

# **ECONOMIC OUTLOOK 2011**

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# Current Employment Situation

Chart 1. Unemployment rate, seasonally adjusted, December 2008 – December 2010

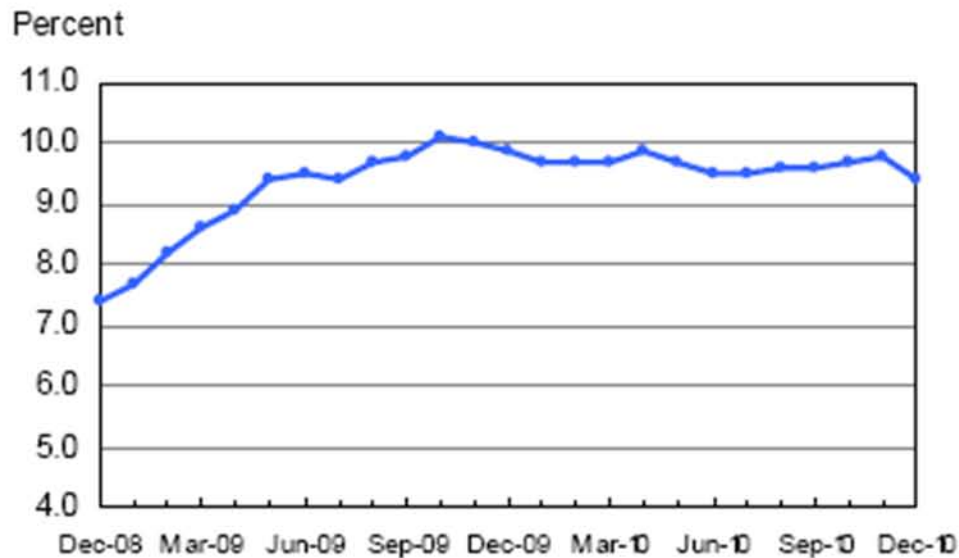
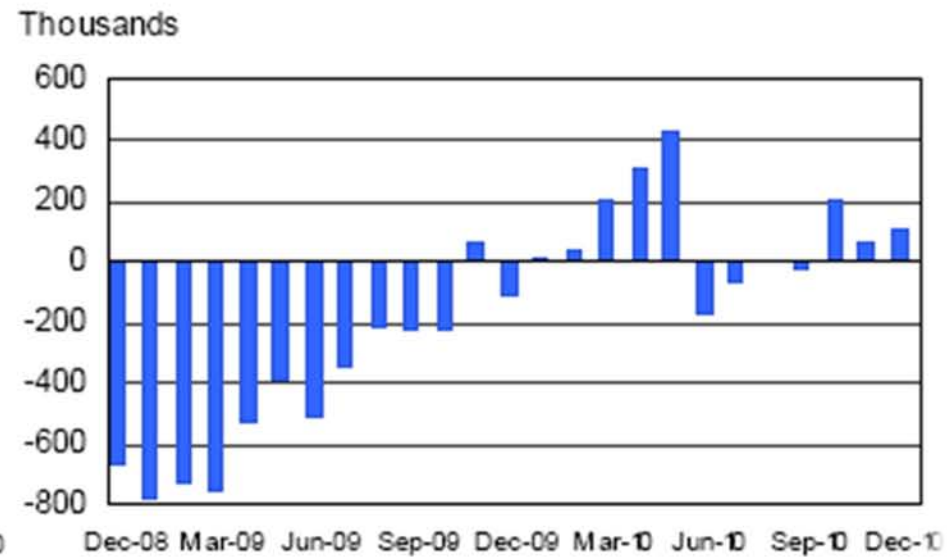


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, December 2008 – December 2010

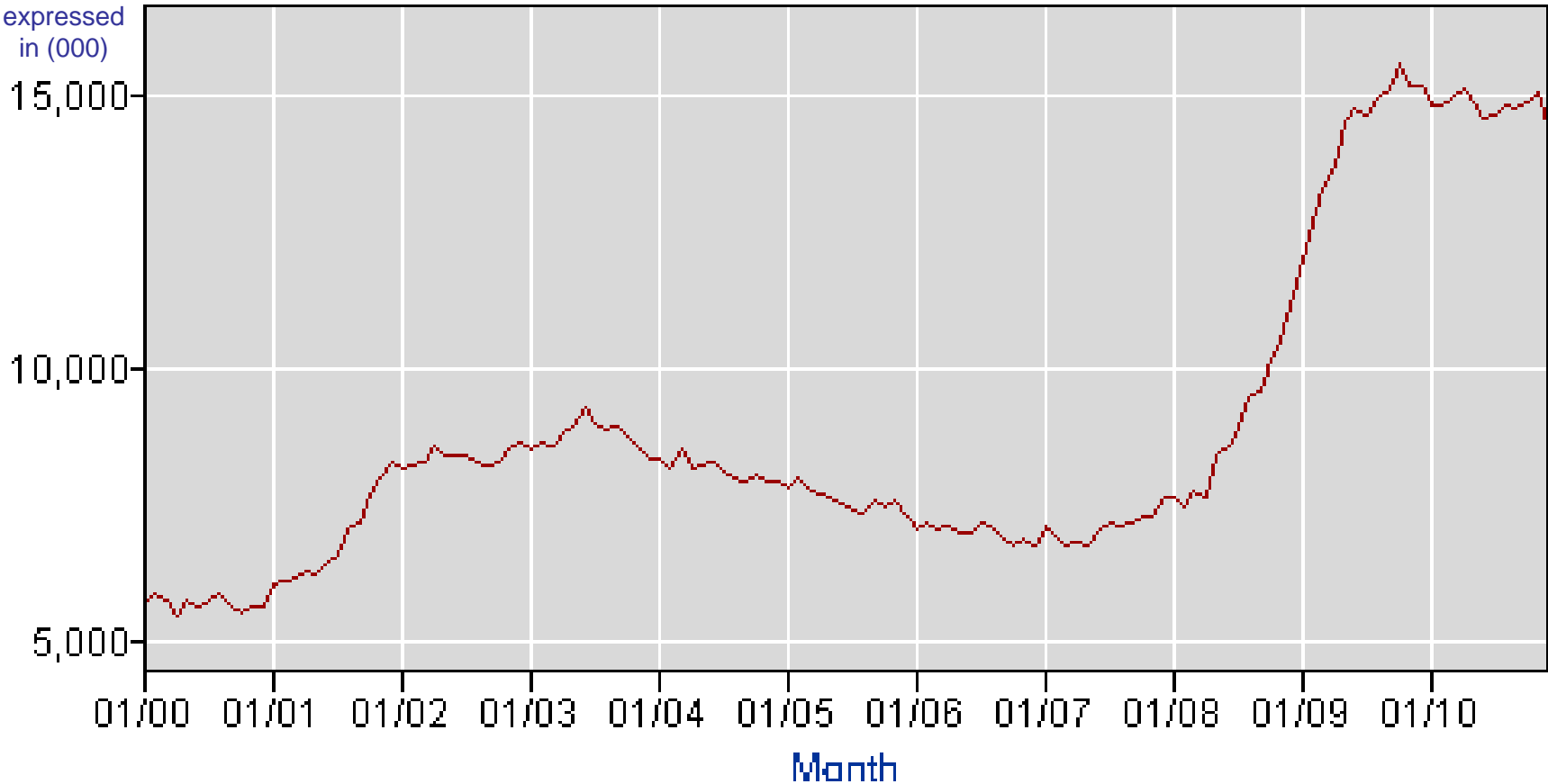


Data Source: Bureau of Labor Statistic

# Unemployment Problems

## Stabilization of Unemployment Number

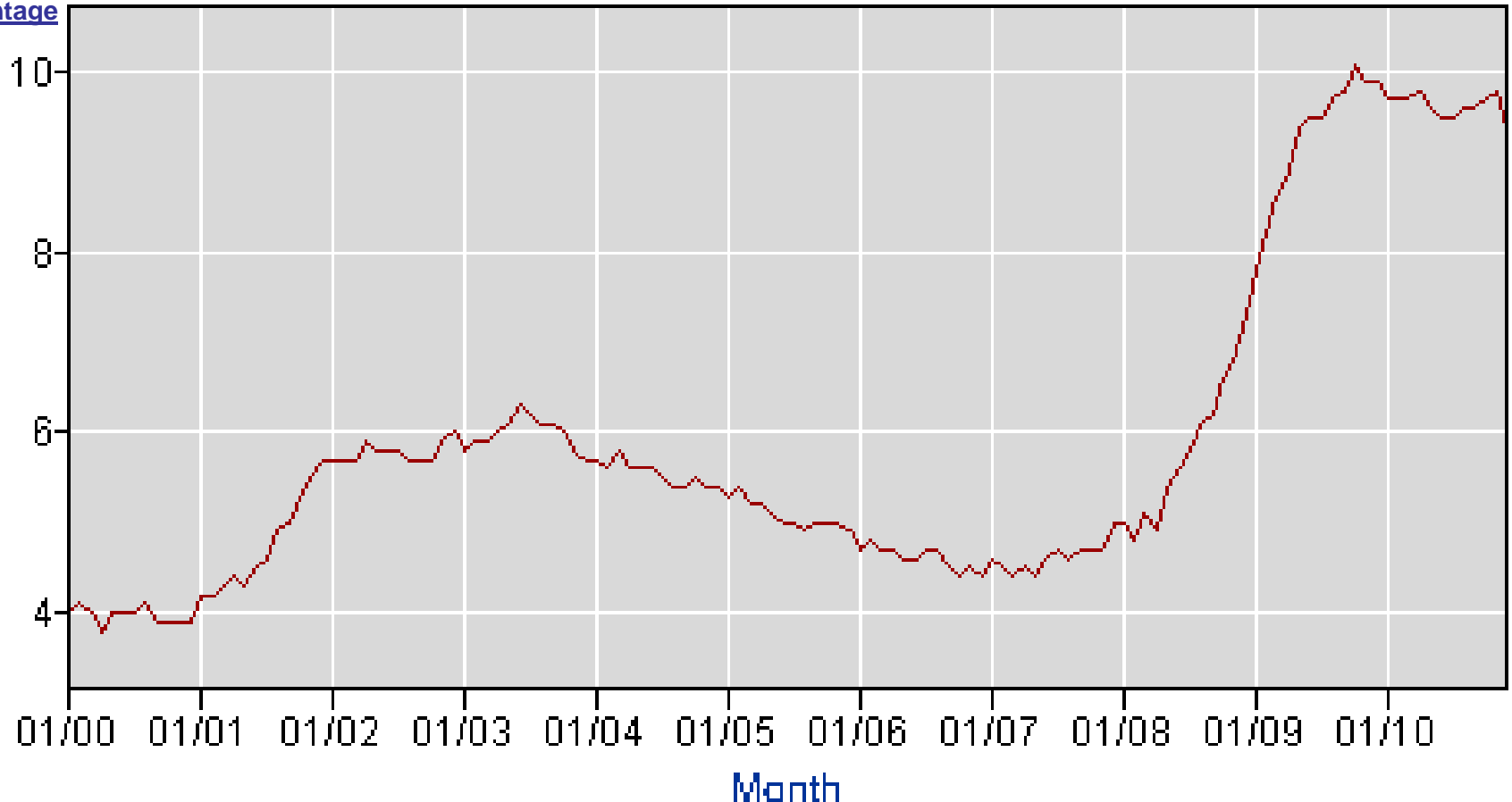
Reported  
Number of  
Unemployed  
expressed  
in (000)



# Unemployment Problems II

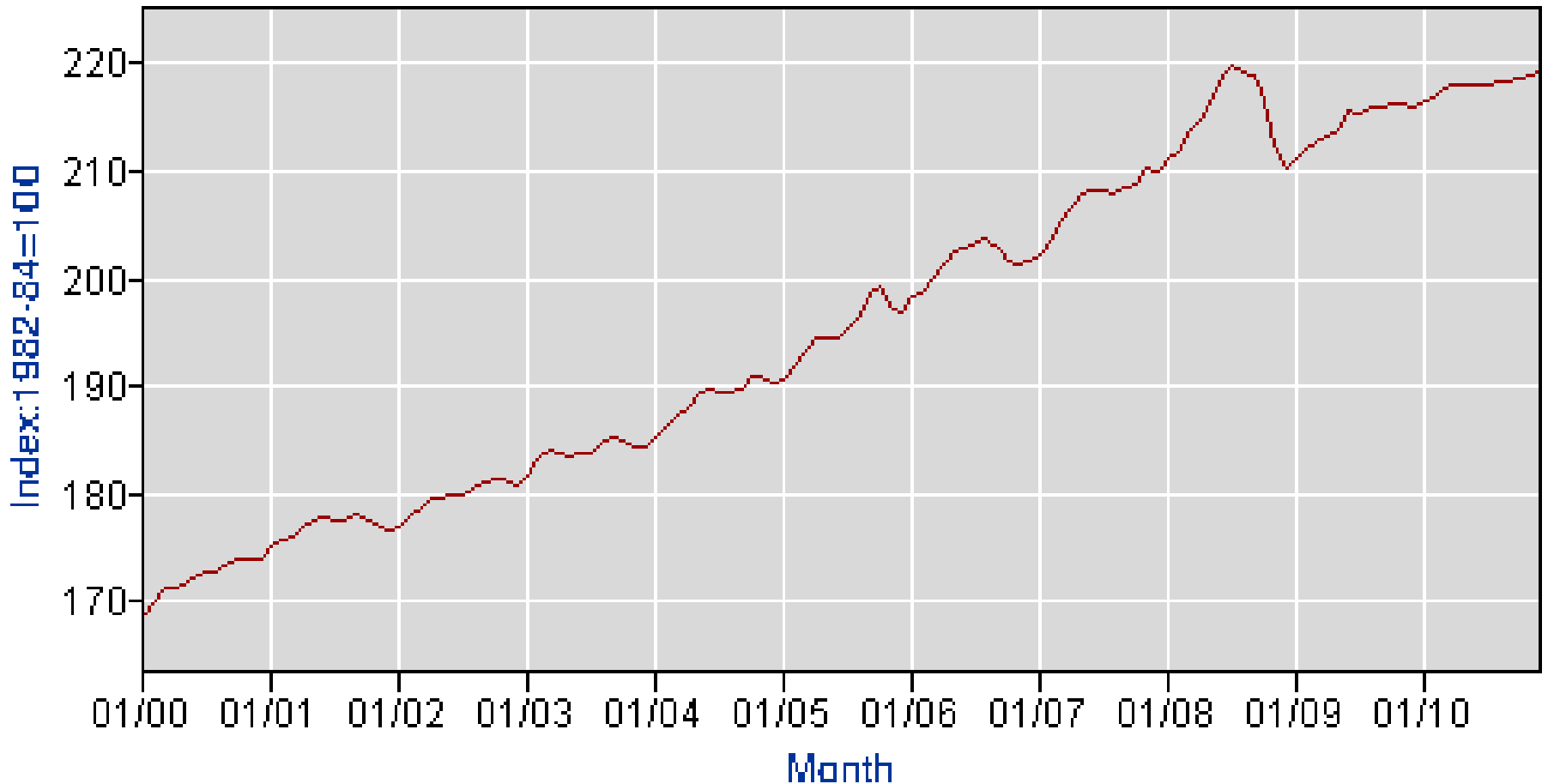
## Stabilization of Unemployment Rates

Unemployment  
expressed as a  
Percentage



# Consumer Price Index

Prices have barely returned to 2008 levels



# Blinder – Zandi Simulation

- Moody's Analytics
- Econometric Analysis
- IMF "Finance And Development"  
December 2010.
- Alan S. Blinder and Mark Zandi

# Stimulus Effects and Forecast

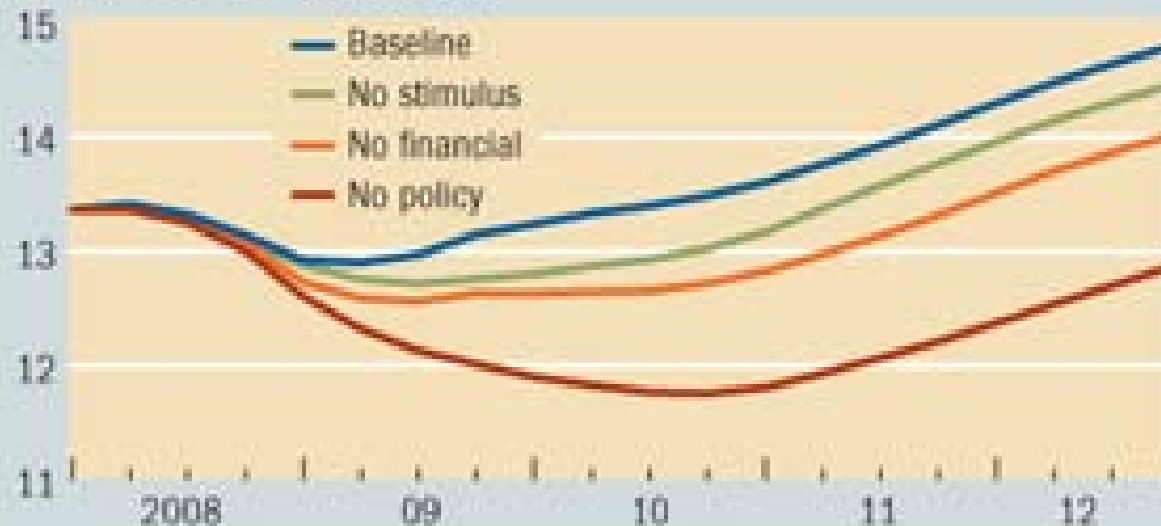
- Baseline Assumptions
- Financial Stimulus Only
- Fiscal Stimulus Only
- No Stimulus Policies

# GDP Scenarios

Chart 2

## Judging U.S. policy

The U.S. economy, as measured by GDP, is much better off because of the policy responses to the Great Recession. Had there been no response, the recession would continue today. (U.S. real GDP, trillions of dollars)



Sources: U.S. Bureau of Economic Analysis; and Moody's Analytics.

Note: The chart estimates GDP under four scenarios: baseline (which includes both the stimulus and financial support); no policy (in which the government took no action); no financial (in which only fiscal stimulus was provided); and no stimulus (in which only financial support was undertaken).



# Unemployment Scenarios

Chart 3

## Unemployment would soar

Had U.S. authorities taken no action, unemployment would have risen to nearly 17 percent and would be above 14 percent at the end of 2012.

(unemployment rate, percent)



Sources: U.S. Bureau of Economic Analysis, and Moody's Analytics.

Note: The chart estimates unemployment under four scenarios: baseline (which includes both the stimulus and financial support); no policy (in which the government took no action); no financial (in which only fiscal stimulus was provided); and no stimulus (in which only financial support was undertaken).

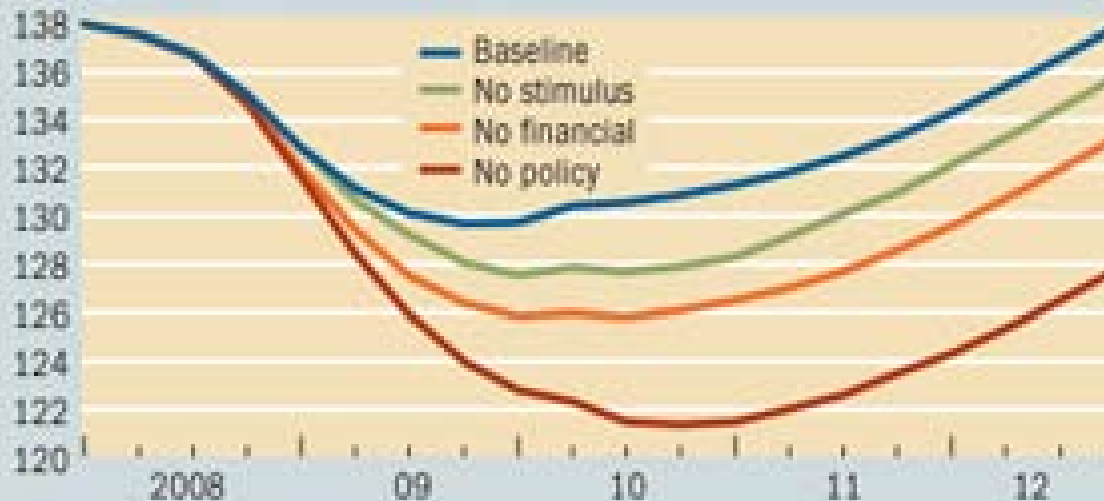
# Employment Scenarios

Chart 4

## More on the job

Far more people are at work because of the financial and fiscal actions than would have found jobs had there been no policy response.

(U.S. payroll employment, millions)



Sources: U.S. Bureau of Labor Statistics; and Moody's Analytics.

Note: The chart estimates employment under four scenarios: baseline (which includes both the stimulus and financial support); no policy (in which the government took no action); no financial (in which only fiscal stimulus was provided); and no stimulus (in which only financial support was undertaken).

# Forecasts for 2011 and 2012

- Gross Domestic Product.
  - 2011: 3.6% growth
  - 2012: 5.1% growth
  
- Payroll Employment.
  - 2011: 1.4%
  - 2012: 2.9%

# Forecast for 2011 and 2012

- Unemployment Rate.
  - 2011: 9.8%
  - 2012: 8.3%
  
- Consumer Price Index.
  - 2011: 2.0%
  - 2012: 3.1%

# Suggested Readings

- 1. “Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters For Global Capitalism.”  
George A. Akerlof and Robert J. Shiller.
  
- 2. “The End of Influence: What happens when other countries have the money.” Stephen S. Cohen and J. Bradford DeLong.
  
- 3. “How the Great Recession Was Brought to an End.”  
Alan S. Blinder and Mark Zandi.  
[www.dismal.com/mark-zandi/documents/End-of-Great-Recession.pdf](http://www.dismal.com/mark-zandi/documents/End-of-Great-Recession.pdf)

# Further Discussion

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- [www.economist.com](http://www.economist.com)
- [www.nytimes.com/paulkrugman](http://www.nytimes.com/paulkrugman)
- [www.imf.org/fandd](http://www.imf.org/fandd)