

# JOINT ECONOMIC COMMITTEE

CONGRESSWOMAN CAROLYN MALONEY, VICE CHAIR



## ECONOMIC UPDATE

August 9, 2019

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### Quote of the week

*“It is critical to preserve the Federal Reserve’s ability to make decisions based on the best interests of the nation, not the interests of a small group of politicians,”* –Former Fed Chairs Paul Volcker, Alan Greenspan, Ben Bernanke and Janet Yellen in the [Wall Street Journal](#) (8/5/2019)

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### What you need to know

- The President [claimed that the Federal Reserve has been hurting economic growth](#) during his time in office. Analysis from the [New York Times](#) and the [Brookings Institution](#) undermine that assertion. Relative to the state of the economy, the Fed has been more “growth-friendly” under Mr. Trump than any president since Jimmy Carter.
- The U.S. Treasury [labeled China a currency manipulator](#) Monday after the yuan weakened beyond the 7-to-a-dollar level. Markets responded poorly on concerns the two nations would start a currency war, with stocks falling and bonds showing higher risk of a U.S. recession.
- U.S. service companies [reported the slowest growth in nearly three years](#) last month in the ISM Non-Manufacturing Survey as tariffs and difficult hiring conditions constrained businesses.
- This week, the UN Intergovernmental Panel on Climate Change released a report showing that [climate change threatens global food security](#).

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### Happening the week of August 12, 2019

- *Monday, 8/12:* Treasury publishes its [budget statement](#) for July. CBO [expects a monthly deficit of \\$120 billion](#), bringing the shortfall to \$867 billion in the first 10 months of the fiscal year.
- *Monday, 8/12:* The NY Fed releases its [July Survey of Consumer Expectations](#). The June Survey showed respondents were more upbeat about their finances and the job market.
- *Tuesday, 8/13:* The Bureau of Labor Statistics releases [Real Earnings Data](#) for July. Real average hourly earnings for all employees increased 0.2 percent from May to June. BLS also will publish the [Consumer Price Index](#) for July.
- *Thursday, 8/15:* The [NY Fed](#) and the [Philadelphia Fed](#) publish their surveys of manufacturers.
- *Friday, 8/16:* Census & HUD release July’s [new residential housing starts](#). Numbers fell in June.

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## Good reads

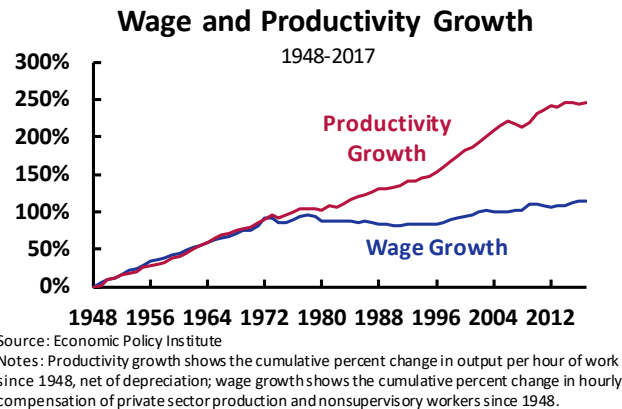
- [“America Needs an Independent Fed,”](#) Volcker, Greenspan, Bernanke and Yellen in WSJ, 8/5/2019
- [“Help for the Economy? Despite Grumbling, Trump Has Had Plenty,”](#) NYT, 8/8/2019
- [“What’s at Risk if the U.S. Stumbles Into a Currency War,”](#) NYT 8/7/2019

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## Chart of the week

Productivity growth has sharply diverged from wage growth since the early 1970s, as economic improvements have not translated to real wage gains. Each cohort of men entering the labor force between the late 1960s and early 1980s has experienced lower starting median earnings than the cohort of men who entered the labor force in the previous year, and lifetime earnings trended steadily down during that time.



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## New research and reports

- Brookings research finds that [“inequality and inclusion are not highly correlated](#) and often trend in opposite directions,” as reductions in income inequality in urban areas are associated with decreases in the number and percent of residents of color.
- To celebrate the anniversary of Medicaid, CBPP created a [state-by-state interactive fact sheet](#) on the program’s contributions.
- This working paper shows that the 30-year [decline in the U.S. saving rate](#) leading up to the last recession could be traced to expanded credit supply that encouraged households to save less. During the Recession, households ‘overshot’ their savings, doubling the savings rate and reducing their consumption. This research can inform policies to counteract such ‘overshooting’ for a quicker economic recovery.
- State opioid monitoring programs (which track prescriptions) [reduce opioid sales by 5-10%](#), and pill mill laws reduce them 10-20%. But these policies did not significantly change mortality rates, nor did they affect other socioeconomic factors typically associated with addiction, like wages, employment, or marriage rates.

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## Selected JEC resources

- [U.S. Economy by the Numbers](#)
- [Podcast: The Economic Explainer: The Impact of Paid Family Leave](#)
- [Democratic Response to the Economic Report of the President](#)
- [Issue Brief on the Federal Min Wage](#)

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