

Macro Roundup Article

Headline: [Why Do People Feel Bad About The Economy?](#)

Article

Link: <http://gregmankiw.blogspot.com/2024/07/why-do-people-feel-bad-about-economy.html>

Author(s)	Greg Mankiw
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Tweet: Greg Mankiw argues negative economic sentiment is driven by “people comparing things to 2021, the first year of the Biden administration,” when income was enhanced by fiscal transfers and credit card debt was reduced by lower pandemic-era spending.

Summary: Here is a hypothesis: People are comparing things to 2021, the first year of the Biden administration, when things looked much better for them. Consider real disposable income per capita. In the latest reading, for May 2024, it was \$50,491. For the year 2021, the figure was \$51,567. That is, average income is down about 2% over this period. By contrast, average income grew by more than 3% per year from 2017 to 2021. Similarly, consider credit card debt. From 2017 to 2021, it was up a mere 4% (in nominal terms). From its trough in April 2021 until now, it is up 44%. To be sure, one might say that 2021 was an unusual year. Disposable income was goosed by numerous, temporary fiscal policies aimed to ease the pain of the pandemic. Covid also reduced consumers' ability to spend, so they used more of their incomes to pay off their debts. No economist expected these unusual conditions to persist. That is all true. But do most people take this fact into account? Maybe they think, "A few years ago, my income was higher, and my debts were lower. So, yes, I am glad the pandemic is over, but my finances are worse."

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Primary Topic: Business Cycle

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