

An Attempt at a Forecast



PRESENTATION TO APICS
JANUARY 2017
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Quotations from Scripture



- Ecclesiastes 1:9 “

The thing that hath been, it *is that* which shall be; and that which is done *is that* which shall be done: and *there is* no new *thing* under the sun.

The Gospel according to St. Yogi



- “It’s déjà vu all over again”

Is this Reagan Revisited



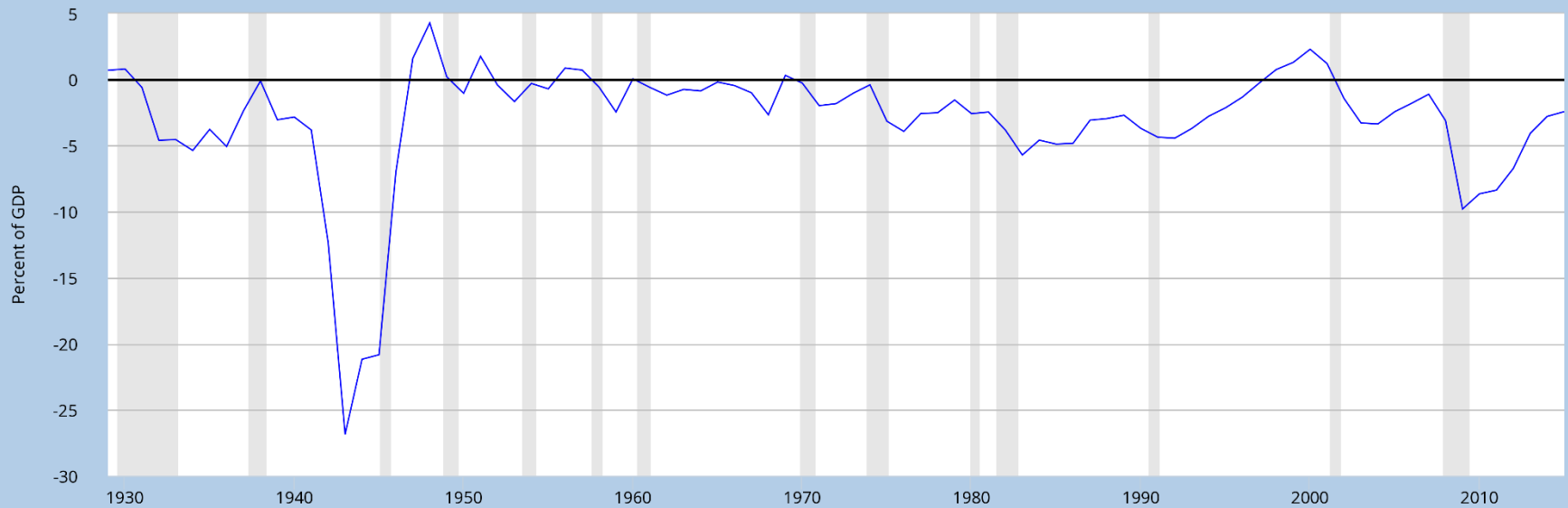
- Large tax cuts for the wealthy
- Spending on defense/infrastructure
- Significant increases in federal deficit

Federal Deficits Down Through the Ages



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— Federal Surplus or Deficit [-] as Percent of Gross Domestic Product



Source: Federal Reserve Bank of St. Louis, U.S. Office of Management and Budget
fred.stlouisfed.org

myf.red/g/cqzD

Implications for exchange rates



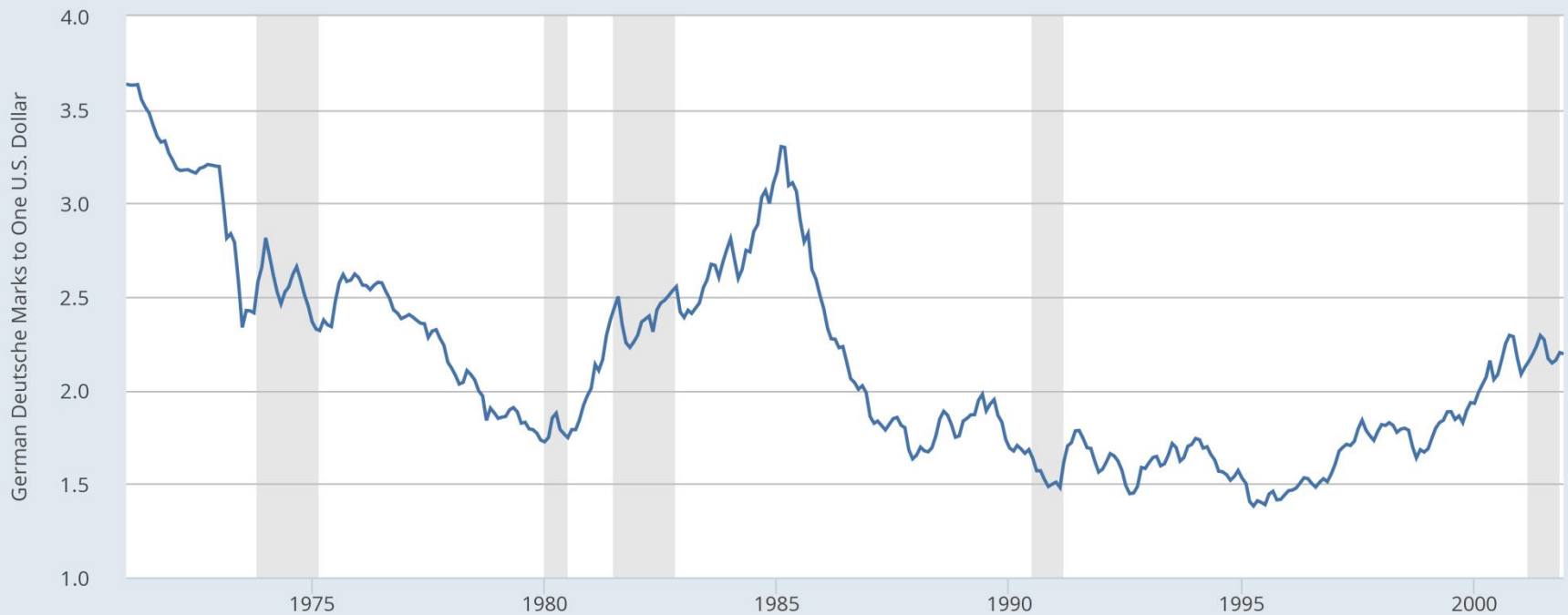
- Increases in deficits may raise interest rates
- Increases in interest rates put upward pressure on the dollar
- Exchange rate increases may increase current account deficit

Dollar Upsurge in the 1980's



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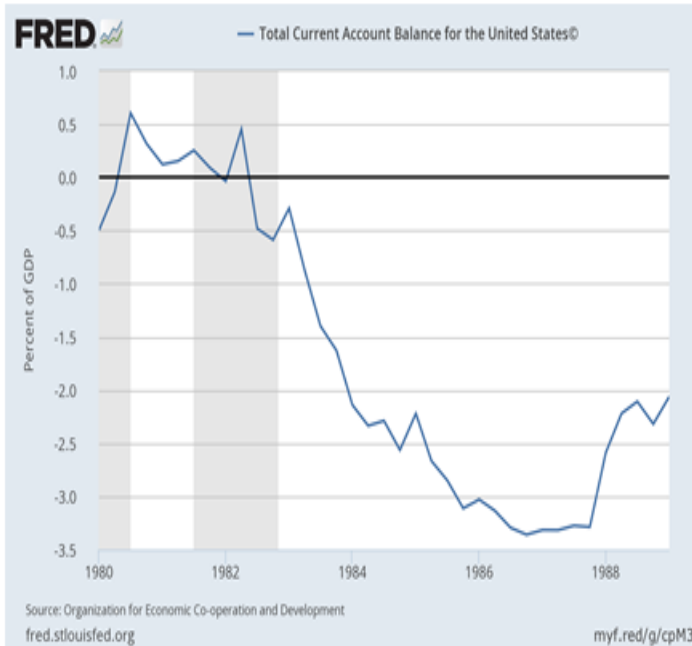
— Germany / U.S. Foreign Exchange Rate (DISCONTINUED)



Source: Federal Reserve Bank of St. Louis
fred.stlouisfed.org

myf.red/g/cpMu

Reagan Deficit



Some very tentative conclusions



- Very little increase in aggregate demand
- Large increases in savings by wealthy
- Large increases in debt and bankruptcy by everyone else
- Little change in employment and GDP

Suggestions for further reading



- 1. “Concrete Economics: The Hamilton Approach to Economic Growth and Policy.” Stephen S. Cohen and J. Bradford DeLong. Harvard Business Review Press. 2016.
- 2. “Global Inequality: A New Approach For The Age Of Globalization.” Branko Milanovic. The Belknap Press. 2016.
- 3. “Unequal Gains: American Growth and Inequality since 1700.” Peter H. Lindert and Jeffrey G. Williamson. Princeton University Press. 2016.