

US Economic Update

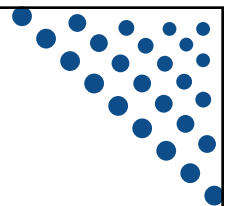
California Community Colleges Real Estate Education Center

Jon Haveman, Ph.D.
NEED
April 25, 2025



1

Outline



- Economic Indicators
- Housing
- Tariffs
- Deportations
- Outlook

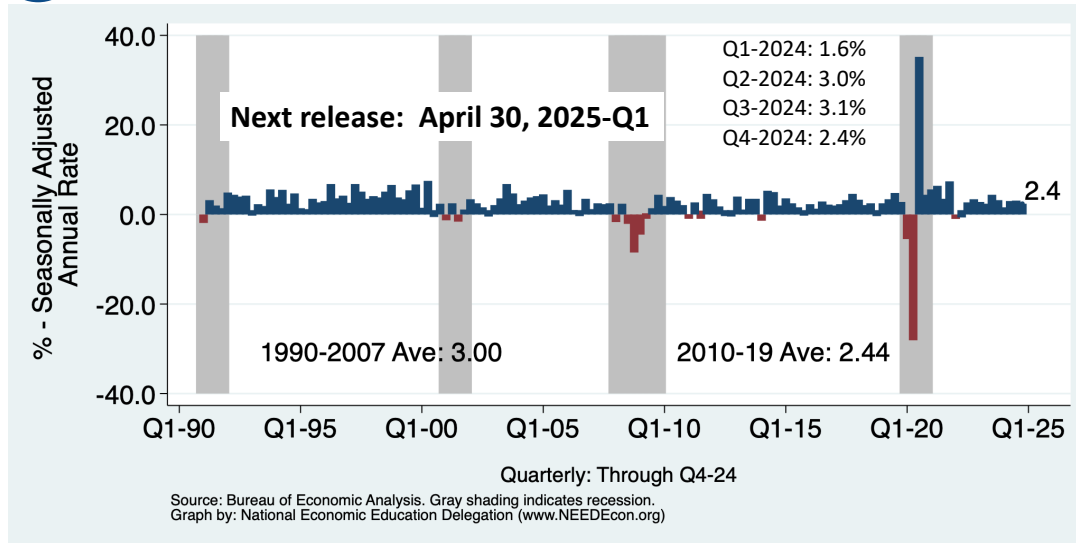


2

Economic Indicators

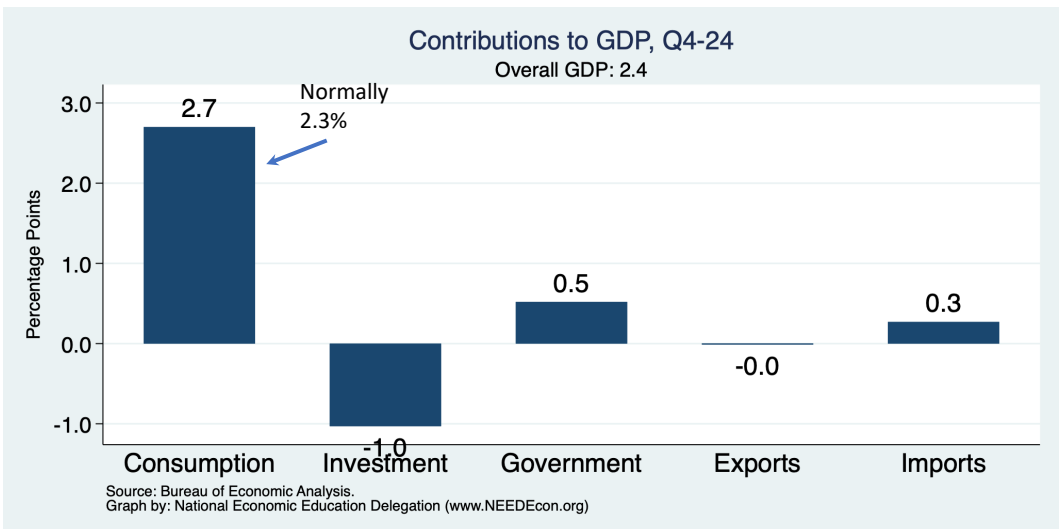
3

GDP: Quarterly Growth



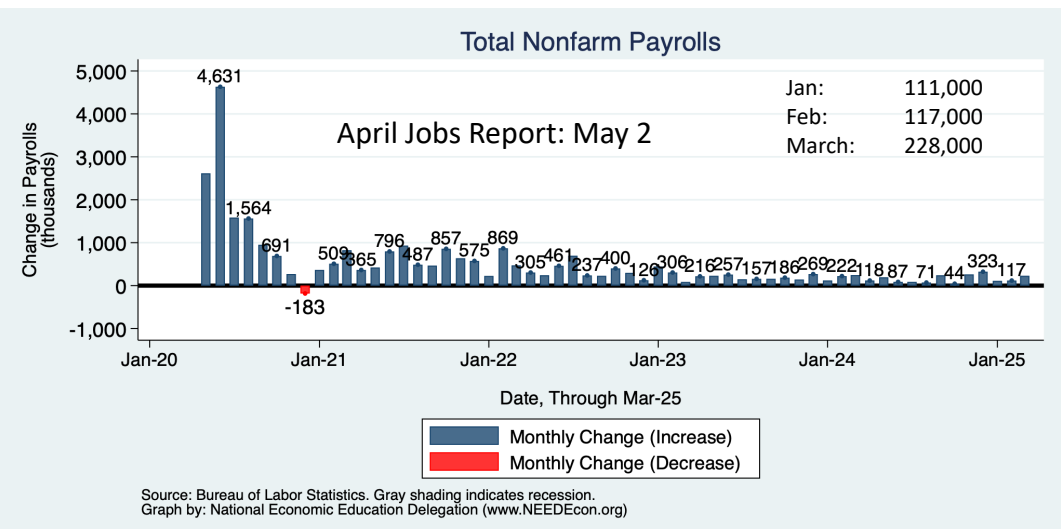
4

What Drove GDP to Such Growth?



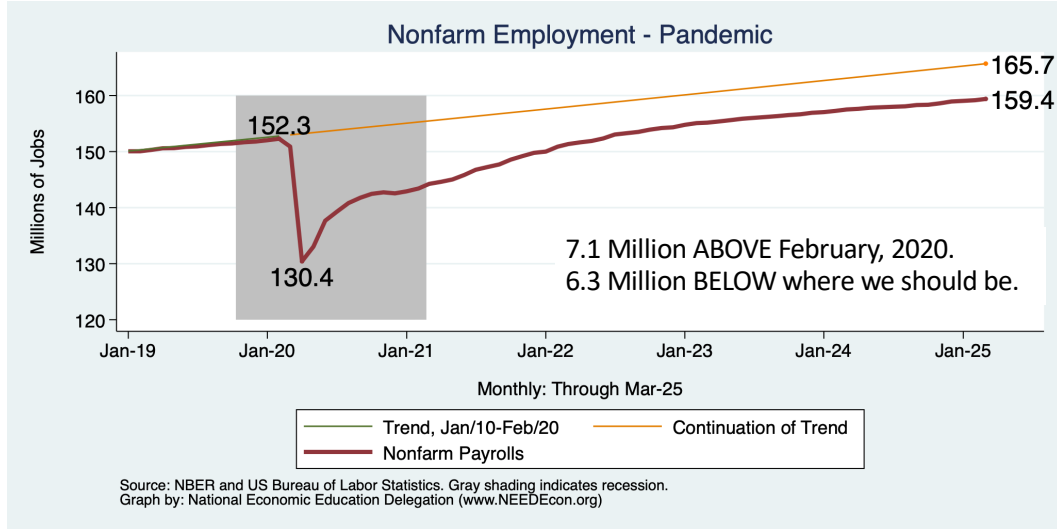
5

Monthly Changes in Nonfarm Employment



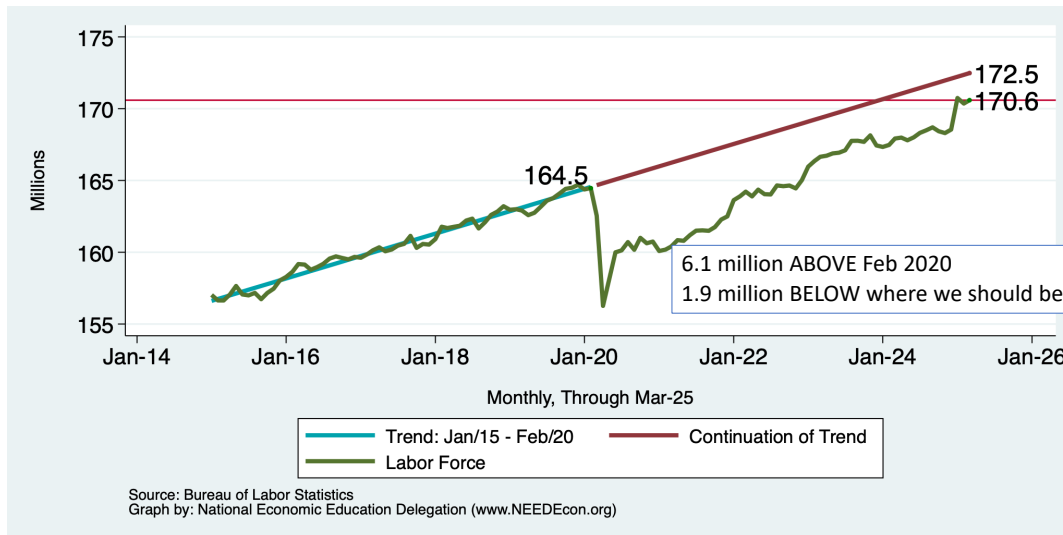
6

Employment Gap



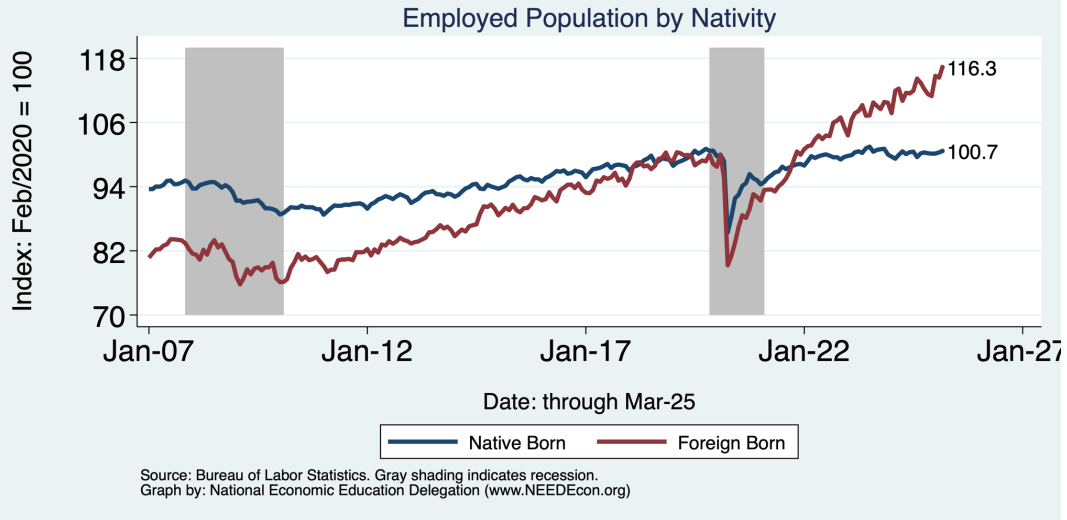
7

Where Have All the Workers Gone?



8

Immigrants to the Rescue?



Inflation

Inflation: Latest Figures



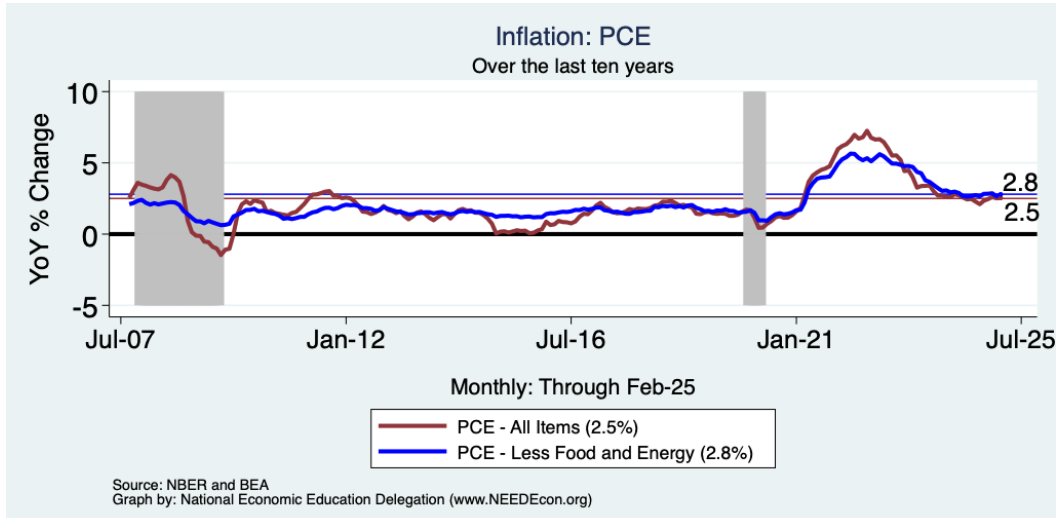
NATIONAL ECONOMIC EDUCATION DELEGATION

11

Source: NYTimes.com

11

Fed's Preferred Measure: PCE

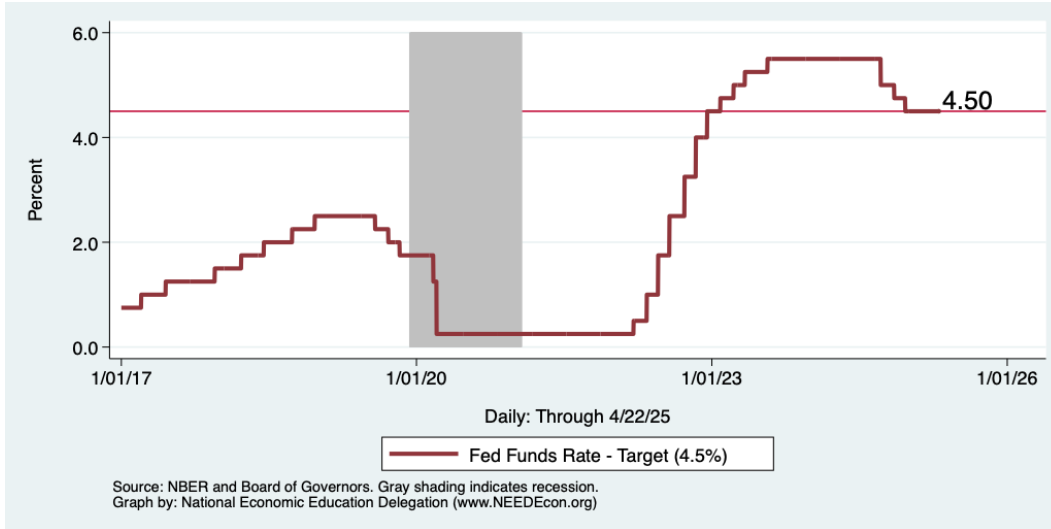


NATIONAL ECONOMIC EDUCATION DELEGATION

12

12

Federal Funds Rate

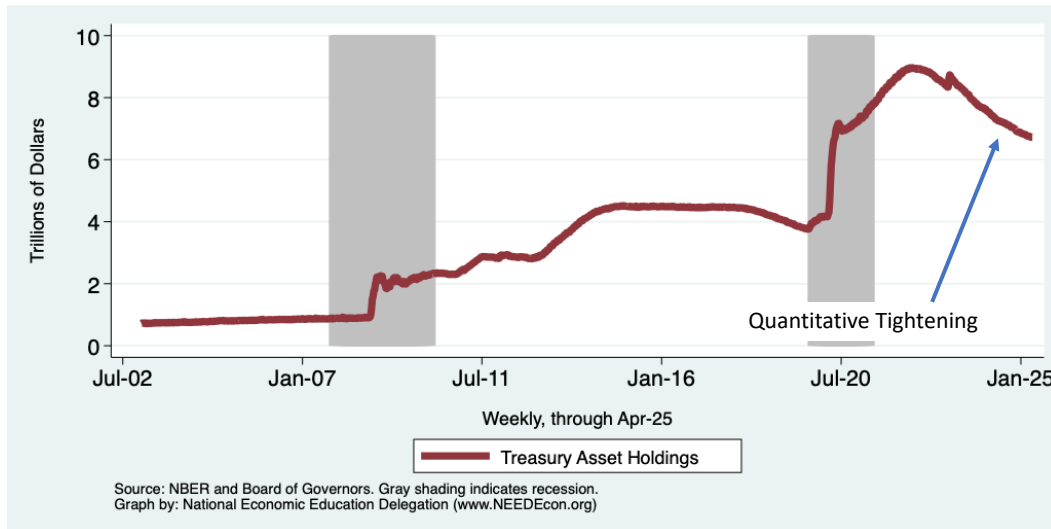


NATIONAL ECONOMIC EDUCATION DELEGATION

13

13

Fed: Reducing its Asset Holdings

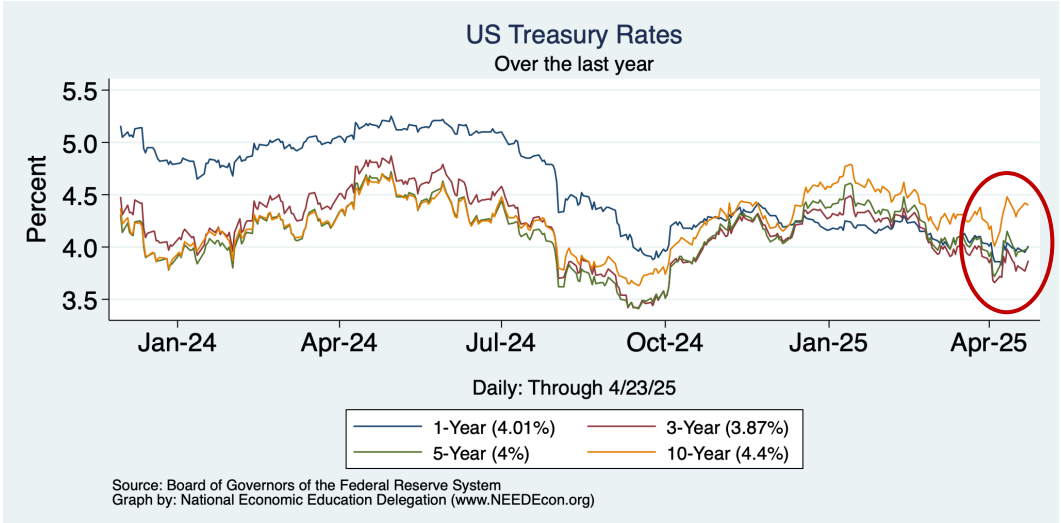


NATIONAL ECONOMIC EDUCATION DELEGATION

14

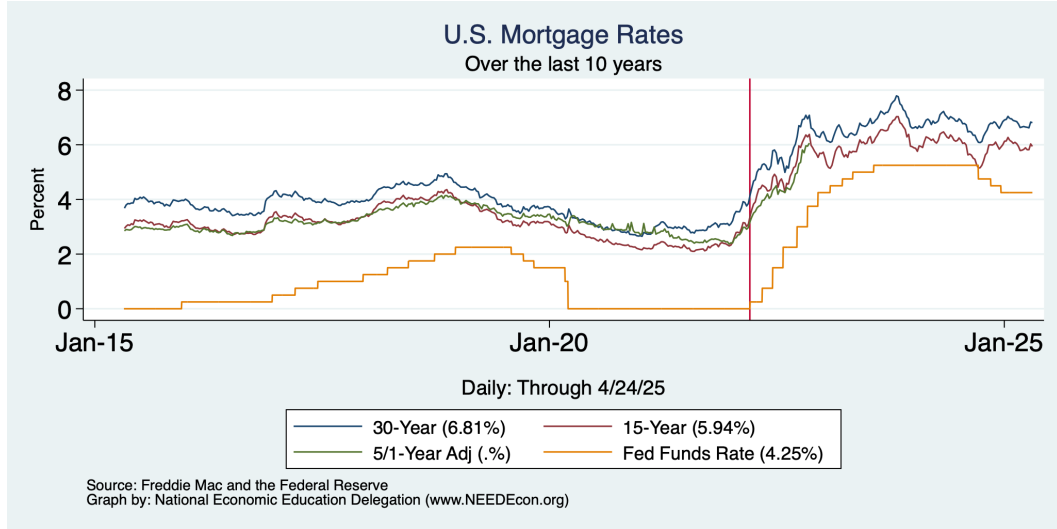
14

Treasuries



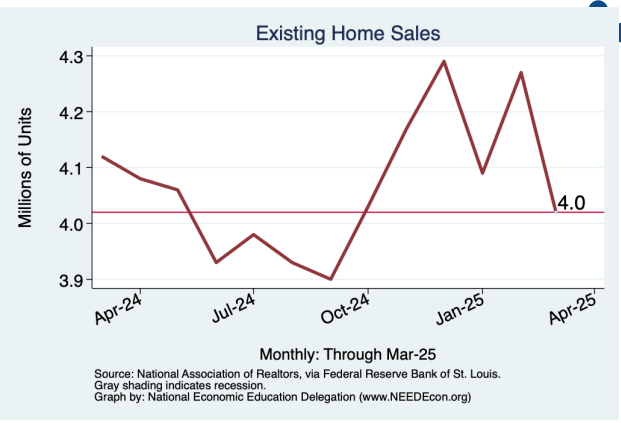
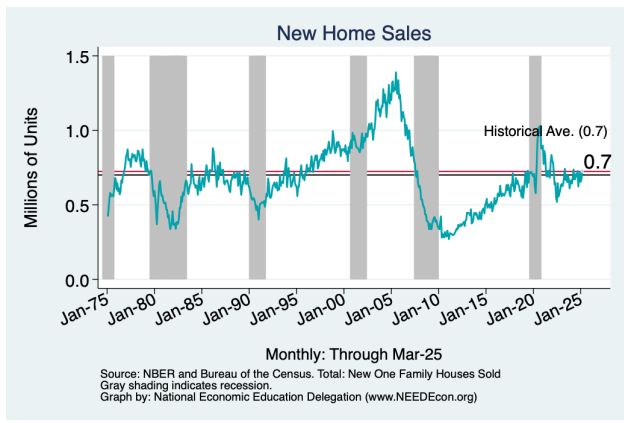
Housing Stats

Mortgage Rates



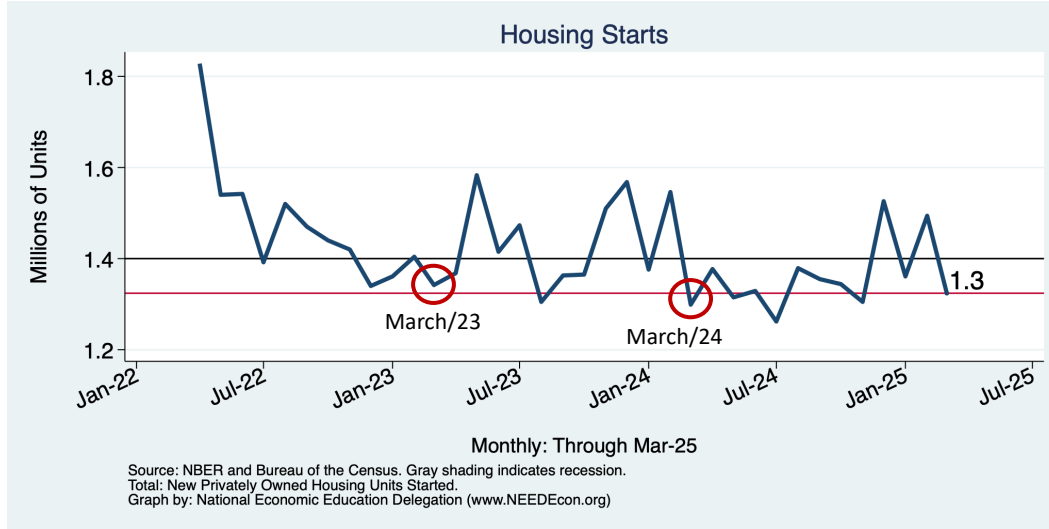
17

Home Sales are Not Horrible

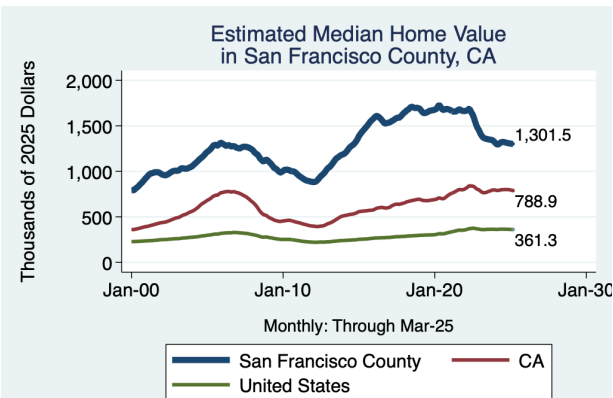


18

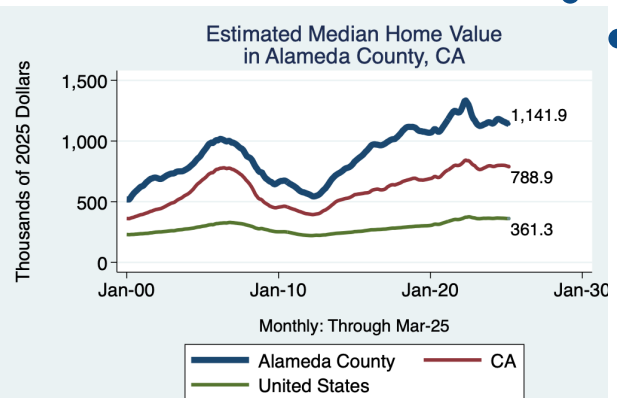
Housing Starts: Not Bad in March



Home Prices ... in Northern CA

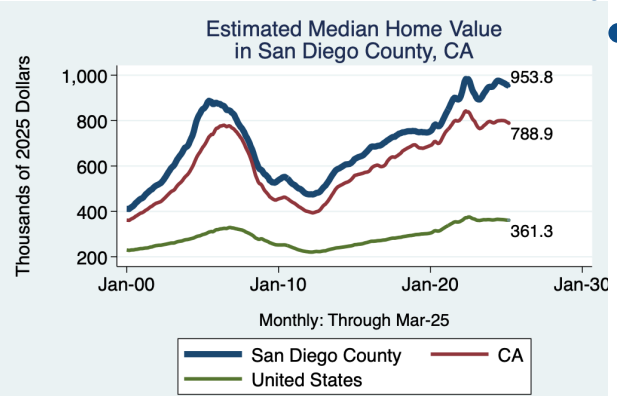
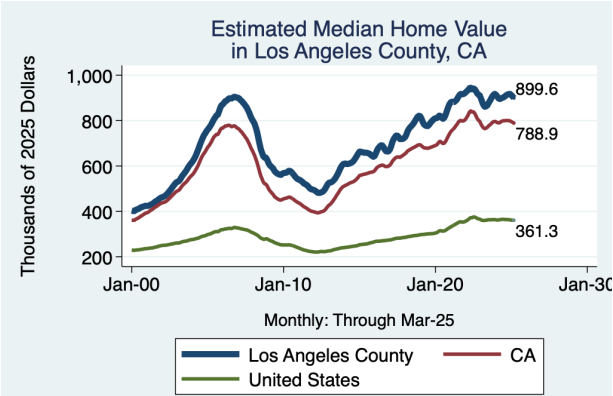


Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
 Produced by: National Economic Education Delegation (www.NEEDEcon.org)



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
 Produced by: National Economic Education Delegation (www.NEEDEcon.org)

Home Prices ... in Southern CA

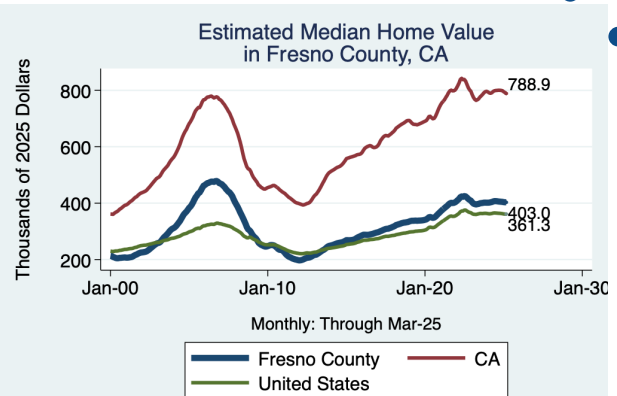
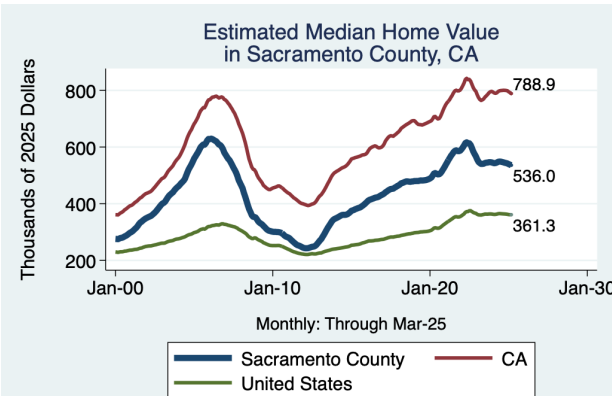


Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDecon.org)

Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDecon.org)

21

Home Prices ... in The Central Valley



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDecon.org)

Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDecon.org)

22

Overview: Real Estate

- Interest rates may stay high for some time.
- Buyers may dwindle in numbers.
- Inventories may well shrink
- New building will become more expensive.
 - Construction workers are being deported.
 - Tariffs will raise prices of key materials – e.g., lumber.



23

Bigger Picture

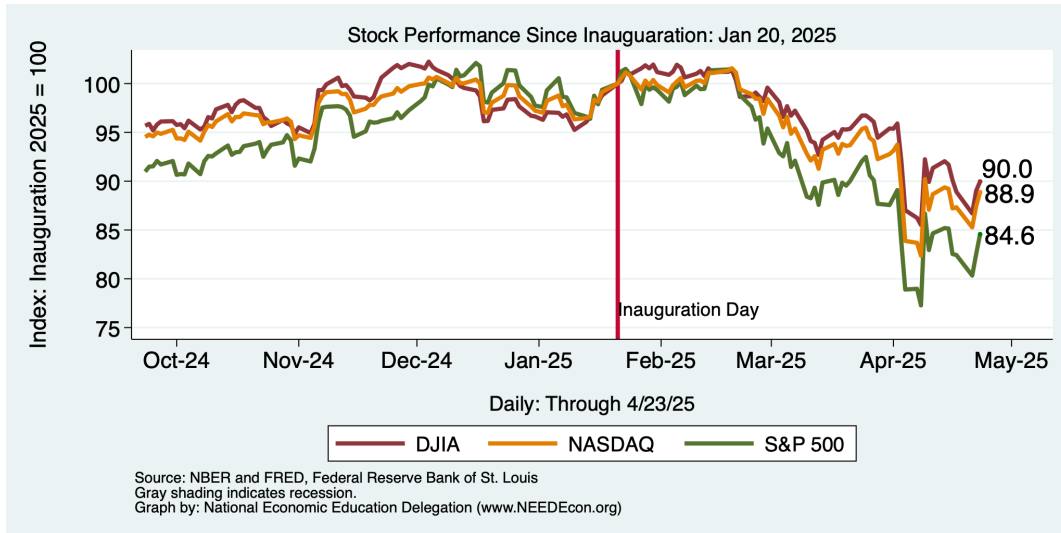


24

Since Inauguration: Policies = Anti-Growth

- Tariffs
- Deportations
- Cuts to spending and employment
- Threats to Fed Chair Powell

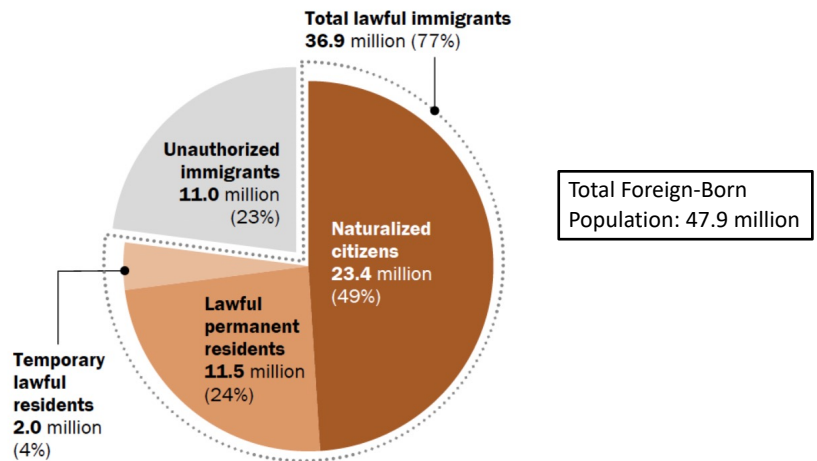
And Stock Markets Agree



Immigration

Unauthorized immigrants were 23% of the U.S. foreign-born population in 2022

Foreign-born population estimates, 2022

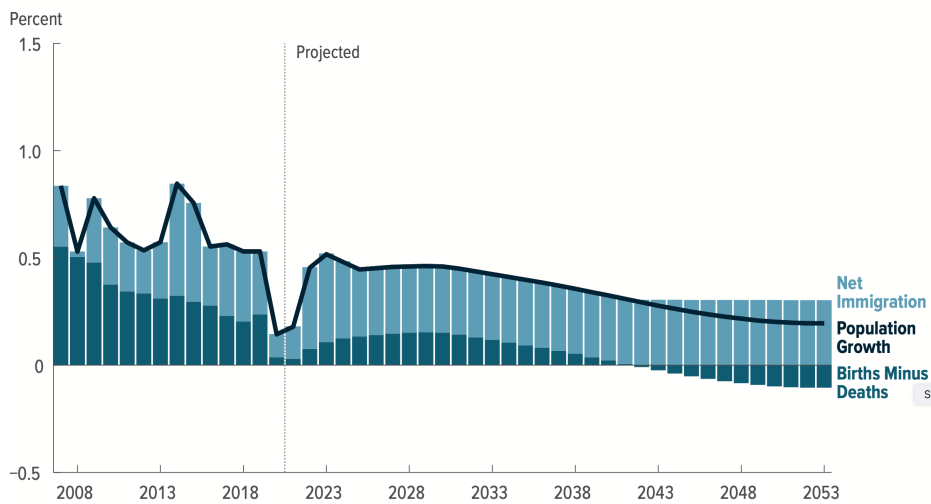


Why Do We Care? Economic Implications

- Conventional Wisdom Issues:
 - Labor markets: Wages and Jobs
 - Government Revenue and Spending
 - Crime
- Other issues (that don't get talked about much):
 - Gross Domestic Product (GDP)
 - Innovation and Entrepreneurship

Is Immigration Saving the Day?

Population Growth and Its Underlying Factors



Jobs: Conventional Wisdom...Upended

- **What is the conventional wisdom?**

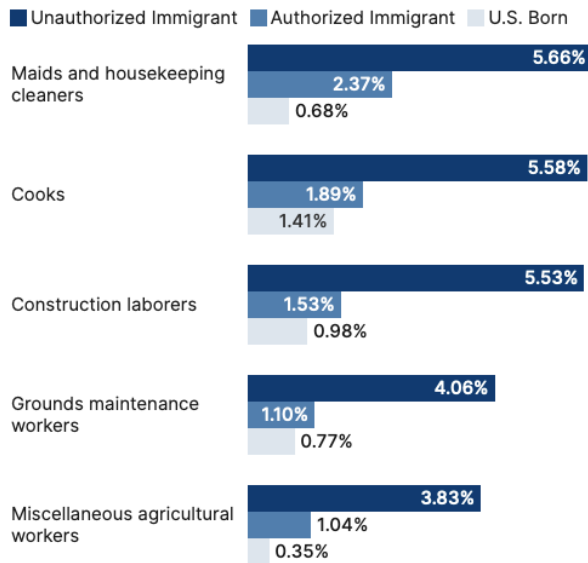
- Low-skilled immigrants come in and take jobs from low-skilled native-born individuals.
 - o 1-1 tradeoff.

- **What does new research show?**

- Low-skilled immigrants contribute positively to the economy.
 - o Every 100 low-skilled immigrants: create 9 jobs for low-skilled native-born.
 - o They create opportunities for low-skilled native-born workers.
- Low-skilled immigrants take jobs that native-born don't want.

31

Share of Workers in Each Occupations



32

Implications for Major Federal Programs

- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
 - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**
 - For Social Security and Medicare



Mass Deportations

- **Immigrants work different jobs than do native-born workers.**
- **Immigrants contribute to the local economy.**
 - GDP losses of up to \$1.7 trillion annually.
- **Immigrants keep prices low: in particular, food!**
- **Deportations impact tax revenues.**
 - \$1,300 more in on average than out, annually.
 - Unauthorized immigrants: \$22.6 billion in social security and \$5.7 billion in Medicare payments.
- **Deportations are expensive (\$13,000 each).**
 - Total cost \$315 billion.
- **They rob people of their dignity.**



Tariffs



35

What Is a Tariff?

- **A tariff is a tax on imports.**
- **Much like, say, the 8% sales tax in California.**
 - Whatever price the seller charges, the buyer pays an extra 8% that goes to the government.
 - But it also means that domestic sellers can simply raise their prices by 8%.
 - A cost to consumers, with no government revenue benefit.
- **A 10% tariff on all imports (such as Trump has imposed) would mean that:**
 - Whatever the foreign exporter charges for a product,
 - US buyers will pay an extra 10% to the US government.
- **Might the seller charge a lower price because of the tariff?**
 - Perhaps, but when Trump used tariffs in 2018 on steel and China, they did NOT.



36

Trump I Tariffs & Trade War

• Overview of Trump I Tariffs

- Trump placed tariffs of 25% on steel and 10% on aluminum.
- Trump place multiple tariffs on China exports, covering at least $\frac{3}{4}$ of their exports to US.
- Imports from China fell while imports from other countries rose.
- US trade deficit did not shrink.
- Data show no fall in foreign export prices, so tariffs were paid by US buyers.
 - o Domestic prices DID increase.
- Jobs? Eight lost for every job created.



37

Wait...Job Losses?

• Job losses come from two sources:

- Tariffs raise the price of imported intermediate goods
 - o E.g., steel and aluminum.
- Tariffs hit the exchange rate.
 - o Fewer imports means lower supply of dollars.
 - o Exchange rate appreciates.
 - o Exported products are more expensive in foreign markets.

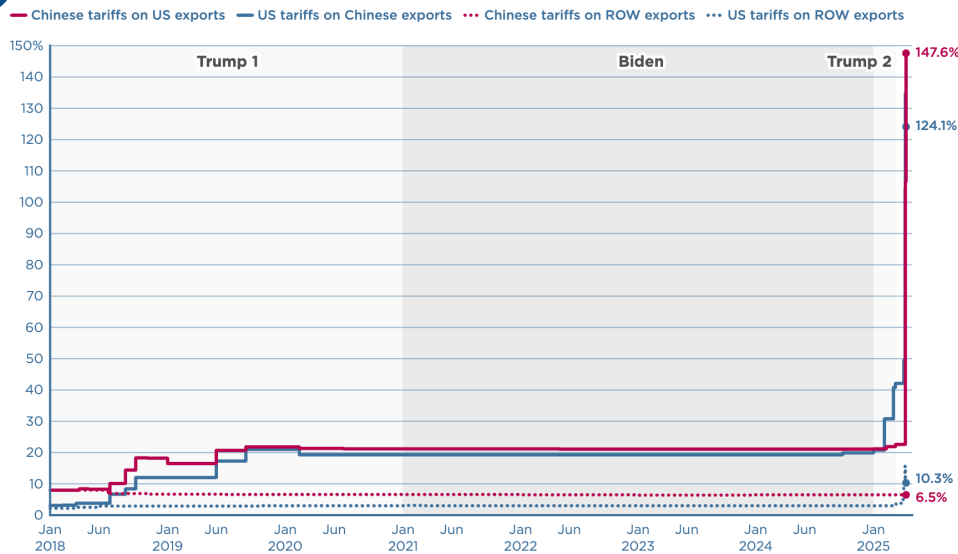


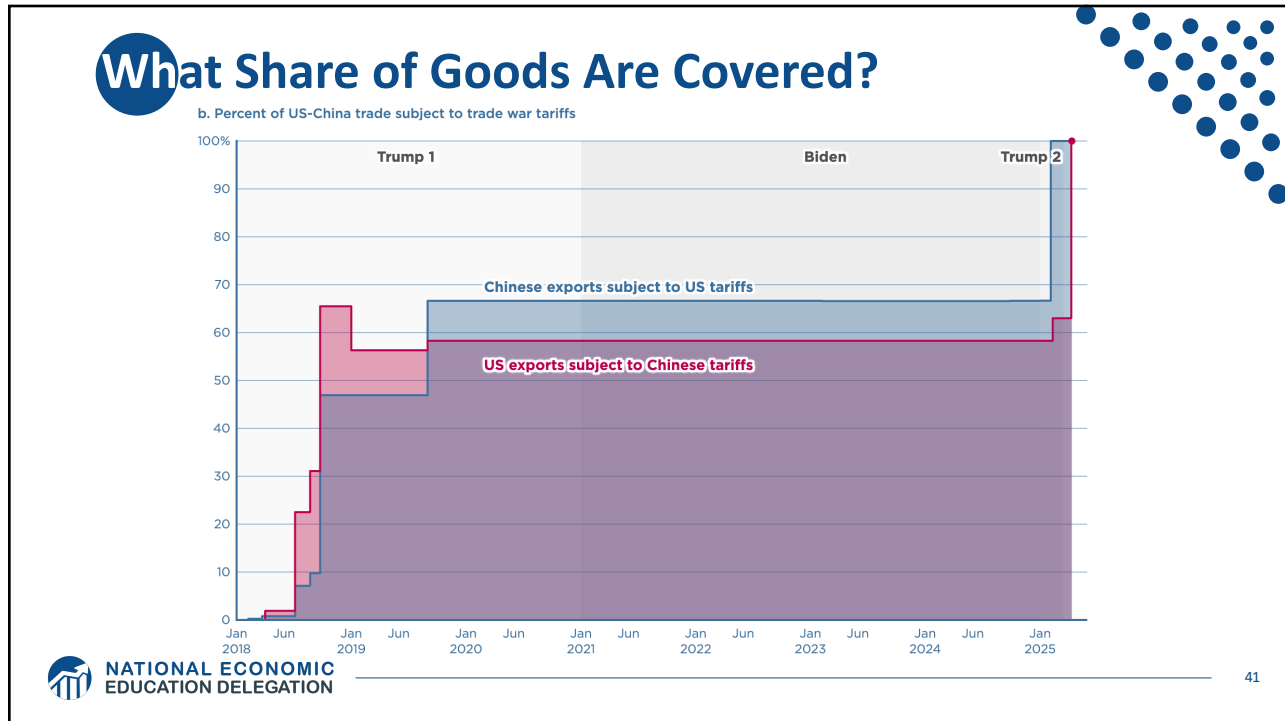
38

Trump II Tariffs

- “To me the most beautiful word in the dictionary is ‘tariff’”
- During campaign he said he will
 - Place a tariff of 10% or 20% on all imports from all countries.
 - Place even higher tariffs (60%) on imports from China.
 - Raise our tariffs on countries to match what they charge on our exports.
 - o “Reciprocal Trade Act”
 - o (And lower those where they charge less?)
 - Raise tariffs on countries that don’t use the US dollar for international transactions.
 - Place tariffs on Mexico, violating his own USMCA trade agreement
 - o 25% on everything if they don’t stop US immigration
 - o 100% on cars to get production in US

Where Are Tariffs Today?





41

Effects of Tariffs in General

NATIONAL ECONOMIC EDUCATION DELEGATION

42

Economic Effects of A Tariff

- **A tariff is a tax on imports. It causes:**
 - A rise in the price of the imported good in the importing country.
 - A fall in the price of the imported good in the exporting country.
 - The quantity imported to fall.
 - Revenue for the tariff-levying government.
- **Almost always: the rise at home is much larger than the fall abroad**
 - We learned this from Trump's tariffs in 2018.
 - Trump's tariffs caused US prices to rise, with hardly any perceptible fall in prices abroad.
 - Sometimes prices rise on goods not subject to a tariff.
 - Clothes dryers.



Economic Effects of A Tariff

- **Economists' cost-benefit analysis quantifies these and shows that the costs exceed the benefits.**
- **A tariff on one good can harm other industries.**
- **A tariff on one country just causes displacement to another country.**
- **Tariffs are NOT an effective tool to reduce the trade deficit.**
- **Tariffs are NOT a good way to raise government revenue.**
- **Retaliation from other countries makes tariffs even worse.**
- **Corruption: tariffs can be selectively reduced.**

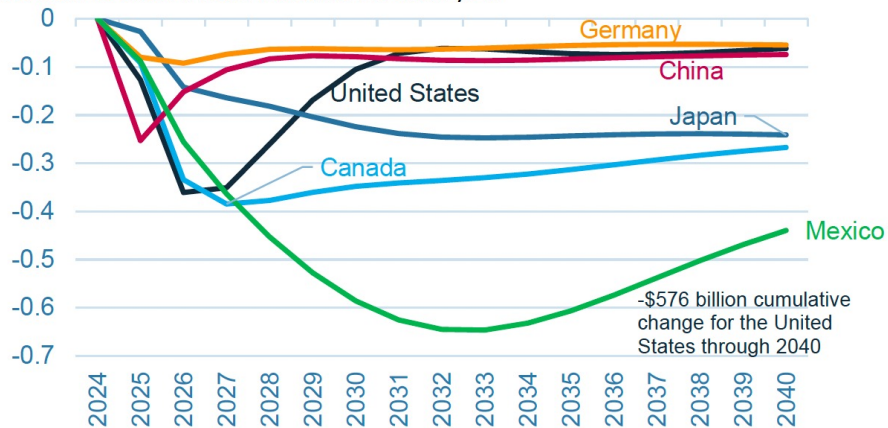


Effects of Trump II Tariffs

Effects of 10% Tariff on All US Imports

Real GDP

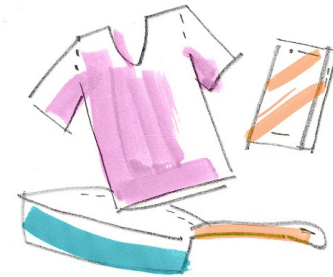
Percent deviation from baseline for each year



-\$576 billion cumulative change for the United States through 2040



Here are the products that could be affected by Trump's proposed tariffs.



NATIONAL ECONOMIC
EDUCATION DELEGATION

47

47

Summary

- **Inflation: close to Fed's 2% target, but a little stubborn.**
 - This is likely to change.
- **Current immigration and trade policies will exacerbate inflation.**
- **Immigration: deportations tax the economy and are expensive.**
 - Many, many ag workers are unauthorized immigrants.
- **Tariffs: are a tax.**
 - Taxes raise prices. Period. Full Stop.
 - Taxes often cost jobs. Tariffs likely will.



NATIONAL ECONOMIC
EDUCATION DELEGATION

48

48

Biggest Problem: Uncertainty

- **Nobody knows how to plan into uncertainty.**
 - Business investment is particularly at risk.
- **Hardly anybody increases spending into uncertainty.**
- **Other countries will look elsewhere if the U.S. is volatile.**
 - Tourists already are.
- **Outlook: is not good.**
 - Inflation is inevitable.
 - Job losses are inevitable.



Are We Headed for A Recession?

- **Uncertain.**
- **Our current path has many forecasters indicating that a recession is more likely than not.**
 - IMF has cut it's U.S. growth forecast to 1.7%, down from 2.8% in 2024.
- **We may well already be in a recession (but probably not).**
 - Watch for the 2025Q1 growth numbers.
 - They will likely be positive, but perhaps not very big.
- **A slowdown in economic growth is inevitable.**
- **A bout of stagflation is possible.**



Thank you!

Any Questions?

www.NEEDEcon.org

Jon D. Haveman

Jon@NEEDEcon.org

Contact NEED: info@NEEDEcon.org

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

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



NATIONAL ECONOMIC
EDUCATION DELEGATION

51