



2013-2014 Agricultural Policy and Outlook Conference Series

The State and National Economy: 2014

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Introduction:

- I have been more pessimistic than the consensus on economic growth since 2006, though my forecasts have been largely accurate.
- Roughly the story I told last year was that economic growth slowed considerably after 2000. Job growth in particular has lagged. The seven years before the Great Recession (2000-07) were the slowest seven years since the 1930s (until the recession).
- After the Great Recession ended in June 2009, the same slow growth pattern reestablished itself.
- Many possible causes. Some notable ones are:
 - Slow productivity growth reasserting itself.
 - Very slow rise in educational attainment.
 - Collapse of fiscal discipline.
 - Rent seeking vs. entrepreneurship.
 - Lack of aggregate demand.
 - Income inequality

Where we stand:

- Ohio job growth lags the U.S. by about 4 percentage points since January 2007.
- The long-term pattern of Ohio lagging the nation by about 0.5 to 1.0 percentage points a year appears to reasserted itself.
- The long-term pattern of Ohio lagging Illinois, Indiana, and Wisconsin in the region, while leading Michigan, has reasserted itself.
- Claims of an Ohio miracle appear to be premature.

Conclusions:

- I expect the US economy will continue to modestly expand in 2014 and avoid problems due to fiscal contraction and Europe.
 - I think Ohio will trail the US average, which is consistent with historical perspective.
 - Growth will be strongly supported by ongoing recovery in housing.
- The new normal is growth will be more restrained until we have a productivity increases -- probably due to innovation.
- US performance looks much better when compared to other advanced economies.
- Another strength of the U.S. and Ohio economies are the broad-based nature of their recoveries that do not rely on the strength of single industries.
- Yet, stories of a manufacturing renaissance are premature.