



## *Osher Lifelong Learning Institute, Fall 2023* **Contemporary Economic Policy**

University of Southern Maine  
January/February 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

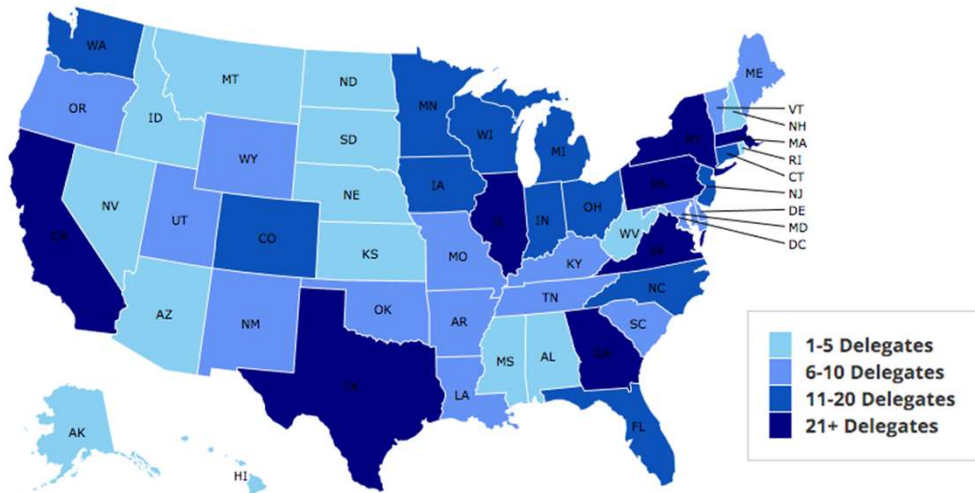
- **Delegates: 652+ members**

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

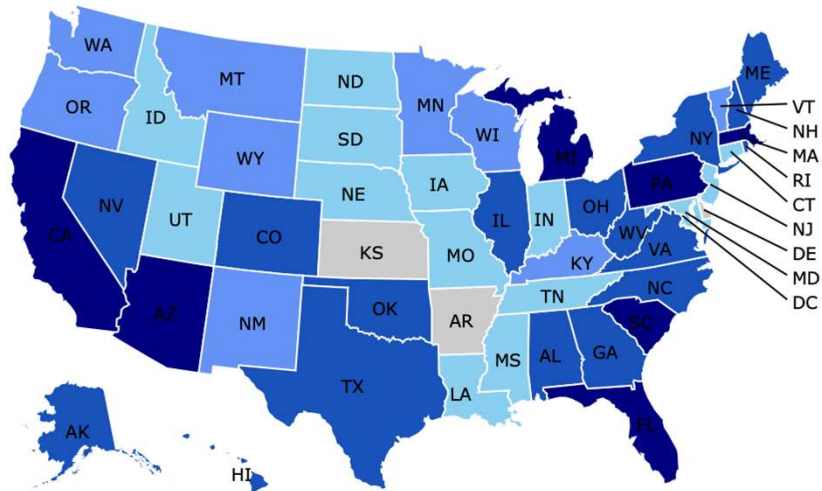
- **Global Partners: 48 Ph.D. Economists**

- 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

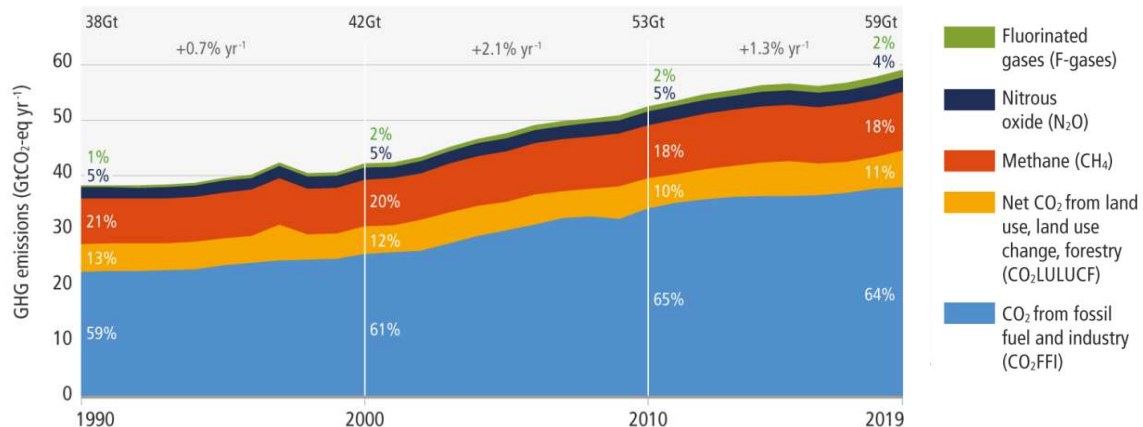
## Course Outline

### • Contemporary Economic Policy

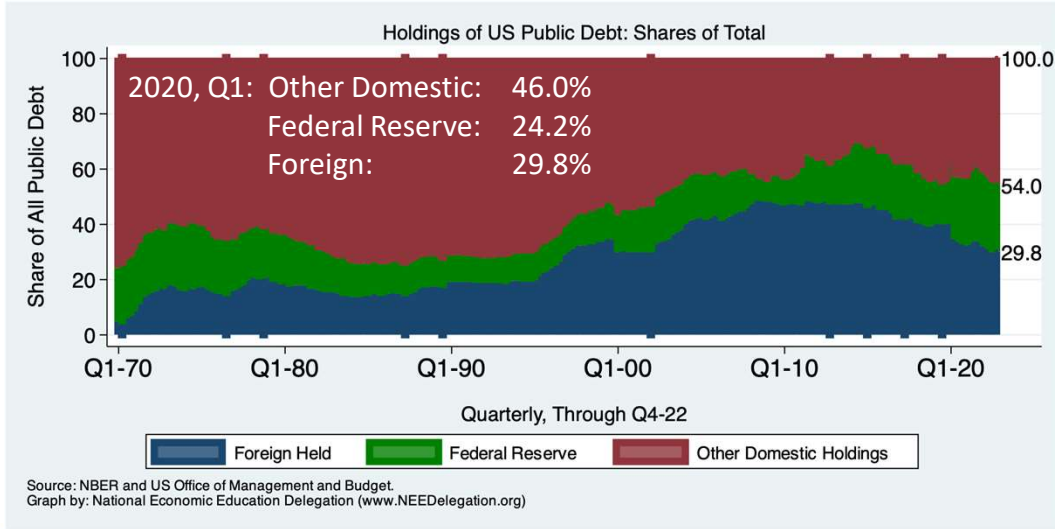
- Week 1 (1/09): Economic Update (Geoffrey Woglom Amherst College)
- Week 2 (1/16): Climate Change Economics (Sarah Jacobson, Williams College)
- Week 3 (1/23): Federal Debt and Deficits (Brian Peterson, LaGrange College)
- Week 4 (1/30): International Institutions (Alan Deardorff U of Michigan)
- Week 5 (2/6): Monetary Policy and Inflation (Geoffrey Woglom)
- Week 5 (2/13): TBD

## Greenhouse Gas Emissions 1990-2019

a. Global net anthropogenic GHG emissions 1990–2019<sup>(6)</sup>



## Trends in US Debt Over Time



## Main Economic Institutions



# The Fed Affects the Economy Via Interest Rates



## 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 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).



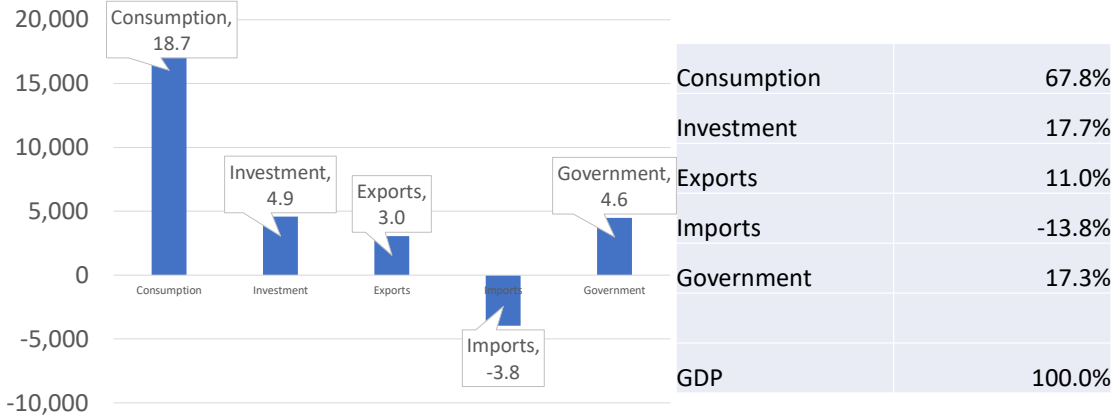
## Outline for the Talk

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

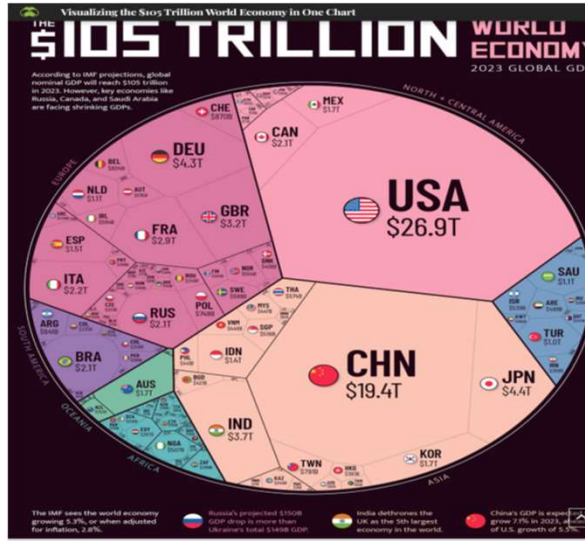


# Different Breakdown





# The Size of the World Economies

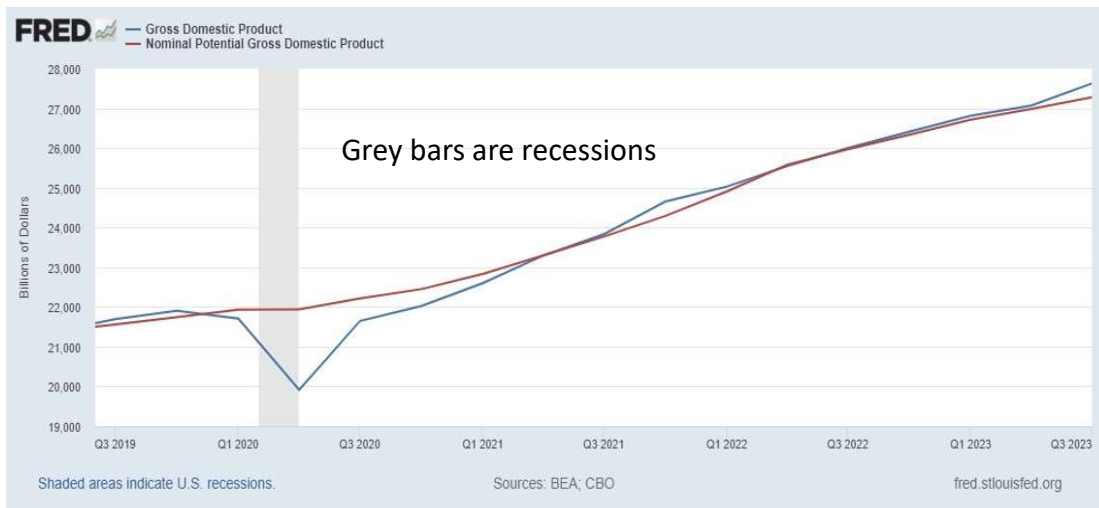


NATIONAL ECONOMIC EDUCATION DELEGATION

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

17

# GDP and 'Potential' during the Recovery



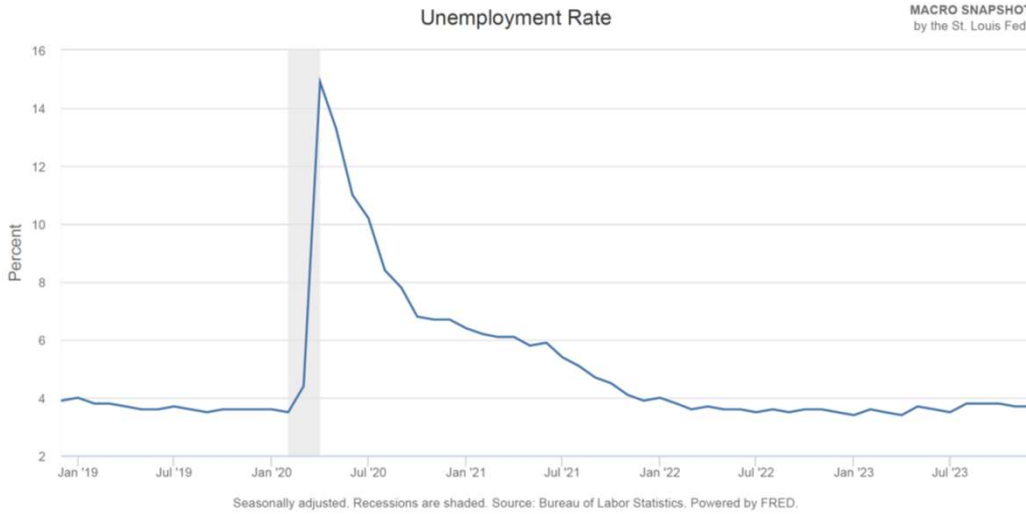
NATIONAL ECONOMIC EDUCATION DELEGATION

Source: Fred, St Louis Fed

18

# Unemployment is Near Record Lows

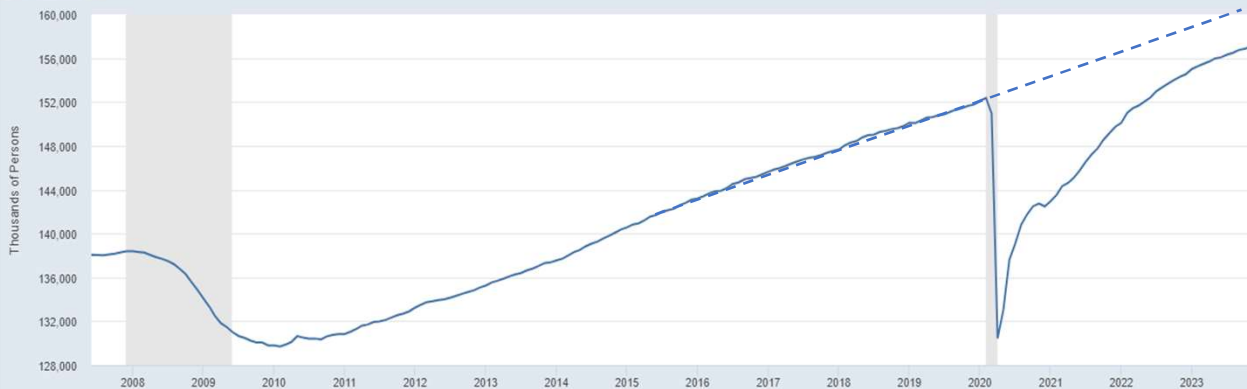
MACRO SNAPSHOT  
by the St. Louis Fed



Seasonally adjusted. Recessions are shaded. Source: Bureau of Labor Statistics. Powered by FRED.

# Where Have All the Workers Gone?

FRED — All Employees, Total Nonfarm

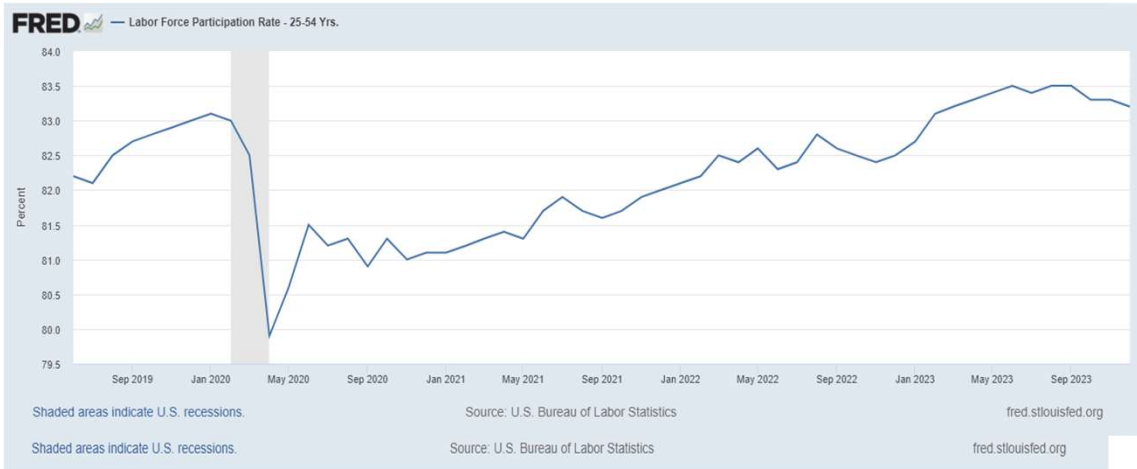


Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

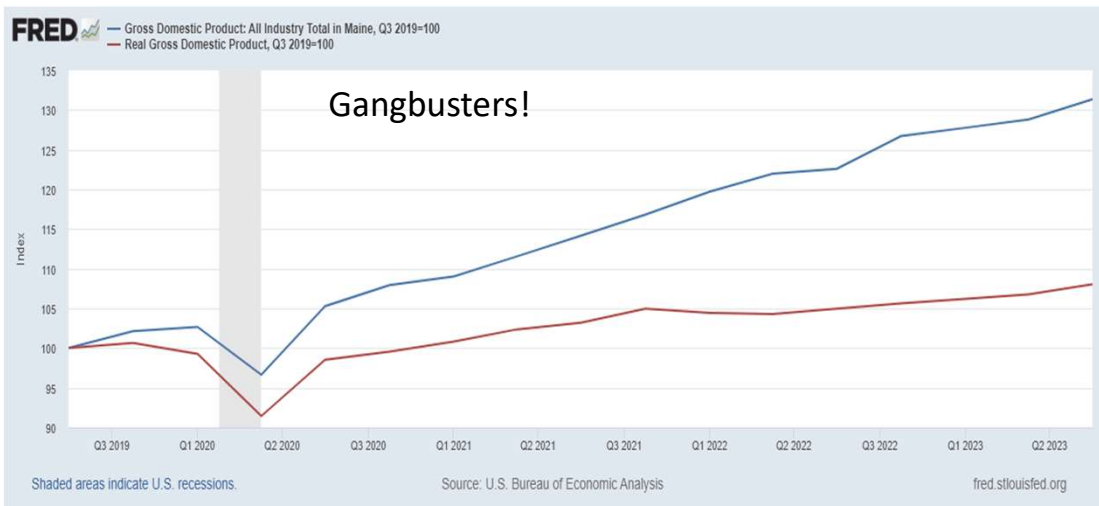
fred.stlouisfed.org

# The Great Resignation?



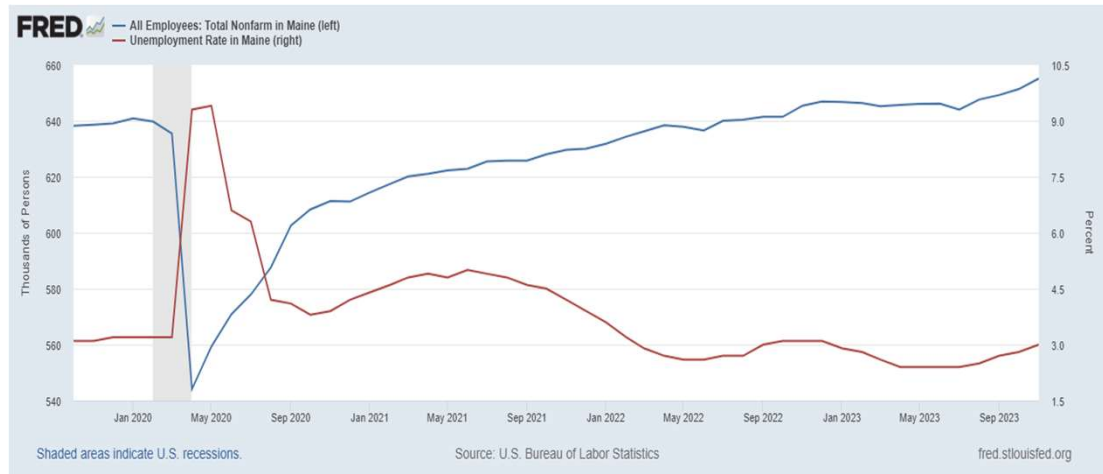
NATIONAL ECONOMIC EDUCATION DELEGATION

# How is the Maine Economy Doing?



NATIONAL ECONOMIC EDUCATION DELEGATION

## Labor Market in Maine



NATIONAL ECONOMIC  
EDUCATION DELEGATION

23

## 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.**



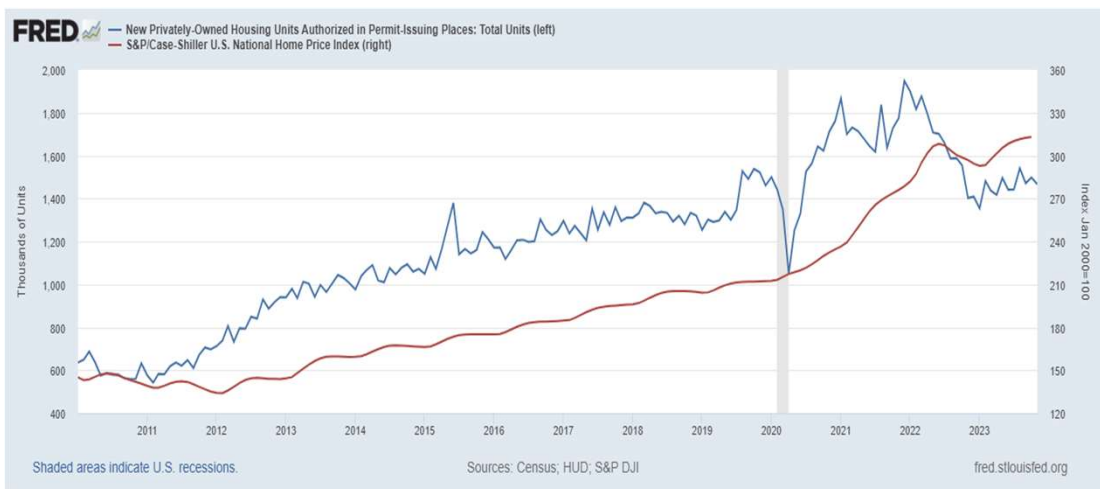
NATIONAL ECONOMIC  
EDUCATION DELEGATION

24

# Interest Rates: Era of Falling Rates Over?



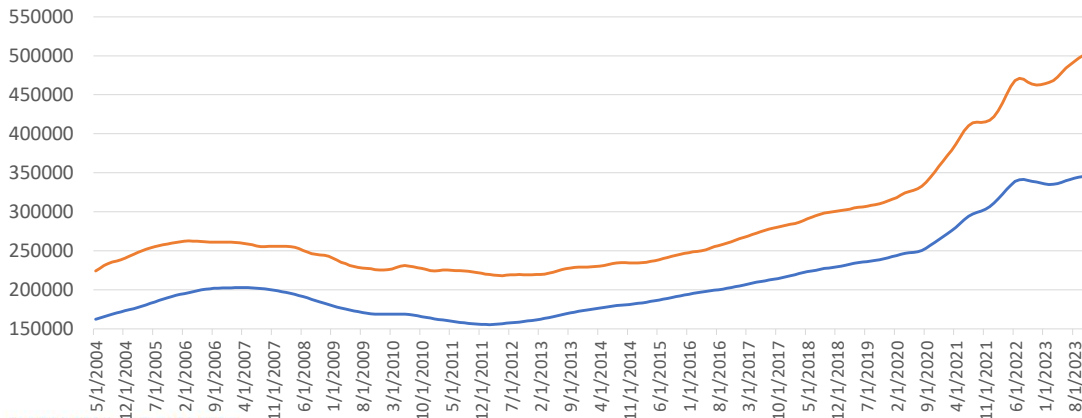
# Mortgage Rates are Having an Effect ?



# National Housing Market and Closer to Home

## Single Family Home Prices

— US — Portland



NATIONAL ECONOMIC EDUCATION DELEGATION

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

27

# Stock Prices: Fear Giving Way to Greed?



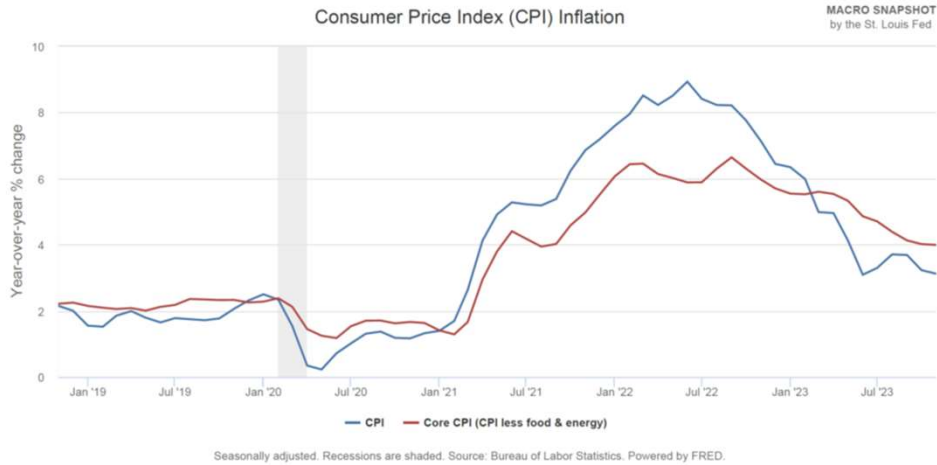
NATIONAL ECONOMIC EDUCATION DELEGATION

Source: S&P Dow Jones Indices LLC

fred.stlouisfed.org

28

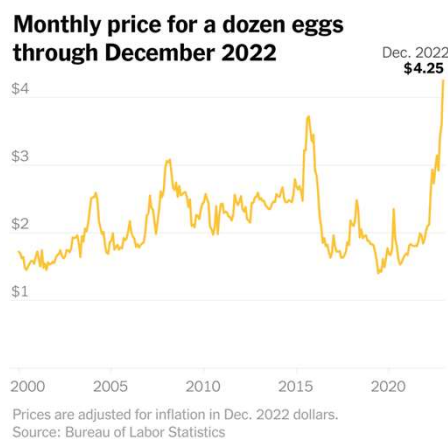
# Inflation during the Recovery (CPI)

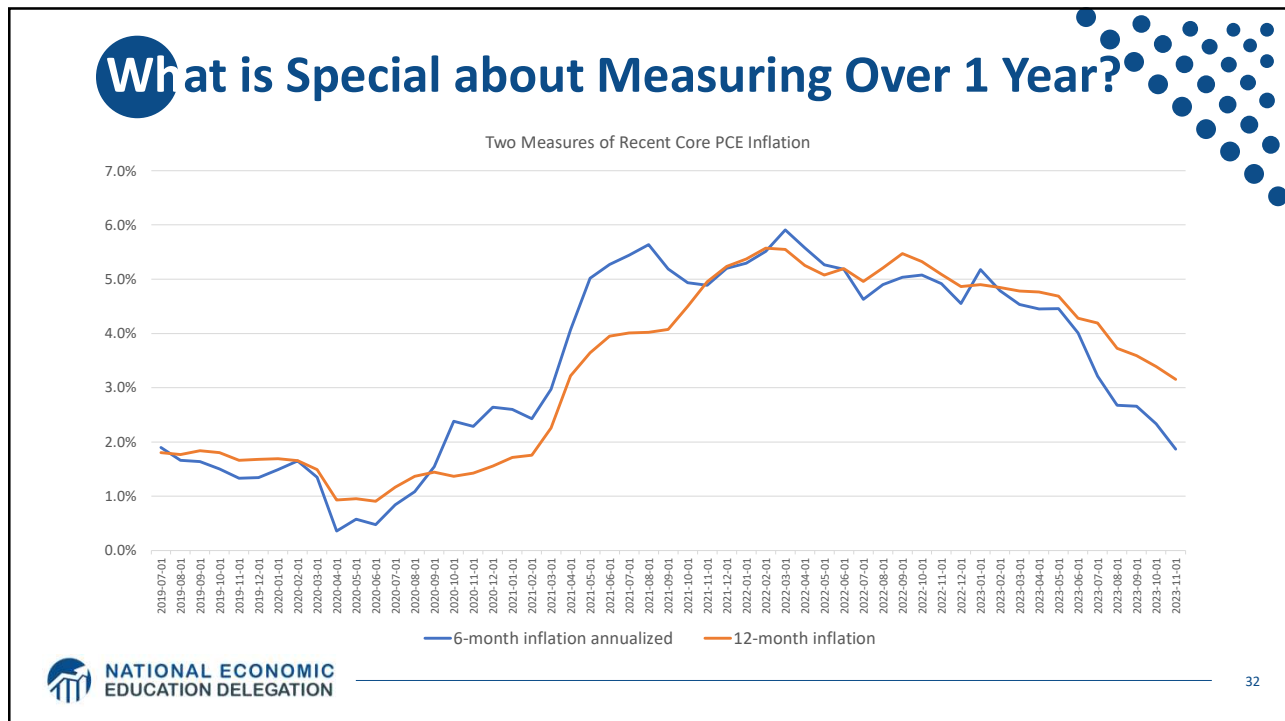
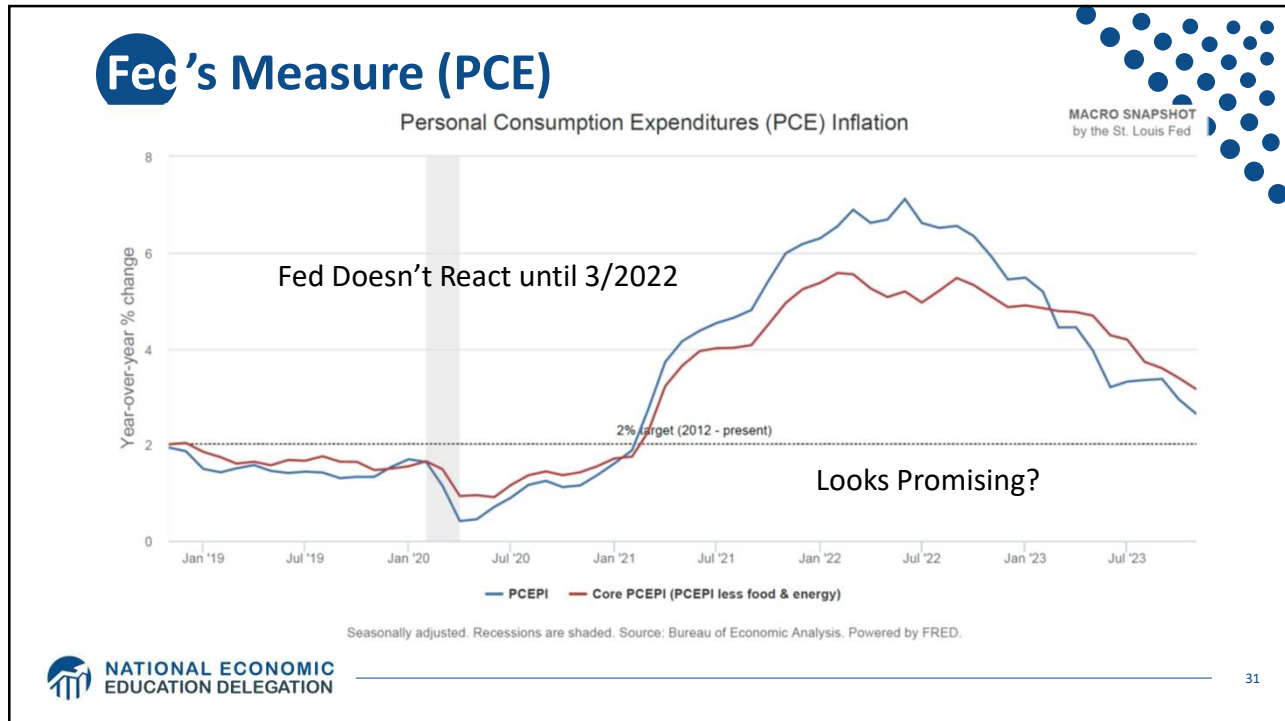


# Uses of Inflation Measures

Two Reasons for Measuring Recent Inflation:

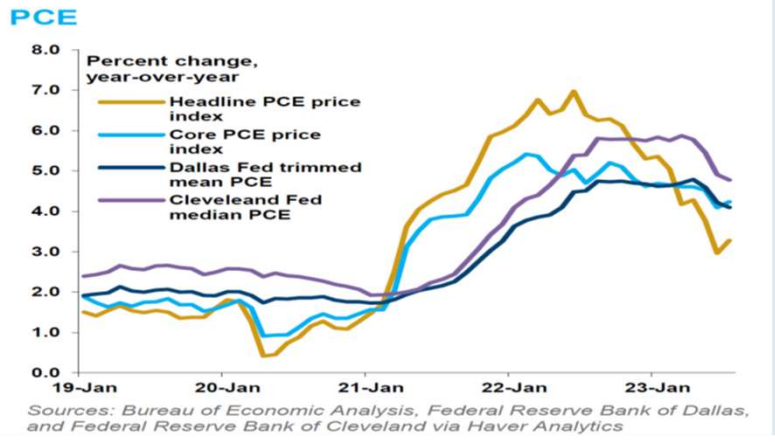
1. What has happened to the Cost of Living?
2. What is likely to happen to inflation over the next 12-18 months?







# Measuring "Underlying" Inflation

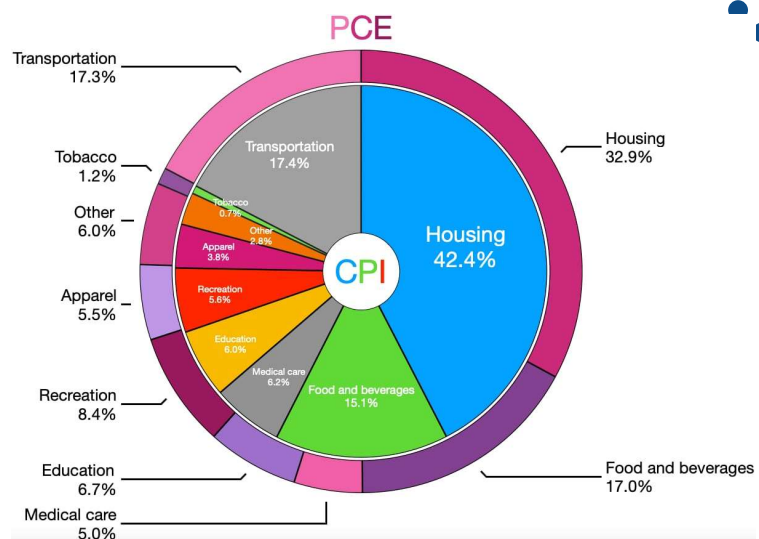


# CPI vs. PCE: Differences

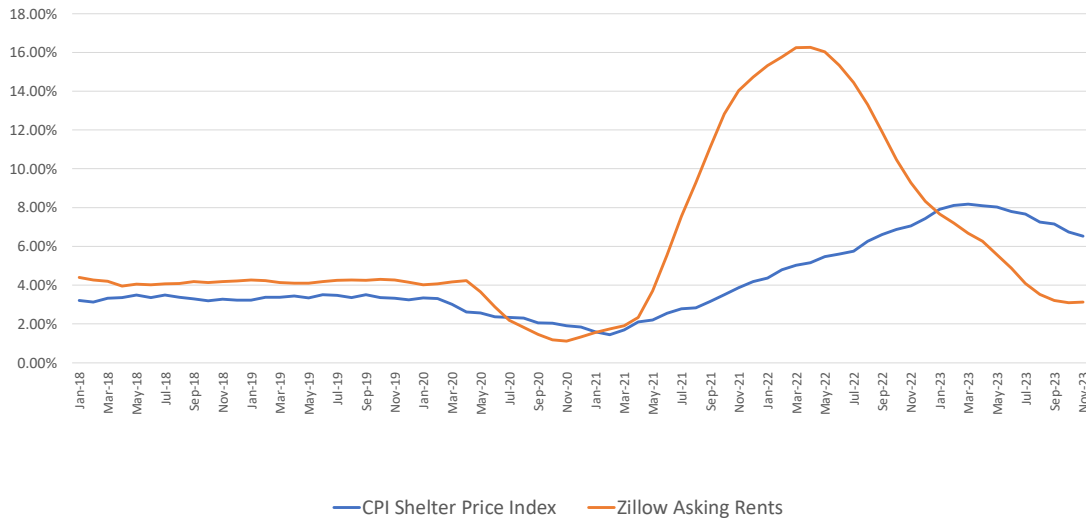
CPI tends to be higher (Nov):  
CPI, 3.1%  
PCE, 3.4%

Core CPI, 4.0%  
Core PCE, 3.2%.

Typically more like  
0.5 % pts.



# Rents Paid versus Asking Rents

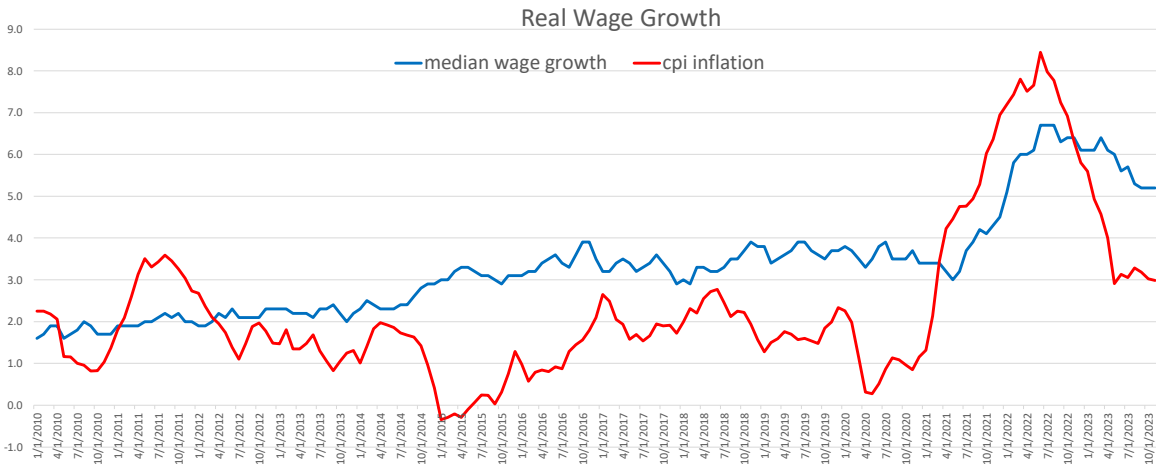


# Even Better News?

Median U.S. Asking Rent Posts Biggest Decline in Over Three Years



# Wages Haven't Kept Pace with Inflation, Yet



# The "Nominal" Side

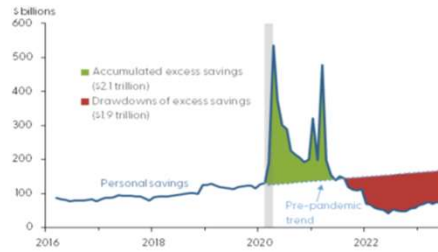
- **Inflation: There is still work to be done, but things are looking much better.**



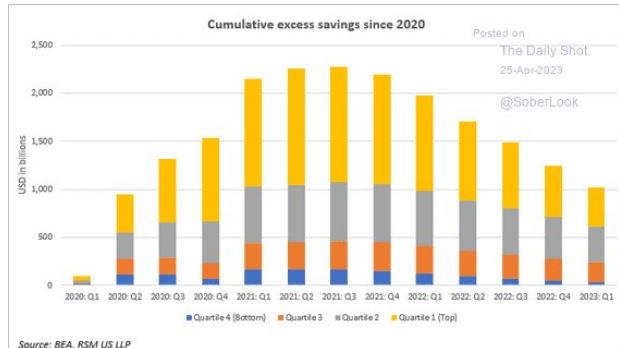
# Policy Effects: Fiscal

- 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.frbsf.org/our-district/about/sf-fed-blog/excess-no-more-dwindling-pandemic-savings/>



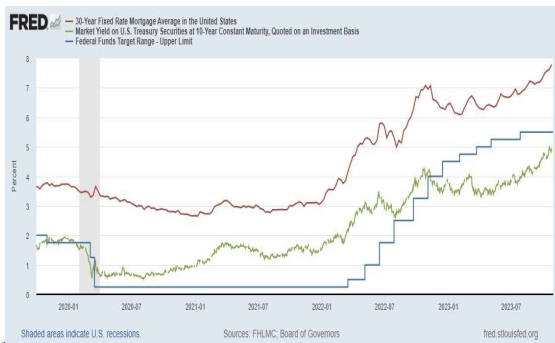
Source: BEA, RSM US LLP



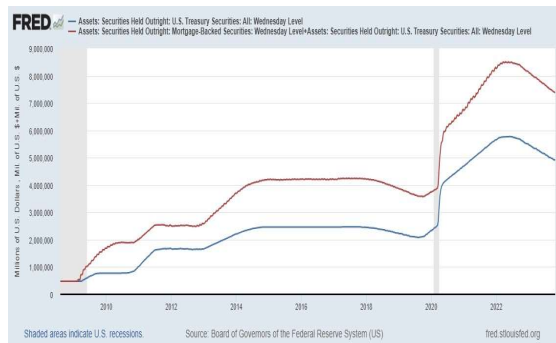
NATIONAL ECONOMIC EDUCATION DELEGATION

# 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



NATIONAL ECONOMIC EDUCATION DELEGATION



## What Happened on 11/1?



NATIONAL ECONOMIC  
EDUCATION DELEGATION

41

## 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



NATIONAL ECONOMIC  
EDUCATION DELEGATION

42

# 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

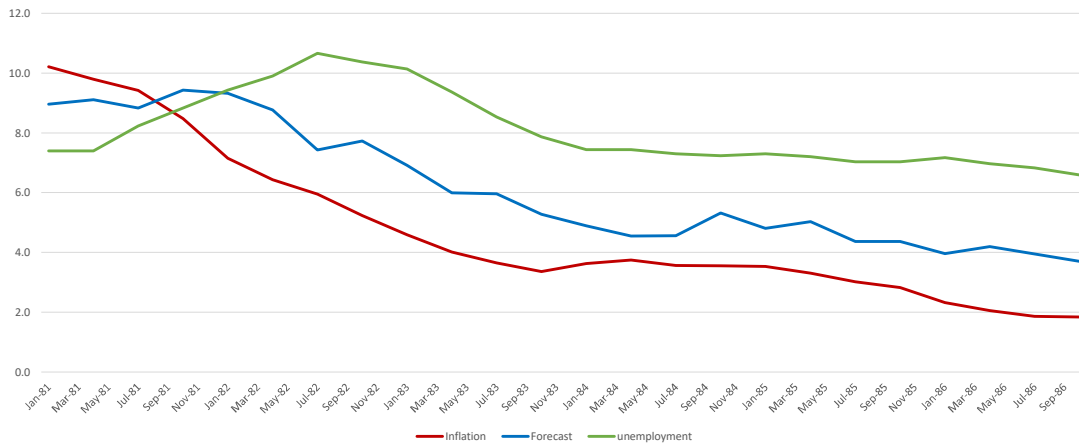
Austin Goolsbee, President of the Chicago Fed. The economy is on a "golden path" and will achieve the "mother of all soft landings."

How did this happen?

# Inflation and Expectations of Inflation



# Volcker 1980 Disinflation



## Long-Term Inflation Expectations Remained “Well Anchored”



## What will the Fed Do?

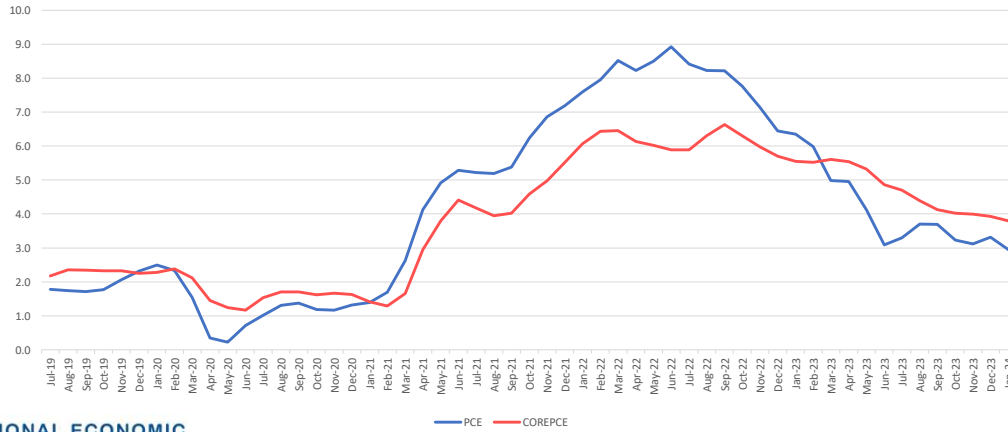
### Current and Pending Developments:

- Friday’s jobs report was pretty strong.
- Eurozone Inflation rose from 2.4 to 2.9% yesterday.
- 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

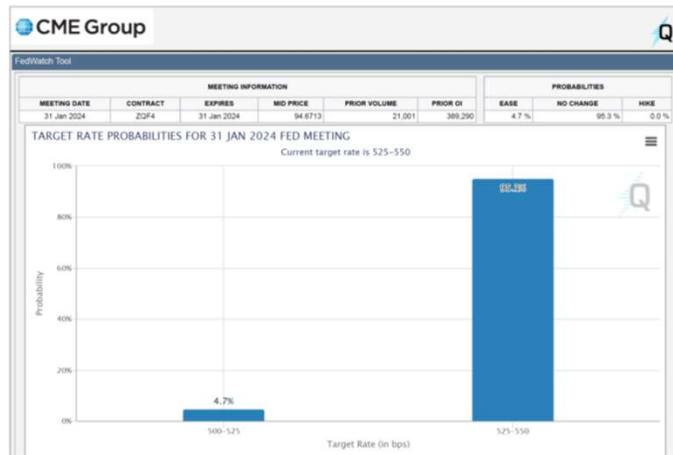


# If the Fed Sees this, What Should They Do?

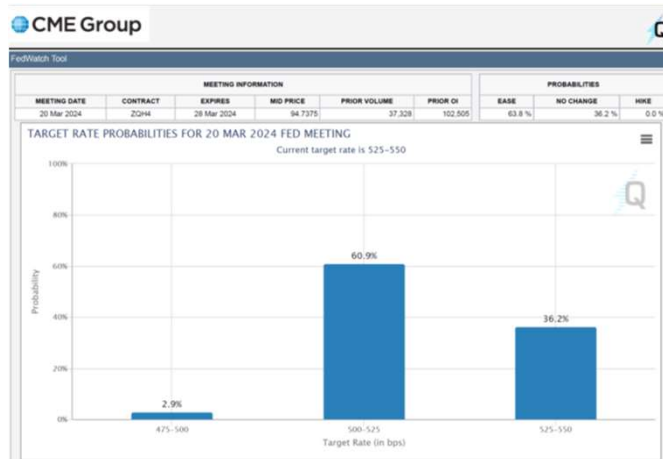
PCE Inflation with last two months of "Now Casts"



# Here is What Wall Street Thinks

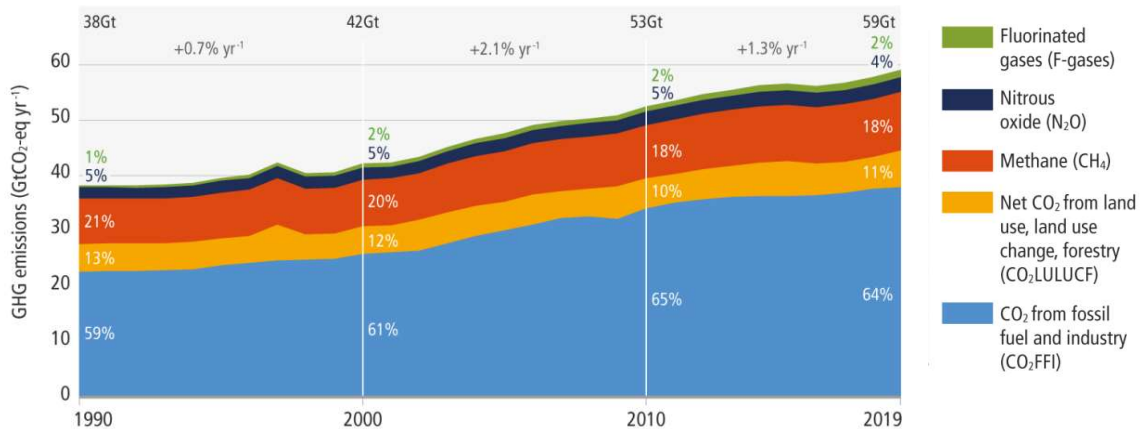


# But, Wait Till the Next Meeting in march!



# Greenhouse Gas Emissions 1990-2019

a. Global net anthropogenic GHG emissions 1990–2019 <sup>(6)</sup>



## Want to Learn More?

<https://sites.google.com/view/macro-current-issues/home>

## Let's Hear from You!

Geoffrey Woglom [grwoglom@amherst.edu](mailto:grwoglom@amherst.edu)

Contact NEED: [Info@NEEDEcon.org](mailto:Info@NEEDEcon.org)

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

Support NEED:  
[www.NEEDEcon.org/donate.php](http://www.NEEDEcon.org/donate.php)