



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

University of Connecticut  
January 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

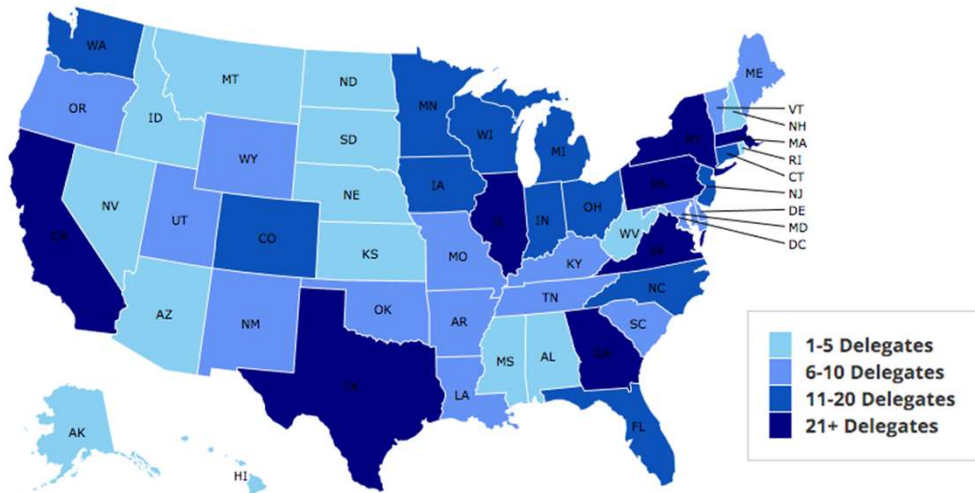
- **Delegates: 652+ members**

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

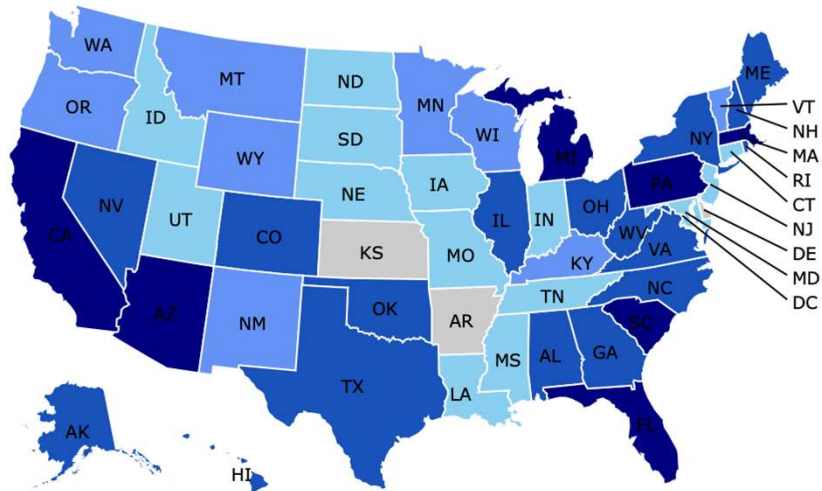
- **Global Partners: 48 Ph.D. Economists**

- 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

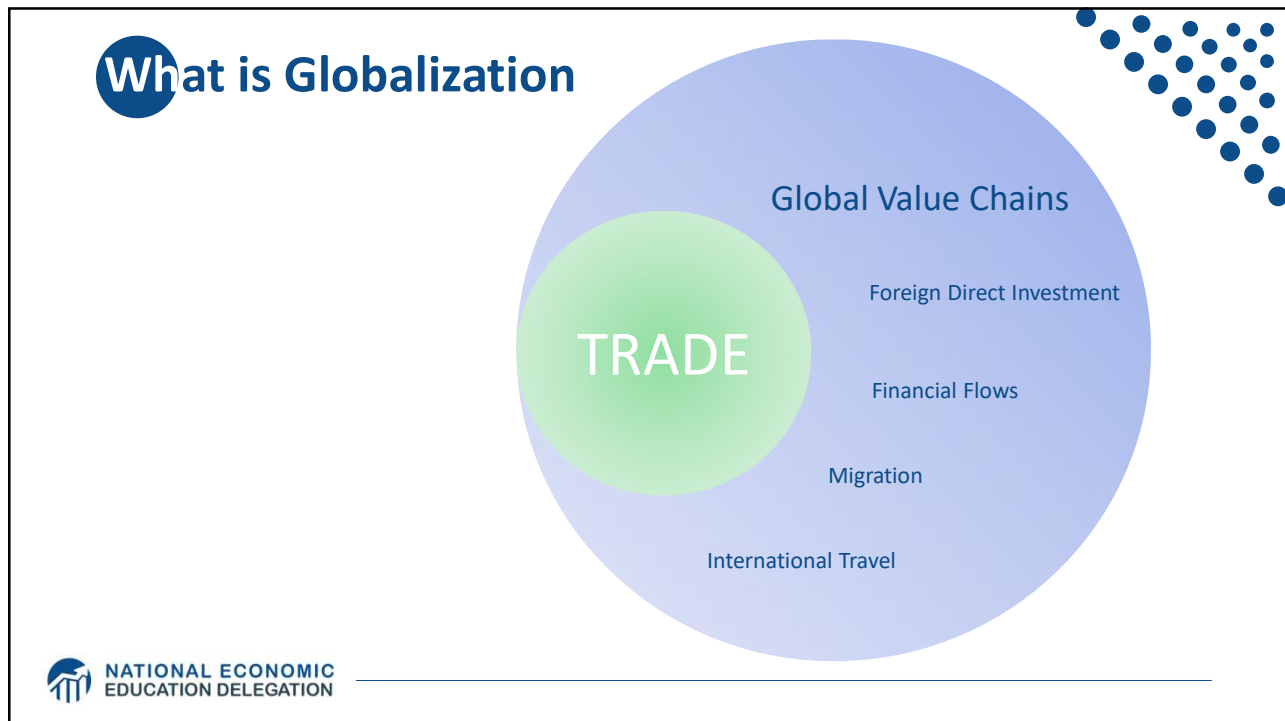
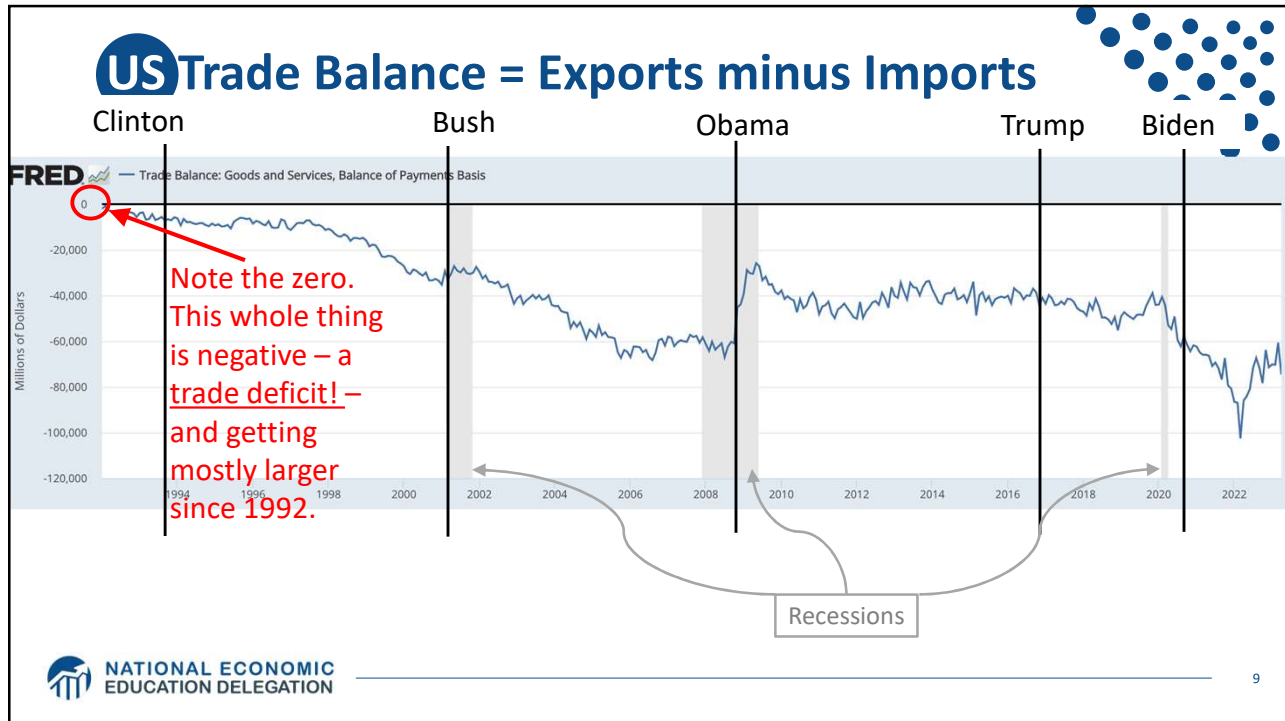
## Course Outline

### • Contemporary Economic Policy

- Week 1 (1/08): Economic Update (Geoffrey Woglom Amherst College)
- Week 2 (1/15): Gender Pay Gap (Mallika Pung University of New Mexico)
- Week 3 (1/22): Trade Deficits and Exchange Rates (Alan Deardorff U of Michigan)
- Week 4 (1/29): Trade and Globalization (Avik Chakrabati U of Wisconsin Milwaukee)

## Relative Wage Gap Over Time





INFLATION



# US Economy: Update

**Geoffrey Woglom,**  
 Professor of Economics  
 Amherst College, emeritus  
 January 8, 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**

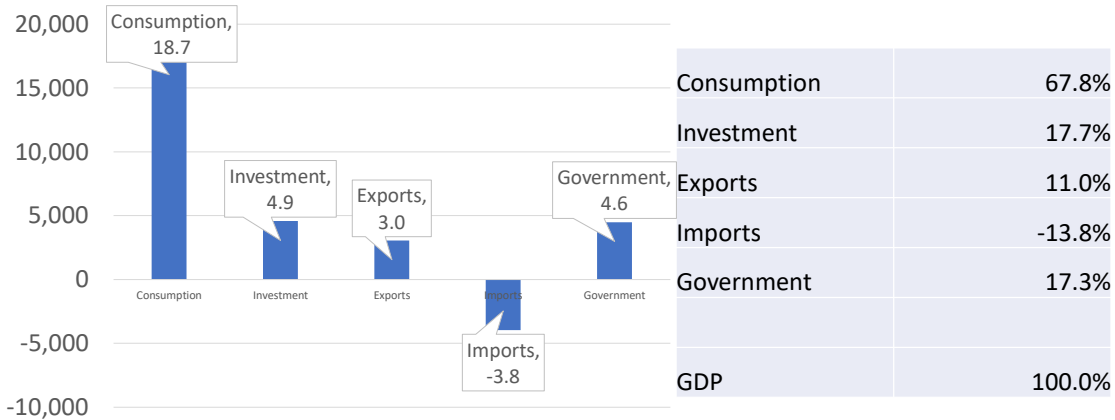
- NEED presentations are designed to be nonpartisan.
- It is, however, inevitable that the presenter will be asked for and will provide their own views.
- Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).

# Outline for the Talk

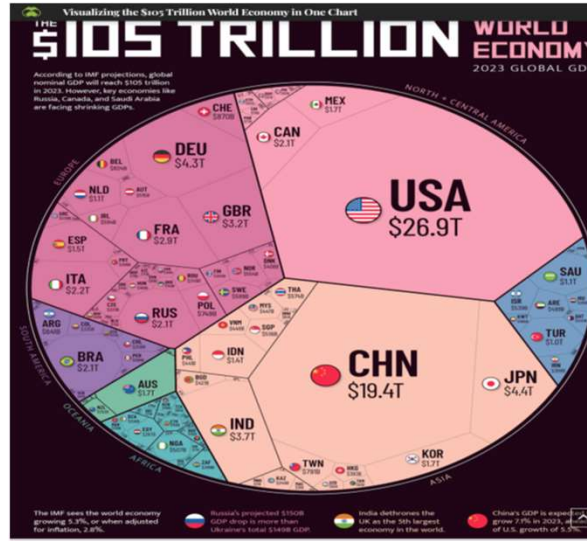
1. Summary of the state of the macroeconomy.
2. The Effect of M&F policies on the recovery.
3. Explain why there was a major change in the outlook on 11/1.
4. Describe an unprecedented monetary policy achievement that may be unfolding

# Gross Domestic Product

Components of 2023Q3 GDP, \$27.6 tr



# The Size of the World Economies



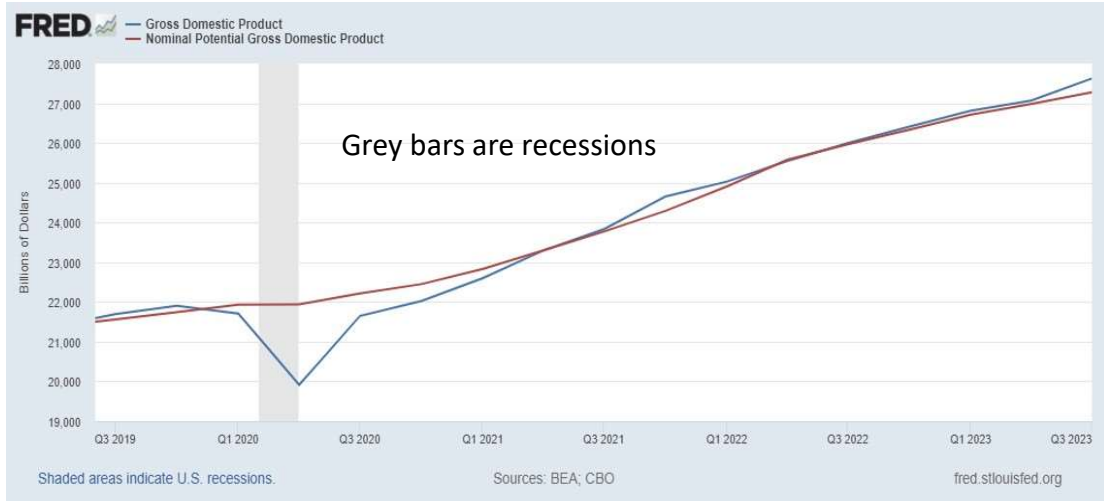
<https://www.visualcapitalist.com/visualizing-the-105-trillion-world-economy-in-one-chart/>

# Different Breakdown

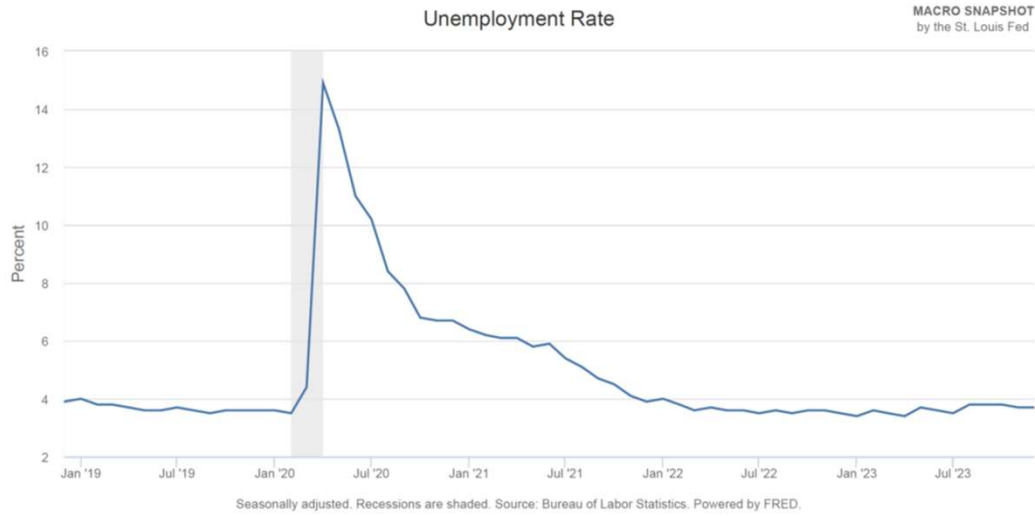




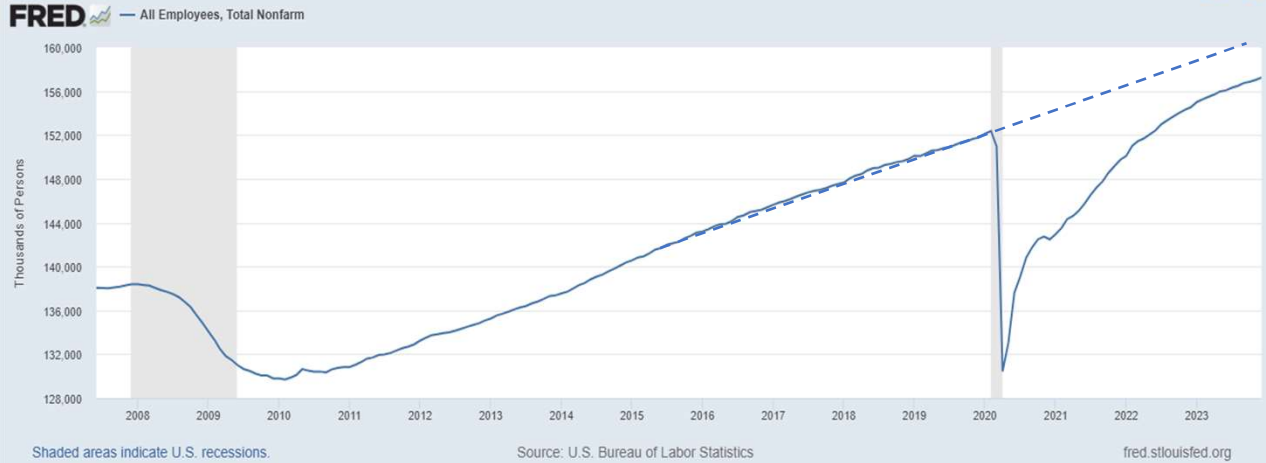
# GD<sup>P</sup> and 'Potential' during the Recovery



# Unemployment is Near Record Lows



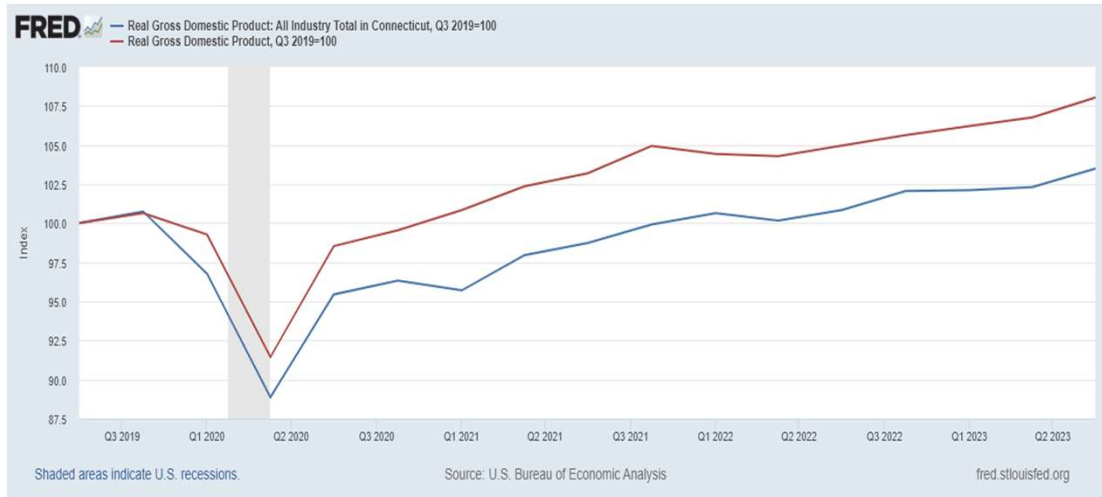
# Where Have All the Workers Gone?



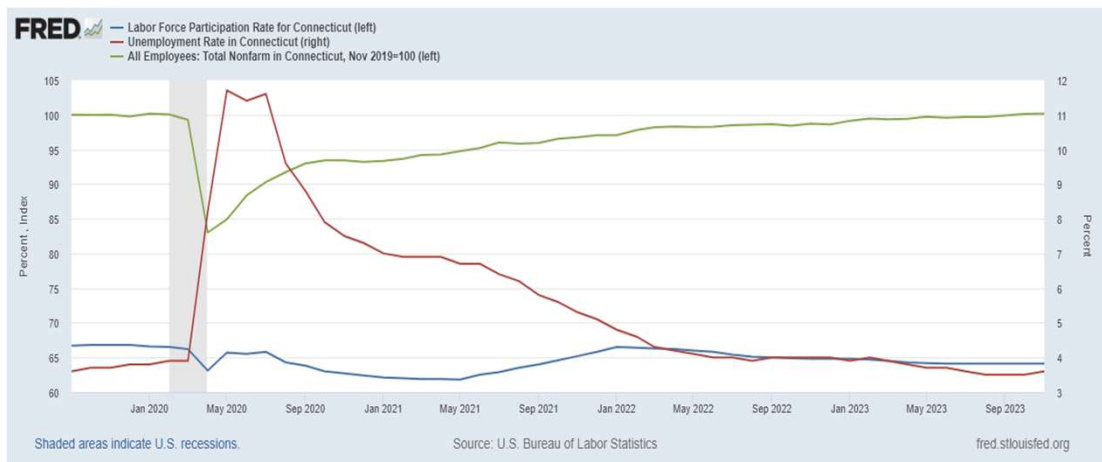
# The Great Resignation?



# How is Connecticut Doing?



# Labor Market in Connecticut



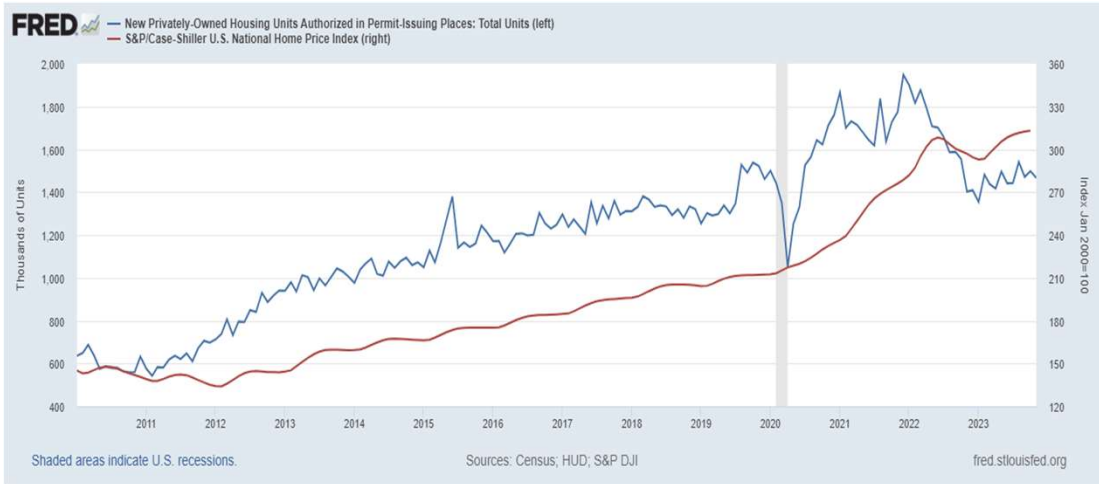
## Overall Good News on the Real Side

- 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 ?

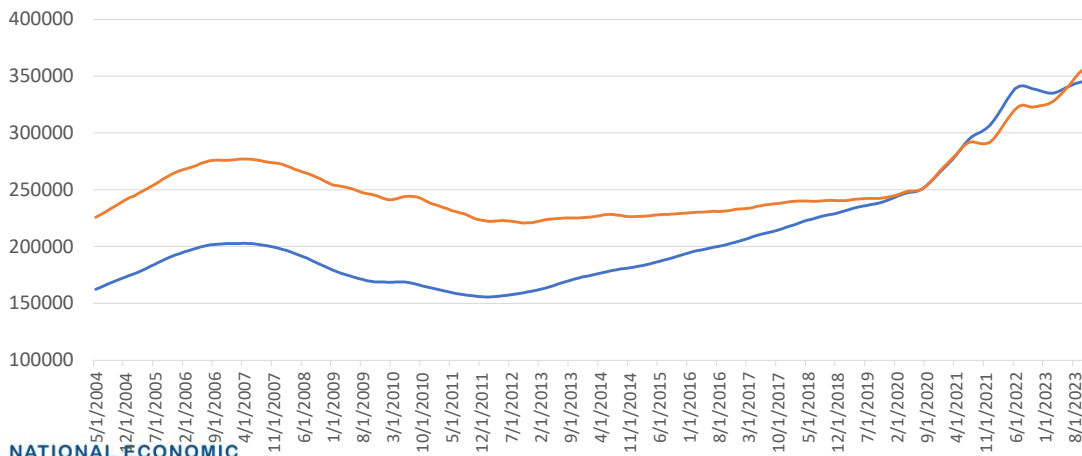


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# National Housing Market and Closer to Home

Single Family Home Prices

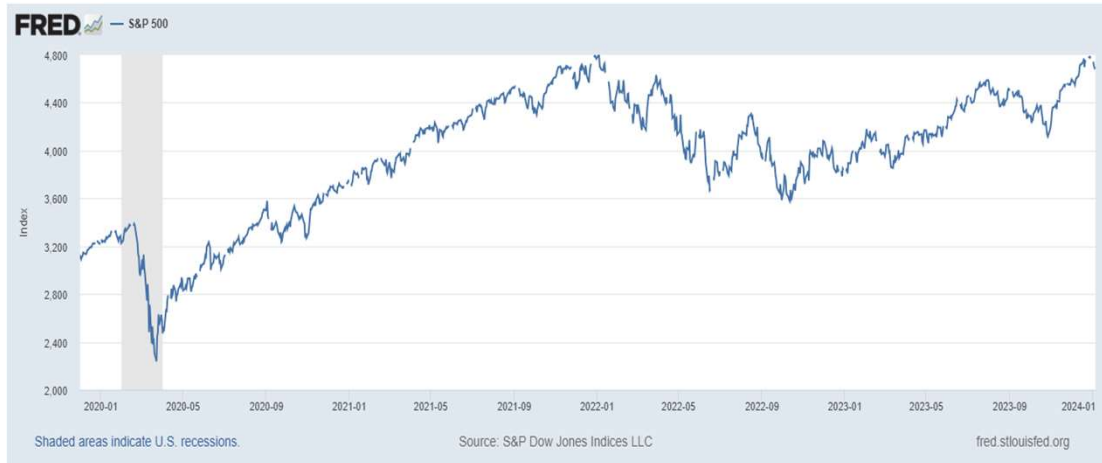
— US — Hartford



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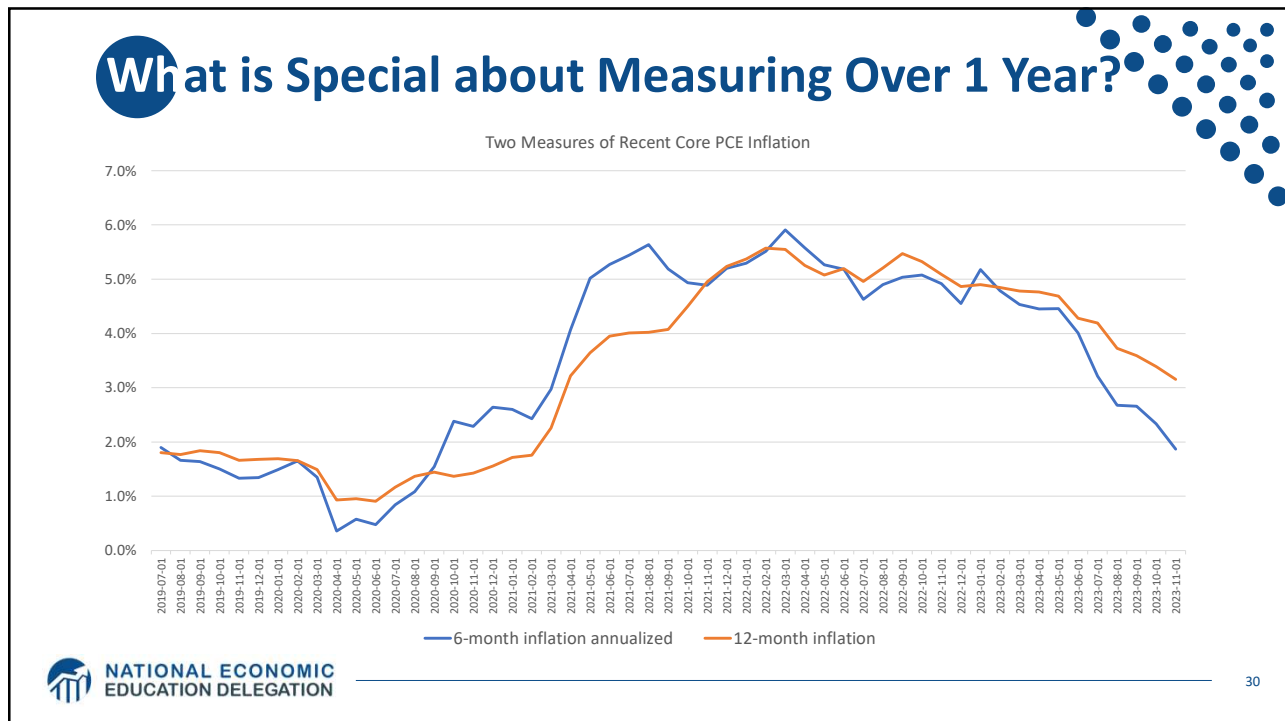
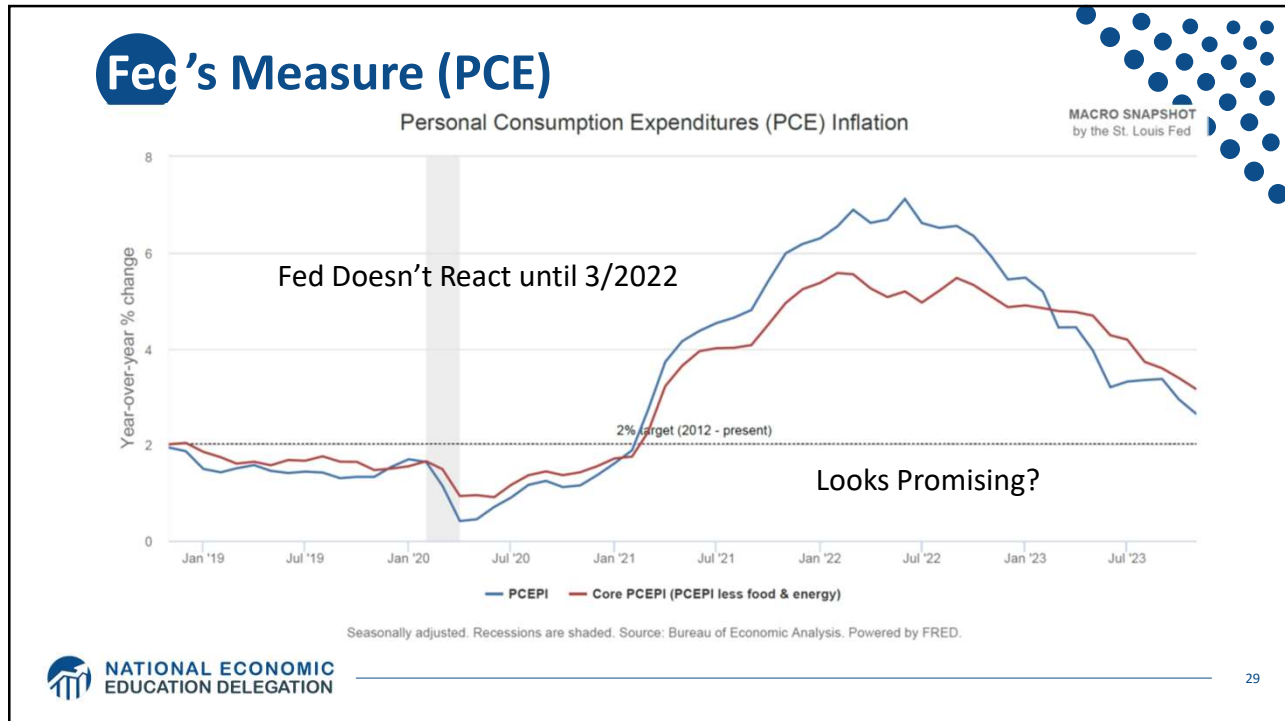
<https://www.zillow.com/research/data/>

# Stock Prices: Fear Giving Way to Greed?



# Inflation during the Recovery (CPI)





## CPI vs. PCE: Differences

CPI tends to be higher (Nov):

CPI, 3.1%

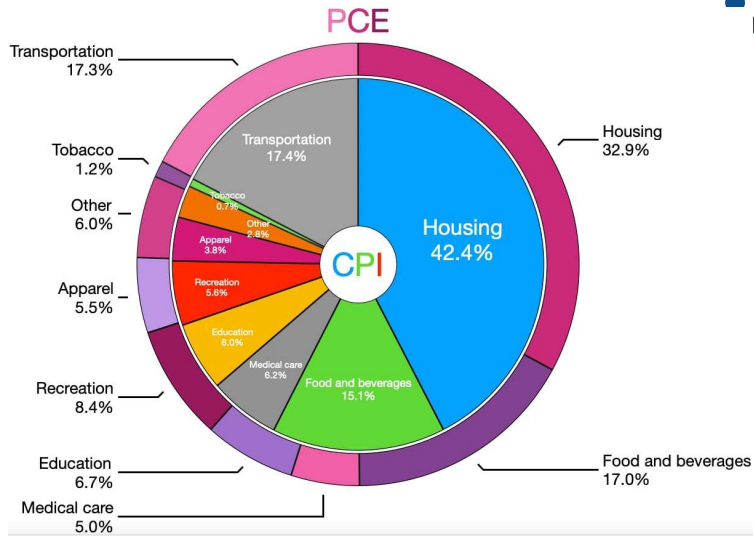
PCE, 3.4%

Core CPI, 4.0%

Core PCE, 3.2%.

Typically more like

0.5 % pts.



[https://en.wikipedia.org/wiki/Personal\\_consumption\\_expenditures\\_price\\_index#](https://en.wikipedia.org/wiki/Personal_consumption_expenditures_price_index#)

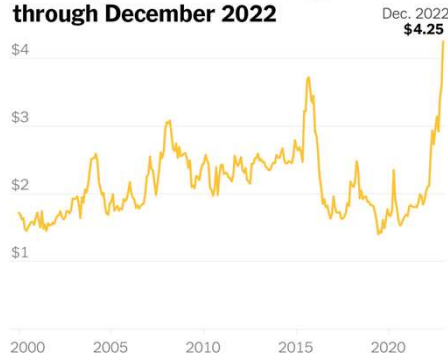
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## Uses of Inflation Measures

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?

Monthly price for a dozen eggs through December 2022



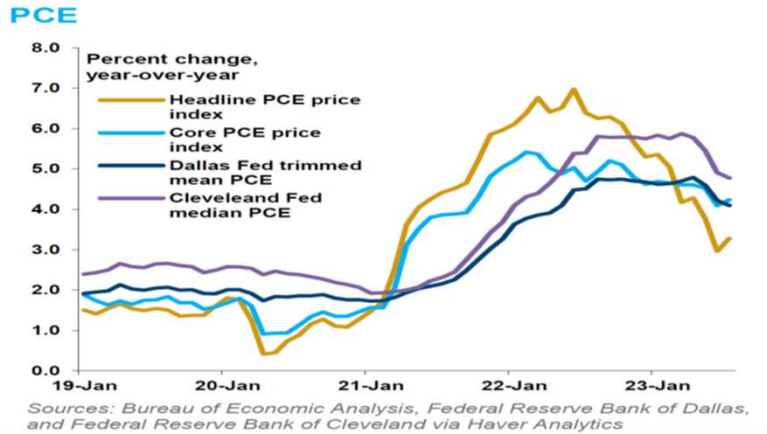
Prices are adjusted for inflation in Dec. 2022 dollars.  
Source: Bureau of Labor Statistics



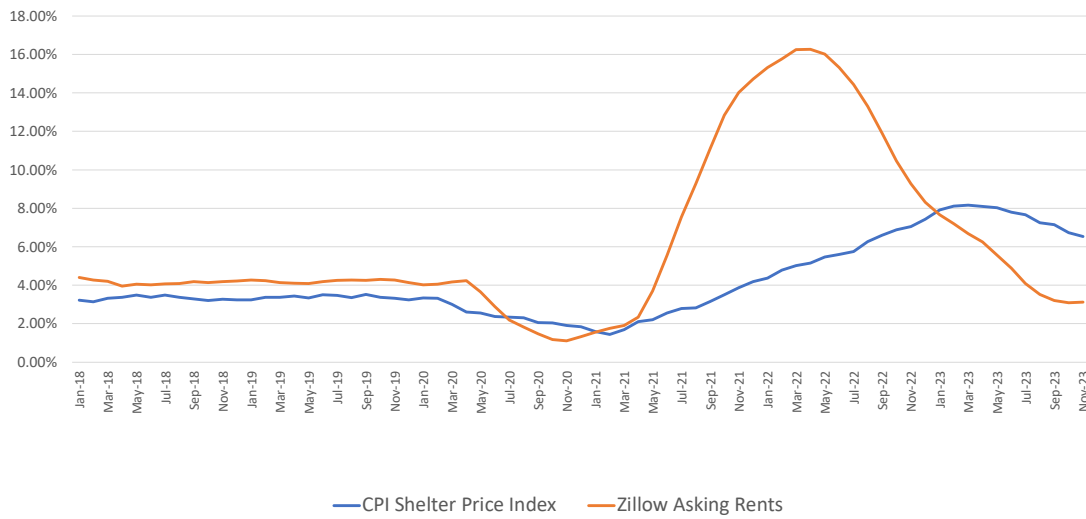
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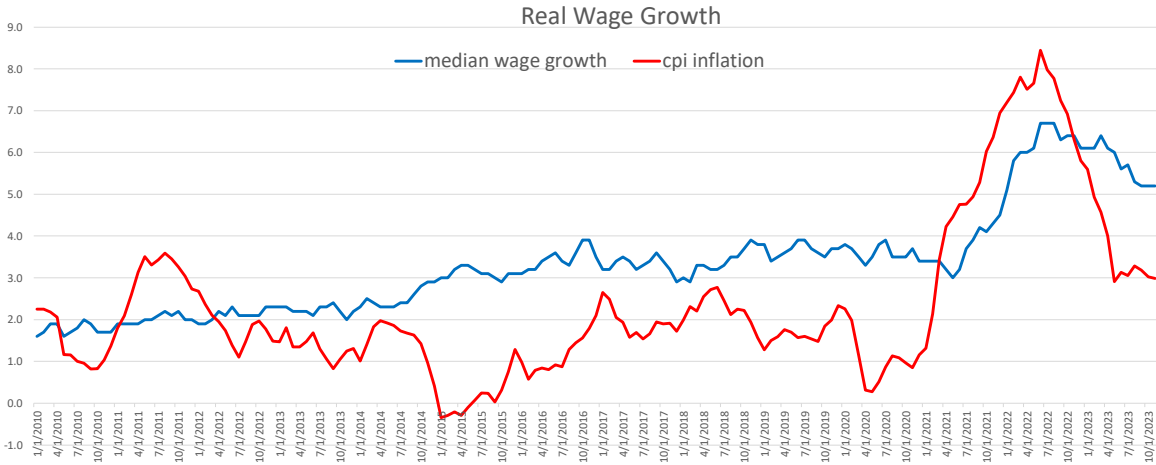
# Measuring "Underlying" Inflation



# Rents Paid versus Asking Rents



# Wages Haven't Kept Pace with Inflation, Yet



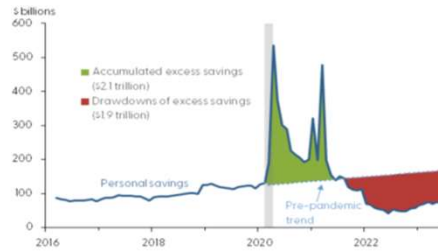
# The "Nominal" Side

- **Inflation: There is still work to be done, but things are looking much better.**

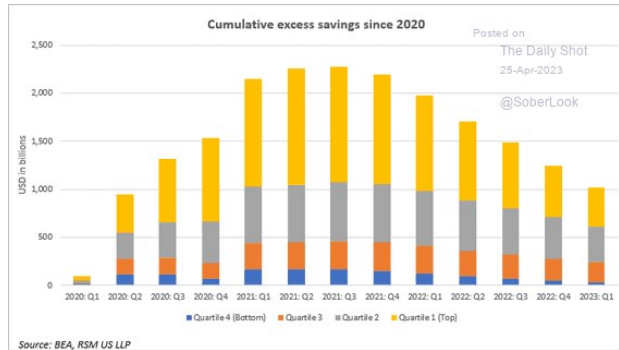
# Policy Effects: Fiscal

- 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/>



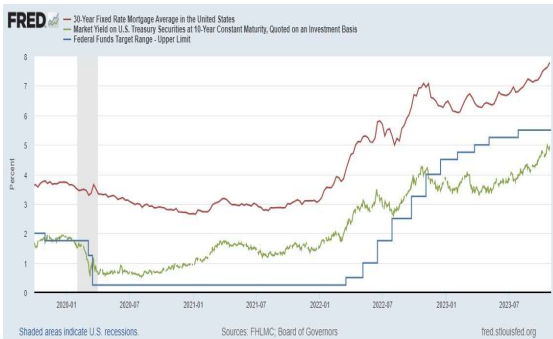
Source: BEA, RSM US LLP



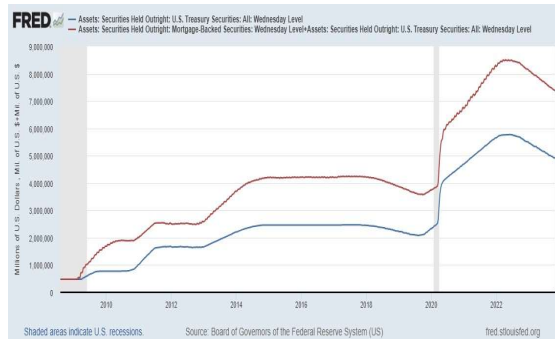
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# Policy Effects: Monetary

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



Shaded areas indicate U.S. recessions. Sources: FHLMC; Board of Governors fred.stlouisfed.org



Shaded areas indicate U.S. recessions. Source: Board of Governors of the Federal Reserve System (US) fred.stlouisfed.org



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## What Happened on 11/1?



## No Much: Changes in the Policy Statement

Recent indicators suggest that economic activity has been expanded at a strong ~~ing at a~~ solid ~~pace~~ in the third quarter. Job gains have ~~slowed in recent months~~ moderated since earlier in the year but remain strong, and the unemployment rate has remained low. Inflation remains elevated.

The U.S. banking system is sound and resilient. Tighter financial and credit conditions



# Fed's Evolving Views on the Economy

Percent

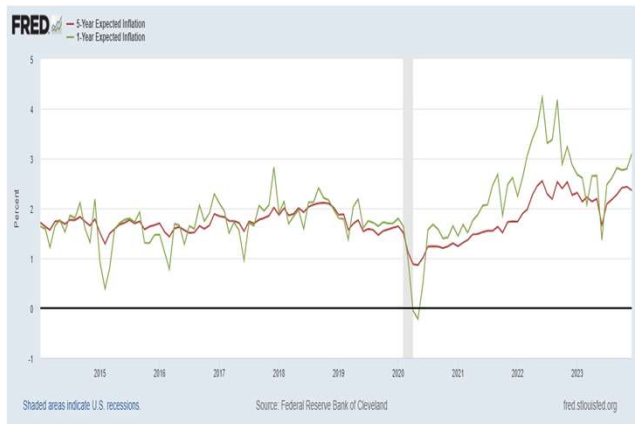
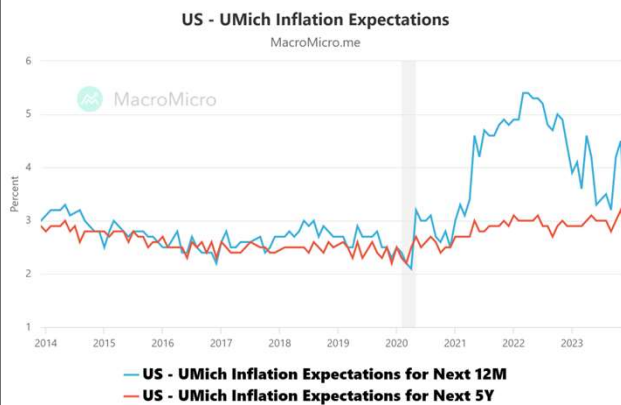
Variable	Median <sup>1</sup>				
	2023	2024	2025	2026	Longer run
Change in real GDP	2.6	1.4	1.8	1.9	1.8
September projection	2.1	1.5	1.8	1.8	1.8
Unemployment rate	3.8	4.1	4.1	4.1	4.1
September projection	3.8	4.1	4.1	4.0	4.0
PCE inflation	2.8	2.4	2.1	2.0	2.0
September projection	3.3	2.5	2.2	2.0	2.0
Core PCE inflation <sup>4</sup>	3.2	2.4	2.2	2.0	
September projection	3.7	2.6	2.3	2.0	
Memo: Projected appropriate policy path					
Federal funds rate	5.4	4.6	3.6	2.9	2.5
September projection	5.6	5.1	3.9	2.9	2.5

November Survey of Professional Forecasters very similar outlook

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"



## What will the Fed Do?

### Current and Pending Developments:

- Friday's jobs report was pretty strong.
- Eurozone Inflation rose from 2.4 to 2.9% today.
- Budget deal over the weekend.
- Thursday, 8:30 CPI inflation report which is forecasted to show modest increase driven by increases in rents.
- January 30/31 next Fed meeting

## Relative Wage Gap Over Time



**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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