

Economic Outlook

Kevin Mumford

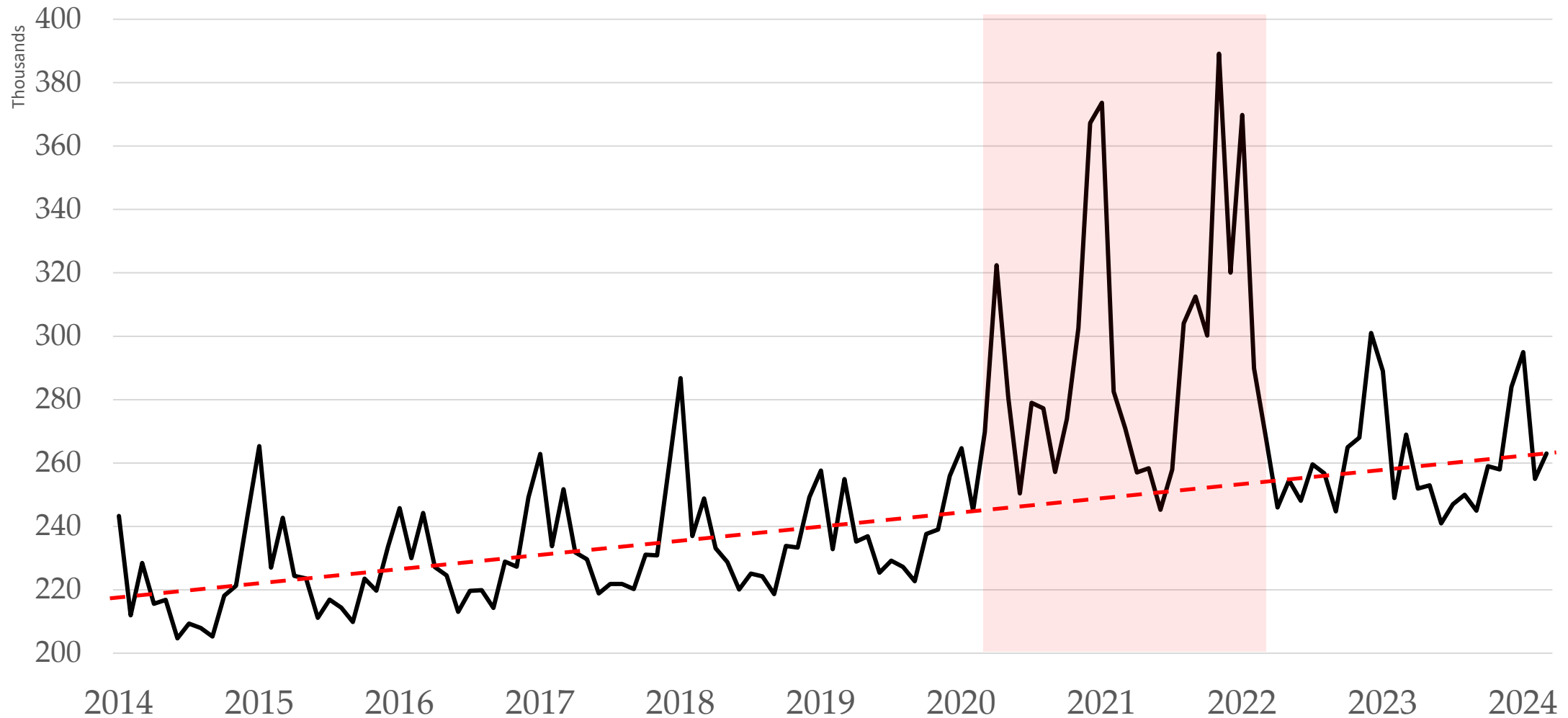
Professor of Economics

November 12, 2024

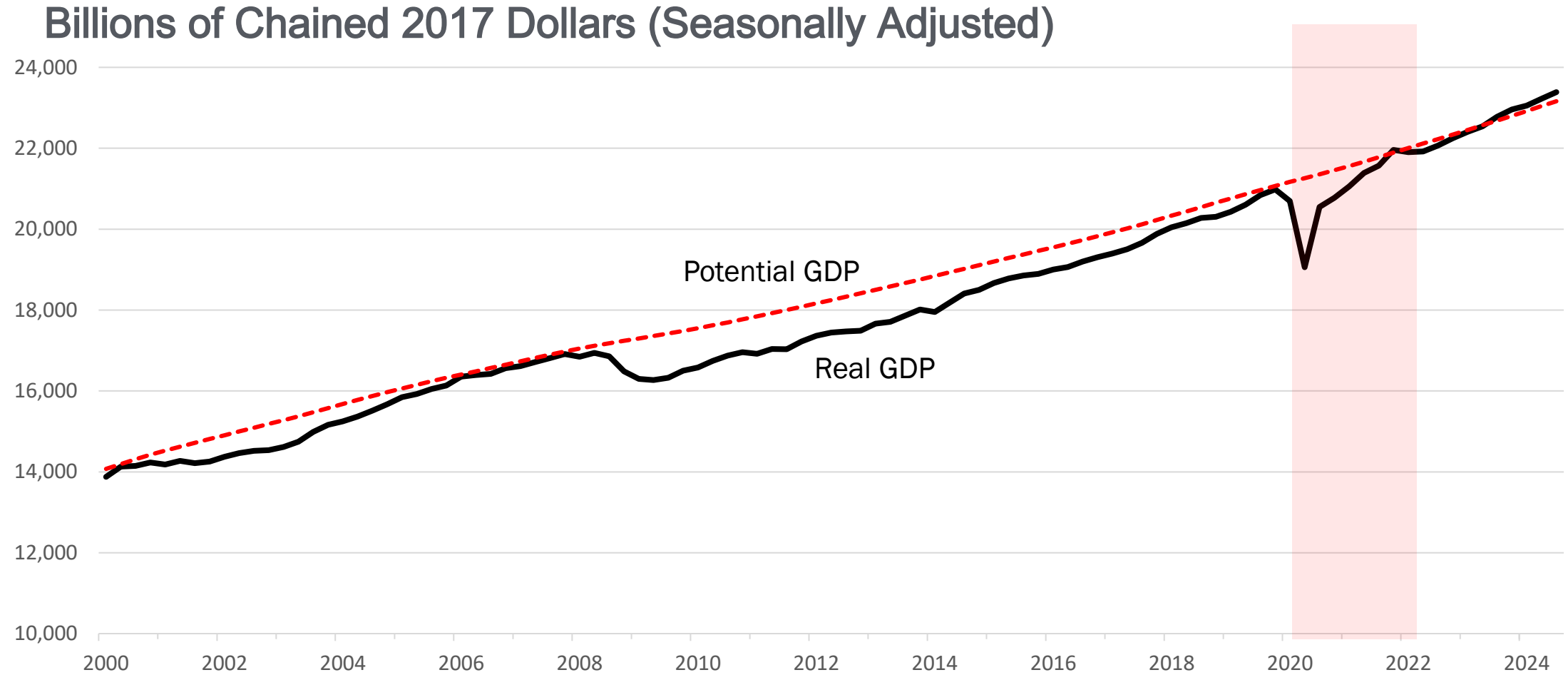


Mitch Daniels School of Business

US Deaths by Month



Potential and Nominal GDP

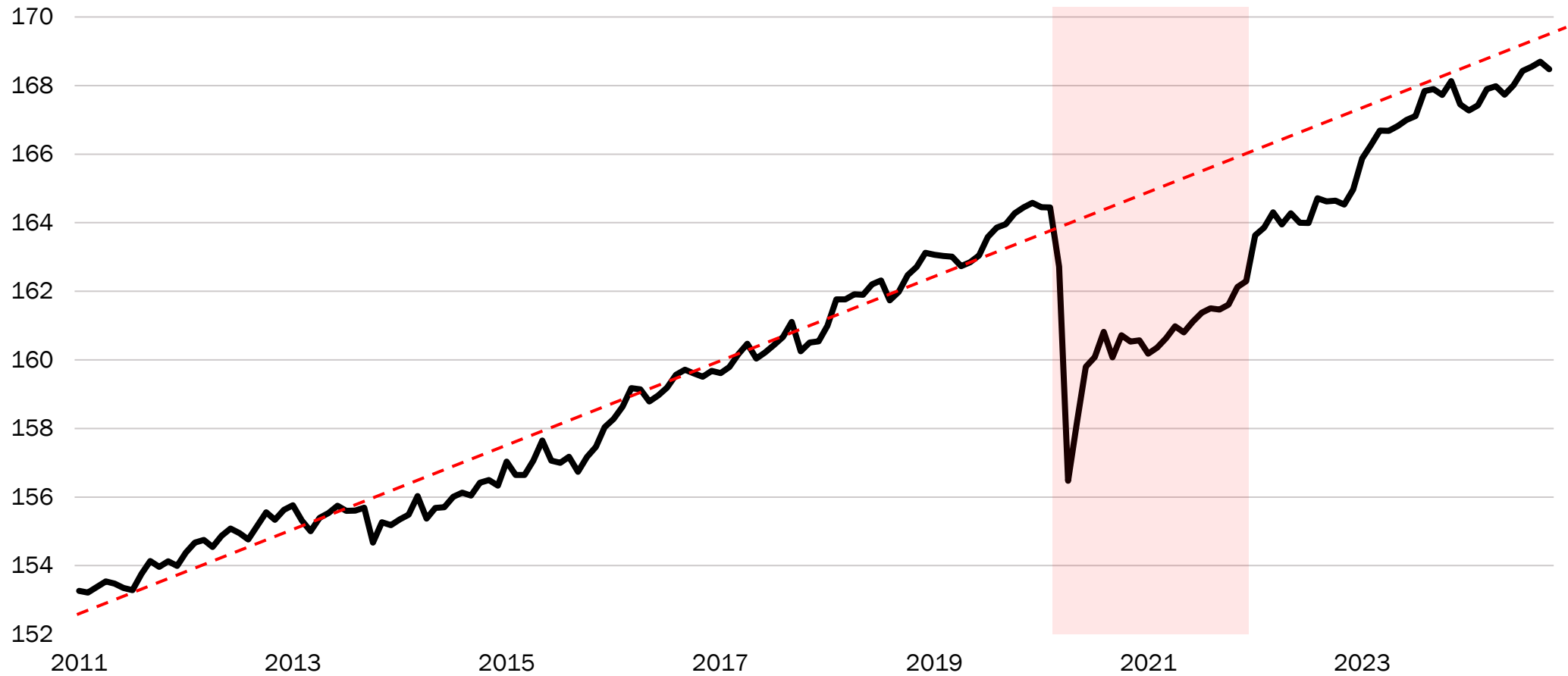


Unemployment Rate



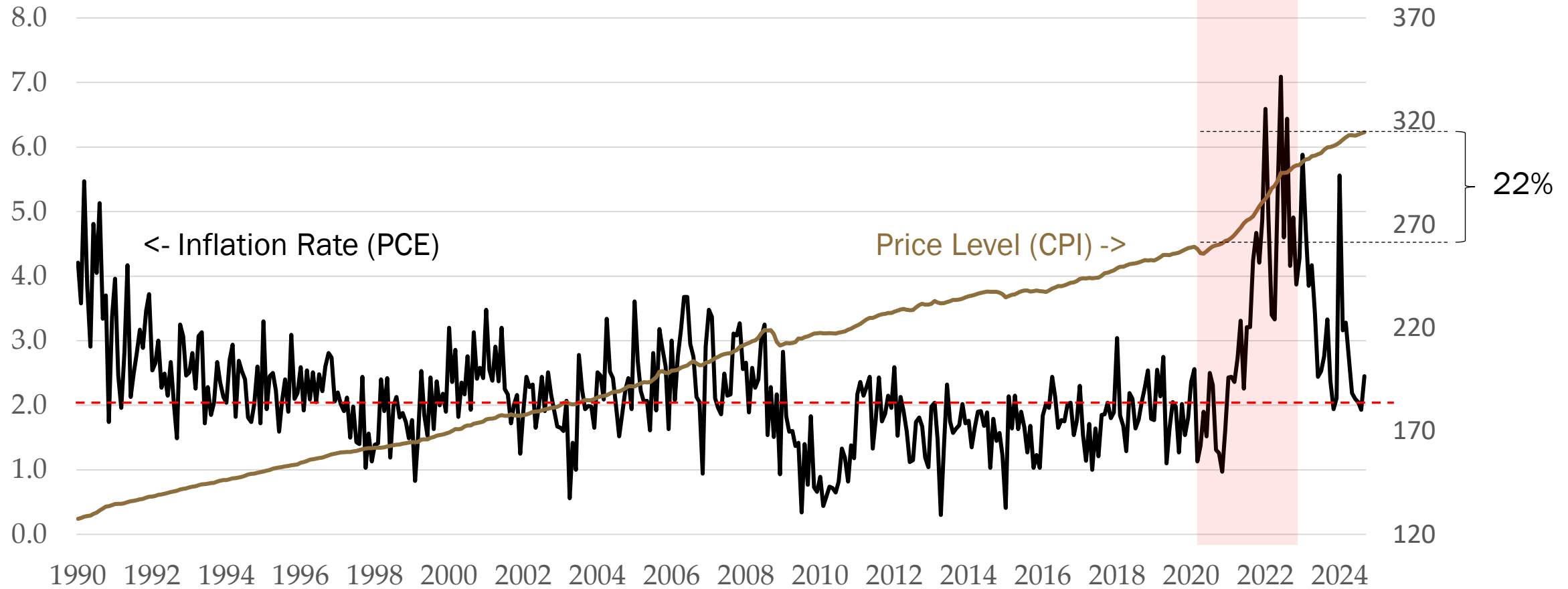
US Civilian Labor Force

Workers age 16+ (in millions)



Inflation

Price Index and Monthly Percentage Change in Price Index at Annual Rate



Why not Zero Inflation?

Deflation causes serious problems:

- If prices are expected to decrease, people delay purchases
- Workers resist wage cuts, which leads to layoffs

The Federal Reserve targets 2% inflation rather than zero

- Prices often drop at the beginning of a recession (cushion)



Survey: How to Reduce Inflation

A 2022 survey asked 1,000 adults:

“Regardless of whether you support or oppose it, do you think that each of the following would increase or decrease inflation?”

Most popular to decrease inflation:

- Increasing domestic oil production
- Price controls
- Decrease interest rates
- Tax decrease
- Reducing aid to Ukraine

A 2024 survey asked 2,200 adults:

“Which of the following policies would combat inflation?”

Most popular to decrease inflation:

- Price controls
- Tax increase
- Decrease interest rates
- Increase tariffs
- Increase antitrust regulation

Indiana High School Economics Course

Current Indiana (Core 40) Diploma requires 1 credit of Economics

New Indiana Diploma instead requires 1 credit of Personal Finance

What is being cut?

- **scarcity and economic reasoning** (incentives, trade-offs, opportunity cost)
- **supply and demand** (setting prices, elasticity, price controls)
- **market structures** (corporations, profit maximization, monopoly)
- **role of government** (public goods, externalities, taxes, budget deficit)
- **national economic performance** (measurement, business cycles, inflation)
- **money and the role of financial institutions** (federal reserve, interest rate)
- **economic stabilization** (fiscal policy, monetary policy, national debt)
- **international trade** (comparative advantage, trade barriers)

Indiana High School Personal Finance Course

Course Standards:

- **financial responsibility and decision making** (scams, identity theft, consumer protection)
- **relating income and careers** (average wages by career, employee benefits)
- **planning and managing money** (personal budget categories, tracking expenditure, goals)
- **managing credit and debt** (home mortgage, credit card, student loan, credit score)
- **risk management and insurance** (types of insurance, reducing risk)
- **saving and investing** (saving strategies, investing strategies, time value of money)

includes mathematical examples and applications

ECONOMICS

21 states require a high school economics class
9 states require standardized testing of economic concepts

PERSONAL FINANCE

9 states require a personal finance class
4 states require standardized testing of personal finance concepts

Why Students Need to Understand Economics

Voters need to know there are **unintended consequences** of public policy:

- stimulus checks and tax cuts
- cancelling student debt
- tariffs

Unintended Consequence Example

2004 – FDA required labeling: milk, eggs, fish, shellfish, tree nuts, peanuts, wheat, soybeans

2023 – FDA added sesame to the allergen list

If the ingredients do not include sesame, companies are required to prevent cross-contamination

How did food manufacturers respond? Rather than try to keep sesame away from other food and equipment, many are adding sesame to products that did not contain it before.

Thank You

Professor Kevin Mumford
mumford@purdue.edu



Mitch Daniels School of Business