Assessing the Biden Economy Three Years In

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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.

Unemployment rate after the official end of the Great Recession and the COVID-19 Recession

Source: BLS
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.

Source: BLS
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

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

- Wages: +21.0%
- Nonsupervisory wages: +24.0%
- Overall CPI-U inflation: +19.1%
- Used cars: +24.8%
- Electricity
- Gasoline
- Food at home: +24.8%
- Food away from home
- Rent
- New vehicles
- Medical care
- Apparel
- Apparel fares

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

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

Total private layoff and discharges, rate per hundred

- Peaks at 8.7%
- Great Recession
- Pandemic

Source: BLS, Job Openings and Labor Turnover Survey
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