what we don’t know

- solving issues without knowing what the issue is

- problem is that most people are, well, ignorant
issues at hand

- noticeable changes since the election?
  - international trade
  - immigration
  - health care
  - tax reform
- ...but keep this in mind
Real GDP
Log Real Per Capita GDP, 2009$, Seasonally Adjusted

Linear Trend

Source: BEA
...but we can go back even farther

- economic growth

- long history of increasing output
...and farther

- how far you ask?
how are we doing more recently?

- what does the market think?
- gdp and economic growth??
  - why so slow?
- labor markets
  - continue to expand
the stock market
gross domestic product = income
Real GDP

Source: BEA

Econsnapshot.com
Real GDP
Trough during recession = 1

Quarters after trough
Source: BEA
Real GDP
Trough during recession = 1
1960 cycle
1969 cycle
1973 cycle
1981 cycle
1990 cycle
2001 cycle
Current cycle

Source: BEA
GDP Growth During an Expansion
Average, annualized rate of change

Source: BEA
so, why so slow?

- new research
so, why so slow?

- new research
- leisure on the job has gone up!
so, why so slow?

- new research
- leisure on the job has gone up!
  - technology: makes you more productive
  - but also easier to take leisure on the job!
labor market
Net Payroll Employment Change
Thousands, SA

Source: BLS
Employment to Population Ratio
Percent, SA

Source: BLS
seasonality

- employment and unemployment
- look at employment composition
  - farm
  - information
- leisure and hospitality
Total Employment, All Industries, Santa Barbara County
Number Employed (Thousands)

Most Recent (Unadjusted) = 209,000
Most Recent (Adjusted) = 206,498
Percent Change (Month) = 0.74 % and Percent Change (Year) = 1.85 %
Total Employment, All Industries, Santa Clara County

Number Employed (Thousands)

Most Recent (Unadjusted) = 1,104,900
Most Recent (Adjusted) = 1,098,746
Percent Change (Month) = 0.21 % and Percent Change (Year) = 1.43 %
housing
Zillow Home Value Index (ZHVI)
Index (100 = Pre–Recession Maximum Value)

Source: Zillow Research Data
Note: Current value in brackets.

www.efp.ucsb.edu
Zillow Home Value Index, by MSA
Index (100 = Pre-Recession Max Value)

Source: Zillow Research Data
Note: Current value in brackets.

www.efp.ucsb.edu
analyzing policy changes
a simple framework

- law of demand
  - make something more expensive, people will
    - do less of it
    - buy less of it
    - substitute away from it
speaking of taxes...
not enough time to talk about tax reform

but how about gasoline tax policy?

Nov. 1, 2017

- state gas tax up 12¢ to 41¢ per gallon
- state diesel fuel tax up 20¢ to 36¢ per gallon
fed met yesterday and today

sounded like a snooze-fest

so what did they do/say?
fed stuff

- fed met yesterday and today
- sounded like a snooze-fest
- so what did they do/say?
  - Answer: up 25bp/nothing
Information received since the Federal Open Market Committee met in November indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Averaging through hurricane-related fluctuations, job gains have been solid, and the unemployment rate declined further. Household spending has been expanding at a moderate rate, and growth in business fixed investment has picked up in recent quarters.”
the future and the fed

- fed stuff

- reading level for fed statements
FOMC Statements: Reading Grade Level and Length

Flesch-Kincaid Reading Grade Level

<table>
<thead>
<tr>
<th>Year</th>
<th>1993</th>
<th>1995</th>
<th>1997</th>
<th>1999</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
<th>2013</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Greenspan</td>
<td>Bernanke</td>
<td>Yellen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Words</td>
<td>600</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: Reading grade-level calculated by ETS TextEvaluatorSM; https://texteval-pilot.ets.org/TextEvaluator/.


December 16, 2008
Beginning of Unconventional Monetary Policy

Statement Release Date
final thoughts

- economy continues its **solid** growth
final thoughts

- economy continues its solid growth

- will there be a recession?
final thoughts

- economy continues its solid growth
- will there be a recession?
  - yes
Thank You