

rupert report

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league of california cities
december 13, 2017

what we don't know

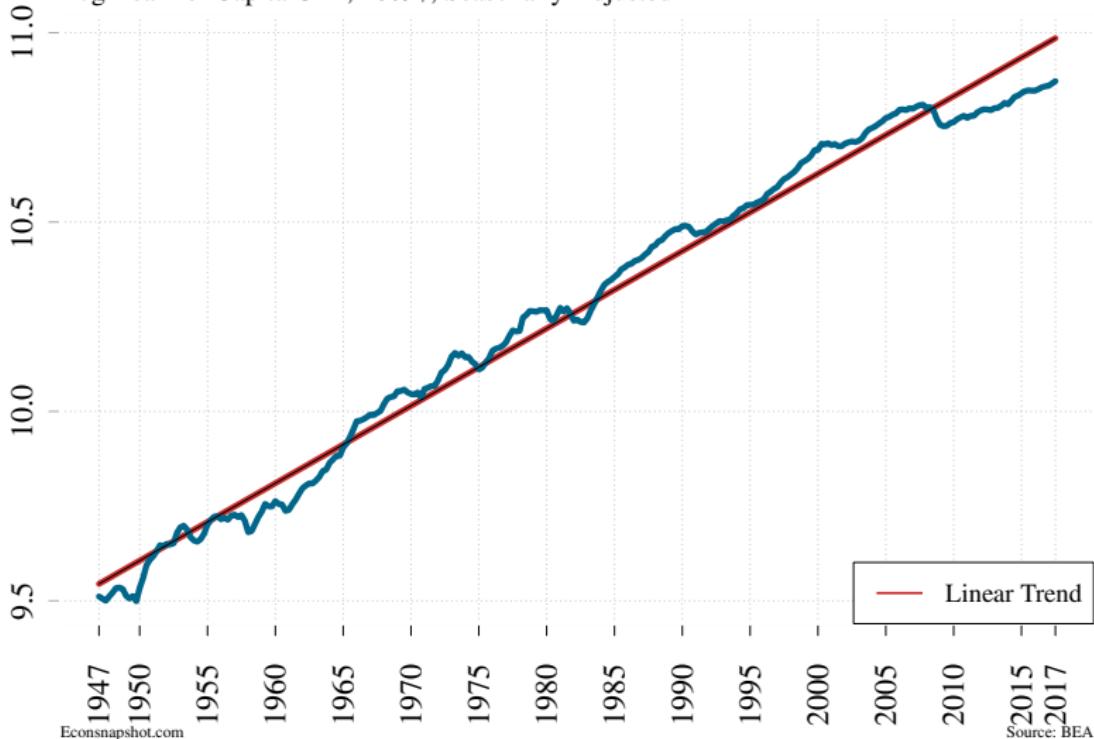
- solving issues without knowing what the issue is
- problem is that most people are, well, **ignorant**

issues at hand

- noticeable changes since the election?
 - international trade
 - immigration
 - health care
 - tax reform
- ...but keep this in mind

Real GDP

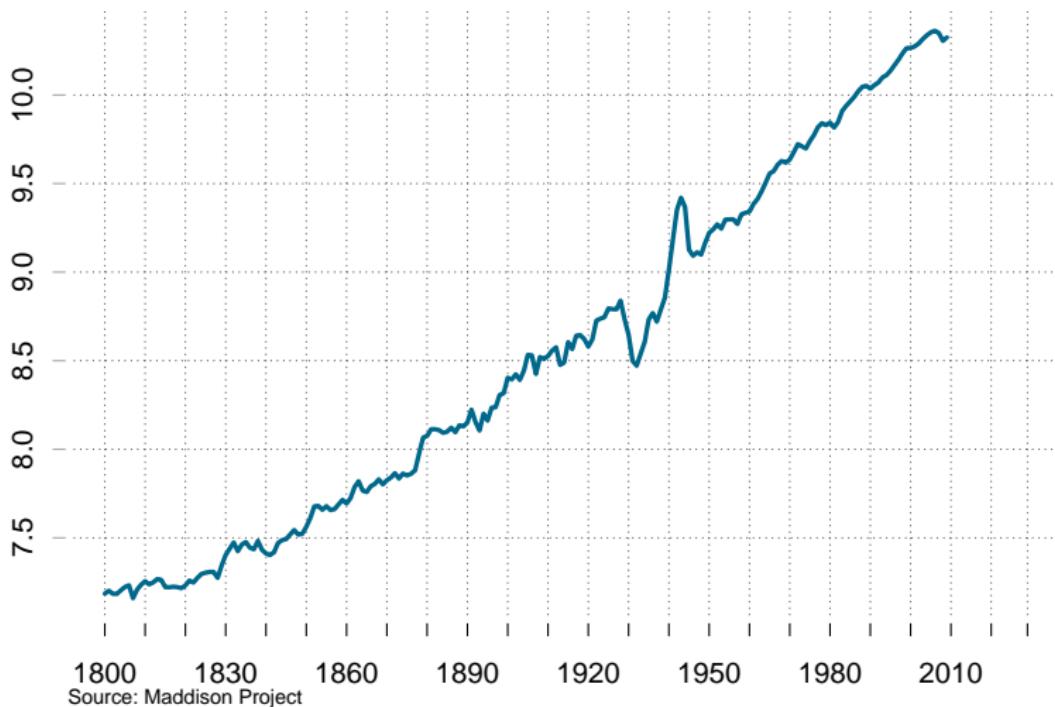
Log Real Per Capita GDP, 2009\$, Seasonally Adjusted



...but we can go back even farther

- economic growth
- long history of increasing output

Log Real GDP (U.S.)

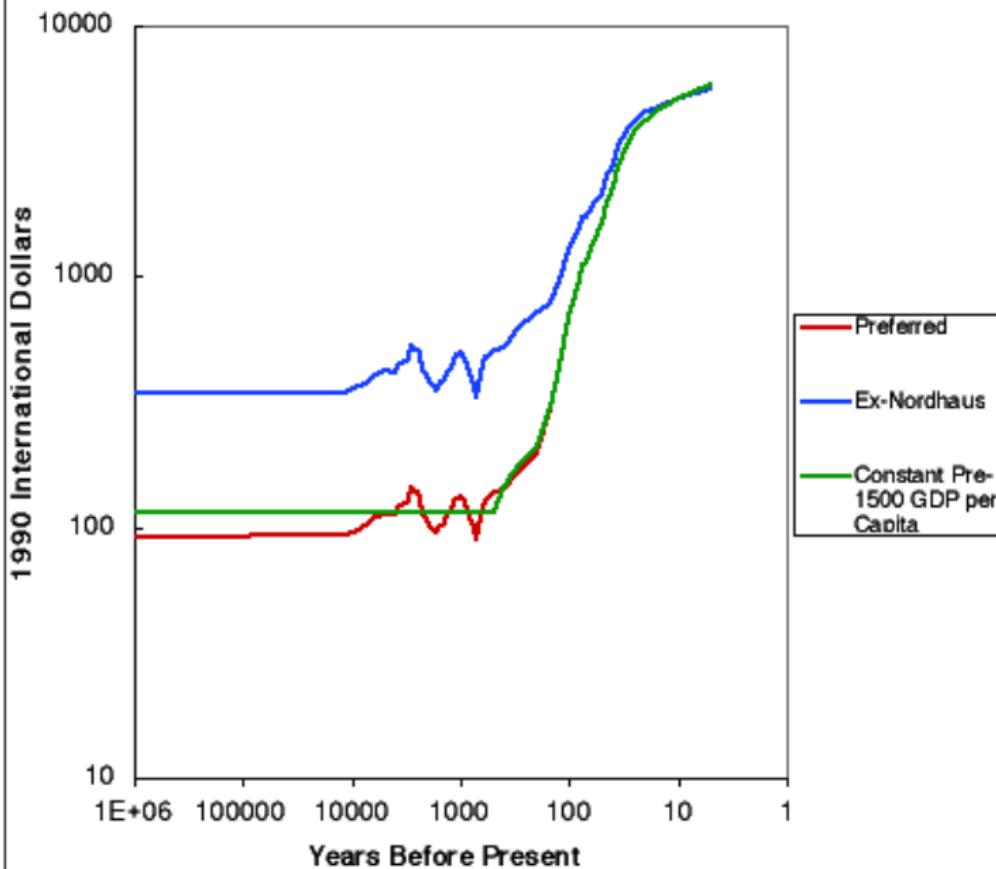


Source: Maddison Project

...and farther

- how far you ask?

World Average GDP per Capita

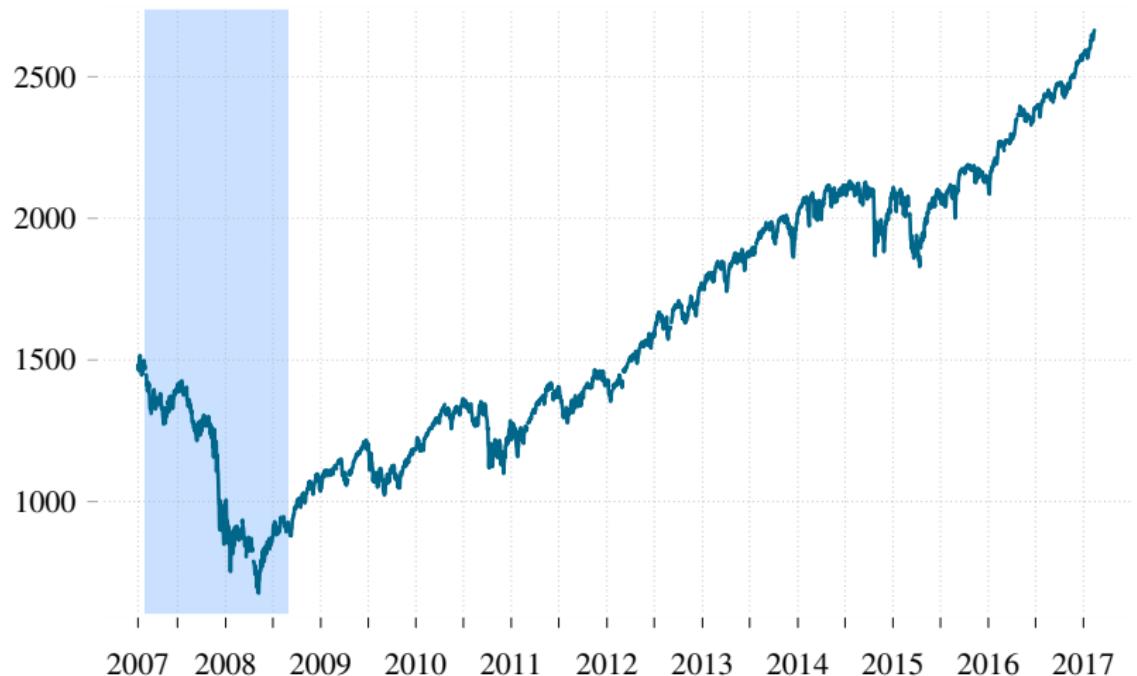


how are we doing more recently?

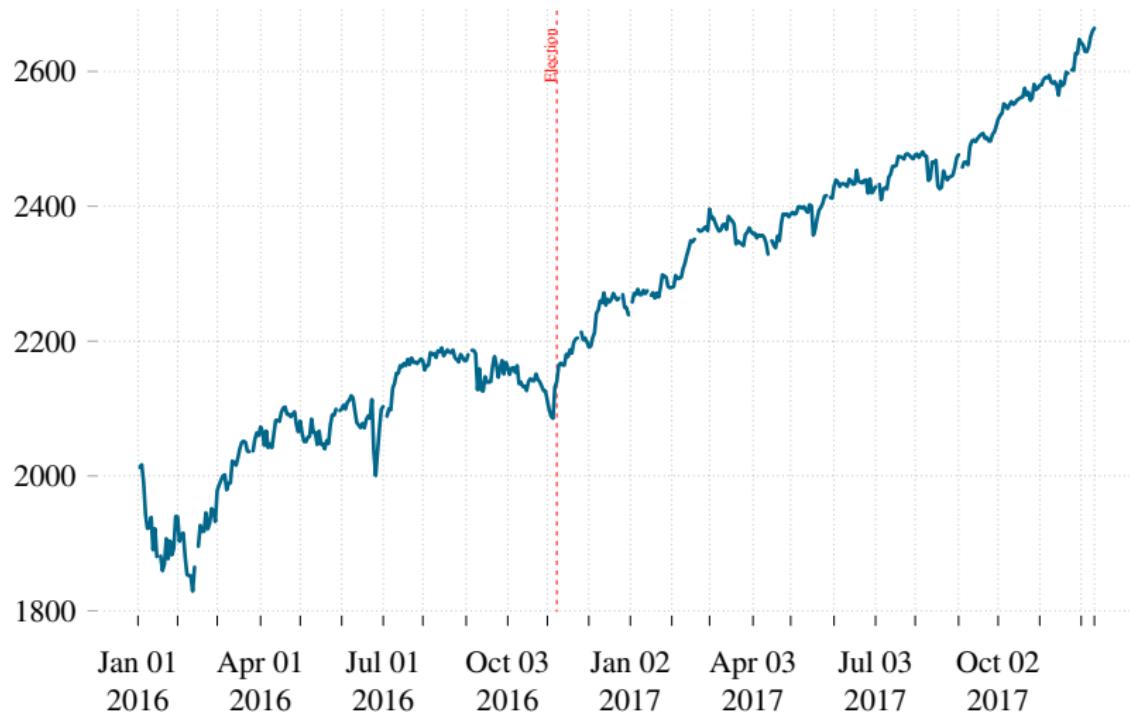
- what does the market think?
- gdp and economic growth??
 - why so slow?
- labor markets
 - continue to expand

the stock market

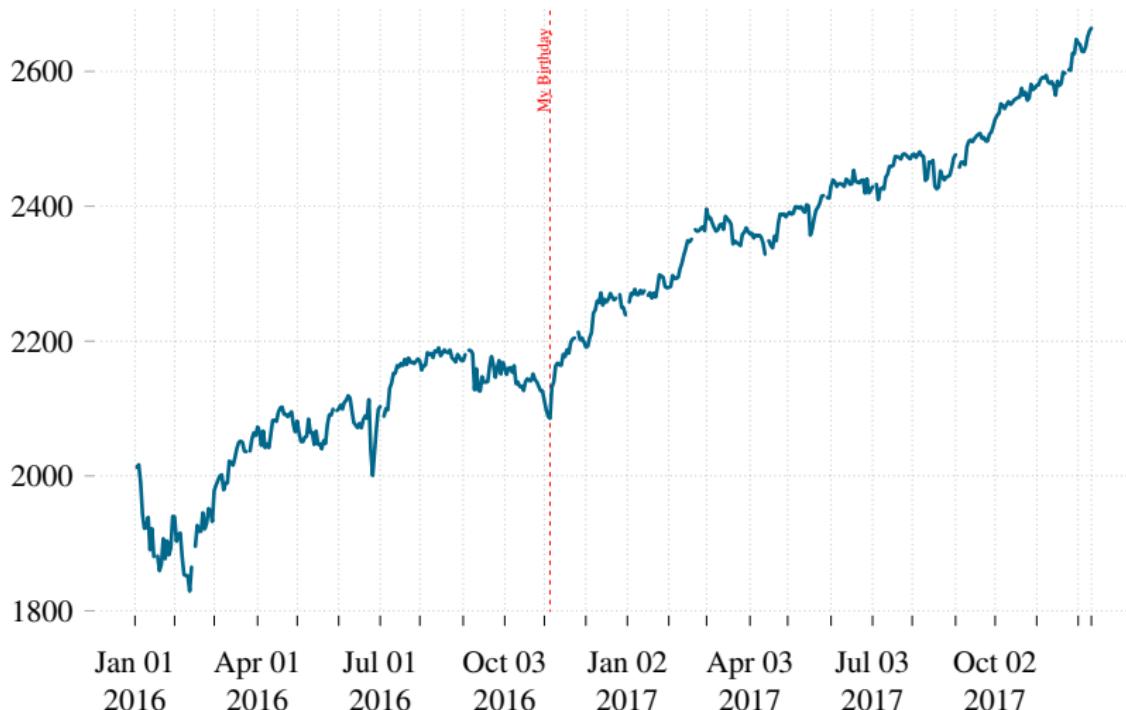
SP500



SP500

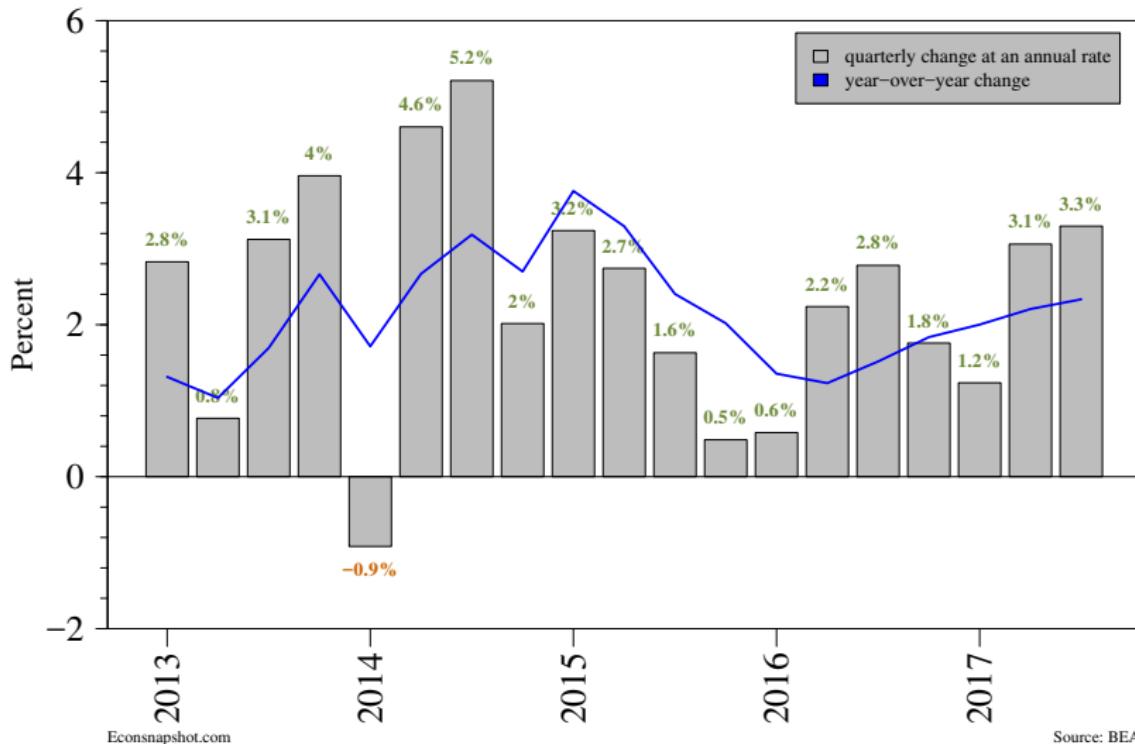


SP 500



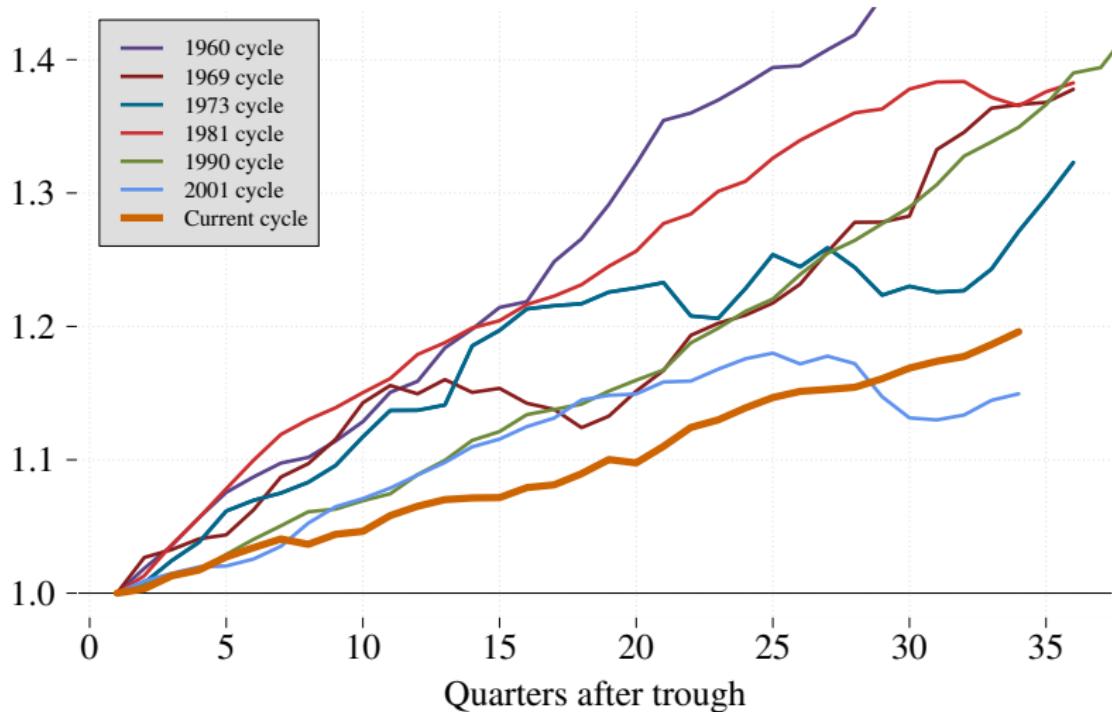
gross domestic product = income

Real GDP



Real GDP

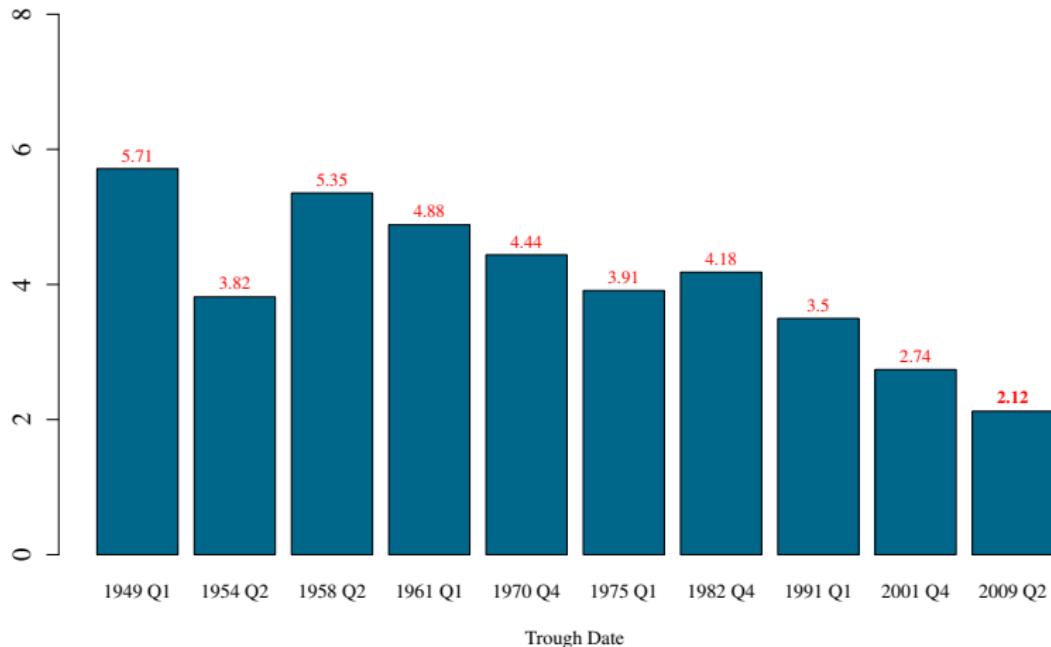
Trough during recession = 1



Source: BEA

GDP Growth During an Expansion

Average, annualized rate of change



so, why so slow?

- new research

so, why so slow?

- new research
- leisure on the job has gone up!

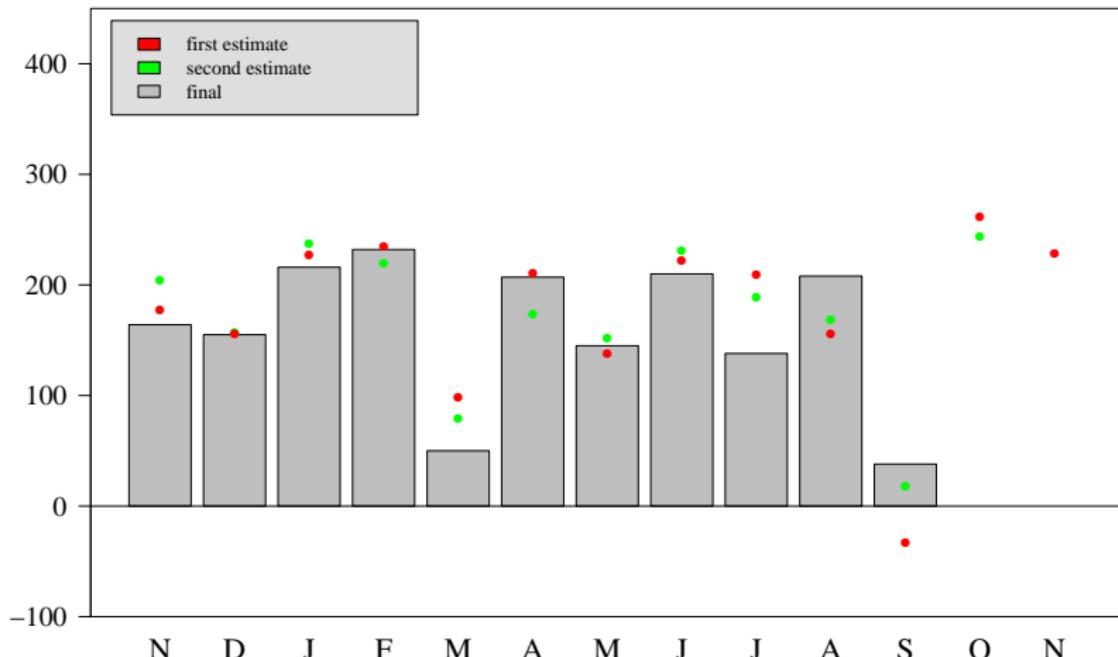
so, why so slow?

- 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

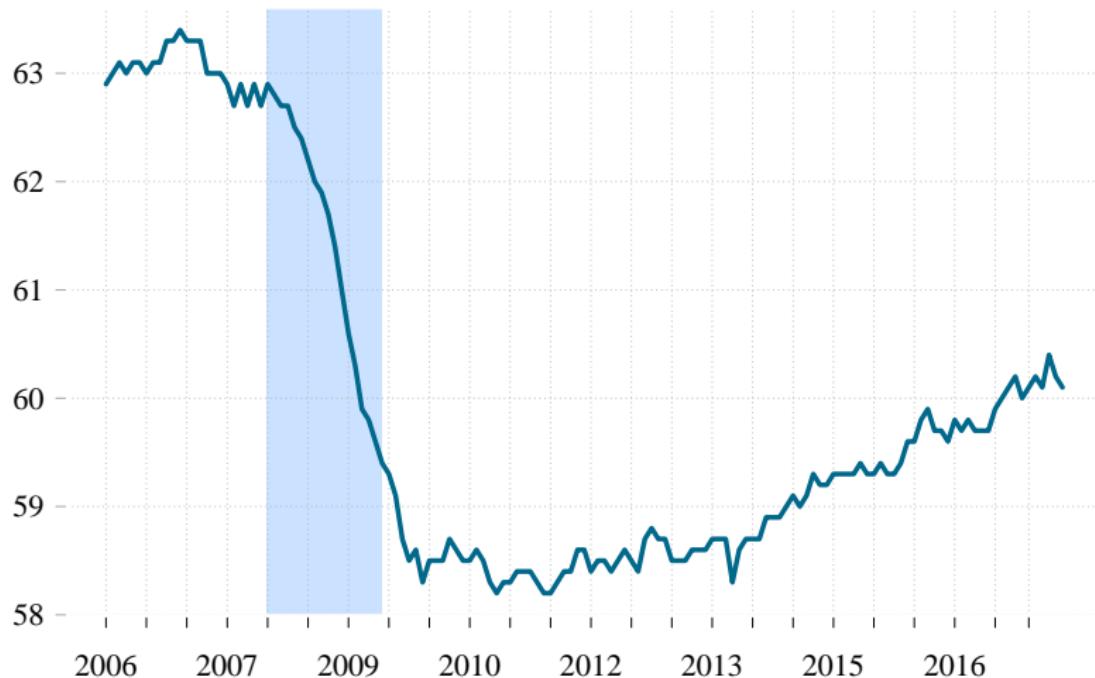
Net Payroll Employment Change

Thousands, SA



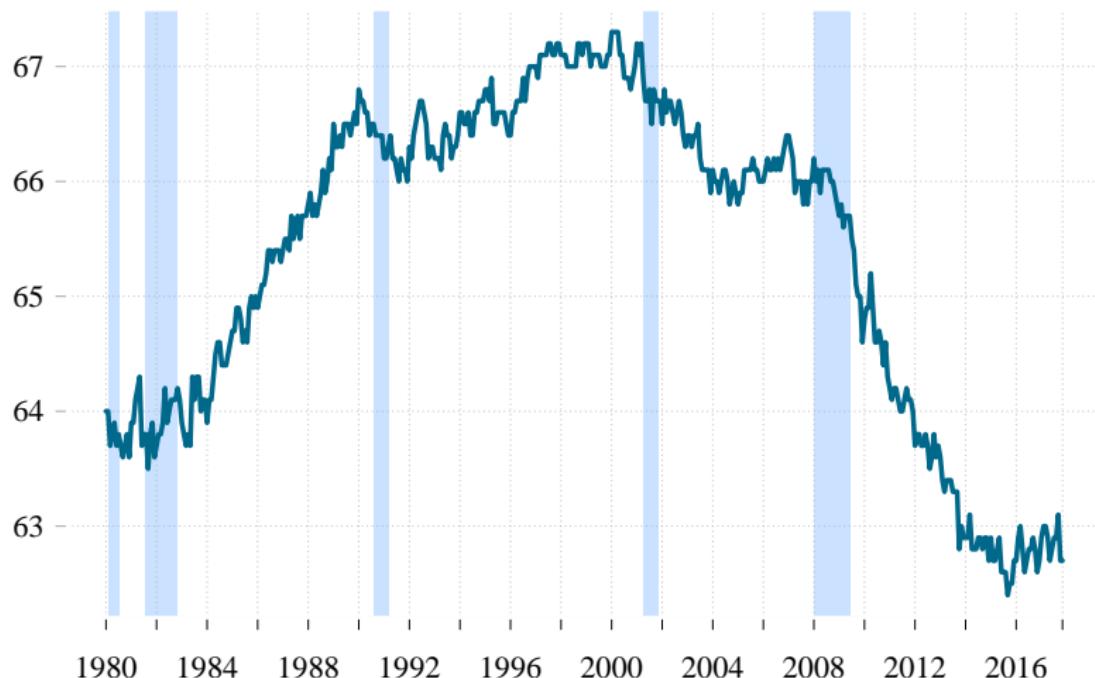
Employment to Population Ratio

Percent, SA



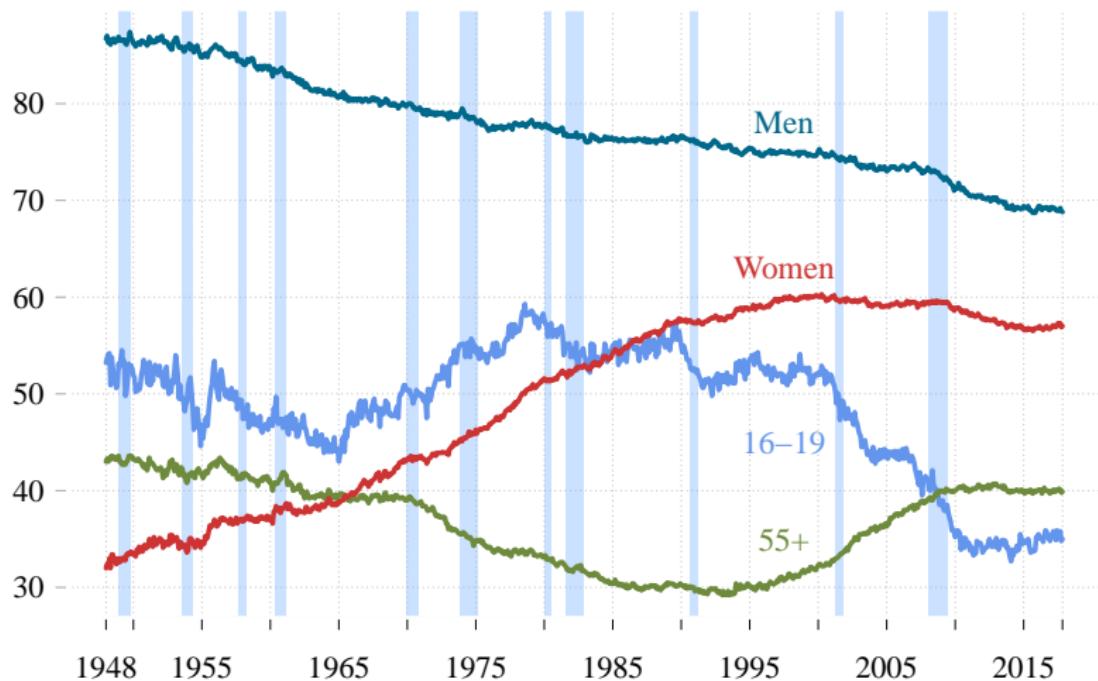
Labor Force Participation Rate

Percent, SA



Labor Force Participation Rates

Percent, SA

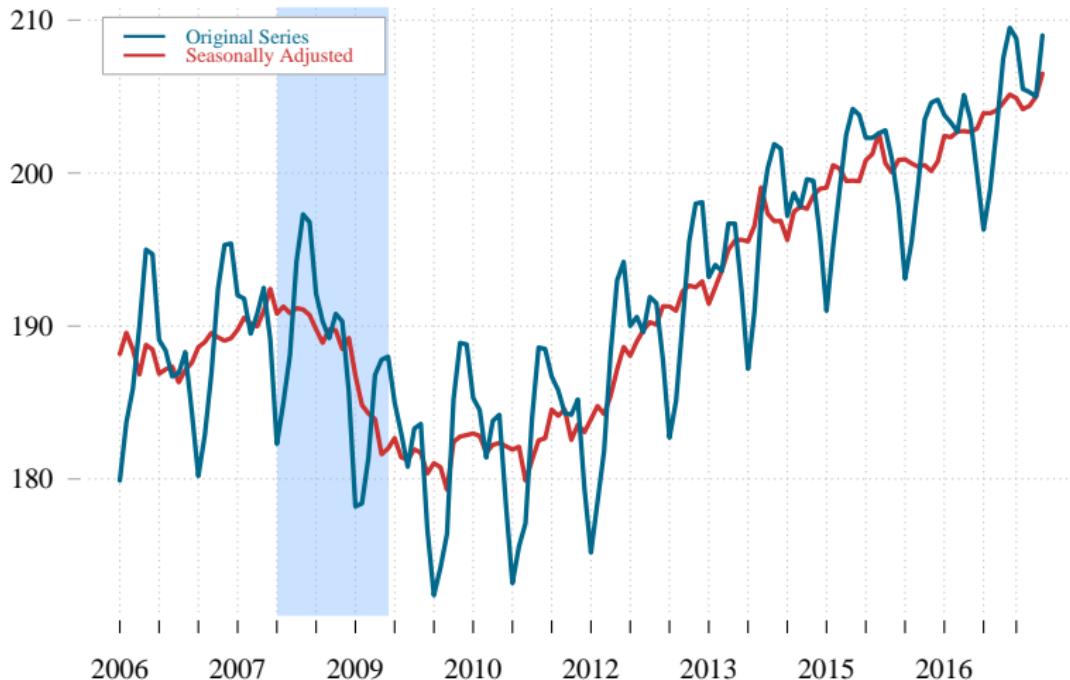


seasonality

- employment and unemployment
 - look at employment composition
 - farm
 - information
 - leisure and hospitality

Total Employment, All Industries, Santa Barbara County

Number Employed (Thousands)



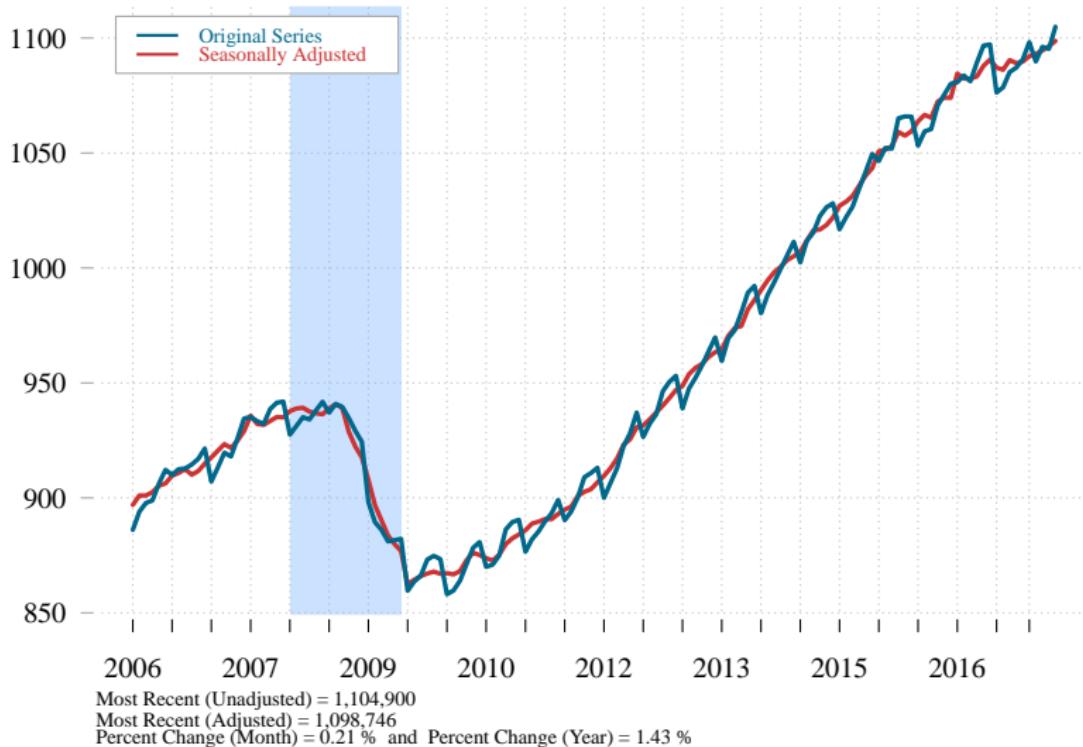
Most Recent (Unadjusted) = 209,000

Most Recent (Adjusted) = 206,498

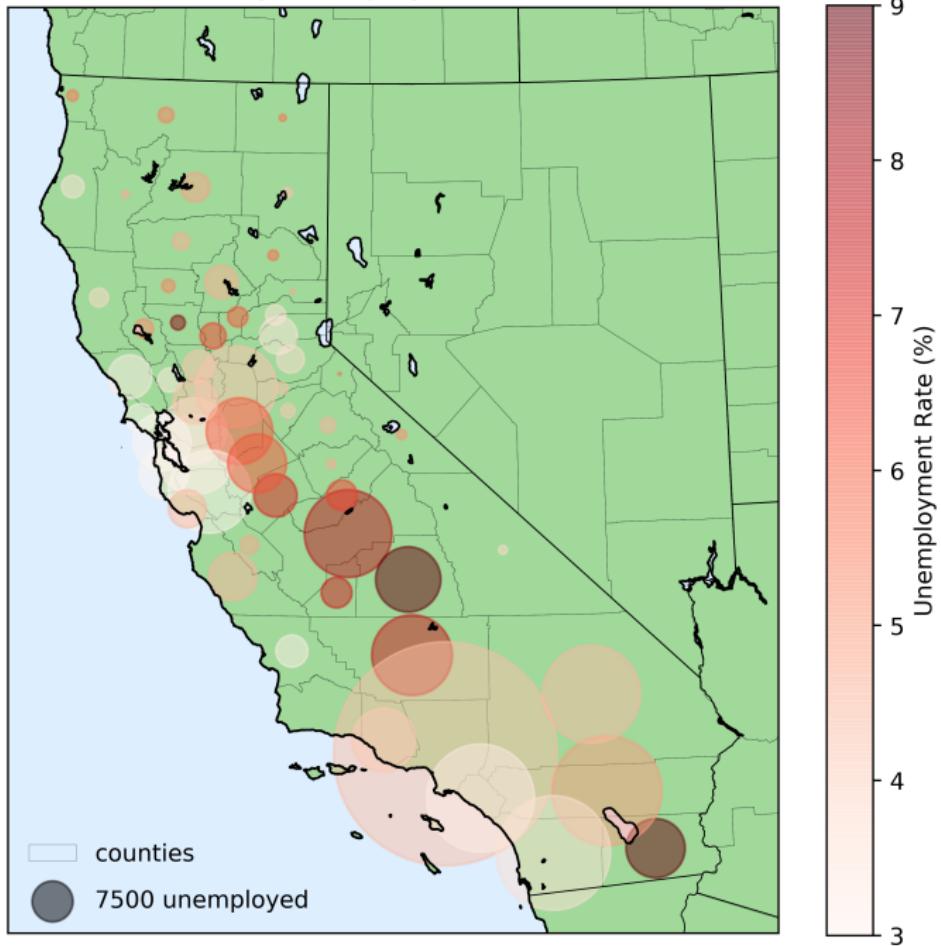
Percent Change (Month) = 0.74 % and Percent Change (Year) = 1.85 %

Total Employment, All Industries, Santa Clara County

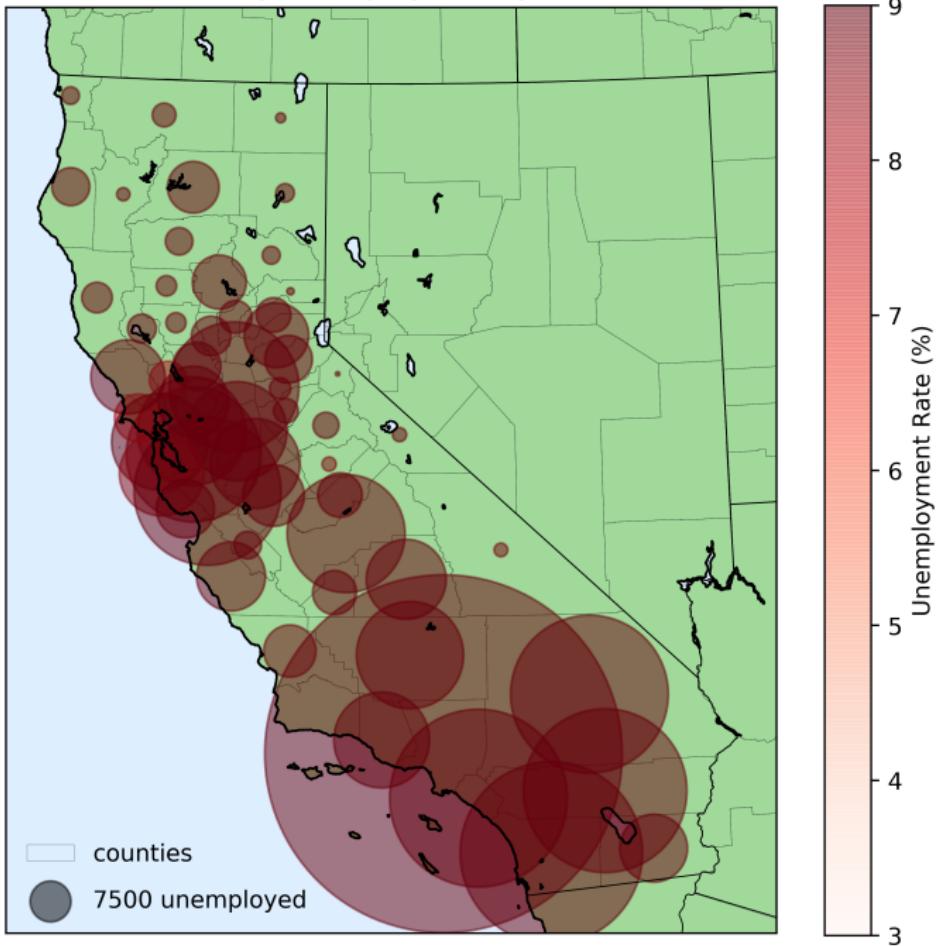
Number Employed (Thousands)



CA County Unemployment (Oct 2017)



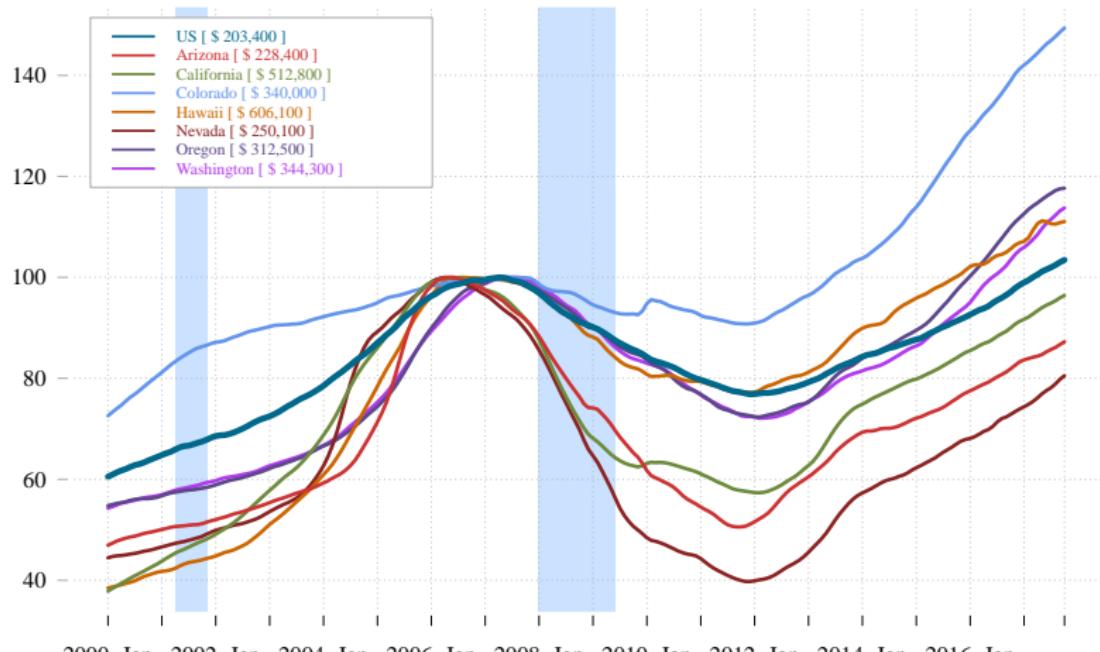
CA County Unemployment (Jun 2009)



housing

Zillow Home Value Index (ZHVI)

Index (100 = Pre-Recession Maximum Value)

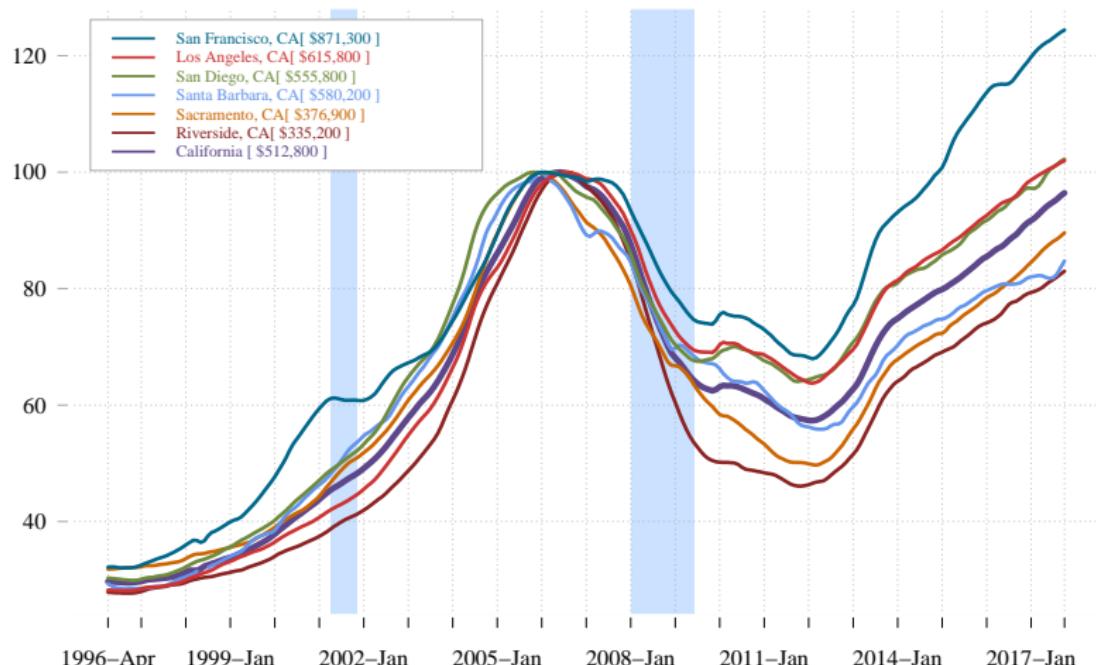


Source: Zillow Research Data

Note: Current value in brackets.

Zillow Home Value Index, by MSA

Index (100 = Pre-Recession Max Value)



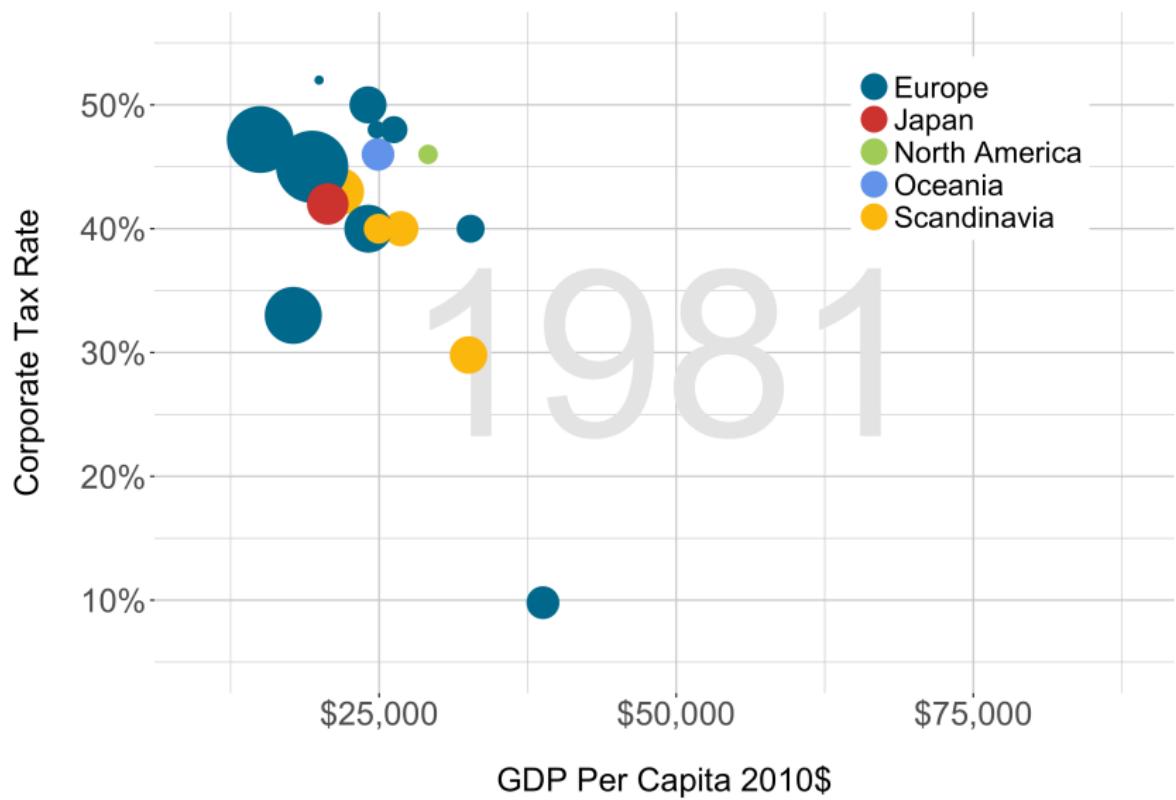
Source: Zillow Research Data

Note: Current value in brackets.

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...

federal, state and local 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

Miles of Road

200,000

Bad Roads
Good Roads

150,000

100,000

50,000

0

Georgia

4%

Tennessee

8%

Indiana

8%

Utah

10%

Oregon

11%

New Jersey

38%

California

50%

Rhode Island

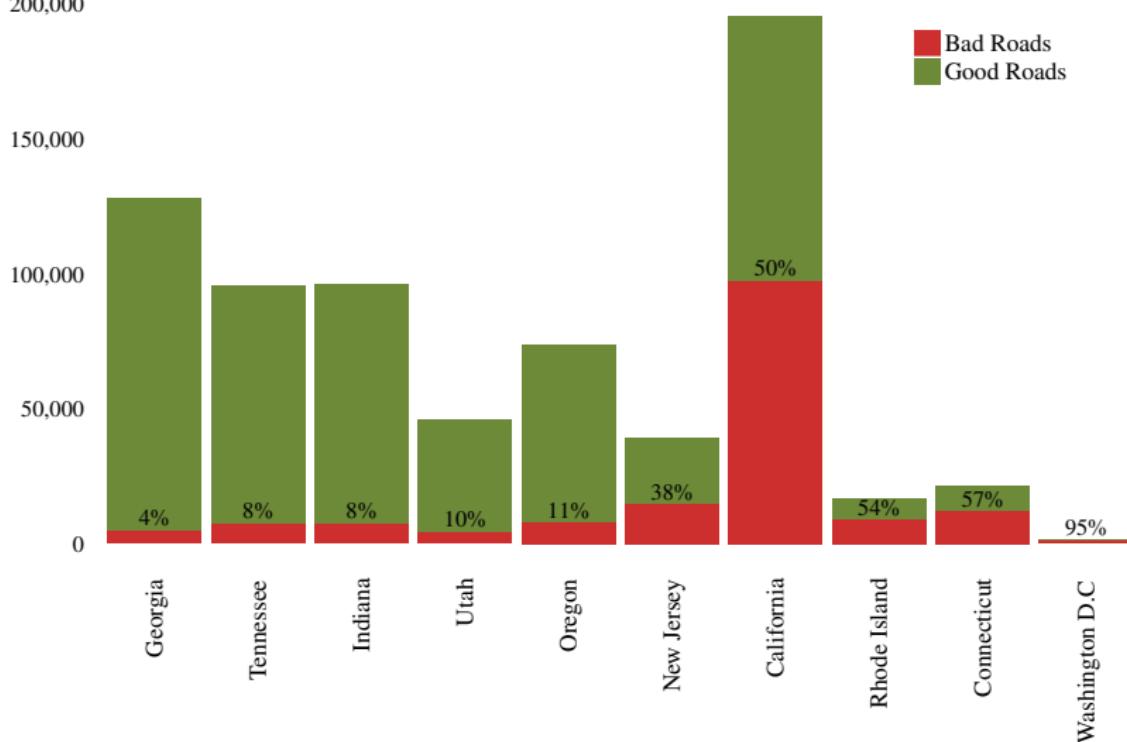
54%

Connecticut

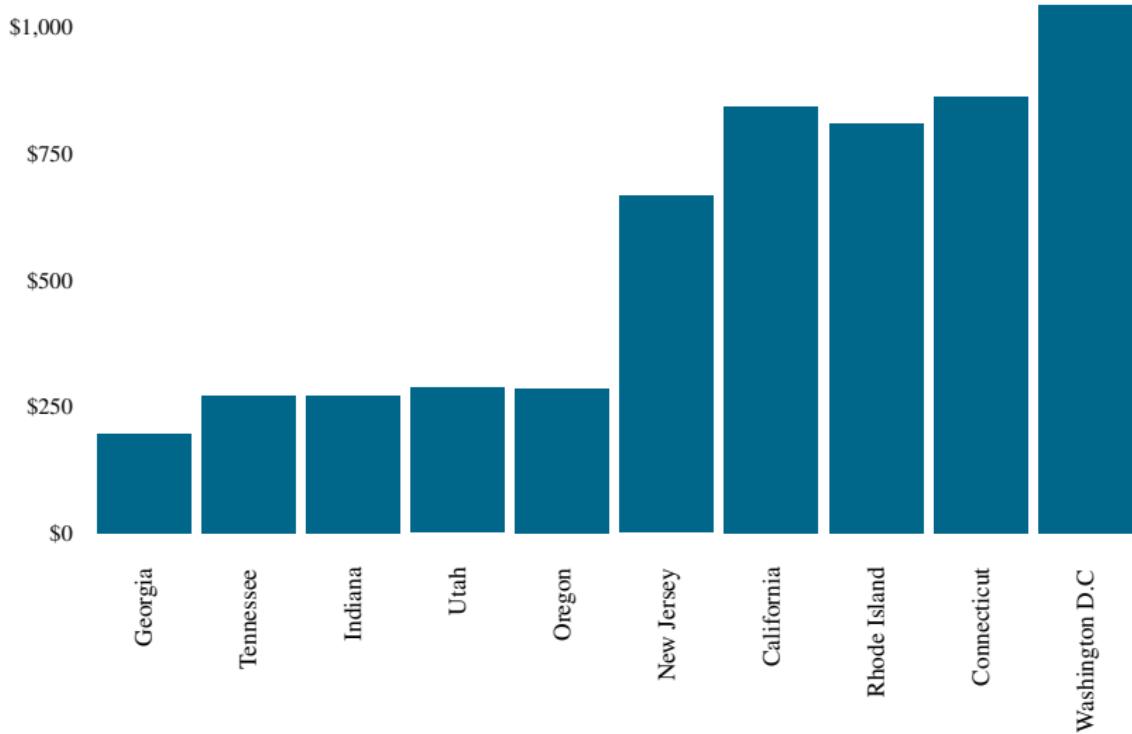
57%

Washington D.C.

95%



Road Cost Per Year Per Motorist



fed stuff

- 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

the policy statement

- “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

25

23

21

19

17

15

13

11

9

7

5

3

1

-

Number of Words

Chair

Greenspan

Bernanke

Yellen

600
100

19

17

15

13

11

9

7

5

3

1

-

December 16, 2008

Beginning of Unconventional Monetary Policy

7

5

3

1

-

Statement Release Date

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

SOURCE: FOMC post-meeting statements: Board of Governors of the Federal Reserve System;

<http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm> and

http://www.federalreserve.gov/monetarypolicy/fomc_historical.htm.

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