



Assessing the Biden Economy Three Years In

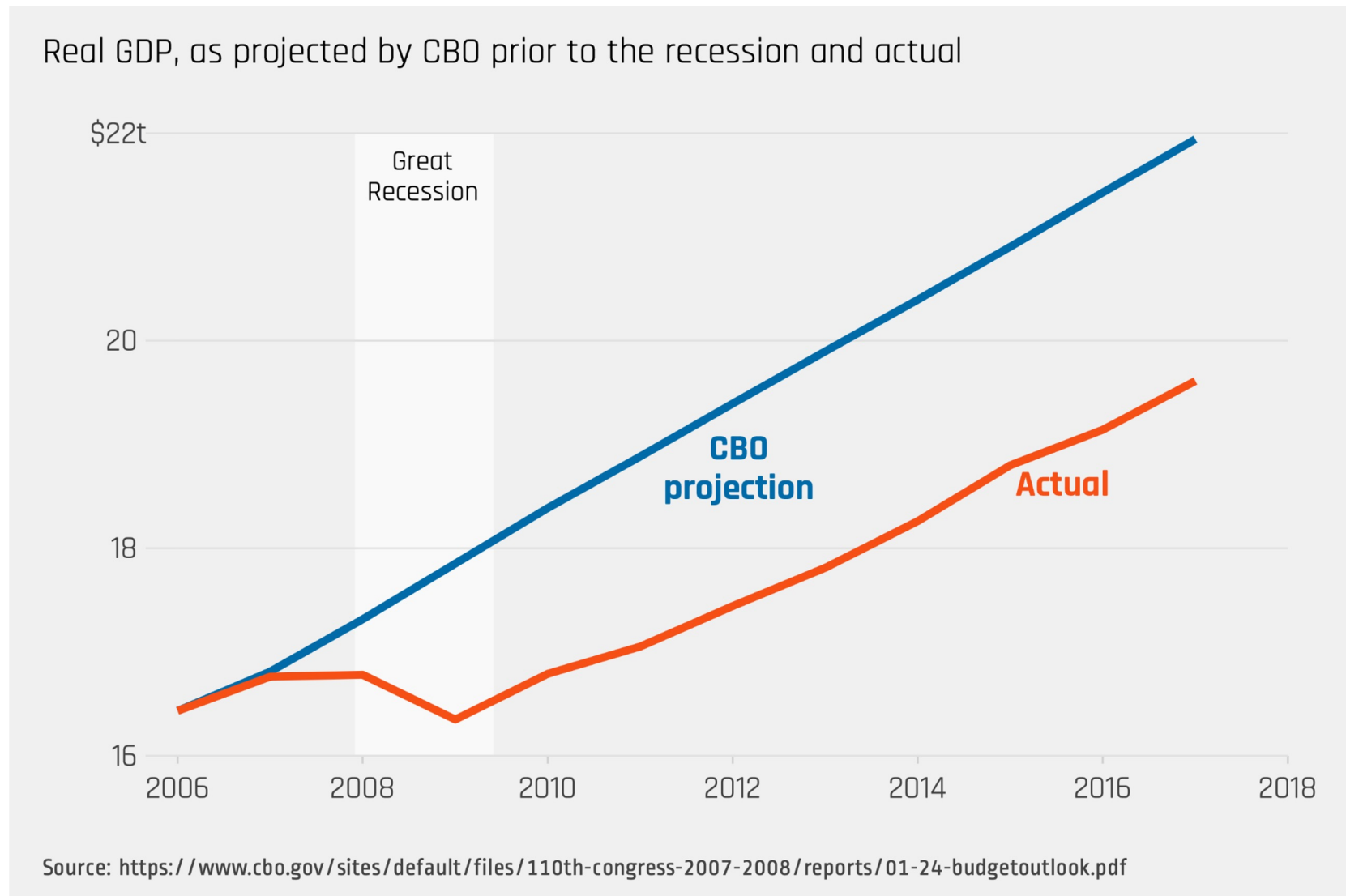
Michael Linden

Senior Policy Fellow

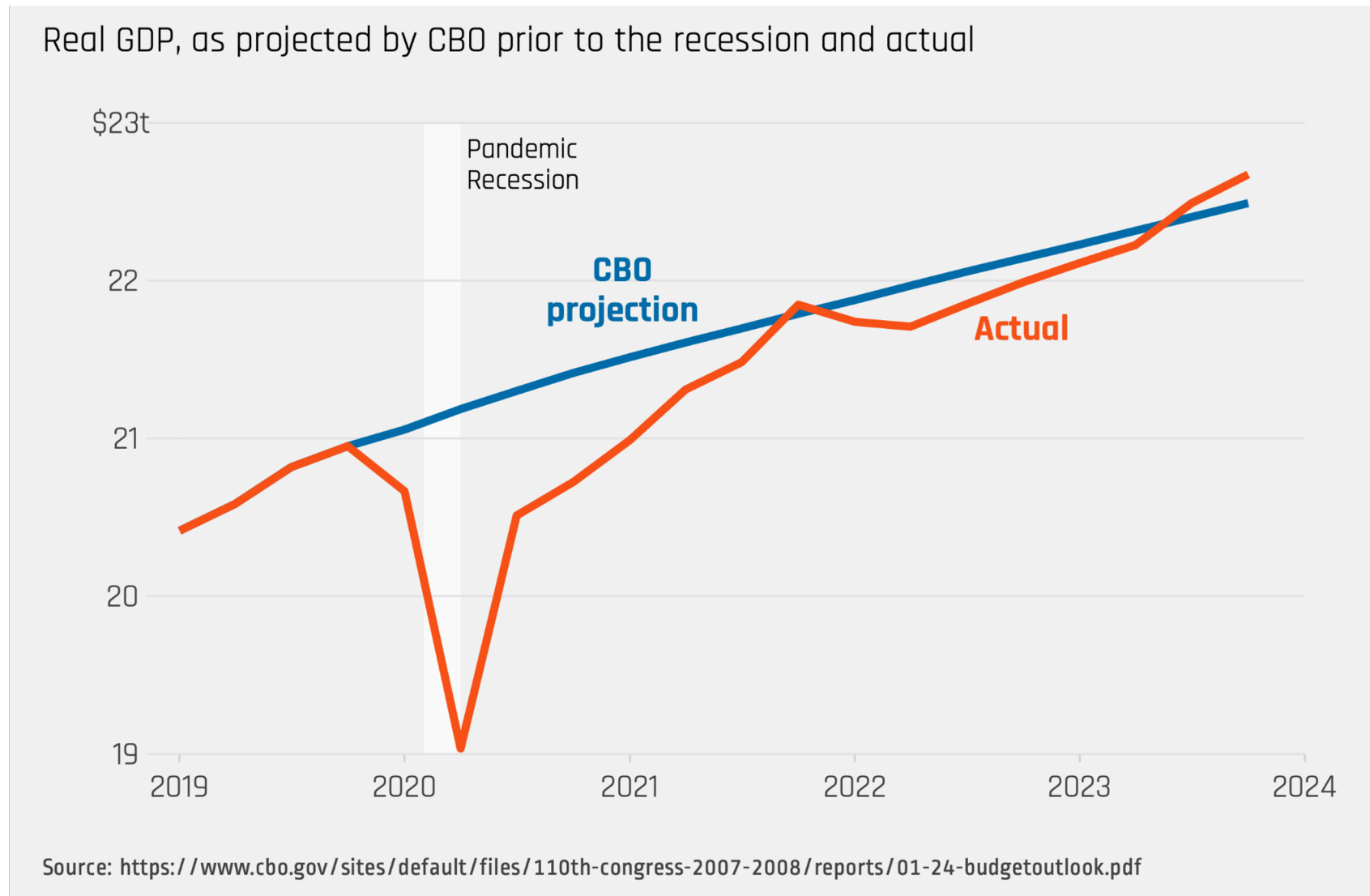
Austin Clemens

Senior Fellow

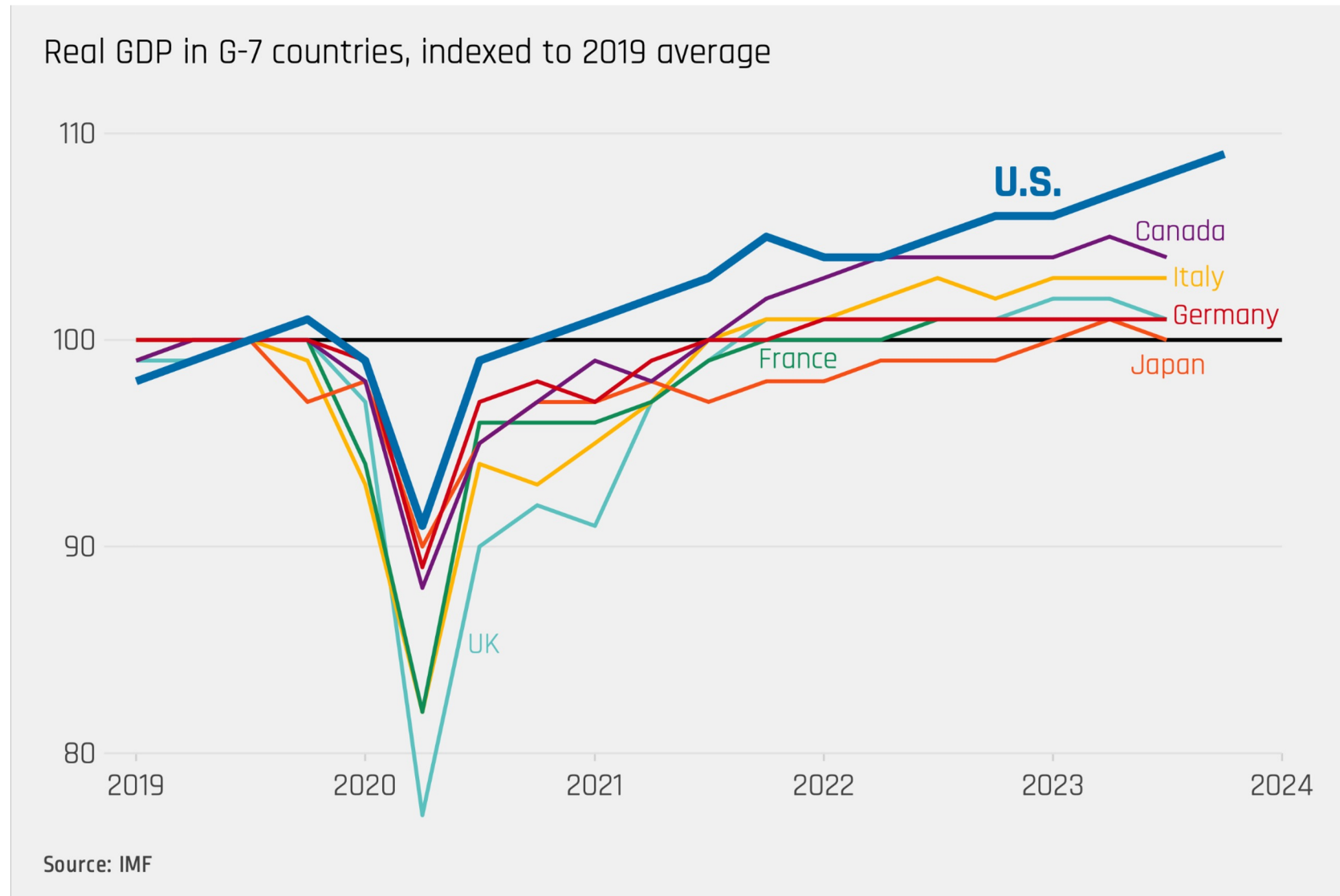
After the Great Recession, economic growth never recovered to pre-recession projections



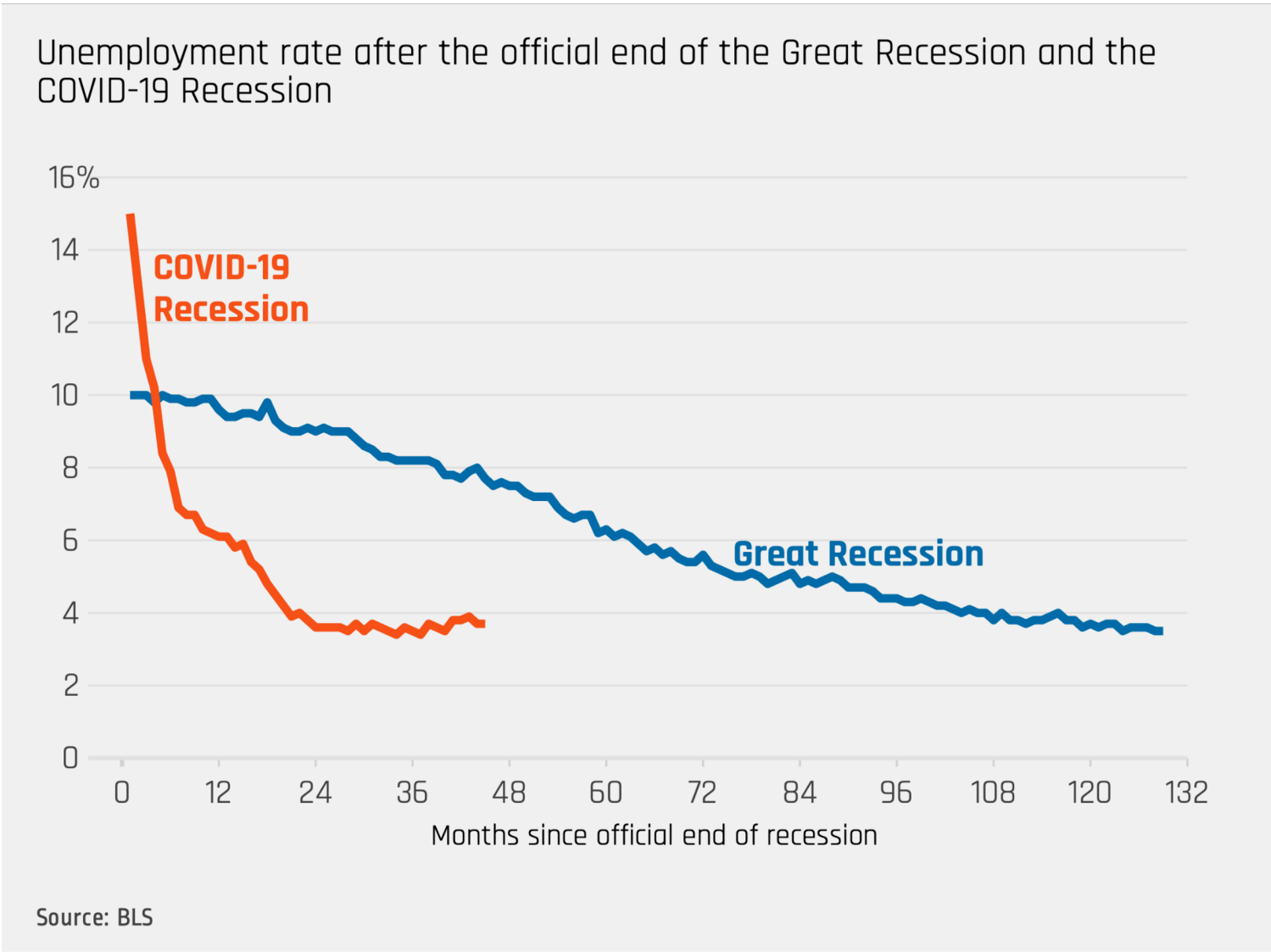
The economy is larger today than was projected prior the pandemic.



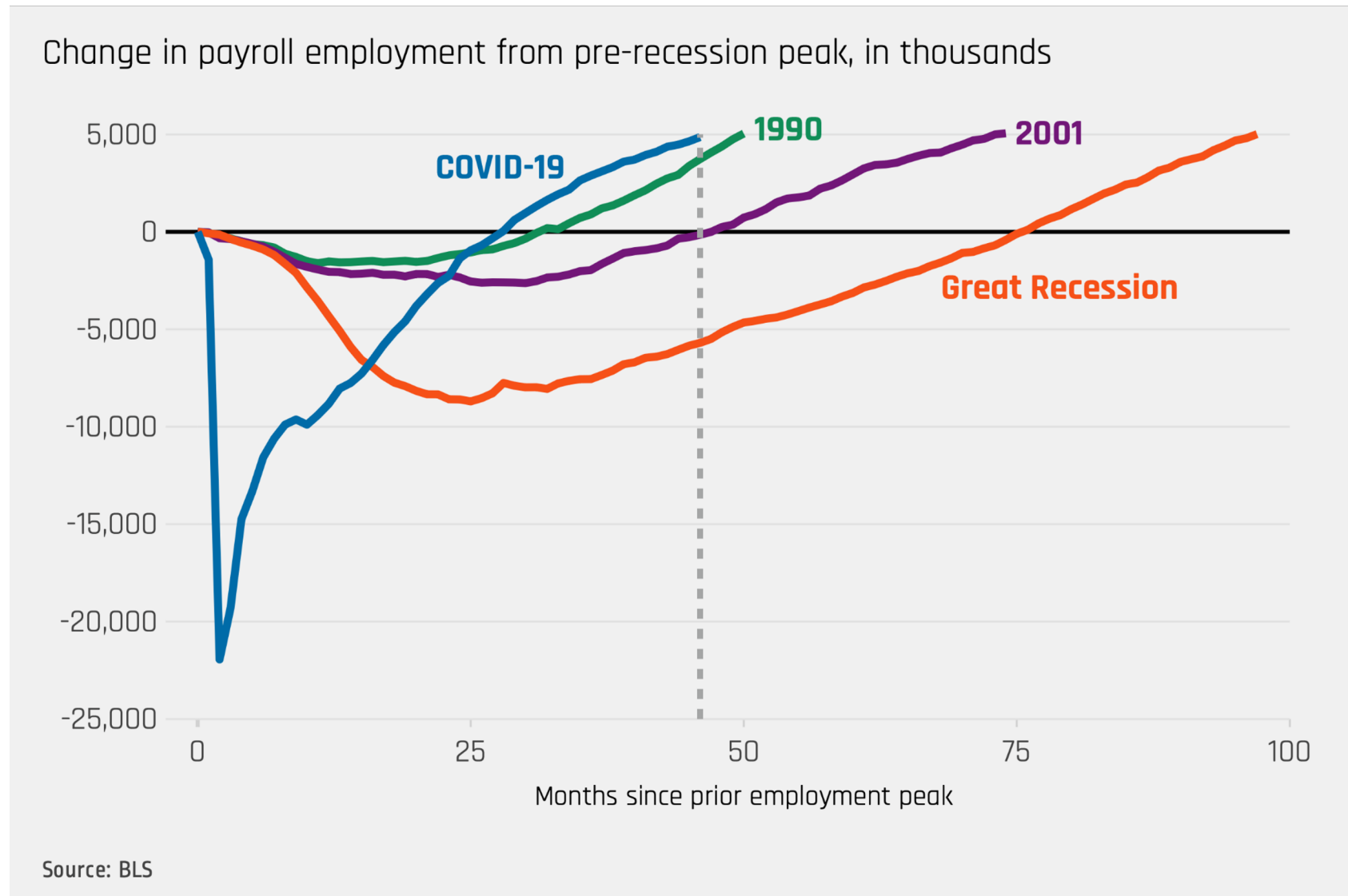
Total economic growth in the U.S. has outpaced every other G-7 country by a substantial margin.



Unemployment dropped far more rapidly after the COVID recession than after the Great Recession.

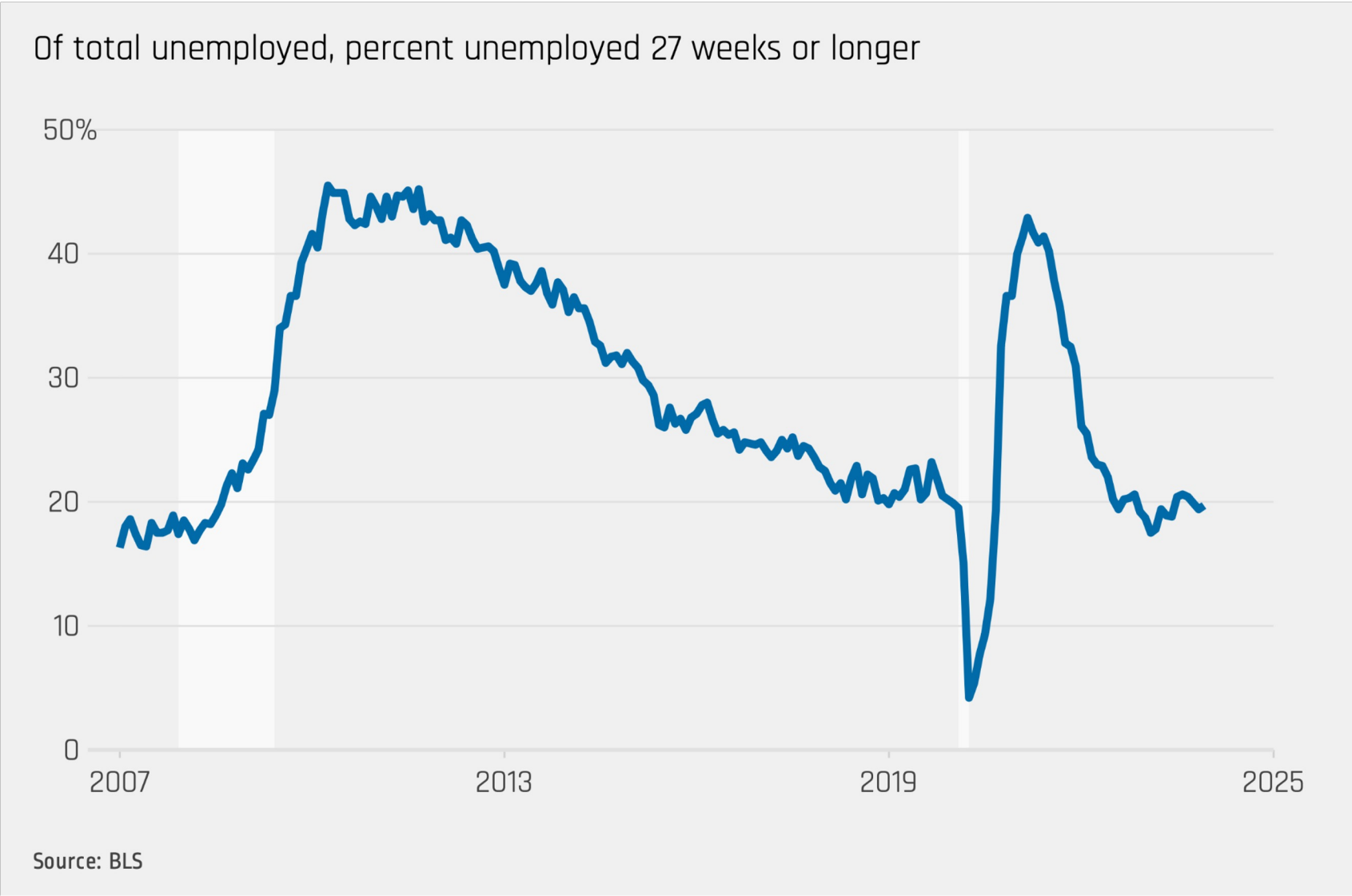


Total employment recovered faster after COVID than after any prior recession in the last three decades.

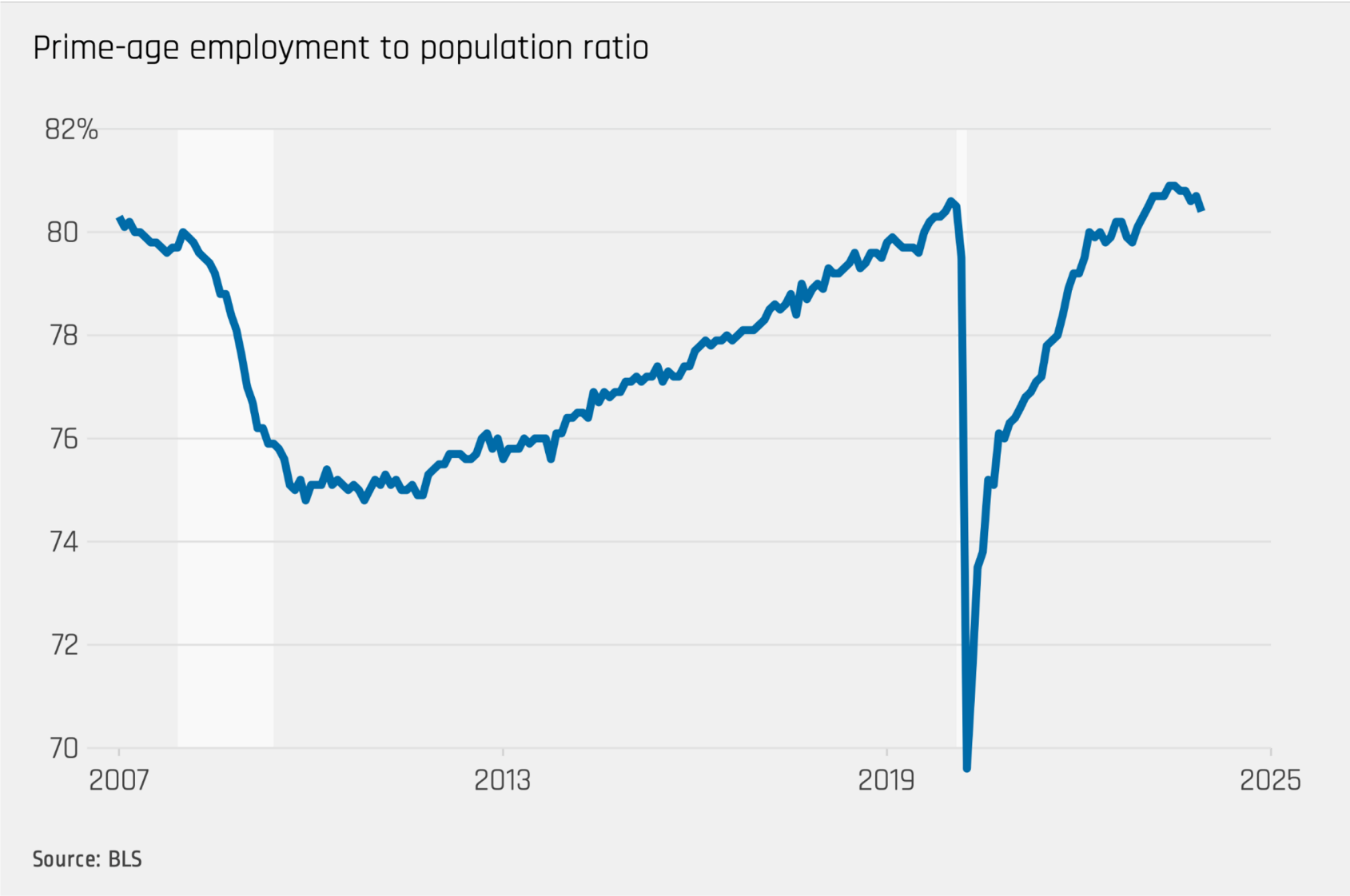


Long-term unemployment has rapidly returned to pre-recession levels, unlike after the Great Recession.

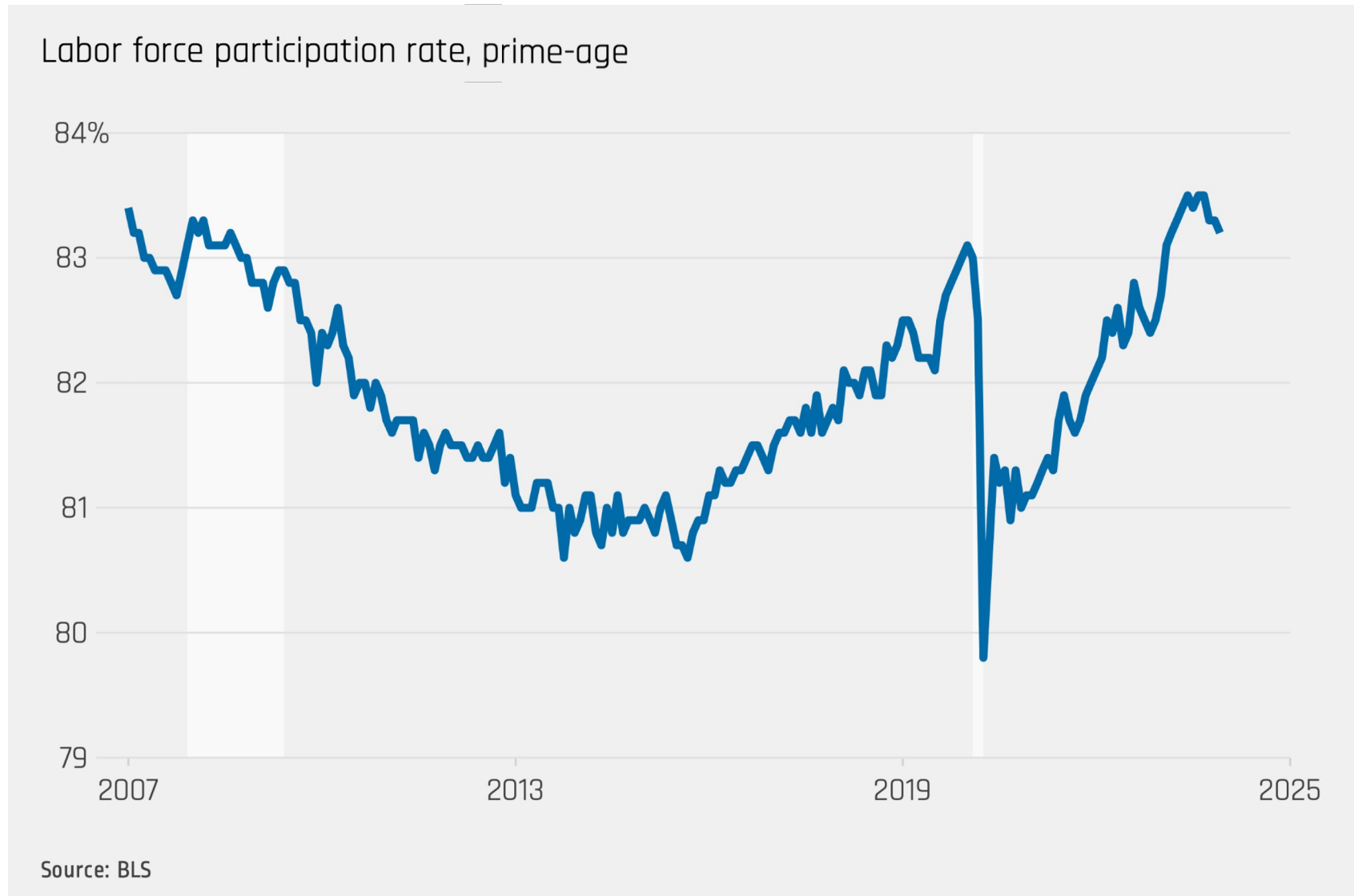
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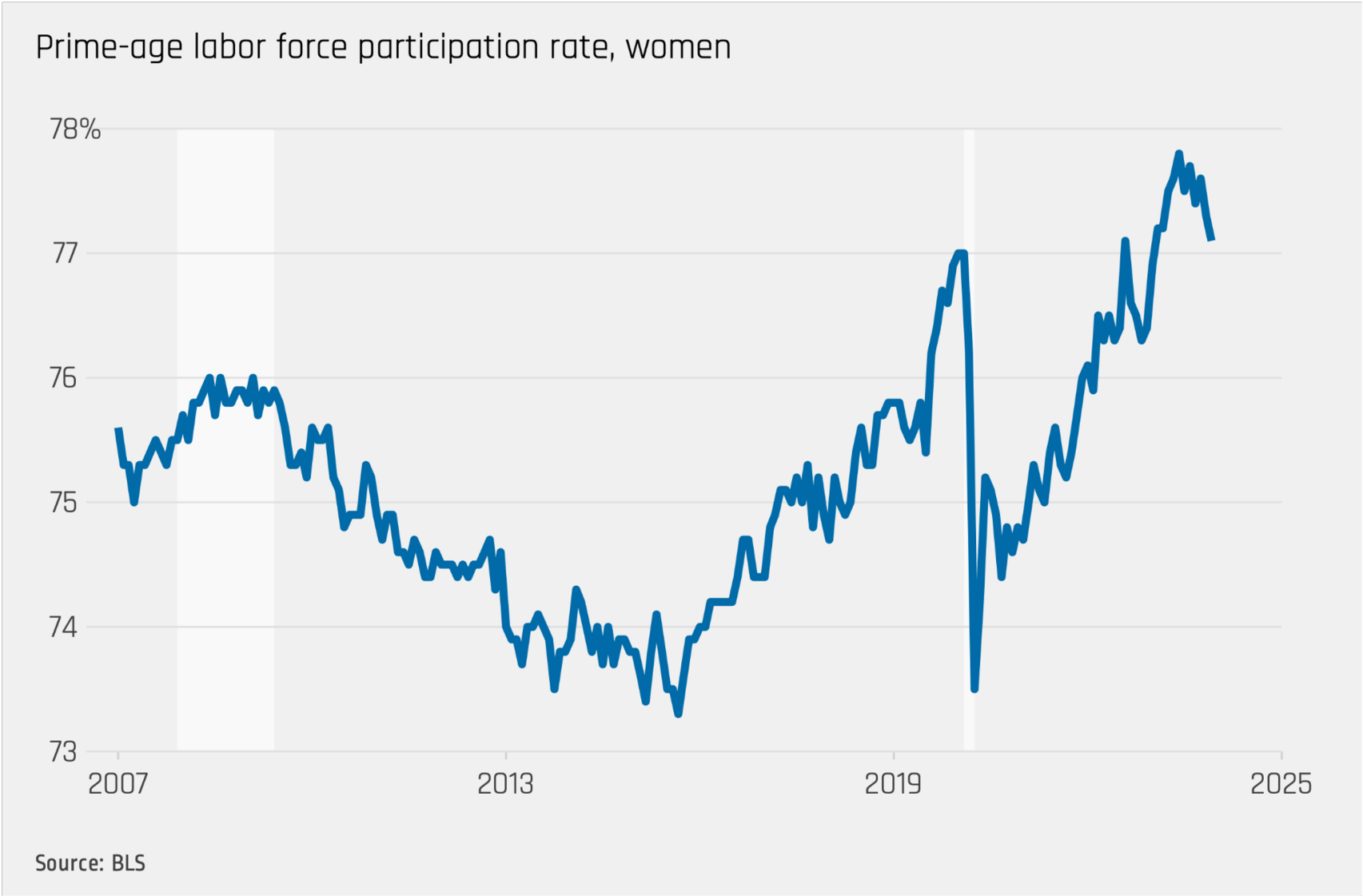
Measures of labor participation also recovered far faster after COVID than after the Great Recession.



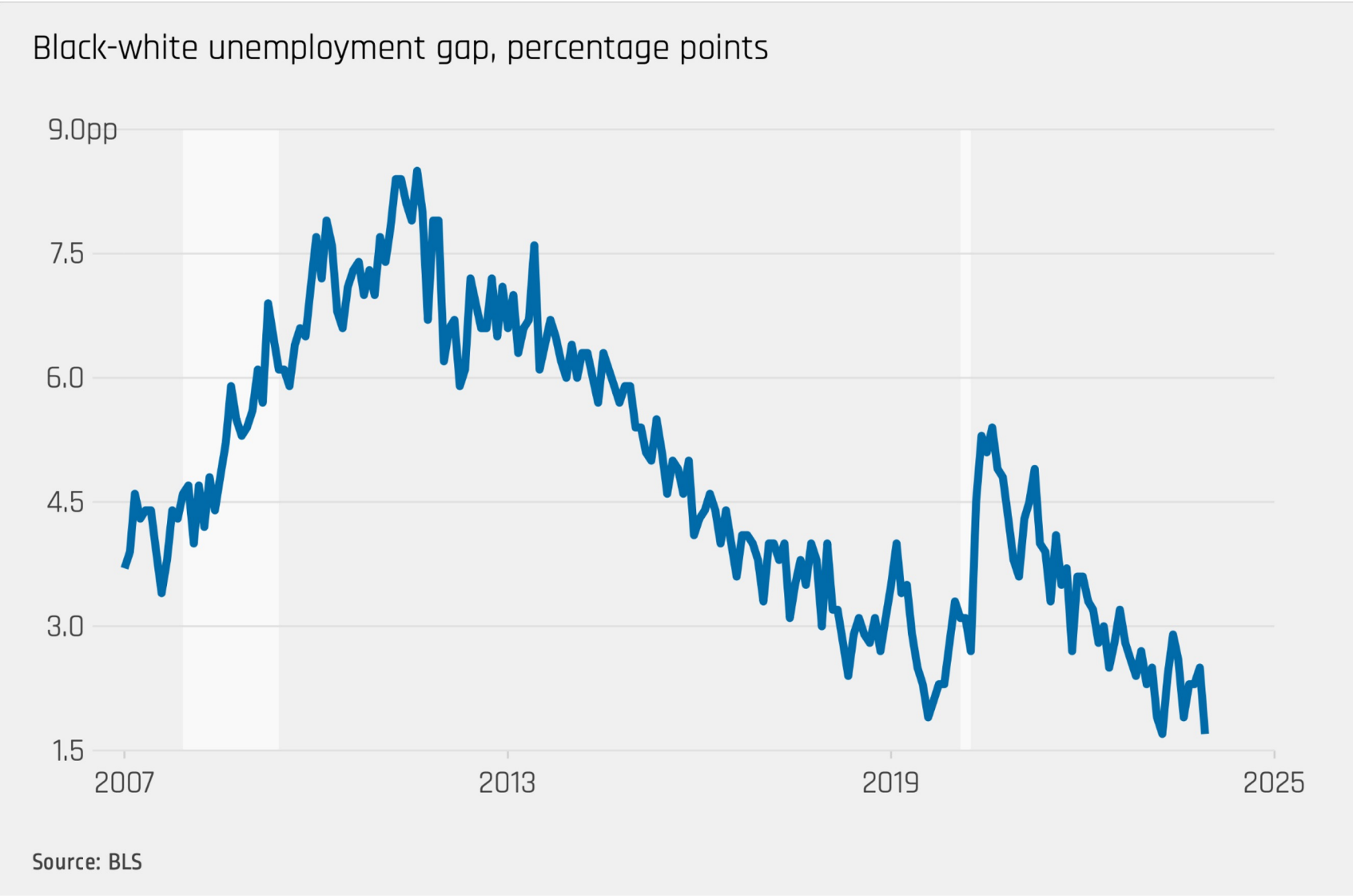
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Importantly, the strength of the current labor market includes women and people of color.

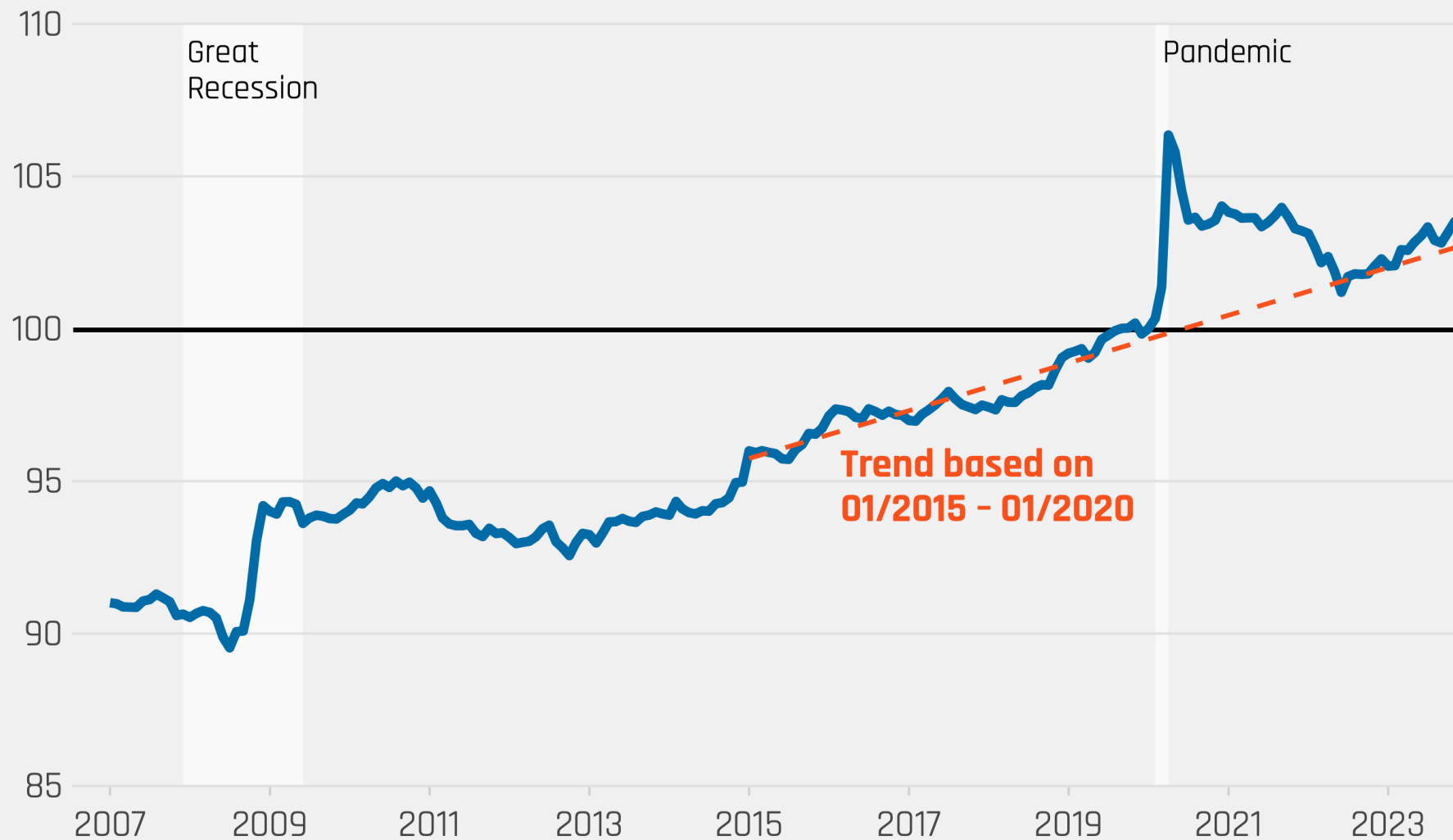


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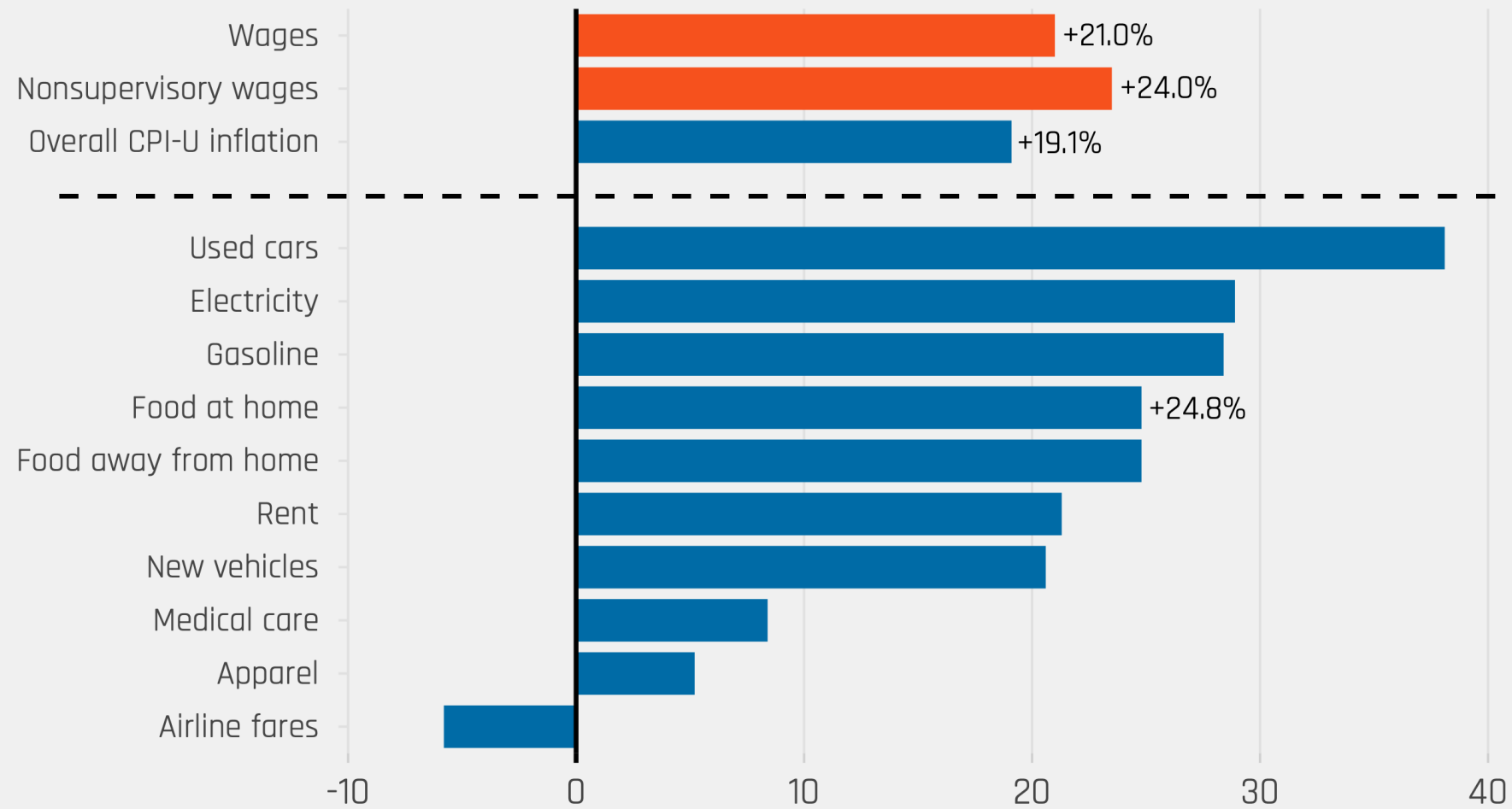
Inflation and Wages

Real wage growth for production and nonsupervisory workers, indexed to January 2020



Inflation and Wages

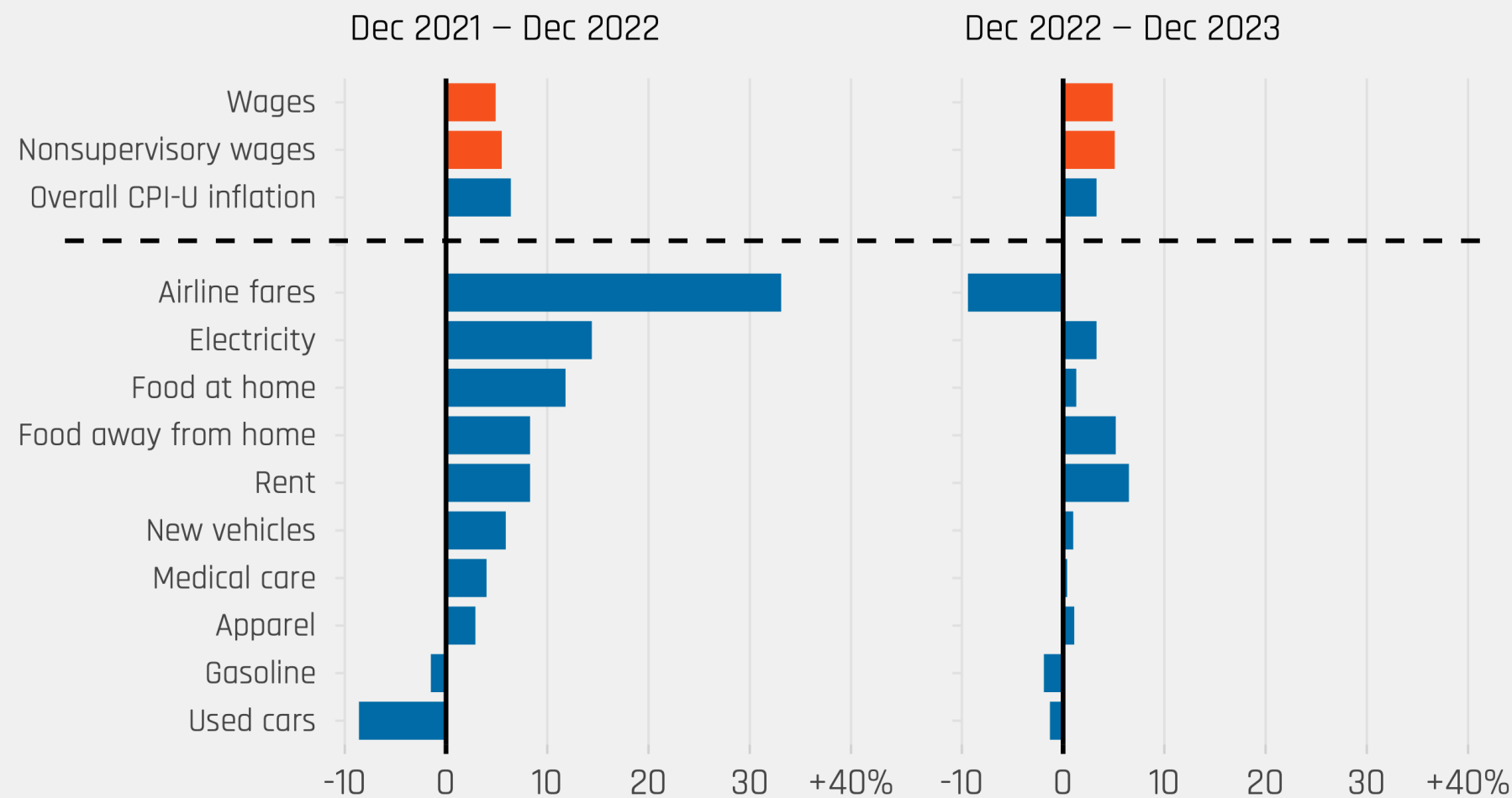
Cumulative change in **wages** and **CPI-U** categories between Feb 2020 and Dec 2023



Source: BLS

Inflation and Wages

Cumulative change in **wages** and **CPI-U** categories in 2022 and 2023



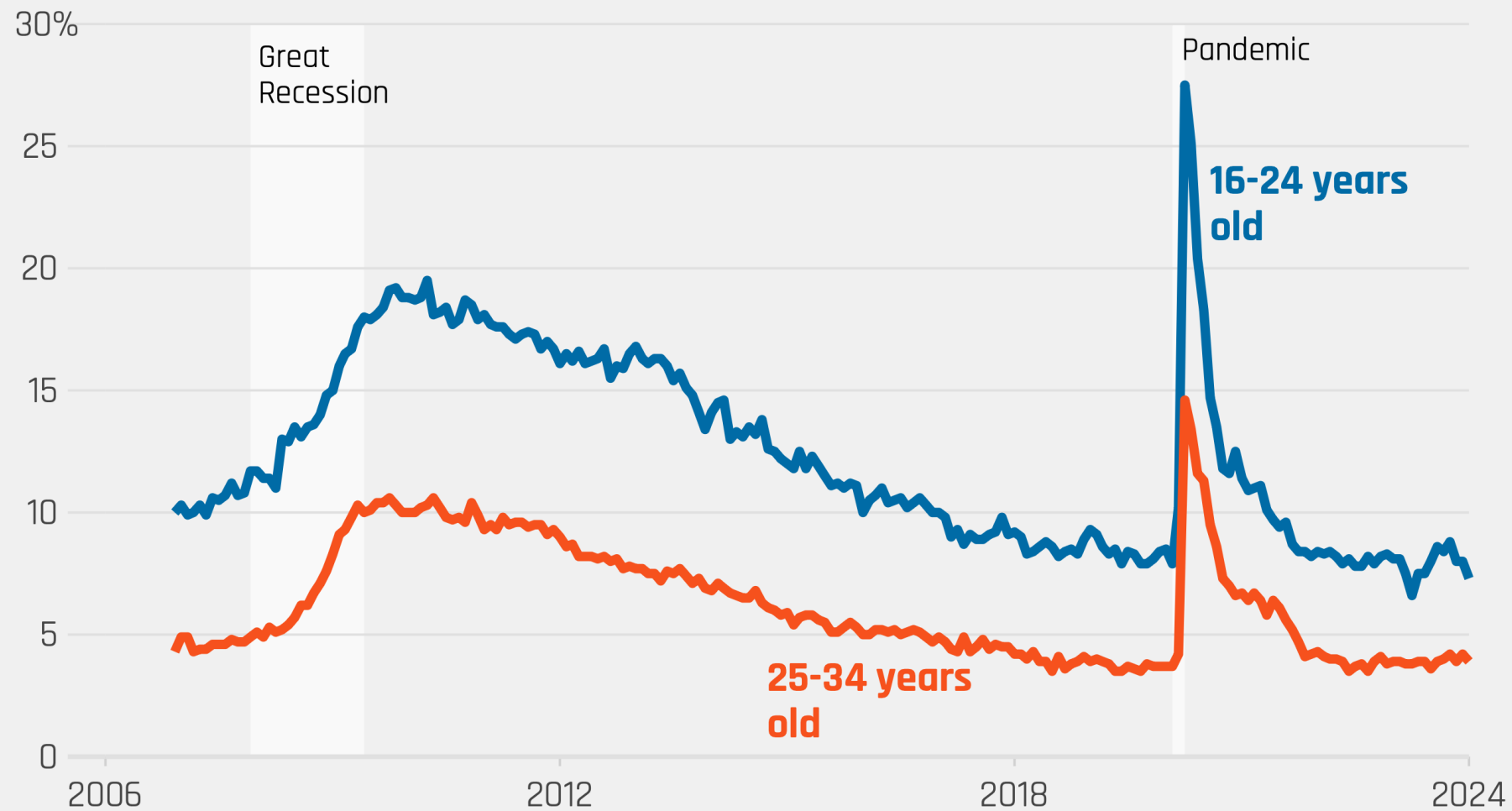
Source: BLS

Avoiding scarring

- Labor economists find that recessions are scarring for workers.
Scarred workers:
 - Are less likely to be employed 10 years after scarring events
 - Earn less than their peers 10 years after scarring events
 - Have higher risk of stress-related illness like heart disease, liver disease, and lung cancer
 - Scarring weakens human capital and can harm long-run growth
- *Young, first-time entrants to the labor market are the most vulnerable to scarring*

Youth Labor Market

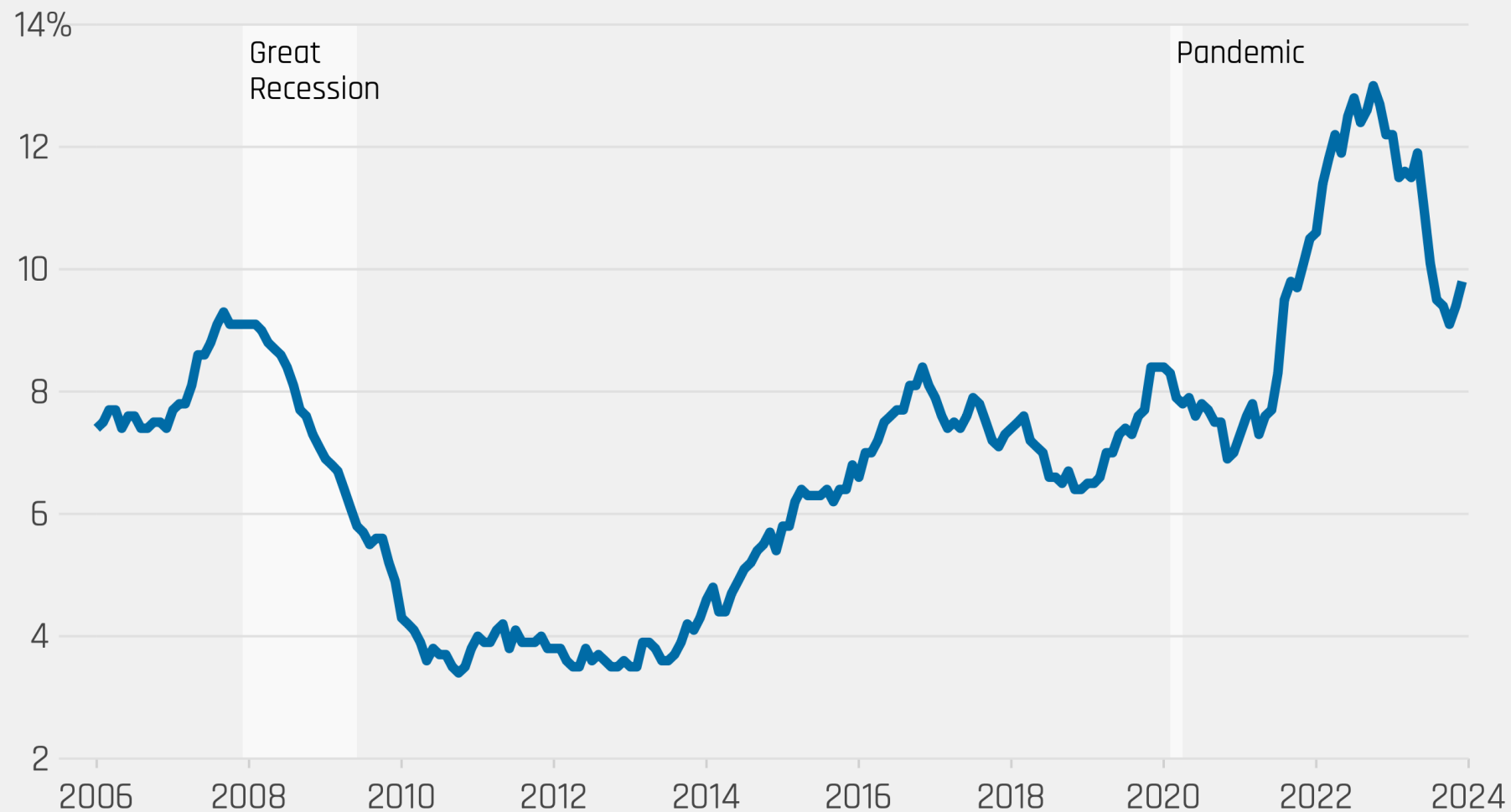
Unemployment for younger workers, 2006 to 2024



Source: BLS

Youth Labor Market

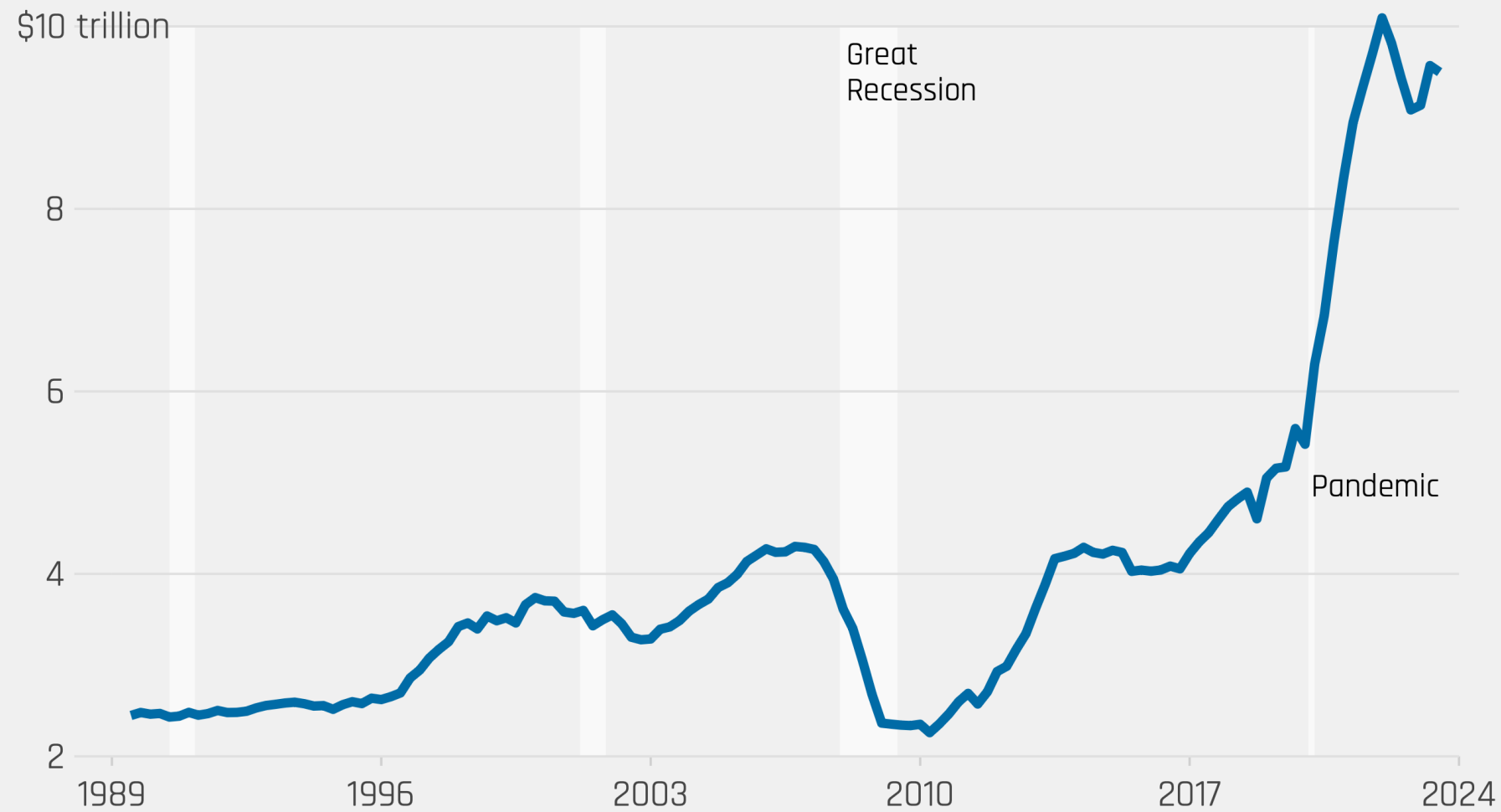
Year-over-year change in median wages for 16-24 year olds



Source: Federal Reserve Bank of Atlanta Wage Growth Tracker

Youth Labor Market

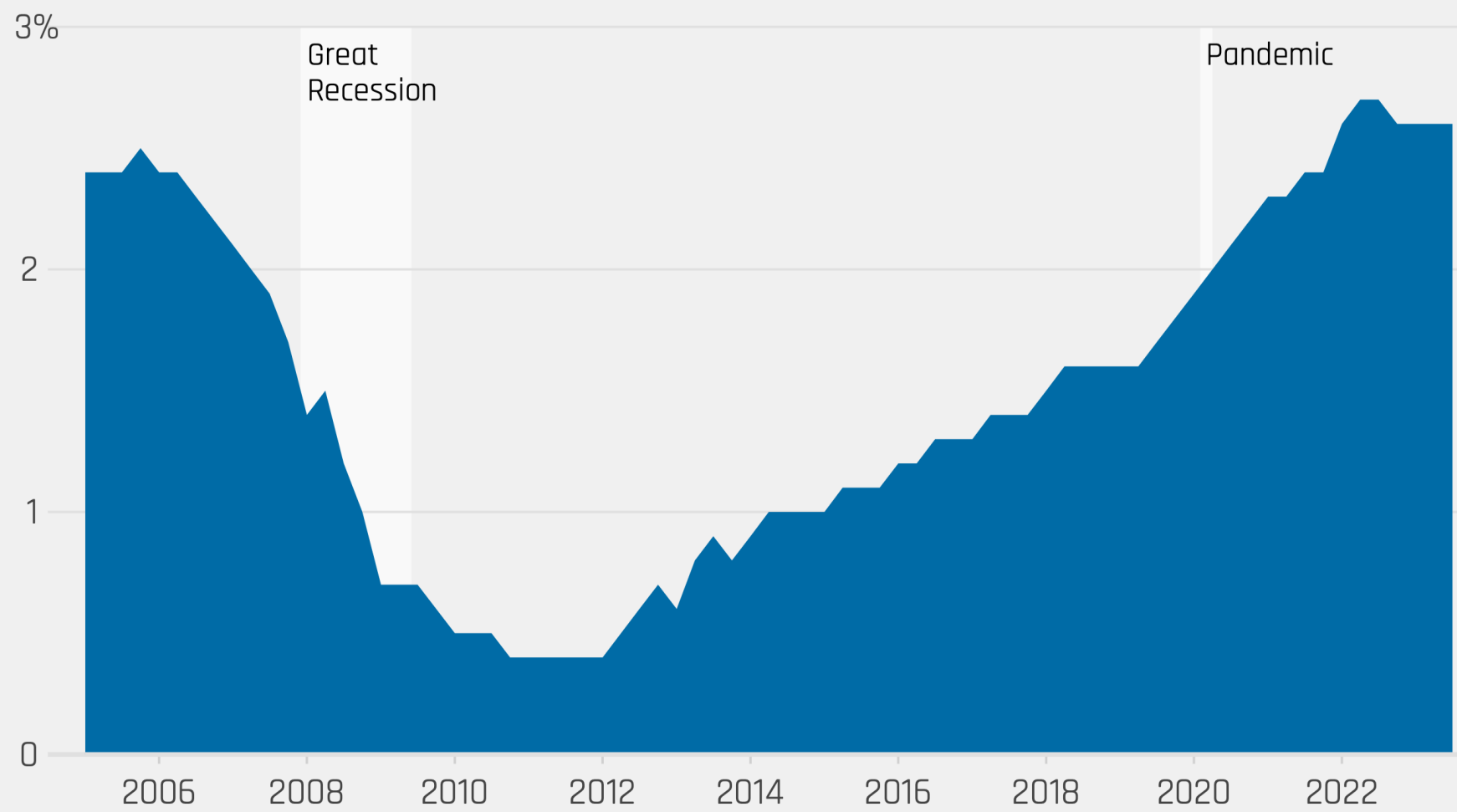
Total wealth held by individuals under age 40, trillions of US dollars



Source: Federal Reserve, Distributional Financial Accounts

Inequality

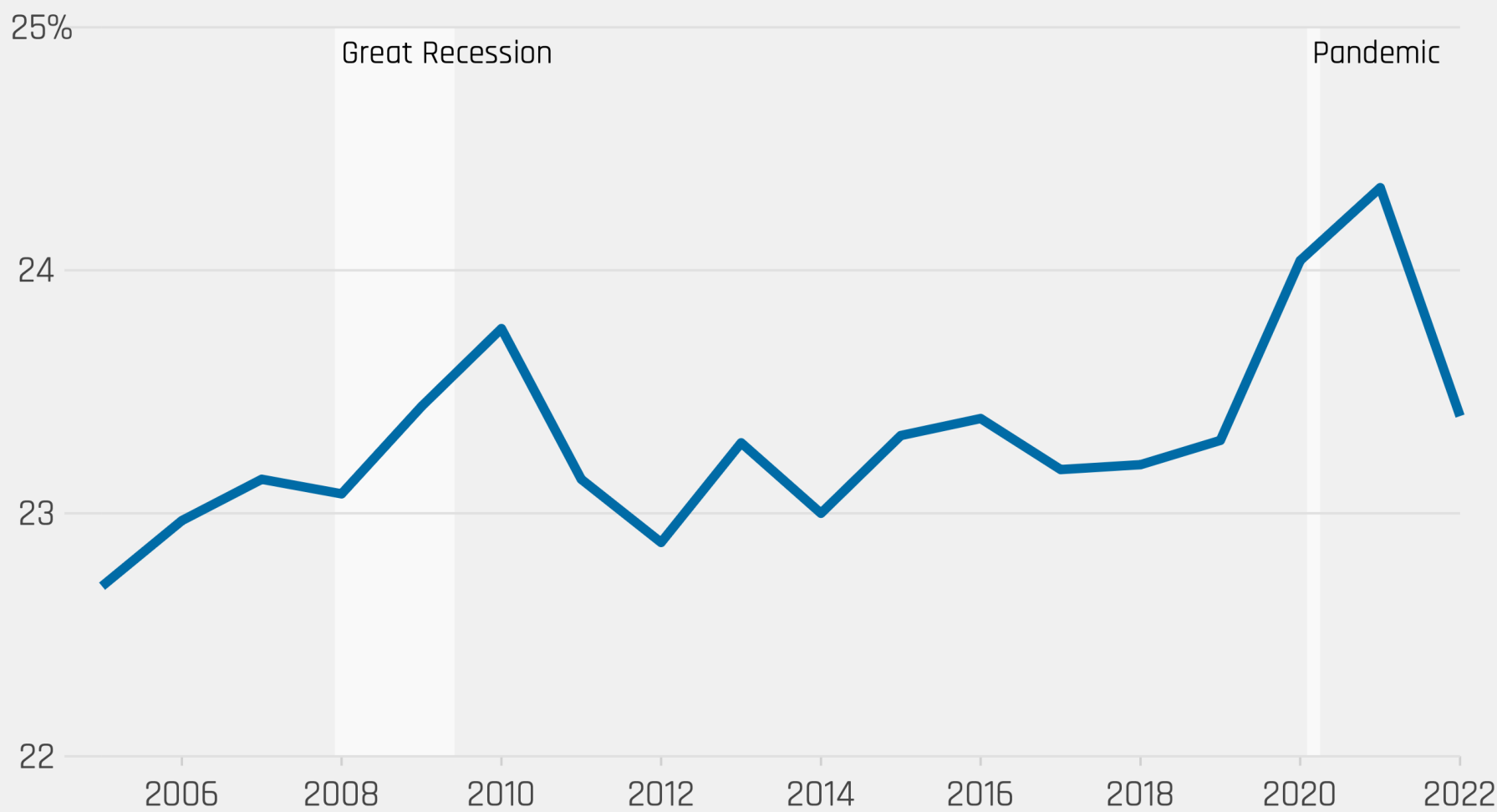
Share of wealth owned by bottom 50 percent of households



Source: Federal Reserve Board, Distributional Financial Accounts

Inequality

Share of disposable personal income owned by bottom 50 percent of households

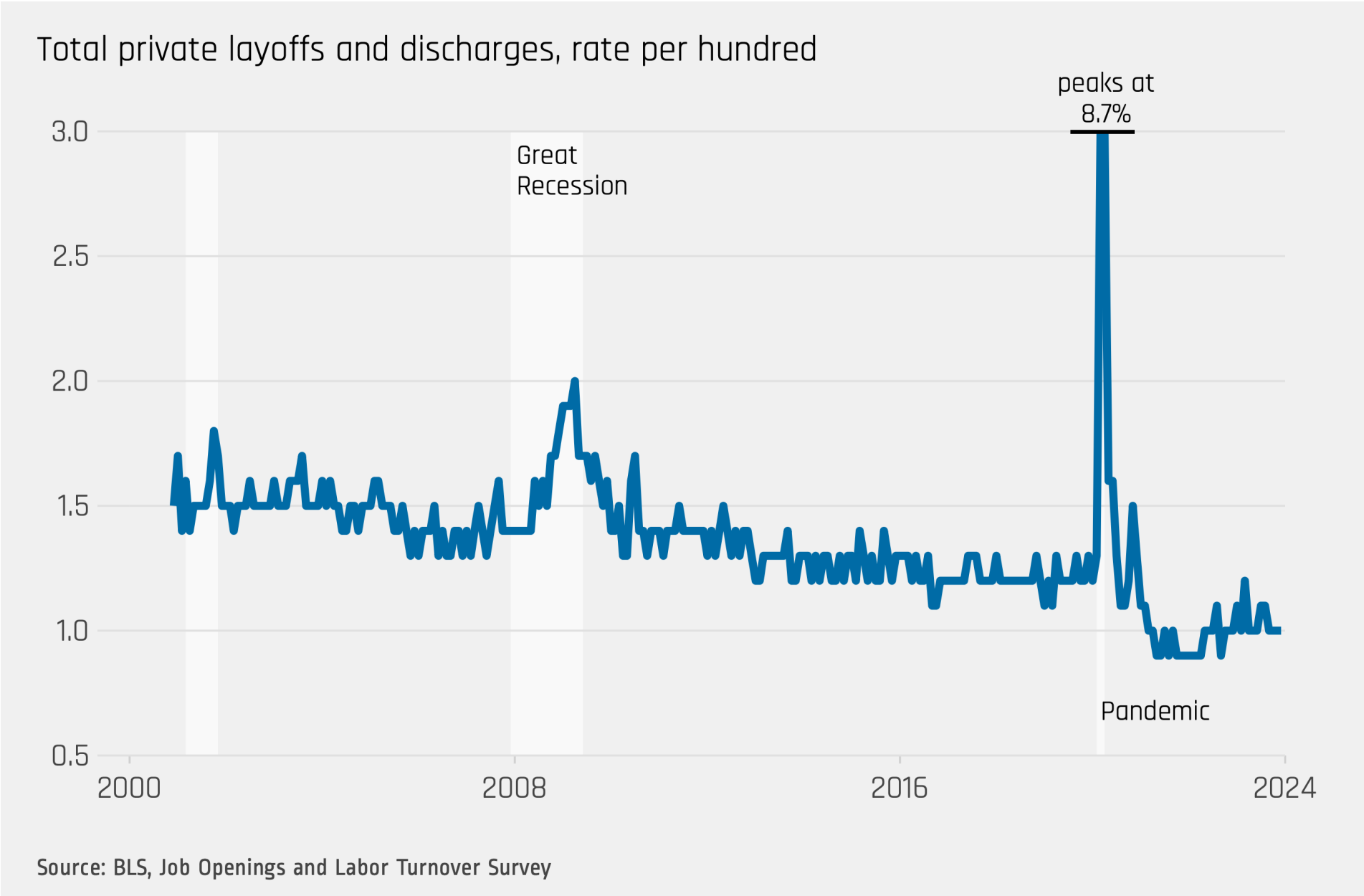


Source: BEA, Distribution of Personal Income

Risks

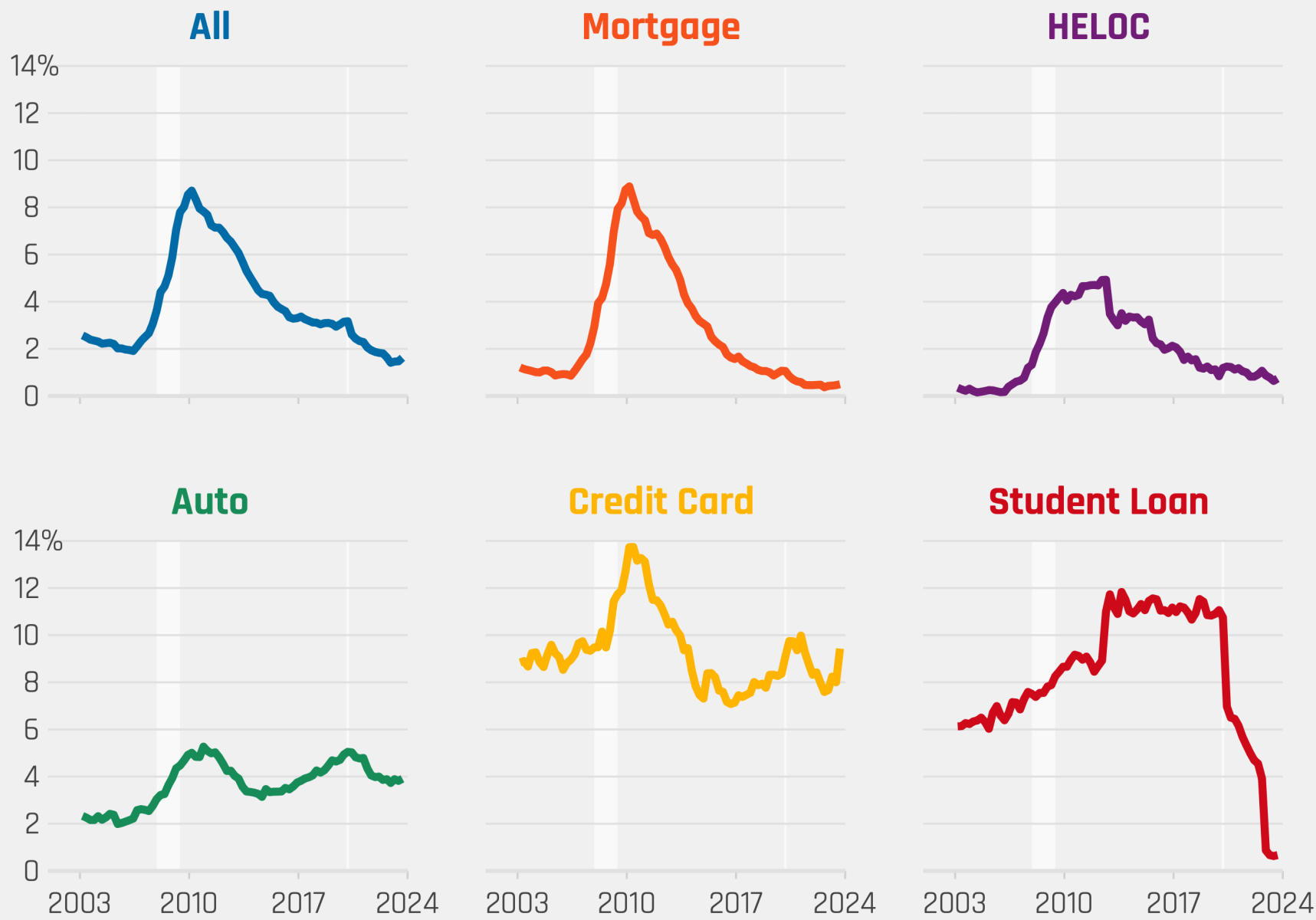
- Layoffs
- Debt
- Inflation
- Rates

Risks: Layoffs



Risks: Debt

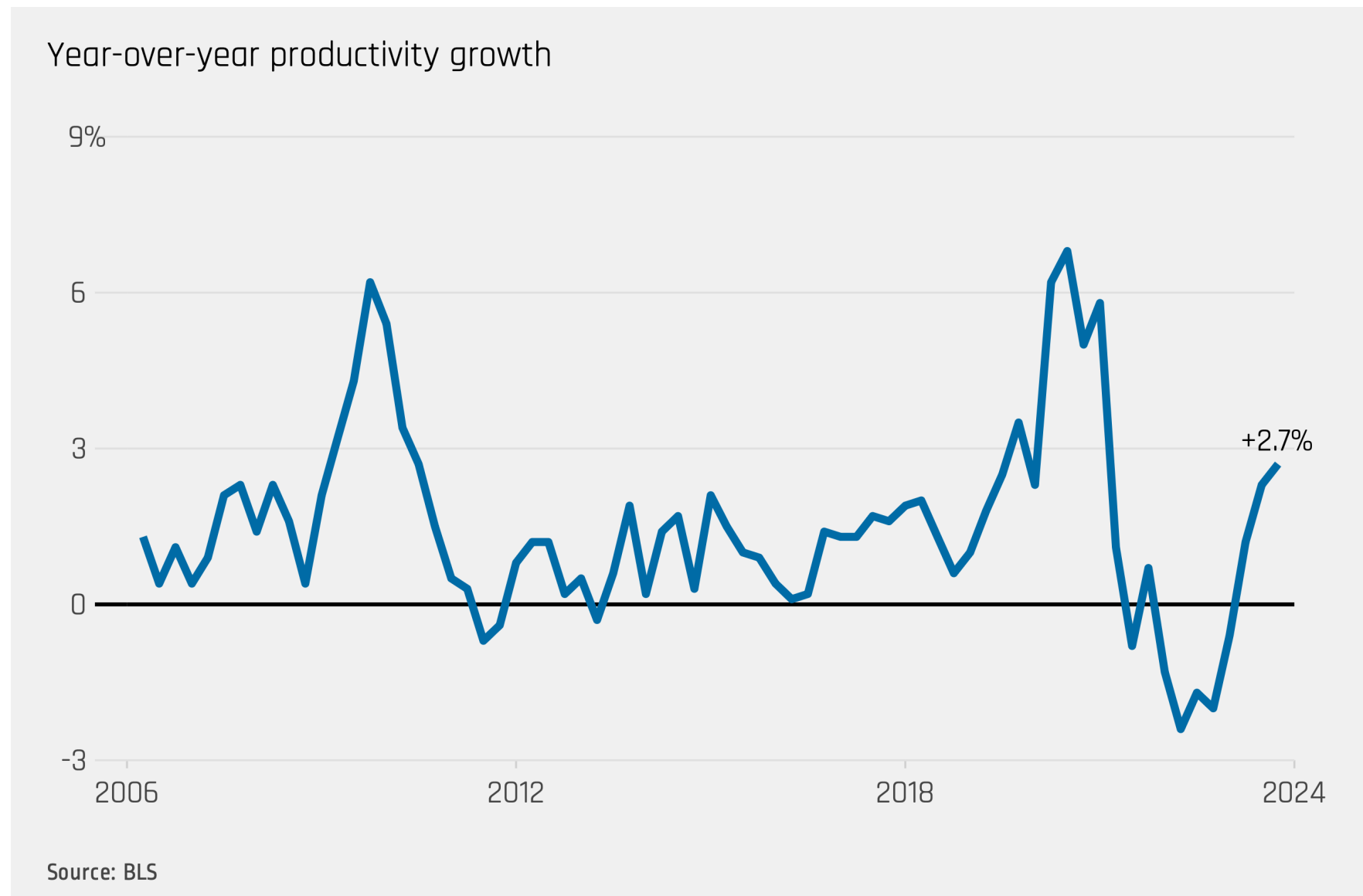
Percent of loans more than 90 days delinquent, by type of loan



Source: NY Federal Reserve Bank, Household Debt and Credit Report

Risks: inflation

- Unlikely that inflation will return in near-term.
- Inflation $\sim 2.6\%$ + productivity $\sim 2.7\%$ = 5.3% wage growth is sustainable
- Current yoy wage growth around 4%



Risks: rates

- Commercial real estate:
 - In 2007, mortgages were 31% of all nonfinancial domestic debt
 - Commercial real estate is currently 4%
- Corporate debt:
 - Big chunk of money, but not particularly distressed
- Risk is elevated if rates stay high