



Osher Lifelong Learning Institute, Winter 2024 **Contemporary Economic Policy**

University of Cincinnati
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

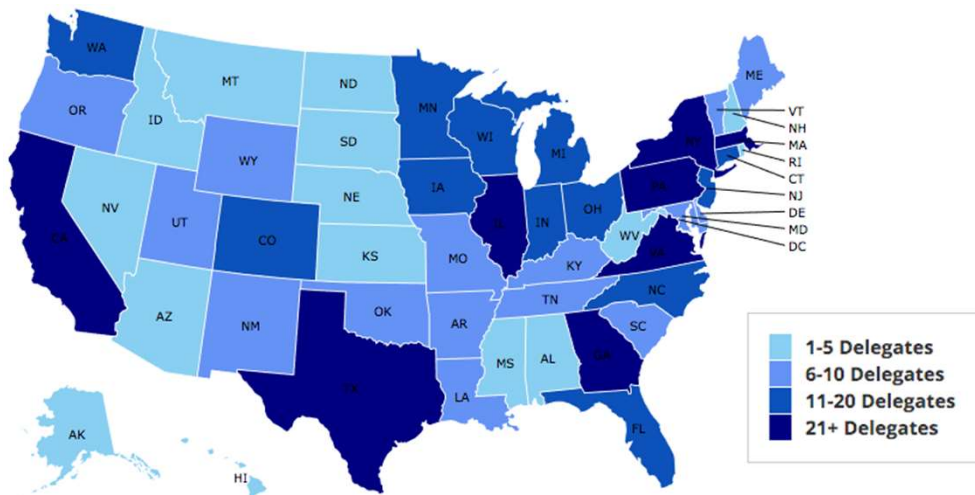
• Delegates: 652+ members

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

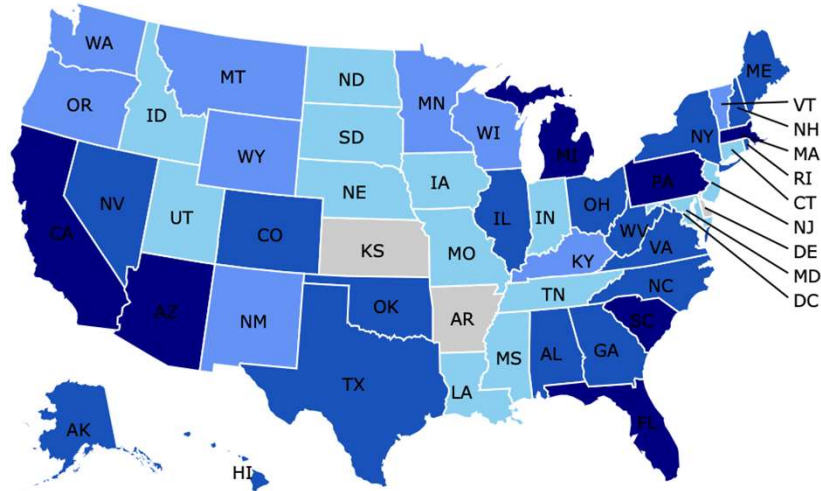
• Global Partners: 48 Ph.D. Economists

- 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

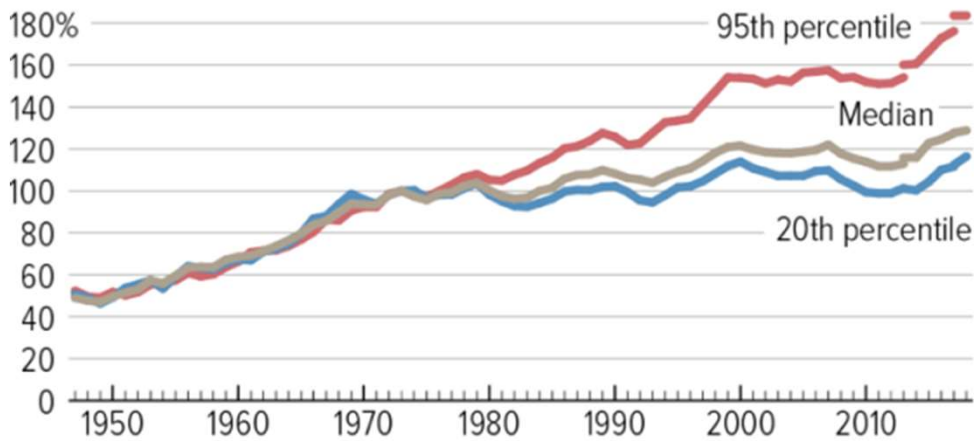
Course Outline

- **Contemporary Economic Policy**

- **Week 1 (1/24): Economic Update (Geoffrey Woglom Amherst College)**
- Week 2 (1/31): Economic Inequality (Geoffrey Woglom)
- Week 3 (2/7): Economic Mobility (Kathryn Wilson Kent State U)
- Week 4 (2/14): Discrimination in U.S. Policy History (Jon Haveman NEED))
- Week 5 (2/21: The Black-White Wealth Gap (Jon Haveman)

The Abrupt Increase in Inequality

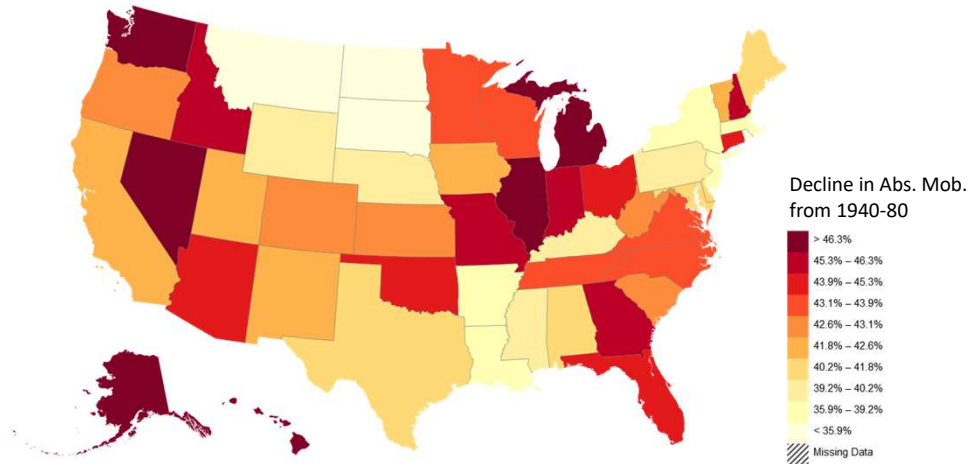
Real family income between 1947 and 2018, as a percentage of 1973 level



II. Empirical Patterns of Economic Mobility

American Dream: Geography Matters

Trends in Absolute Mobility by State: Change from 1940-1980

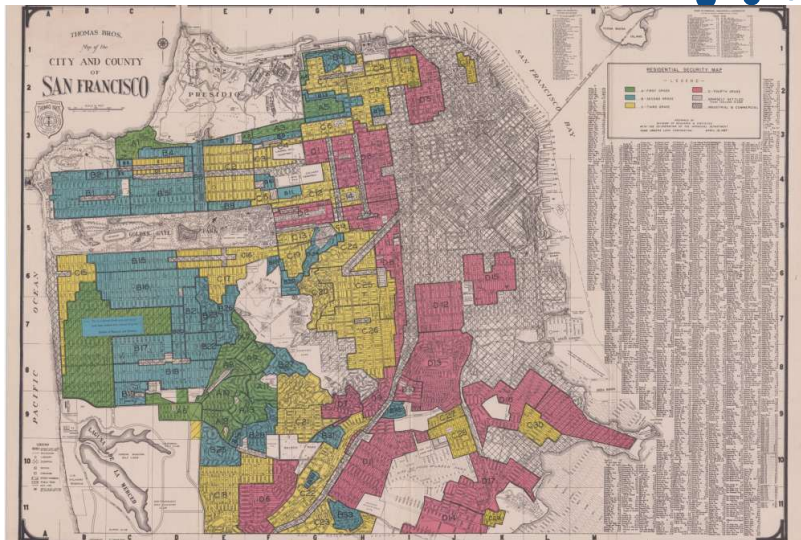


<https://opportunityinsights.org/paper/the-fading-american-dream/>

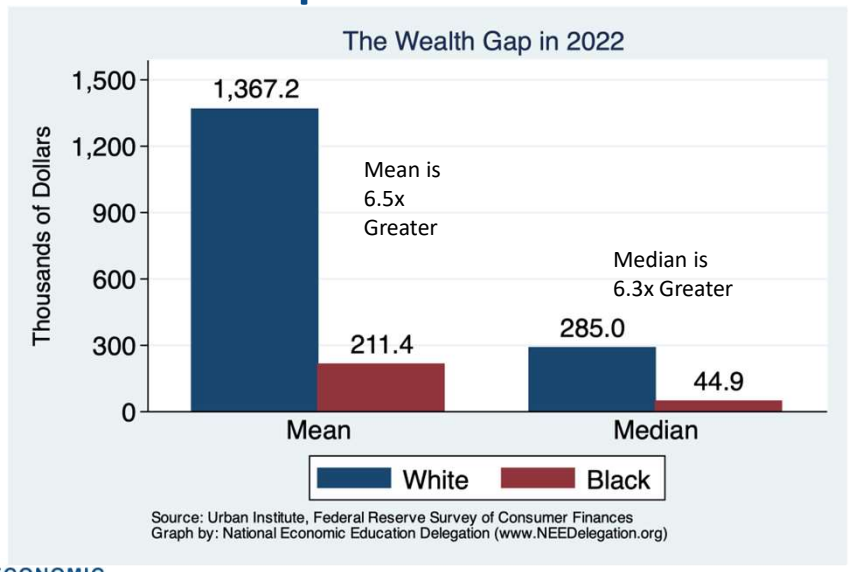
Misguided Past Policies: Redlining

Red areas were largely Black communities, and considered to be too risky for new home loans.

Yellow areas also suffered from discrimination resulting from FHA guidelines.



Evidence of the Gap



US Economy: Update

Geoffrey Woglom,
Professor of Economics
Amherst College, emeritus
January 24, 2024



Credits and Disclaimer

- **This slide deck was authored by:**

- Jon D. Haveman, NEED
- Scott Baier, Clemson University
- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dornbeck, 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).



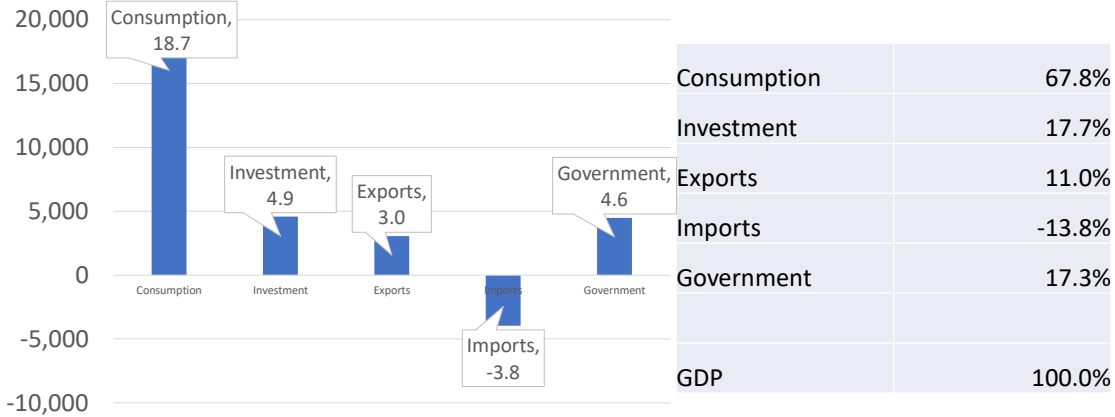
Outline for the Talk

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

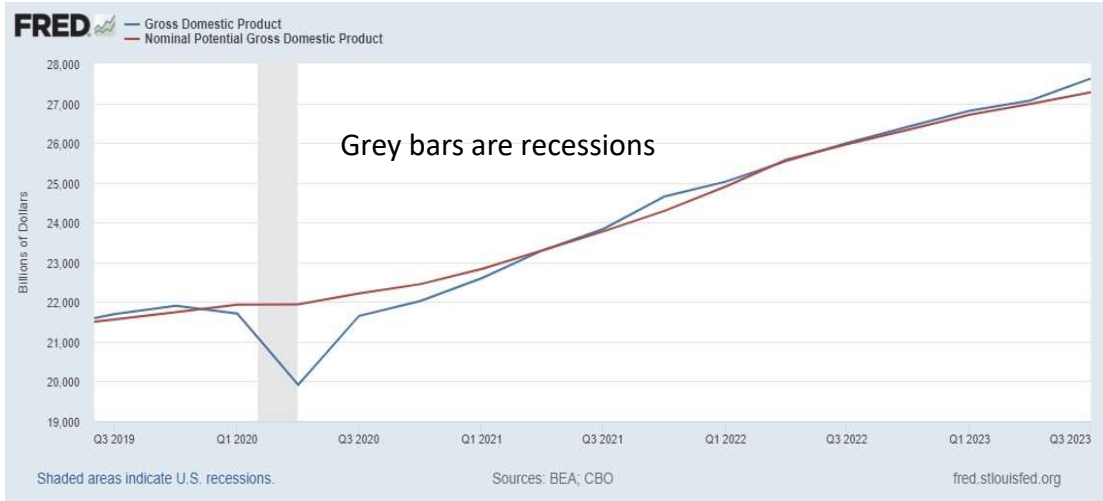


Different Breakdown

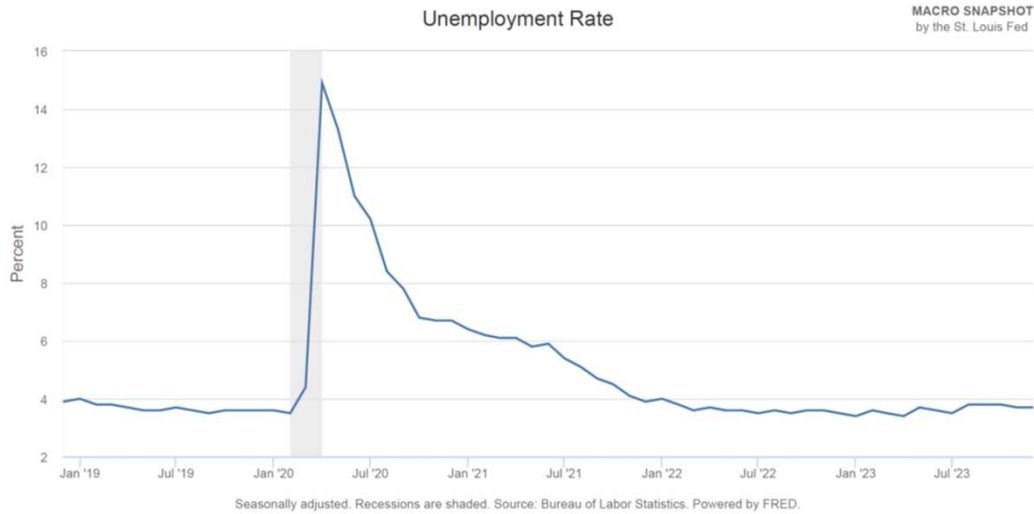


Note: State and Local Government comprises 10% of GDP!

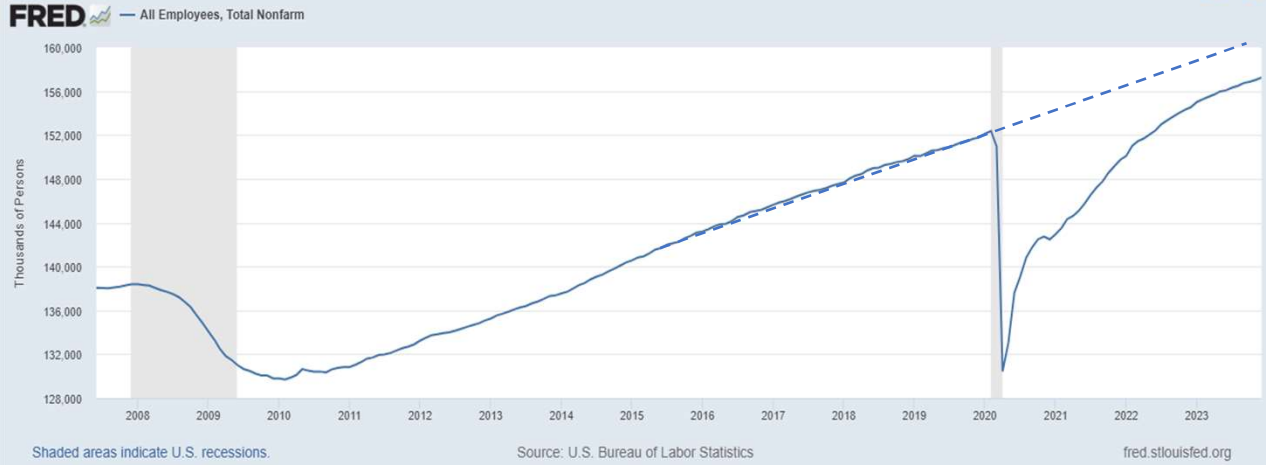
GD^P and 'Potential' during the Recovery



Unemployment is Near Record Lows



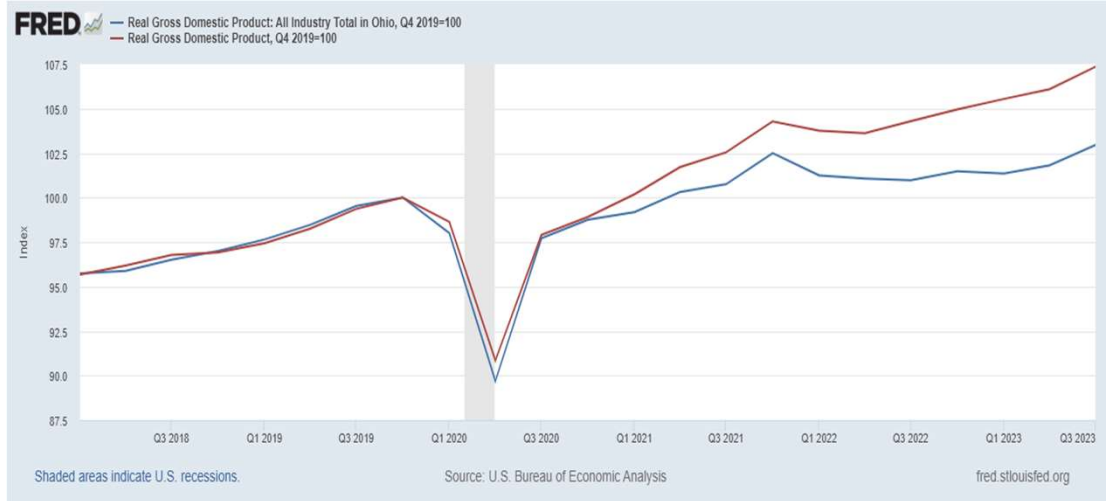
Where Have All the Workers Gone?



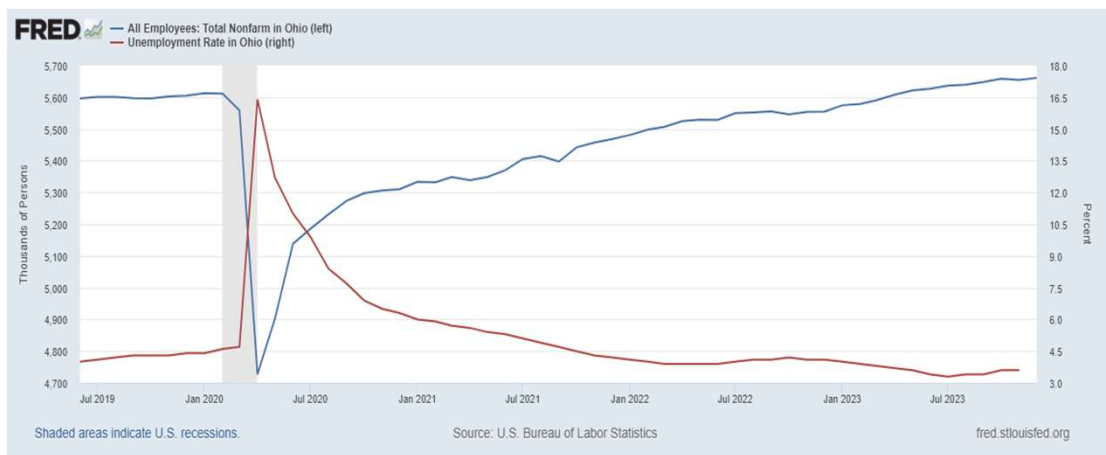
The Great Resignation?



How is Ohio Doing?



Labor Market in Ohio

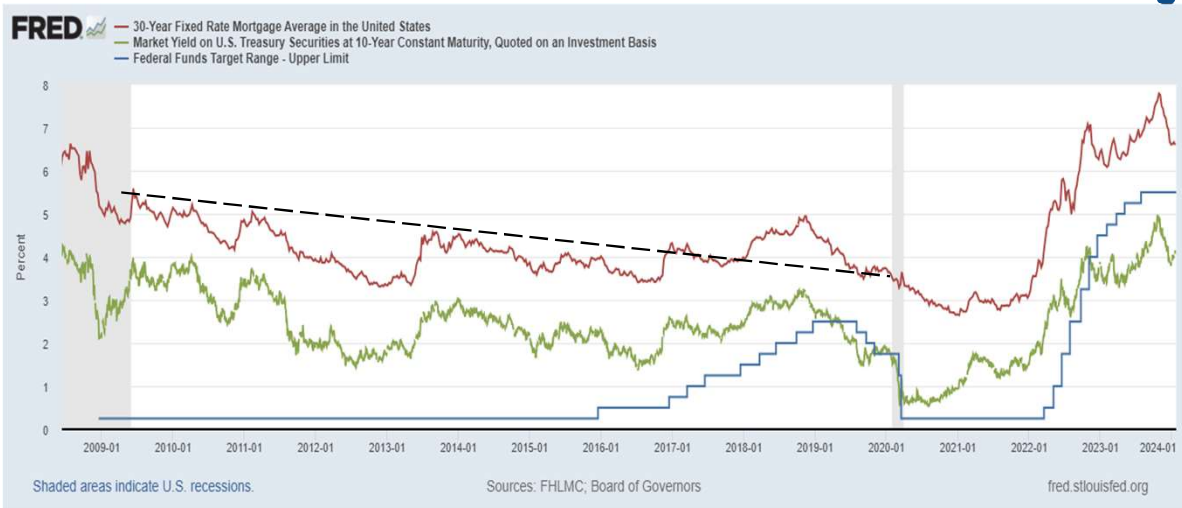


Overall Good News on the Real Side

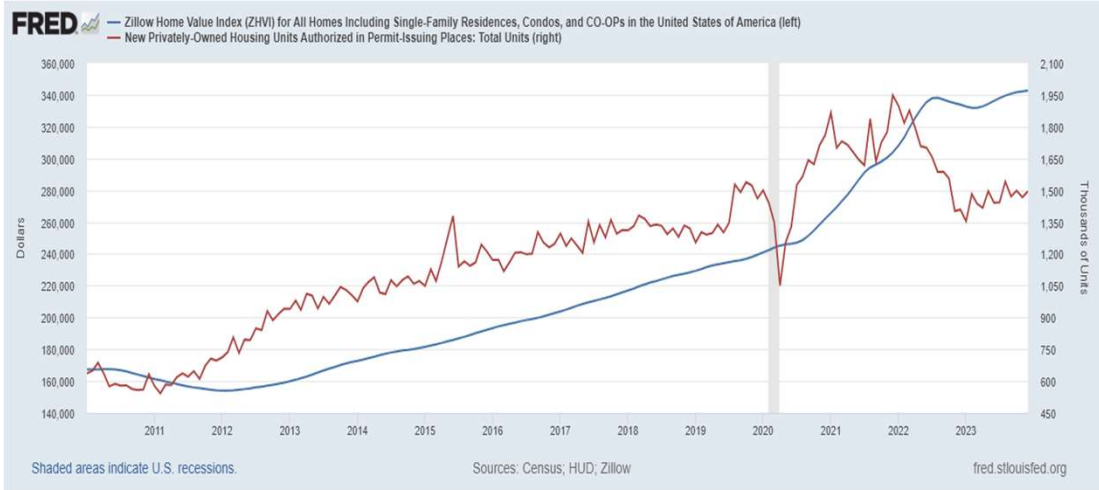
- GDP is very close to its potential.
- The labor market as measured by the unemployment rate is fully recovered.
- There was no apparent Great Resignation
- But there is also a *nominal* side: interest rates, asset prices, inflation and wages.
- News isn't so good, but is getting better.



Interest Rates: Era of Falling Rates Over?

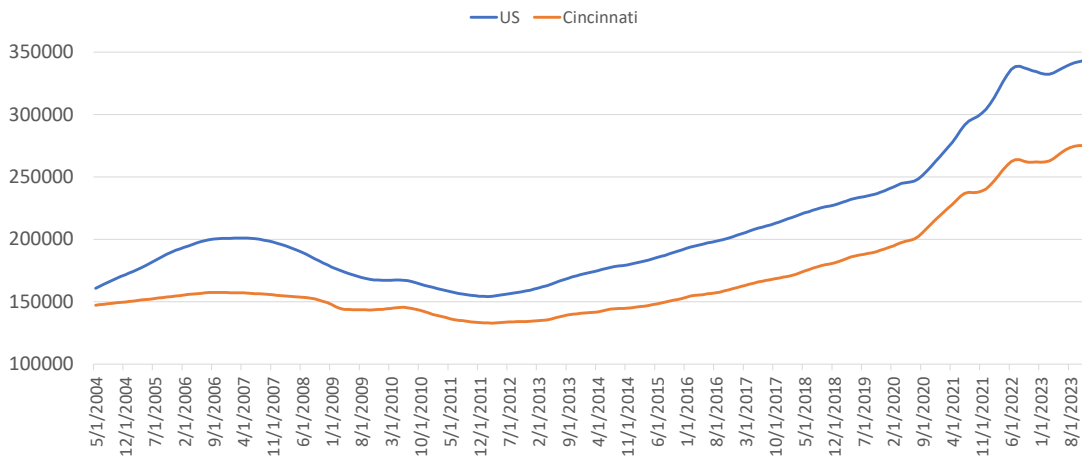


Mortgage Rates are Having an Effect ?

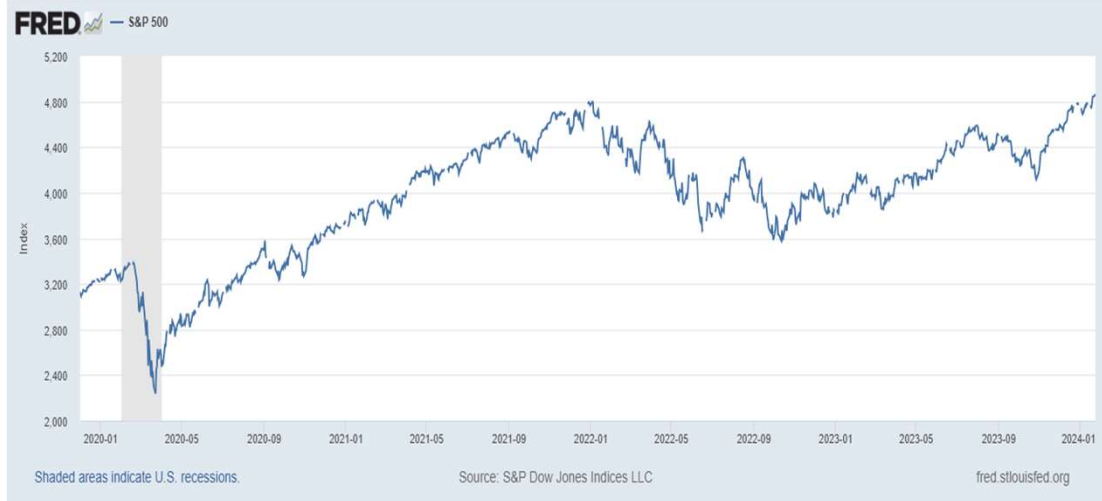


National Housing Market and Closer to Home

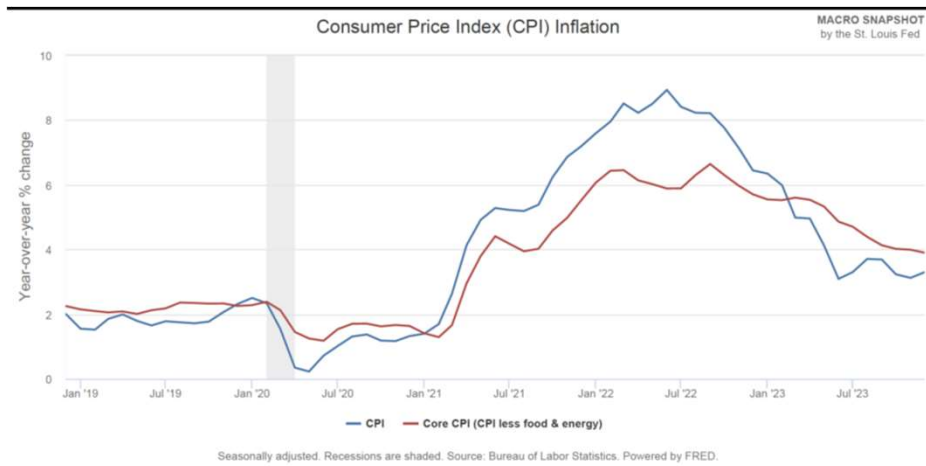
Single Family Home Prices

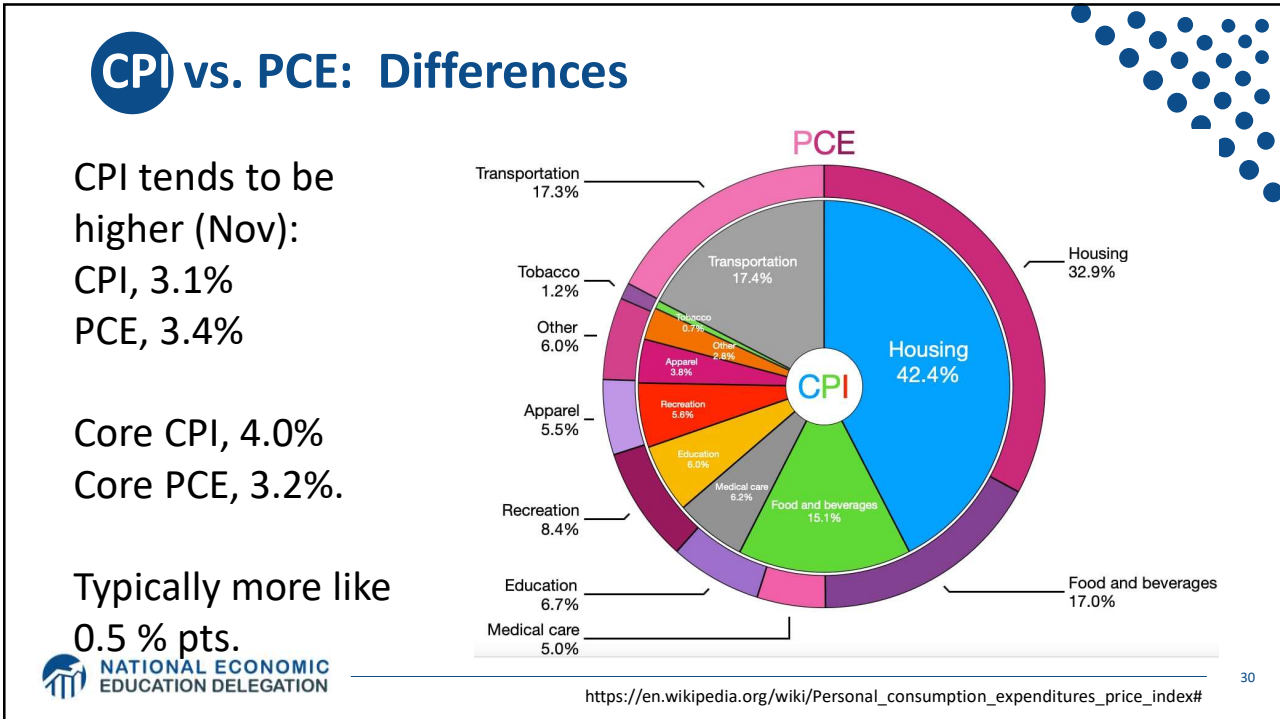
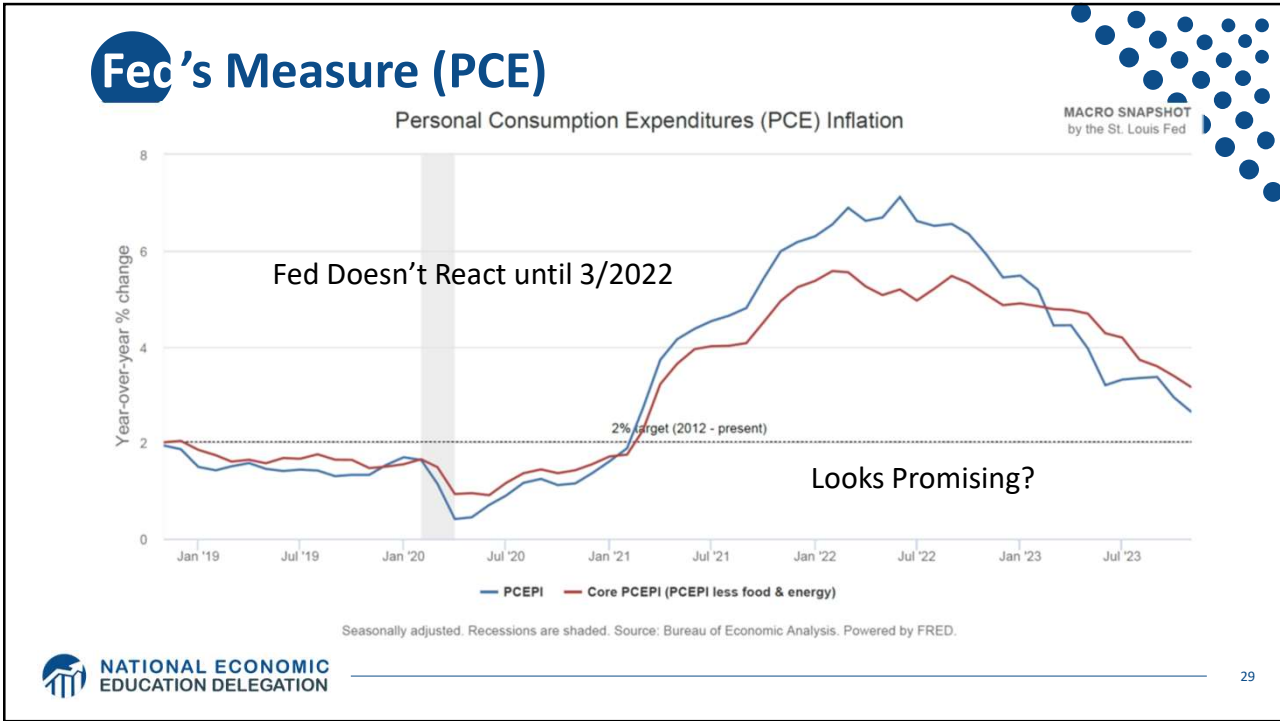


Stock Prices: Fear Giving Way to Greed?



Inflation during the Recovery (CPI)



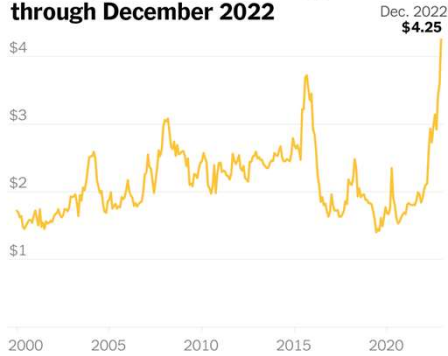


Uses of Inflation Measures

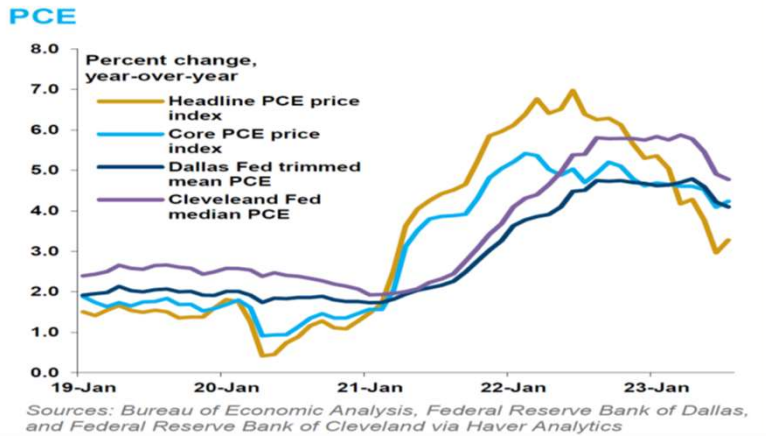
Two Reasons for Measuring Recent Inflation:

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

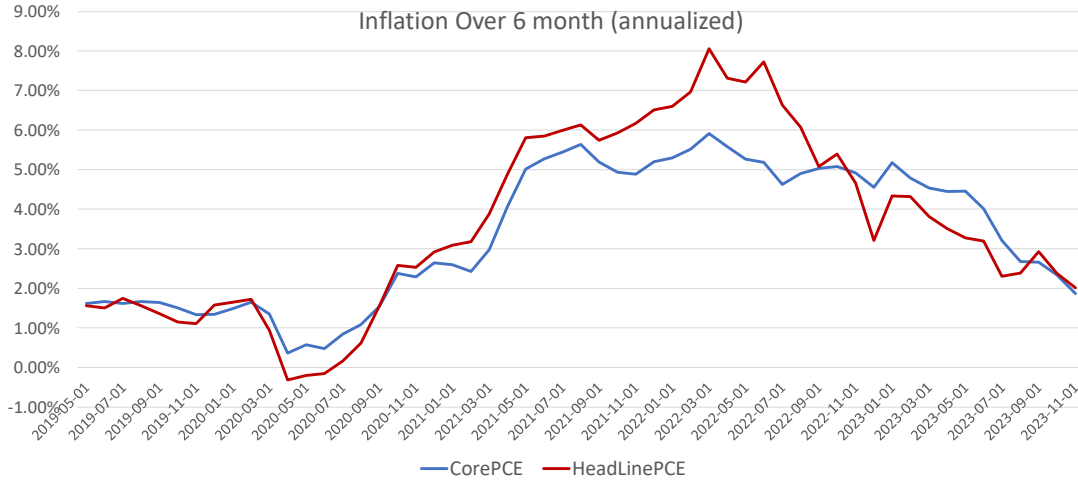
Monthly price for a dozen eggs through December 2022



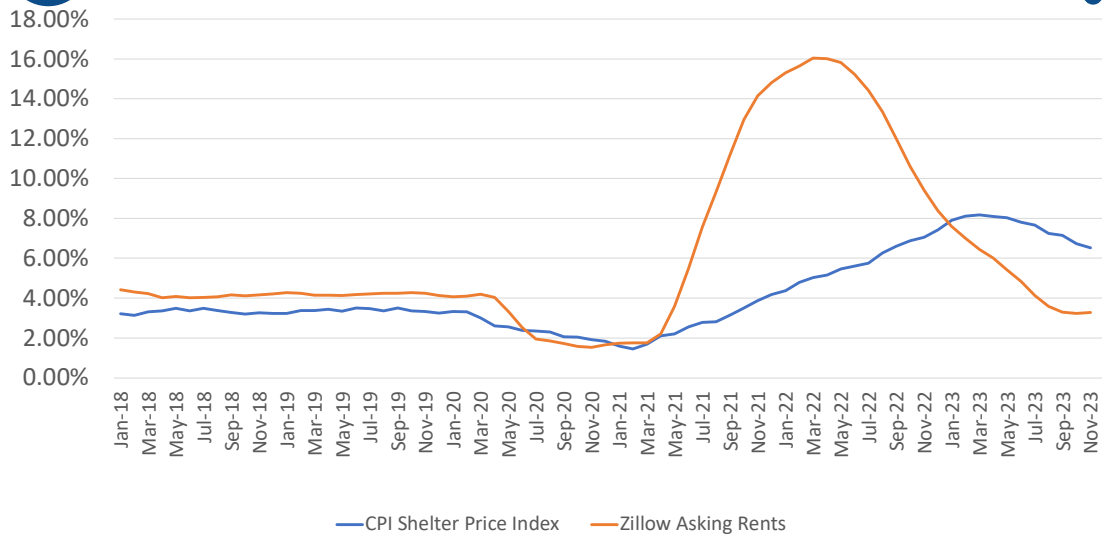
Measuring “Underlying” Inflation



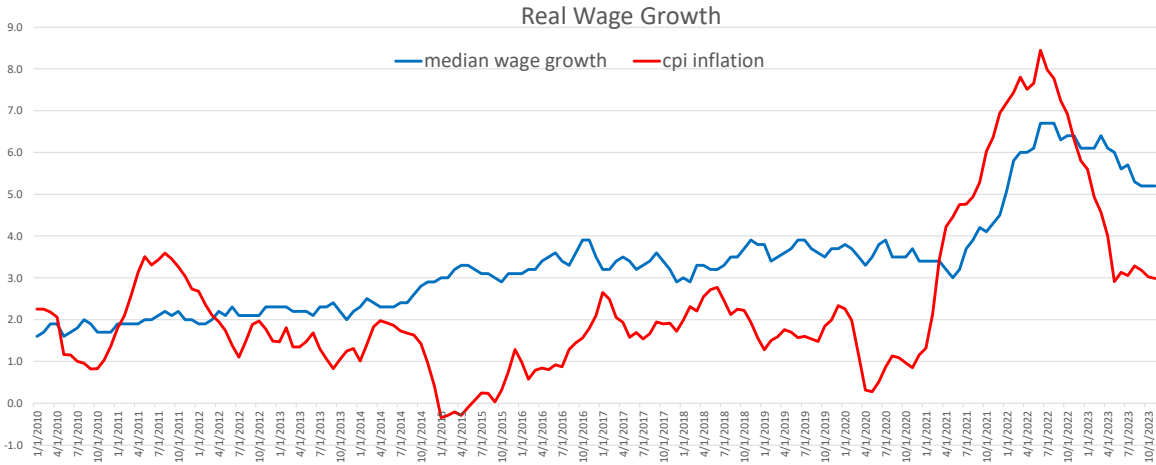
What is Special about Measuring Over 1 Year?



Rents Paid versus Asking Rents



Wages Haven't Kept Pace with Inflation, Yet



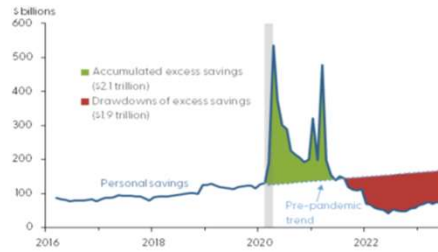
The "Nominal" Side

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

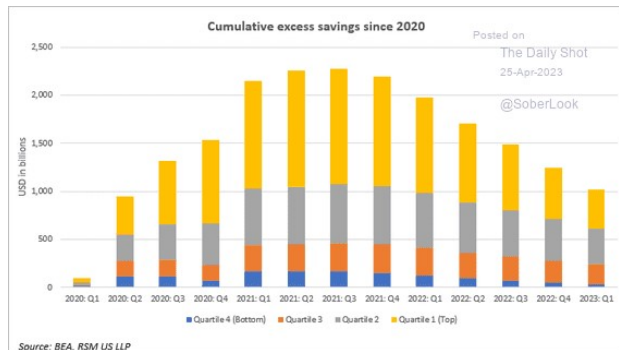
Policy Effects: Fiscal

- 2020-2021: massive stimulus, \$4.6t: Cares Act, 3 rounds of stimulus checks, expanded unemployment benefits, Payroll Protection Loans.

Aggregate Personal Savings



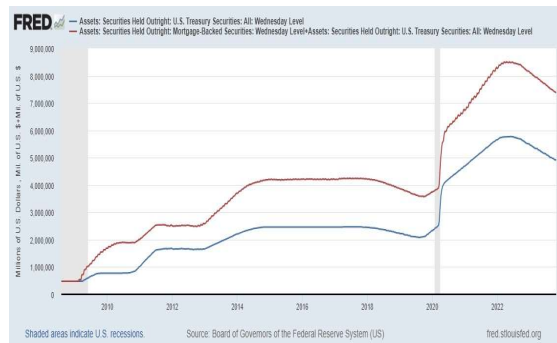
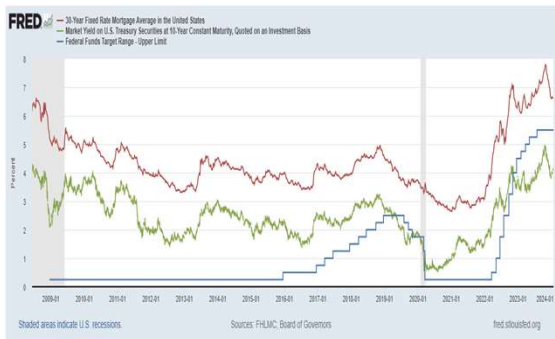
Source: Abdelrahman, Hamza et al., "Excess No More? Dwindling Pandemic Savings," Federal Reserve Bank of San Francisco, Aug. 2023. <https://www.frbsf.org/our-district/about/sf-fed-blog/excess-no-more-dwindling-pandemic-savings/>



Source: BEA, RSM US LLP

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



What Happened on 11/1?



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



Fed's Evolving Views on the Economy

Percent

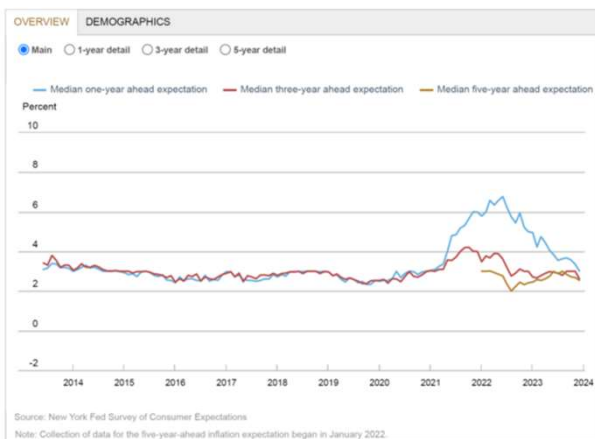
Variable	Median ¹				
	2023	2024	2025	2026	Longer run
Change in real GDP	2.6	1.4	1.8	1.9	1.8
September projection	2.1	1.5	1.8	1.8	1.8
Unemployment rate	3.8	4.1	4.1	4.1	4.1
September projection	3.8	4.1	4.1	4.0	4.0
PCE inflation	2.8	2.4	2.1	2.0	2.0
September projection	3.3	2.5	2.2	2.0	2.0
Core PCE inflation ⁴	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?

Long-Term Inflation Expectations Remained "Well Anchored"

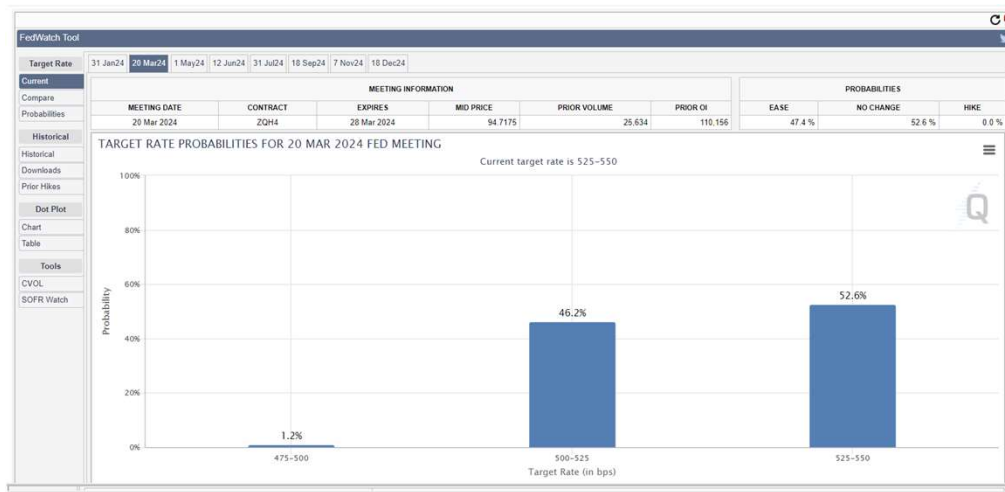


What will the Fed Do (In an Election Year!)?

Current and Pending Developments:

- Tomorrow (8:30) BEA announces 4th Quarter and annual GDP for 2023.
- Friday, PCE for December
- January 30/31 next Fed meeting

Here is What the Market Thinks

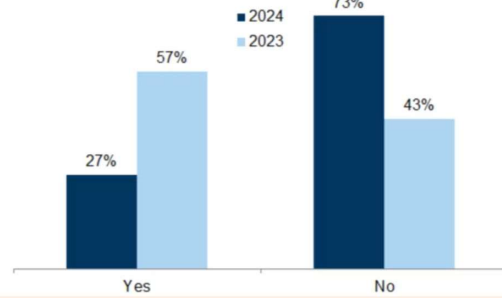


Where Will the Economy Be in November?



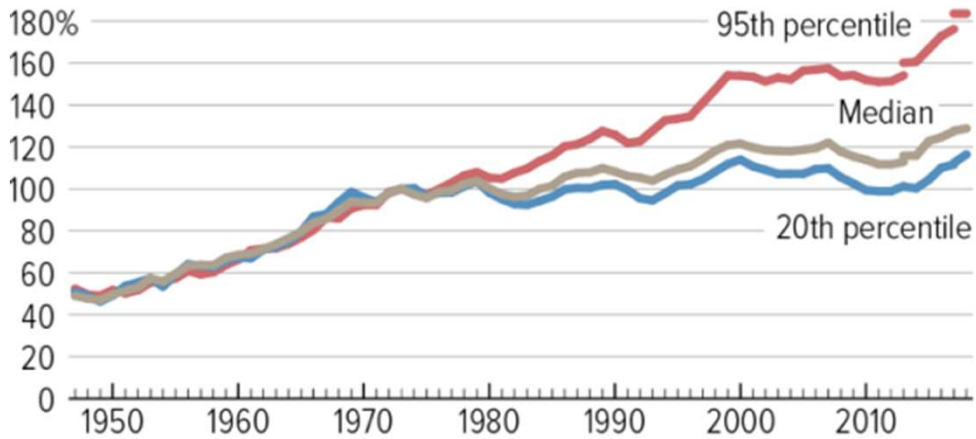
Exhibit 1: Do you expect a recession in the US in 2024?

Based on respondents at our GS Global Strategy conference, London January 2023 & January 2024



The Abrupt Increase in Inequality

Real family income between 1947 and 2018, as a percentage of 1973 level



Let's Hear from You!

Geoffrey Woglom grwoglom@amherst.edu

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