



ThinkTank Tuesday: Wine, Water, and Policy Whimsy

U.S. Economic Outlook

National Economic Education Delegation

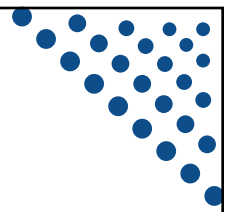
Jon Haveman, Ph.D.

Executive Director, NEED

January 28, 2020



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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 are intended to reflect the consensus of the economics profession.



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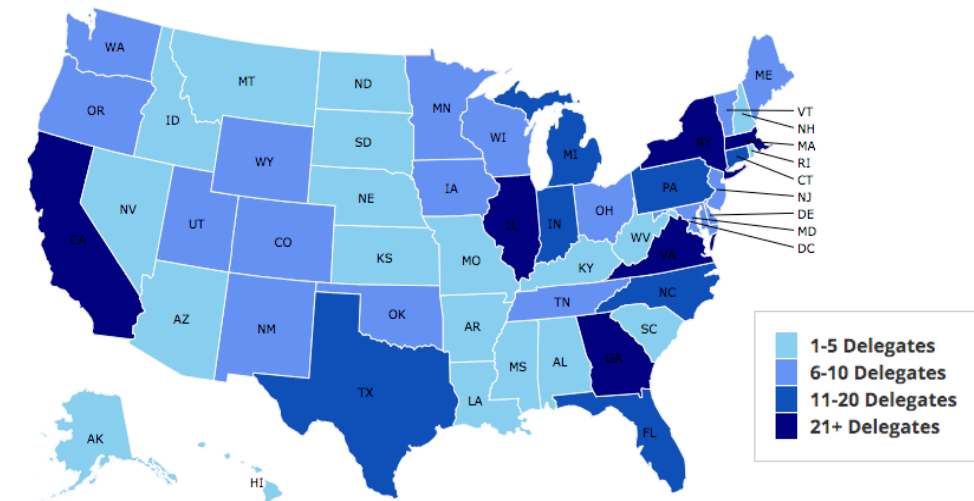
Who Are We?

- **Honorary Board: 46 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: 483 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: 45 Ph.D. Economists**
 - Aid in slide deck development



3

Where Are We?



4

Credits and Disclaimer

- **This slide deck was authored by:**
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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).



5

Outline – U.S. Economic Outlook

- Behavior of GDP
- Labor Market
- Monetary Policy/Interest Rates
- Other Indicators
- Summary



6

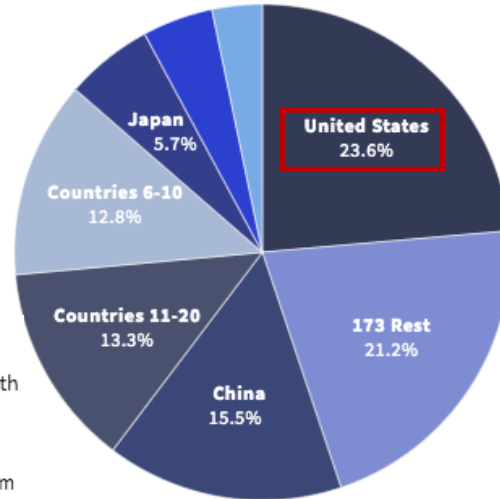
U.S. Economy in Global Perspective

U.S. Nominal GDP:

\$21.542 trillion in 2019-Q3

% Share of the Global Economy

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



- United States
- 173 Rest
- China
- Countries 11-20
- Countries 6-10
- Japan
- Germany
- United Kingdom

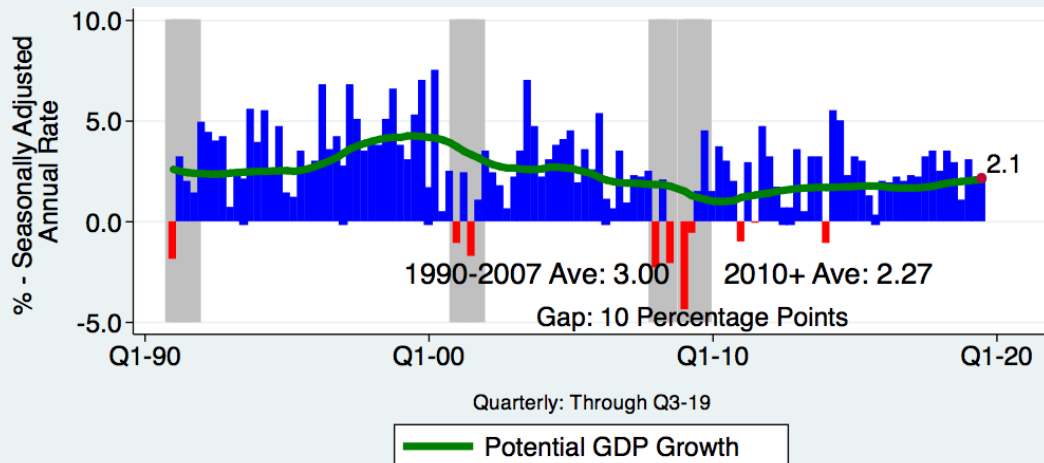


Source: IMF

7

7

GDP Growth During Economic Recovery



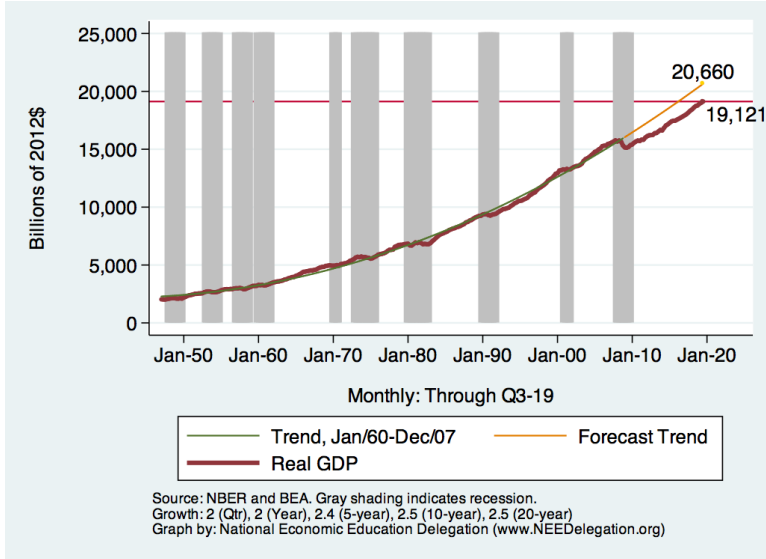
Source: Bureau of Economic Analysis. Gray shading indicates recession.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)



8

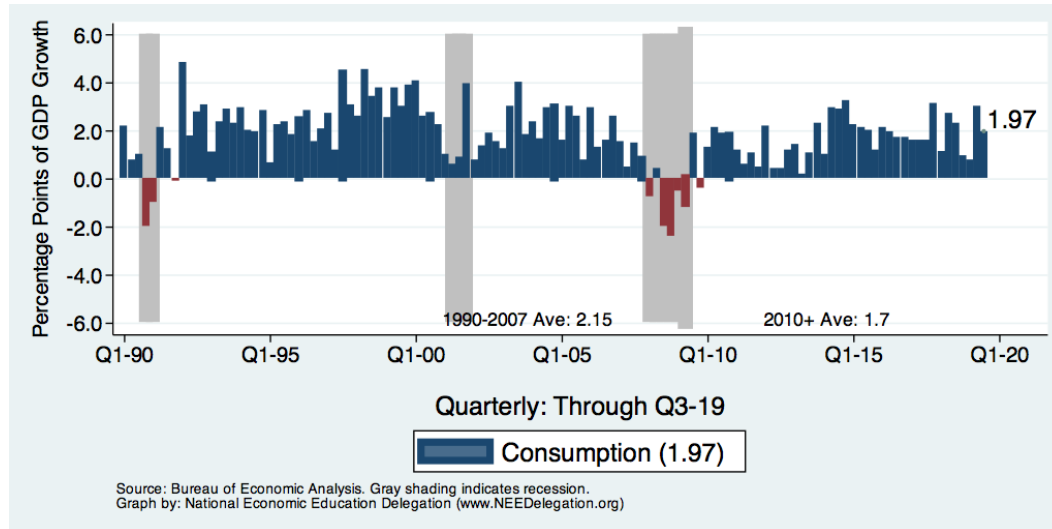
8

GDP Relative to Long-Term Trends



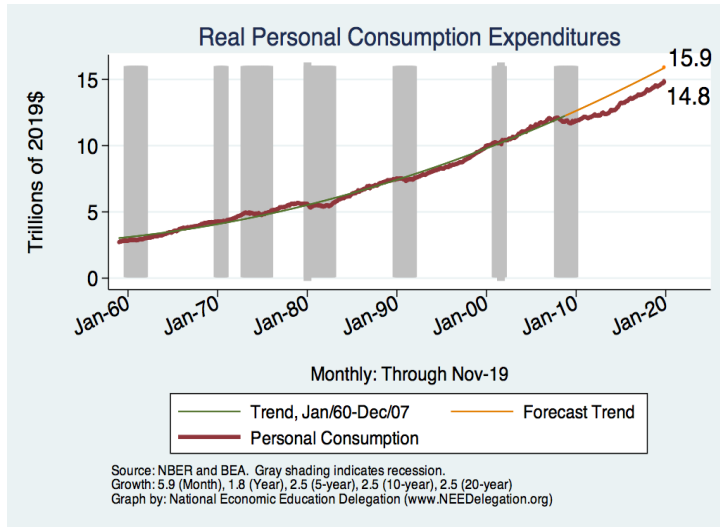
9

Contribution to GDP Growth: Consumption



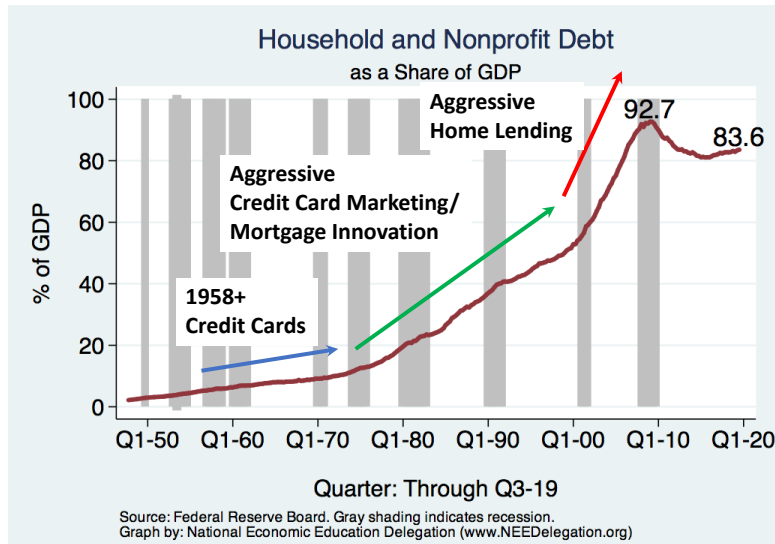
10

Personal Consumption Expenditures



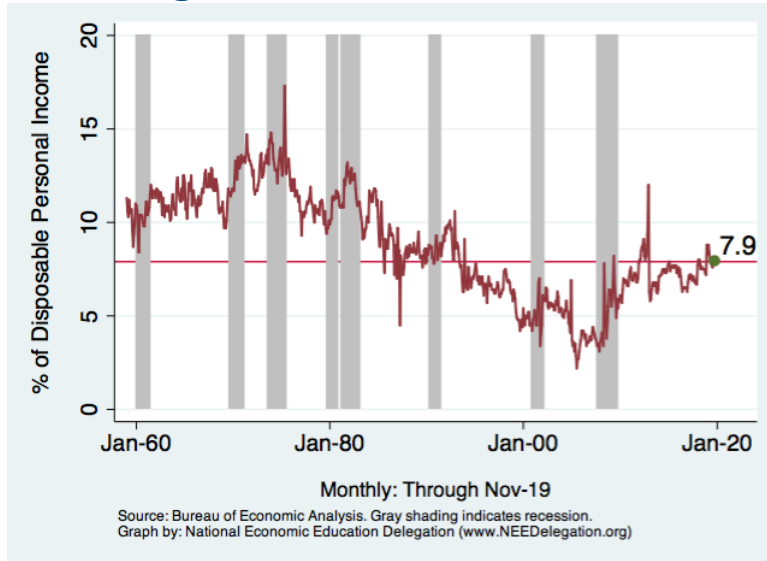
11

Household Debt as a Share of GDP



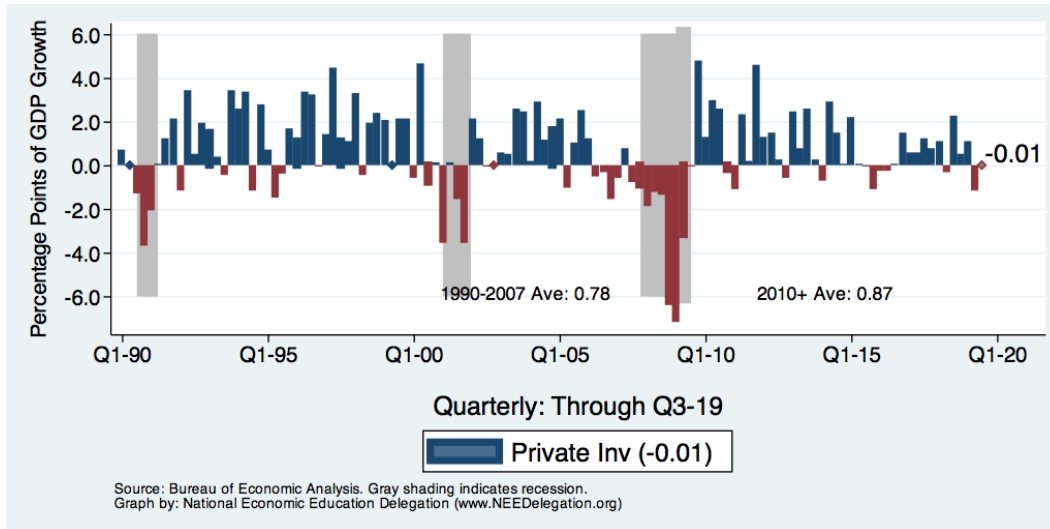
12

Personal Savings



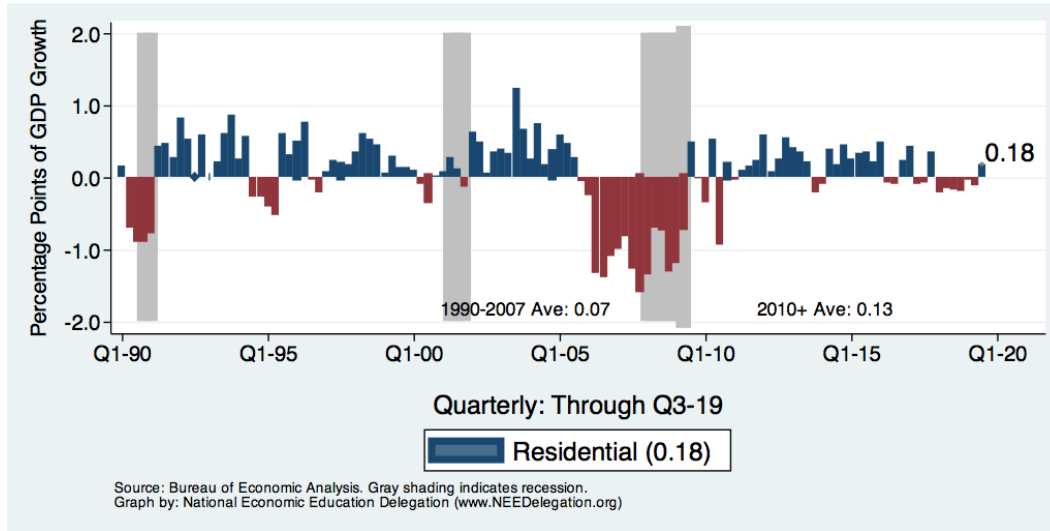
13

Contributions to GDP: Private Investment



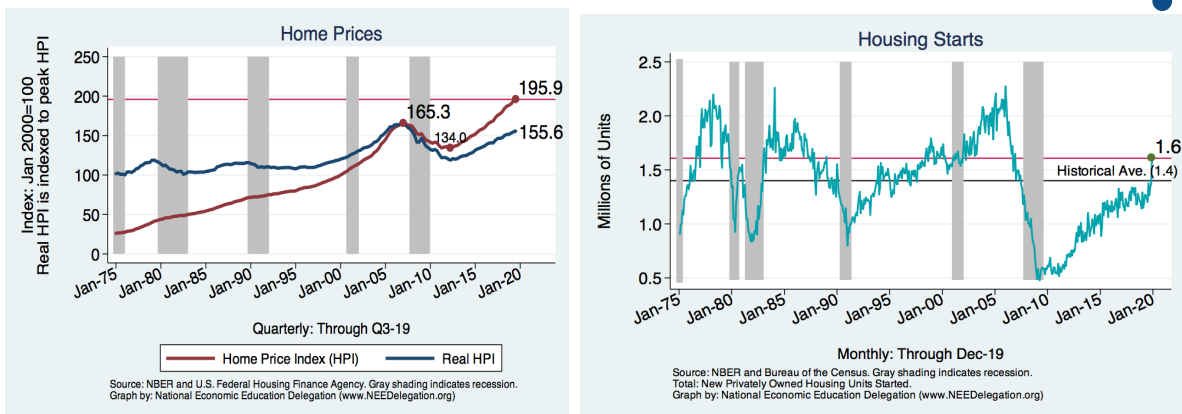
14

Contributions to GDP: Residential Investment



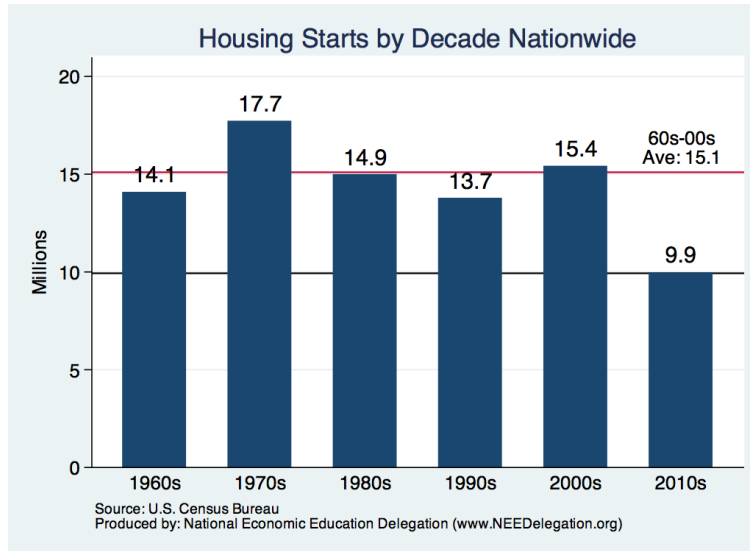
15

Home Prices and Housing Starts



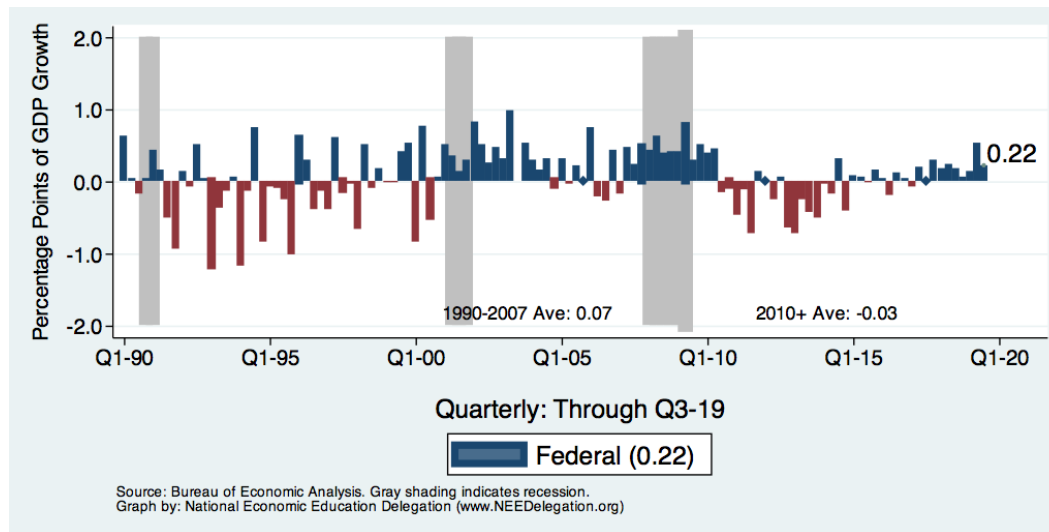
16

Recent Housing Growth Has Been Slow



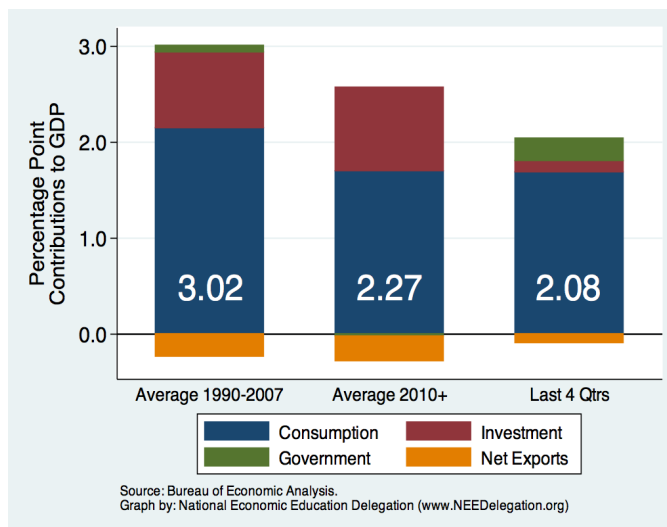
17

Contributions to GDP: Government



18

Expenditure Summary



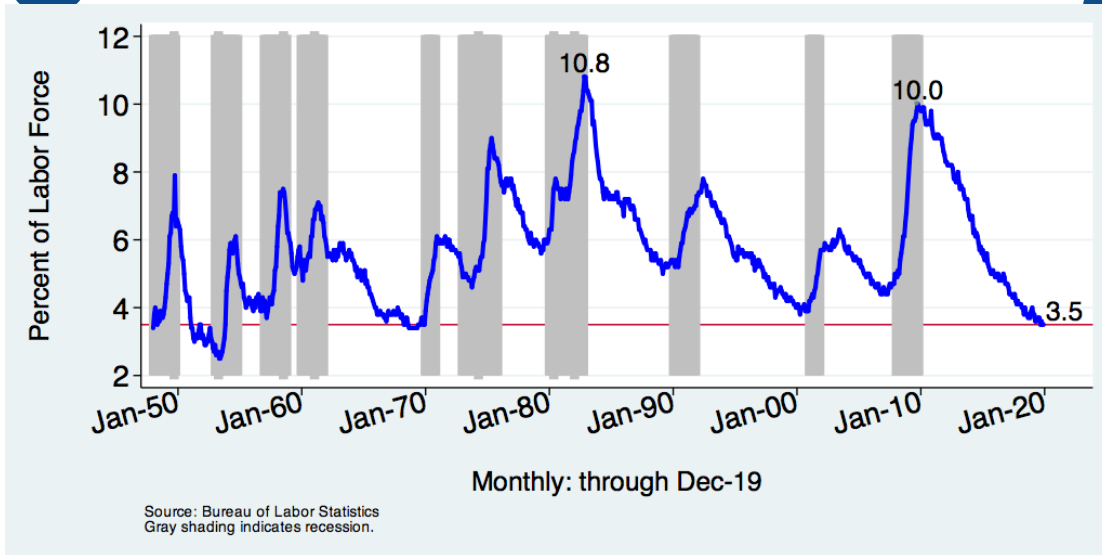
19

Labor Market Conditions

- **Unemployment rate is low, 3.5%, a level not seen since the 1960s.**
- **Natural rate of unemployment is estimated to be 4.5% - 5.5%.**
- **Monthly employment gains have averaged 189,000 jobs over the last six months.**
 - This measure has been declining throughout 2019.
- **Recent Labor Market Concerns:**
 - Low employment-to-population ratio
 - Falling labor force participation
 - Slow wage growth

20

Unemployment Rate

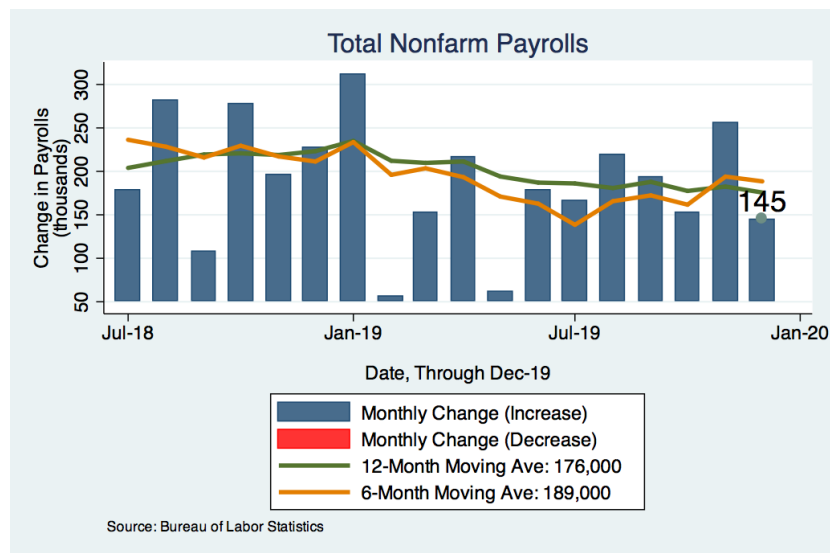


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21

21

Monthly Changes in Nonfarm Employment

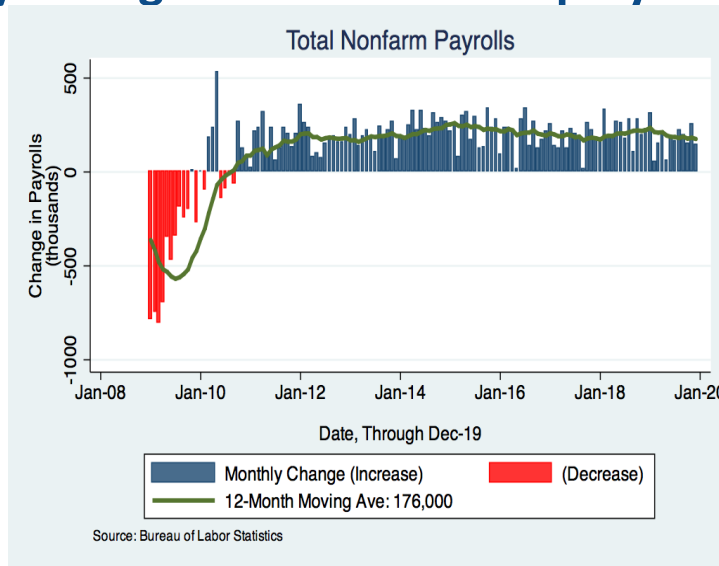


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22

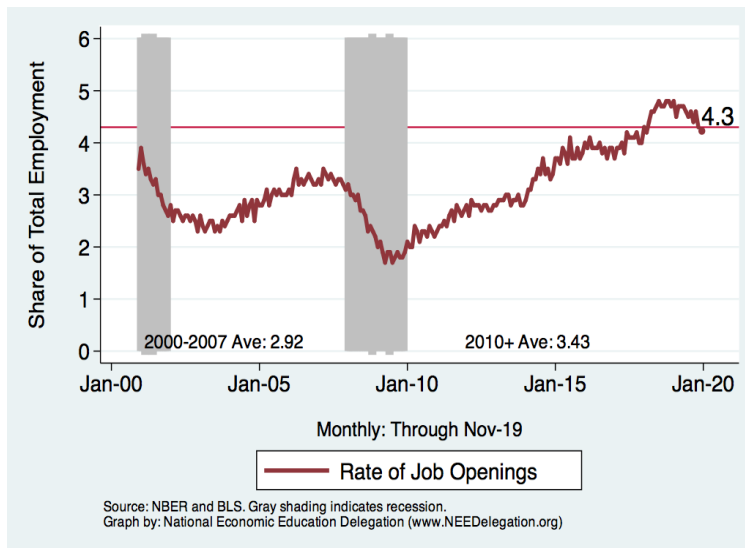
22

Monthly Changes in Nonfarm Employment



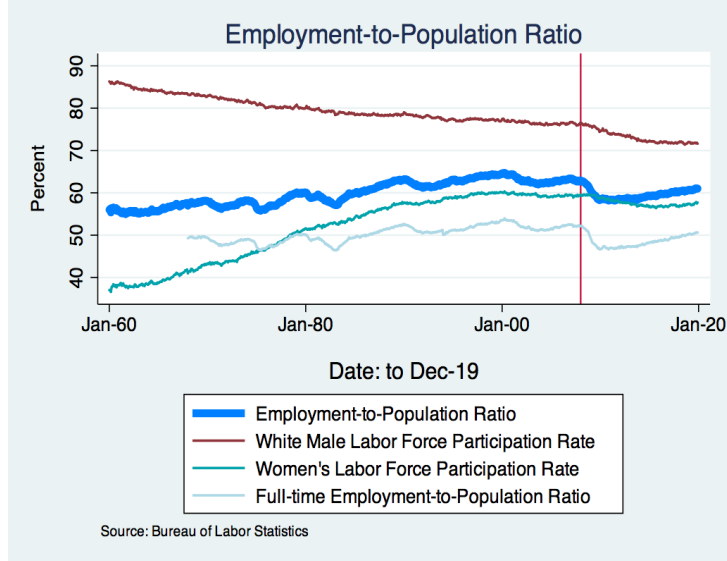
23

Job Openings: Share of Total Employment



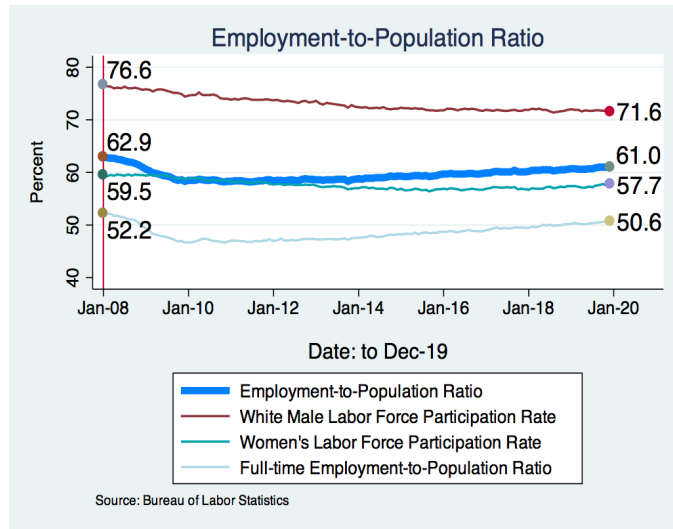
24

Employment-to-Population Ratios



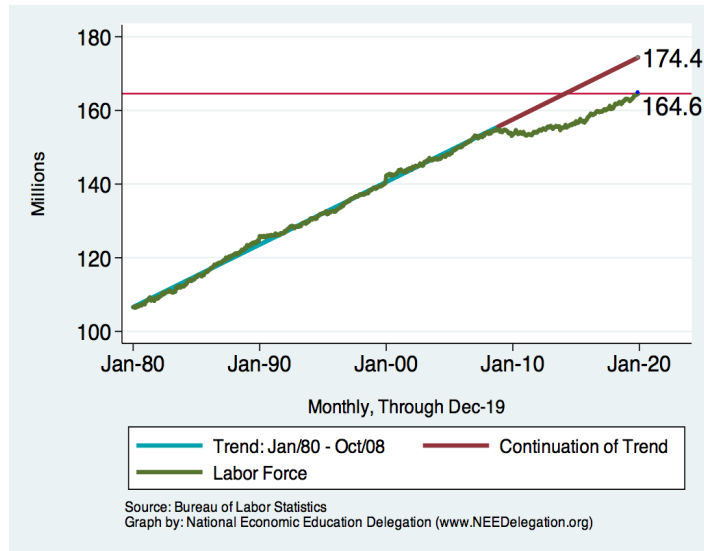
25

Employment to Population Ratios – Recent



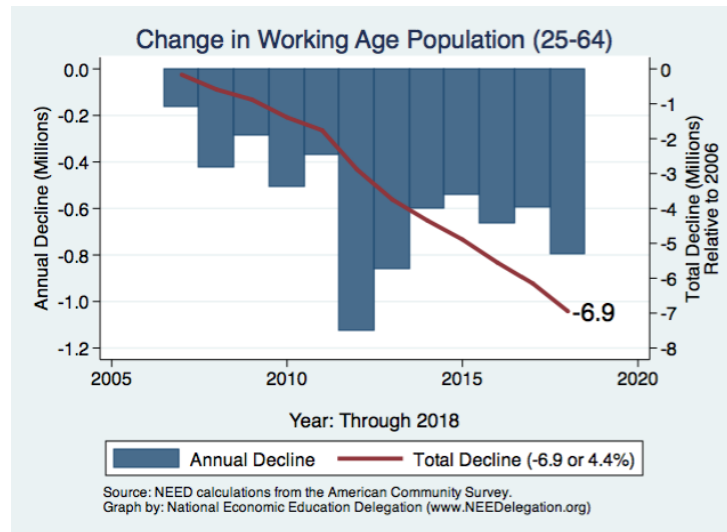
26

Labor Force Participation - Below Trend



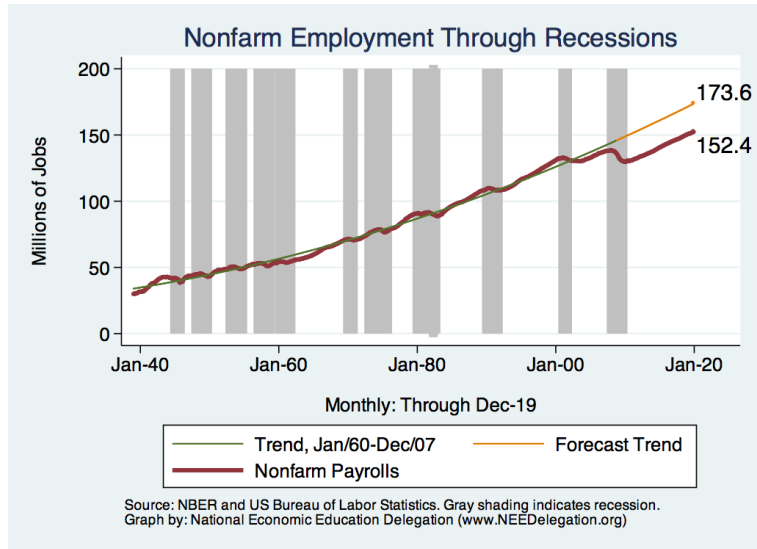
27

Baby Boomers Are Retiring!



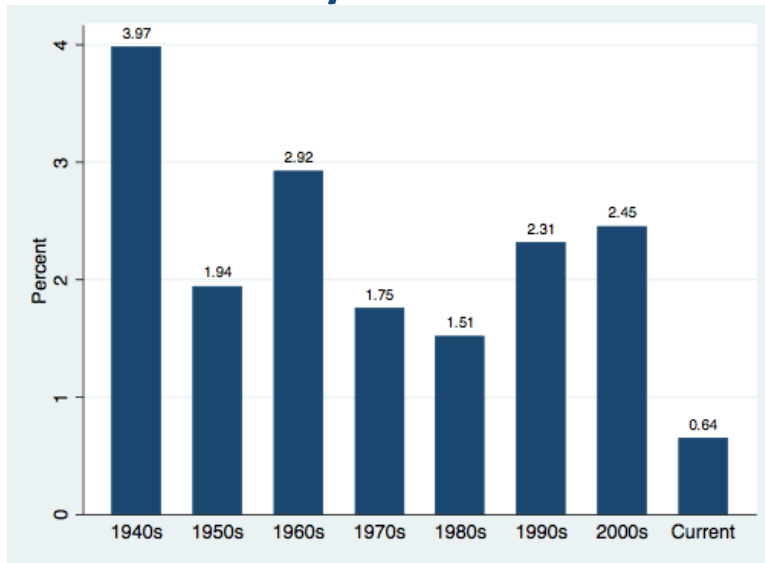
28

Employment Growth



29

History of Productivity Growth



30

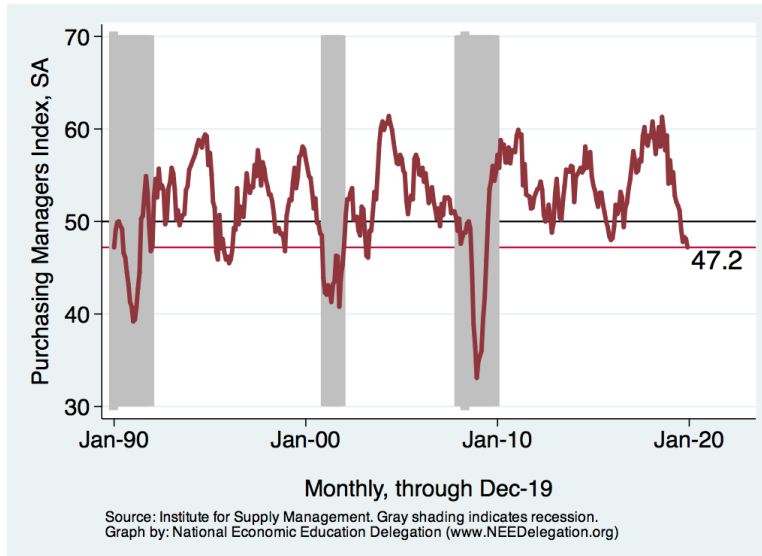
Summary

- **GDP growth is primarily fueled by increases in demand for output.**
- **This growth is supported by growth in employment and productivity of the labor force.**
- **Recent years have seen relatively tepid increases in demand for output.**
 - In particular, consumption and government spending have been slow relative to other periods.
- **This tepid growth has lead to slow increases in employment.**
 - Although labor markets have tightened, wages have not experienced rapid growth.
- **Productivity growth has played little role in growing GDP.**
 - Why this is so is not immediately clear.



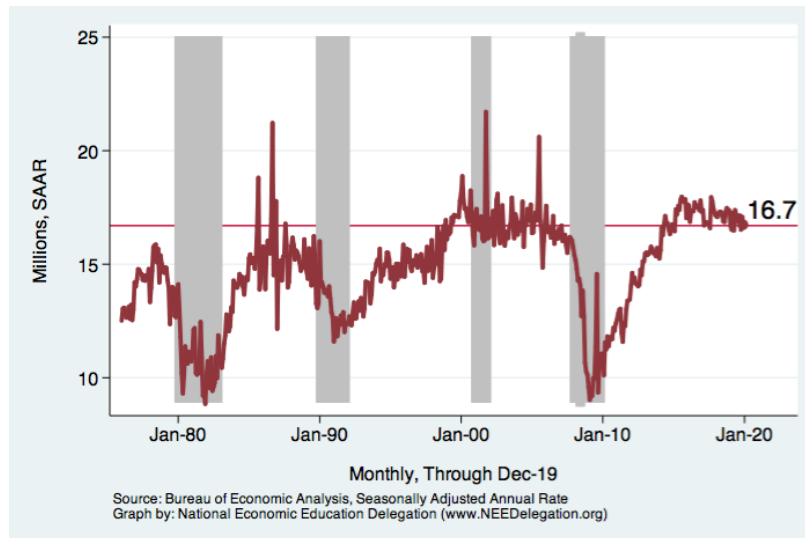
31

Producer Confidence: Not What it Used to be!



32

Automobile and Light Truck Sales



33

Summary of GDP, Labor Markets and Monetary Policy

• Behavior of GDP

- Behavior of expenditure components matter.
- On average, post-recession consumption, government, and export expenditures are contributing less to GDP therefore slowing the recovery.
- In contrast, investment expenditures are contributing more.

• Labor Market

- Unemployment is low, labor force participation is stagnant
- Real wages may be starting to grow.

• Monetary Policy

- Interest rates are falling.
- Policy normalization is a long way off.

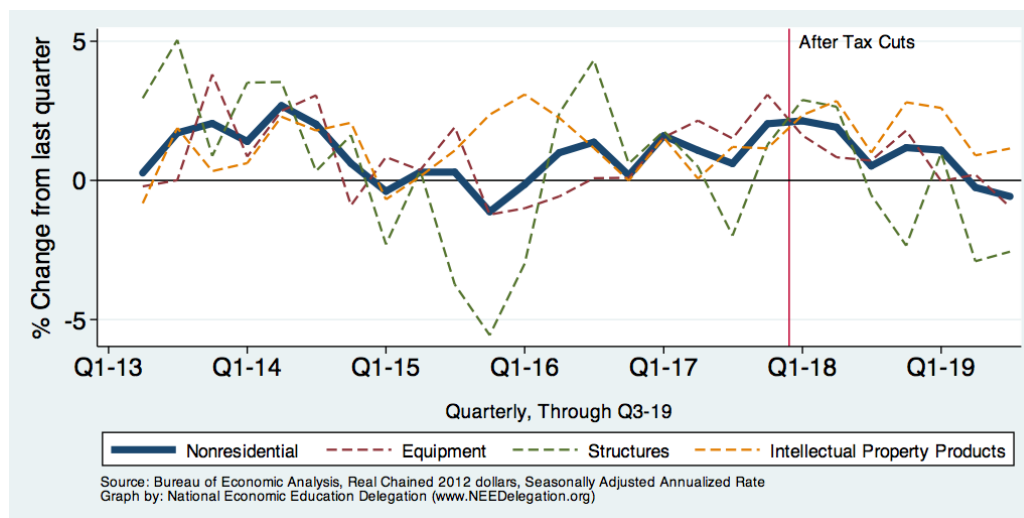
34

Things to Be Worried About

- **Policy Uncertainty**
 - Trade and immigration policy, especially
- **Business investment**
- **Yield Curve**
- **Government Debt**
- **Savings**
- **Income and Wealth Inequality**
- **Growth Abroad**
- **Ammunition for fighting the next recession**

35

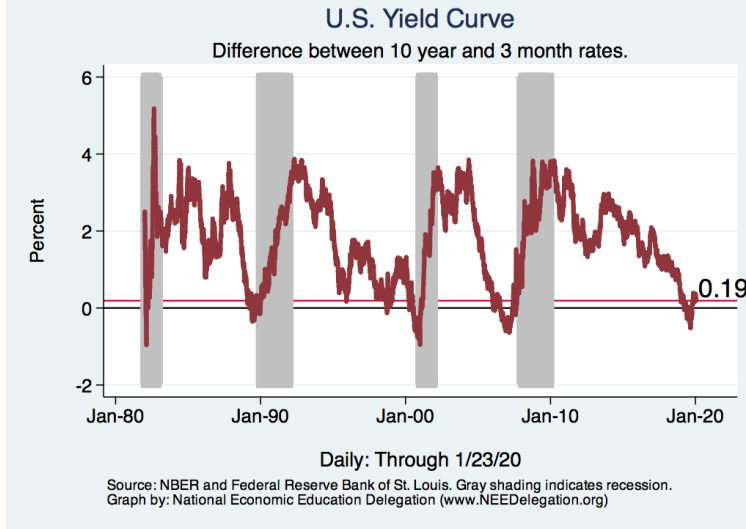
Nonresidential Investment and Subcomponents



36

Alarming Compression of Interest Rates

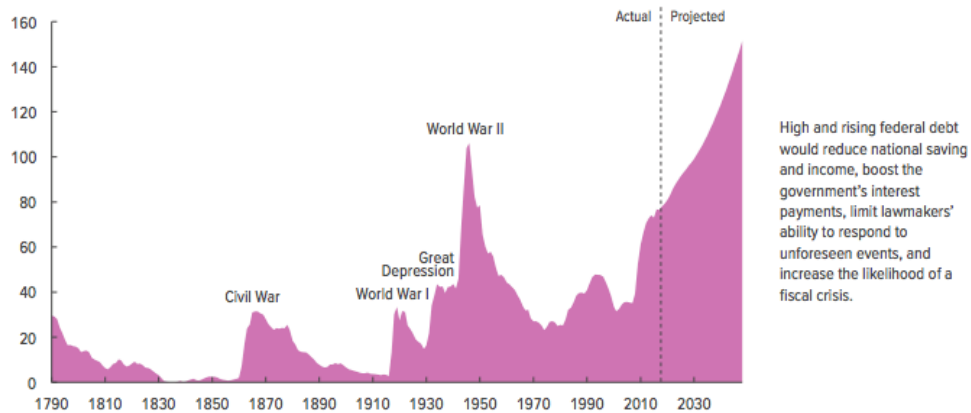
Inverted Yield Curves (negative values) Have Projected Recent Recessions



Federal Government Debt Projections

Federal Debt Held by the Public

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

Cautious Outlook

- Job growth remains robust, though slowing
- Labor force is not recovering
- Wage growth, but not too much
- Business investment is slowing...uncertainty?
- Inflation and interest rates remain favorable
- Potential source of concern:
 - Auto and light truck sales are slowing
 - Home building is slow



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39

39

Thank you!

Any Questions?

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40