


Inflation

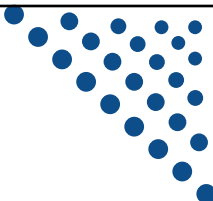
Rotary Club of West Marin
July 13, 2022

Scott Baier
Professor and Chair
John E. Walker Department of Economics

 NATIONAL ECONOMIC EDUCATION DELEGATION


1

1



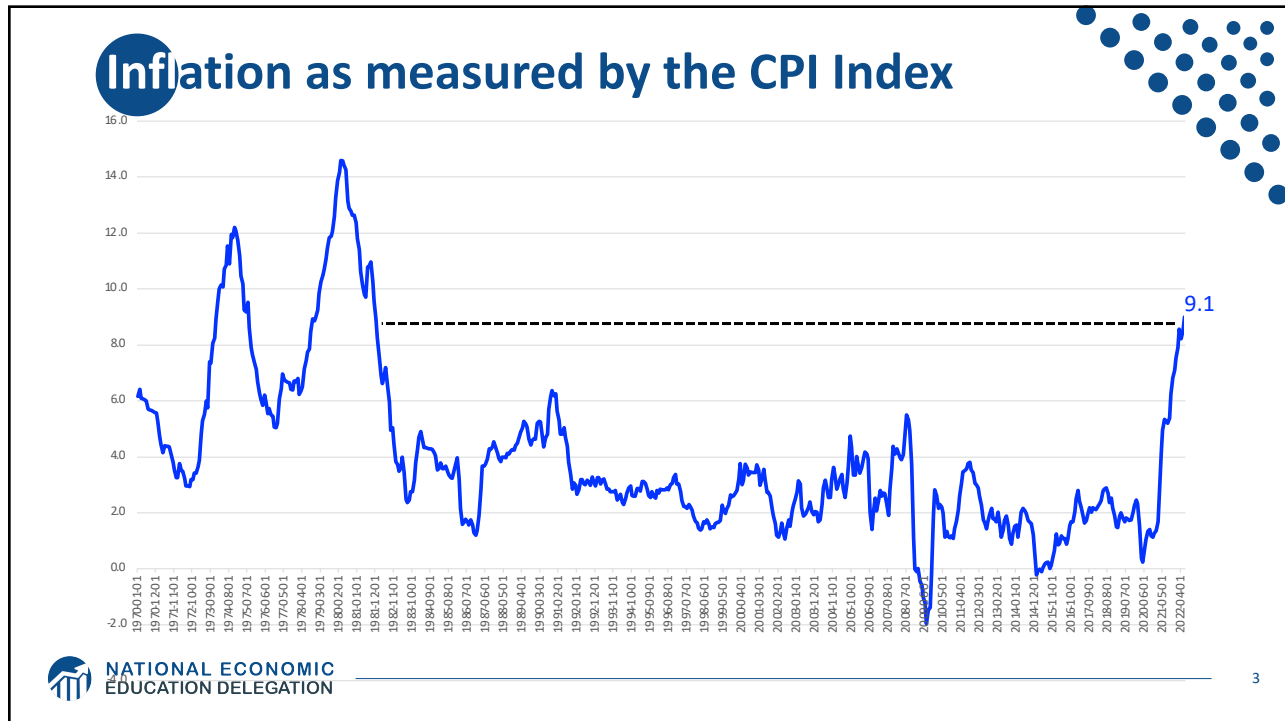
National Economic Education Delegation

- **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.

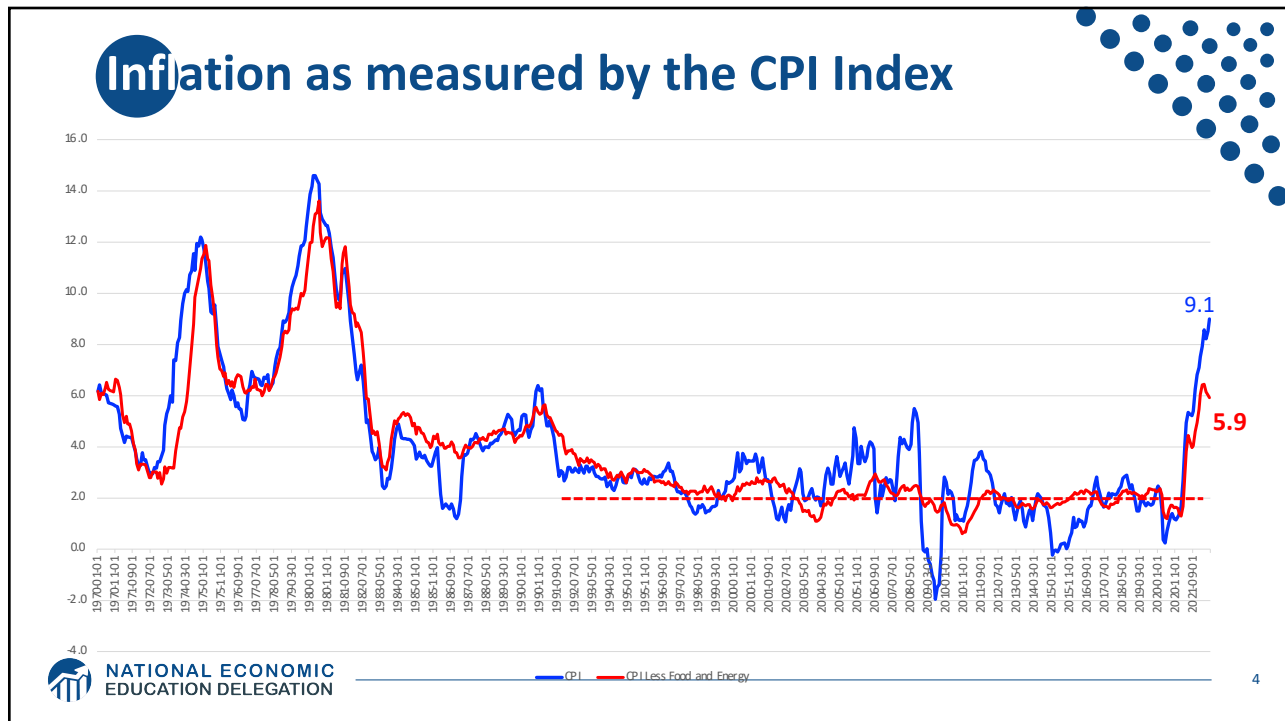
 NATIONAL ECONOMIC EDUCATION DELEGATION

2

2



3



4

Inflation: More Broad-based

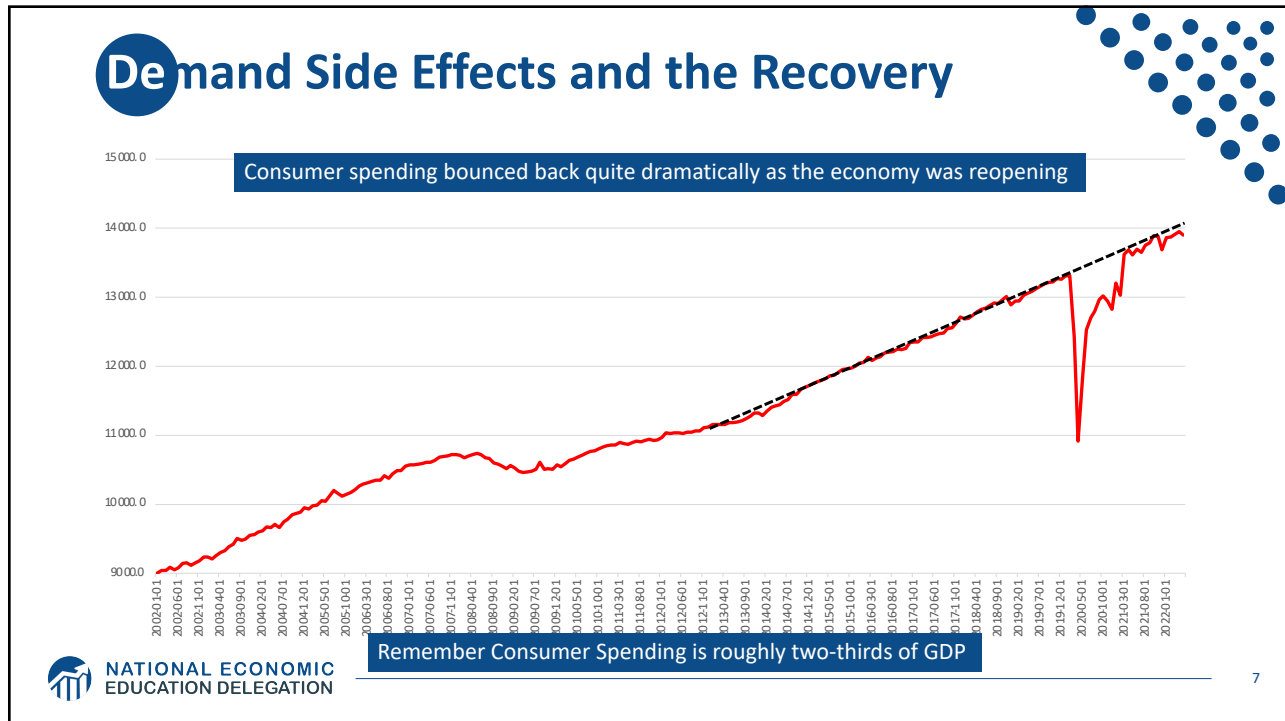
Category	Inflation	Weight in CPI
All Items	9.1	
Food	10.4	13.4
Energy	41.6	8.7
Apparel	5.2	2.5
Shelter	5.6	32.3
New Vehicles	11.4	4.0
Used Vehicles	7.1	4.0

5

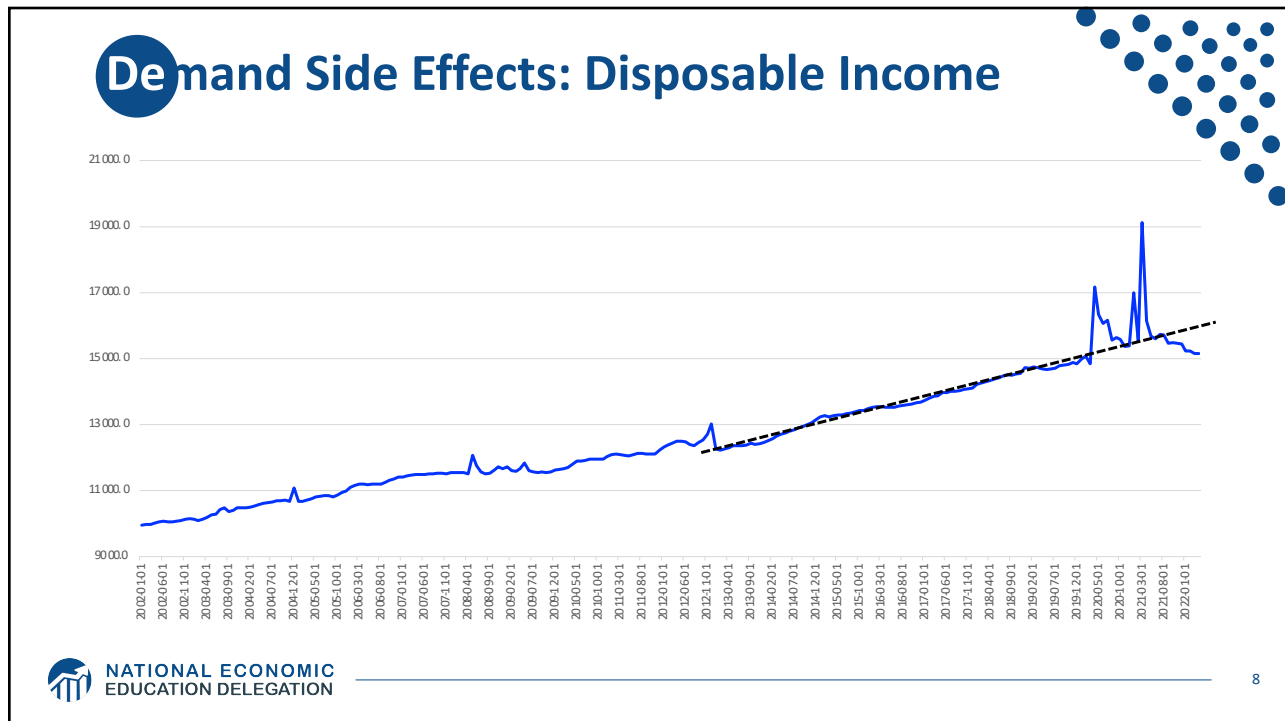
Quick Outline

- **Causes of Inflation in the United States**
 - Demand Side Effects and the Fed
 - Supply Side Effects
 - Profiteering and Greed
- **Global Inflation: Are there differences?**
- **What is next for Inflation and what does the Fed do next.**

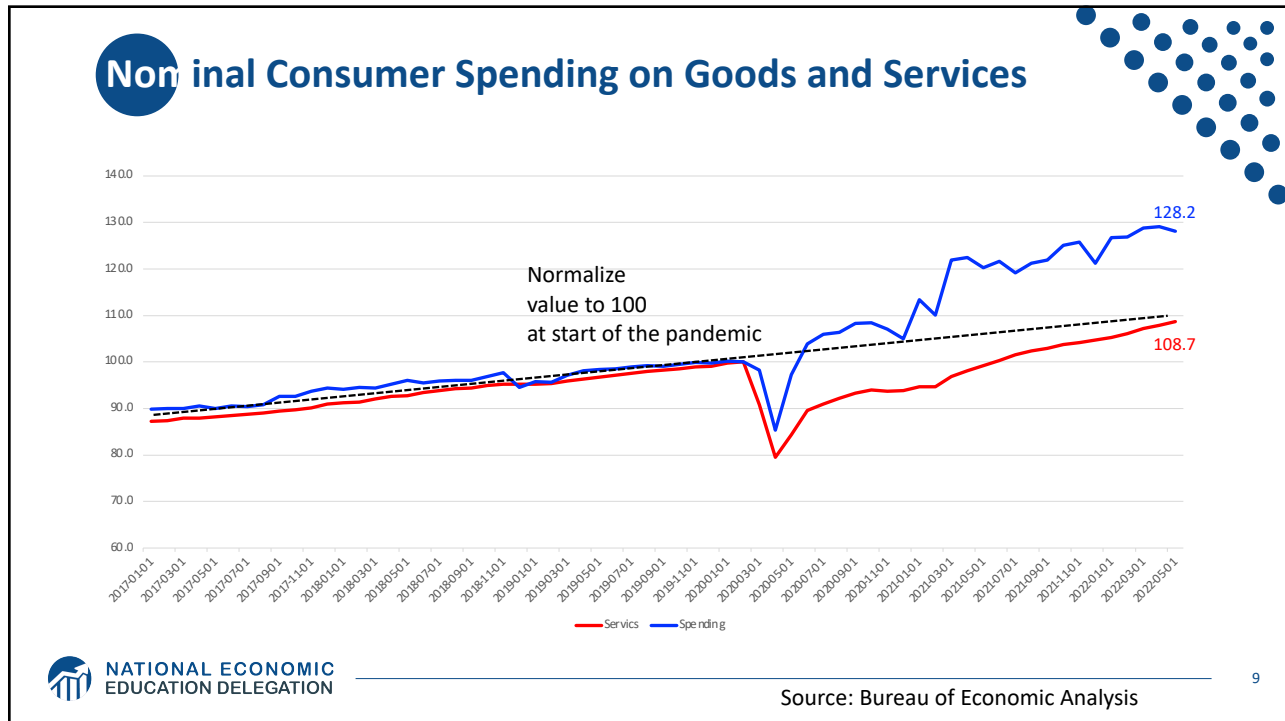
6



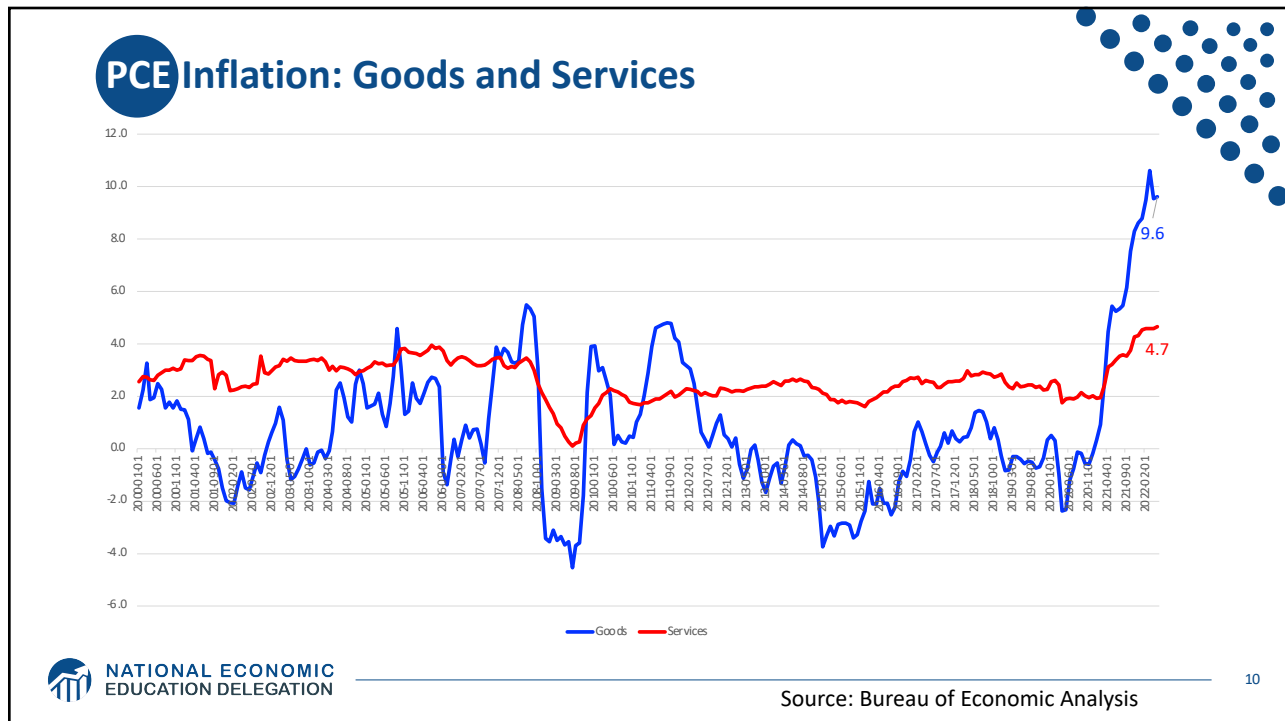
7



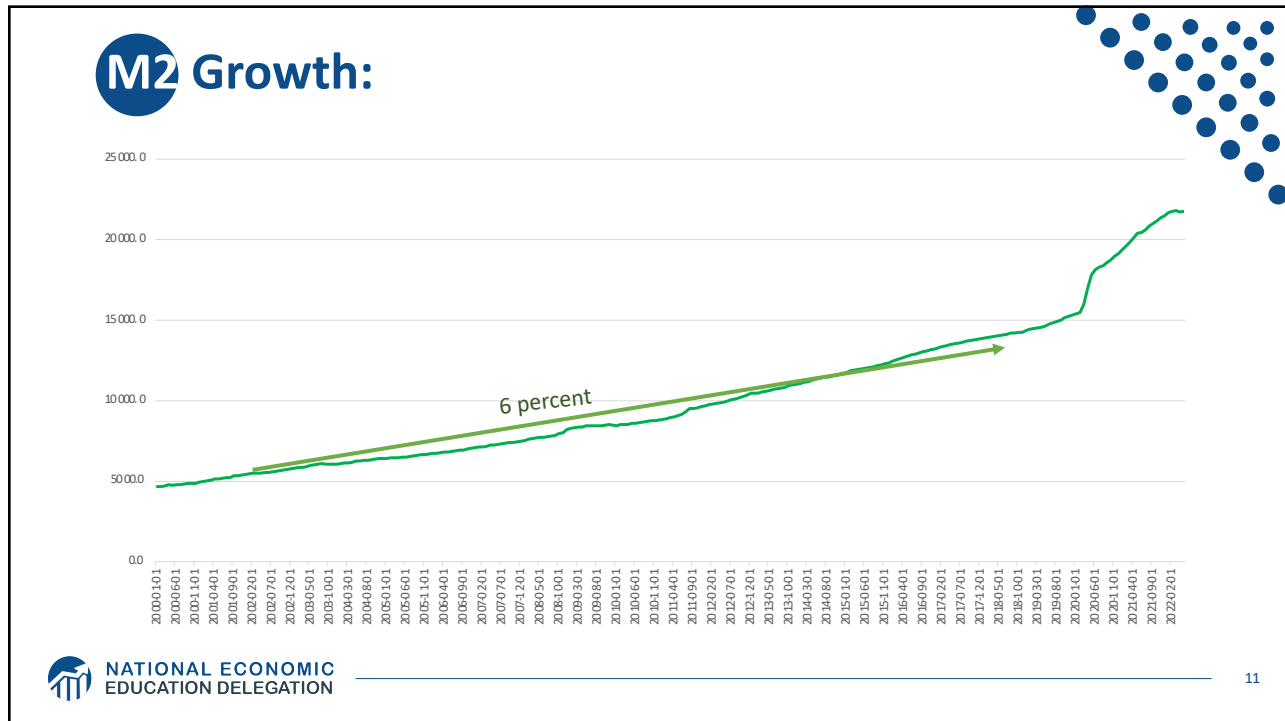
8



9



10



11

M2 Growth

Growth Rate of Money Stock (percent per year)	Beginning of Period	End of Period
6.15	January 2000	March 2020
28.8	March 2020	December 2020
9.50	December 2020	May 2022

NATIONAL ECONOMIC EDUCATION DELEGATION

12

12

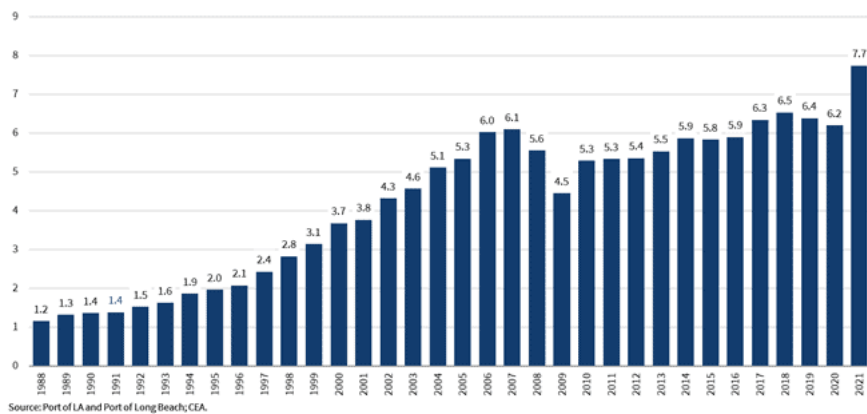
Supply Chain Disruptions



13

Supply Chain Disruptions: LA and Long Beach

Figure 3: Port of Los Angeles and Port of Long Beach cumulative loaded imports through September
Millions of TEUs



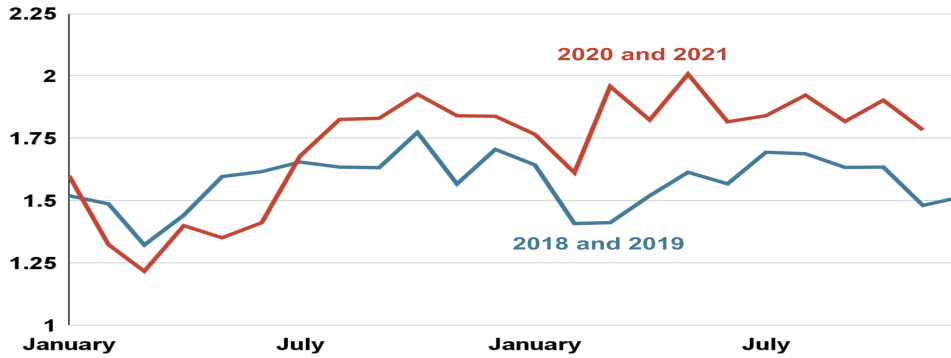
Source: Port of LA and Port of Long Beach, CEA.

14

Supply Chain Disruptions: Containerized Imports

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

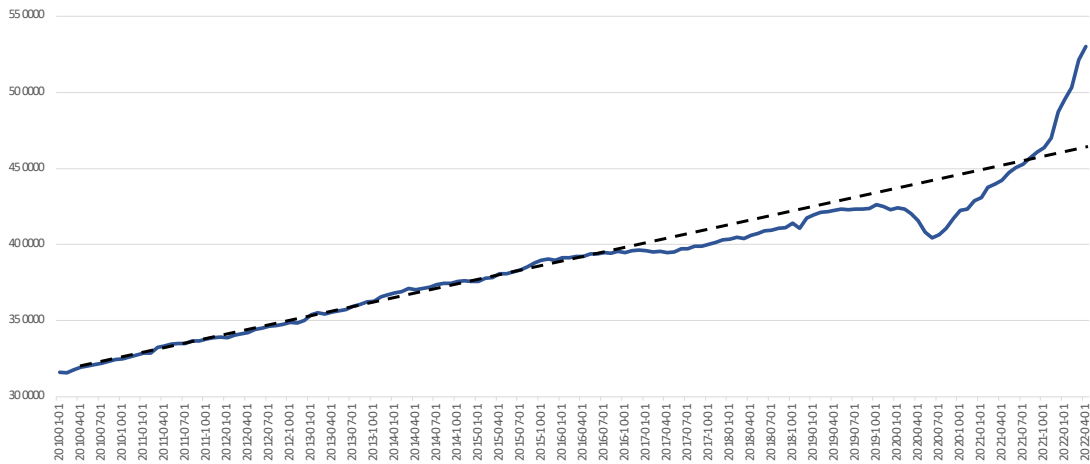


15

15

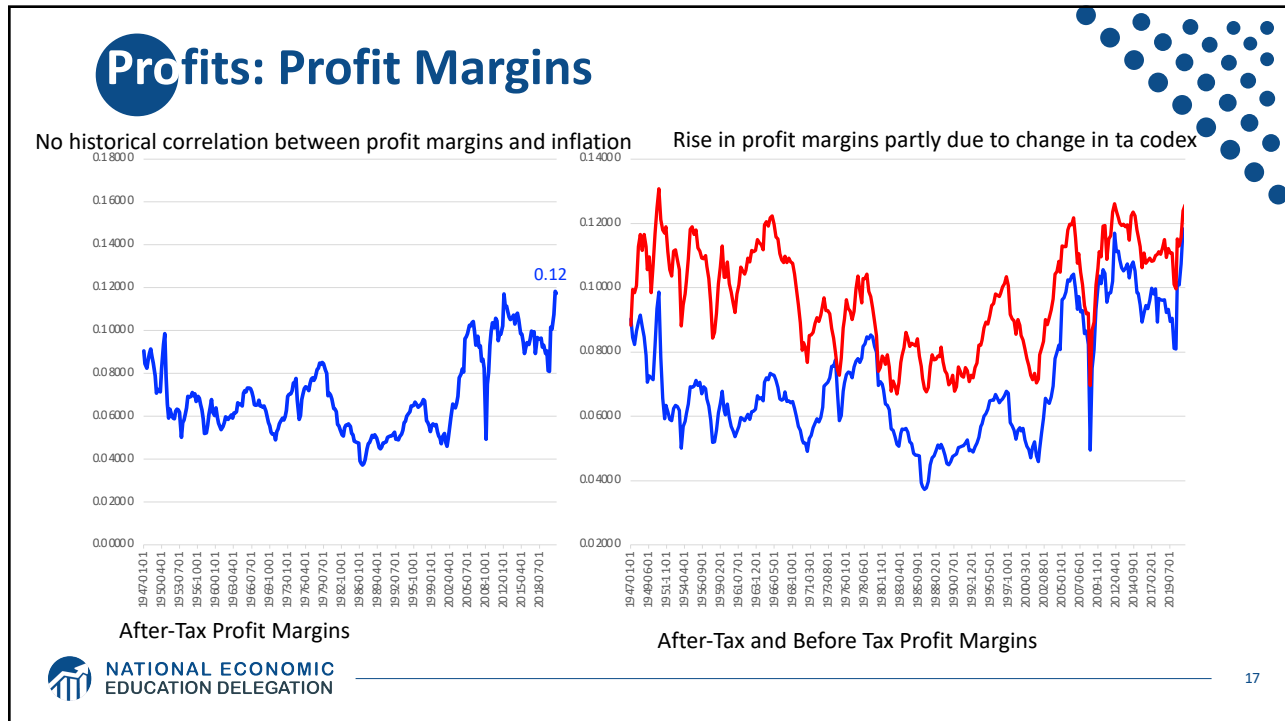
Supply Chain Disruptions: Retail Inventories

Retail Inventories: Net Autos and Auto Parts

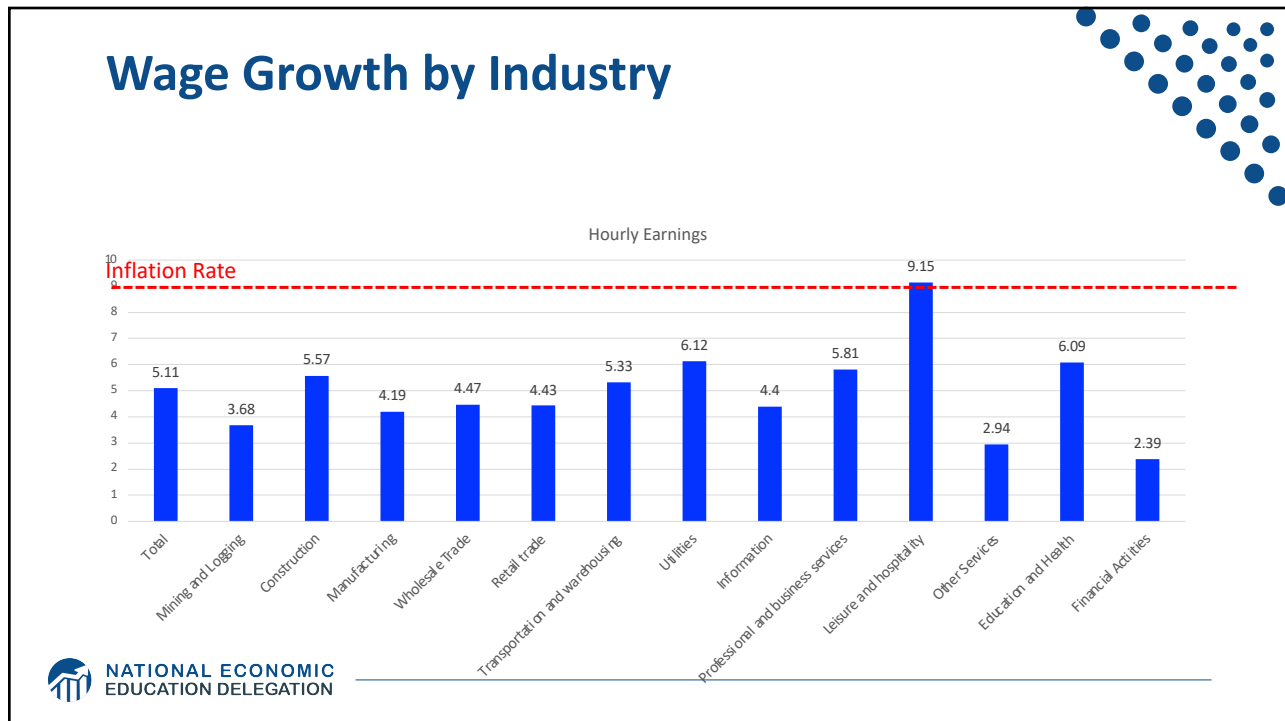


16

16



17



18

Prices at the Pump

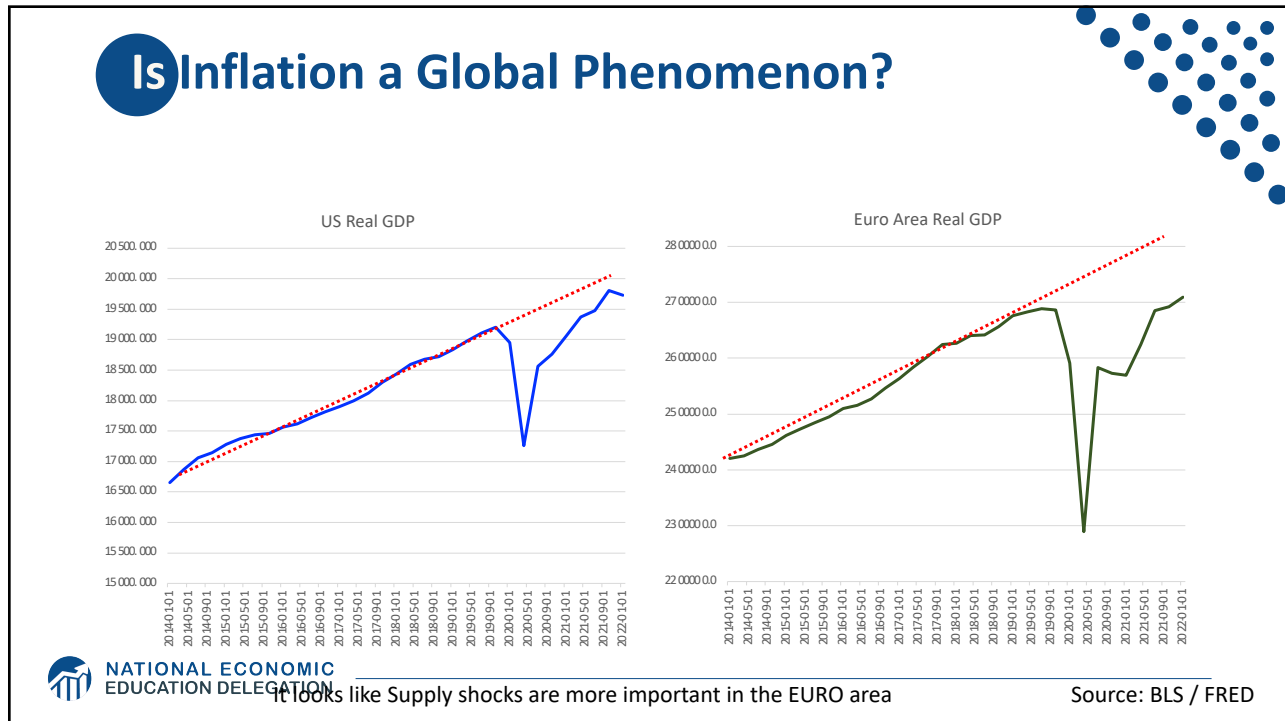
- While inflation is defined as a general rise an overall increase in prices across a wide range of goods and services, it is difficult to not mention, at least in passing, gas prices.
- Why have gasoline prices increased so much and where are they heading?
 - An increase in the price of crude oil: Part demand-driven and part supply-driven.
 - Refineries are just getting back to productive capacity
 - Disruptions have caused refiners to find oil from different sources.
- Will gas prices fall in the near future?



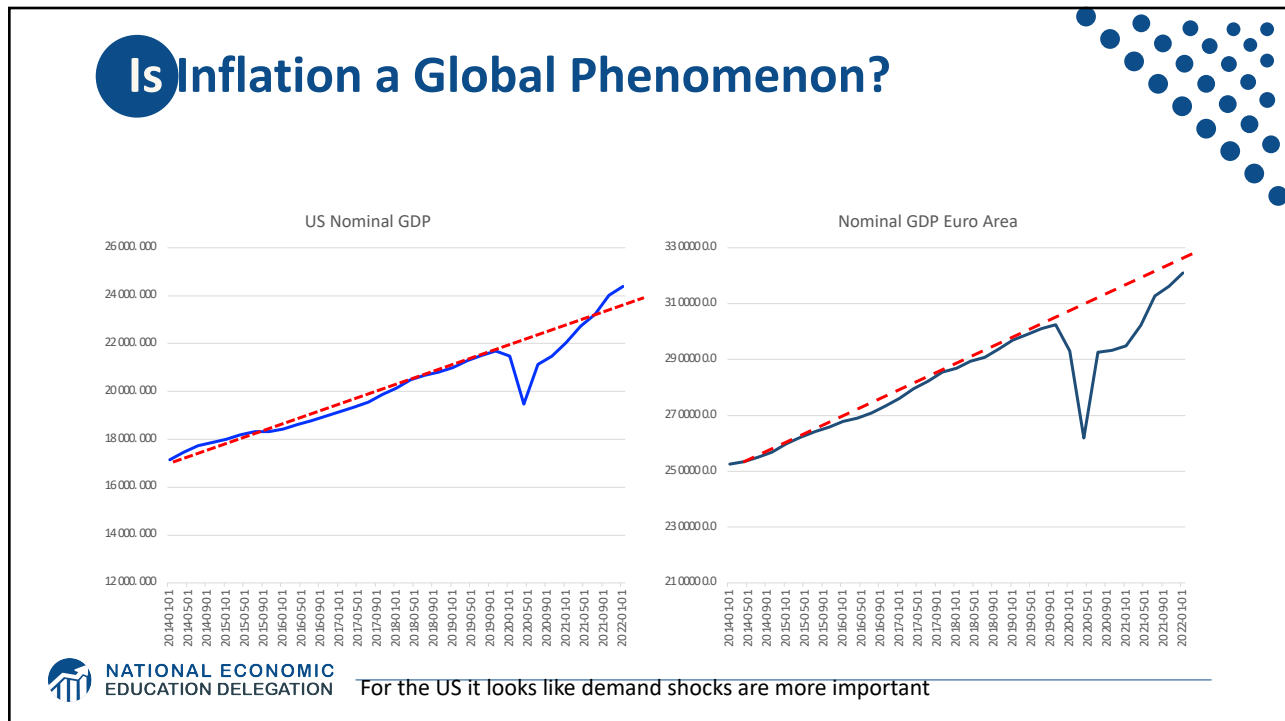
Is Inflation a Global Phenomenon?

- Yes, but the sources may be different.
- In terms of basic supply and demand
 - If the price increases are demand-driven, we will see higher prices and higher quantities – positive demand shocks
 - If the price increases are supply-driven, we will see higher prices and lower quantities – negative supply shocks.
- We can look at real GDP and Nominal GDP
 - If real GDP is at or above trend, supply shocks are likely to be less important.
 - If nominal GDP is above trend, it is likely the case that demand shocks are more important.





21



22

Outlook: Where do we go from here

- **There is some momentum to inflation and inflationary expectations and it may take time to bring down inflation and inflationary expectations.**
- **After today's release, the market assessment it is likely that the Fed will increase rates by 75 to 100 basis points at the next meeting.**



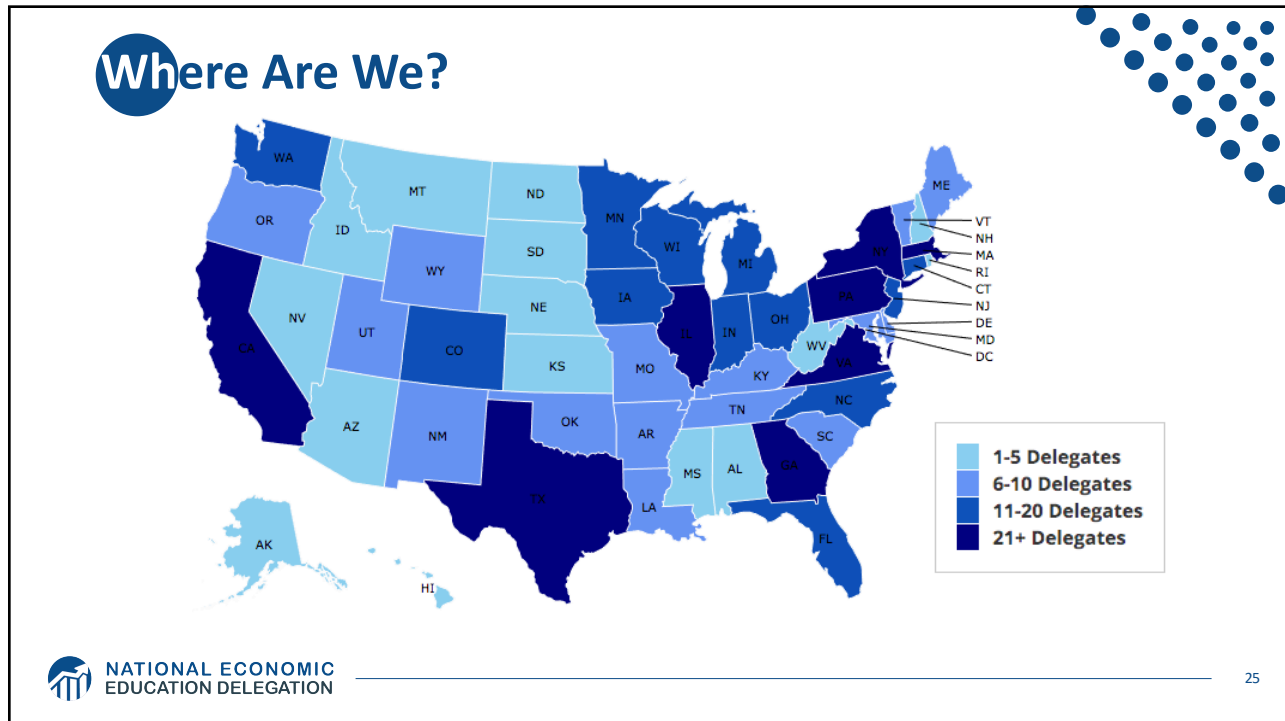
23

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



24



25

Credits and Disclaimer

- **This slide deck was authored by:**
 - <name>, <affiliation>
- **This slide deck was reviewed by:**
 - <name>, <affiliation>
 - <name>, <affiliation>
- **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).

NATIONAL ECONOMIC EDUCATION DELEGATION

26

Thank you!

Any Questions?

www.NEEDelegation.org

<presenter name>

<presenter email>

Contact NEED: info@needelegation.org

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

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



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



NATIONAL ECONOMIC
EDUCATION DELEGATION