



U.S. and Global Economic Outlook

2016 CoBank Energy & Water Executive Forum

Colorado Springs, CO

September 2, 2016



TUCK SCHOOL OF BUSINESS
AT DARTMOUTH

Outline of Our Conversation: Three Key Questions to Discuss

1. How Do Countries Grow?

- What Do Silicon Valley and North Dakota Have in Common?

2. Why Does Economic Growth Matter?

- What Do Donald Trump and Bernie Sanders Have in Common?

3. Will Policy Makers Support Faster Growth?

- Is It Sunrise or Sunset in America?

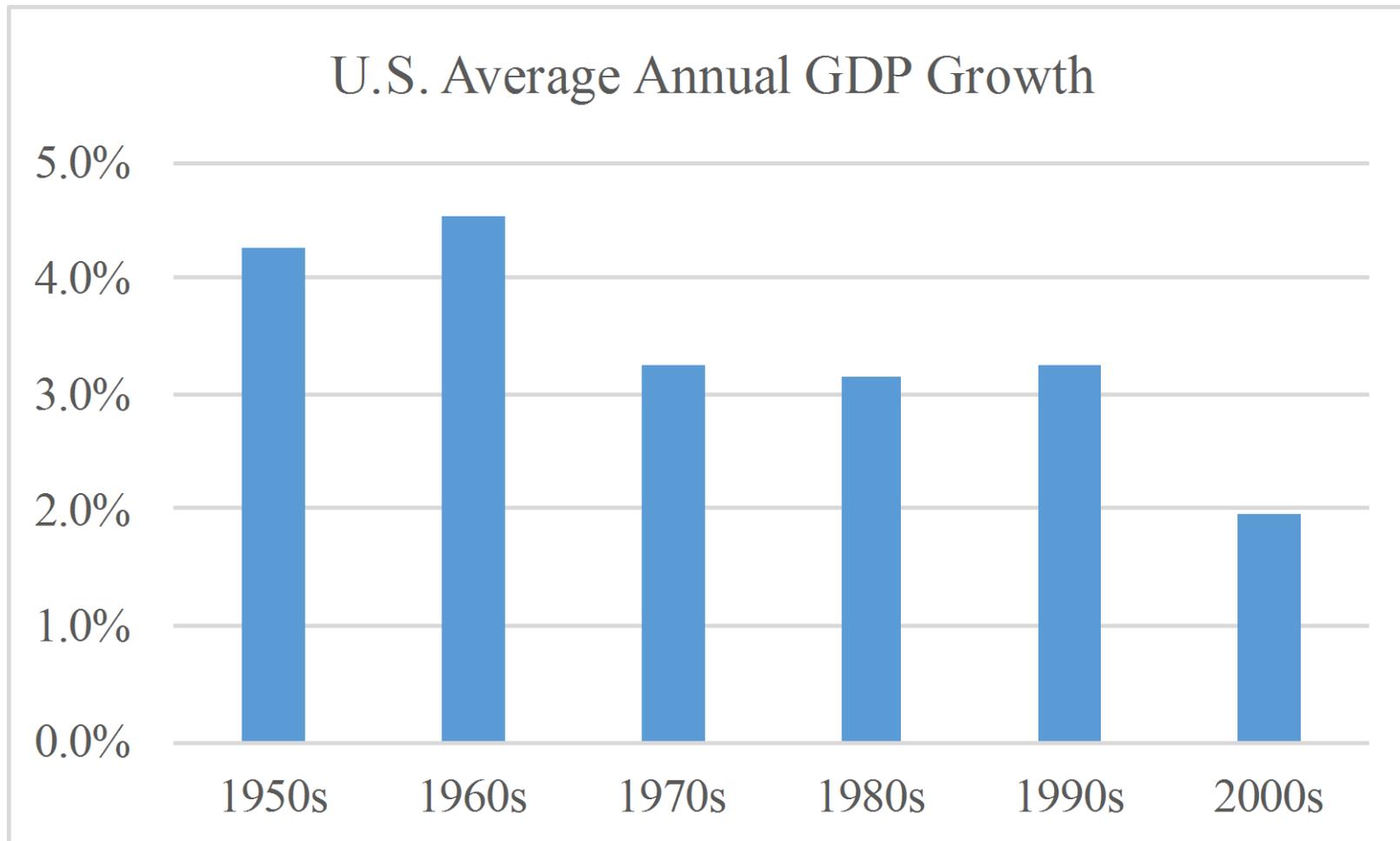


Question #1

How Do Countries Grow?

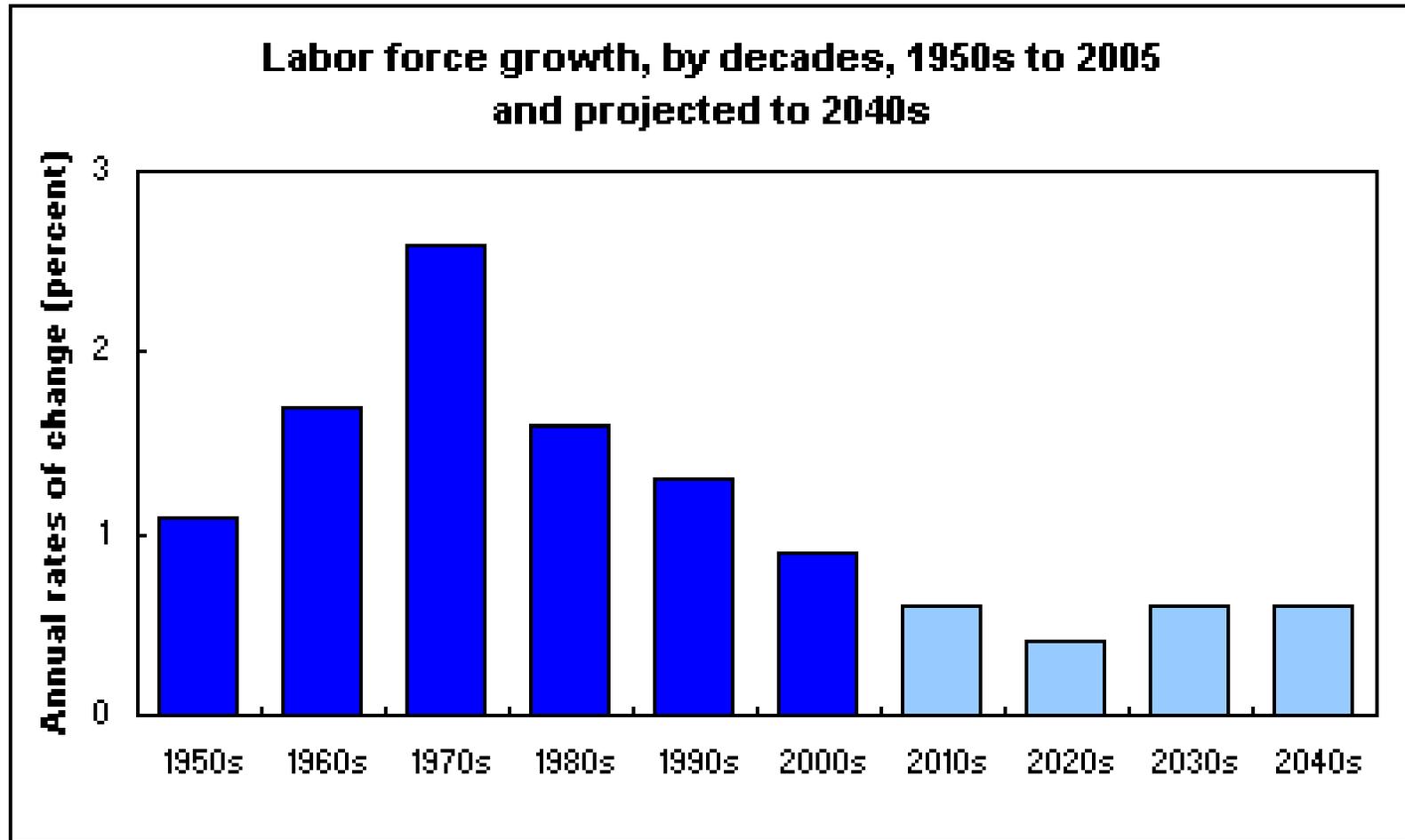


America's Speed Limit Is Slowing



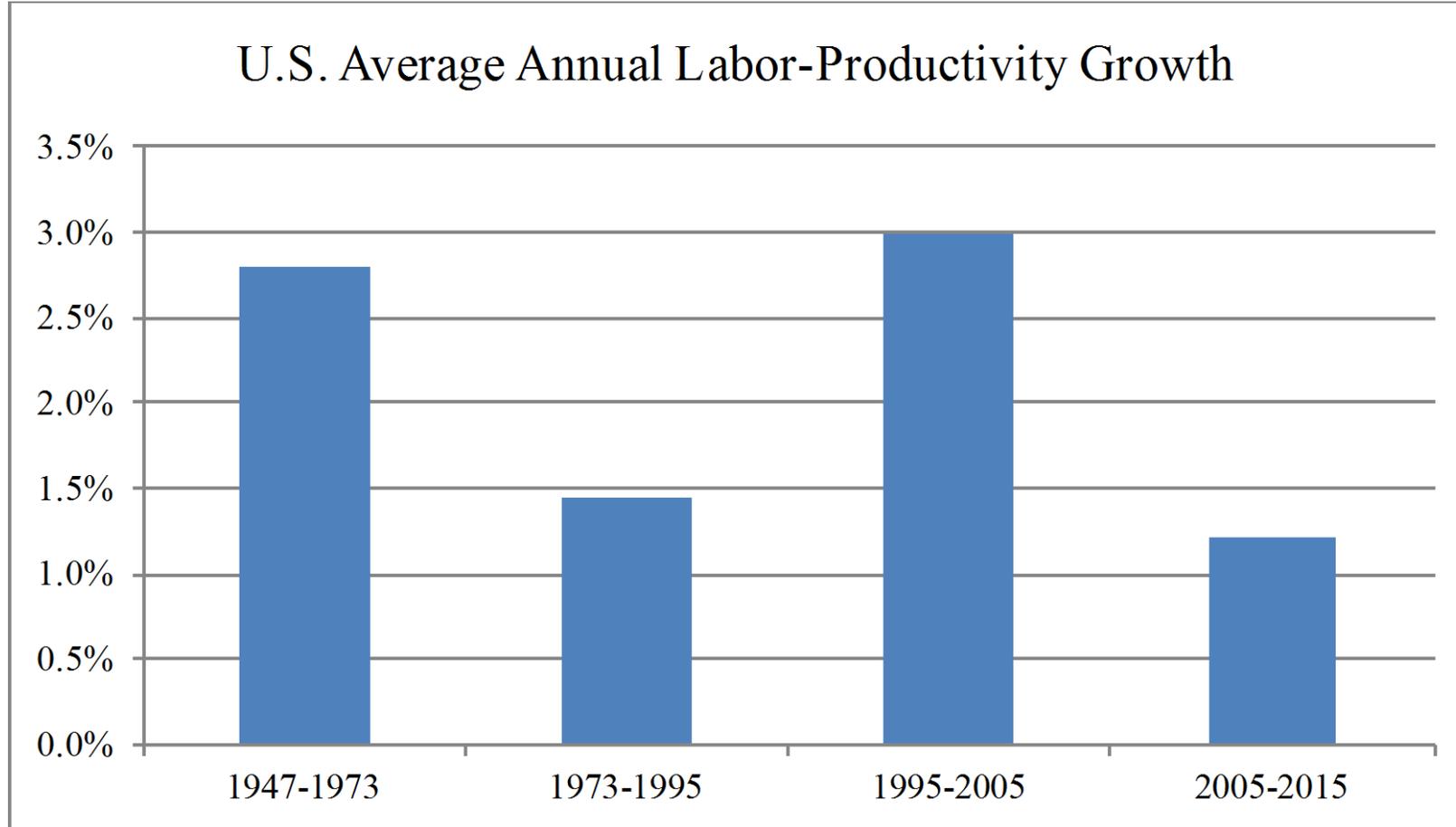
- Even before the World Financial Crisis, post-2000 economic growth in America was slowing relative to 50 earlier years.

Because Labor-Force Growth Is Slowing



- This slow-down is driven by the baby boomers being followed by the baby busters. Immigration is the wild-card.

And Because Productivity Growth Is Slowing

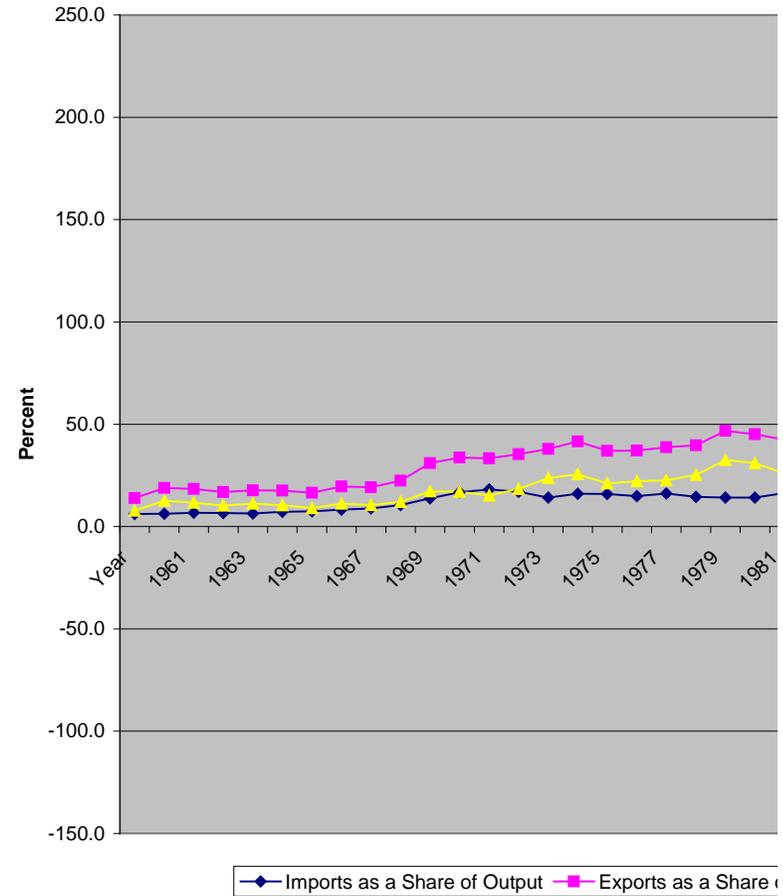


Five years 2011-2015, productivity growth averaged just 0.6%.
At this rate, average standard of living takes *116 years* to double.

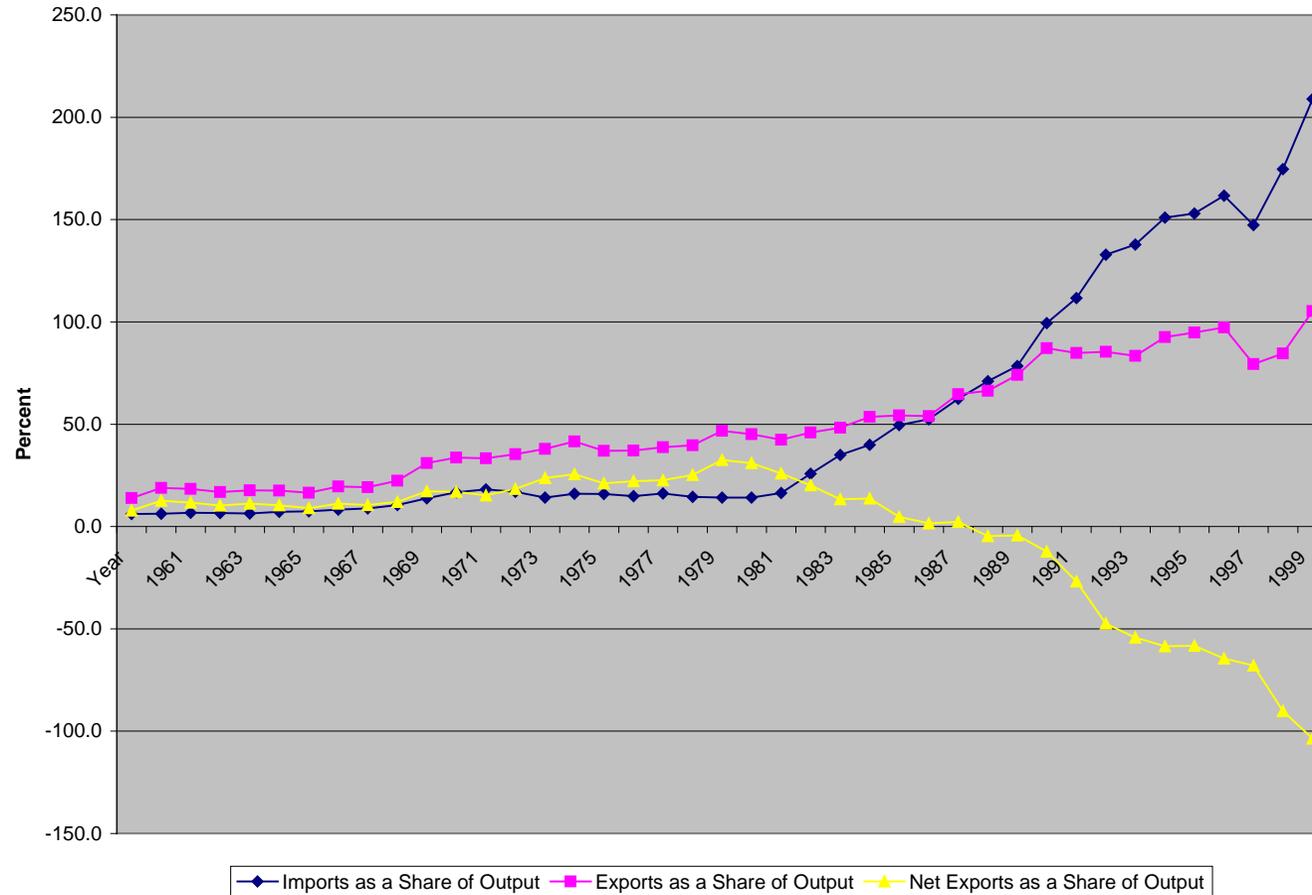
Source: U.S. BLS



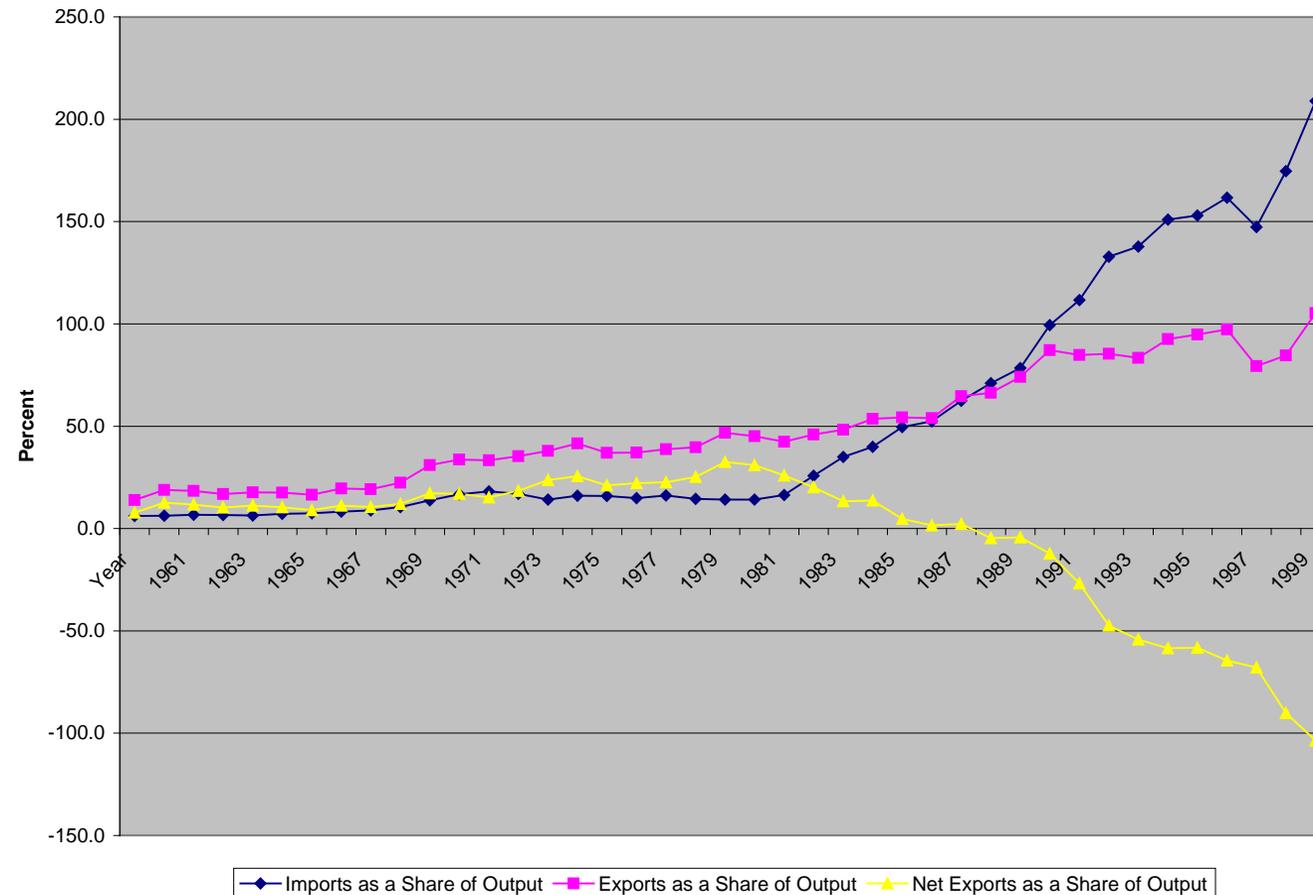
What Industry Is This?



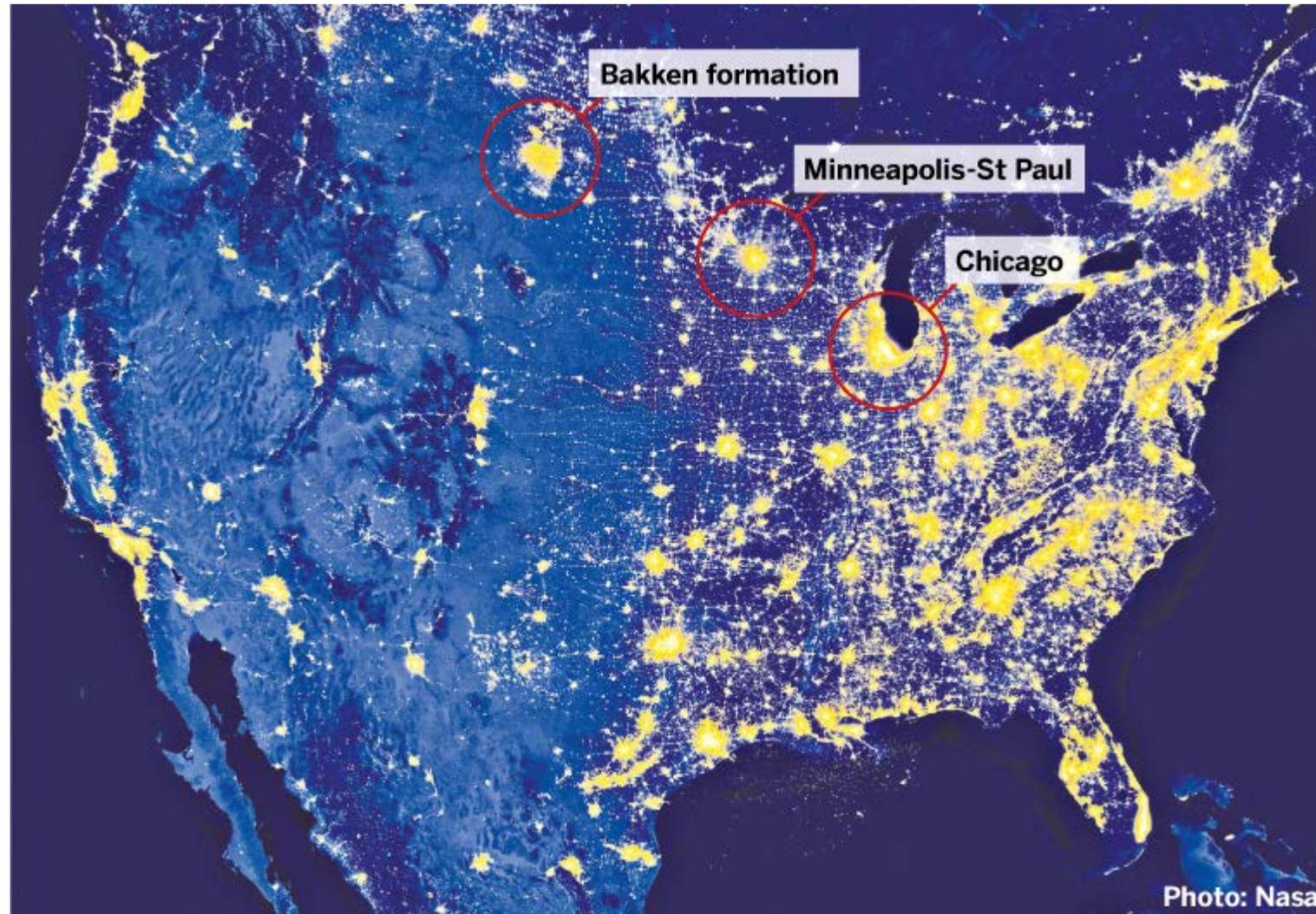
What Industry Is This?



What Does It Say on the Back of Your iPhone?



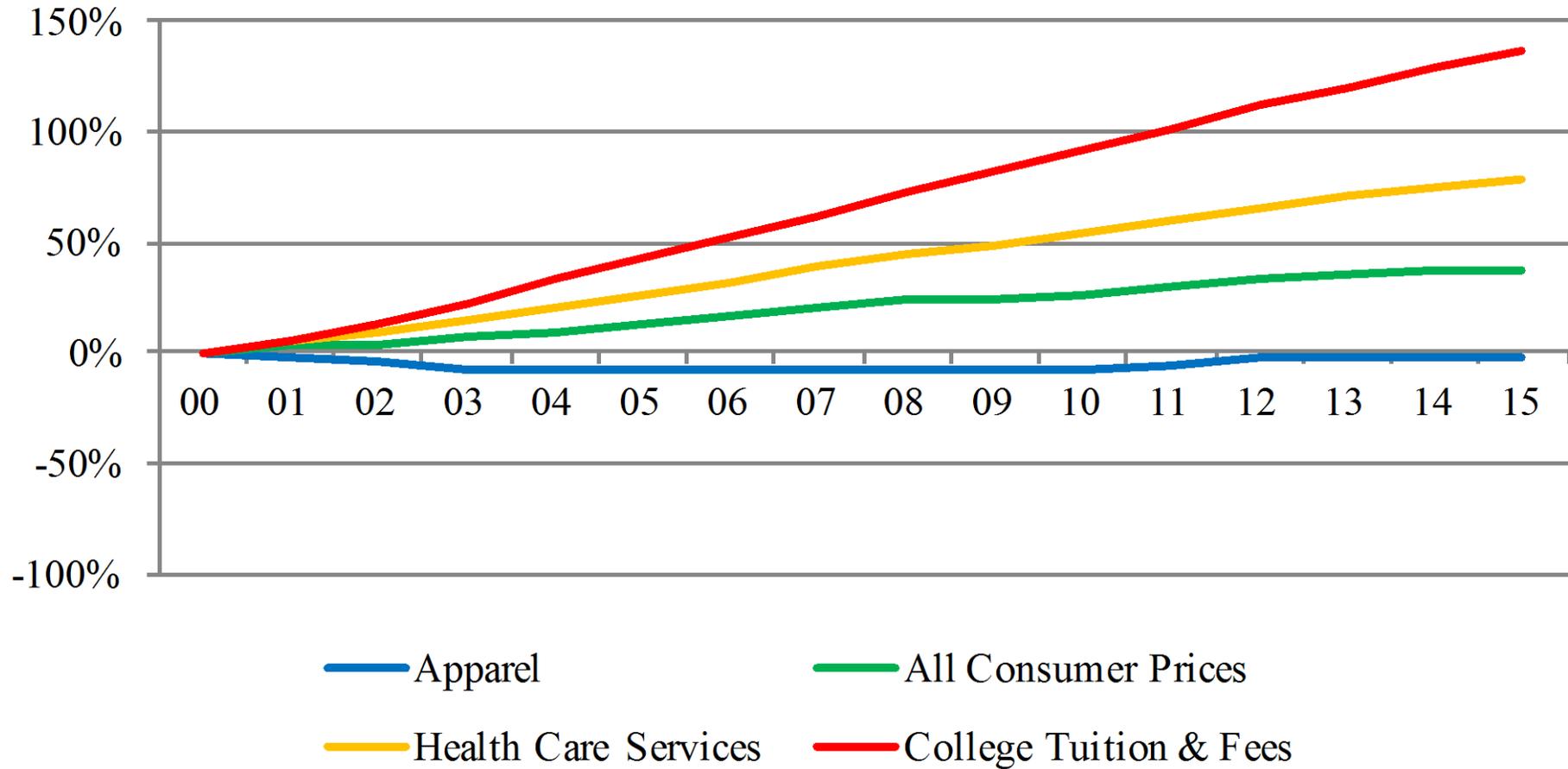
What Does This Picture Have to Do With IT?



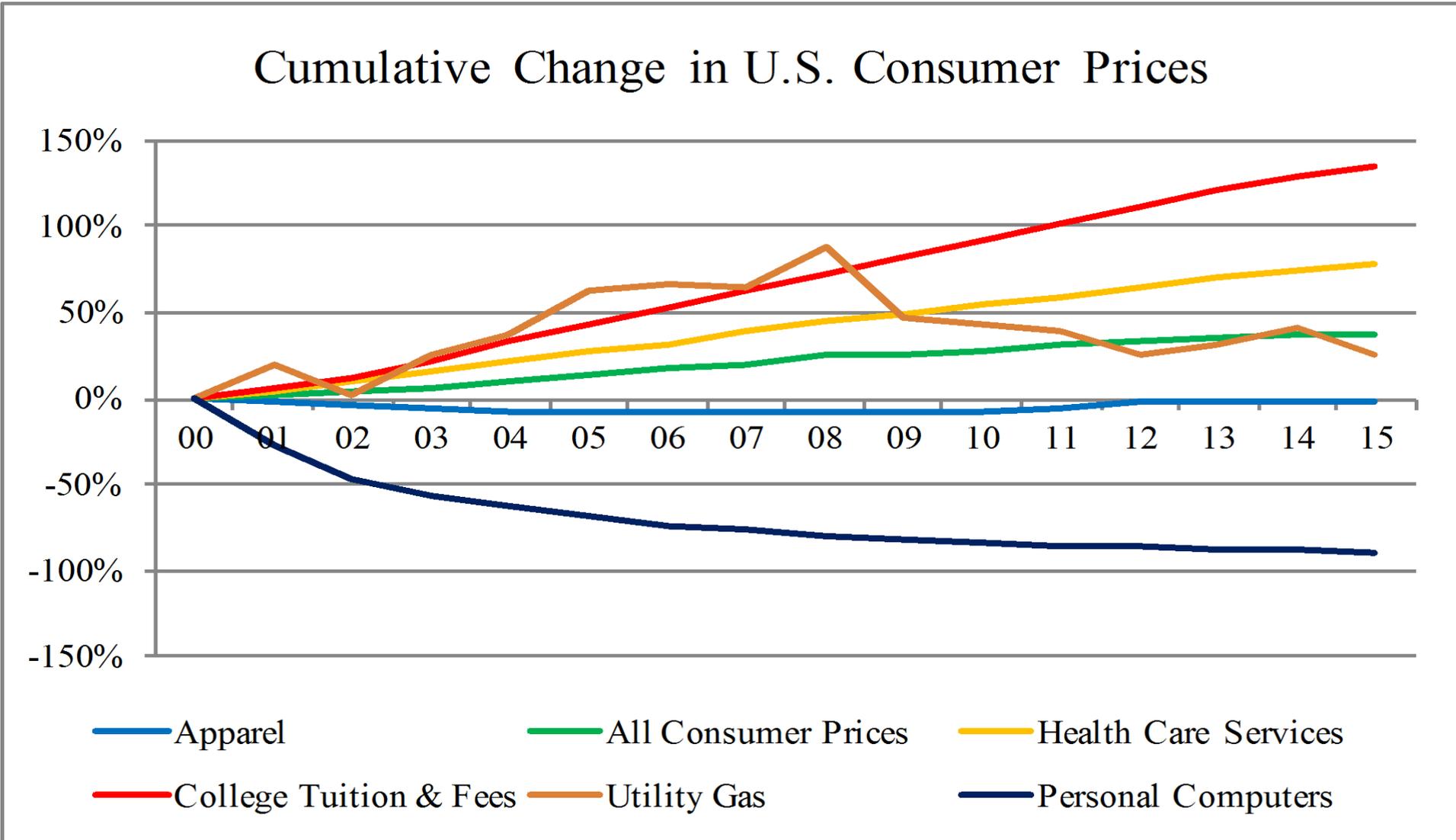
- “Shale Gas Boom Now Visible from Space” --FT

What We Are Used to Seeing

Cumulative Change in U.S. Consumer Prices



What Productivity Booms Allow Us to See



How Do Countries Grow? Mainly Via Productivity Growth.

Productivity booms—the kind that create entire industries, unleash productivity, slash costs, create jobs, boost incomes, and generate billions in profits—tend to be driven companies that are some combination of *young, nimble, and global*.

- Microsoft was founded in 1975. Apple in 1976. Google in 1998. Facebook in 2004. Who is forming today?

Governments can boost the probability of private-sector productivity growth through wise policies on tax, trade, immigration, research, infrastructure.

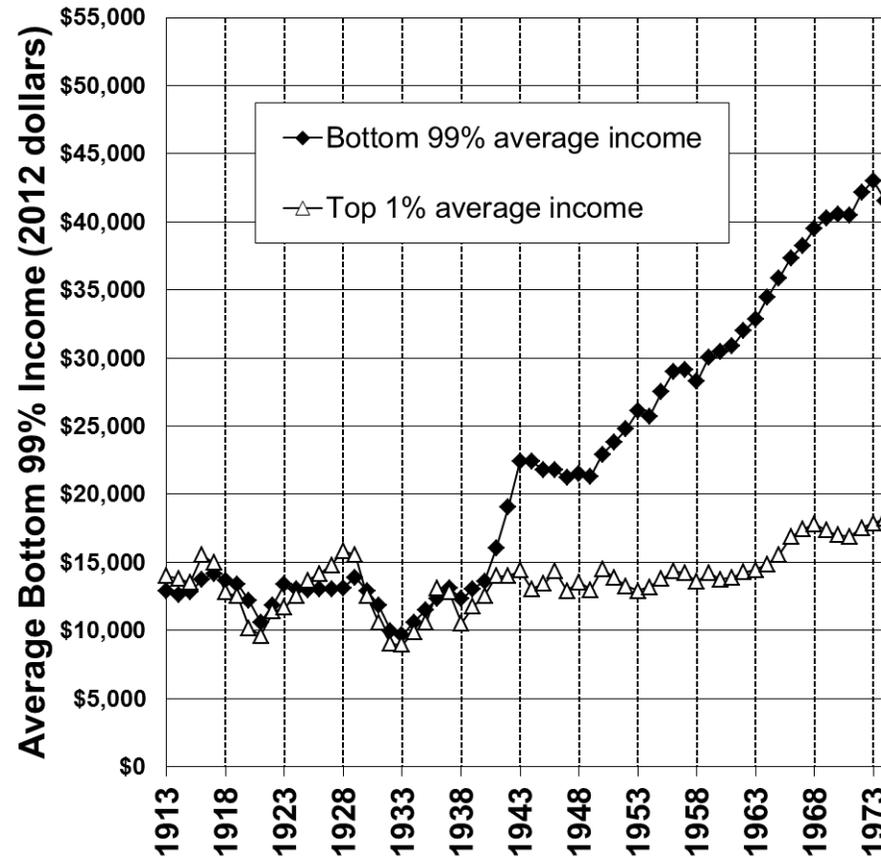


Question #2

Why Does Economic Growth Matter?



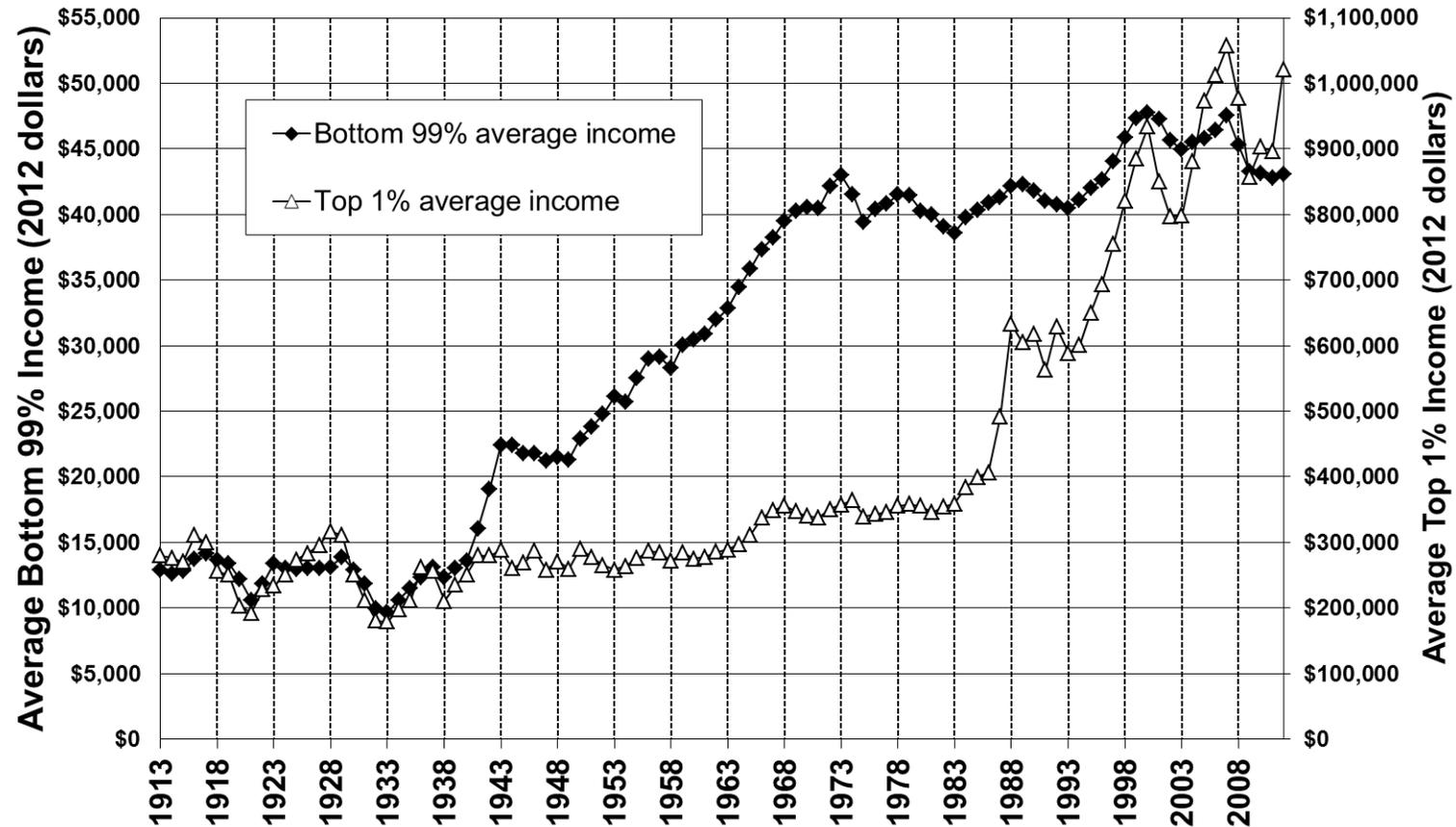
America, Most of the 20th Century



Especially in the post-WWII generation, productivity and thus income growth was strong and broad.



America, Into the 21st Century



The skewness of income growth is clear. What do we see if we unbundle this 99%?



What Both Donald and Bernie Are Tapping Into: The Slowly Rising Tide Has Been Lifting Few Boats

- Change in U.S. average real total money earnings, by educational group, 2000 through 2013.

<u>Group</u>	<u>Employment Share</u>	<u>Earnings Change</u>
HS Dropout	8.0%	-5.8%
HS Graduate	26.8%	-6.7%
Some College	27.8%	-10.9%
College Grad.	23.4%	-11.2%
Masters	10.0%	-7.6%
PhD	1.9%	+4.5%
MD,JD,MBA	2.1%	+12.3%

- *2014 real median income for U.S. households was \$53,657. This same level was first reached in 1989.*



Is This A Confident America?

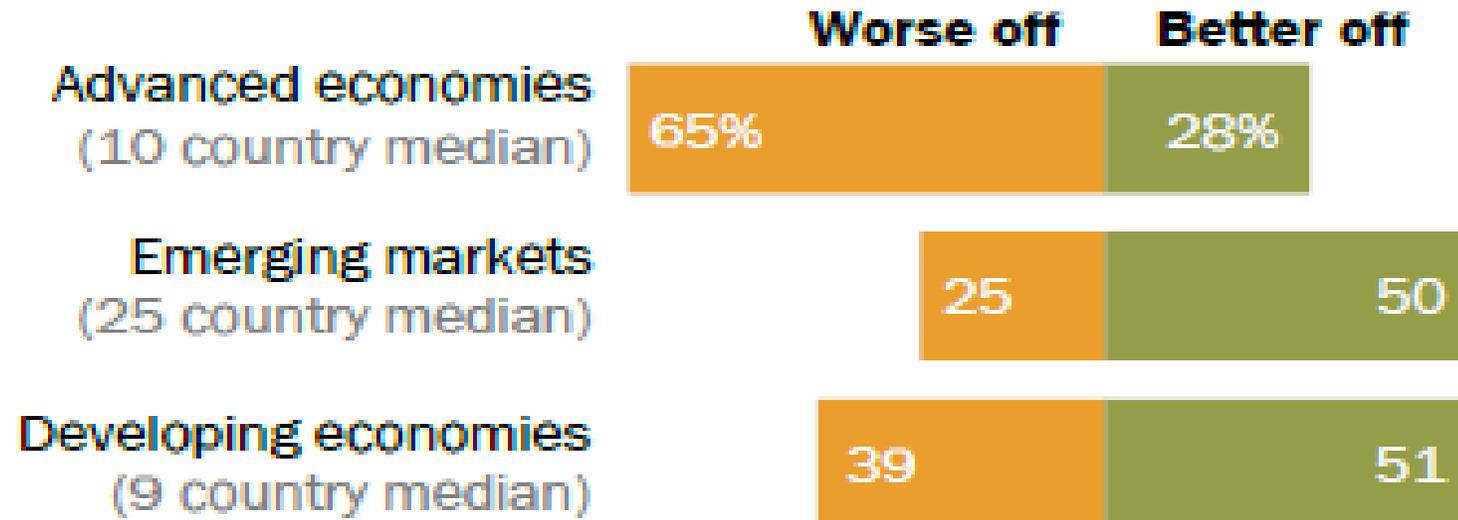
- “Do you think America is in a state of decline, or do you feel that is not the case?” (WSJ-NBC Aug. 2014)
 - Not in a state of decline: 31%
 - In a state of decline: 65%
- “U.S. Right or Wrong Track?” (WSJ-NBC August 2016)
 - Headed in the Right Direction: 21%
 - Off on the Wrong Track: 71%
- “Do you feel confident or not confident that life for our children’s generation will be better than it has been for us?” (WSJ-NBC)
 - October 1990: 50% Confident vs. 45% Not Confident
 - December 2001: 49% Confident vs. 42% Not Confident
 - August 2014: 21% Confident vs. 76% Not Confident



Is This a Confident World?

Little Optimism for the Next Generation in Advanced Economies

When children in our country today grow up, will they be ___ financially than their parents?



Note: Medians by country economic categorization.

Source: Spring 2014 Global Attitudes survey. Q11.



Question #3

Will Policy Makers Support Faster Growth?



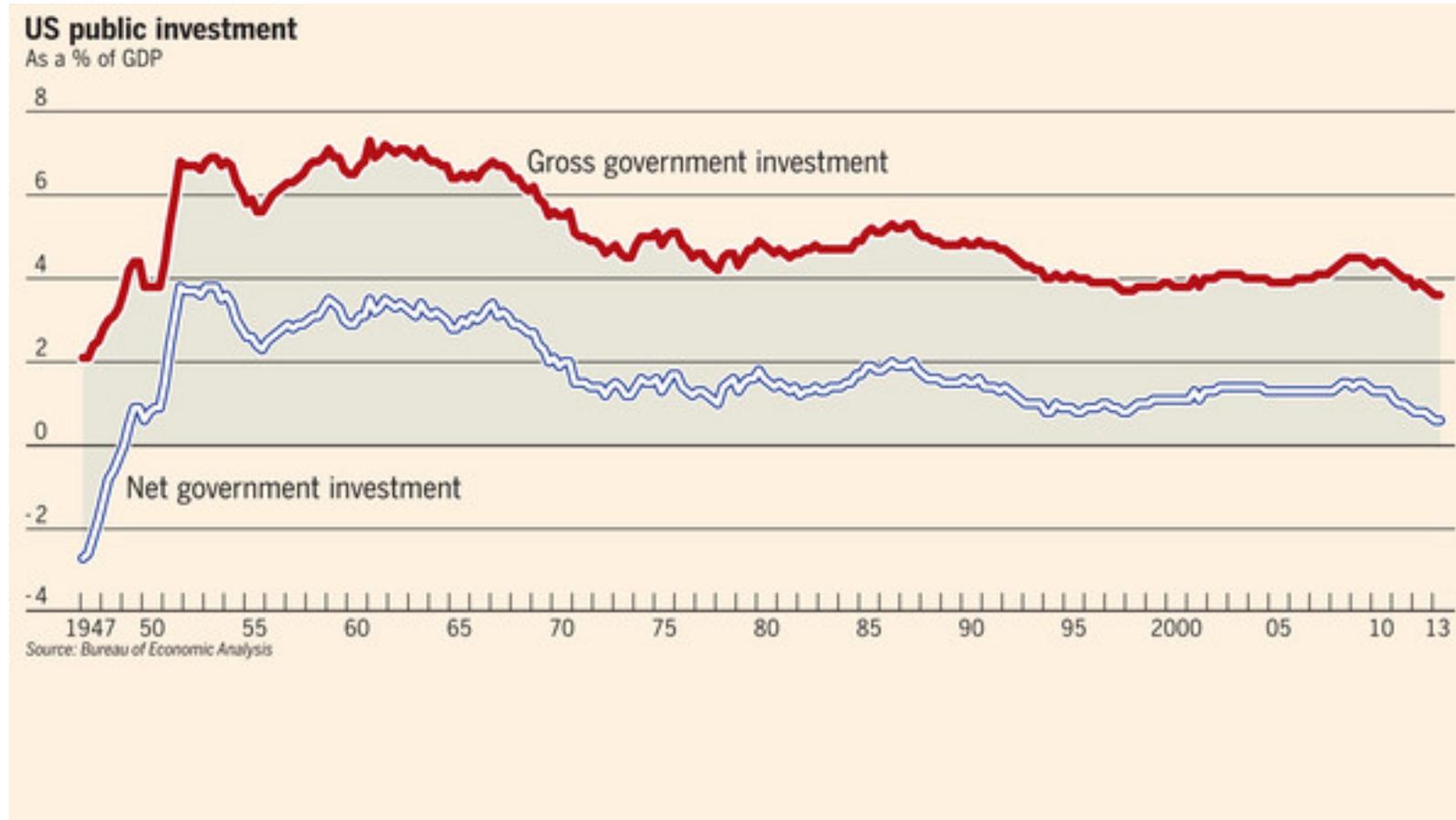
Will This One Be in the History Books?



Reading Something Like This?

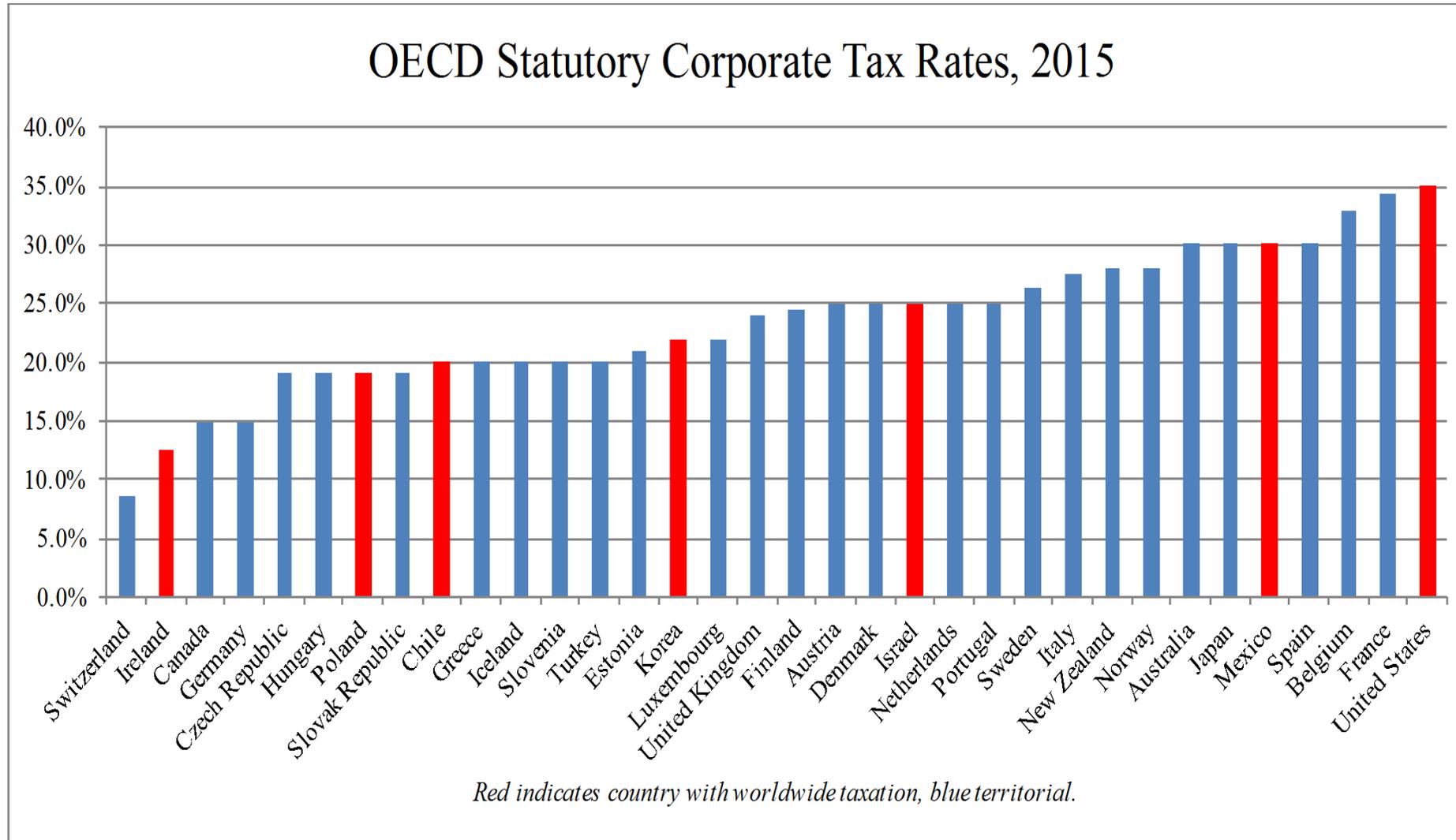


Will Government Leaders Bring on Sunrise With Expanded Public Investments?



- “U.S. Public Investment Falls to Lowest Level Since War” –*FT*
 - Sequestration sharply squeezed public investment.

Will Government Leaders Bring on Sunrise via Corporate-Tax Reform?



Will Government Leaders Bring on Sunrise via High-Skilled Immigration Liberalization?

Visa Category	General Requirements
H-1B Specialty Occupations	<p>The job must meet one of the following criteria to qualify as a specialty occupation:</p> <ul style="list-style-type: none">• Bachelor's or higher degree or its equivalent is normally the minimum entry requirement for the position• The degree requirement for the job is common to the industry or the job is so complex or unique that it can be performed only by an individual with a degree• The employer normally requires a degree or its equivalent for the position• The nature of the specific duties is so specialized and complex that the knowledge required to perform the duties is usually associated with the attainment of a bachelor's or higher degree.*

How Many New H-1B Visas Does USG Allocate Each Year?
How Many Visa Applications Did USG Receive for FY 2017?
“Making the Case for Trade” --my *WSJ* op-ed column 3/16/16



I, for one, am hopeful.
Expecting sunrise is
often correct.
Thanks very much.

