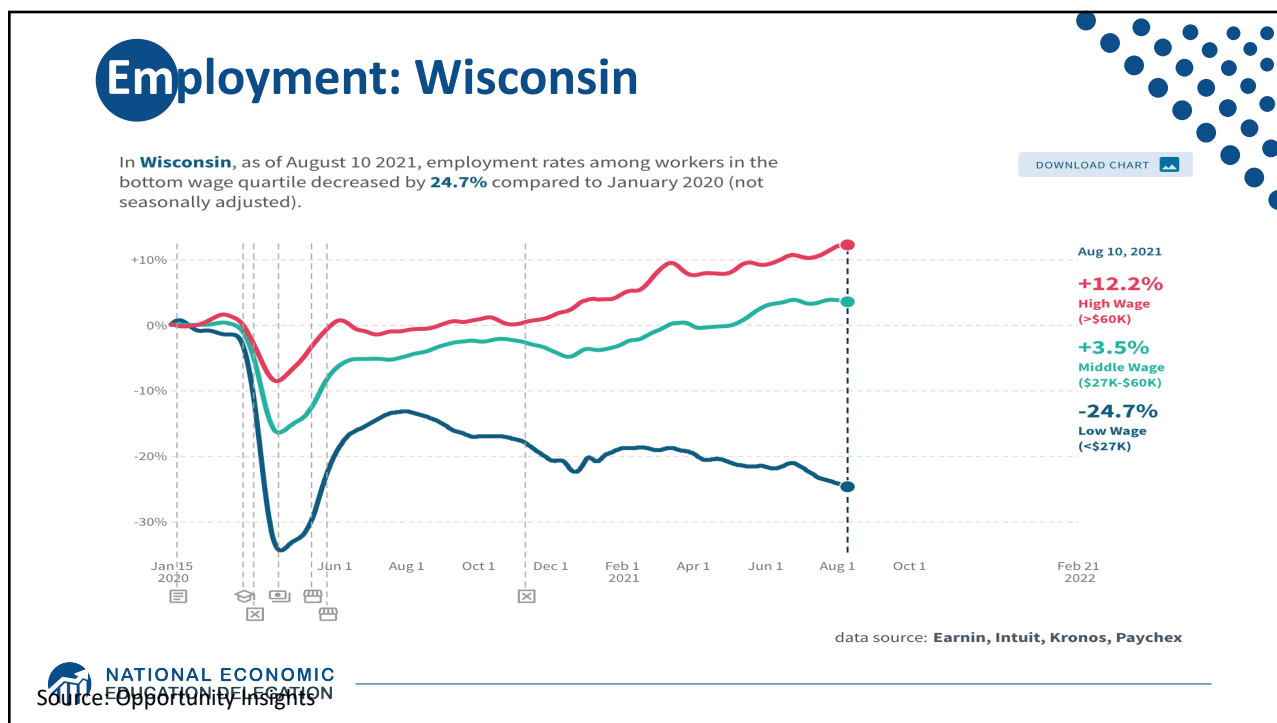
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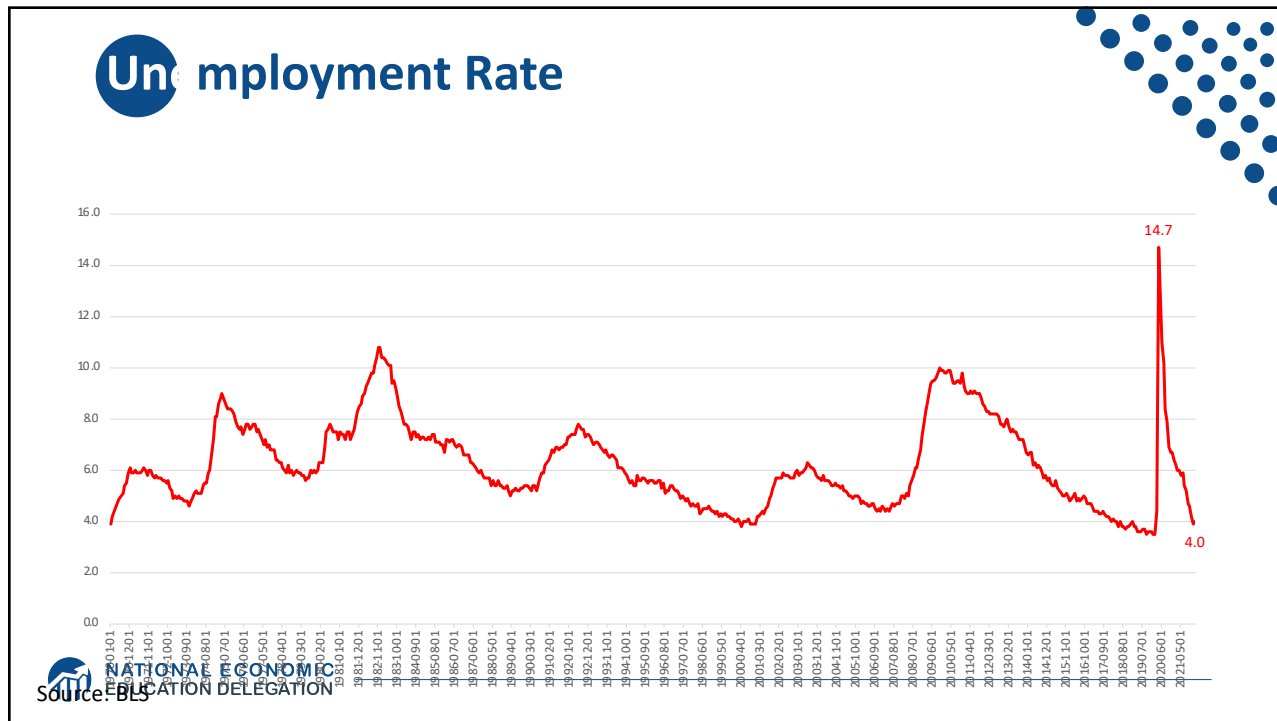
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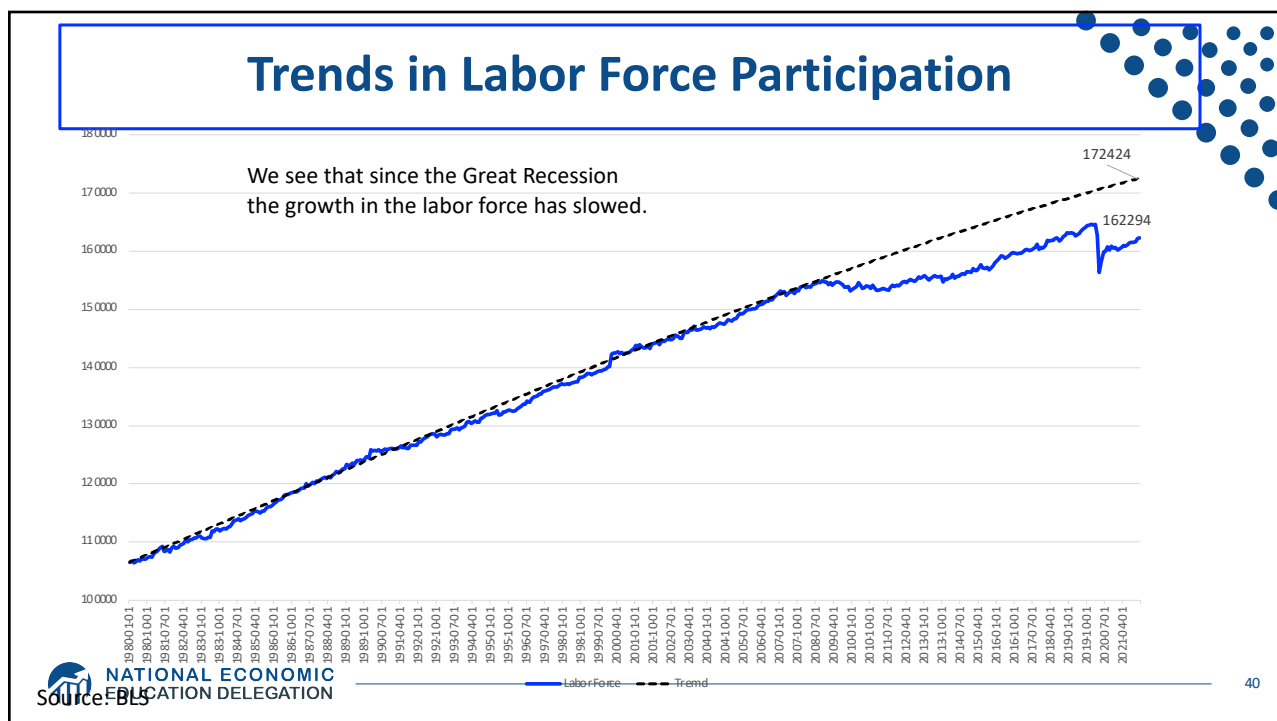
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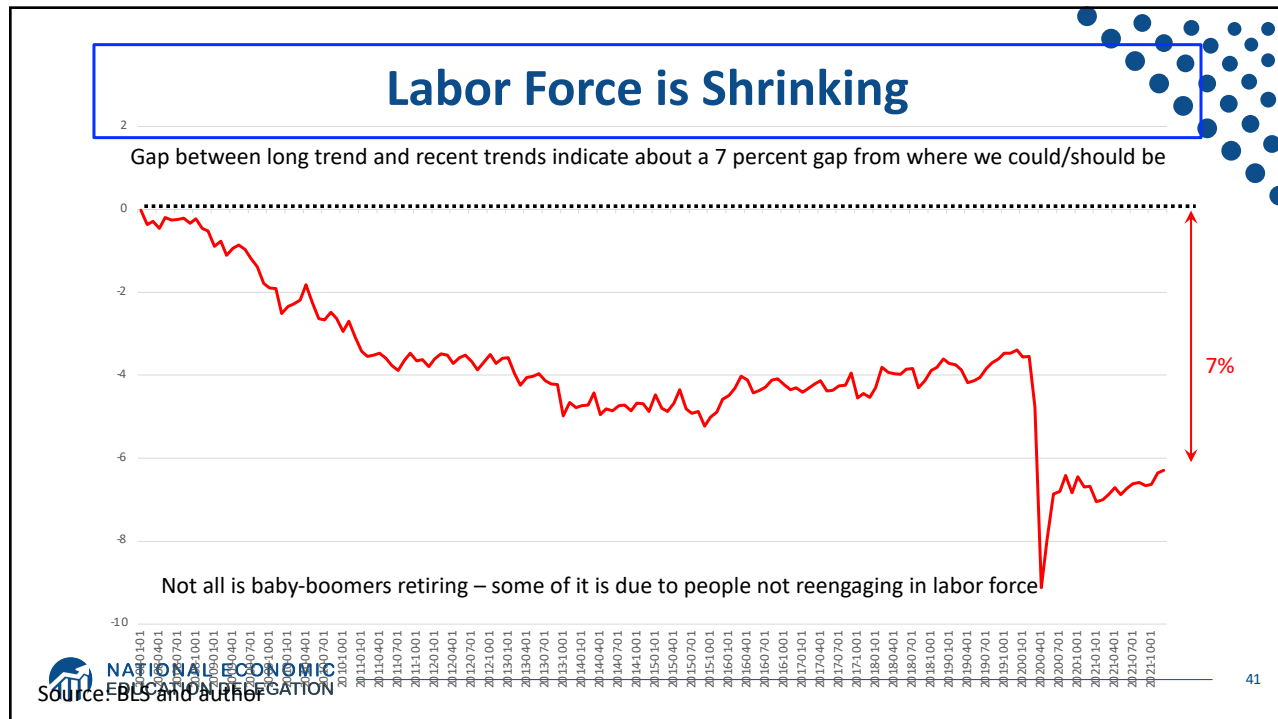
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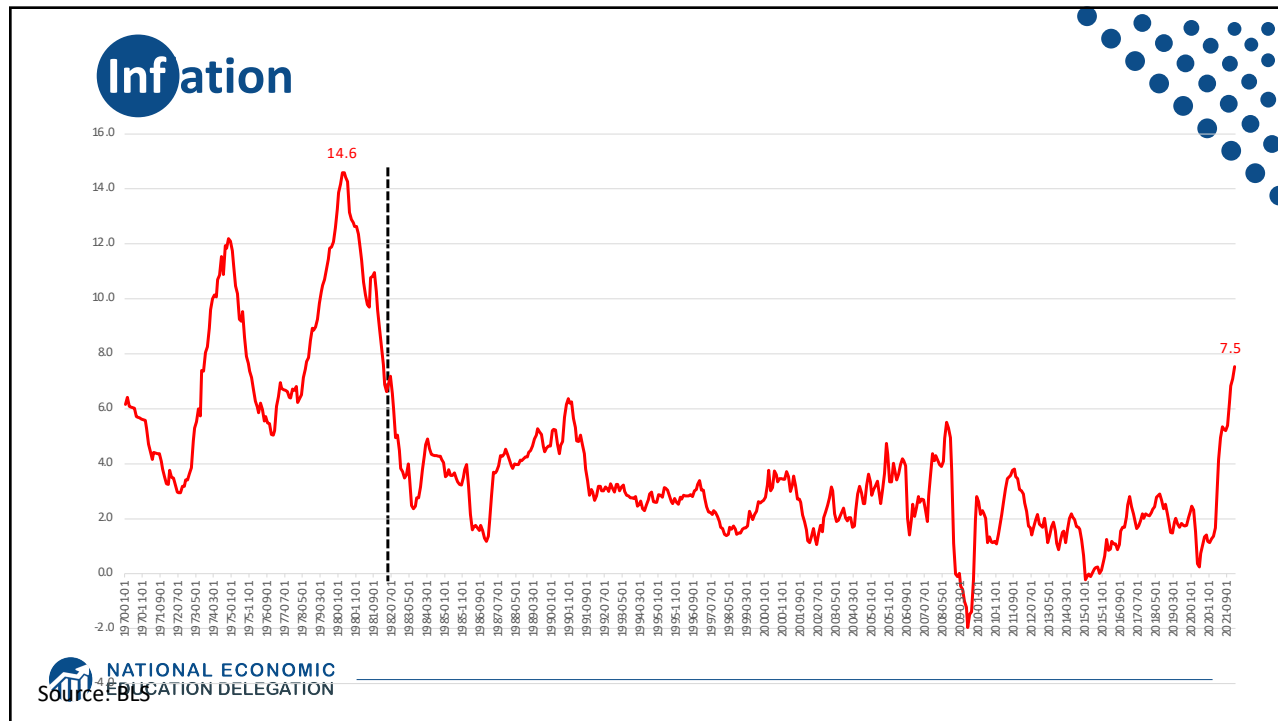
Employment Situation

- **Employment is still on the rebound rebound**
- **The real challenge has been for employers to fill vacancies.**
- **What gives?**
 - Extended (or expected continuation) unemployment benefits and other stimulus payments
 - Parents with young children at home.
 - Workers reluctant to work in certain industries and occupations
 - Workers looking for different career opportunities.
 - Workers looking for better employment opportunities withing their industry/occupation – non-pecuniary benefits
 - Increased desire to have the option to work from home.
 - Better working conditions
 - Recognition of accomplishments

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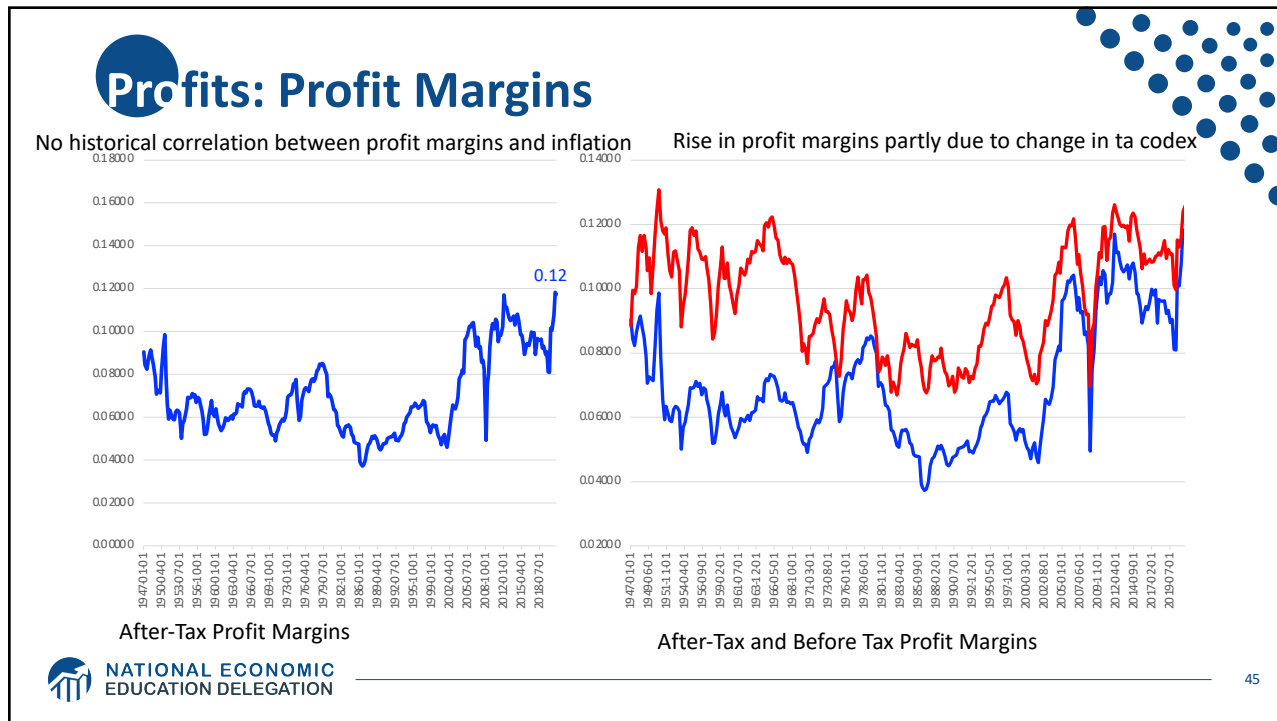
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What is Driving Inflation?

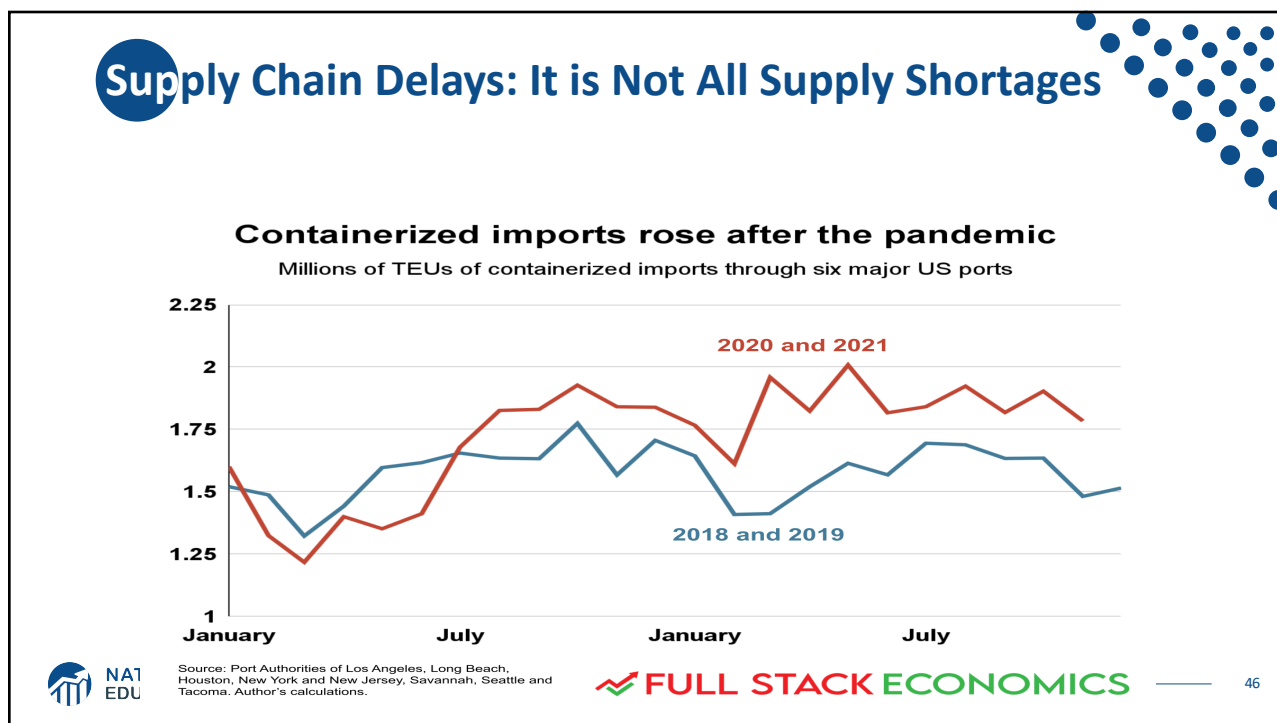
- **Profiteering / Greed: President Biden and Senator Elizabeth Warren.**
- **Supply Chains Disruptions:**
 - the pandemic has impacted the ability to get parts and supplies.
 - Labor shortages and rising wages have raised costs and help push up prices.
- **Increased Demand:**
 - During the pandemic 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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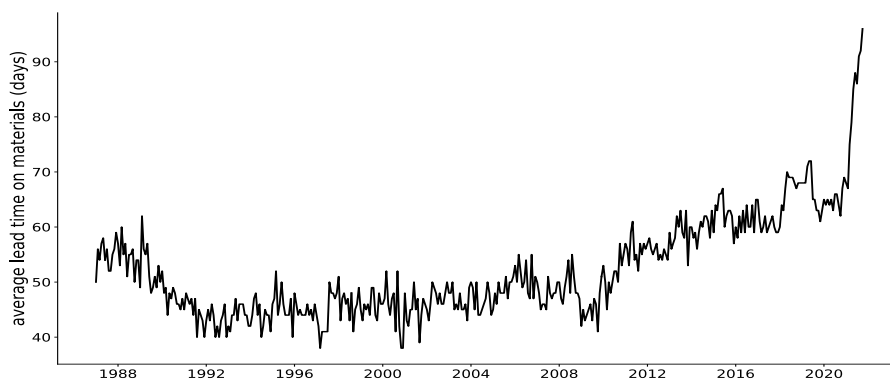
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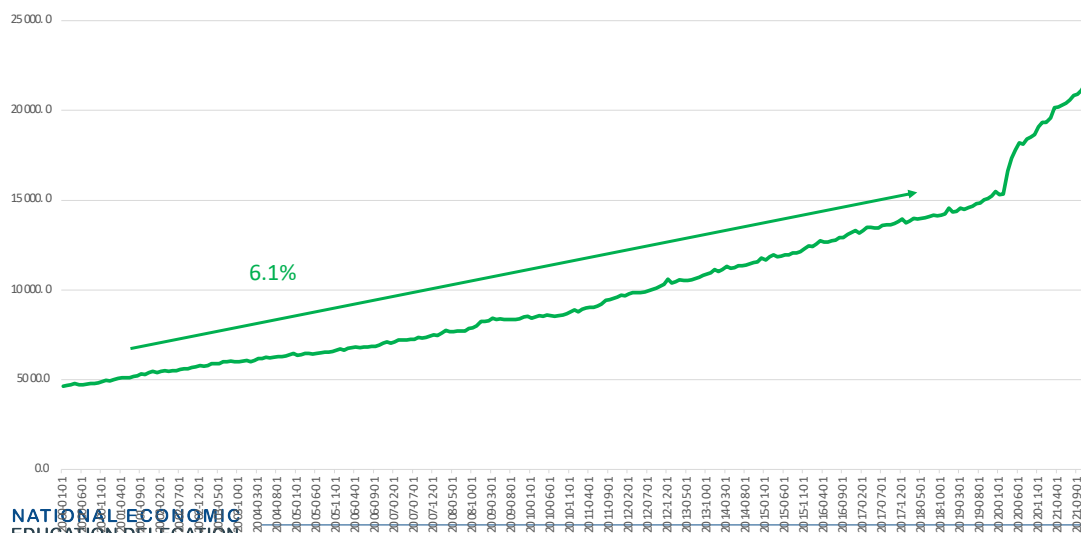
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Supply Chain Delays: ISM Delivery Days

Figure 2: Delivery Delays



Money Growth: M2 (Transactions Money)

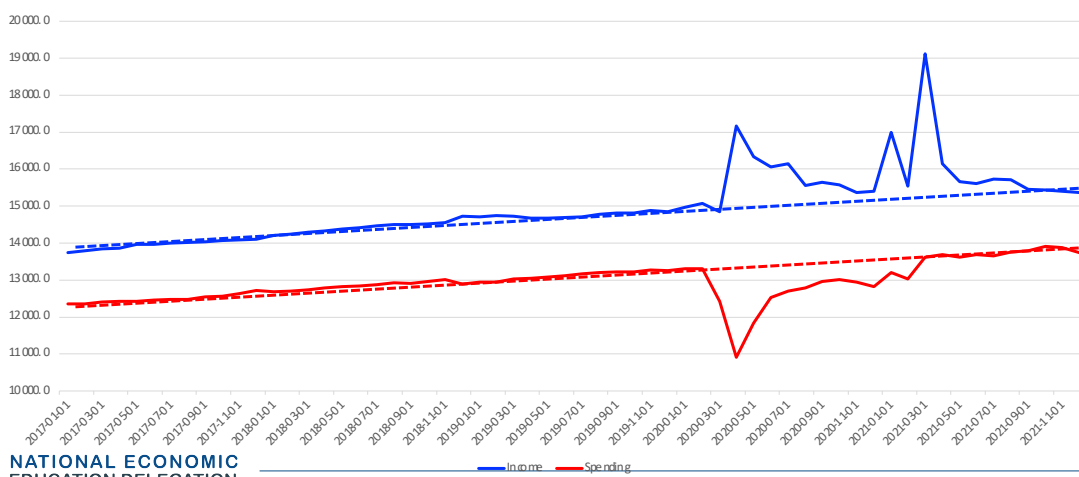


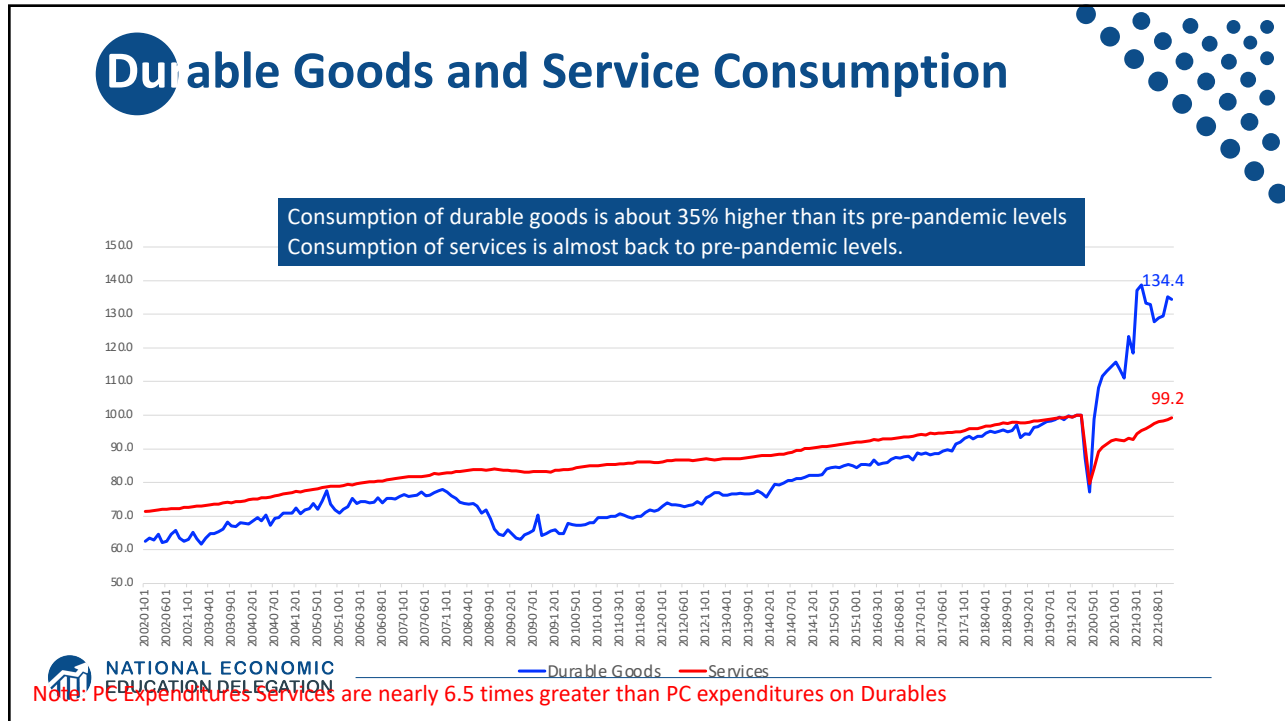
Annualized Money Growth

Growth Rate of Money Stock (percent per year)	Beginning of Period	End of Period
6.1	January 2000	March 2020
46.3	April 2020	June 2020
13.1	June 2020	December 2021

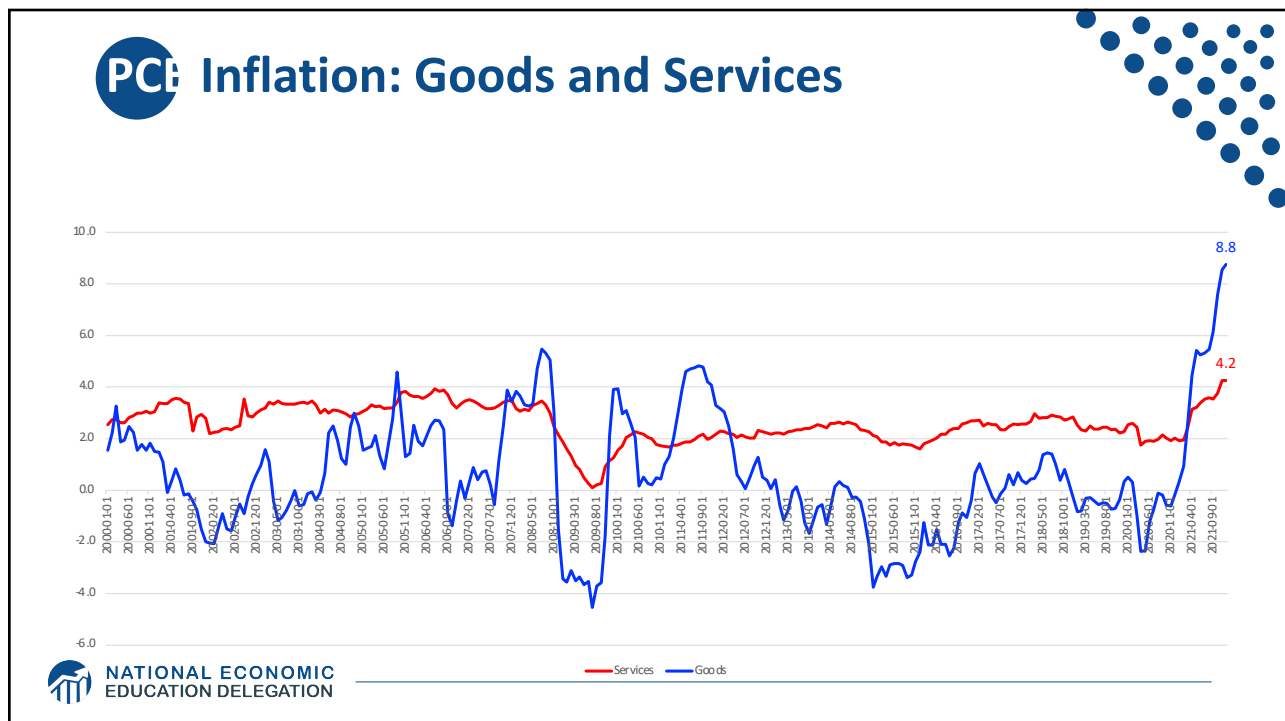


Disposable Income and Expenditures

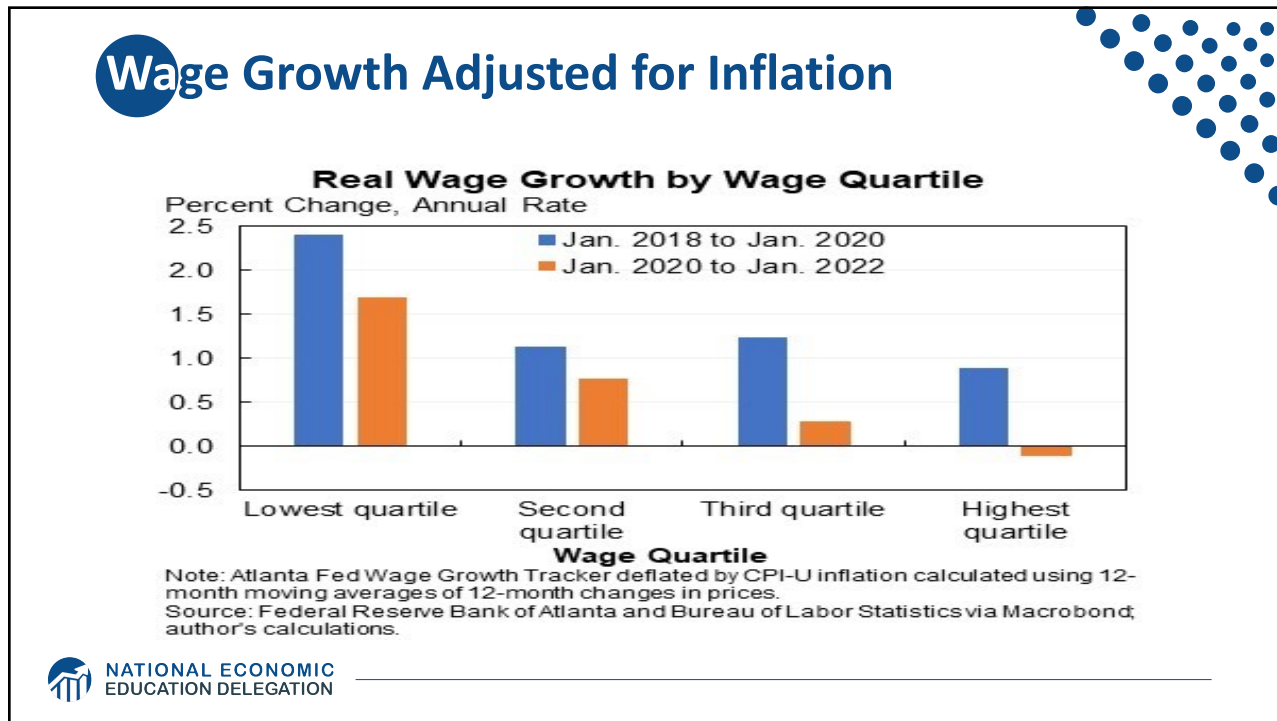




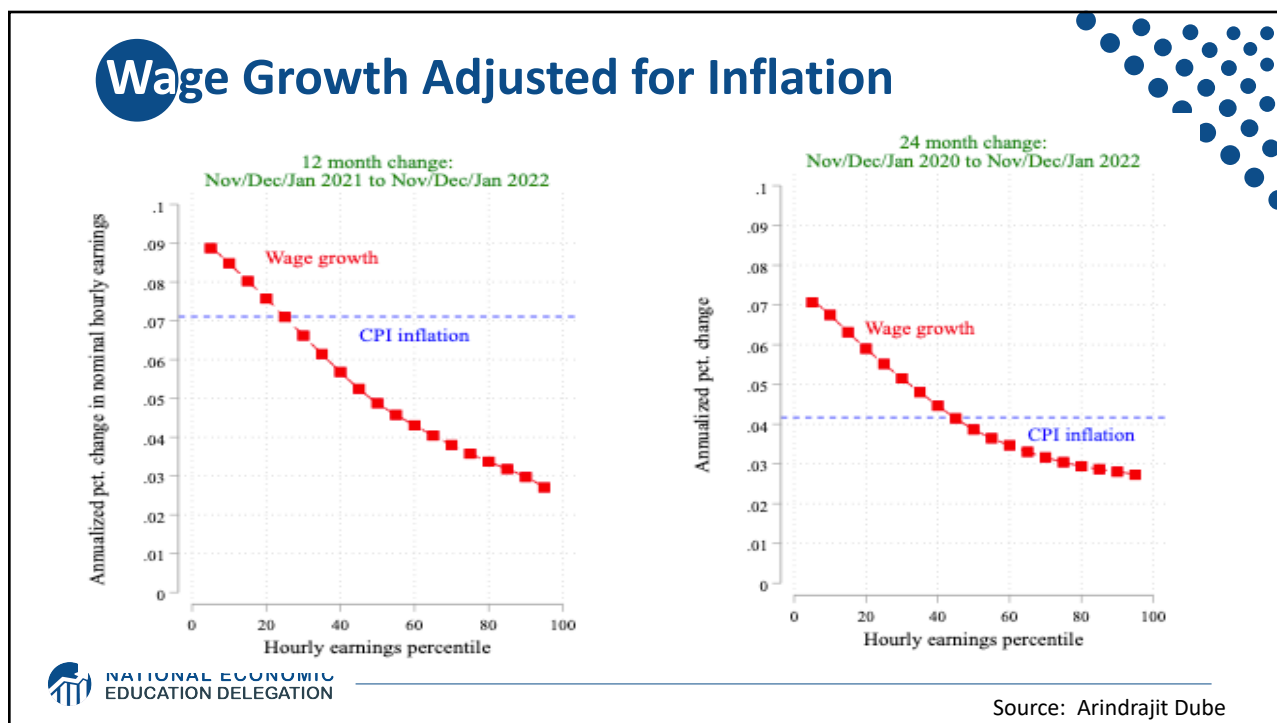
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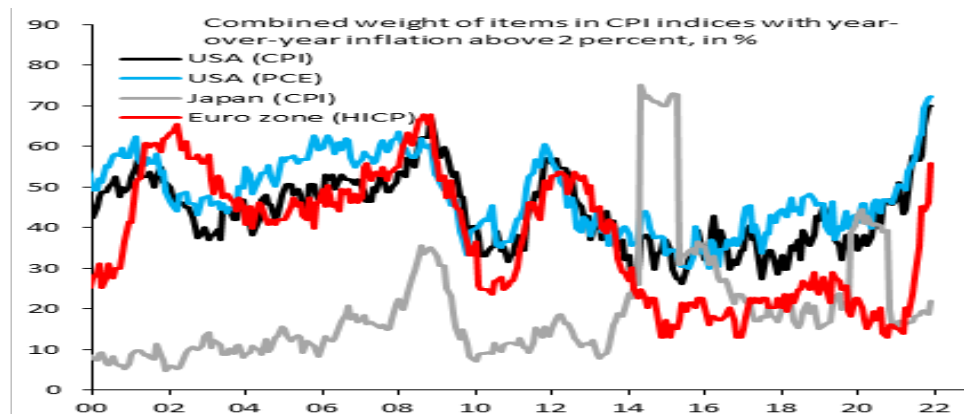


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Is Inflation Occurring in Just a Few Categories?



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Is Inflation Occurring in Just a Few Categories?

Clorox Co. shares fell by the most since 2000, erasing their pandemic-era gains, after the company said it would take “several years” to rebuild margins that have been hammered by higher costs. The maker of disinfectant wipes and cleaning products expects a steeper drop in gross margins...



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Monetary Policy

- **Fed has much less control over M2**
- **What generally determines the growth of M2?**
 - Expected inflation
- **Recent increase is something different**
 - Federal government transfers to checking accounts
 - Helicopter drop
- **Generally, faster growth of M2 associated with higher inflation**
 - Here?

Conclusion

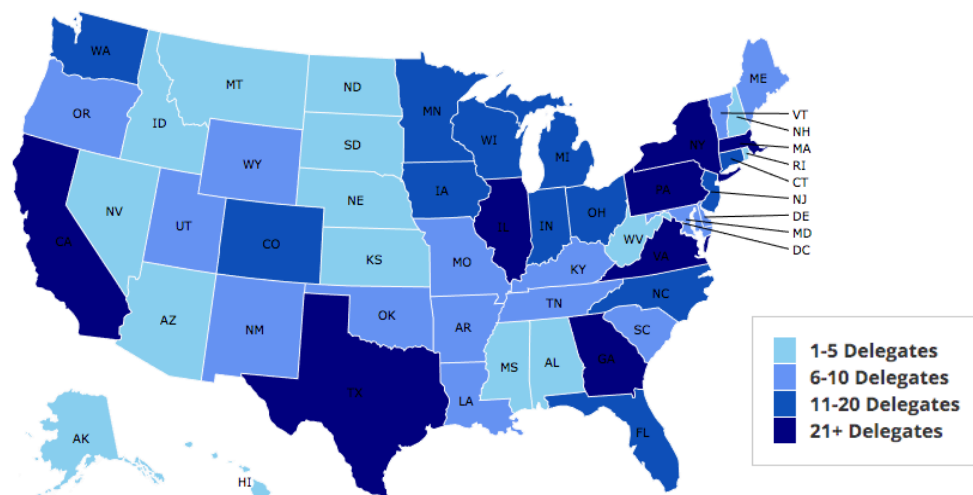
- **GDP growth will probably be slower in 2022:Q1**
 - Omicron variant
 - Decline in business inventories
 - Expiration of Child Tax Credits
- **Increase in demand for workers in occupations/industries is boosting wages for lower income households.**
 - I expect that trend to continue.
- **Renormalization of the labor market – Great Resignation**
 - Is it something more structural?
- **Additional Stimulus could push up GDP growth or inflation(?)**
 - Physical Infrastructure
 - Social infrastructure.

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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Where Are We?



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