A Macroeconomic Perspective
South Dakota Banking Commission
05.04.22

Joe Santos
Ness School of Management and Economics
Level set
Real GDP, Trillions of Dollars (2012=100)

Output

Source: Federal Reserve Bank of St. Louis (FRED) GDPC1.
Inflation

PCE Core Price Index, Percent Change from a Year Ago (%)

Source: Federal Reserve Bank of St. Louis (FRED) PCEPILFE.
Modeling crisis
Inflation (p) vs. Output (y) graph showing the intersection of the Aggregate Supply and Aggregate Demand curves at point $p^*$ and $y^*$.
Sugar Keynes
John Maynard Keynes (1885 – 1972)
The General Theory of Employment, Interest and Money (1936)
Inflation (p)

Aggregate Supply

Aggregate Demand

Output (y)

p*
y*

M   G   i   T   Tr
Couches and potatoes
Personal Consumption Expenditure Shares, Q4 2019

Source: U.S. Bureau of Economic Analysis
Personal Consumption Expenditure Shares, Q2 2021

Source: U.S. Bureau of Economic Analysis
Consumer Inflation, Select Categories

Percent Change from a Year Ago (%)

Source: Federal Reserve Bank of St. Louis (FRED) series CPIAUCSL, CUSR0000SAD, CUSR0000SAN, & CUSR0000SAS.
Consumer Inflation, Select Categories

Source: Federal Reserve Bank of St. Louis (FRED) series CPIAUCSL, CUSR0000SAD, CUSR0000SAN, & CUSR0000SAS.
Consumer Inflation, Select Categories

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Consumer Inflation, Select Categories

Source: Federal Reserve Bank of St. Louis (FRED) series CPIAUCSL, CUSR0000SAD, CUSR0000SAN, & CUSR0000SAS.
Consumer Inflation, Select Measures

Source: Federal Reserve Bank of St. Louis (FRED) series CPIAUCSL, MEDCPIM094SFRBCLE, & TRMMEANCPIM094SFRBCLE.
Consumer Inflation, Select Measures

Source: Federal Reserve Bank of St. Louis (FRED) series CPIAUCSL, MEDCPIM094SFRBCLE, & TRMMEANCPIM094SFRBCLE.
What’s that you say, Mrs. Robinson?
Joan Robinson (1903 – 1983)
The Economics of Imperfect Competition (1933)
Employment Cost Index

Source: Federal Reserve Bank of St. Louis (FRED) series ECIWAG.
Employment Gaps versus Employment Costs, Q3 2020

Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
Employment Gaps versus Employment Costs, Q3 2020

Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
Employment Gaps versus Employment Costs, Q4 2020

Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
Employment Gaps versus Employment Costs, Q1 2021

Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
Employment Gaps versus Employment Costs, Q2 2021

Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
Employment Gaps versus Employment Costs, Q3 2021

Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
Employment Gaps versus Employment Costs, Q4 2021

Source: Federal Reserve Bank of St. Louis (FRED) series USPRIV and BLS employment-cost industry-level measures.
A most-peculiar Beveridge
William Henry Beveridge (1879 – 1963)
Unemployment and Job-Vacancy Rates, 1990 - 2022

Source: Federal Reserve Bank of St. Louis (FRED) series UNRATE & JTSJOR.
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Source: Federal Reserve Bank of St. Louis (FRED) series UNRATE & JTSJOR.
Volcker rules
Paul Volcker (1927 – 2019)
"The standard of living of the average American has to decline, I don’t think you can escape that."

— Paul Volcker (1979)
Consumer Inflation and 1-Year Treasury Rate

Source: Federal Reserve Bank of St. Louis (FRED) series CPIAUCSL & GS1.
That Seventies Show
U.S. Consumer Price Inflation

Source: Federal Reserve Bank of St. Louis (FRED) CPIAUCSL and PCECTPI.
National Currency per US Dollar Relative to January 1960

United Kingdom
Germany
France
Canada
Italy
Japan

Source: Federal Reserve Bank of St. Louis (FRED) series CCUSMA02GBM618N, CCUSMA02DEM618N, CCUSMA02FRM618N, CCUSMA02CAM618N & CCUSMA02ITM618N.

Exchange Rates, G7
Output Gap

Source: Federal Reserve Bank of St. Louis (FRED) GDPC1 & GDPPOT.
U.S. Ex-Post Real 10-Year Treasury Yield to Maturity

Source: Federal Reserve Bank of St. Louis (FRED) CPIAUCSL and GS10.
U.S. Consumer Price Inflation, Actual and HP Smoothed

Source: Federal Reserve Bank of St. Louis (FRED) CPALTT01USQ657N.
Thank you