

The four noble truths of full employment

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CWED conference

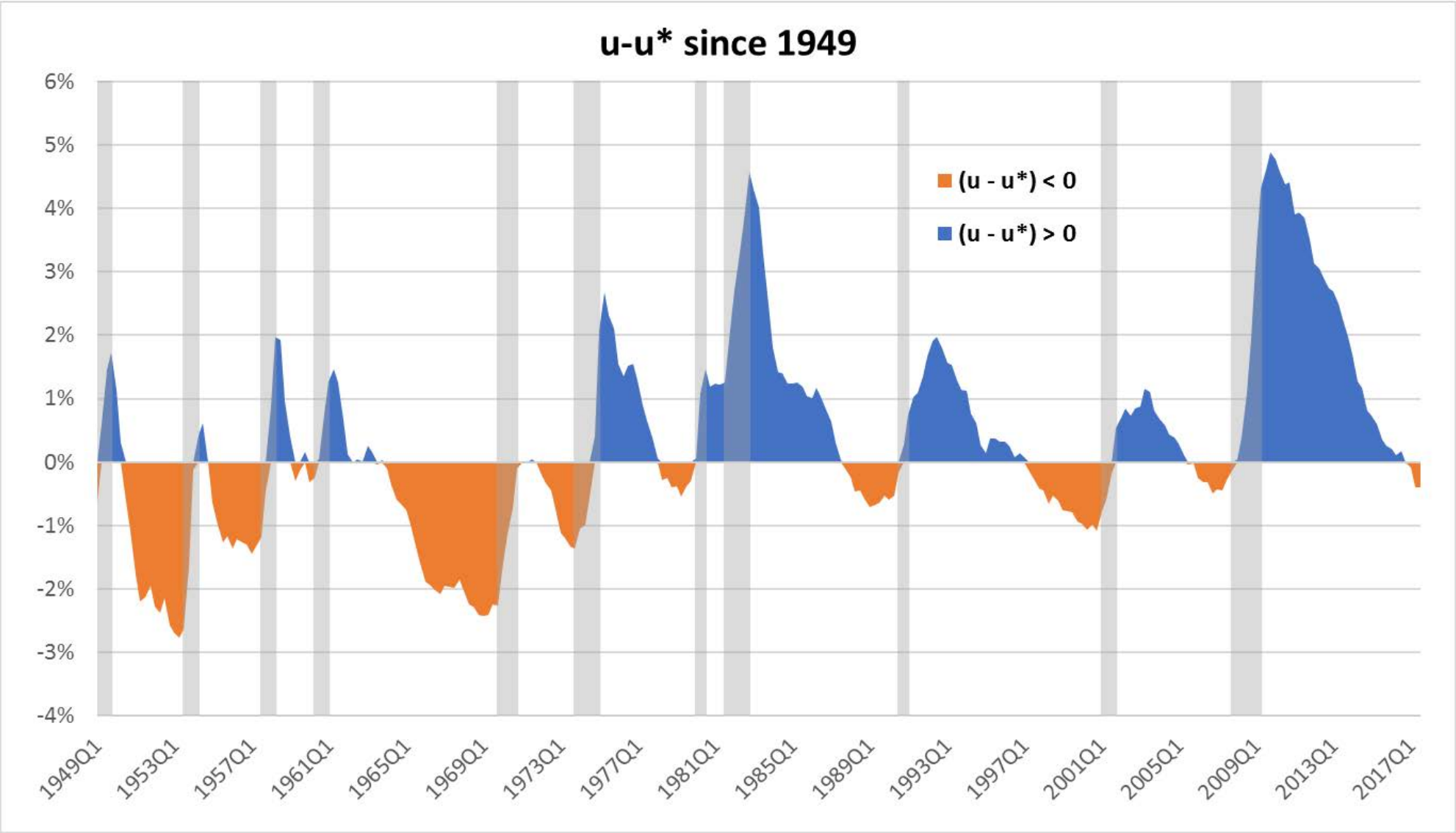
The four noble truths

Buddhism: 1) suffering exists; 2) the causes of suffering are knowable; 3) suffering can cease 4) the path to end suffering exists. It is the way.



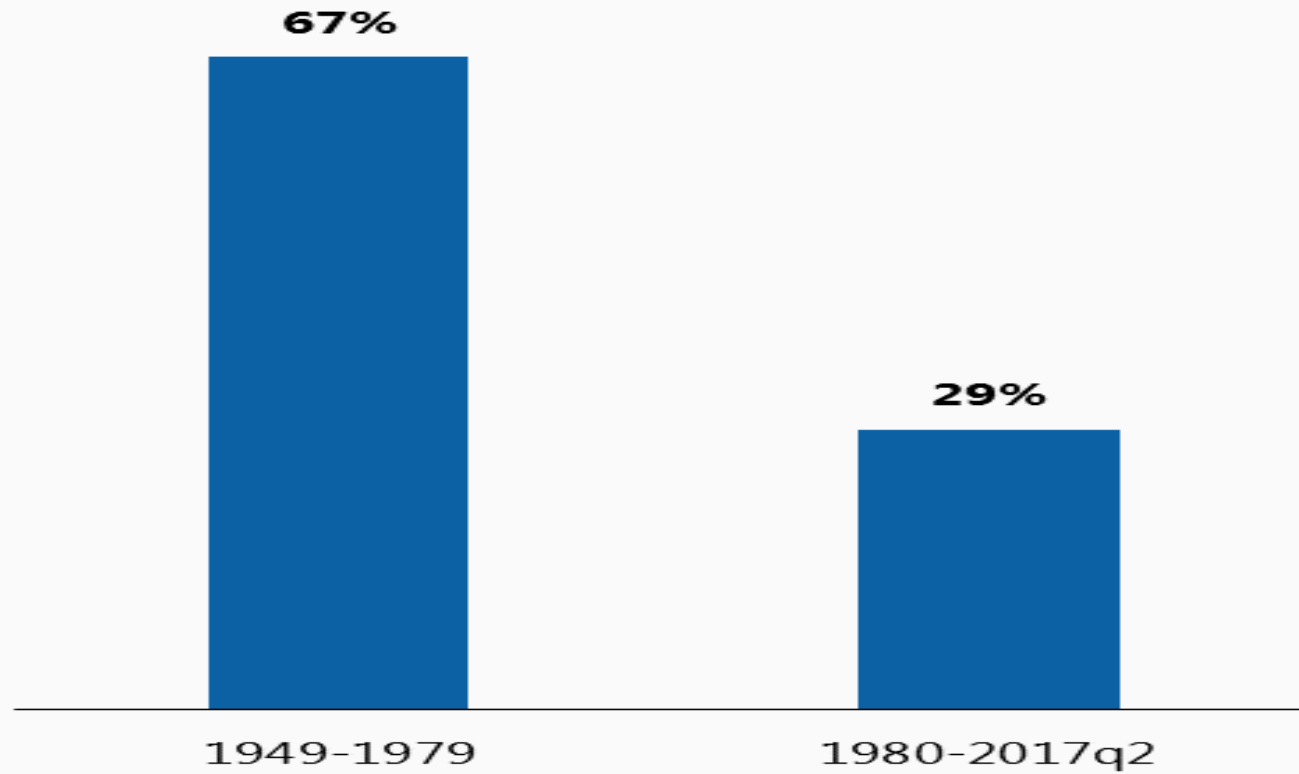
Full employment: 1) labor market slack exists 2) its causes are knowable 3) slack can be diminished 4) there is a policy agenda that gets us and keeps us at full employment. It is...





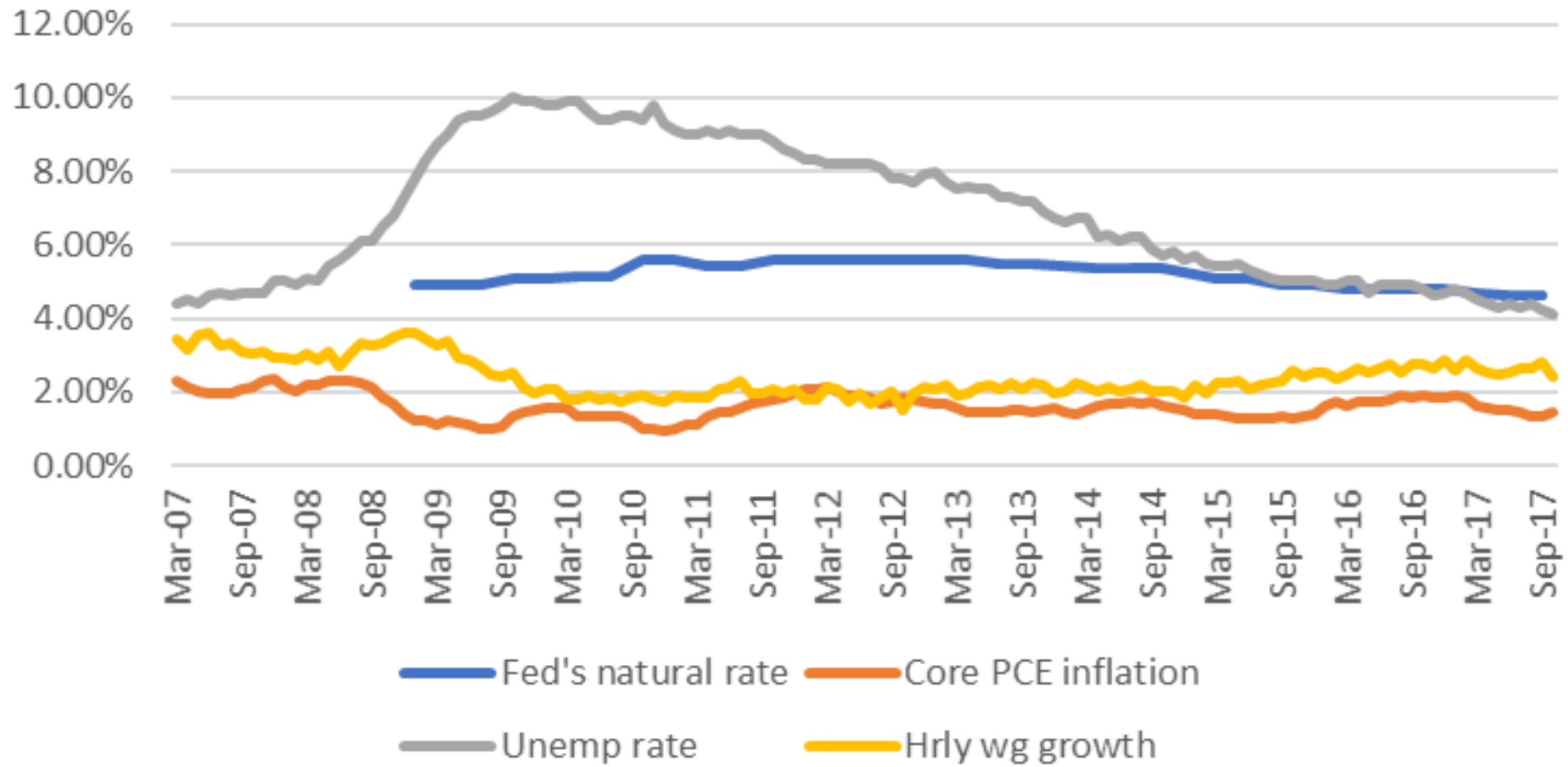
Sources: CBO, BLS

Percent of Time at Full Employment

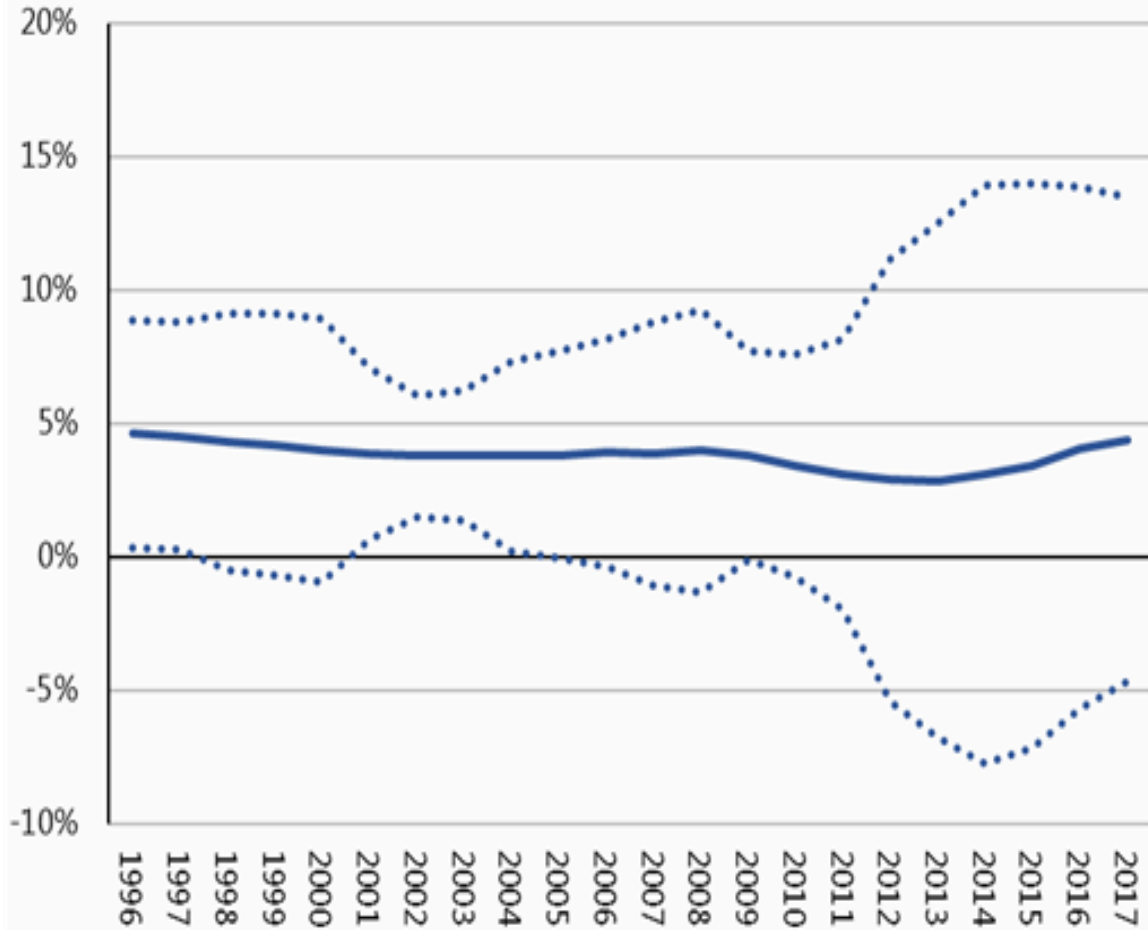


Sources: Author's calculations from Bureau of Labor Statics and Congressional Budget Office data

Inflation not responsive to falling unemployment

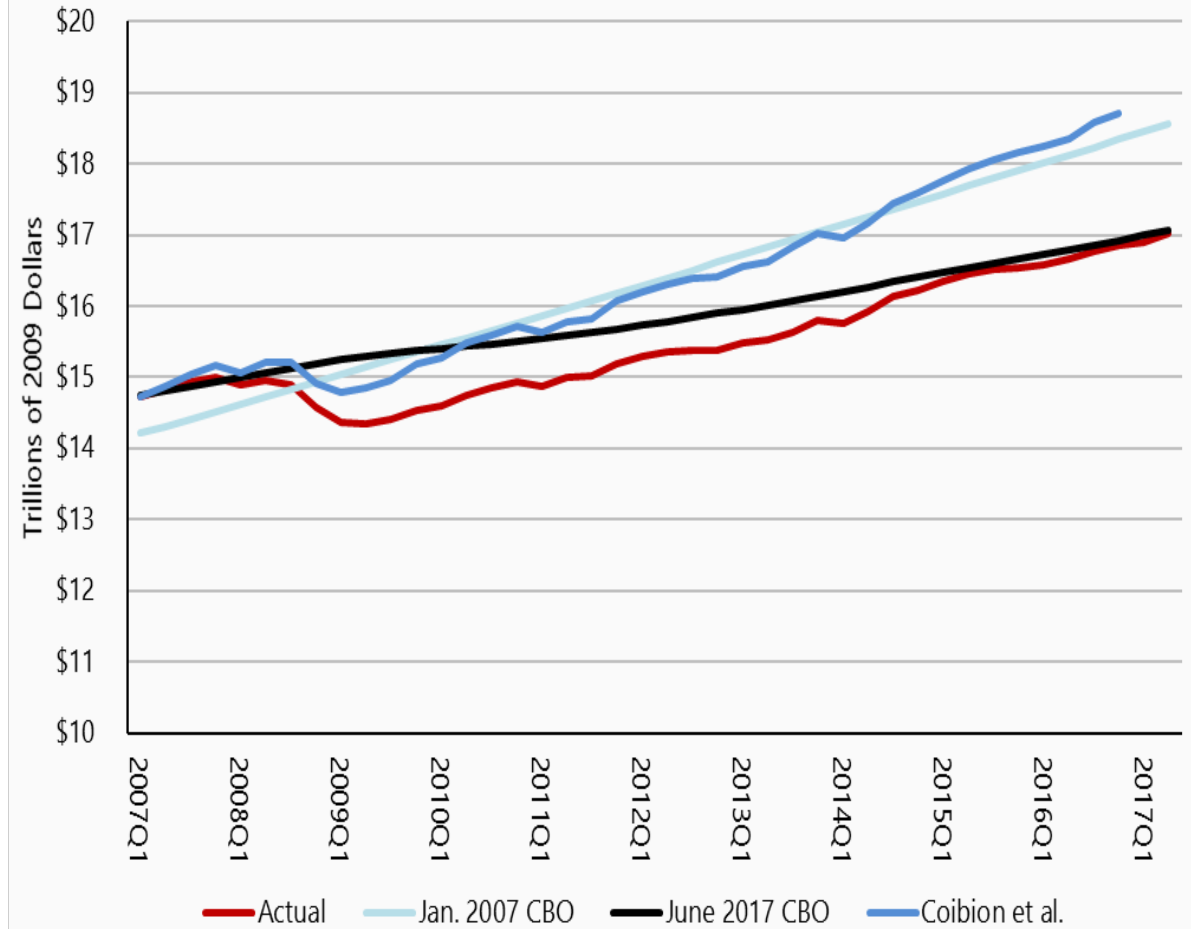


Large "Natural Rate" Confidence Interval



Source: Author's calculations from Bureau of Labor Statistics and Council of Economic Advisers data

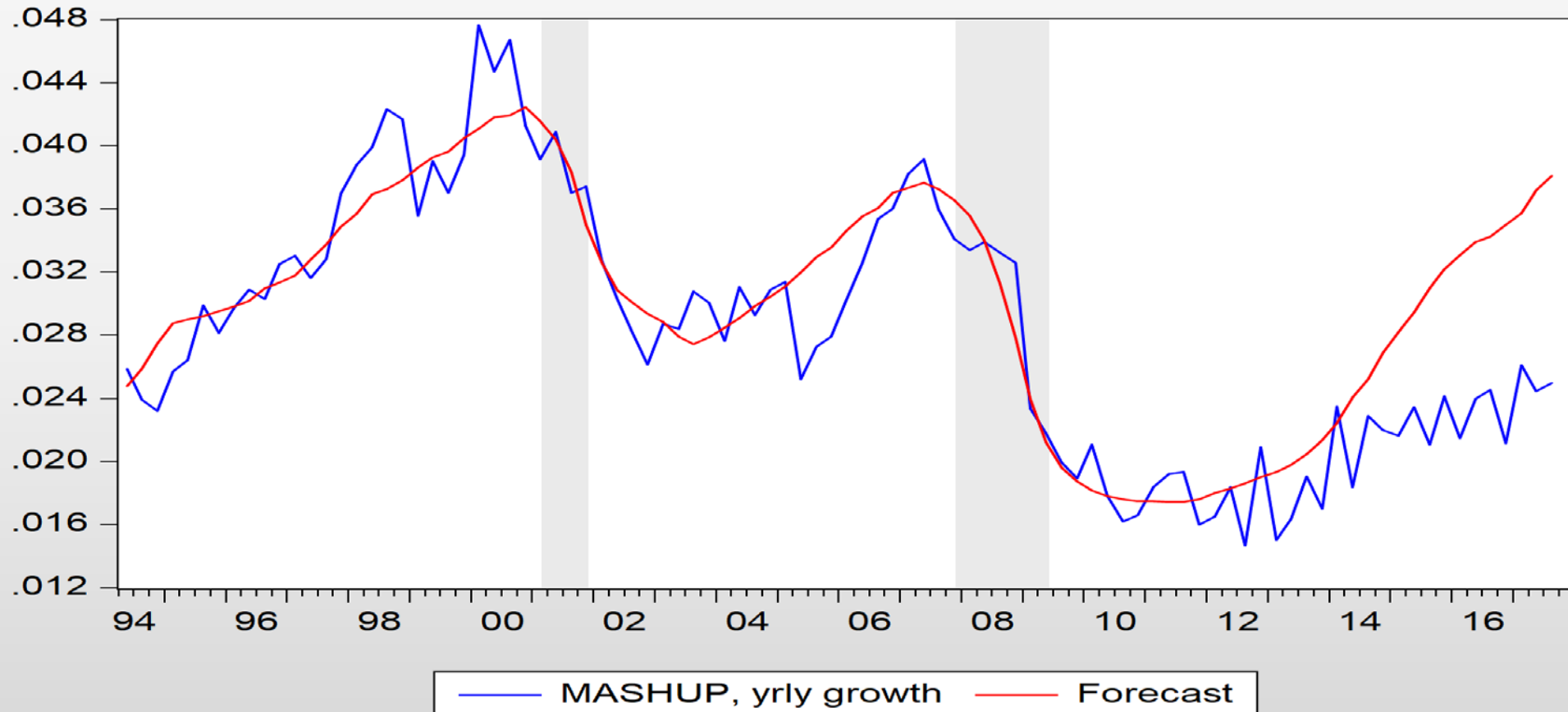
Actual versus Potential GDP



Sources: Author's calculations using data from the Bureau of Economic Analysis, Congressional Budget Office, and Olivier Coibion, Yuriy Gorodnichenko, and Mauricio Ulate

Yep, low unemp is boosting nominal wage growth; but it should be faster...

A composite wage measure should be growing faster, given low unemployment



NT#4

- Recession preparedness (new Romer/Romer fiscal/monetary space paper)
- Monetary policy
 - ZLB!
 - Level targeting
 - A commission
- Fiscal policy
 - An FEF (Full Employment Fund)
- Direct job creation
- Reduce persistent trade deficits
- Finreg—Minsky moment approaching, I fear (but won't get into this)

G-town study of subsidized employment

--While aggregate labor demand policies—both fiscal and monetary—are essential to helping low-income workers secure and maintain sufficient employment, **additional policies and programs would be valuable throughout the business cycle for those with serious or multiple barriers to employment.**

--Subsidized employment programs and policies are underutilized, potentially powerful tools for lifting up workers in or at risk of poverty and deep poverty in the United States.

--These job programs can provide income support, an opportunity to engage in productive activities, and, in some cases, labor market advancement opportunities. They can also offer a platform for connecting people to other needed services, resources, and networks.