On the Other Hand

Inflation, Unemployment, Interest Rates, Investments

If the American economy is doing so well, why are we all so grumpy? That question is being asked frequently these days.

Data from the third quarter '23 showed US economic growth at a 5 percent annual rate, truly remarkable and well above our long-term average. And our unemployment rate for 2023 will certainly average under 4 percent, the lowest annual figure in this century. Inflation continues to be a problem, especially if you drive your automobile to the grocery store, but the hit to our wallets in 2023 is lower than it was for the two preceding years, and the tally for 2024 will likely mirror 2023.

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BY ALLEN R. SANDERSON

So are we simply habitual malcontents, addicted to television news, which led the press to coin the expression and mantra, "If it bleeds, it leads"? Except for up-to-date Taylor Swift and Travis Kelce, well, "dating" tidbits, and reporting on Chicago sports franchise woes, coverage on TV and in newspapers fills us with steady doses of wars on more than one front, migrant crises, continuing fallouts from long-term environmental troubles, unrest on college campuses, racial and pressing social issues, and criminal activity from high-tech urban shoplifting to shocking killings with assault weapons.

Of course, professional economic actors—the Fed, the Federal Government and its agencies, and international counterparts — are charged with keeping us informed (or inflamed) about changes as well. It is important that these reports be accurate and, ideally, unbiased and not overly politically laden. For example, one particular series is unemployment. Does the current figure of under 4 percent, below what economists would deem "full employment" in their models, compare accurately with previous months and years? That would mean, for example, that a labor force with substantial at-home or remote work is subject to the same forces and incentives as in the office. What about commuting costs—money and time — of the two alternatives? Have we captured changes in unemployment insurance benefits that affect incentives to choose a particular labor market route?

As the old expression had it—Question: How can you tell that macroeconomists have a sense of humor? Answer: They use decimal points.

There may also be indices or numbers that are largely out of citizens' control or purview, such as public expenditures and legislative decision-making. For example, the current Federal Government balance sheets show a deficit of $2 trillion for this fiscal year, and thus an addition to our national debt, which brings that total to $33 trillion. Compare that to what it was a decade ago—half that amount.

The federal government has not run a budget surplus in this century, and leaders of neither party have the slightest intention of ever doing so again. (Raising taxes to pay for pet projects or more infrastructure outlays — think Amtrak—angers voters; borrowing money not so much.) Is there another word for Bidenomics?

There was at the outset of the pandemic some criticism of our central bank for not being out front when it came to inflation and interest rates. And now we are faulting monetary policy for perhaps being part of the problem with inflation rather than a cure or solution.

The same holds true for the housing market, mortgage rates, and affordability.

And would we like to see a repeat in '24 of our union activity and strikes around the country?

As we approach the holiday season and gift-giving, as well as our usual displays of tournaments, bowl games, and championships in collegiate athletics and professional leagues, perhaps this could be a time to introduce one more competition: "Market Madness." Instead of crowning the best teams and players throughout the sports world, we would create a bracket with, say, sixteen "teams" who are most responsible for the economic mess 2023 has become.

Let me start us out and name some of the players: the Media, Interest Rates, Foreigners, the Rich, Abides & Abodes, Jerome and Janet (Powell and Yellen—the Fed and the Treasury), Save, Consumers, Stuff Happens, Infrastructure, and, of course, Trump! ❑