

INFLATION



US Economic Update

Walnut Creek Rotary Club

June 20, 2023
Jon Haveman, Ph.D.
NEED



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

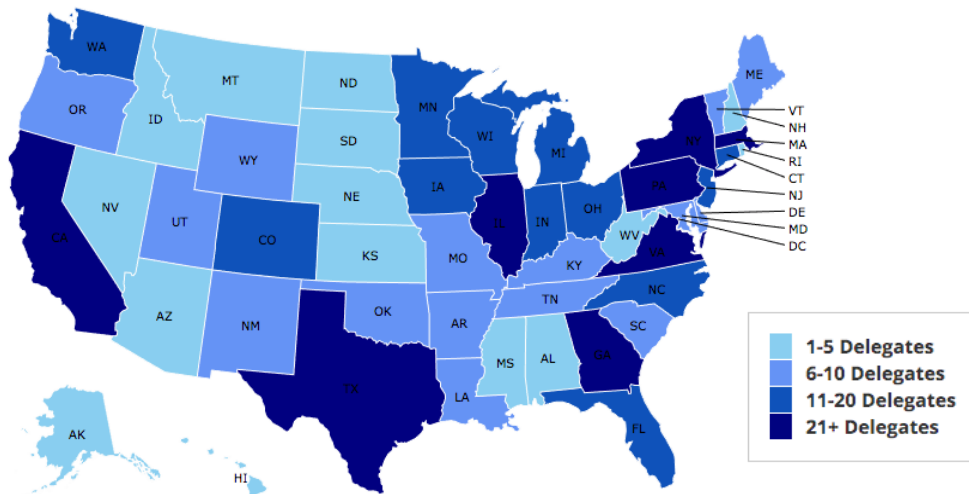


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3

3

Where Are We?



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4

4

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



5

Credits and Disclaimer

- **This slide deck was authored by:**
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 - Brian Dombeck, Lewis & Clark College
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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).



6

Outline

- Economic Indicators
- Inflation/Federal Reserve
- Federal Debt

7

Economic Indicators

8

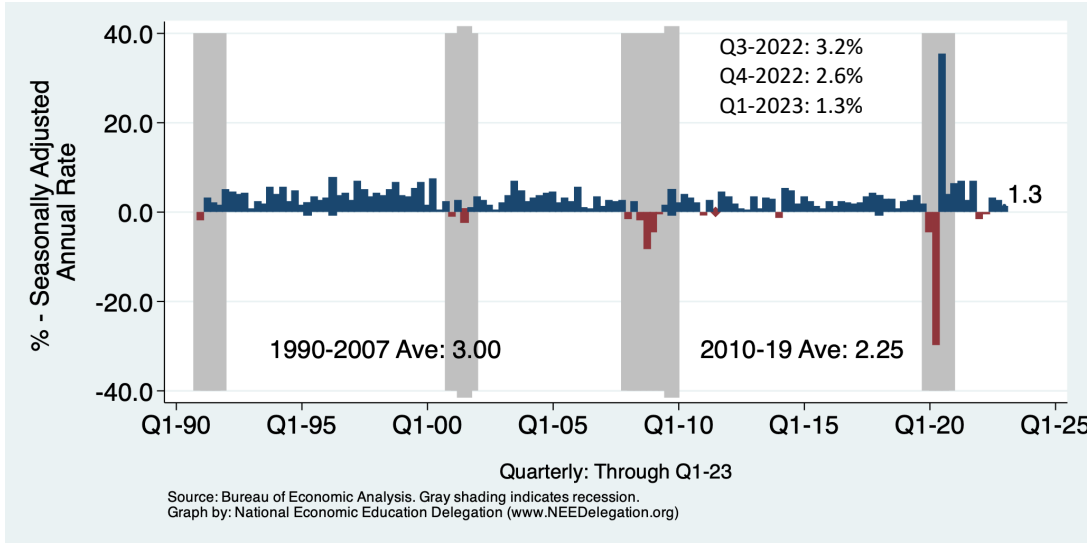
Headline: July 28, 2022

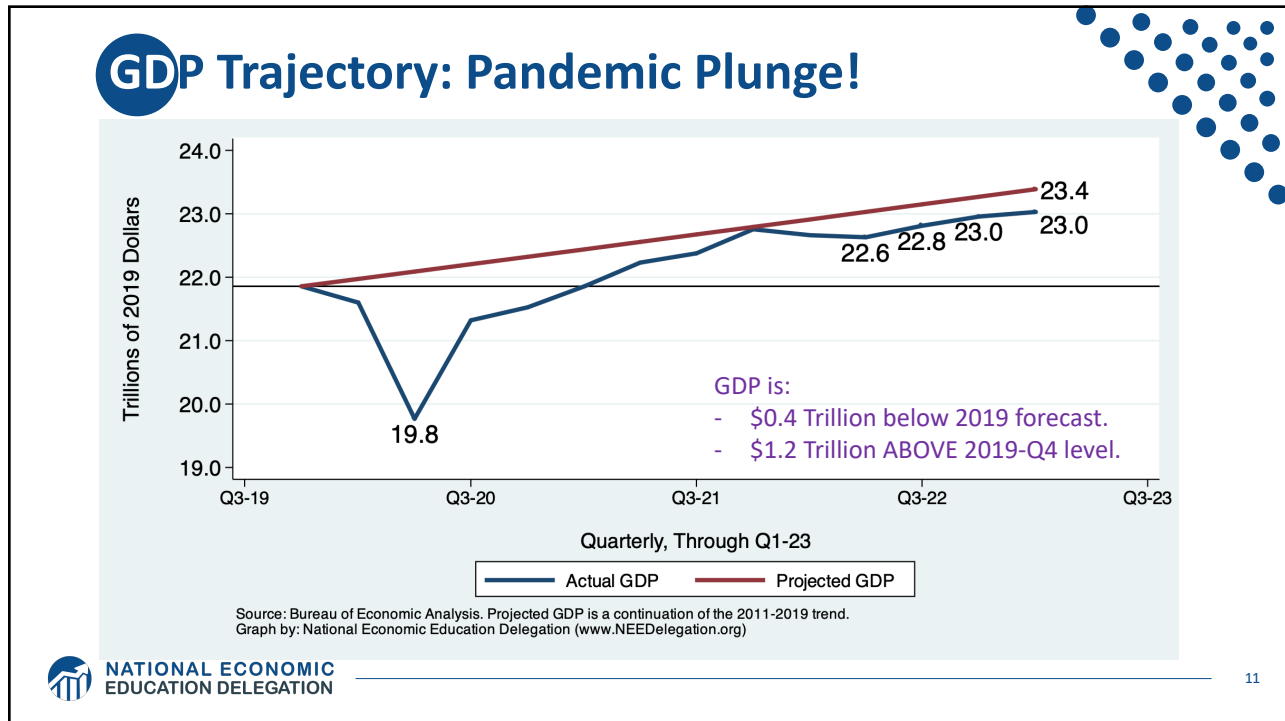
G.D.P. Report Shows a Drop, Fanning Fears of a U.S. Recession

- A key measure of economic output fell for the second straight quarter, fanning 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.

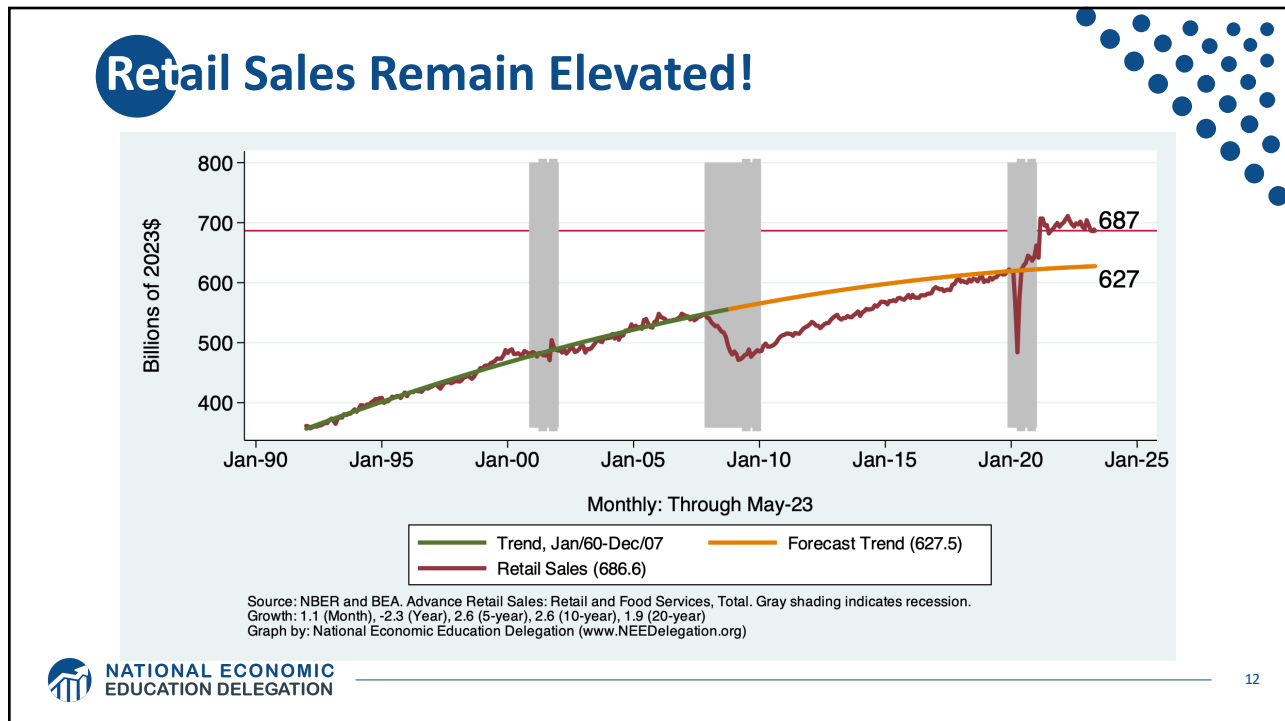
Old news....

GDP: Quarterly Growth



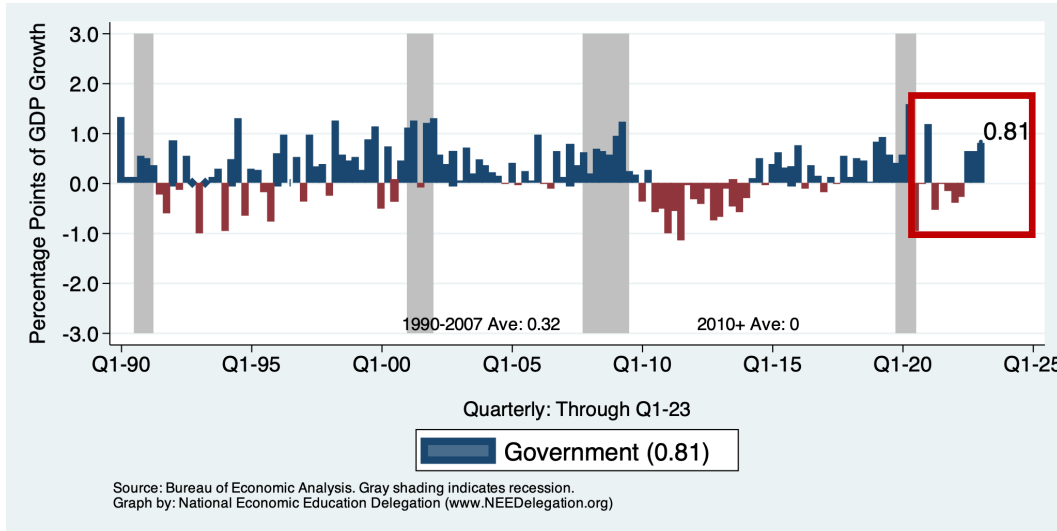


11



12

Contributions to GDP: Government

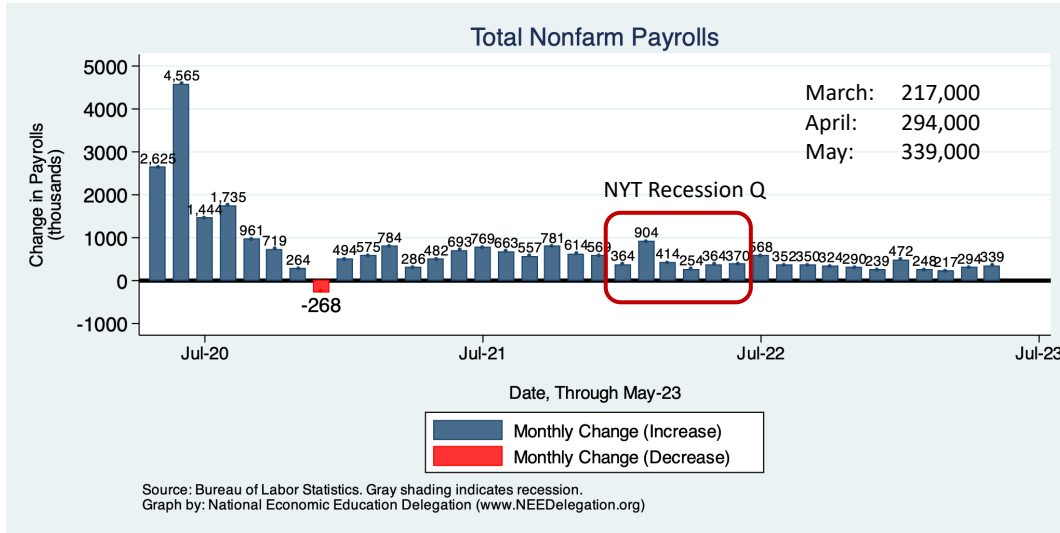


13

Employment

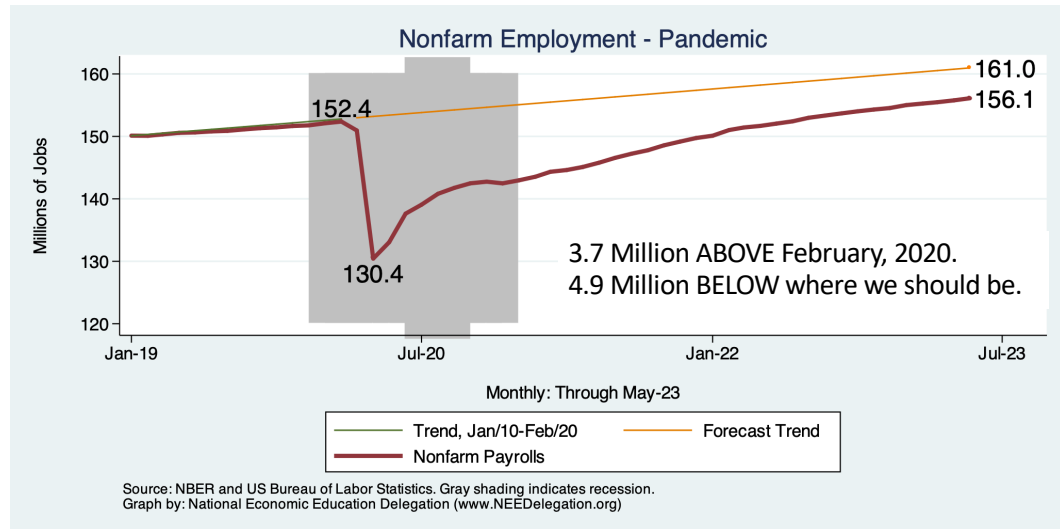
14

Monthly Changes in Nonfarm Employment



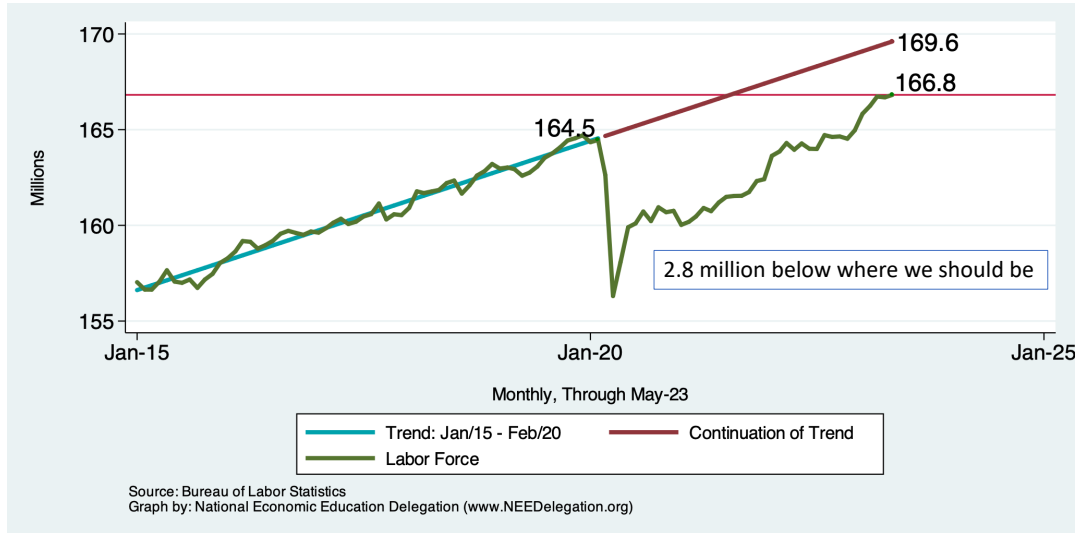
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Employment Gap



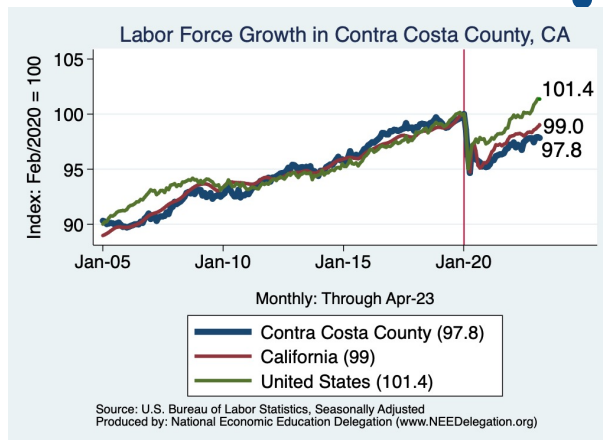
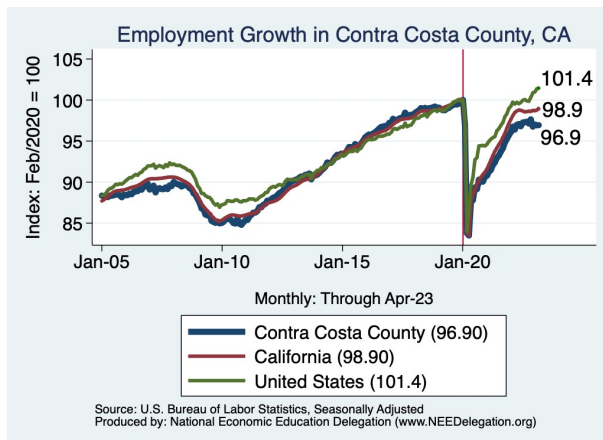
16

Where Have All the Workers Gone?



17

How Are Things Where You Are?



18



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www.NEEDEcon.org/LocalGraphs

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19

19

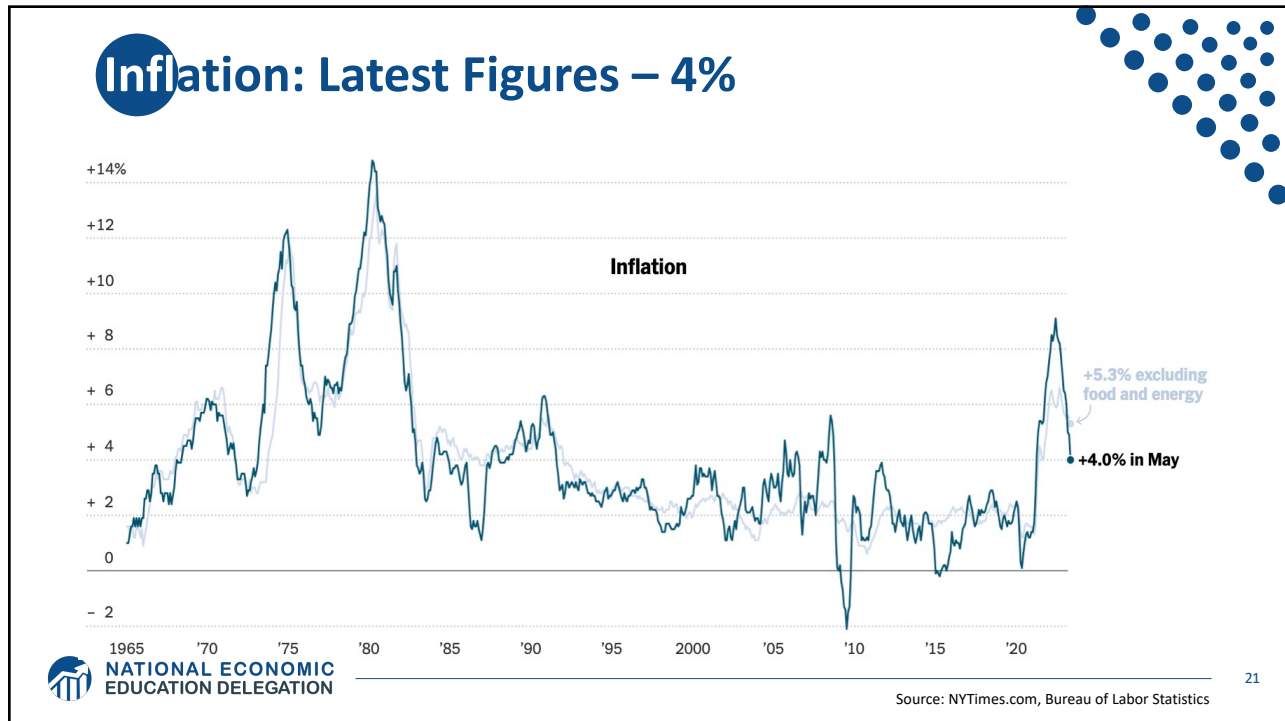


Inflation

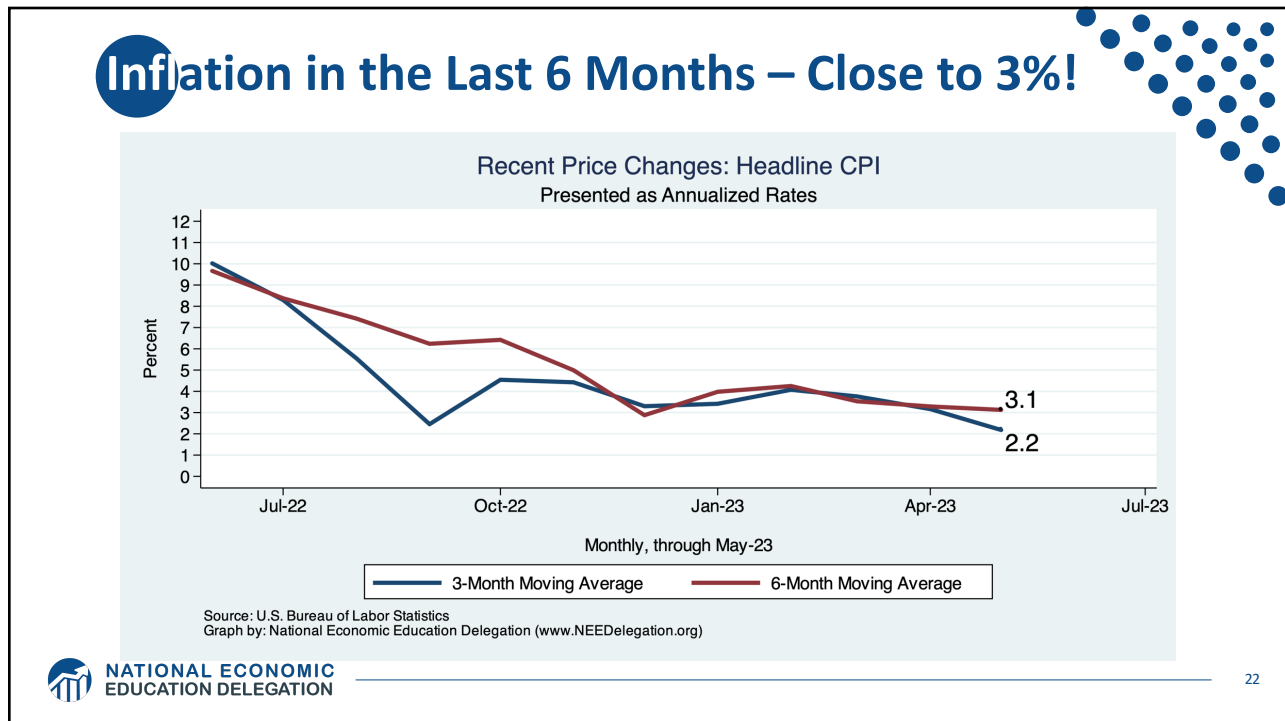
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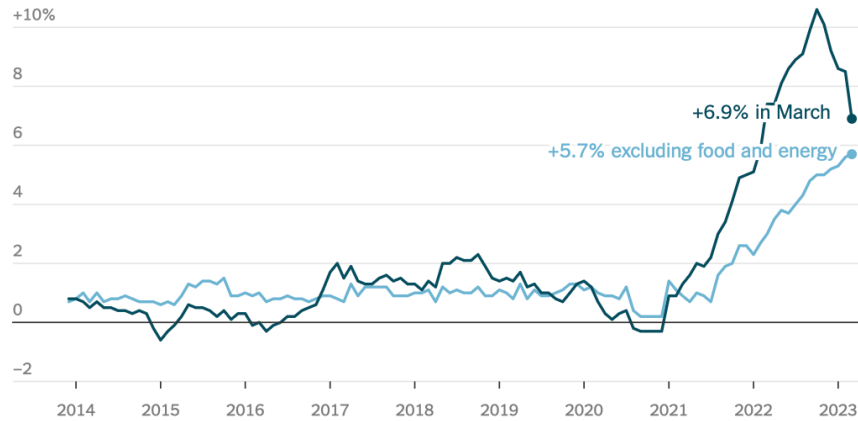
21



22

Inflation is Not just a U.S. Problem

Year-over-year change in consumer prices in the eurozone

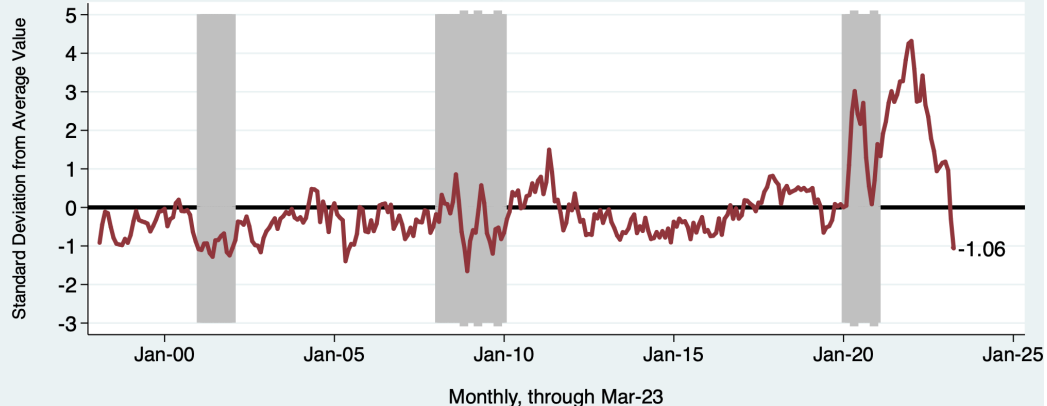


Source: Eurostat • By The New York Times

23

Supply Chains

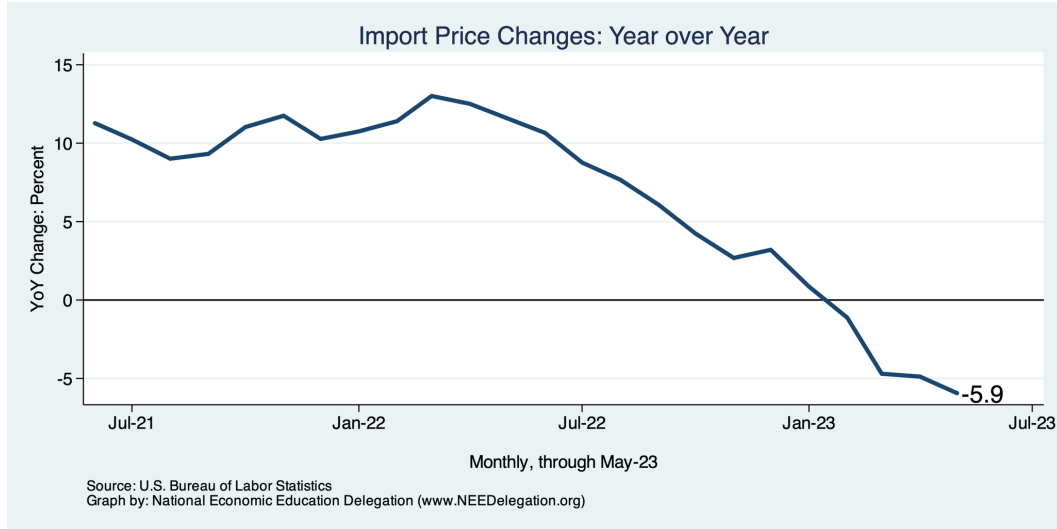
Global Supply Chain Pressure Index



Source: Federal Reserve Bank of NY. Gray shading indicates recession. Higher values correspond to more pressure on the supply chain. Graph by: National Economic Education Delegation (www.NEEDelegation.org)

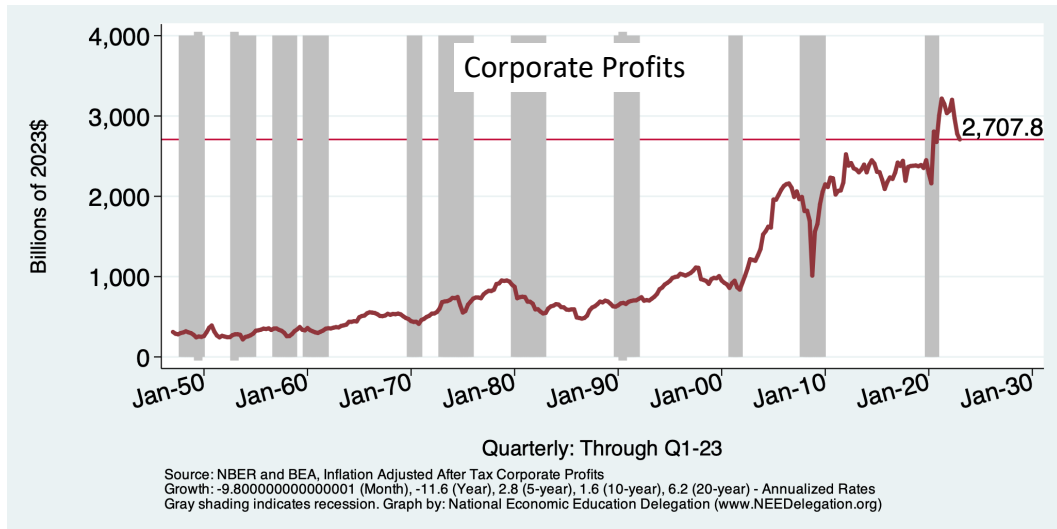
24

Import Price Inflation WAS High



25

Corporations Have Pricing Power!



26

My Thoughts on the Sources of Inflation

- **Supply Chain issues were significant – less so now.**
- **Import price inflation was high – negative 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 possibly too big, but the Fed could have acted sooner.**
- **Bottom line: Recovery from a dramatic economic disruption is seldom painless.**



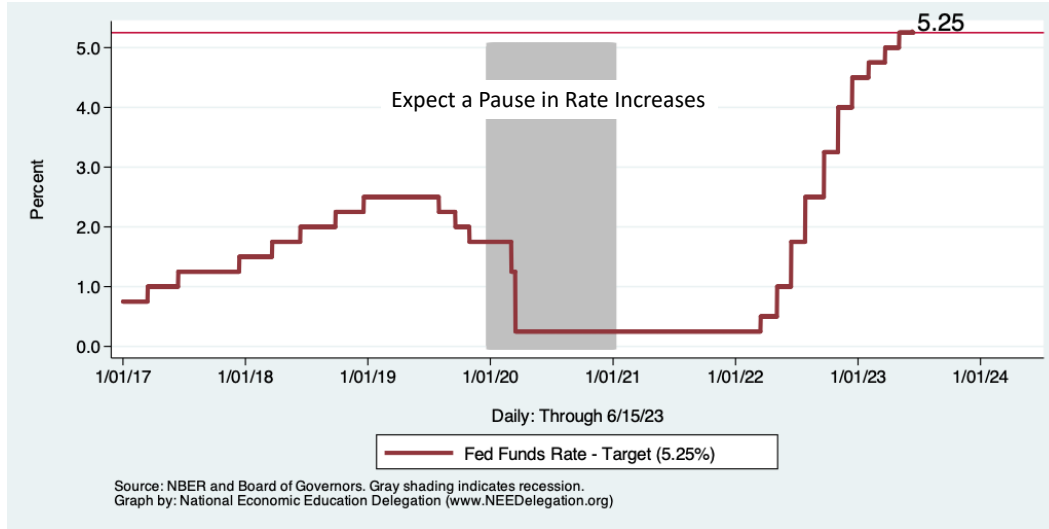
27

What's the Fed Doing About It?



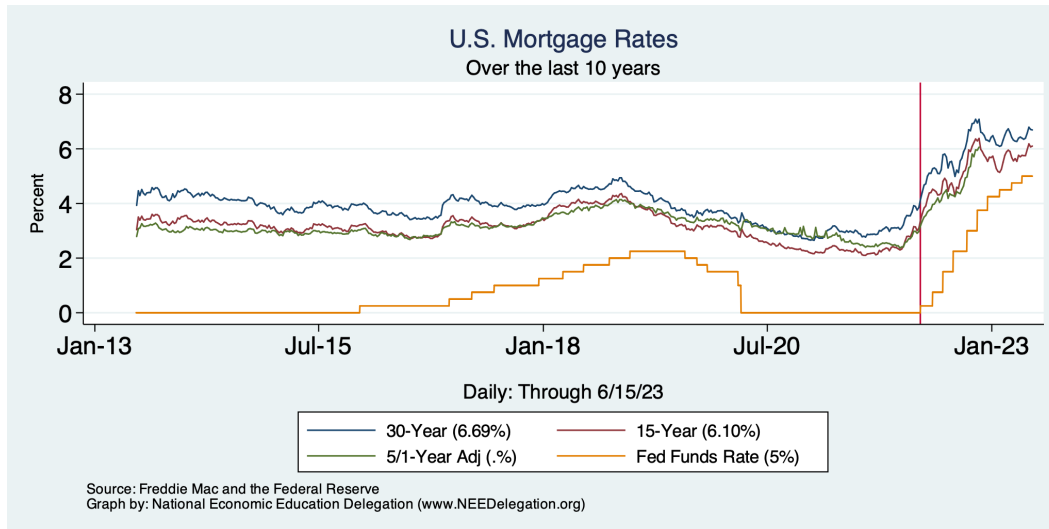
28

Federal Funds Rate – Recent Activity



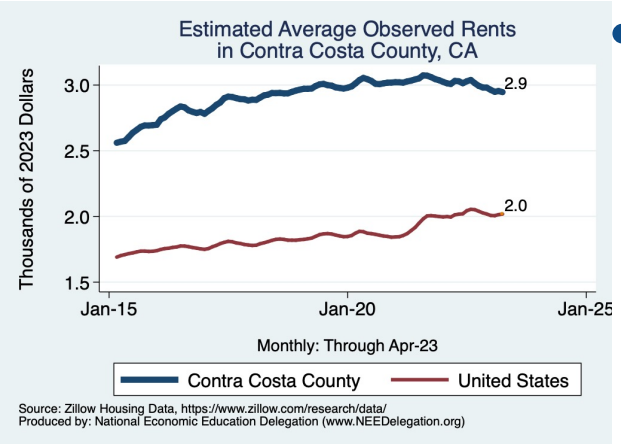
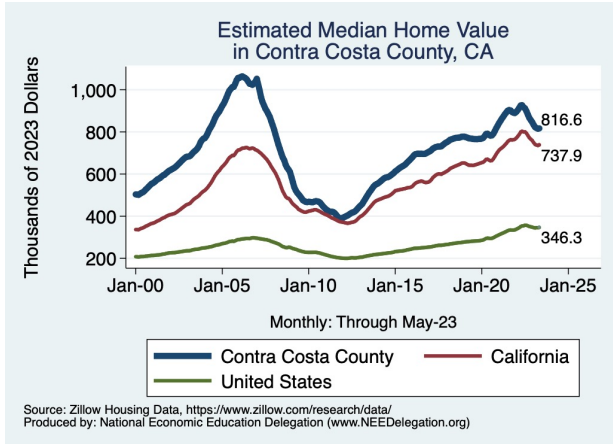
29

Mortgage Rates



30

Home Prices ... Depends on Where You Are



31

What About the Debt?

32

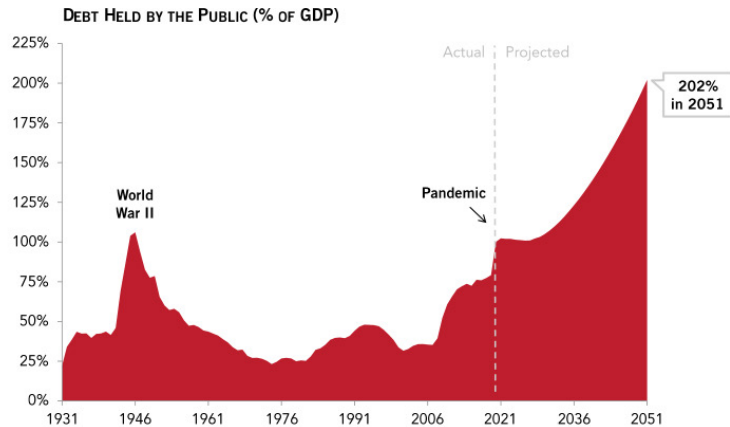
Aftermath of Debt Conflict



The Federal Debt is Becoming A Problem



The national debt is on an unsustainable path



SOURCE: Congressional Budget Office, The 2021 Long-Term Budget Outlook, March 2021.
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Takeaways

- **Is a recession on the horizon?**
 - Perhaps, but shallow?
 - Many indicators are still in the black.
 - 2021-Q1 GDP growth was ok!
 - Employment growth is solid.
- **Threats to continued growth:**
 - If inflation starts to rise again, which seems unlikely.
 - Layoff contagion.
- **Bullets dodged:**
 - Debt negotiations.
 - Banking crisis.
 - Inflation (shhh....)



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Thank you!

Any Questions?

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36

36