

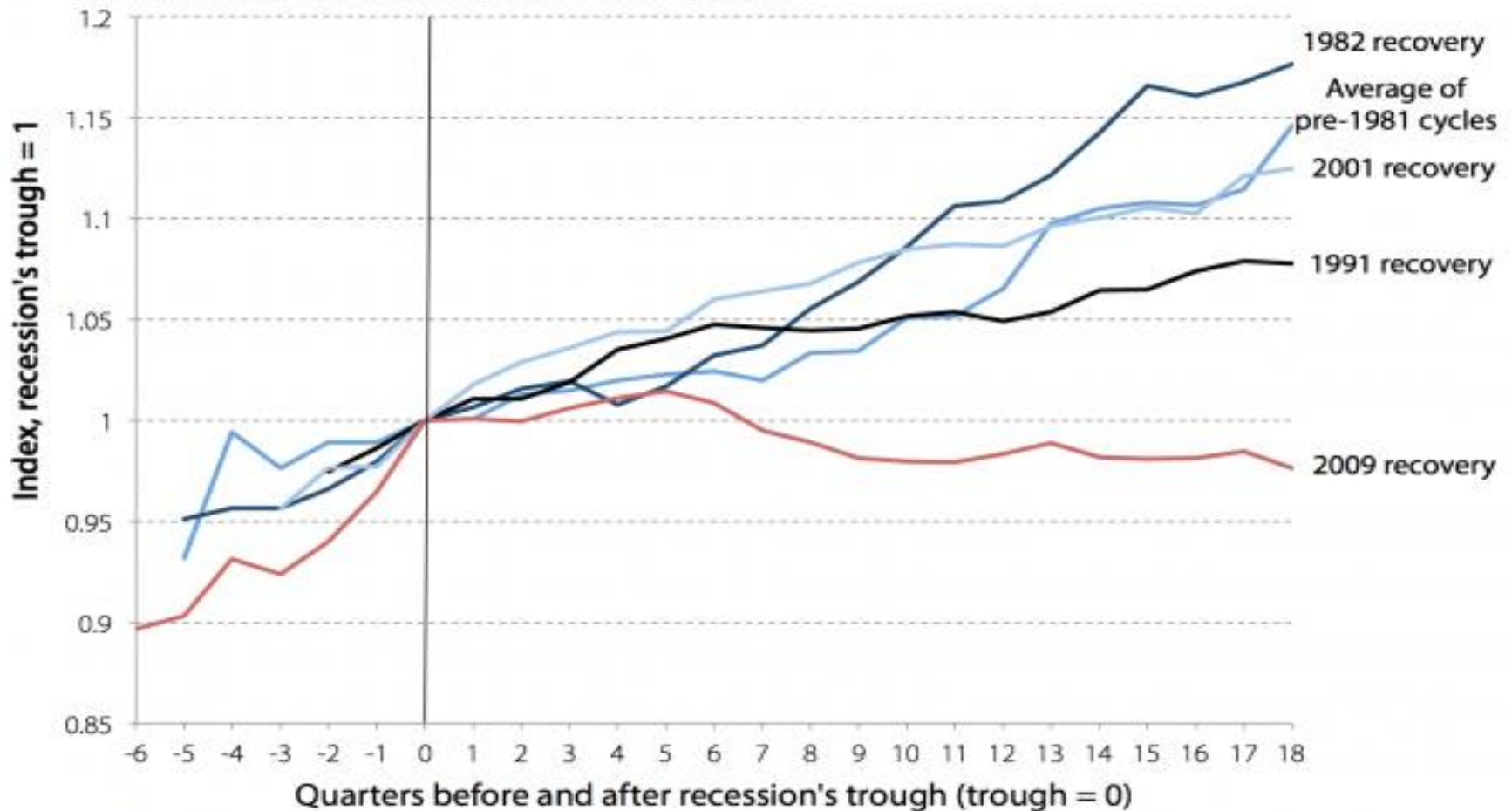
Austerity: A Bad Idea Whose Time Should *Really* Be Gone

Josh Bivens, Director of Research and Policy
Economic Policy Institute

Presentation to Economists for Peace and Security
Bernard L. Schwartz Symposium, Washington DC

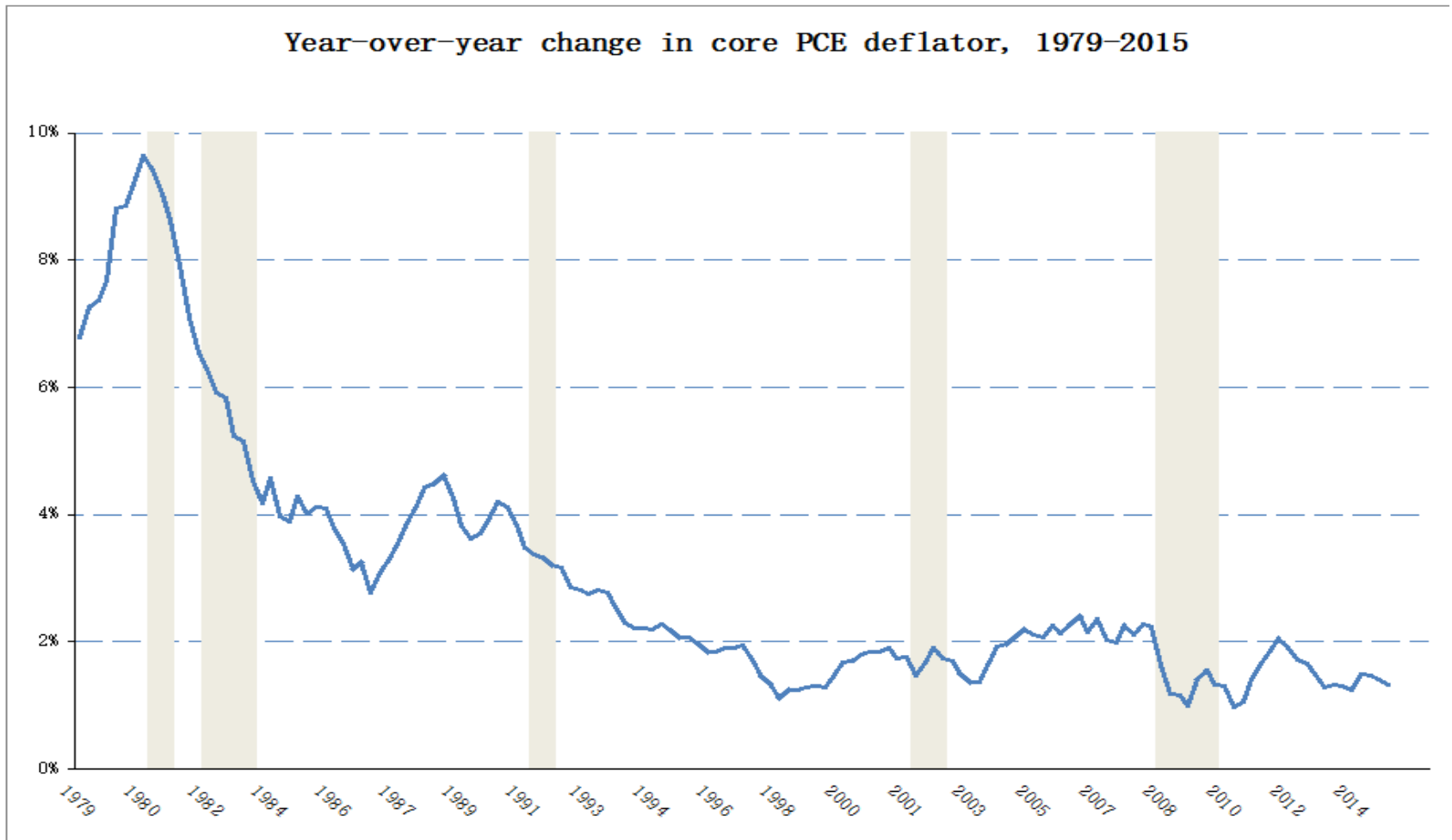
Fiscal austerity over the recovery

Figure 11 We can do better than current austerity:
Government spending over business cycles



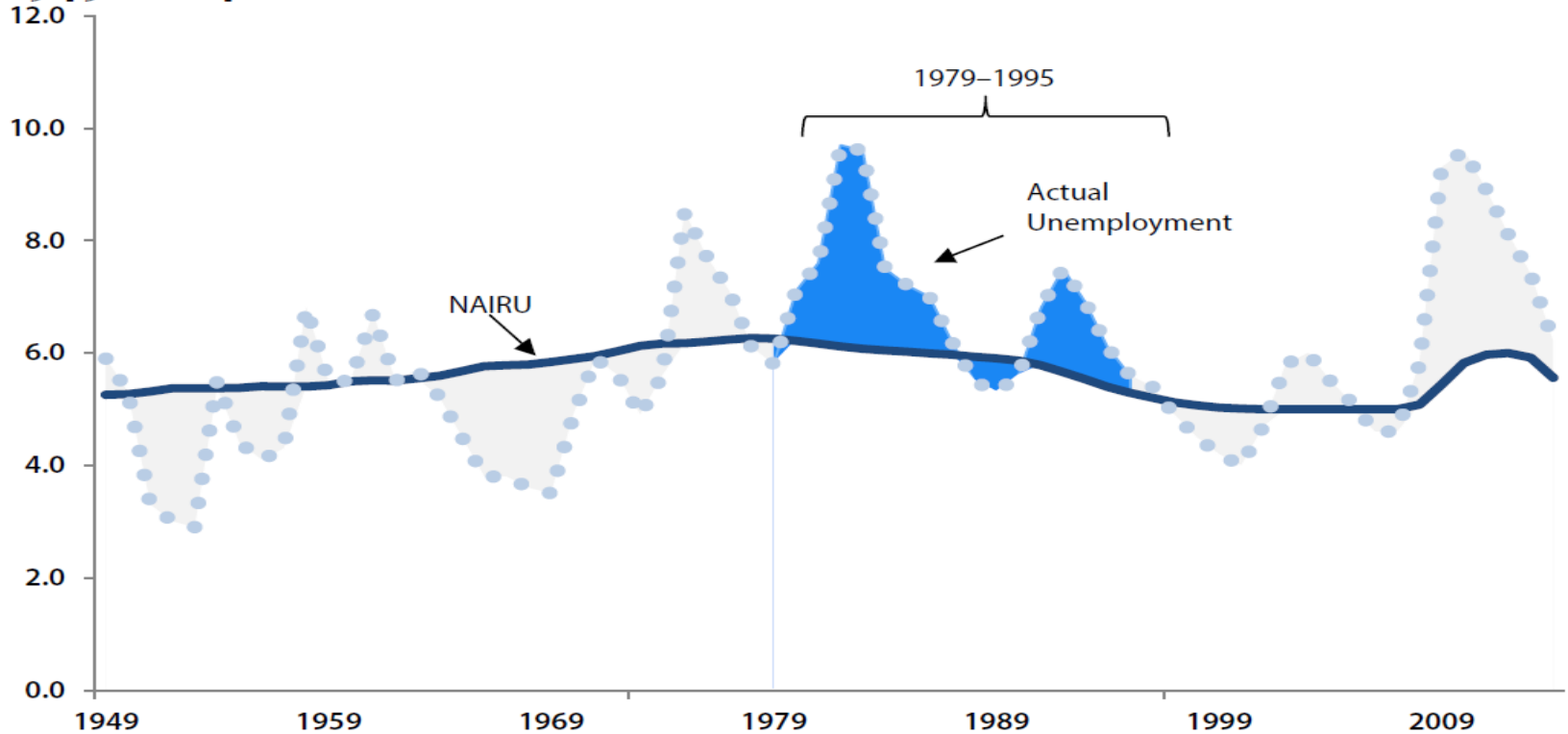
Source: Author's analysis of Bureau of Economic Analysis *National Income and Product Accounts* (Tables 1.1.4 and 3.1)

Chronic demand shortages since...?



For most of post-1979 period, demand shortage even as measured by Fed

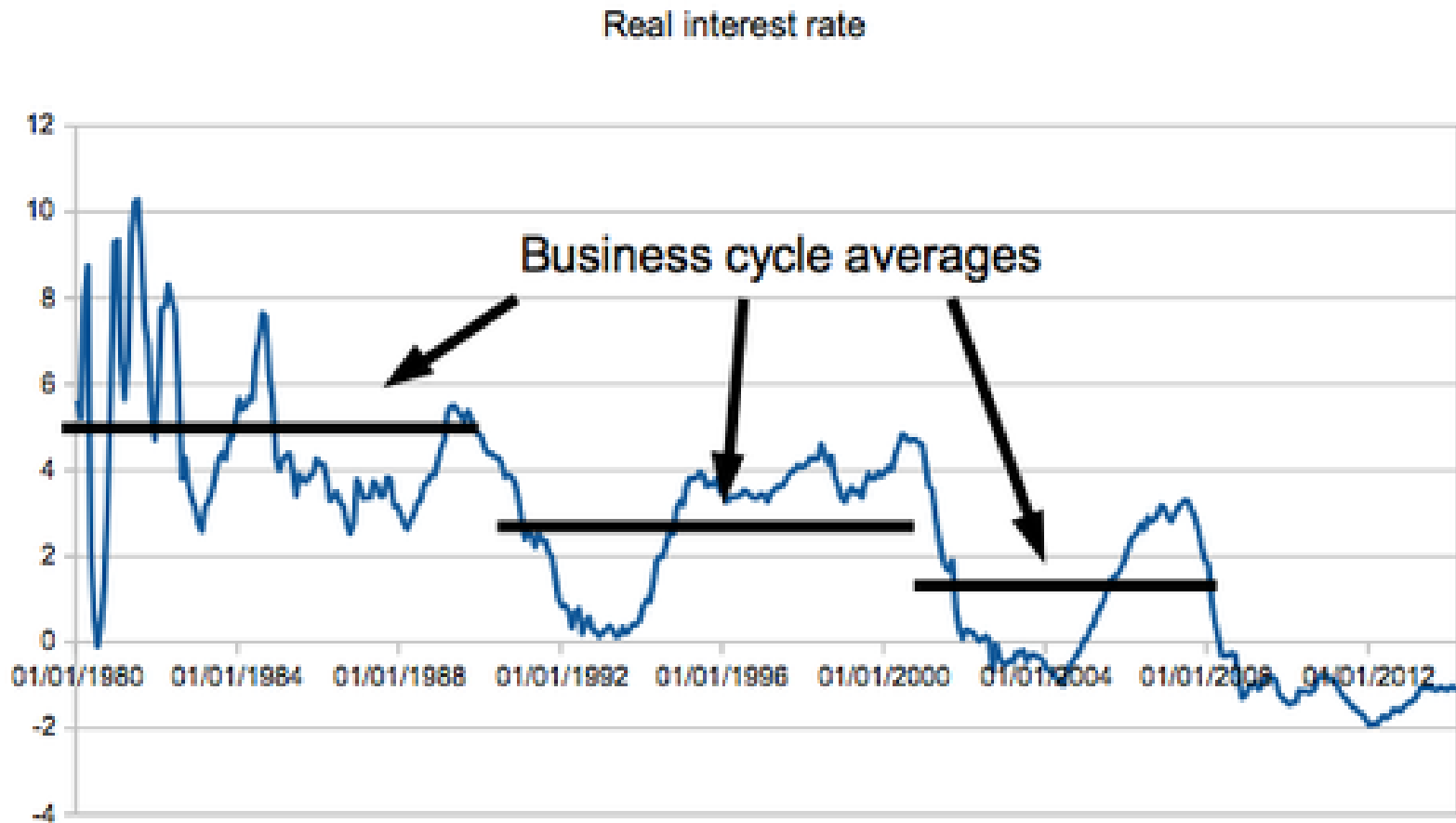
Figure 3: The NAIRU* versus actual unemployment rate, 1949–2014



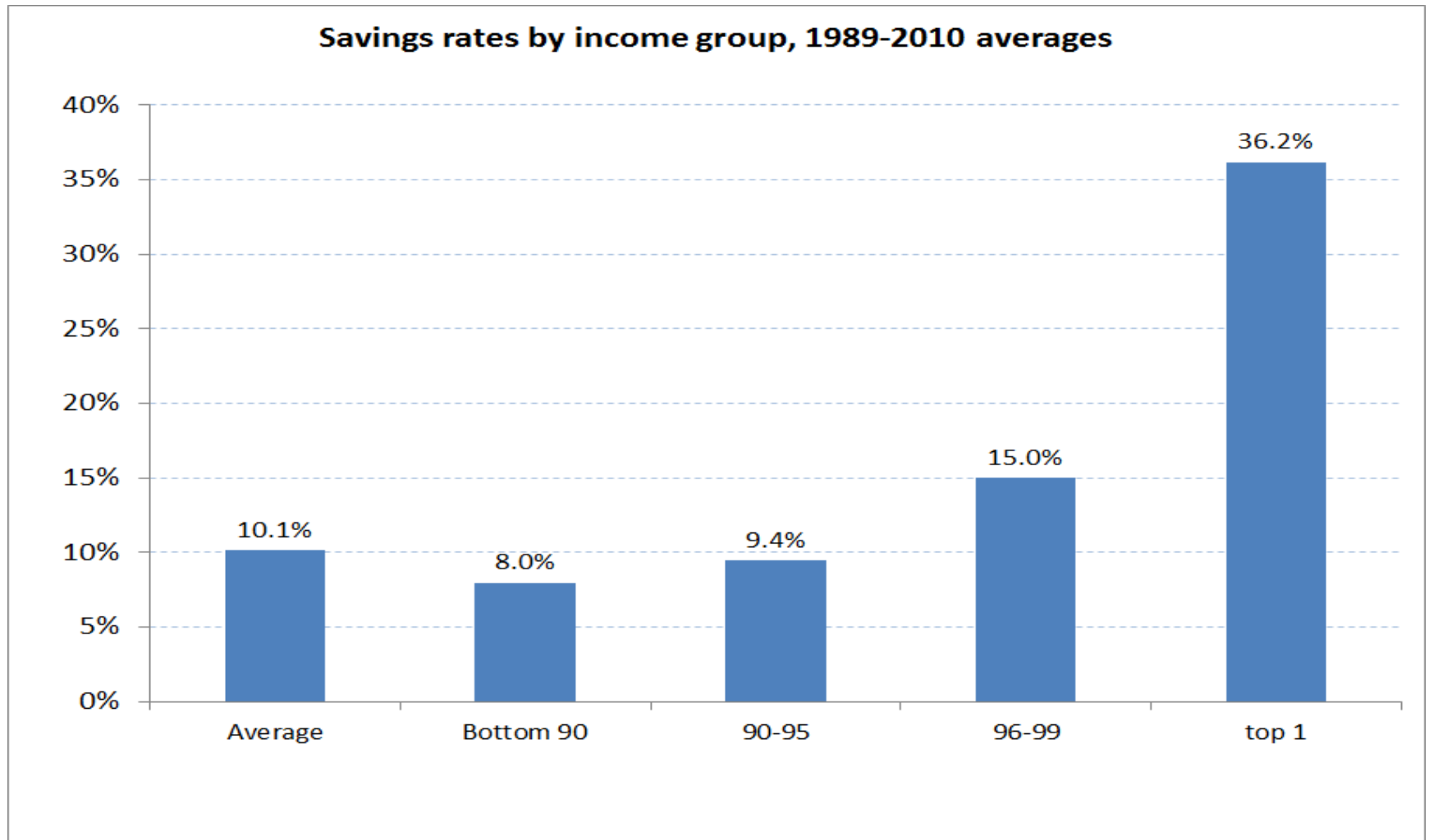
Source: Authors' analysis of Congressional Budget Office (2012) and Current Population Series public data series.

* non-accelerating inflation rate of unemployment (NAIRU)

But over most of this time, demand shortage was self-inflicted, since 2000...?

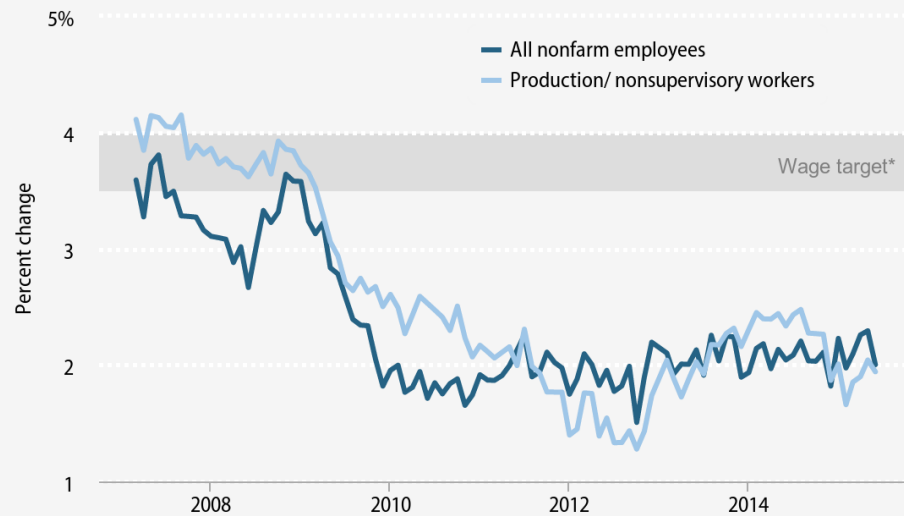


What does rising inequality have to do with chronic demand shortfalls?



Nominal wage growth has been far below target in the recovery

Year-over-year change in private-sector nominal average hourly earnings, 2007-2015



* Nominal wage growth consistent with the Federal Reserve Board's 2 percent inflation target, 1.5 percent productivity growth, and a stable labor share of income.

Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

