

Osher Lifelong Learning Institute, Winter 2026

Critical Economic Topics for 2026

Bradley University

Host: Jon Haveman, Executive Director
National Economic Education Delegation

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- **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

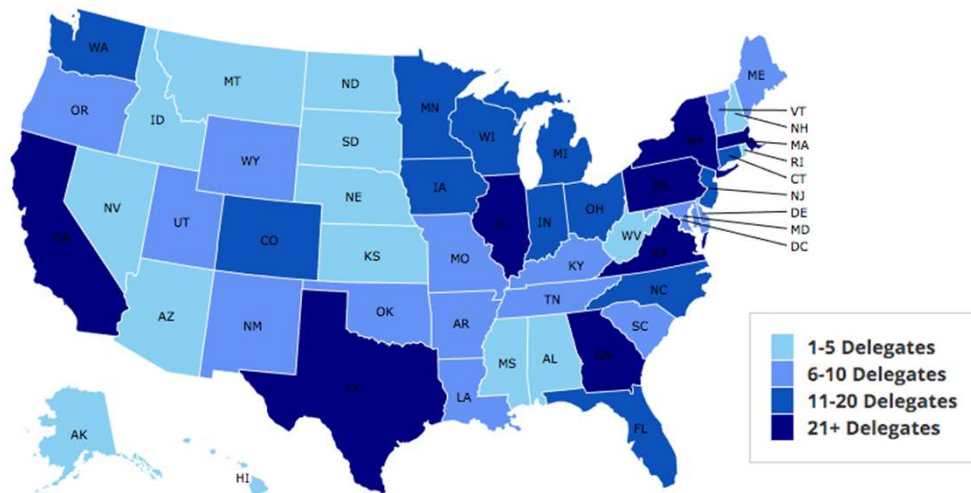
- Aid in slide deck development



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Where Are We?



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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



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Course Schedule

Critical Economic Topics for 2026

- **Week 1 (2/04): Economic Update, Geoffrey Woglom, Amherst College**
- Week 2 (2/11): Monetary Policy, Geoffrey Woglom, Amherst College
- Week 3 (2/18): U.S. Federal Budget, Jon Haveman, Executive Director NEED
- Week 4 (2/25): International Institutions, Alan Deardorff, University of Michigan



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Monetary Policy under New Fed Chair



Kevin Warsh: Trump Nominee to replace Jerome Powell as the Chair of the Fed in May

What Does the US Govt. Budget Look Like?

2024 Budget Summary (in Trillions)

Revenue		Outlays	
Income Taxes	\$2.4	Mandatory	\$4.1
Payroll Taxes	\$1.7	Discretionary	\$1.8
Corporate Taxes	\$0.5	Interest	\$0.9
Other	\$0.3		
Total	\$4.9	Total	\$6.8

Budget Deficit: \$1.8 Trillion

Main Economic Institutions



UNITED NATIONS



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Submitting Questions

- I encourage questions. Raise your digital hand or put questions in the chat
- We will do a verbal Q&A once the material has been presented.
- Slides will be available from the NEED website tonight
https://needecon.org/delivered_presentations.php.
- My Google site:
<https://sites.google.com/view/macro-current-issues/home>



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INFLATION



US Economy: Update

Geoffrey Woglom,
 Professor of Economics
 Amherst College, emeritus
 February 4, 2026



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Outline for the Talk

- **Overview of State of the Economy: Close to Fully Recovered**
- **The Importance of Stable Inflationary Expectations in the Economy's Successful Recovery.**
- **Outlook for the Future.**
- **The Fed's Current Policy Dilemma.**



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The Goal of Macroeconomic Stabilization Policy

The Fed's Definition:

1. Get the economy to the highest levels of GDP and employment while,
2. Keeping inflation low and stable, or at 2%

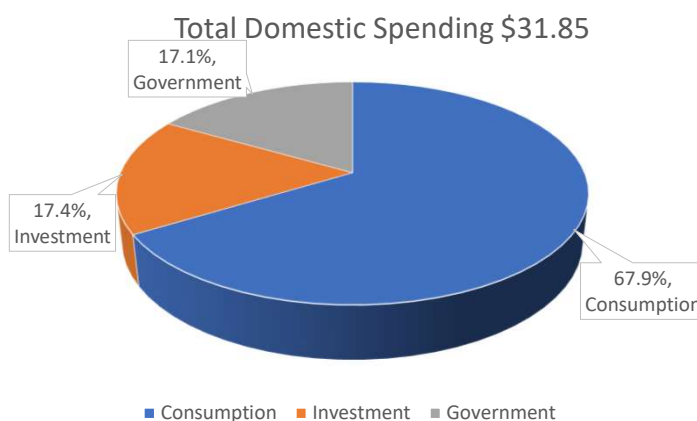
What about the climate change; poverty, health care?



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Gross Domestic Product: 2025Q3 = \$31.1 tr



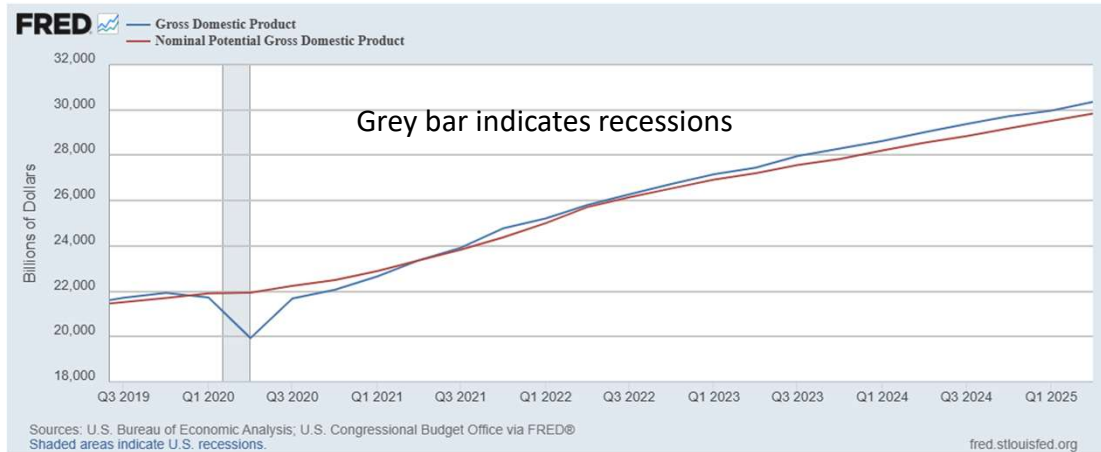
\$31.85
Less Imports
-\$4.12
Plus Exports
+\$3.37
Equals GDP
\$31.1



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GD^P and 'Potential' during the Recovery



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Source: Fred, St Louis Fed

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What is a Recession?

- **Defined by the National Bureau of Economic Research (NBER)**
- **“The NBER's definition emphasizes that a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months.”**
- **Popular Rule of Thumb: Two or more, consecutive quarters where Real GDP falls. (Doesn't always work!)**

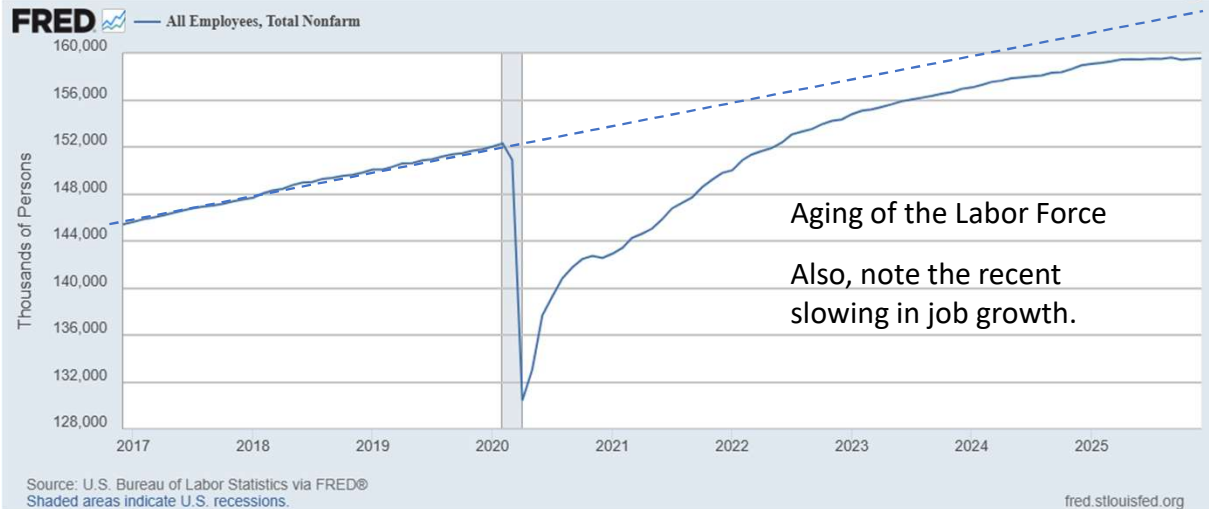
Recessions are caused by a drop in total spending (remember the consumer).



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Where Have All the Workers Gone?

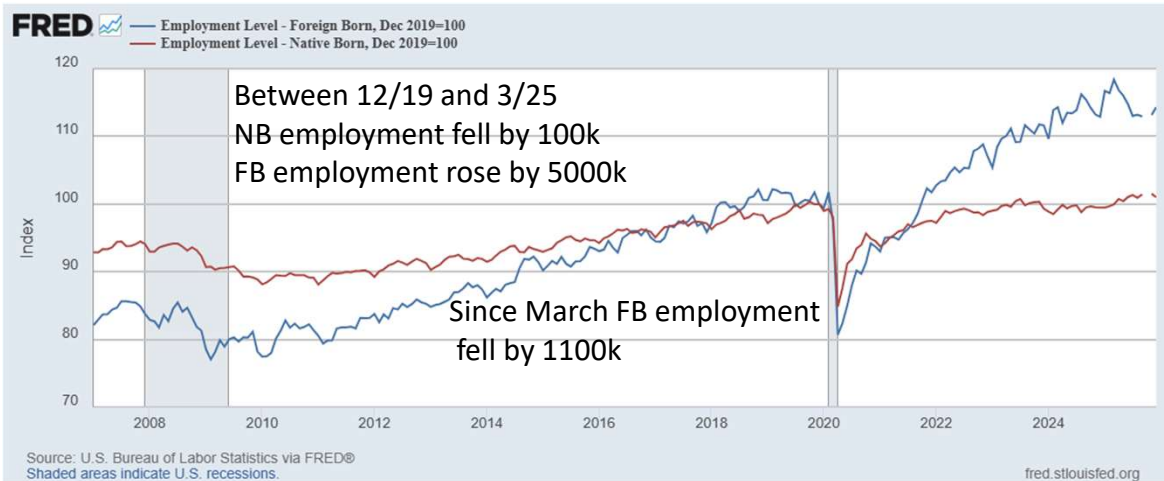


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Source: Fred, St Louis Fed

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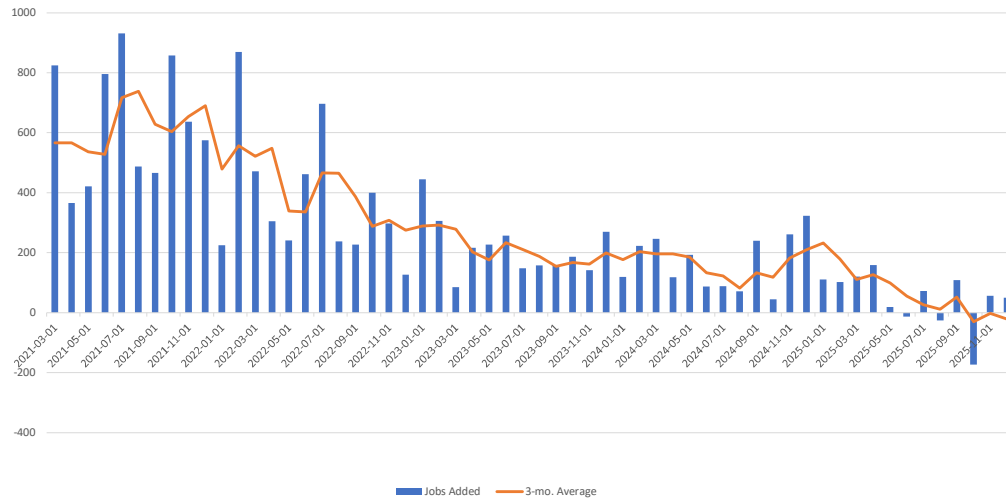
Could Have Been Worse , but for Foreign Born Workers



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New Jobs Added per Month



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The Kerfuffle Over the Jobs Reports

- **BLS conducts 2 surveys each month**
 - Household Survey: Unemployment Rate.
 - “Establishment” Survey (workplace survey): Number of new jobs created.
- **August 1 Report: 73,000 jobs added July, but May and June numbers were revised down by 280,000.**
- **Trump fires BLS director, the same day.**
- **What is behind those “revisions?”**

Want to learn more: “An Unresponsive Public is Undermining Government Economic Data,” *WSJ*, 9/15, at

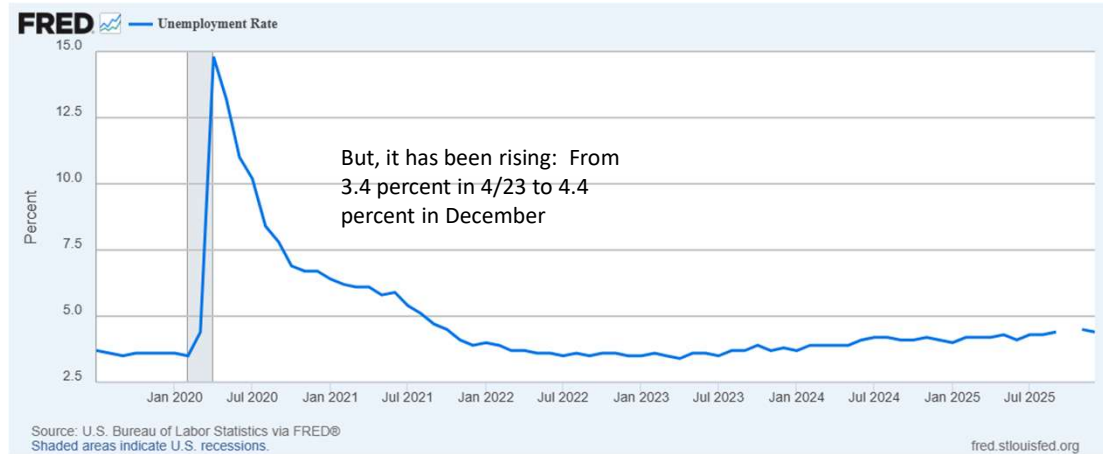
<https://sites.google.com/view/macro-current-issues/economic-update>



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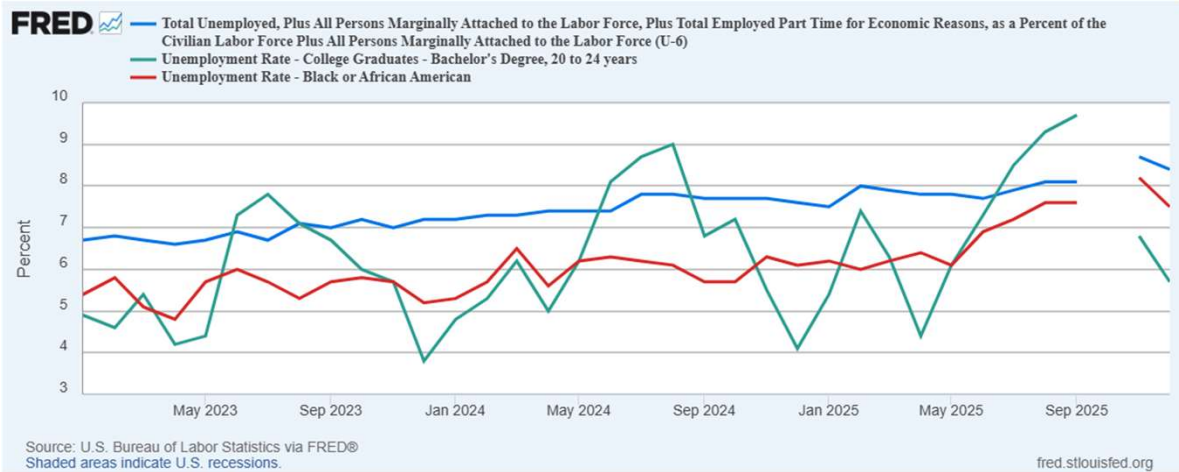
Unemployment is Near Record Lows



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More Detail on Unemployment



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The Real Side of the Economy is Still Good

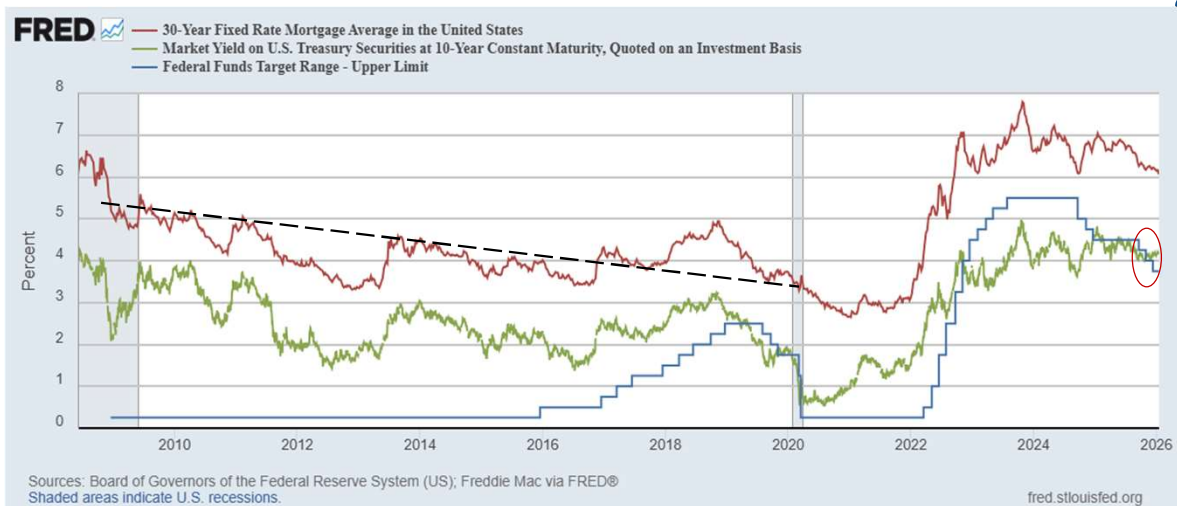
- GDP is very close to its potential.
- The labor market as measured by the unemployment rate is fully recovered.
- Macro Goal number 1, check
- But what about goal number 2, the “nominal” side of the economy



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Interest Rates: Era of Falling Rates Over?



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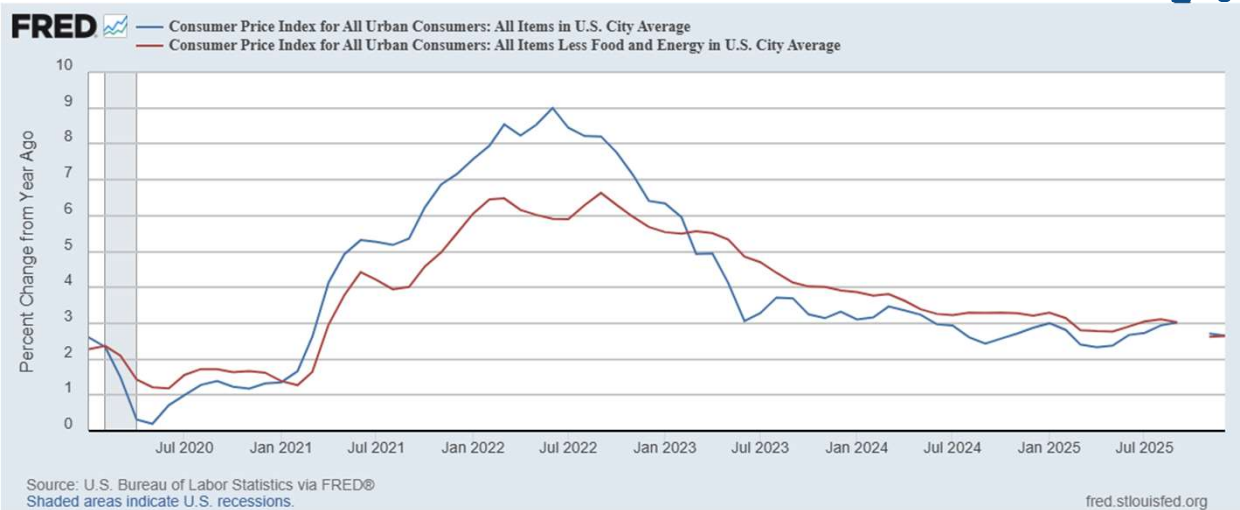
Stock Prices: Tariffs; What Tariffs?



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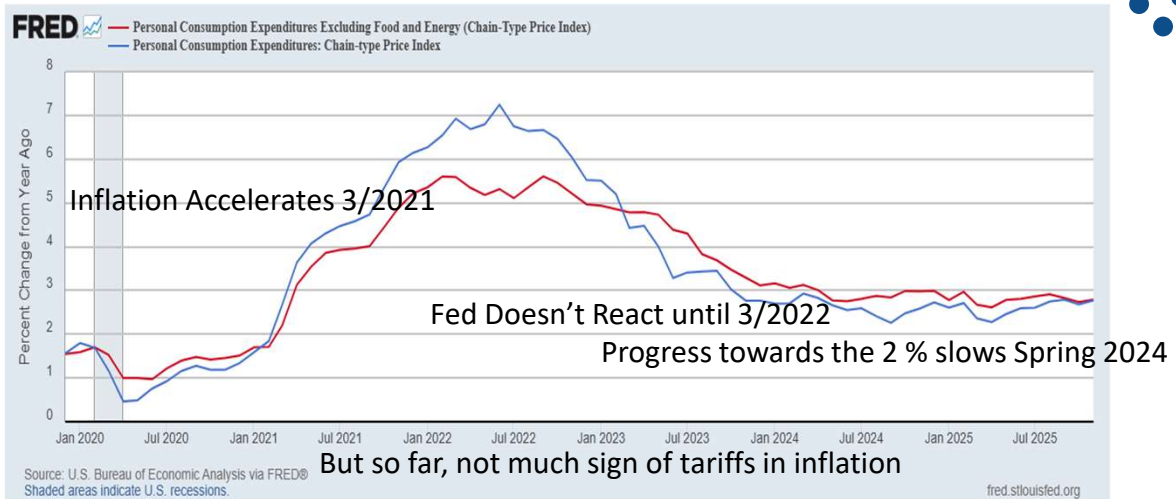
Inflation during the Recovery (CPI)



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Fed's Measure (PCE)



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CPI vs. PCE: Differences

CPI tends typically
to be 0.3 pct point
higher

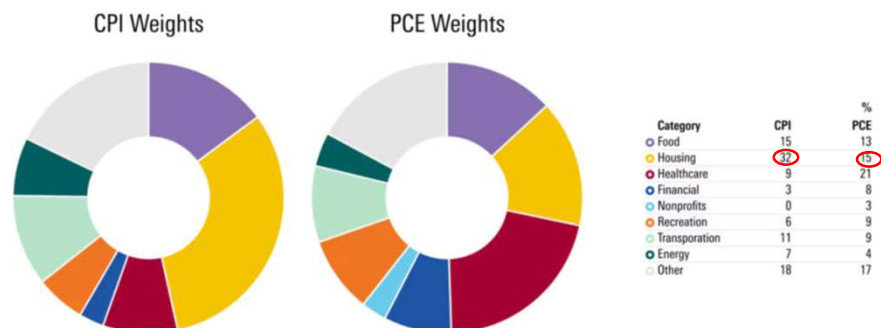
November:

CPI, 2.7%

PCE, 2.8%

Core CPI, 2.6%

Core PCE, 2.8%.



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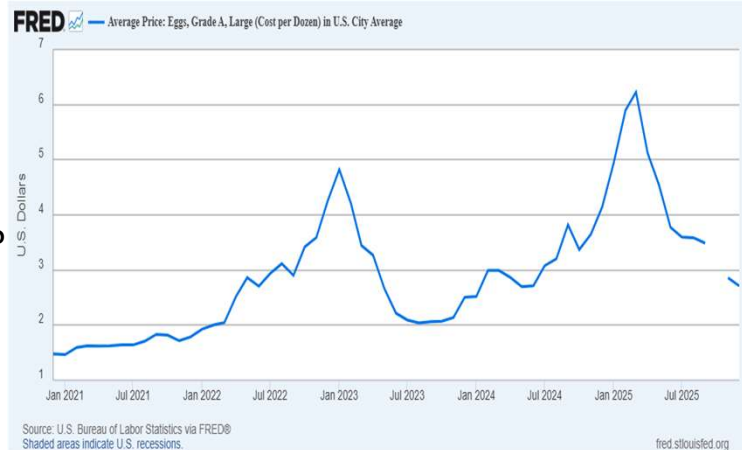
<https://www.morningstar.com/markets/whats-difference-between-cpi-pce>

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Uses of Inflation Measures

Two Reasons for Measuring Recent Inflation:

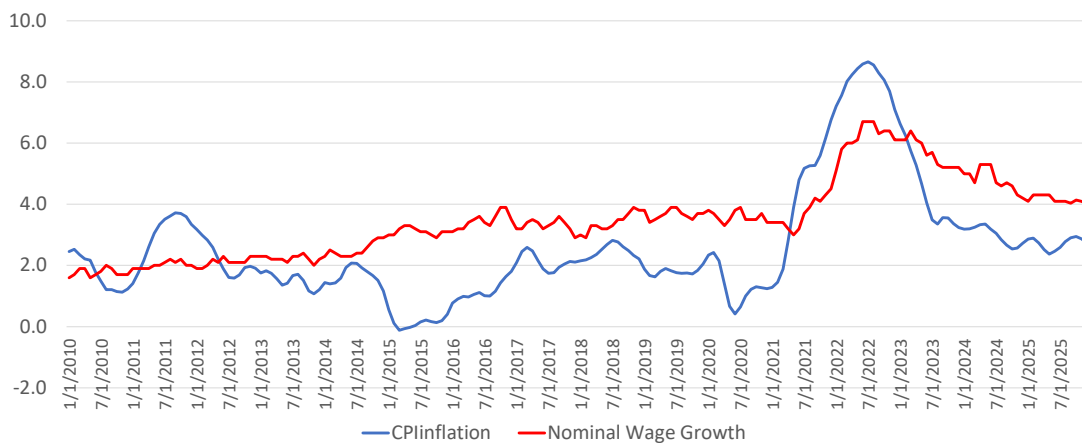
1. What has happened to the Cost of Living?
2. What is likely to happen to inflation over the next 12-18 months?



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Wage Growth



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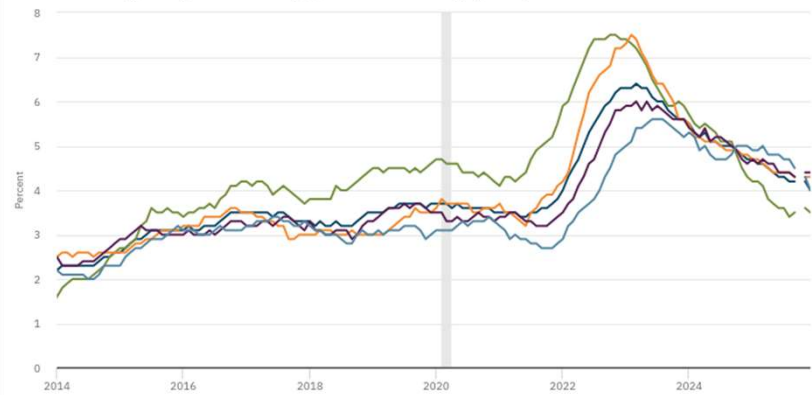
Sources: <https://www.atlantafed.org/chcs/wage-growth-tracker> & BLS via <https://fred.stlouisfed.org/>

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Low-Wage Workers Experience

Wage Growth Tracker by Wage Level

12-month moving average of median wage growth for each category, hourly data



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations.
Note: October 2025 data not collected by the Bureau of Labor Statistics.



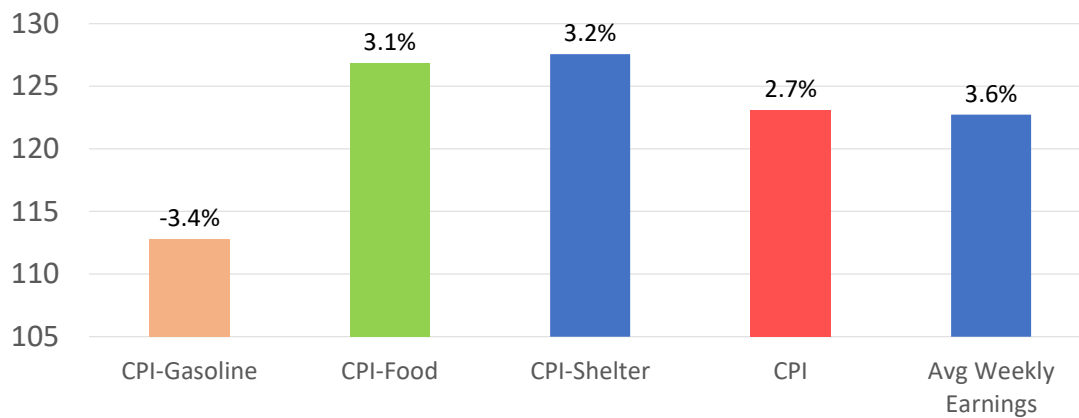
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Exported on: Thursday, January 22, 2026

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"Affordability"

Bar: Price Level Relative to 3/21
Data Label: Last 12 month growth



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The State of the Economy & How We Got Here

- **The key indicators for judging the macro economy are all good**
 - Output and unemployment are close to their “full employment” levels
 - Inflation is still a bit elevated, but much improved over 2023.
- **21-22**
 - Too much demand due to easy monetary policy and a fiscal stimulus which was probably too big
 - COVID Supply disruptions exacerbated inflation.
- **23-present Monetary Policy Close to Perfect**
 - Inflation has fallen substantially with small increase in unemployment, and we are close to the 2 percent target (unprecedented reduction without a recession)



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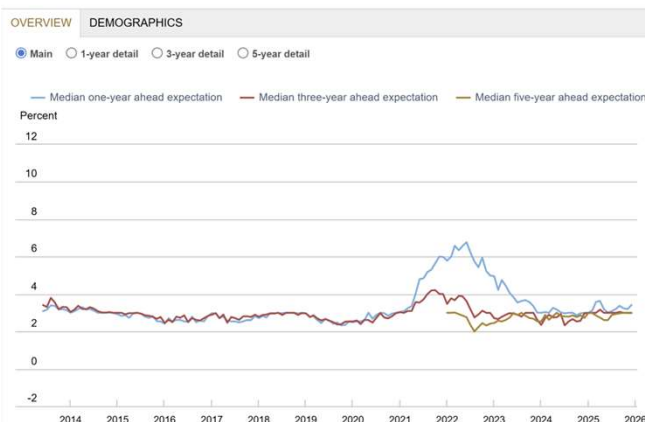
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How Did the Fed Do It?

The Key to Success:
Stable, Anchored Inflation Expectations

Inflation expectations

Median one-, three-, and five-year ahead expected inflation rate



Source: New York Fed Survey of Consumer Expectations

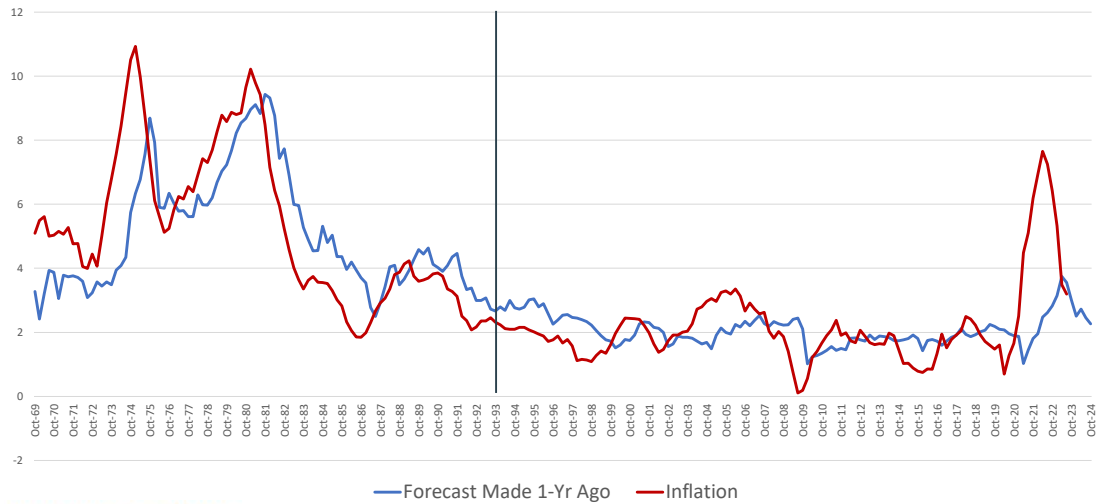
Note: Collection of data for the five-year-ahead inflation expectation began in January 2022.



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Unstable, Unanchored Inflation Expectations



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The Outlook Is More Complicated

• Areas of Strength

1. Tax Refunds (refundable credits: EITC Child Tax Credit, overwithholding).
2. Continued AI Investment

• Areas of Concern:

1. Consumer Spending.
2. Slowing of Employment Growth, particularly among young, blacks and BAs. (already talked about)
3. Fiscal Policy Effects.
4. Uncertainty.
5. Monetary Policy: Next 4 months and under the New Chair, Kevin Warsh (?)

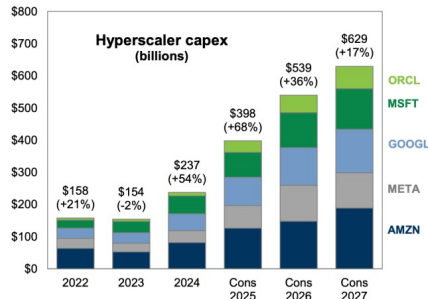


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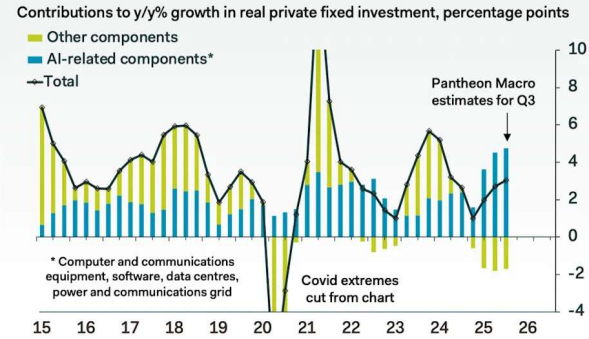
AI and Investment

Exhibit 15: Analysts expect hyperscaler capex to total \$540 billion in 2026



Source: FactSet, Goldman Sachs Global Investment Research

AI-RELATED CAPEX PROBABLY OFFSET WEAKNESS ELSEWHERE



Source Parthenon: Macroeconomics

Between 24Q3 and 25Q3: AI investment increased by about \$360 billion; all other investment fell by \$130 billion. Increase in AI investment was over 20% of increase in total GDP

Consumption

• Low-Income Consumers look vulnerable

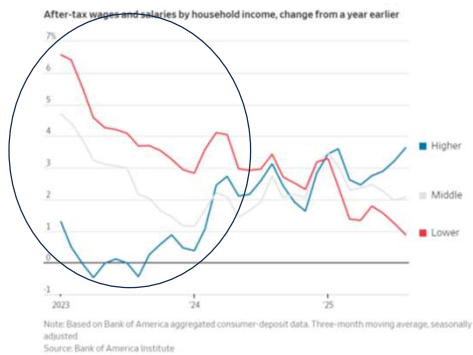
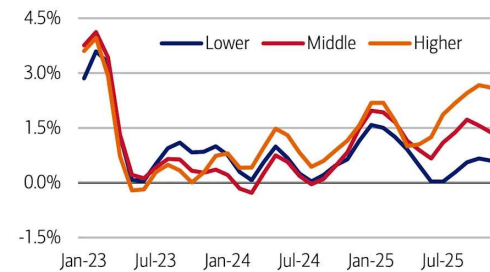


Exhibit 5: Around the spring of 2025, the gap between higher- and lower-income households' spending growth got progressively wider

Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)

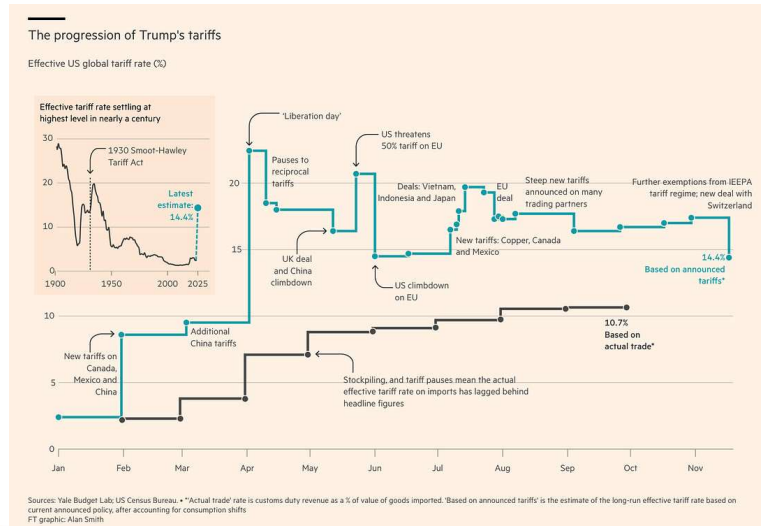


Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Moody's Top 20% account for 63% of Consumption

Fiscal Policy: Tariffs



This Chart is Very Confusing!



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Tariffs: Distributional Effects

Constant 2025\$ of average post-tax-and-transfer income per household

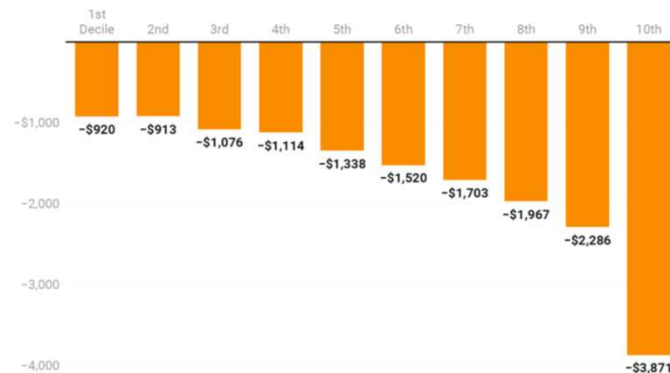


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with Datawrapper



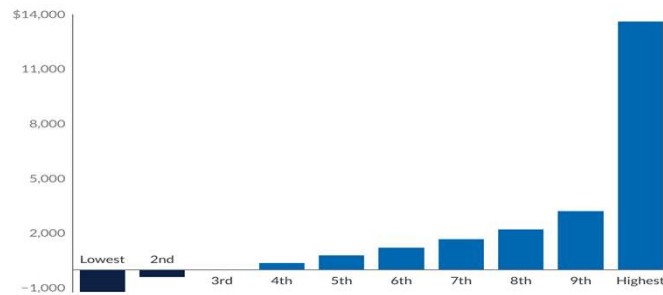
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Fiscal Policy: OBBBA

The OBBBA distributional effects favor higher income households

Annual change in household resources for each decile (2025 \$)



Source: Congressional Budget Office

Notes: The estimation period is 2026 to 2034. Analysis does not factor in the macroeconomic effects or debt-service costs of the OBBBA. A decile is one of ten equal parts of a population.



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Combined Effects: Distributional

- **Lowest:** **-\$2,134**
- **2nd:** **-1,305**
- **3rd:** **-1,076**
- **4th:** **-735**
- **5th:** **-541**
- **6th:** **-309**
- **7th:** **-30**
- **8th:** **246**
- **9th:** **922**
- **10th:** **9,751**

How will these changes affect the spending of the less affluent; more affluent?



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Combined Effects on the Budget Deficit

During 2025, tariff revenues collected were \$264 billion.

Extraordinary Deficits Sustained and Worsened Under OBBBA and Tariffs

Federal Deficit(-)/Surplus(+) as a Share of GDP, Fiscal Years 1965 to 2034



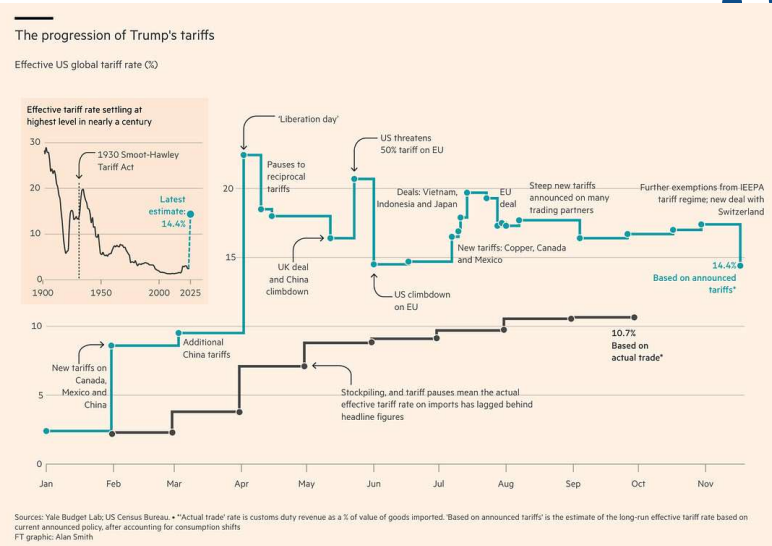
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Uncertainty

• Tariff Volatility

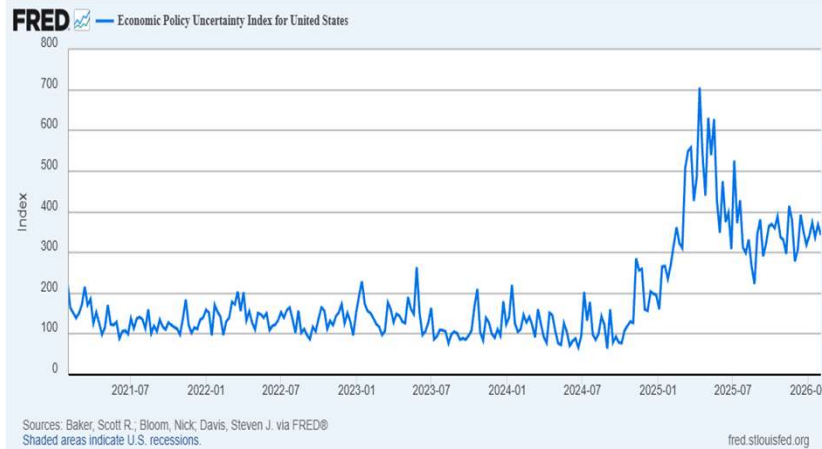


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But... (Continued)

- Uncertainty is Bad for the Economy's Health (and there is a lot of it!)



How will these numbers change if:
Greenland negotiations breakdown

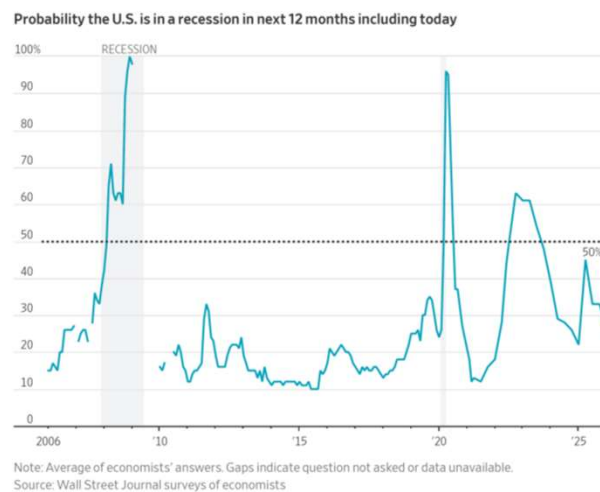
The Supreme Court rules Current
Tariffs are illegal



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But Wall Street Economists are Optimistic



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WSJ, 1/18/2026

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But, then there is Monetary Policy

The Fed's Dilemma:

- To combat rising unemployment the Fed needs to lower interest rates to increase demand and spending.
- To combat rising inflation the Fed needs to raise interest rates to lower demand and spending.
- Successfully navigating the path between the two problems is made worse because of attacks on the Fed's independence which have the potential to destabilize inflationary expectations.

And, the uncertainty caused by the replacement of Powell by Kevin Warsh in May!



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Next Week: Monetary Policy (to be cont.)



Kevin Warsh: Trump Nominee to replace
Jerome Powell as the Chair of the Fed in May



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Let's Hear from You!

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