

Macro Roundup Article

Headline: [The Economy Is Great. Why Are Americans in Such a Rotten Mood?](#)

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Tweet: Noting a disconnect between consumer economic sentiment and the "misery index" of unemployment plus inflation, @greg_ip argues Americans' pessimism "may reflect dissatisfaction with the country as a whole."

Summary: Some 69% of respondents to a Wall Street Journal survey in August said the country is headed in the wrong direction. Can inflation be the whole story? After all, since peaking at 9.1% in June last year, based on the consumer-price index, inflation has fallen to 3.7%. Some gauges put underlying inflation at around 3%, and the Federal Reserve thinks it is headed gradually to 2%, relieving it of any need to raise interest rates for now. And yet, sentiment is up only moderately since inflation began falling. The puzzle deepens when I plot the University of Michigan index since 1978 against the "misery index"—the simple sum of inflation and the unemployment rate. Based on historic correlations, sentiment has been more depressed this year than you would expect given the level of economic misery. I suspect a lot of pessimism about the economy is "referred pain." Just as part of your body can hurt because of injury to another, pessimism about the economy may reflect dissatisfaction with the country as a whole.

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Primary Topic: Politics

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