



***Osher Lifelong Learning Institute, Winter 2023***  
**Contemporary Economic Policy**

University of Cincinnati  
January-March, 2023

Host: Jon Haveman, Ph.D.  
National Economic Education Delegation

 NATIONAL ECONOMIC EDUCATION DELEGATION

---

1

1



**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
- Healthcare Economics

 NATIONAL ECONOMIC EDUCATION DELEGATION

---

2

2

## Course Outline

- **Contemporary Economic Policy**

- **Week 1 (1/26): Trade and Globalization (Alan Deardorff, Univ. of Michigan)**
- Week 2 (2/2): Trade Deficits and Exchange Rates (Alan Deardorff)
- **Week 3 (2/9): US Economic Update (Jon Haveman, NEED)**
- Week 4 (2/16): The Black-White Wealth Gap (Mike Shor, Univ. of Connecticut)
- Week 5 (2/23): Economic Mobility (Kathryn Wilson, Kent State Univ.)
- Week 6 (3/2): Climate Change Economics (Sarah Jacobson, Williams College)



3

## Submitting Questions

- **Please submit questions of clarification in the chat.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **Slides will be available from the NEED website soon.**  
([https://needelegation.org/delivered\\_presentations.php](https://needelegation.org/delivered_presentations.php))



4



# US Economic Update

Jon Haveman, Ph.D.  
NEED  
February 9, 2023



5

## Credits and Disclaimer

- **This slide deck was authored by:**
  - Jon D. Haveman, NEED
  - Scott Baier, Clemson University
  - Geoffrey Woglom, Amherst College (Emeritus)
  - Brian Dombeck, 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).

6

## Outline

- About the U.S. Economy
- Economic Indicators
- Inflation/Federal Reserve
- Debt Ceiling



NATIONAL ECONOMIC  
EDUCATION DELEGATION

7

7

## Some Basic Statistics

Statistic:	Value
Population	334.4 Million
Labor Force	165.8 Million
Employment	155.1 Million
Gross Domestic Product (GDP)	\$26.1 Trillion
Income per Capita	\$66,329
Ave. Hourly Earnings	\$33.03



NATIONAL ECONOMIC  
EDUCATION DELEGATION

Source: fred.stlouisfed.org

8

8

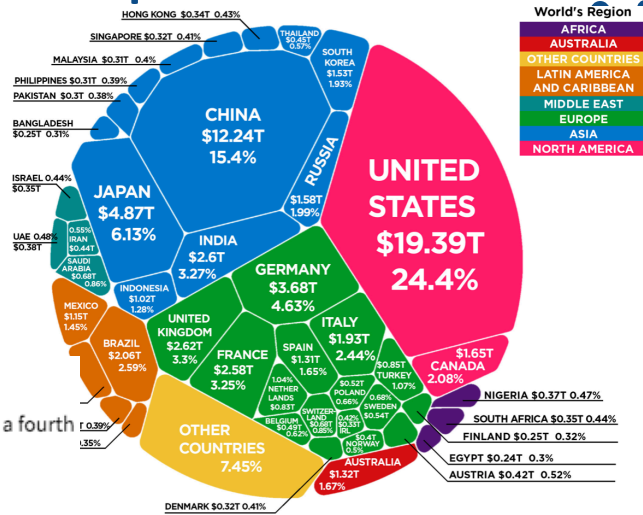
# U.S. Economy in Global Perspective

## U.S. Nominal GDP:

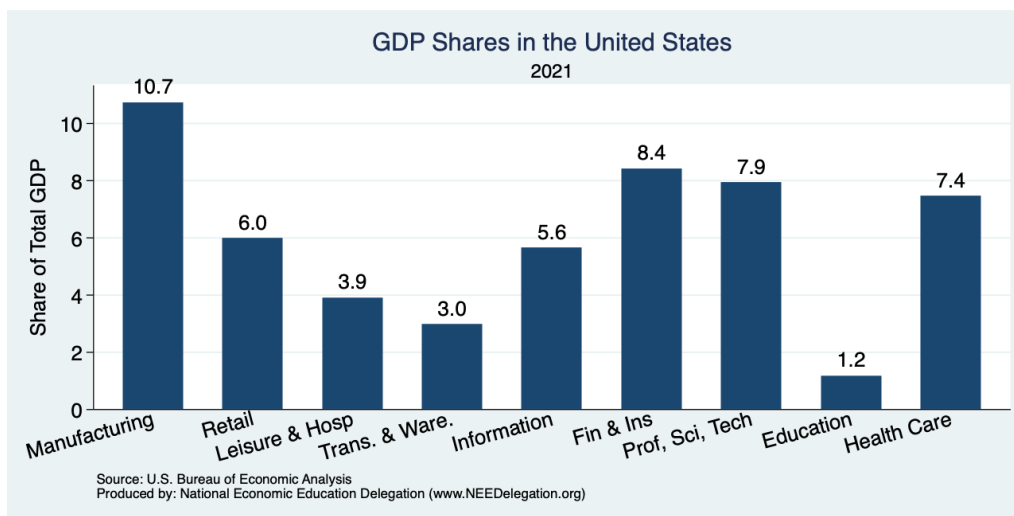
**\$21.538 trillion** in 2019-Q4  
**\$19.637 trillion** in 2020-Q2  
**\$26.132 trillion** in 2022-Q3

## % Share of the Global Economy

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

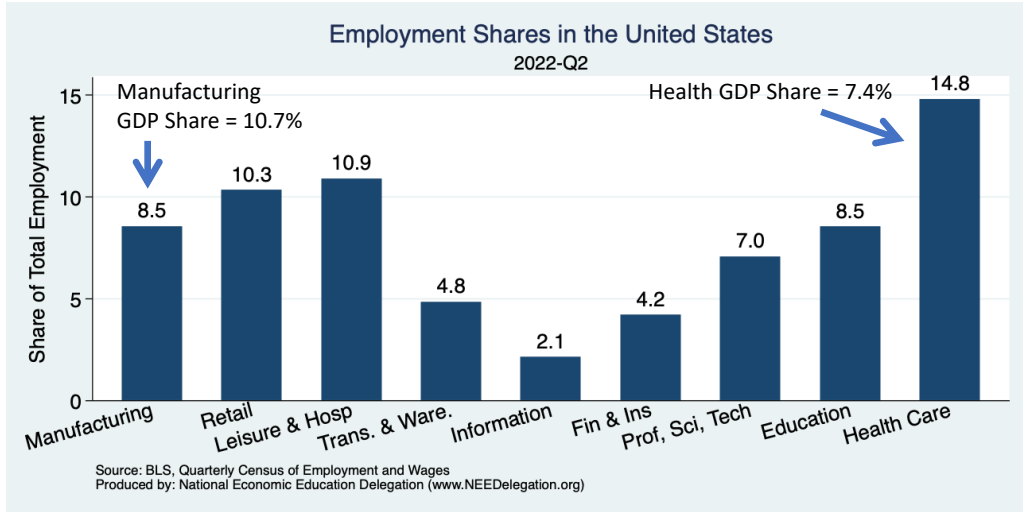


# Composition of the U.S. Economy: 2021



Source: U.S. Bureau of Economic Analysis  
 Produced by: National Economic Education Delegation (www.NEEDelegation.org)

# Composition of the U.S. Economy: Employment



11

# Economic Indicators

12

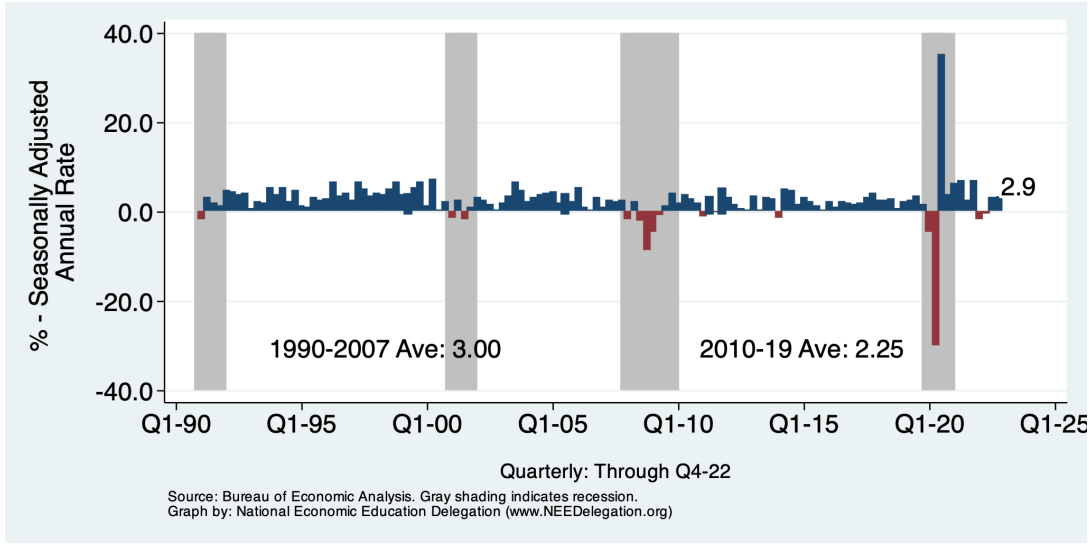
# Headline: July 28, 2022

## G.D.P. Report Shows a Drop, Fanning Fears of a U.S. Recession

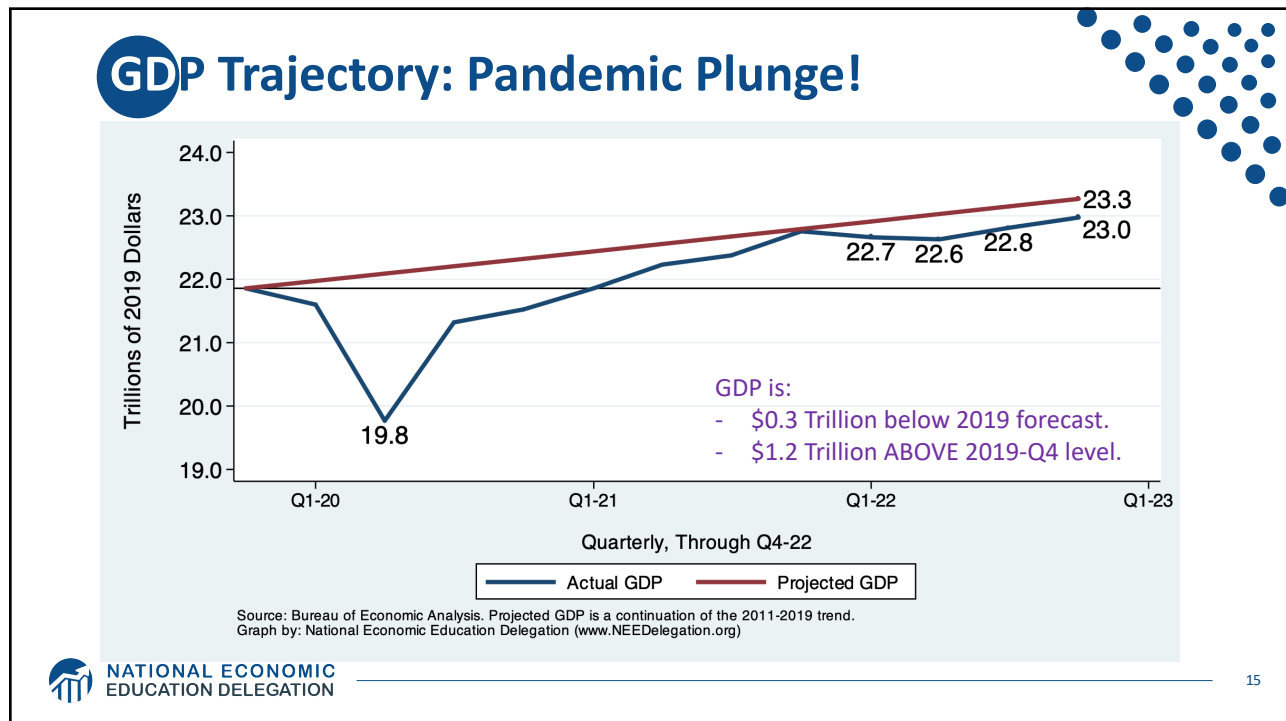
- A key measure of economic output fell for the second straight quarter, raising fears that the United States could be entering a recession.
- Gross domestic product, adjusted for inflation, fell 0.2 percent in the second quarter, the equivalent of a 0.9 percent annual rate of decline. Follow updates.

13

## GDP: Quarterly Growth



14



15

## Recession? Two Quarters....

- **Depends on what is driving the drop.**
  - Inventories
  - Housing
  - Government spending
- **Consumer spending is still ok.**
- **Employment growth is solid.**
- **Other indicators are still ok, but perhaps faltering.**

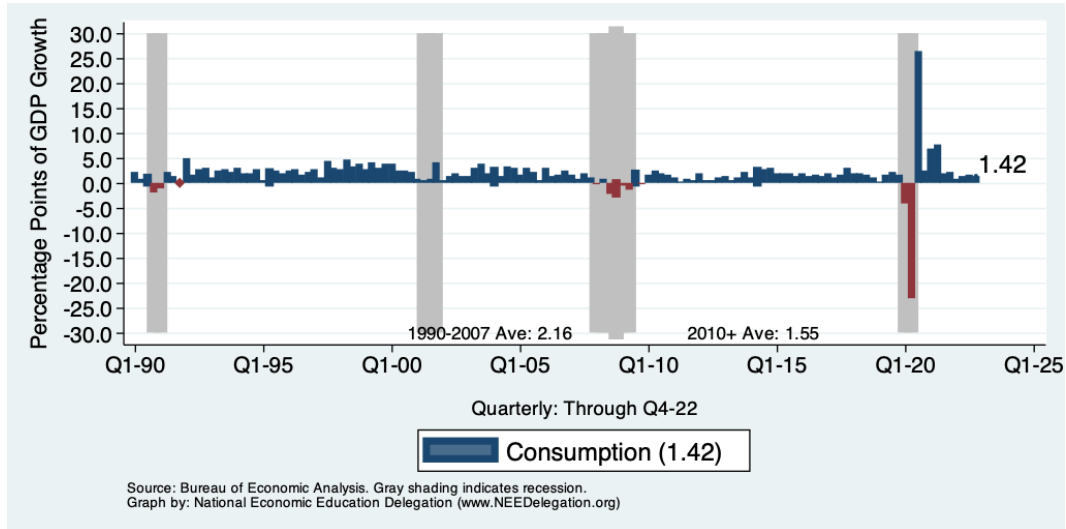
NATIONAL ECONOMIC EDUCATION DELEGATION

16

16

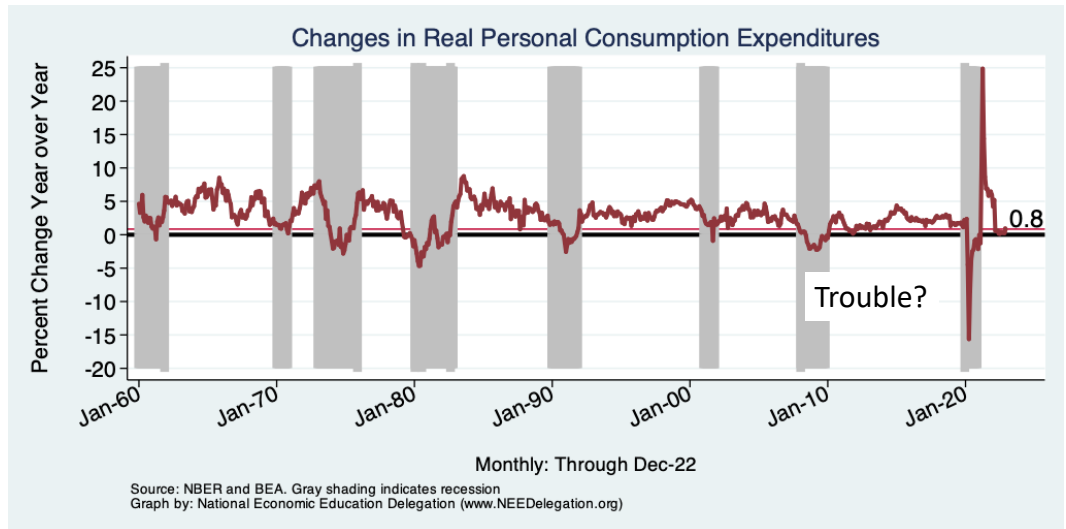


## Contribution to GDP Growth: Consumption



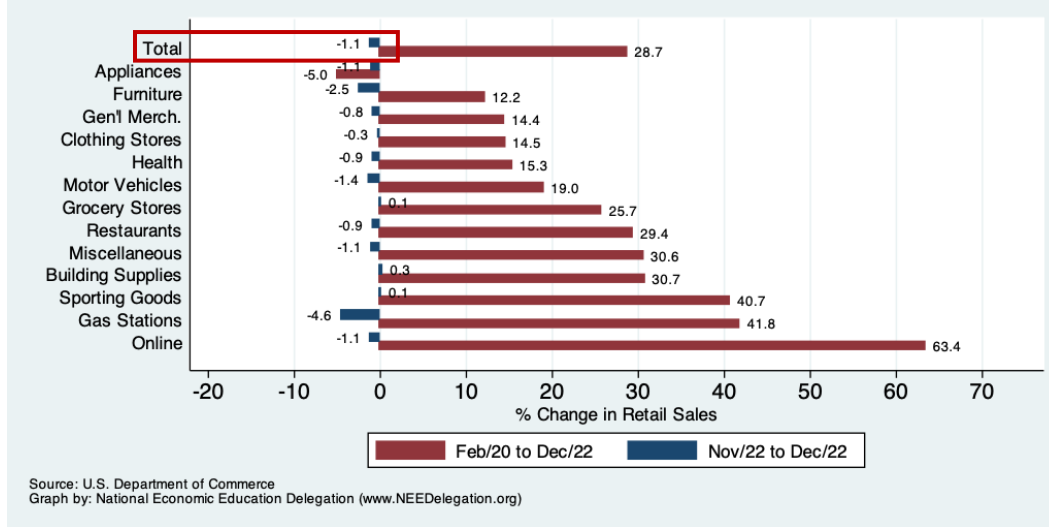
17

## Personal Consumption Expenditures



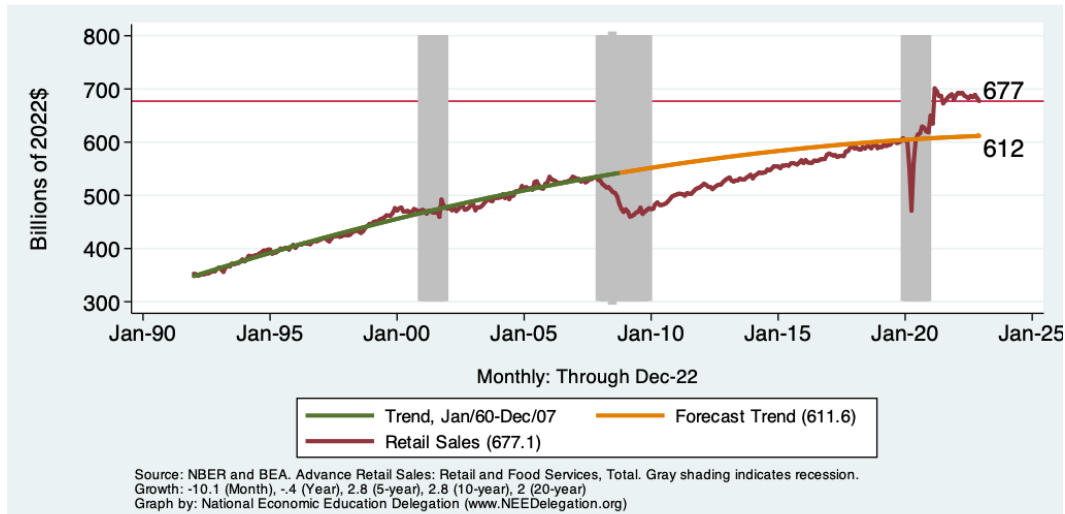
18

## Retail Sales Fell in December



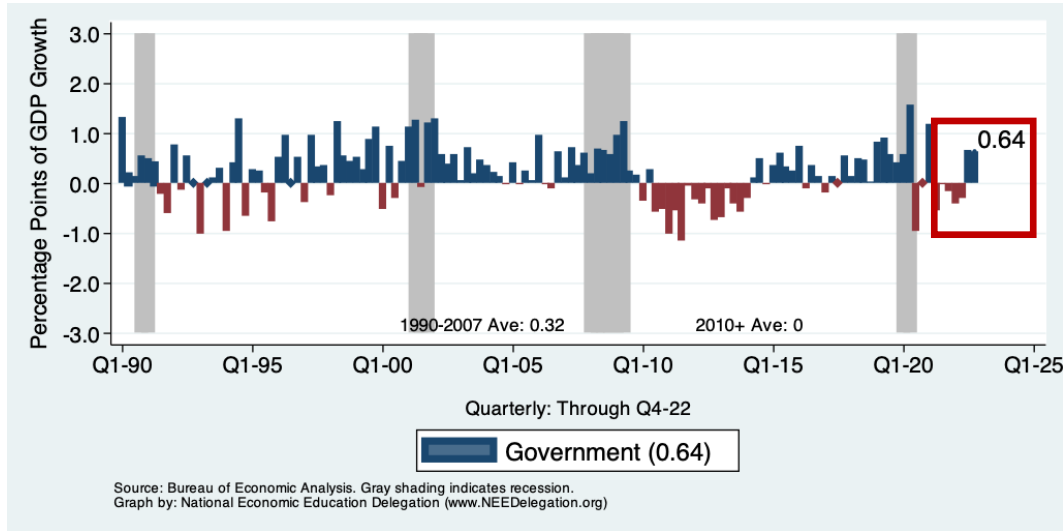
19

## But SUPER High to Begin With!



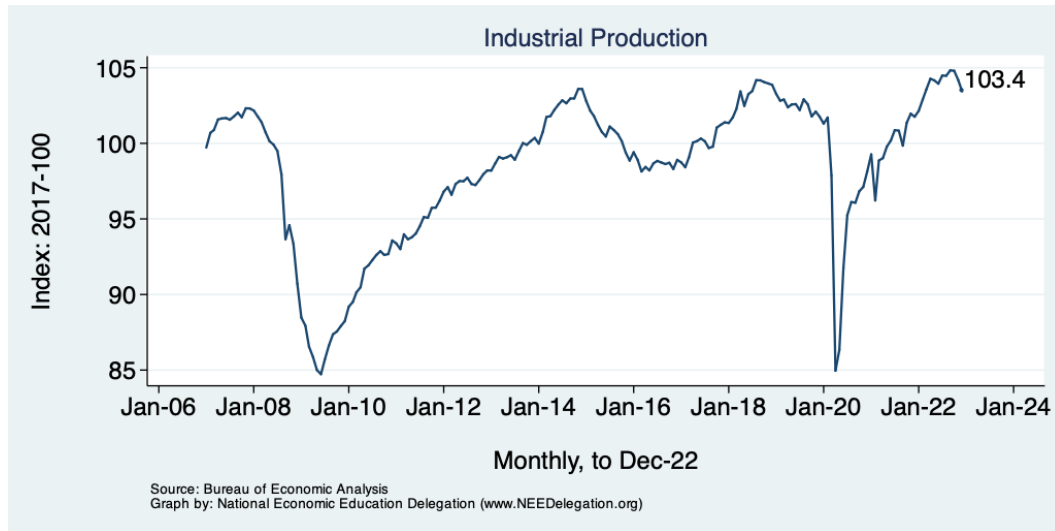
20

## Contributions to GDP: Government



21

## Industrial Production (Manuf, Util, Mining)



22

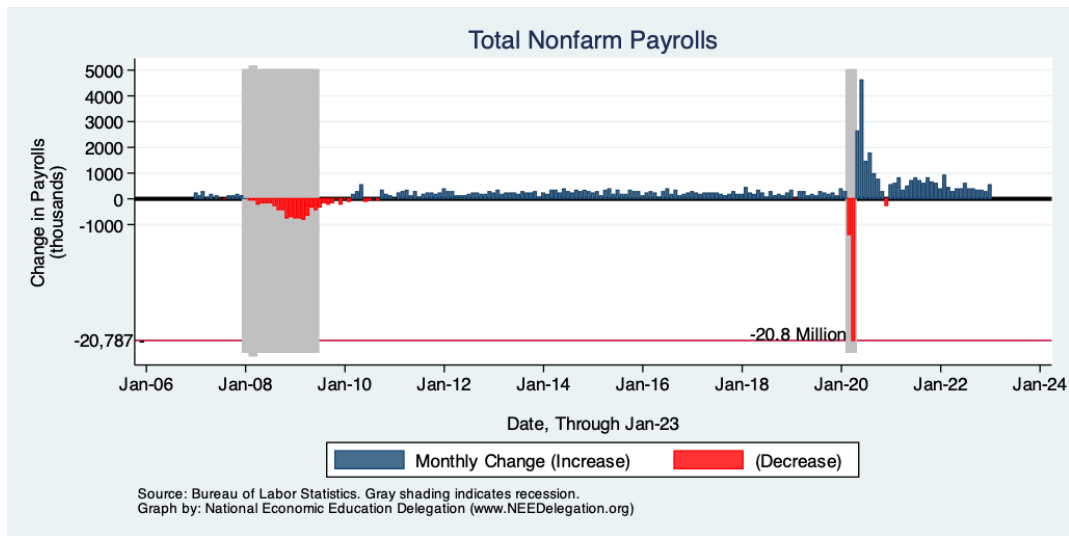
# Employment



NATIONAL ECONOMIC  
EDUCATION DELEGATION

23

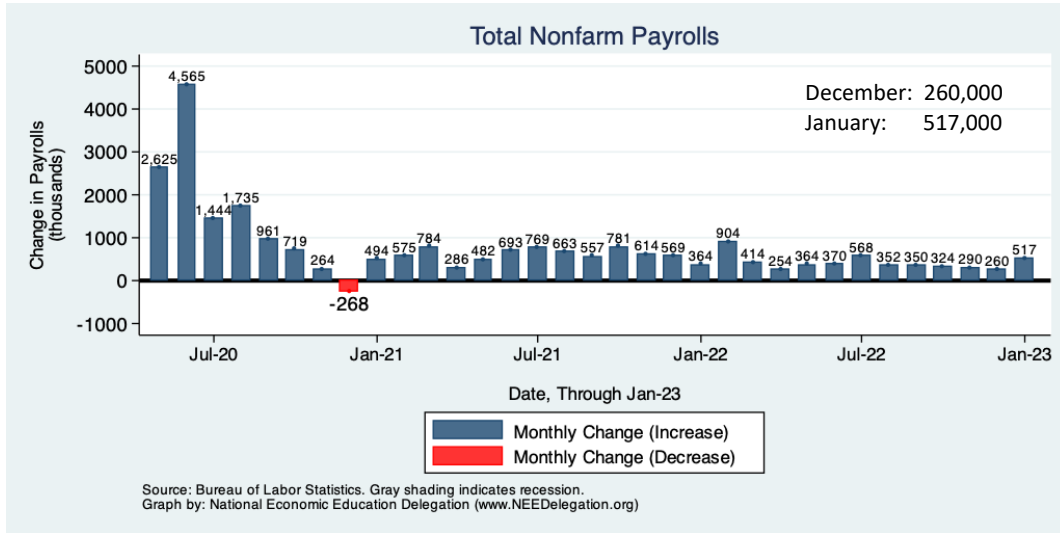
## Monthly Changes in Nonfarm Employment



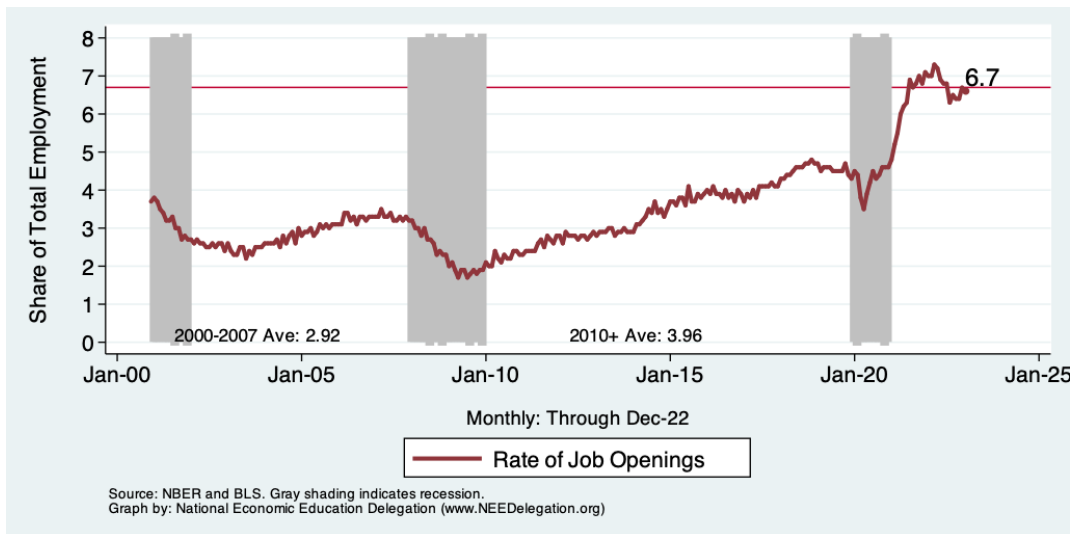
NATIONAL ECONOMIC  
EDUCATION DELEGATION

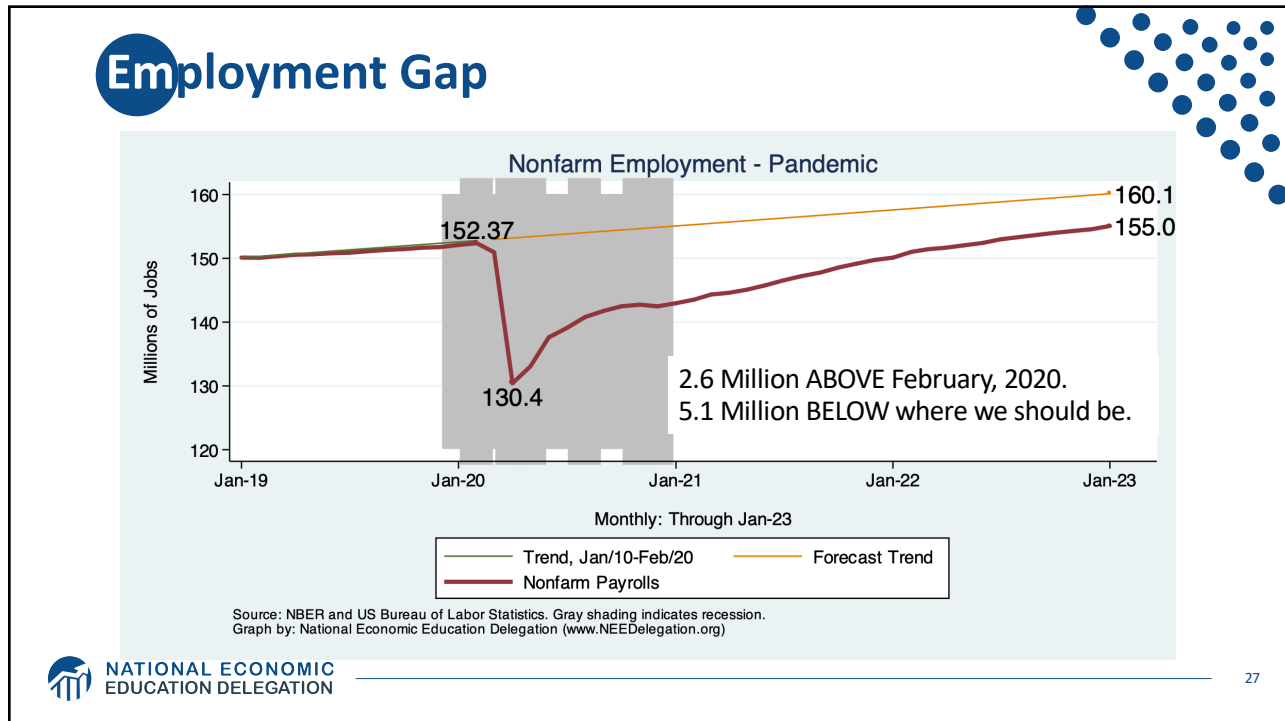
24

# Monthly Changes in Nonfarm Employment

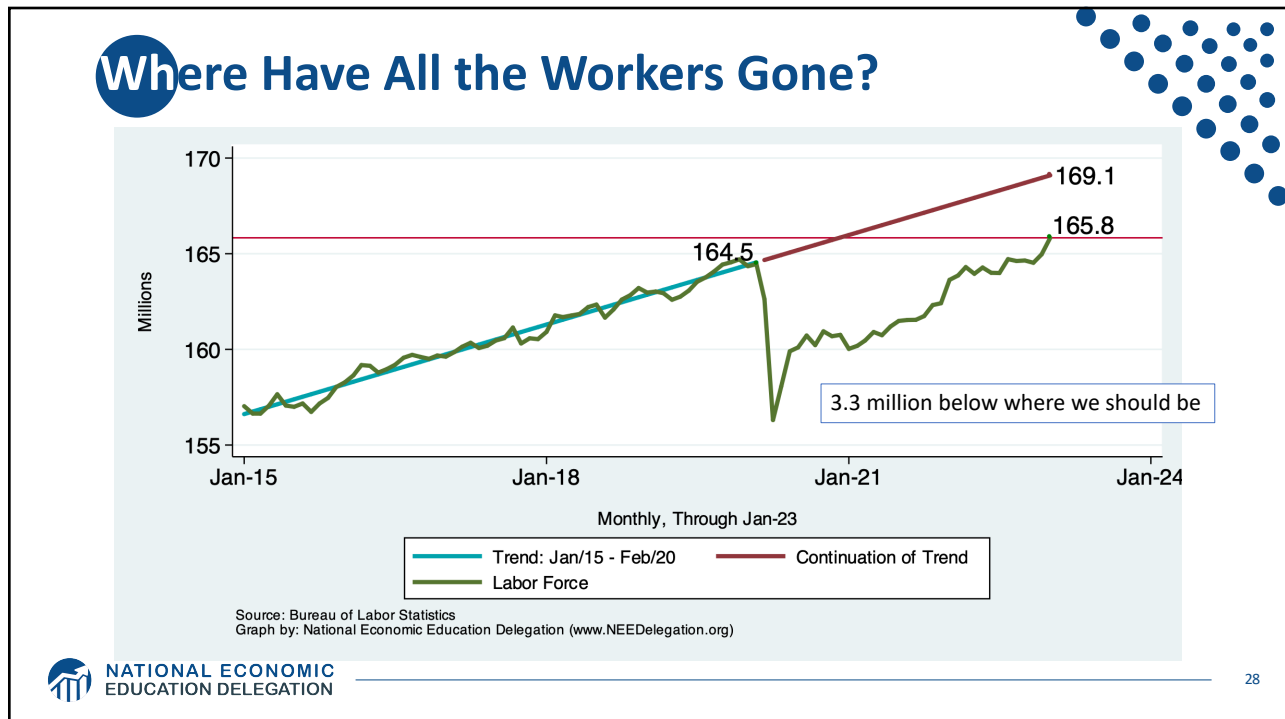


# Job Openings: Share of Total Employment



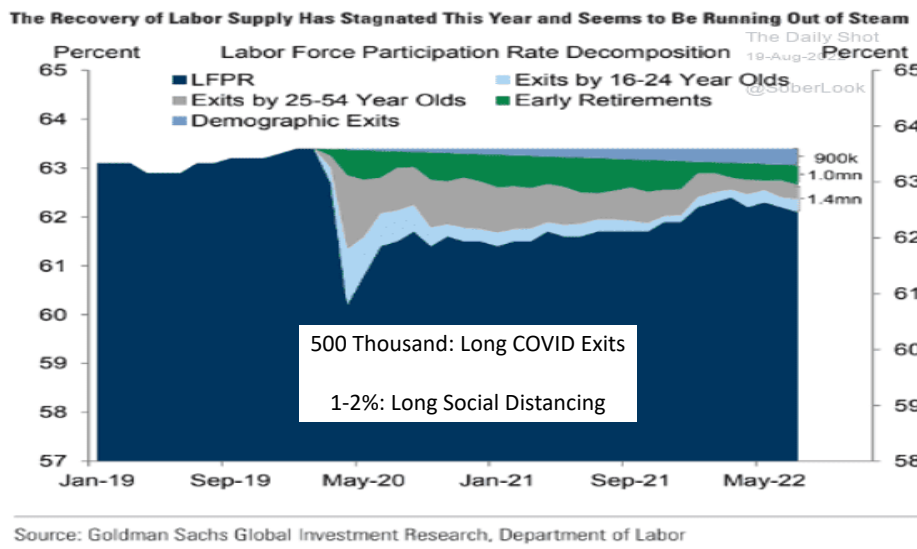


27



28

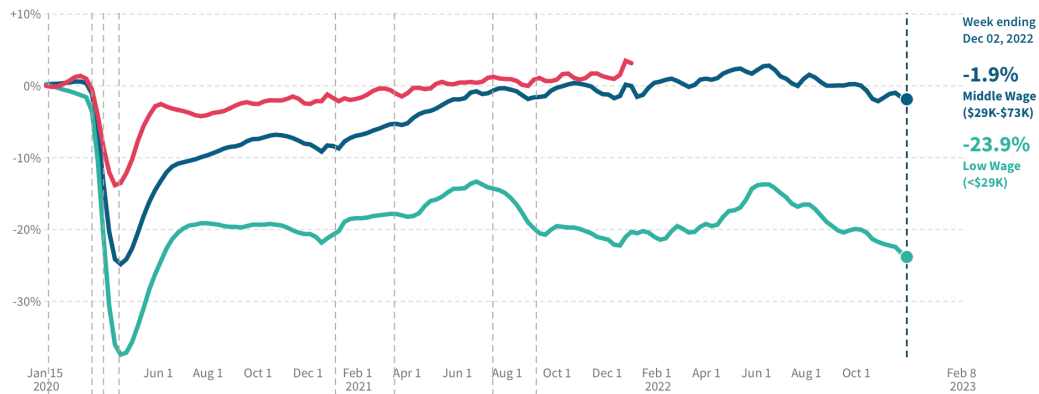
## Some Explanations



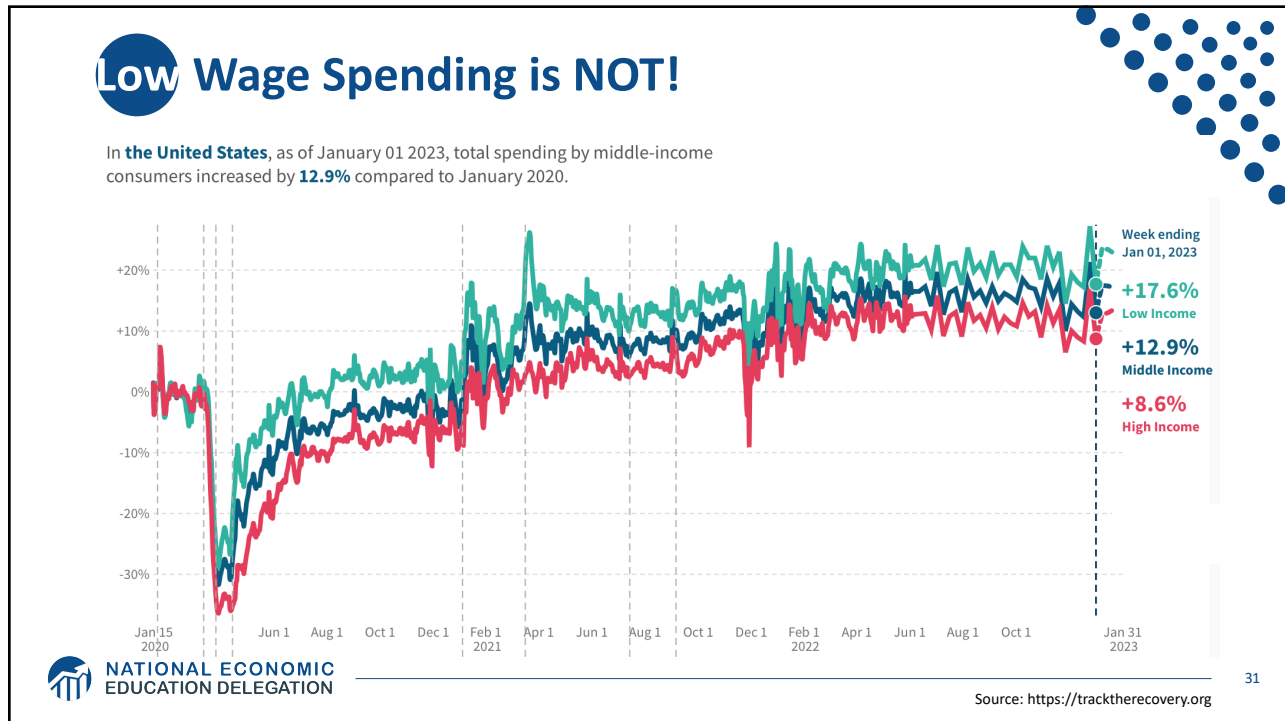
29

## Low Wage Employment is Lagging

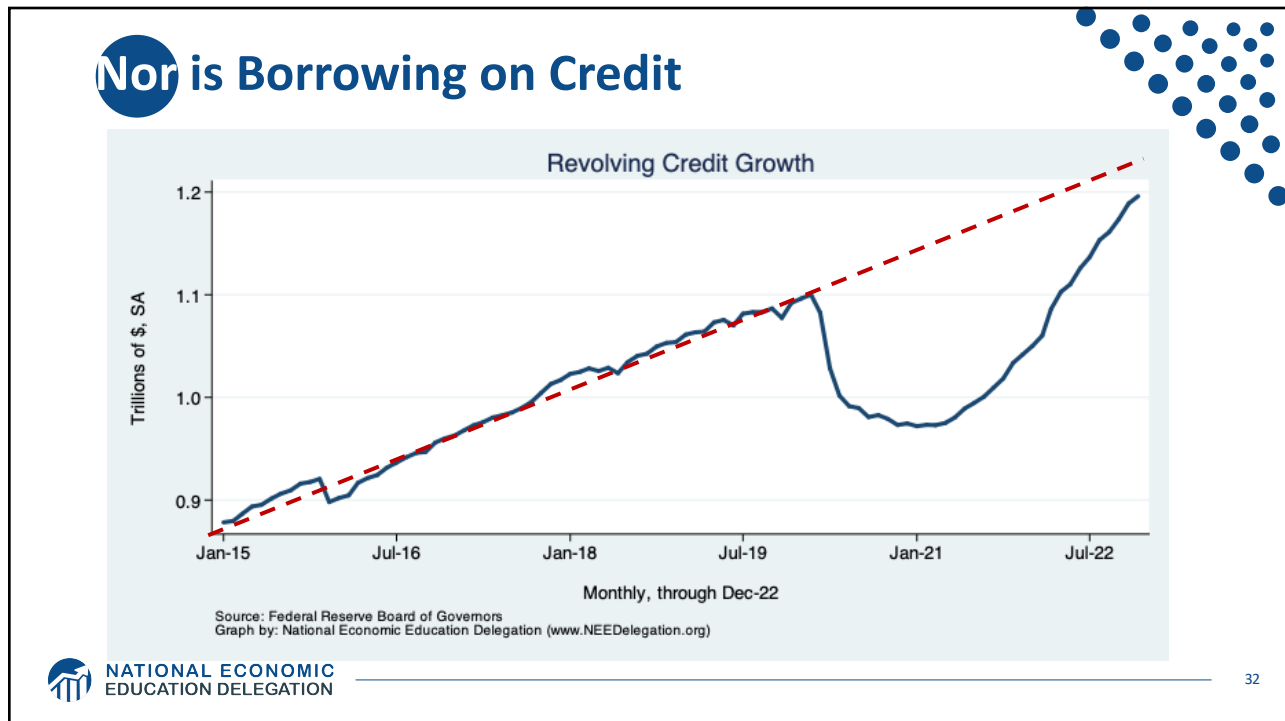
In the United States, as of December 02, 2022, employment rates among workers in the middle wage quartiles decreased by **1.9%** compared to January 2020 (not seasonally adjusted).



30



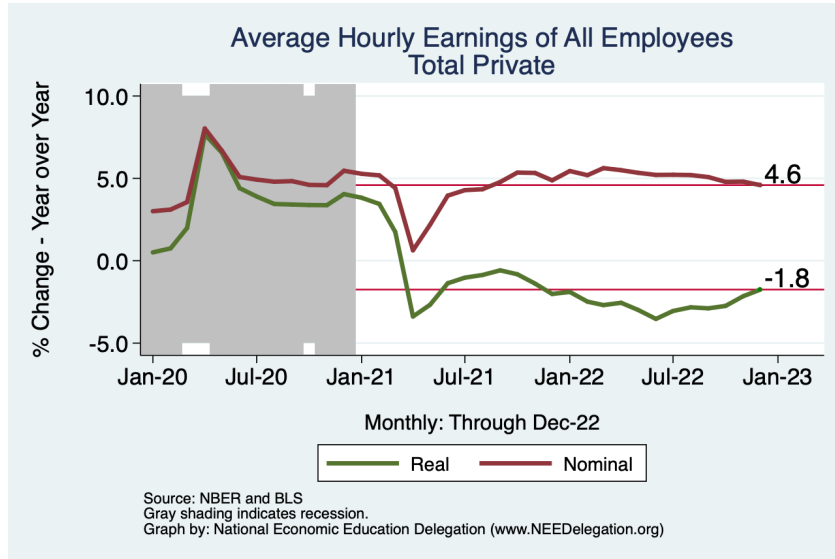
31



32

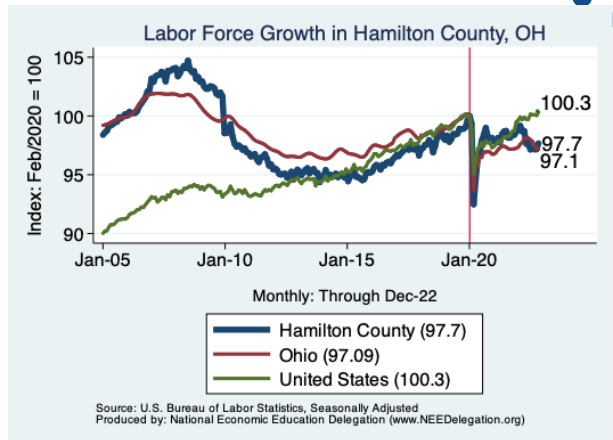
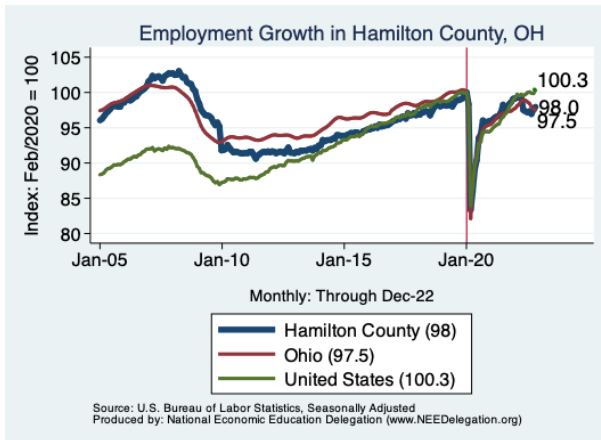


# Wage Growth



33

# How Are Things Where You Are?



34

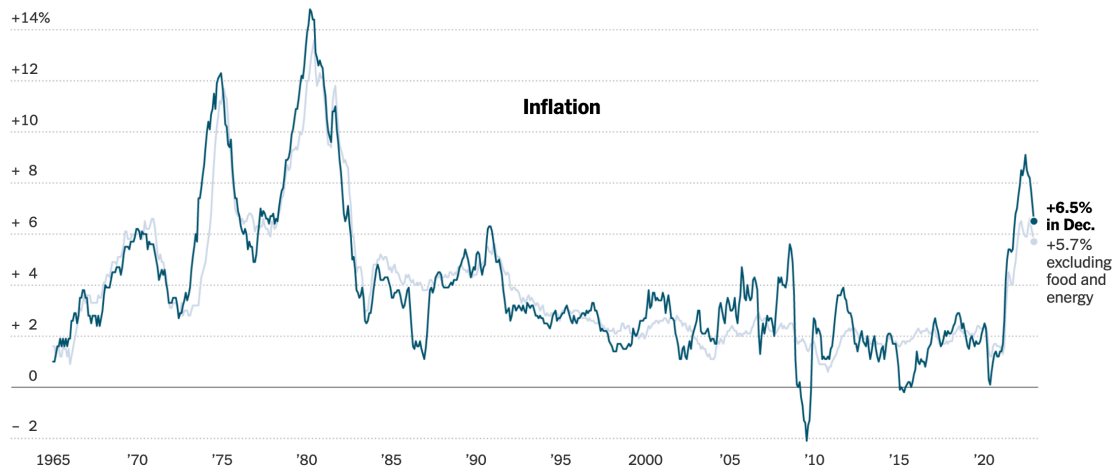
# Inflation



NATIONAL ECONOMIC  
EDUCATION DELEGATION

35

## Inflation: Latest Figures



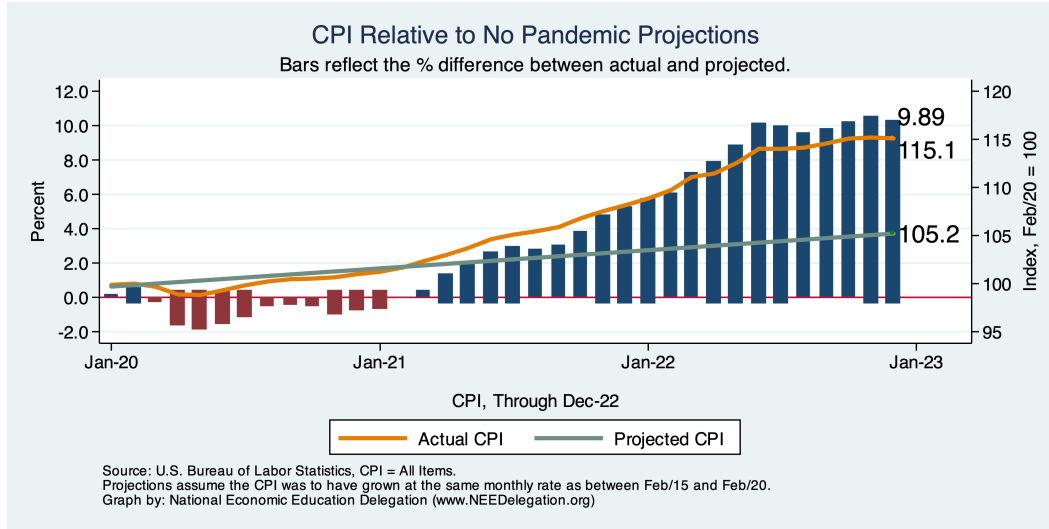
Year-over-year percentage change in the Consumer Price Index • Source: Bureau of Labor Statistics



NATIONAL ECONOMIC  
EDUCATION DELEGATION

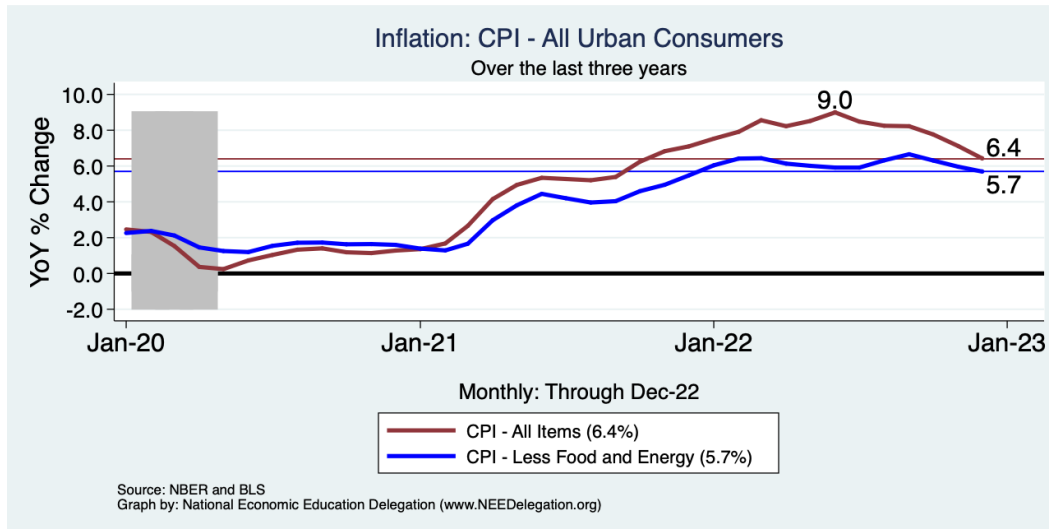
36

## How Elevated Are Prices?



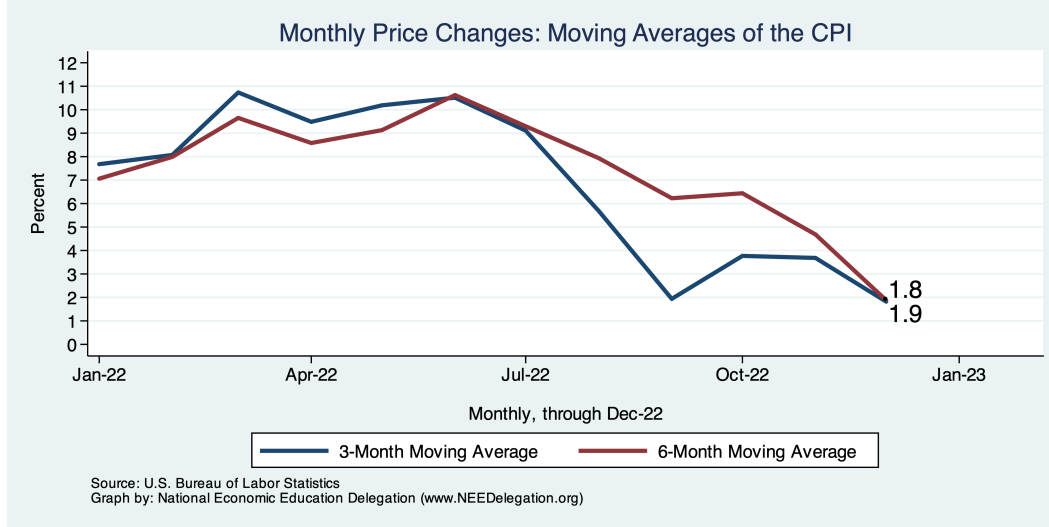
37

## Inflation – Falling! Job done? Maybe.

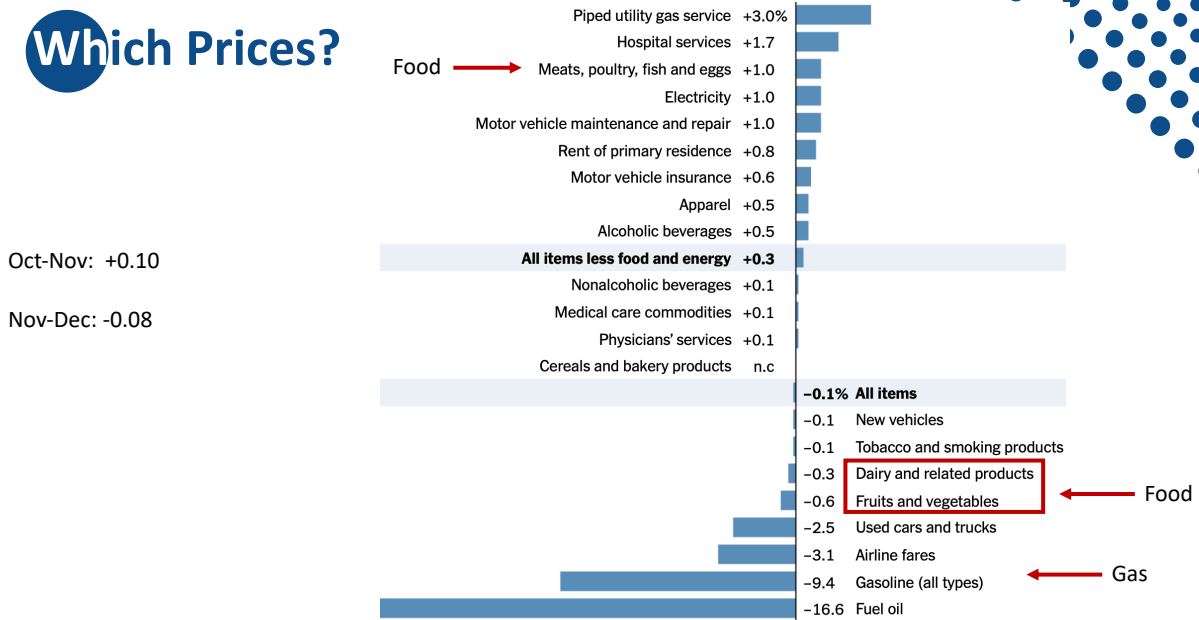


38

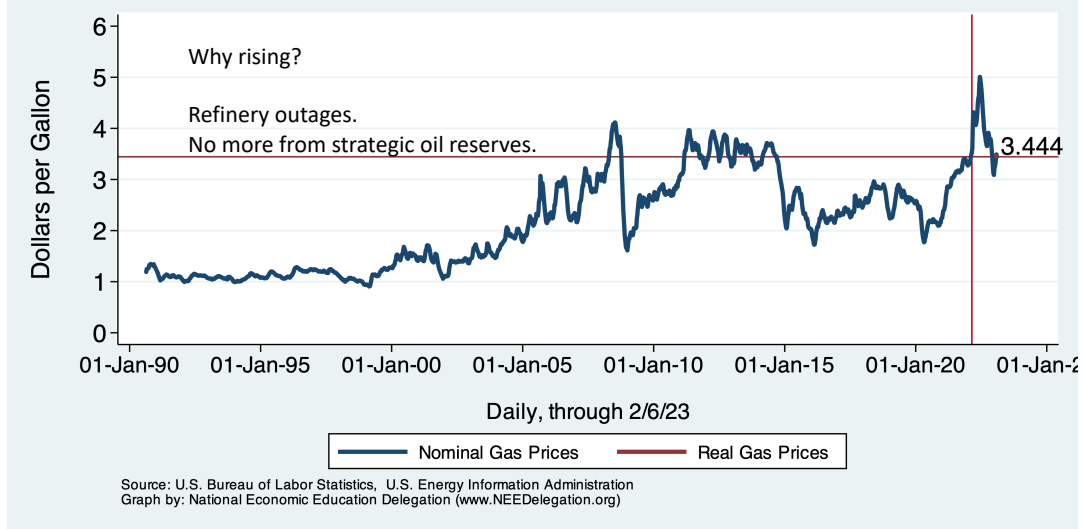
# Inflation in the Last 6 Months – On Target!



# Which Prices?

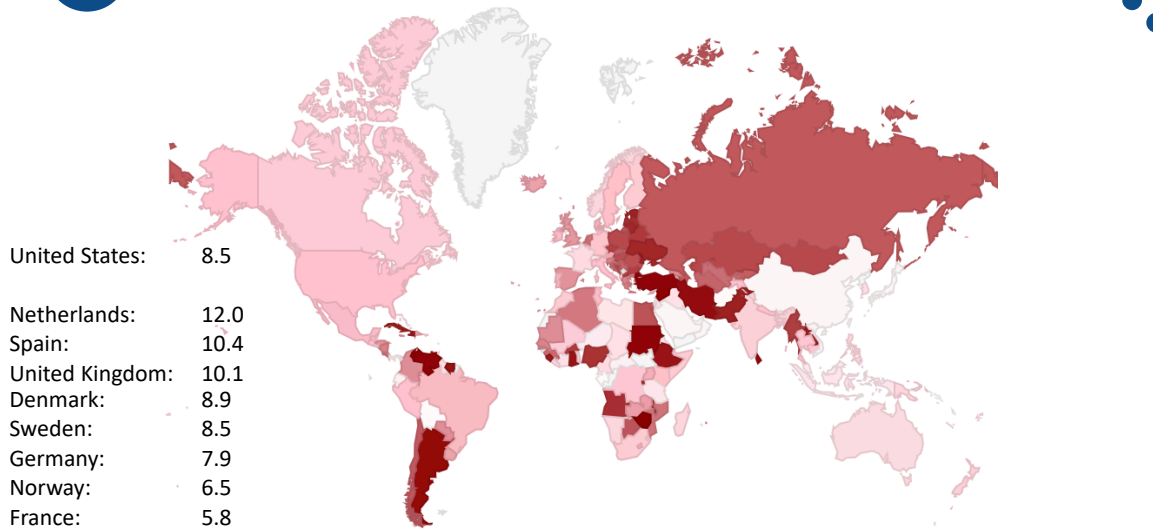


## Gas Prices: National Average at the Pump



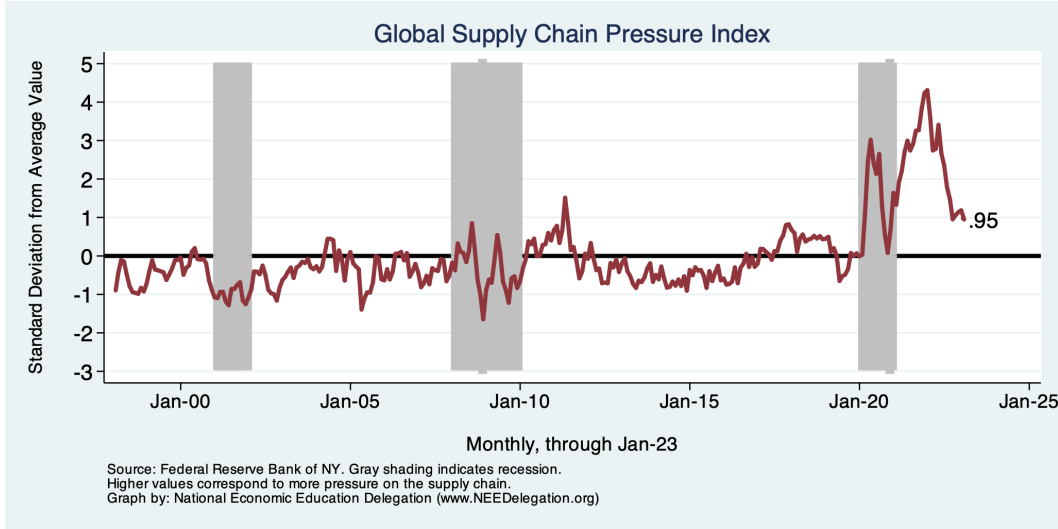
41

## Inflation: Not just a US Problem



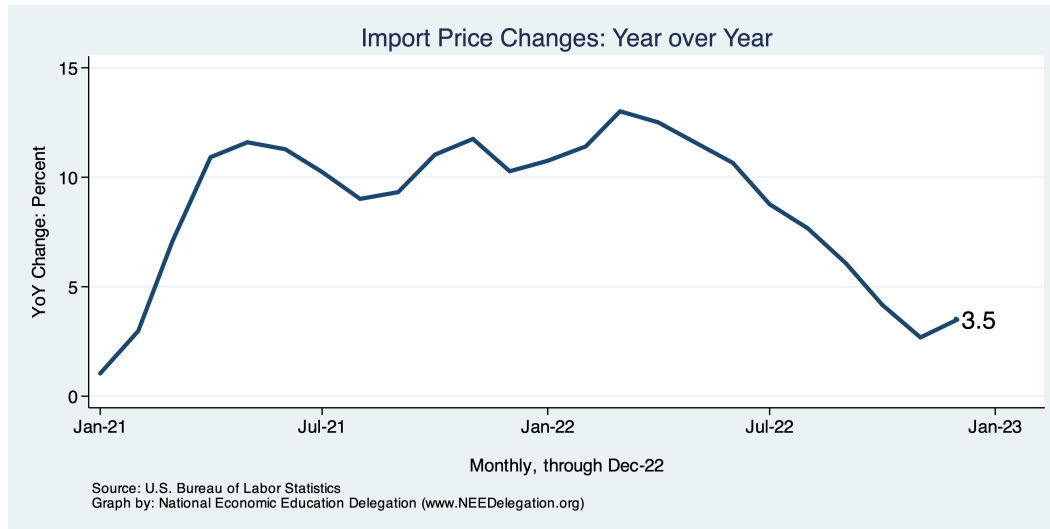
42

# Supply Chains



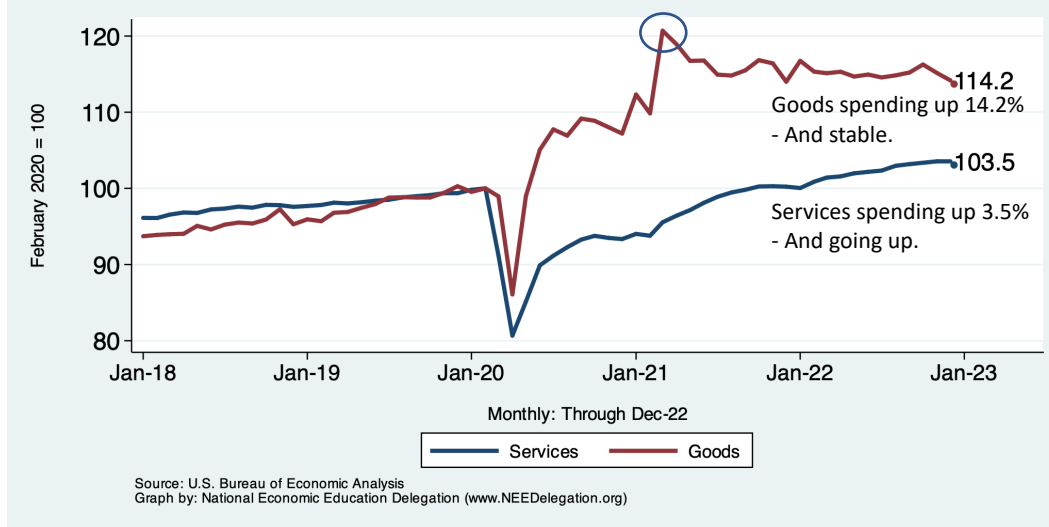
43

# Import Prices Are Elevated



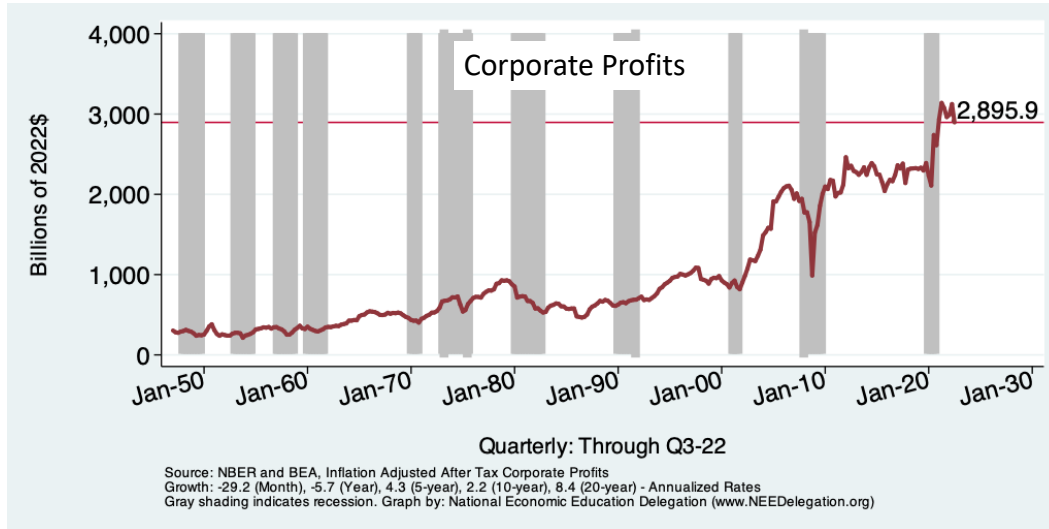
44

## Spending Patterns Changed - More Goods!



45

## Corporations Have Pricing Power!



46

## My Thoughts on the Sources of Inflation

- **Supply Chain issues were significant – less so now.**
- **Composition of spending changed significantly.**
  - Is now bouncing back, as are prices.
- **Corporations have used the cover of inflation to raise prices more.**
- **But there was too much total spending.**
  - Fiscal stimulus led households to increase saving over 2021 by more than \$2 trillion. Strong retail sales numbers suggest they are prepared to spend it.
- **Whose to Blame: ARP probably too big, but the Fed could have acted sooner.**
- **Bottom line: Recovery from a dramatic economic disruption is seldom painless.**



47

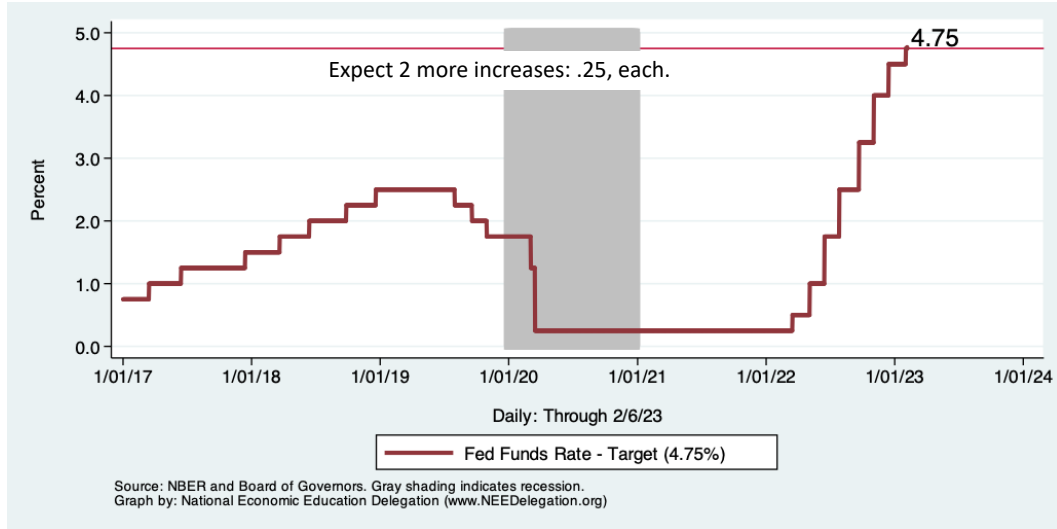
## What's the Fed Doing About It?



48

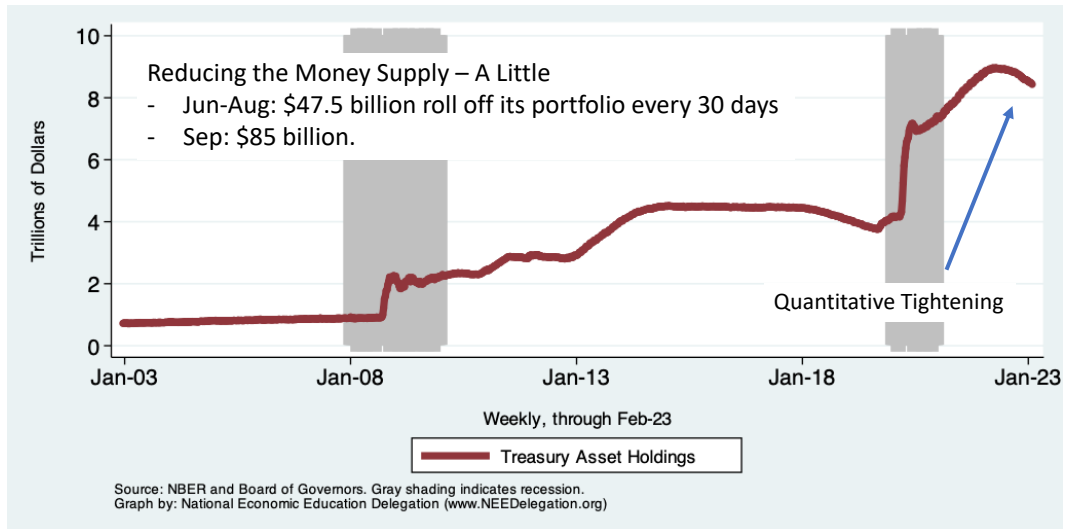


## Federal Funds Rate – Recent Activity



49

## Fed: Also Reducing its Asset Holdings

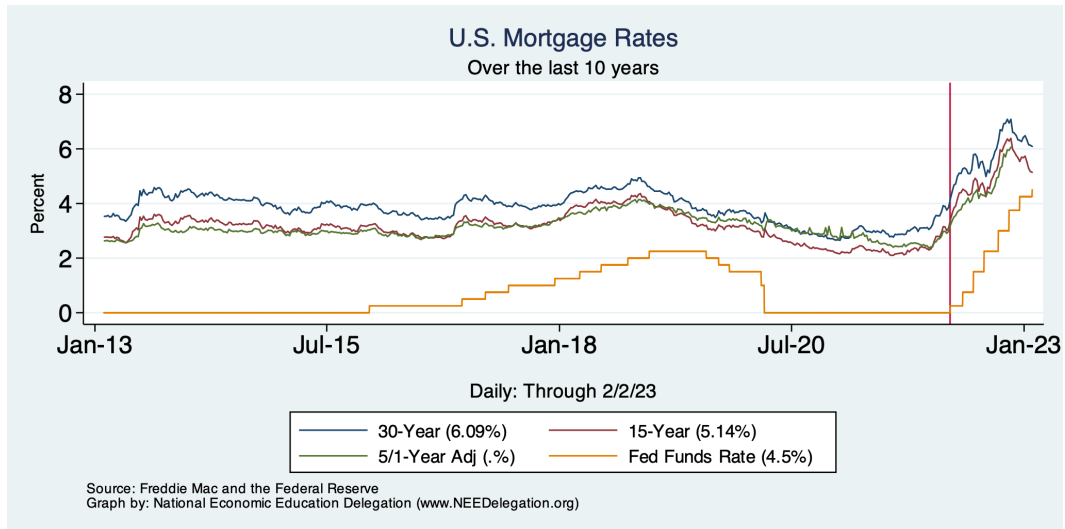


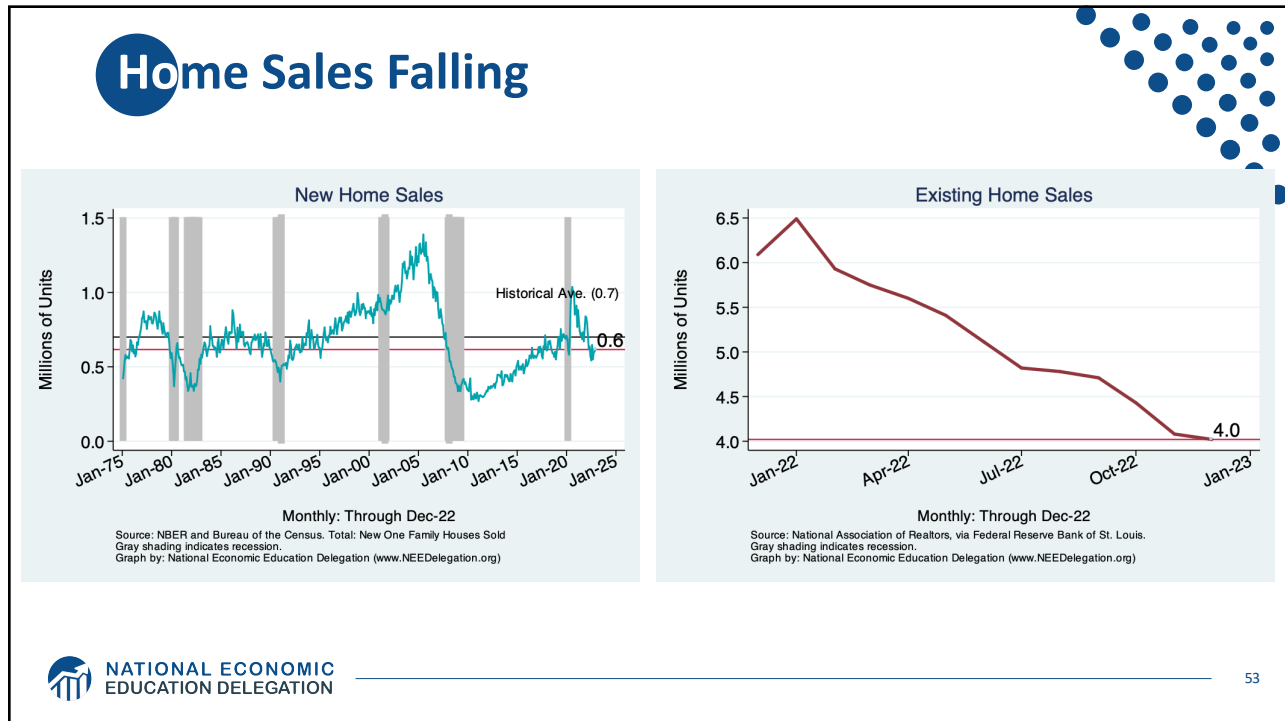
50

# Implications for Demand

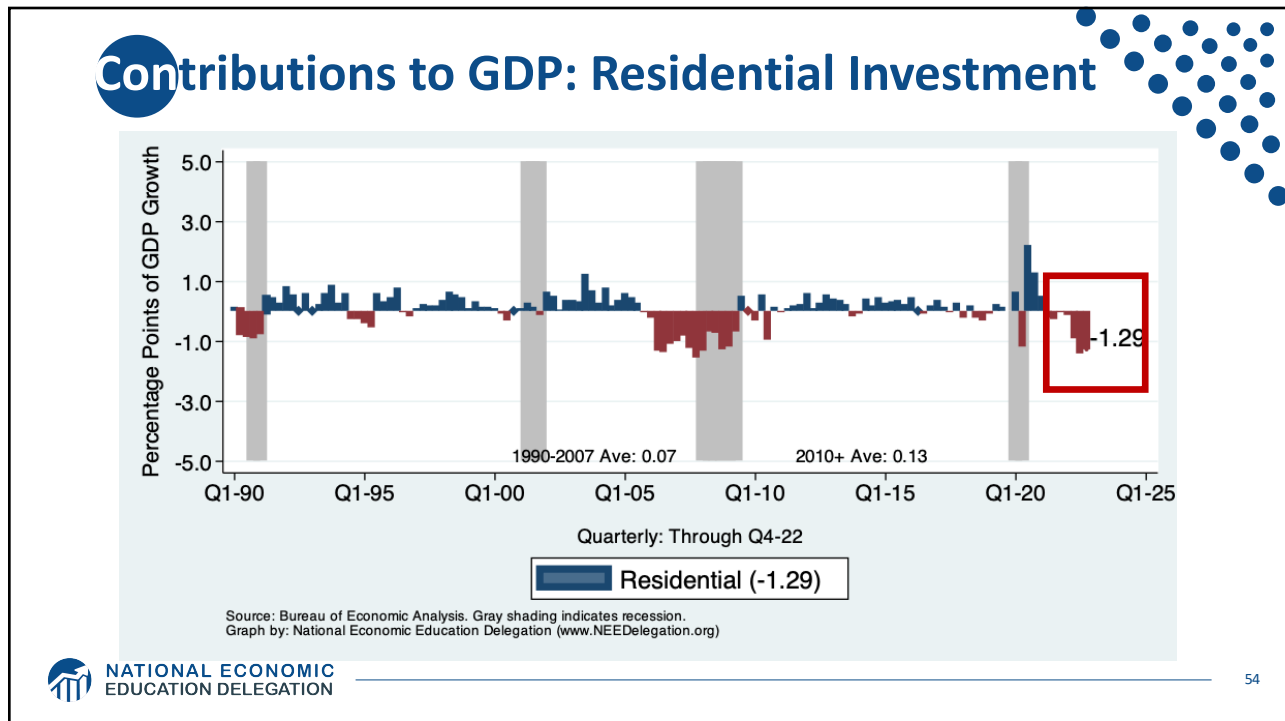
- Investment borrowing
- Home loans – tied to 10-year Treasury
- Car loans
- Credit cards
- Savings accounts – positive
- And more....
  
- All of which slows the economy.

# Mortgage Rates



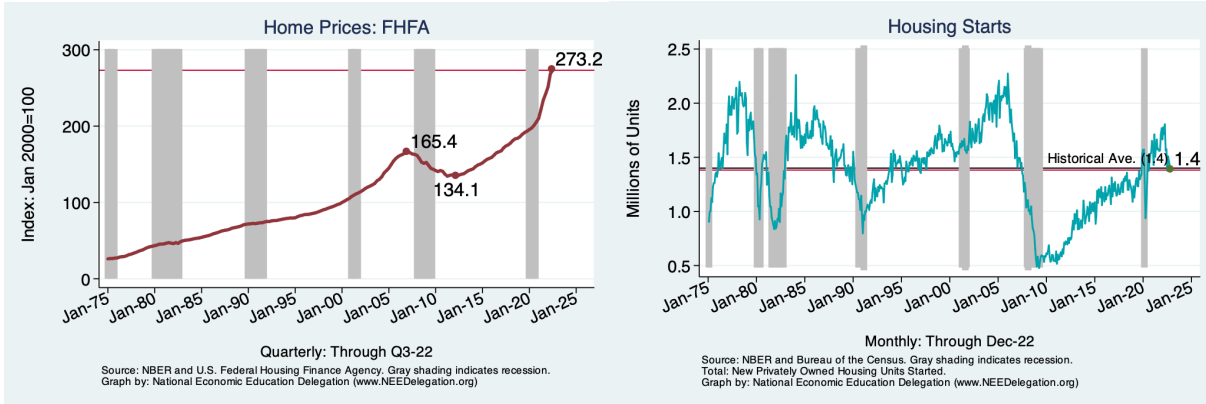


53



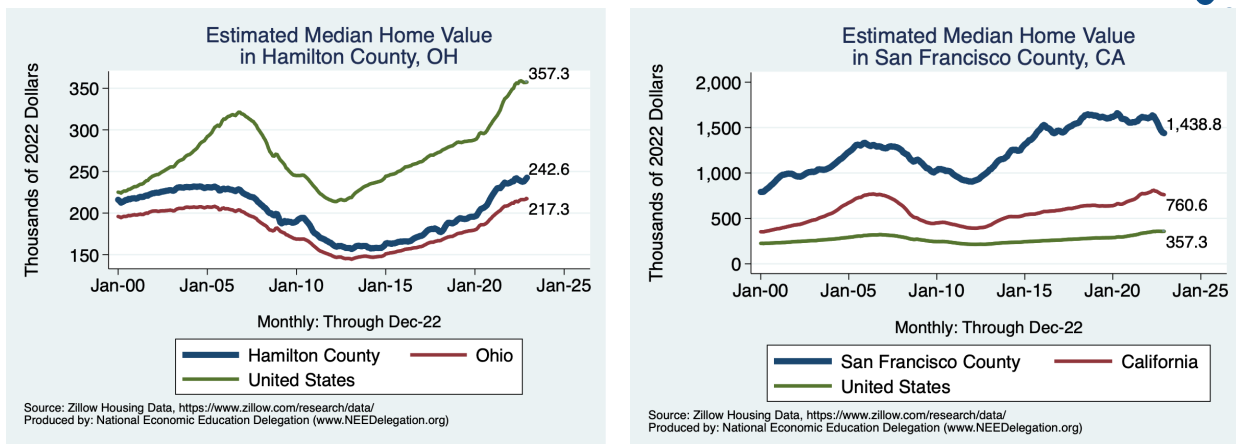
54

# Home Prices and Housing Starts



55

# Home Prices ... Depends on Where You Are



56

## Existential Threat: Coming This June!



57

## 5 Things to Know about the Debt Ceiling

1. The debt limit has been raised continually for more than a century.
2. Raising the debt limit is not about new spending; it is about paying for previous choices policymakers legislated.
3. The uselessness of a debt limit is exhibited by the fact that only one other advanced country—Denmark—has a separate debt limit rule like ours.
4. If debt hits the ceiling, the Treasury Department uses several accounting gimmicks to postpone the day of reckoning, but these typically last only a few months.
5. The economic consequences of a large-scale, intentional default are unknown, but predictions range from bad to catastrophic.

58

## Lessons from 2011

- **Government shutdown was very costly:**
  - Stock markets plunged (17%).
  - Employment growth stuttered.
  - Treasuries – downgraded credit ratings.
  - Borrowing costs rose.
  
- **The Debt Ceiling may be a very effective bargaining tool, but...**
  - It is costly.
  - It is unnecessary.
  
- **Accidental partial default in 1979:**
  - increased borrowing costs by \$40 Billion!

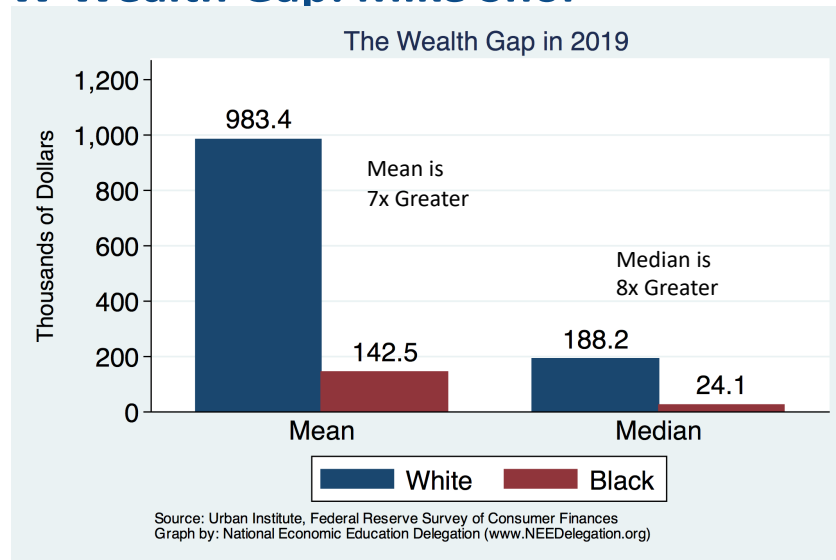


## Takeaways

- **Is a recession on the horizon?**
  - Perhaps, but no reason to think that it will be anything more than shallow.
  - Many indicators are still in the black.
    - 2022-Q4 GDP growth was pretty good!
  
- **Threats to continued growth:**
  - If inflation stays high, which seems unlikely.
  - Layoff contagion? Looks unlikely.
  - Debt ceiling negotiations
    - Significant cuts to government budgets may well result.



## The B-W Wealth Gap: Mike Shor



61

## Thank you!

# Any Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)

Jon D. Haveman

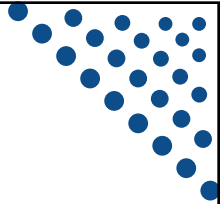
Jon@NEEDelegation.org

Contact NEED: [info@NEEDelegation.org](mailto:info@NEEDelegation.org)

Submit a testimonial: [www.NEEDelegation.org/testimonials.php](http://www.NEEDelegation.org/testimonials.php)

Become a Friend of NEED: [www.NEEDelegation.org/friend.php](http://www.NEEDelegation.org/friend.php)

62



# [www.NEEDelegation.org/LocalGraphs](http://www.NEEDelegation.org/LocalGraphs)

For every state and county in the United States.  
Detailed graphs on employment, housing, moves, and other statistics.