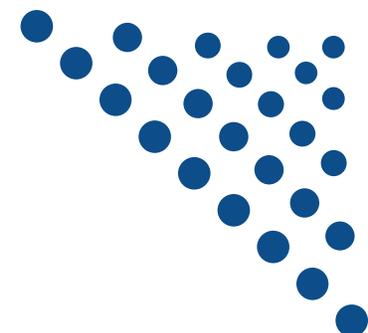


Osher Lifelong Learning Institute, Winter 2026

The Economics of Public Policy Issues

Johns Hopkins University

**Host: Geoffrey Woglom, Director
National Economic Education Delegation**



National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are nonpartisan and intended to reflect the consensus of the economics profession.

Who Are We?

- **Honorary Board: 54 members**

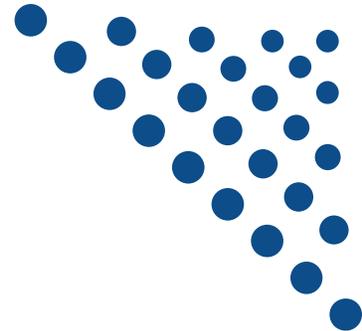
- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
 - Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
 - Akerlof, Smith, Maskin

- **Delegates: 652+ members**

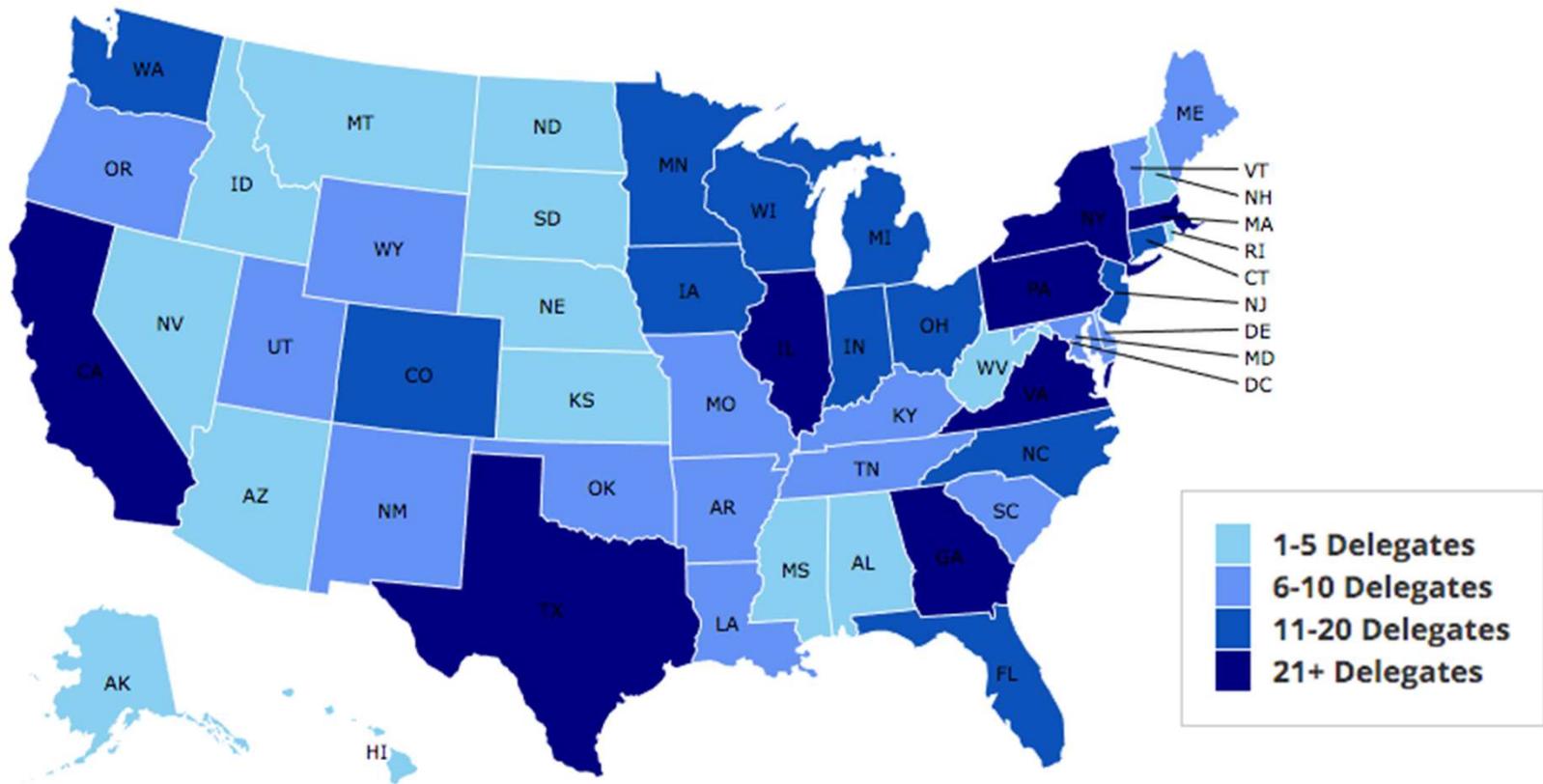
- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 48 Ph.D. Economists**

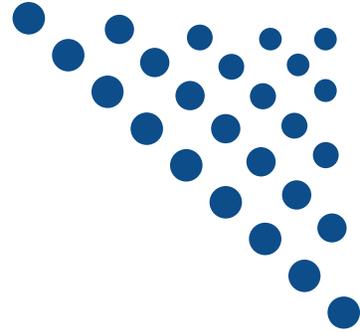
- Aid in slide deck development



Where Are We?



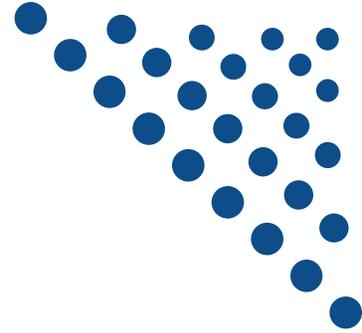
Available NEED Topics Include:



- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- US Social Policy



Course Schedule



Contemporary Economic Public Policy Issues

- **Week 1 (2/25): Economic Update & Tariffs** Geoffrey Woglom, Amherst College
- Week 2 (3/04): An Introduction to Cryptocurrencies, Geoffrey Woglom
- Week 3 (3/11): Saving Social Security, Geoffrey Woglom
- Week 4 (3/18) Economics of Immigration, Robert Gitter, Ohio Wesleyan University
- Week 5 (3/25): Climate Change Economics, Sarah Jacobson, Williams College
- Week 6 (2/27): Health Care Economics, Robert Rebelein, Vassar College

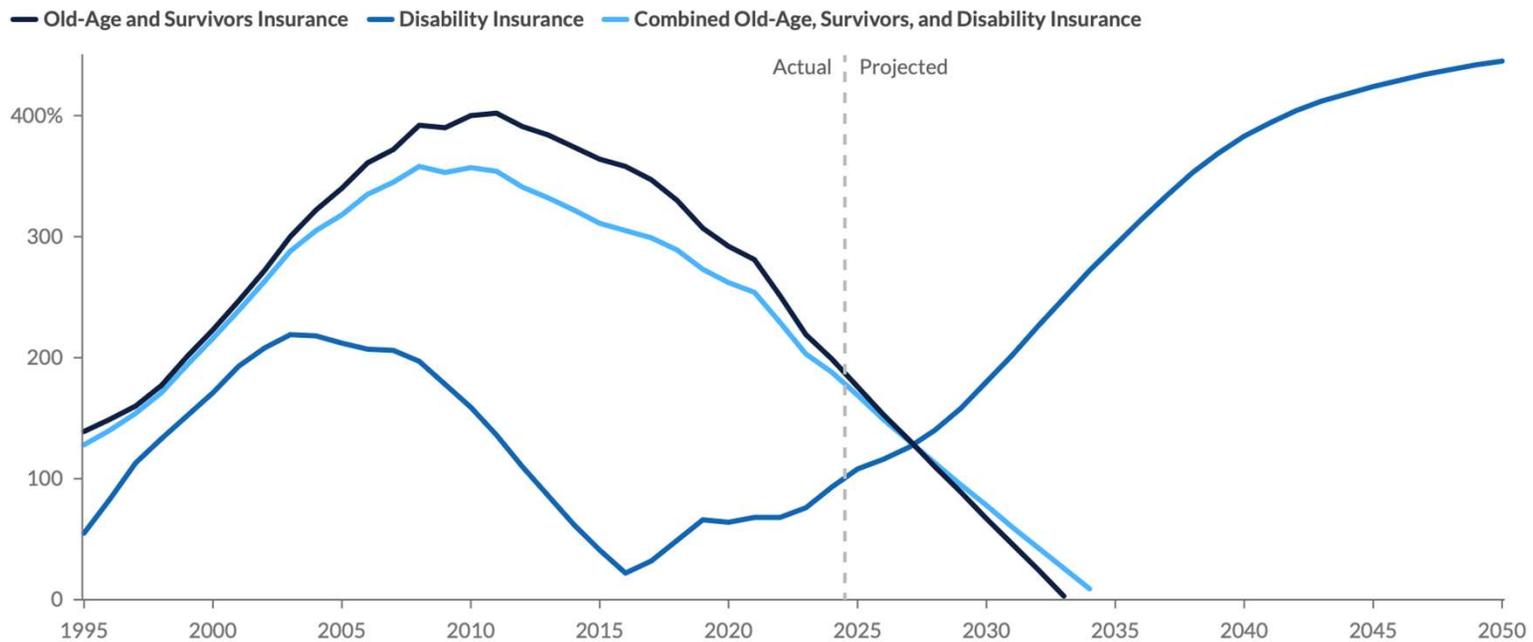
One of the Over 30,000 Bitcoin ATMs



Trust Finds Are Running Out

Social Security's retirement fund will be depleted in eight years

Asset Reserves at the Beginning of Calendar Year (% of Annual Cost)



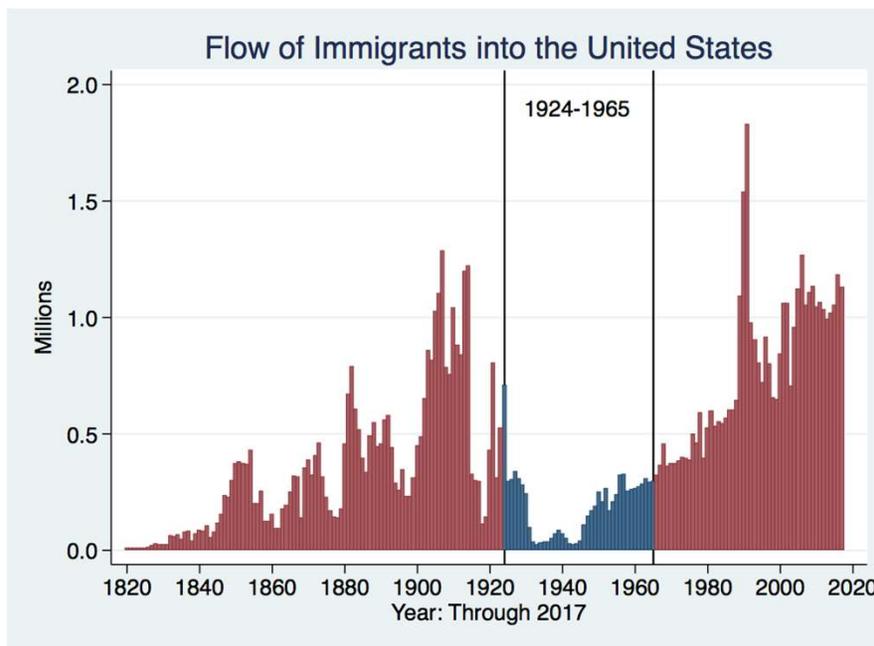
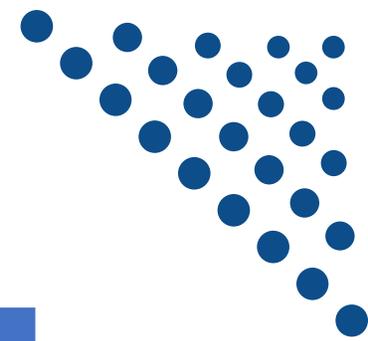
Source: Social Security Administration • Embed • Download image

Note: Under law, a trust fund cannot incur a negative balance. The OASI Trust Fund will be depleted in 2033 while the DI Trust Fund will not be depleted within the 75-year long-range projection period. Combined, the trust funds would be depleted in 2034.



Source: <https://www.pgpf.org/article/social-security-faces-serious-financial-shortfalls-and-other-takeaways-from-the-trustees-report/>

U.S. Immigration 1924-1965



Source Country	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

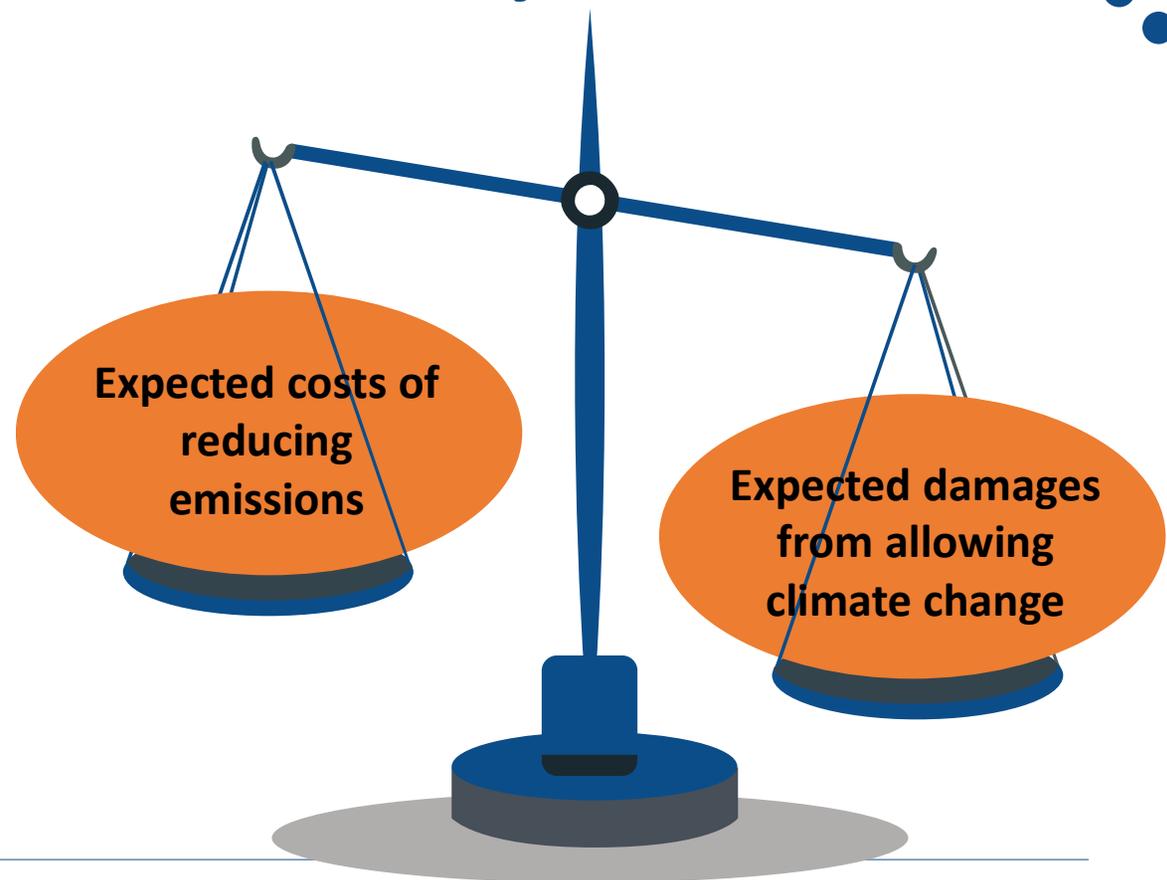
<https://www.libertyellisfoundation.org/immigration-timeline>

How Economists Decide How Much to Fight Climate Change: Cost Benefit Analysis

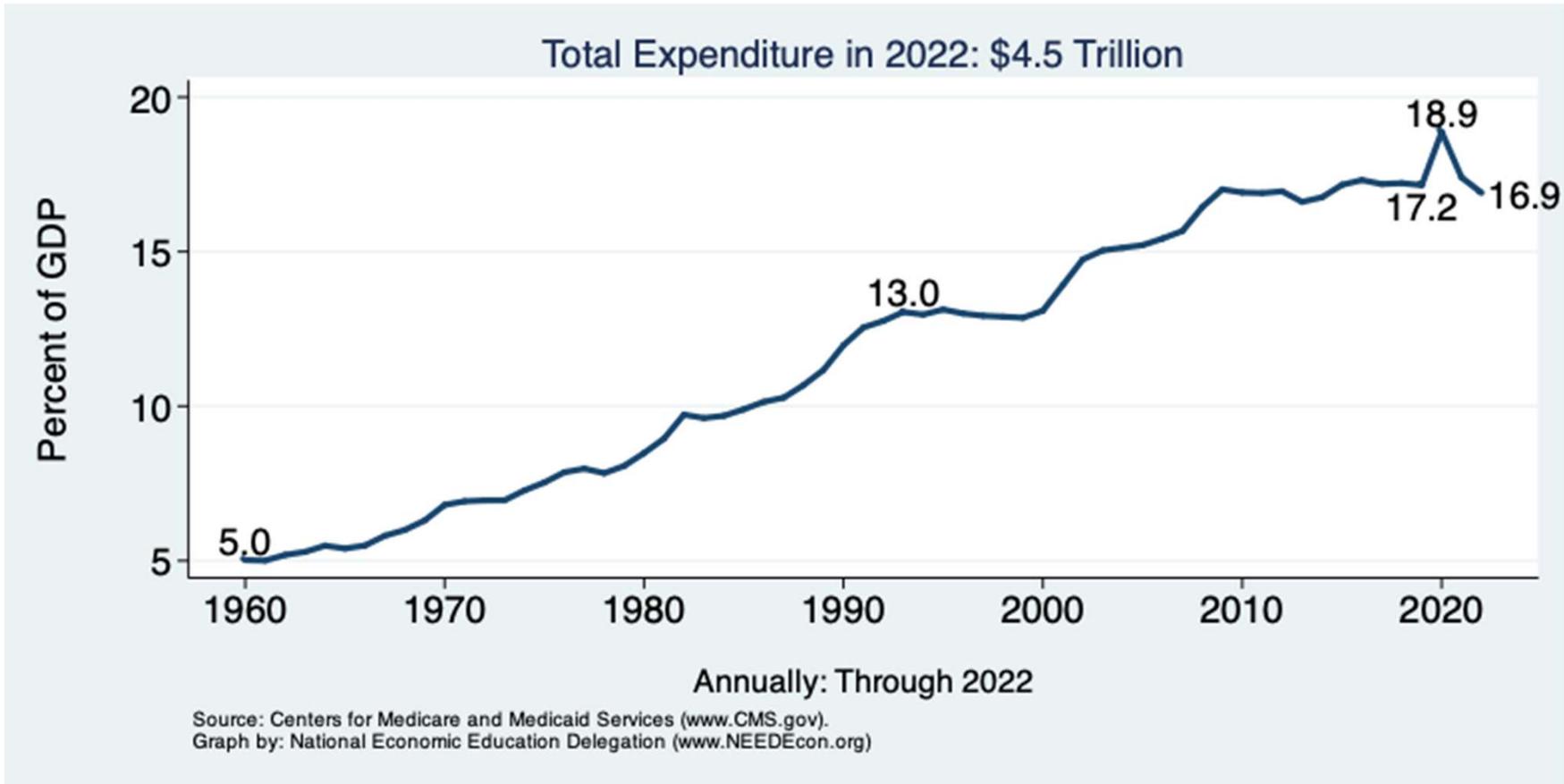
Abating greenhouse gas emissions is costly...

... but without action, climate change damages are even more costly.

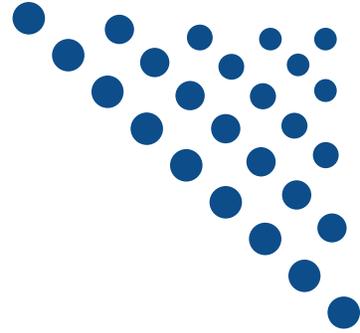
Goal is not zero emissions, but efficient level that achieves a balance.



National Health Expenditure as Percent of GDP



Submitting Questions



- I encourage questions. Raise your digital hand or put questions in the chat.
- We will take a 10-minute break midway through my talk (that is a good time to put questions in the chat)
- We will do a verbal Q&A once the material has been presented.
- Slides will be available from the NEED website tonight https://needecon.org/delivered_presentations.php.
- My Google site: <https://sites.google.com/view/macro-current-issues/economic-update>



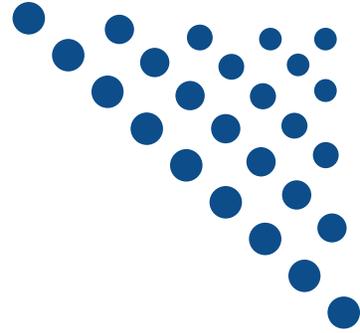


US Economy: Update

Geoffrey Woglom,
Professor of Economics
Amherst College, emeritus
February 25, 2026



Outline for the Talk



- **Overview of State of the Economy**
- **The Fed's Current Policy Dilemma.**
- **Brief History and Economics of Tariffs.**
- **Trump Tariffs pre-Supreme Court.**
- **Prospects for Trump Tariffs.**



The Goal of Macroeconomic Stabilization Policy



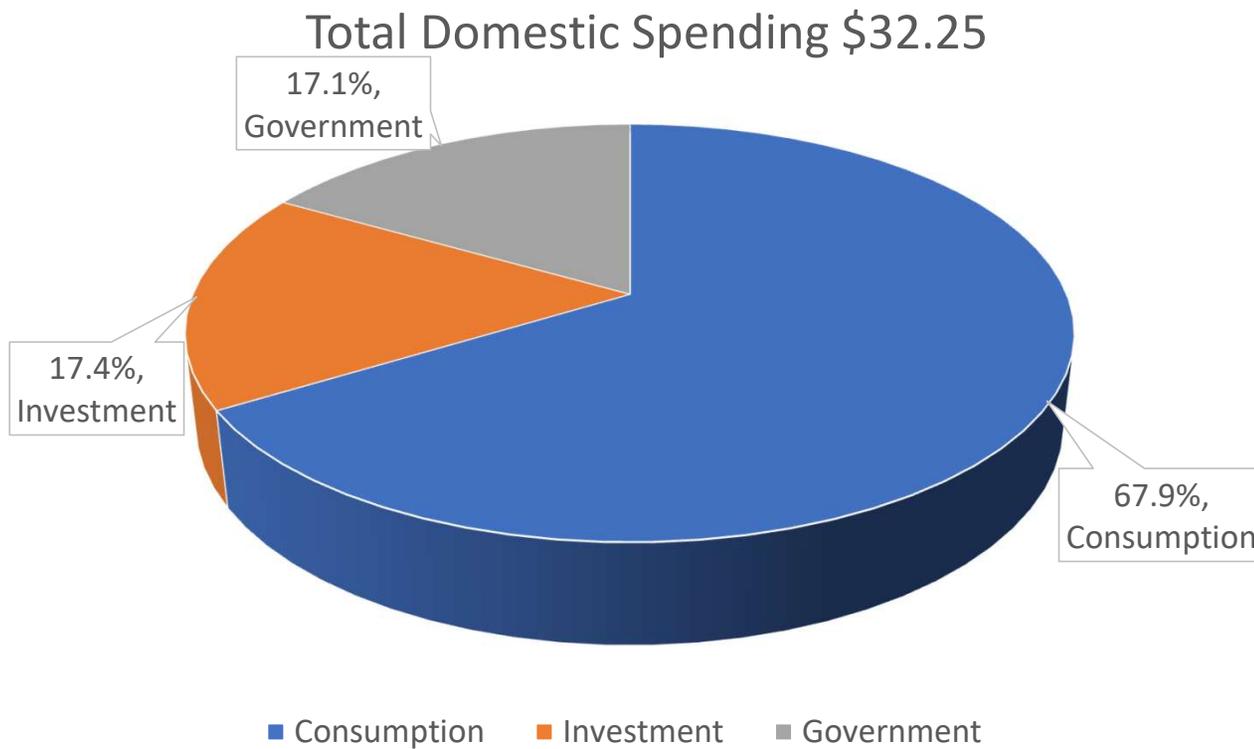
The Fed's Definition:

1. Get the economy to the highest levels of GDP and employment while,
2. Keeping inflation low and stable, or at 2%

What about the climate change; poverty, health care?

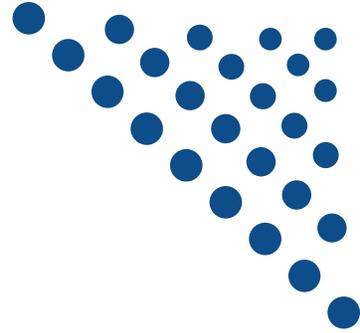


Gross Domestic Product: 2025Q4 = \$31.49 tr



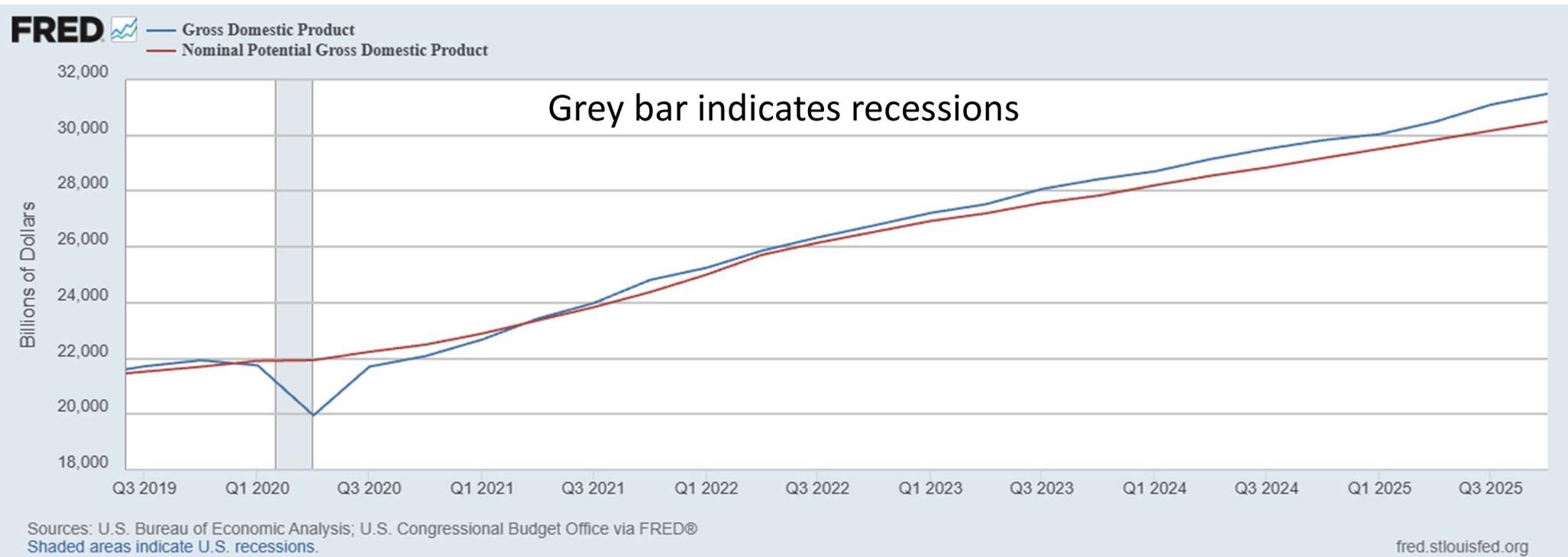
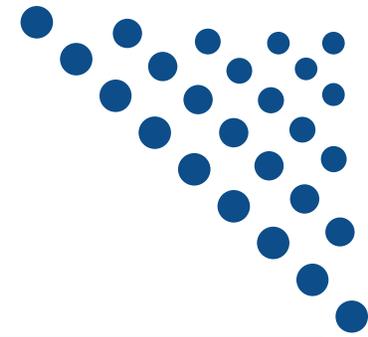
\$32.25
Less Imports
-\$4.13
Plus Exports
+\$3.37
Equals GDP
\$31.49

Important Point for Later

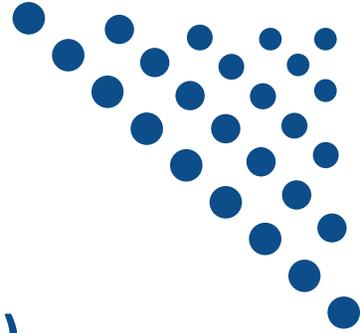


- **The trade deficit is imports less exports ($4.13-3.37=0.76$) and reflects the fact that domestic spending (32.25) exceeds domestic production (31.49).**
- **In order for the trade deficit to go down spending relative to production must fall**
 1. The government deficit falls or households consume less and save more.
 2. Firms spend less on investment (not what we want).
 3. Increase production without increasing spending (hard to do)

GDP and 'Potential' during the Recovery



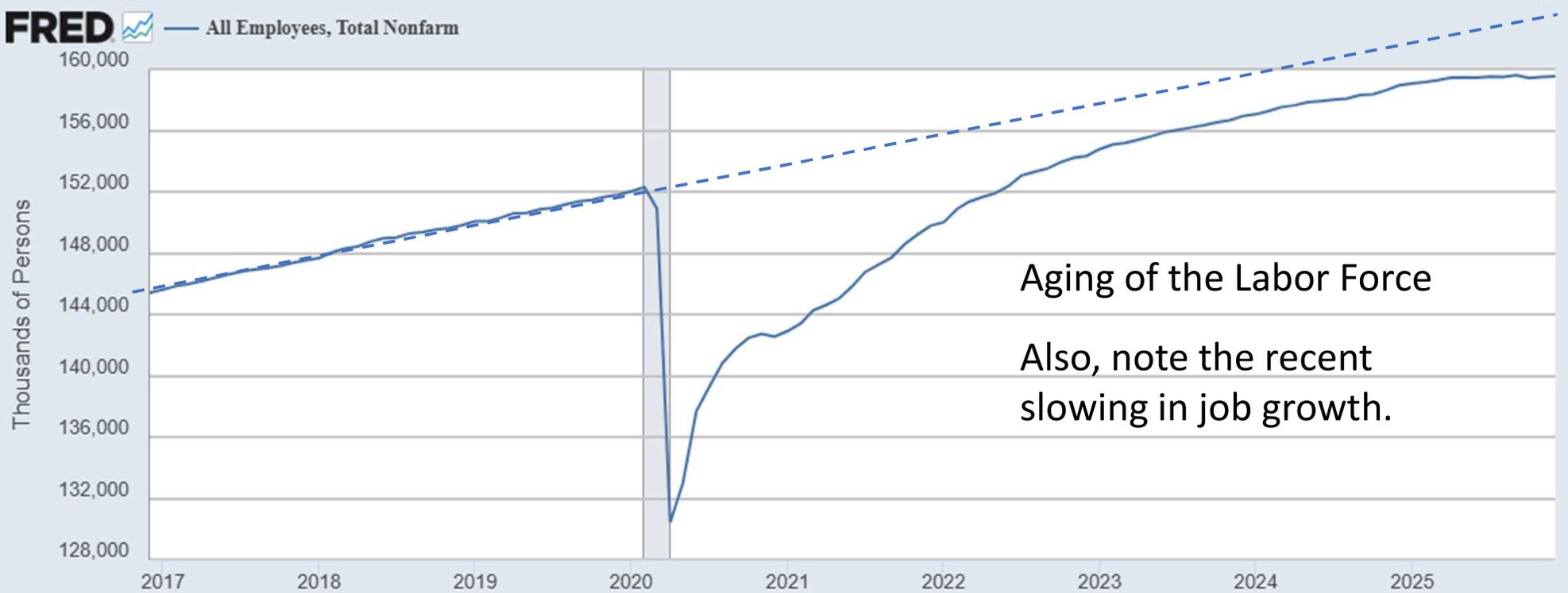
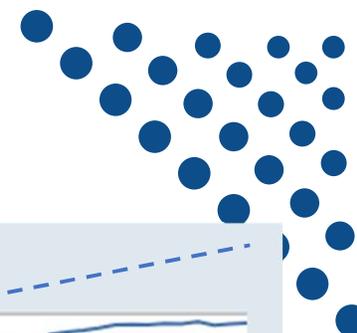
What is a Recession?



- **Defined by the National Bureau of Economic Research (NBER)**
- **“The NBER's definition emphasizes that a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months.”**
- **Popular Rule of Thumb: Two or more, consecutive quarters where Real GDP falls. (Doesn't always work!)**

Recessions are caused by a drop in total spending (remember the consumer).

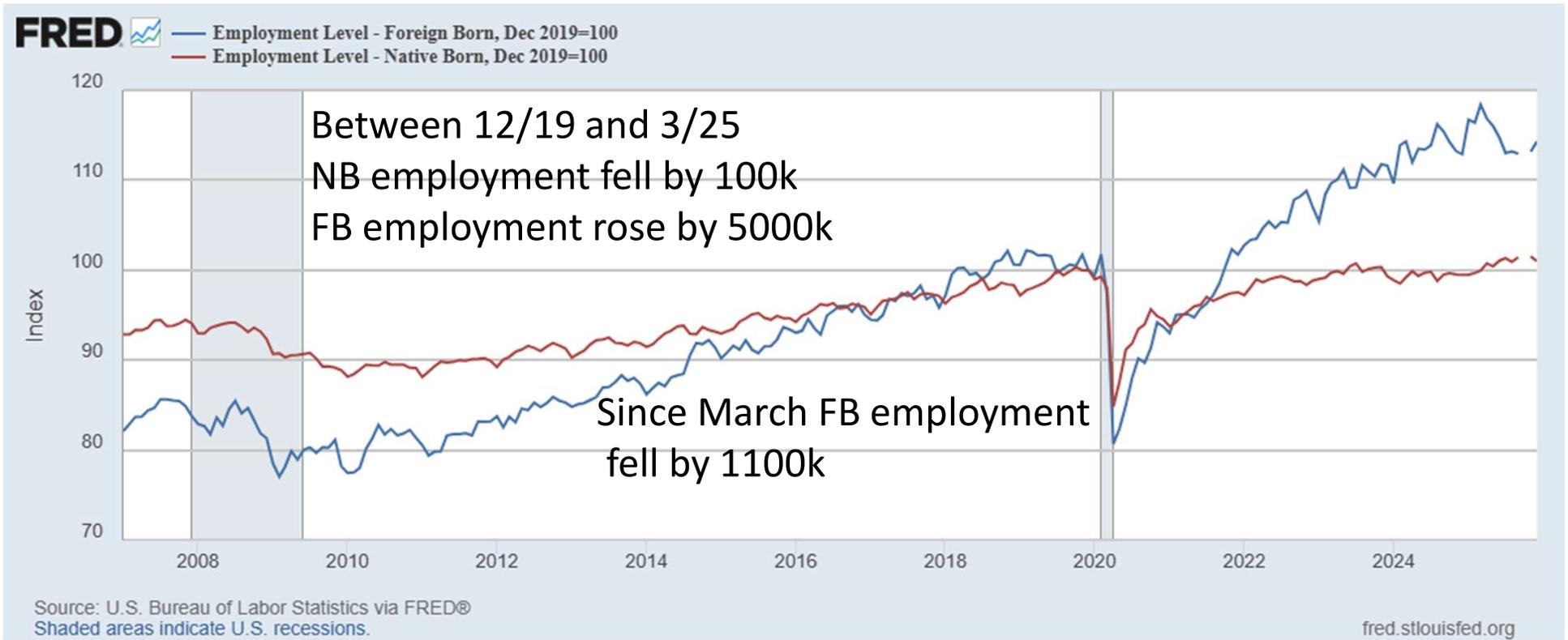
Where Have All the Workers Gone?



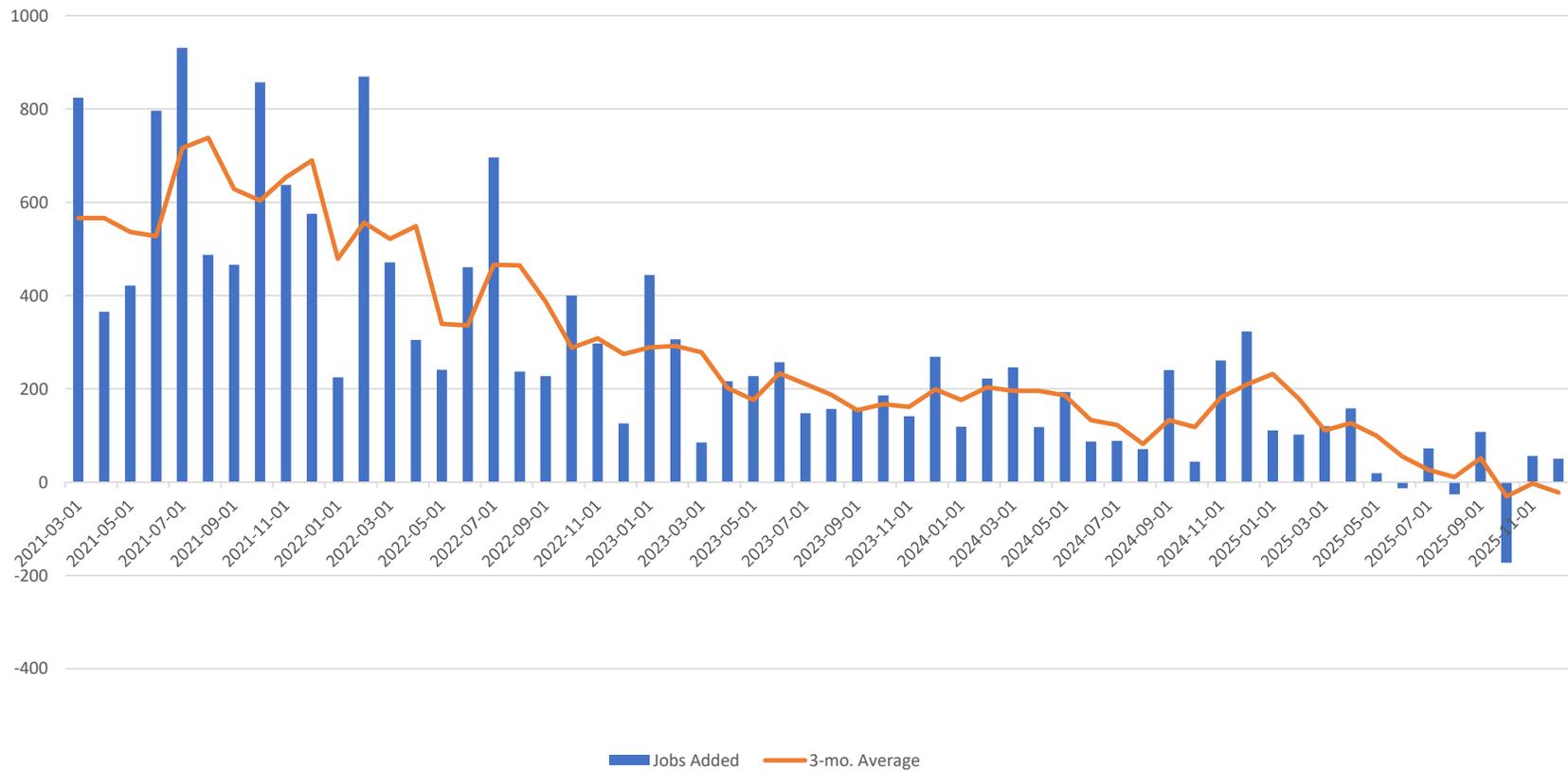
Source: U.S. Bureau of Labor Statistics via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

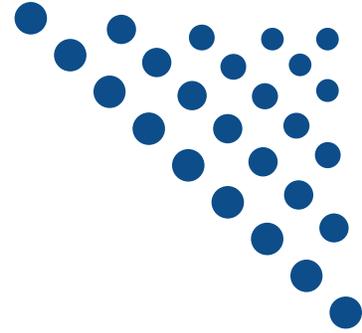
Could Have Been Worse , but for Foreign Born Workers



New Jobs Added per Month



The Kerfuffle Over the Jobs Reports



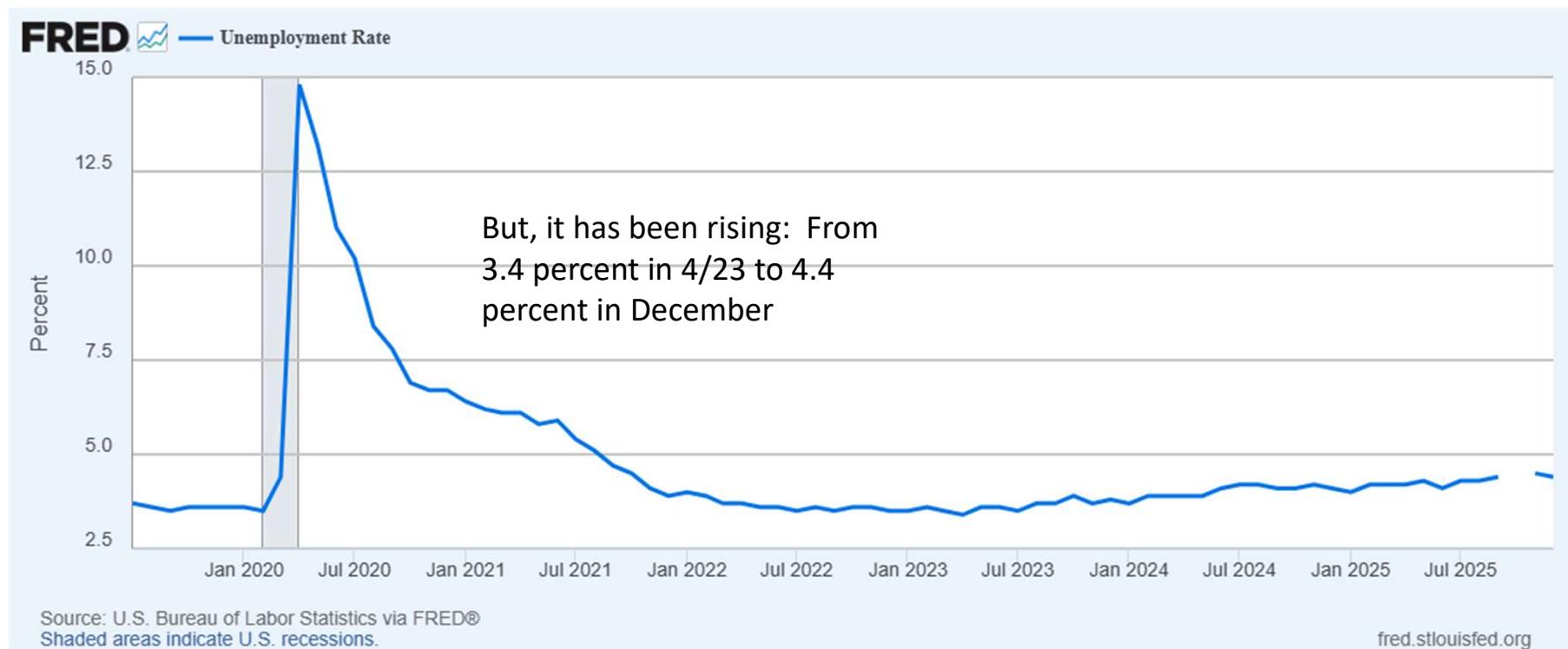
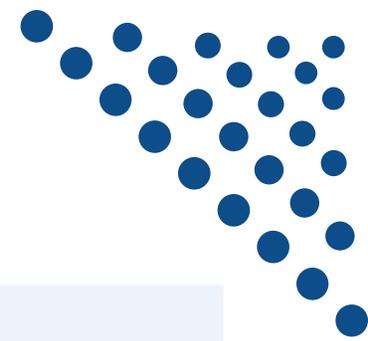
- **BLS conducts 2 surveys each month**
 - Household Survey: Unemployment Rate.
 - “Establishment” Survey (workplace survey): Number of new jobs created.
- **August 1 Report: 73,000 jobs added July, but May and June numbers were revised down by 280,000.**
- **Trump fires BLS director, the same day.**
- **What is behind those “revisions?”**

Want to learn more: “An Unresponsive Public is Undermining Government Economic Data,” *WSJ*, 9/15, at

<https://sites.google.com/view/macro-current-issues/economic-update>



Unemployment is Near Record Lows



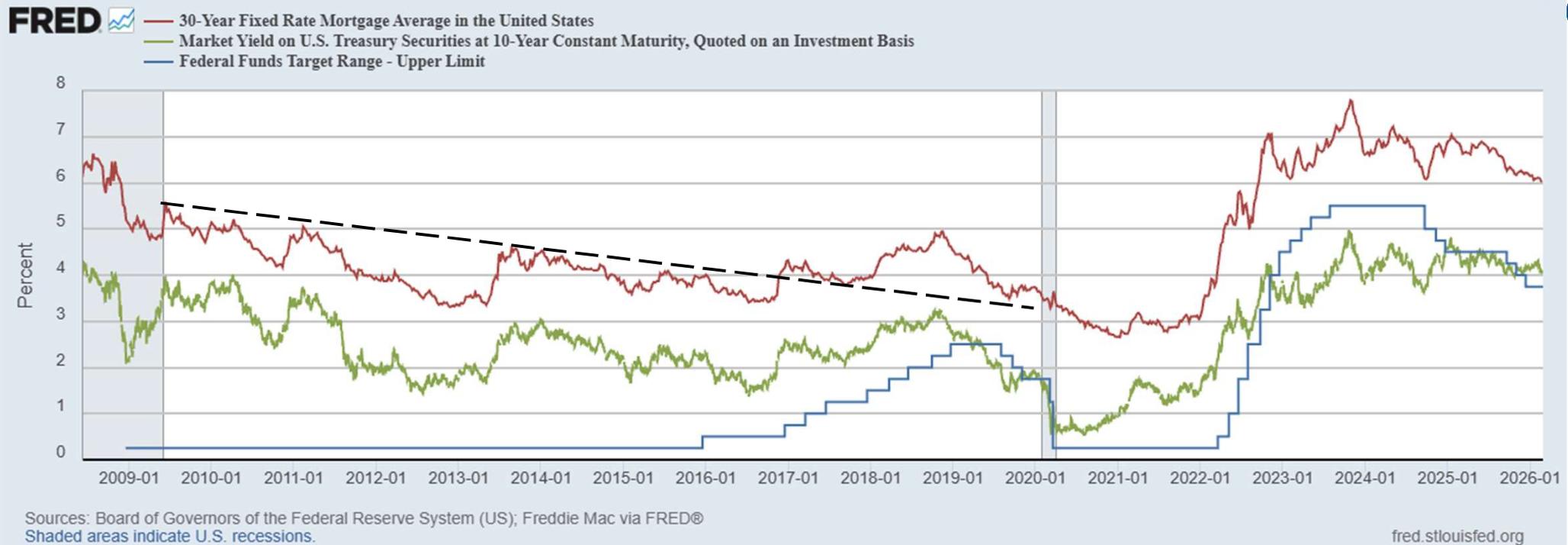
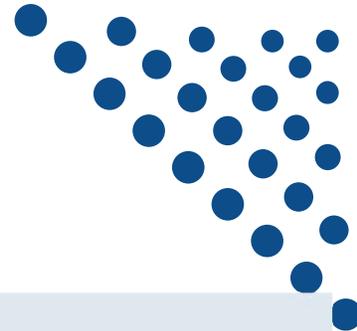
The Real Side of the Economy is Still Good



- GDP is very close to its potential.
- The labor market as measured by the unemployment rate is fully recovered.
- Macro Goal number 1, check

- But what about goal number 2, the “nominal” side of the economy

Interest Rates: Era of Falling Rates Over?

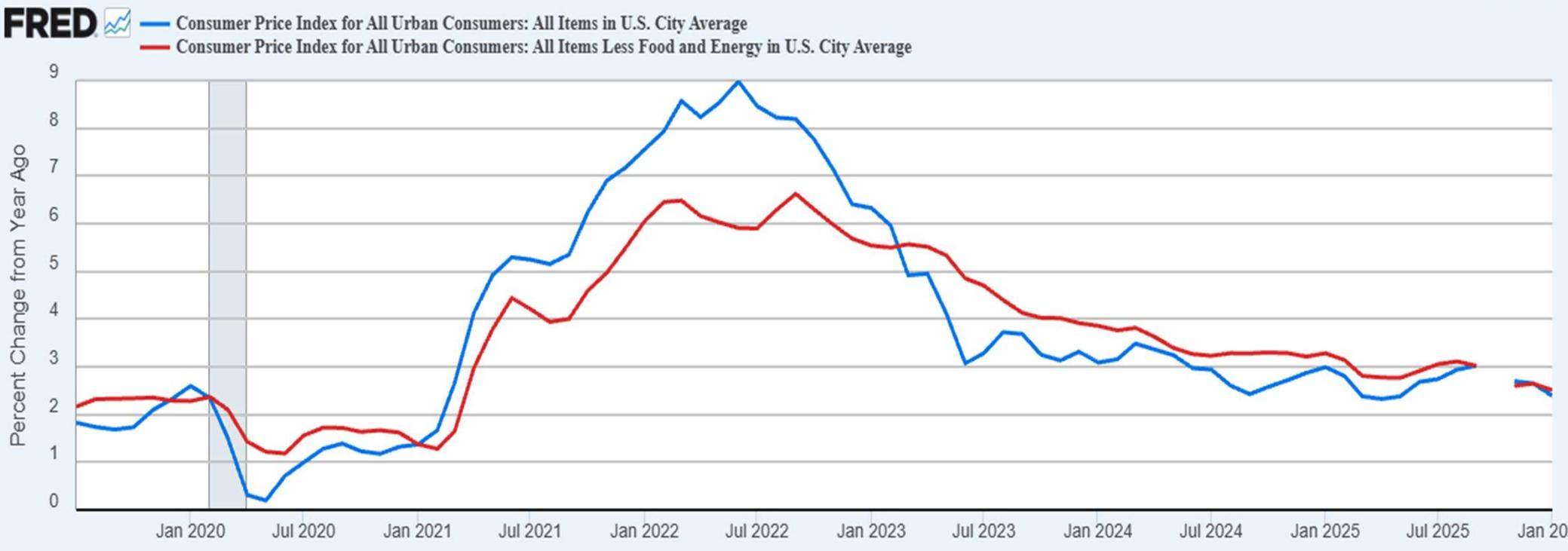


Stock Prices: Tariffs; What Tariffs?





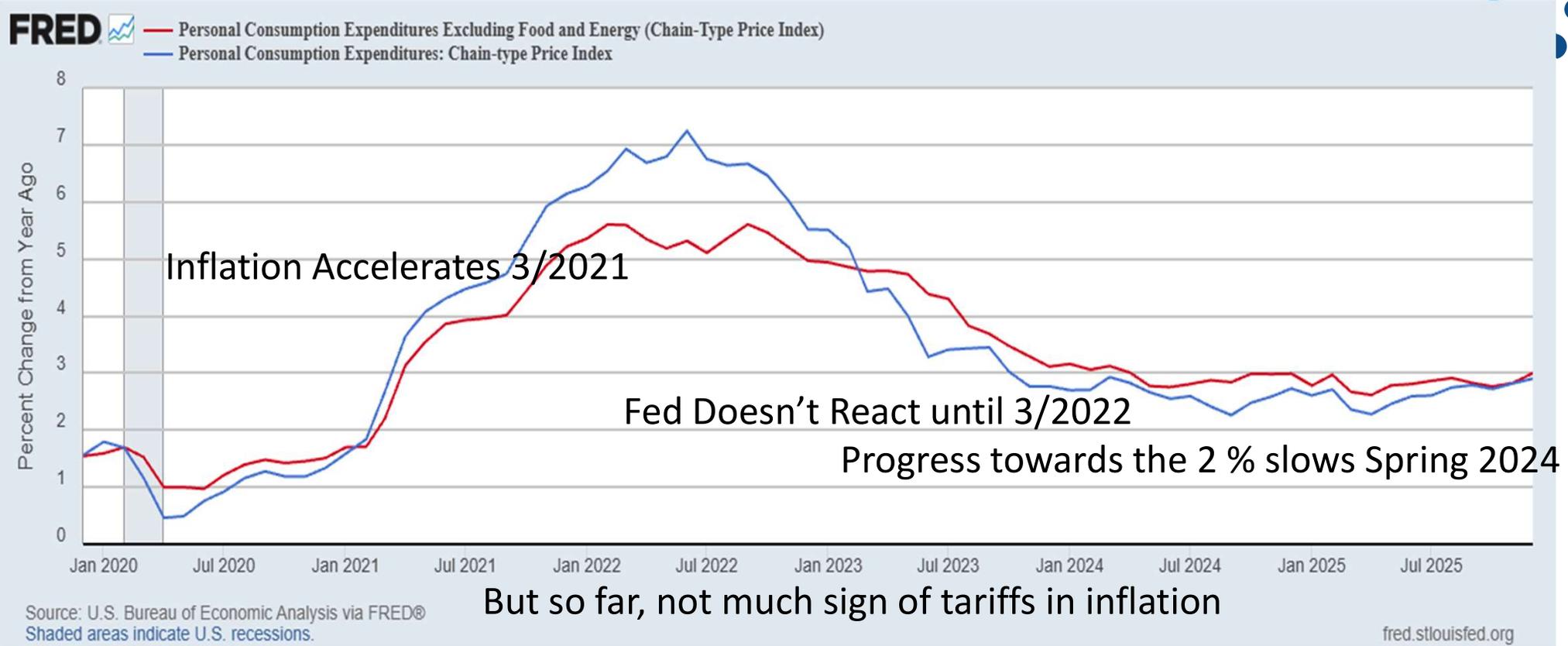
Inflation during the Recovery (CPI)



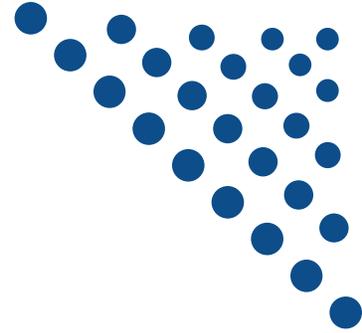
Source: U.S. Bureau of Labor Statistics via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Fed's Measure (PCE)



CPI vs. PCE: Differences



CPI *tends* typically to be 0.3 pct point higher

December:

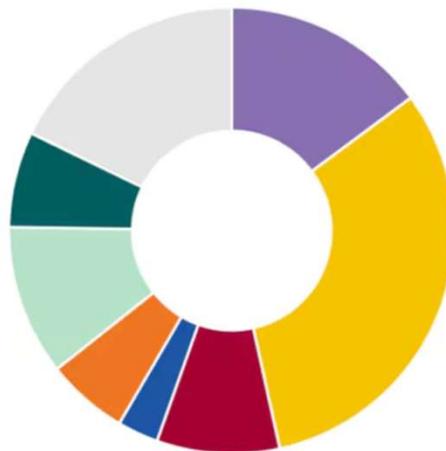
CPI, 2.7%

PCE, 2.9%

Core CPI, 2.6%

Core PCE, 3.0%.

CPI Weights

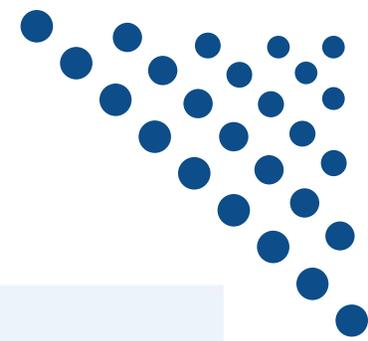


PCE Weights



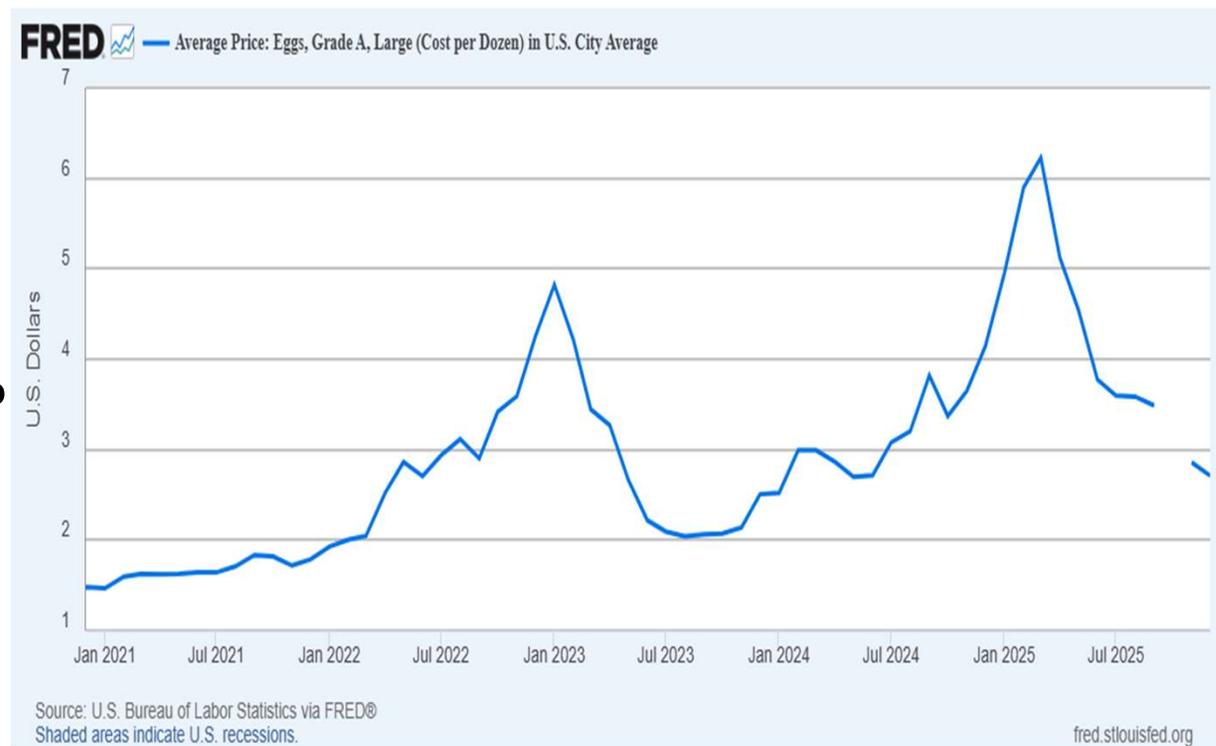
Category	CPI	PCE
Food	15	13
Housing	32	15
Healthcare	9	21
Financial	3	8
Nonprofits	0	3
Recreation	6	9
Transportation	11	9
Energy	7	4
Other	18	17

Uses of Inflation Measures

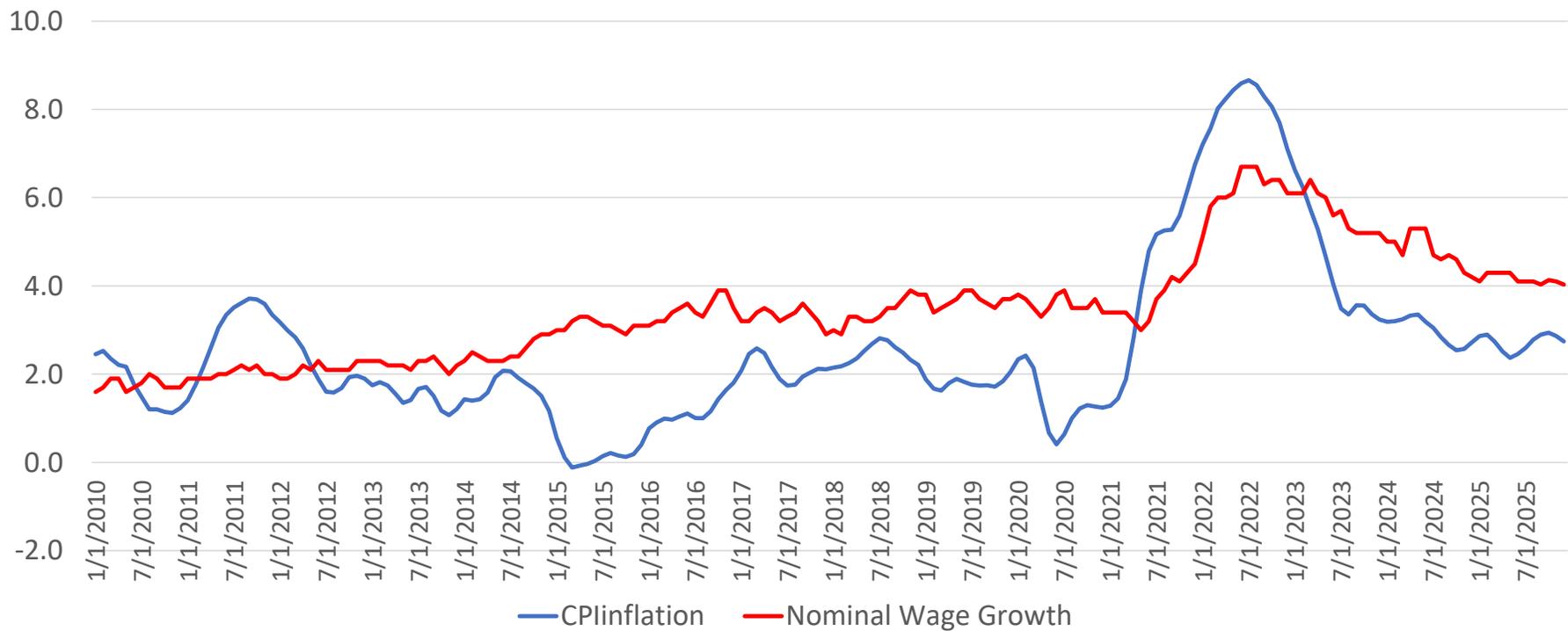


Two Reasons for Measuring Recent Inflation:

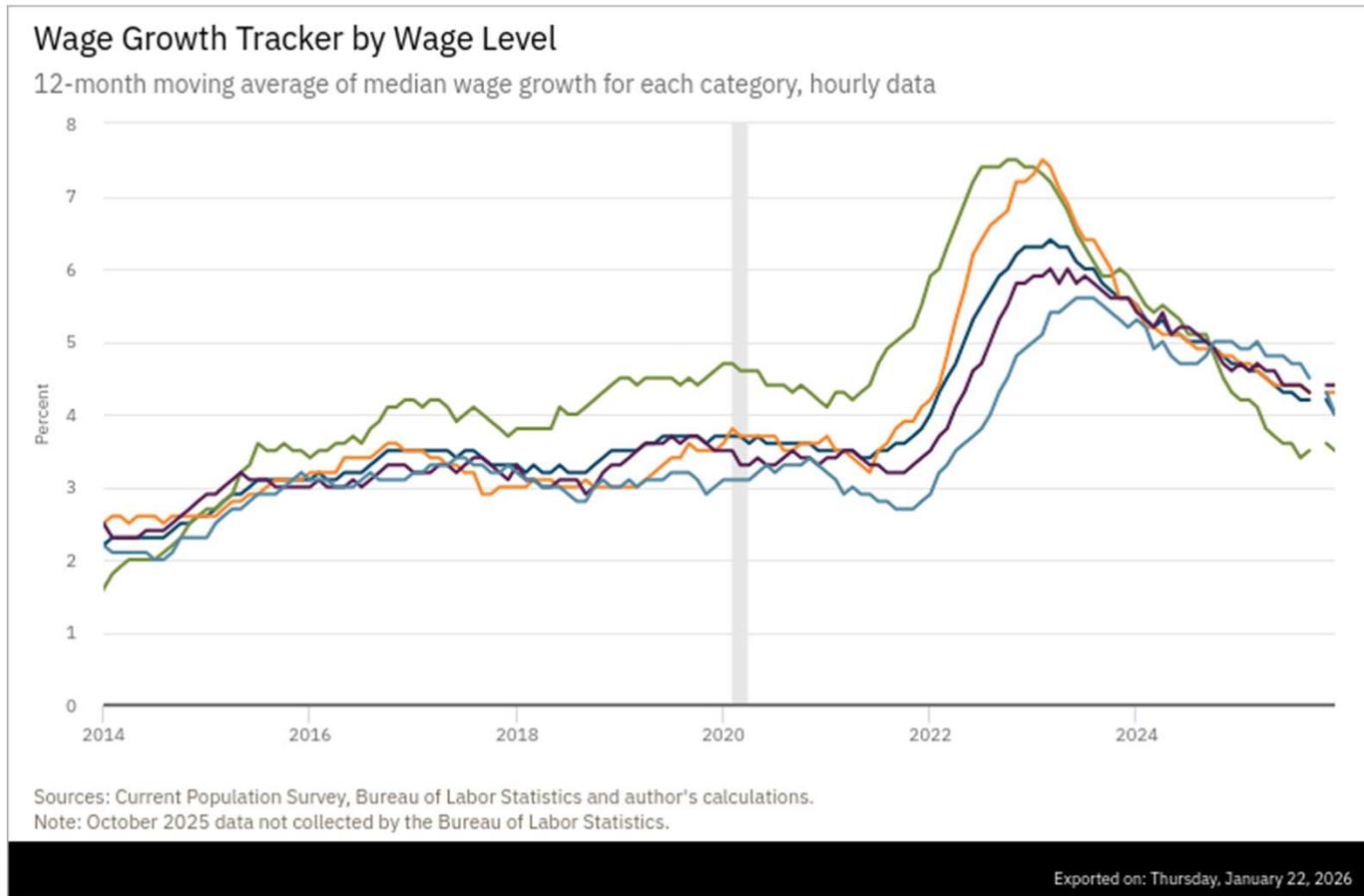
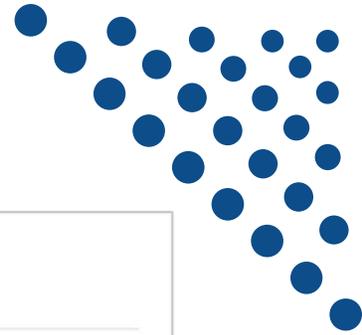
1. What has happened to the Cost of Living?
2. What is likely to happen to inflation over the next 12-18 months?



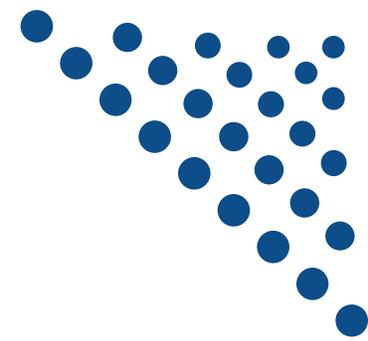
Wage Growth



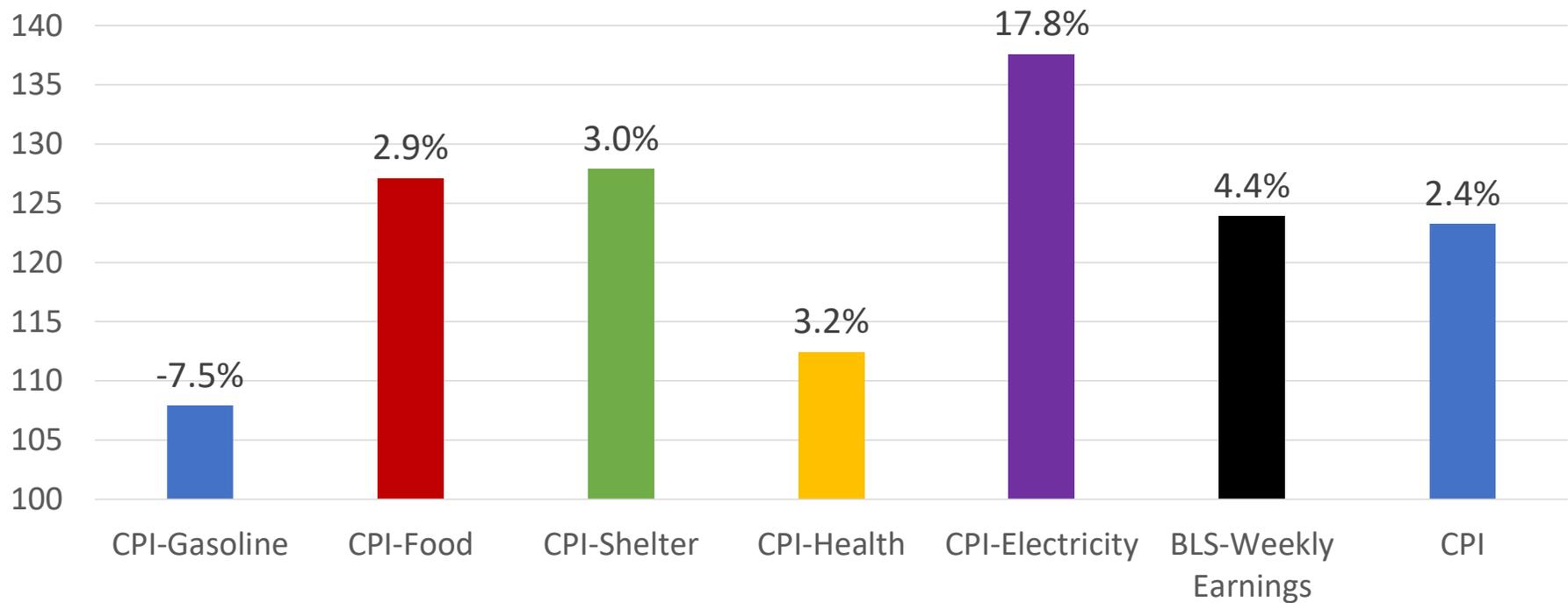
Low Wage Workers Experience



“Affordability”



Bars: 1/26 Price Level relative to 3/21
Numbers: Rate of Price increase over the last 12 months



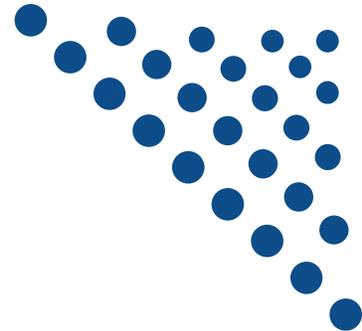
The State of the Economy & How We Got Here



- **The key indicators for judging the macro economy are all good**
 - Output and unemployment are close to their “full employment” levels
 - Inflation is still a bit elevated, but much improved over 2023.
- **21-22**
 - Too much demand due to easy monetary policy and a fiscal stimulus which was probably too big
 - COVID Supply disruptions exacerbated inflation.
- **23-present Monetary Policy Perfect**
 - Inflation has fallen substantially with small increase in unemployment, and we are close to the 2 percent target (unprecedented)

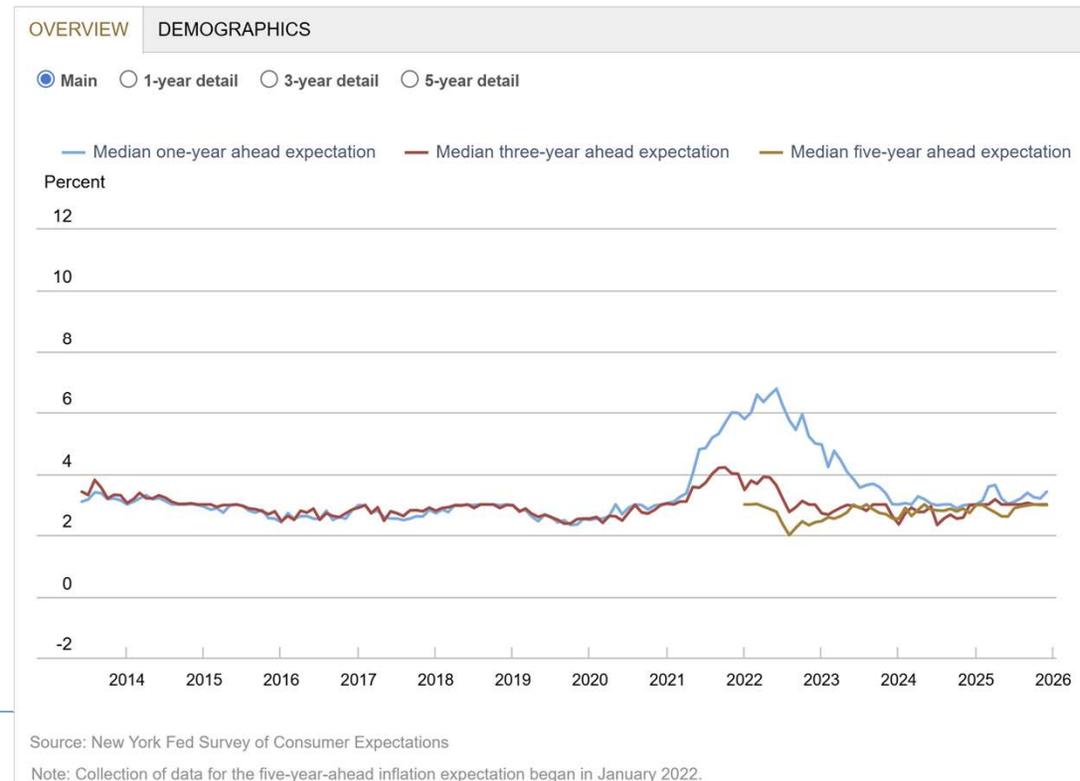
How Did the Fed Do It?

The Key to Success: Stable Inflationary Expectations

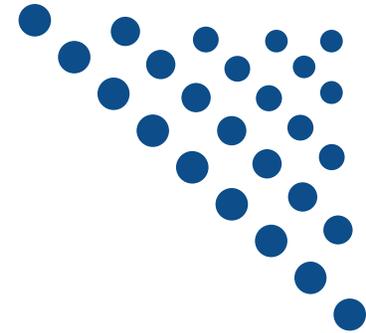


Inflation expectations

Median one-, three-, and five-year ahead expected inflation rate



The Outlook Is More Complicated

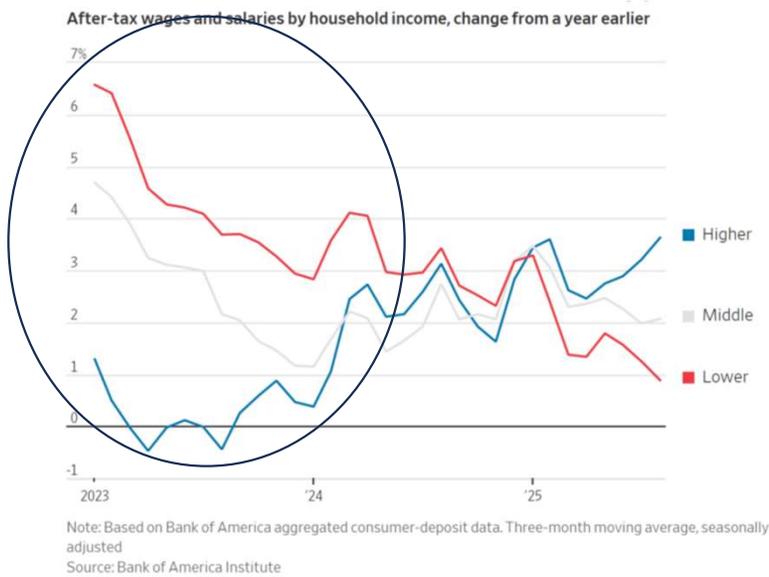


- **Areas of Concern:**

1. Consumer Spending.
2. Investment Spending due to AI.
3. Fiscal Policy Effects.
4. Uncertainty.
5. Monetary Policy: Next 4 months and the New Chair.

Consumption

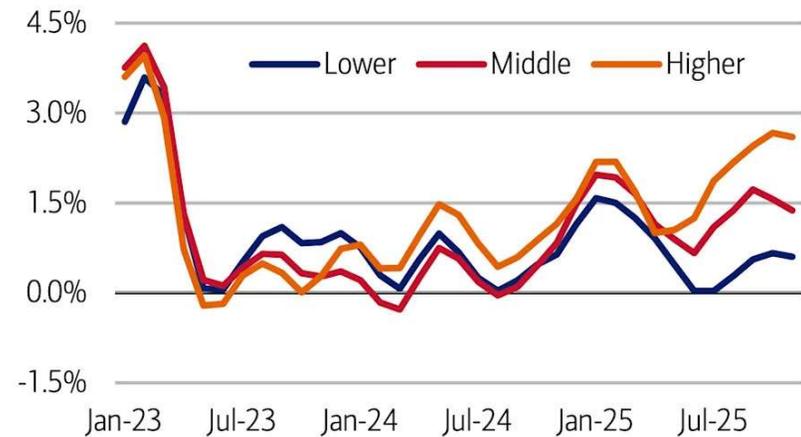
- Low-Income Consumers look vulnerable



Moody's Top 20% account for 63% of Consumption

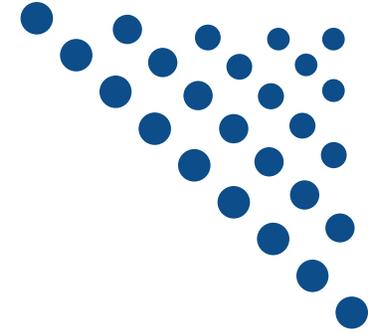
Exhibit 5: Around the spring of 2025, the gap between higher- and lower-income households' spending growth got progressively wider

Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)



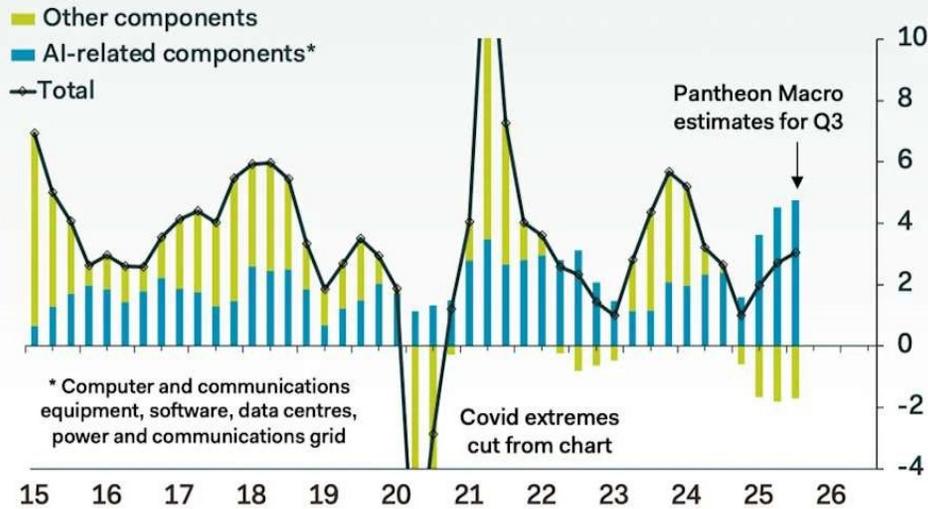
Source: Bank of America internal data

AI and Investment



AI-RELATED CAPEX PROBABLY OFFSET WEAKNESS ELSEWHERE

Contributions to y/y% growth in real private fixed investment, percentage points

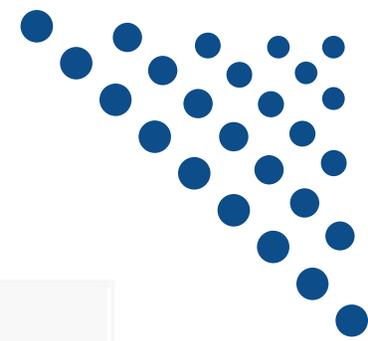


Source Parthenon: Macroeconomics

AI Investment & GDP Growth			
Period	GDP Growth	AI Contribution	Difference
25Q1	2.0 percent	1.3 percent	0.7 percent
25Q2	2.1	1.2	0.9
25Q3	2.3	0.5	1.8

Source: BEA & <https://www.stlouisfed.org/on-the-economy/2026/jan/tracking-ai-contribution-gdp-growth>

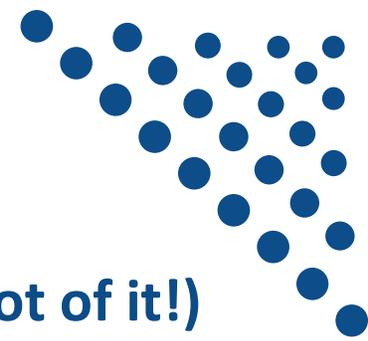
Combined Effects on the Budget Deficit



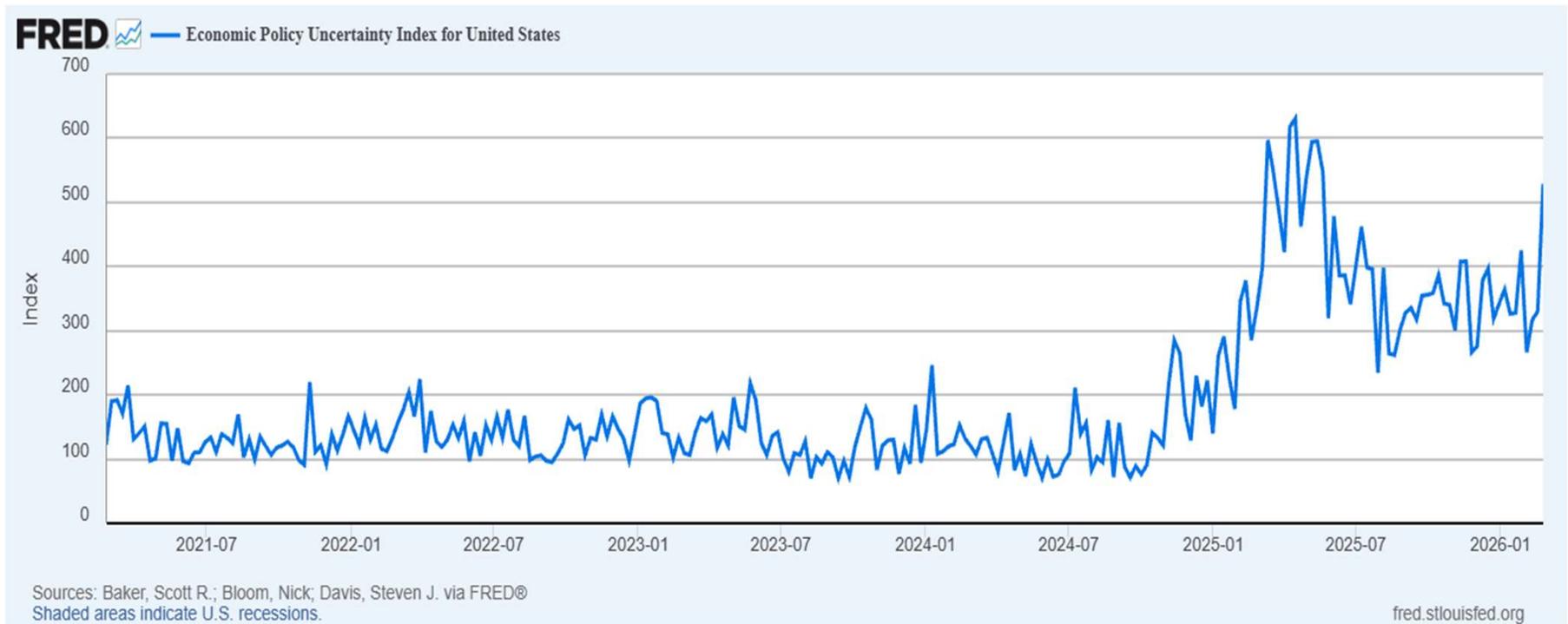
During 2025, tariff revenues collected were \$264 billion.



But... (Continued)



- **Uncertainty is Bad for the Economy's Health (and there is a lot of it!)**



Anc, then there is Monetary Policy



The Fed's Dilemma:

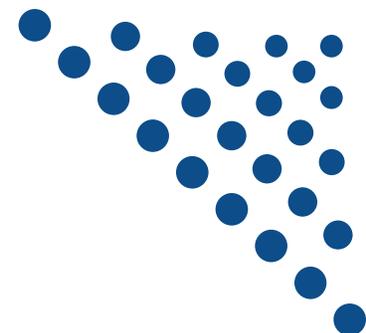
- **To combat rising unemployment the Fed needs to lower interest rates to increase demand and spending.**
- **To combat rising inflation the Fed needs to raise interest rates to lower demand and spending.**
- **Successfully navigating the path between the two problems is made worse because of attacks on the Fed's independence which have the potential to destabilize inflationary expectations**

This Doesn't Help



- The irony is that the Fed would be able to lower interest rates more aggressively with no attacks.
- If it appears the Fed is caving to political pressure, it will lose credibility and increase inflationary expectations.

Monetary Policy after Jerome Powell ?



Kevin Warsh: Trump Nominee to replace Jerome Powell as the Chair of the Fed in May

Conclusion: The State of the Macro Economy



“The State of the Economy is Strong.”

- **Some Major Concerns Going forward.**
- **Is the strong economy due to Trump’s policies or in spite of them?**

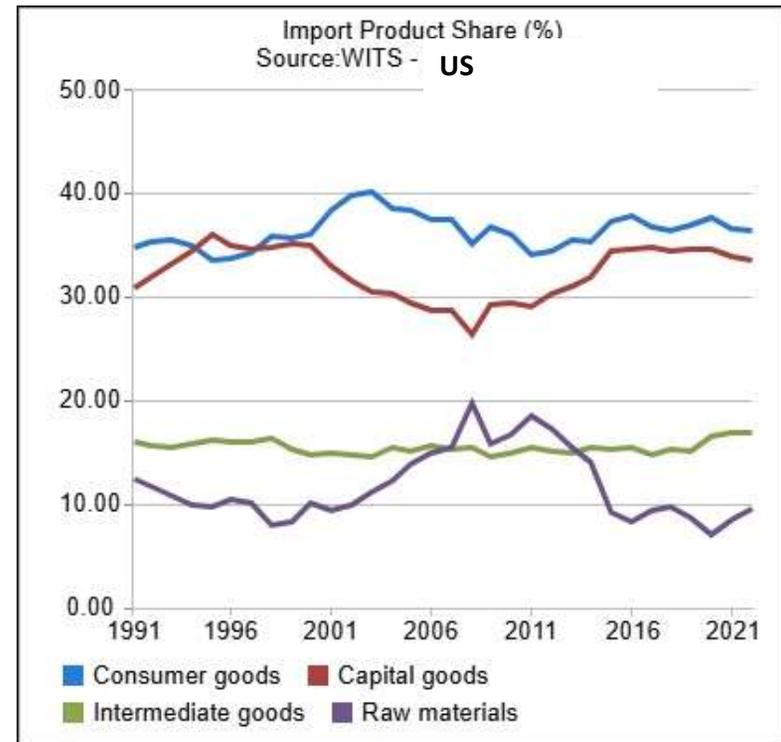
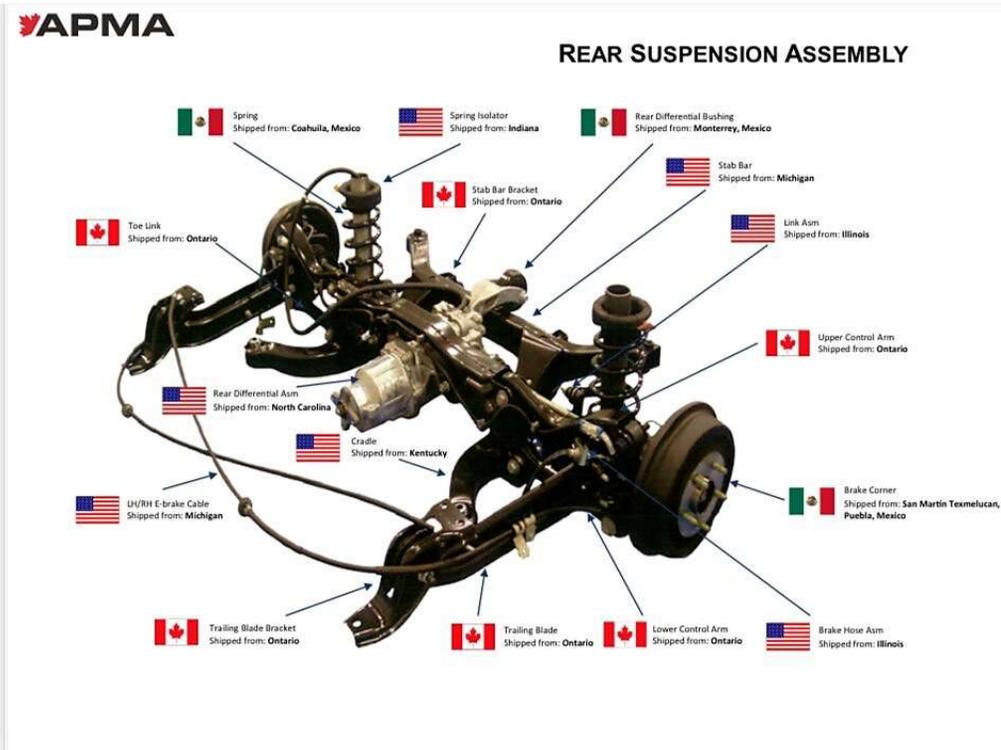
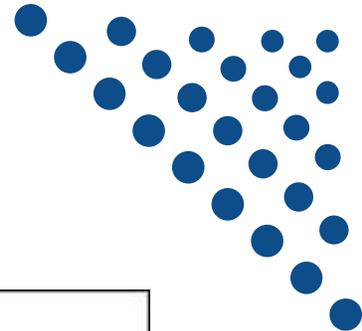
A Brief Primer on Tariffs



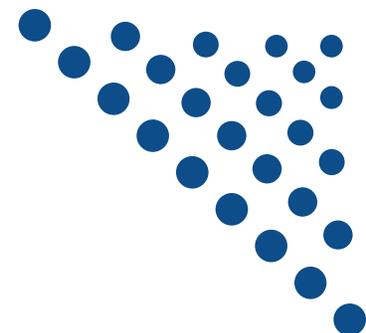
- *Tariffs* are a sales tax on imported goods, *collected* from importers.
- The *burden* of the tariff in general falls on buyers of imports (consumers and firms) to the extent of higher prices and on the foreign country.
- **Economist don't like tariffs in general because they reduce the gains from trade**
 - More efficient utilization of global resources: Why doesn't Patrick Mahomes mow his own lawn
 - Economies of scale for producing for large markets.
- **Gains to Trade Taken to a New Level with Global supply chains**



Supply Chains



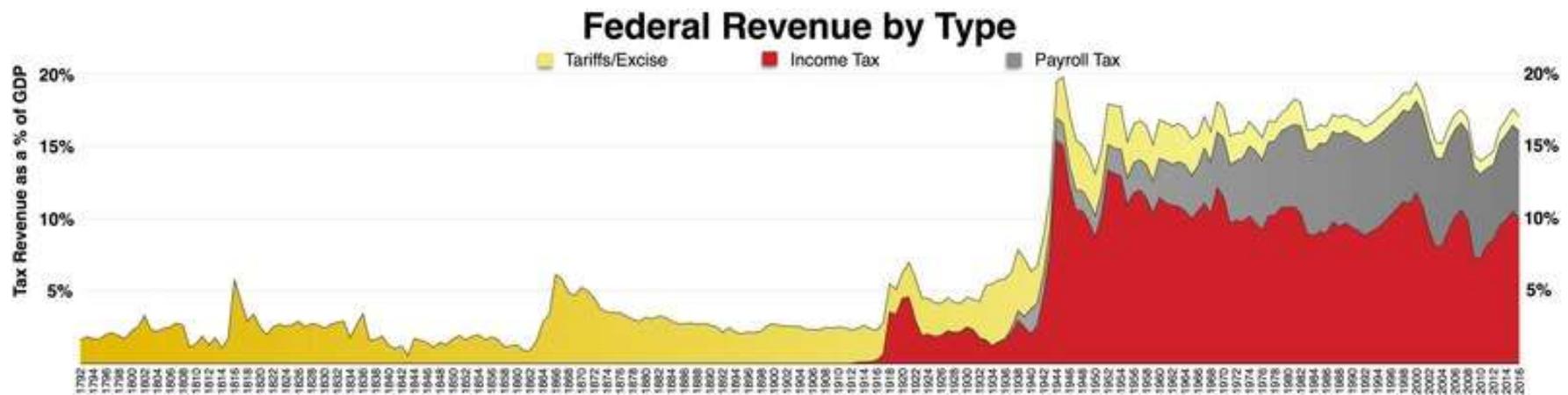
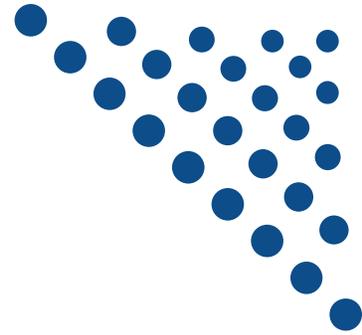
Possible Economic Arguments for Tariffs



- **Possible arguments for tariffs**

- National Defense – strategic resource. Do we need the capacity to make our own computer chips, just in case?
- “Infant” Industry.
- Temporary strategy to reduce foreign tariffs.

History of the Source of Federal Revenues



1913; Sixteenth Amendment. The Congress shall have the power to lay and collect taxes on incomes, from whatever source derived...

1930; Smoot-Hawley Tariff.

1935; Social Security and Payroll taxes.

History of US Average Effective Tariff Rates

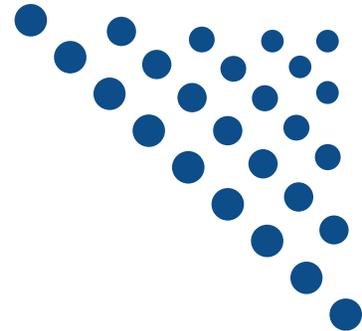


Figure 1. US Average Effective Tariff Rate Since 1790

Customs duty revenue as a percent of goods imports

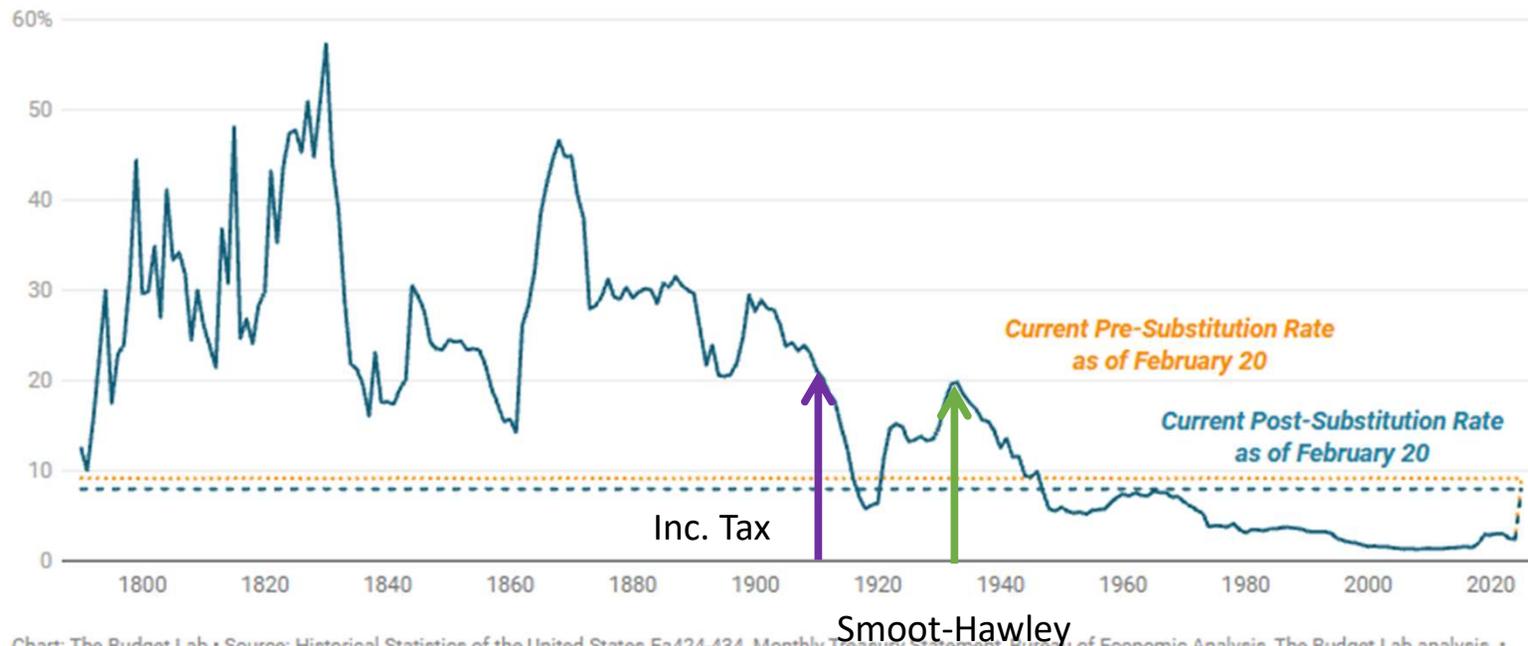
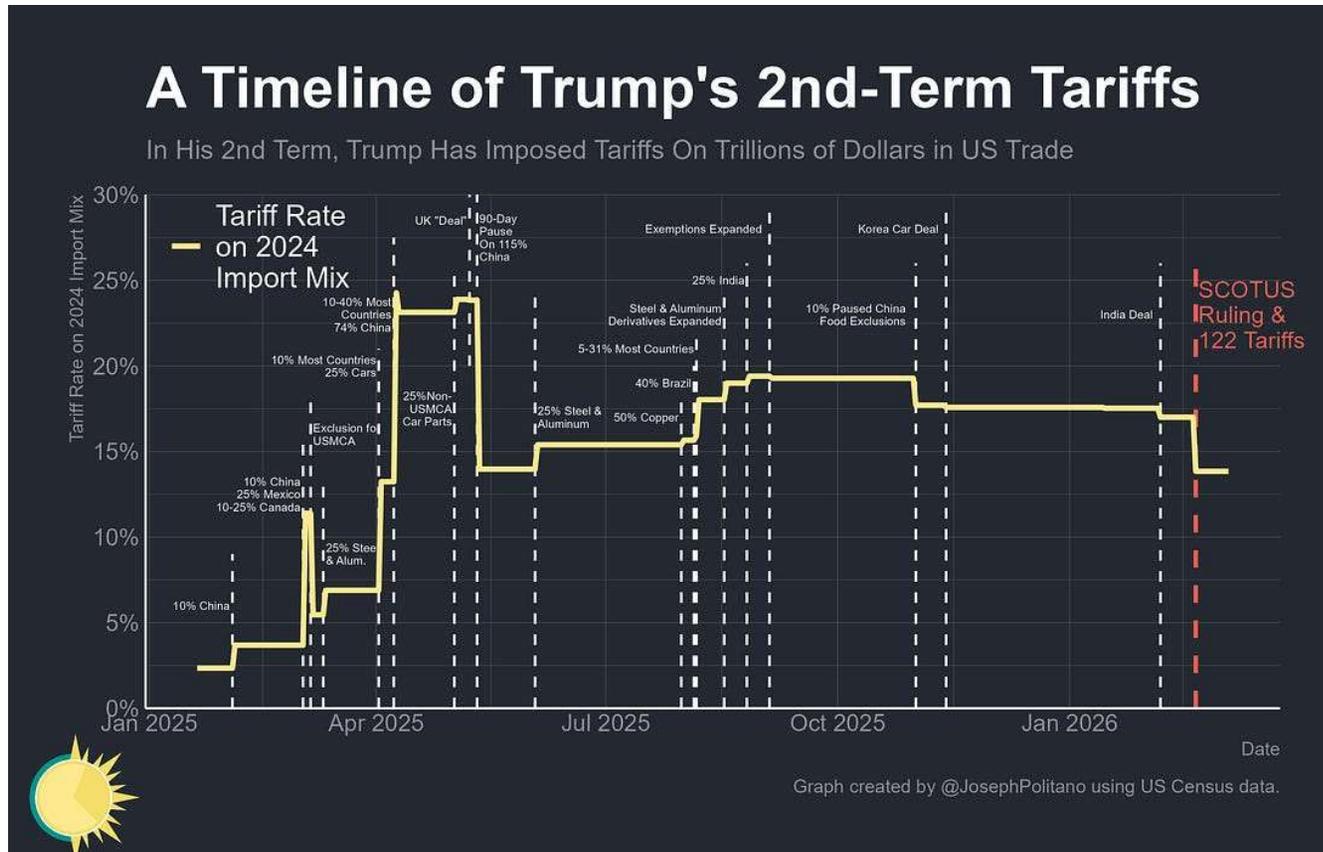
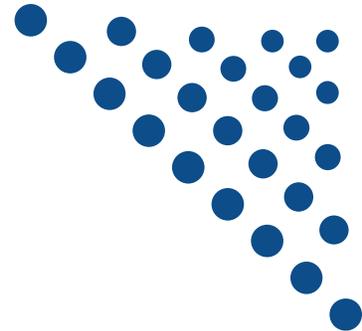
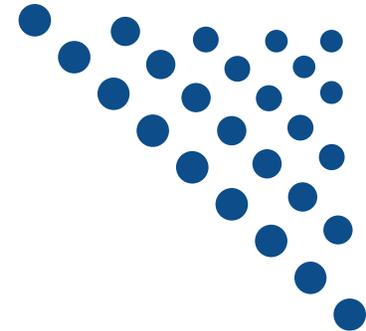


Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with [Datawrapper](#)

Details of Trump Tariff Policies



The Original Reciprocal Tariffs



- **Reciprocal Trade Agreements Act of 1934**

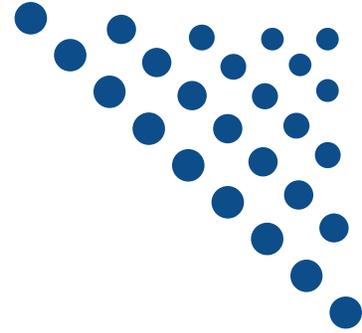
1. President has the authority to negotiate bilateral trade agreements allowing for the *reciprocal tariff reductions* of up to 50% of Smoot Hawley.
2. 32 Bilateral trade agreements signed between 1934 and 1945.
3. Sets a precedent of Congress delegating tariff authority to the President.

- **General Agreement on Tariffs and Trade 1947**

1. Outgrowth of Bretton Woods – Multilateral reciprocity.
2. Average tariffs fall from 22% in 1947 to 5% in 1999.

https://en.wikipedia.org/wiki/Reciprocal_Tariff_Act

World Trade Organization (WTO) 1995



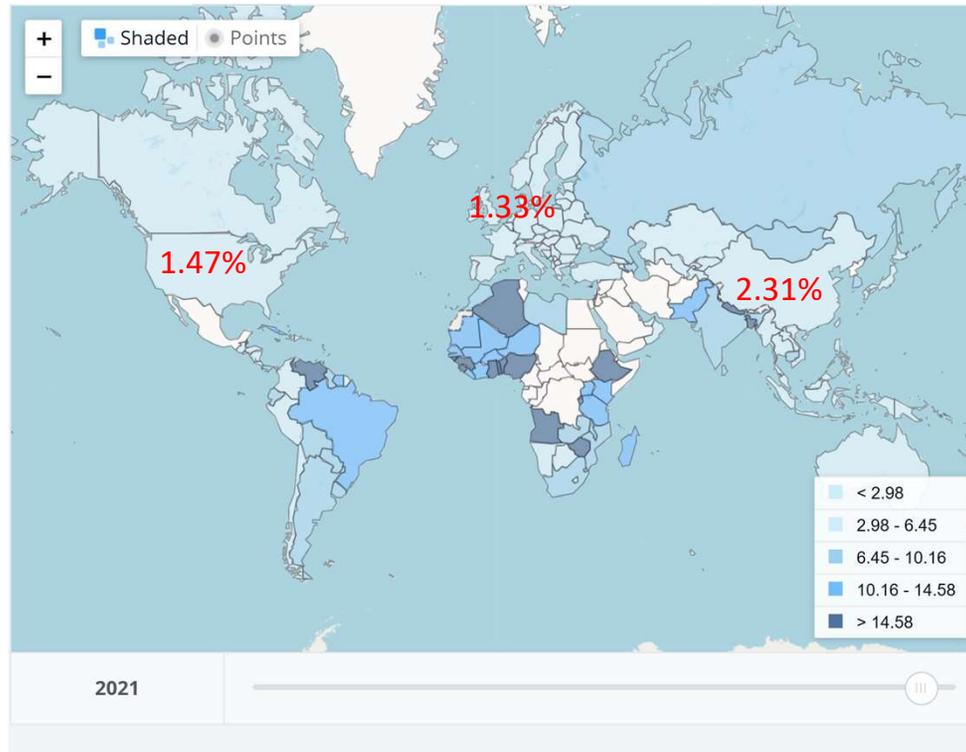
- GATT was only a set of legal agreements and had no organizational structure.
- New trade issues arose, e.g., intellectual property rights, non-tariff barriers to trade.
- More efficient and “binding” dispute resolution.

China joins the WTO in December of 2001.

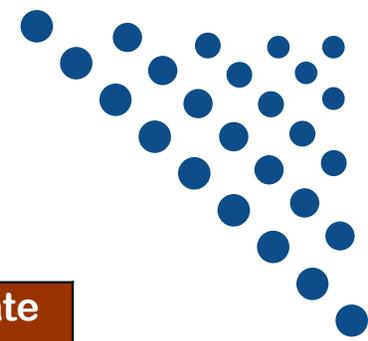


Tariffs in 2021

Key Takeaway:
Tariffs had been
generally very low



Trump Tariffs Pre-Supreme Court

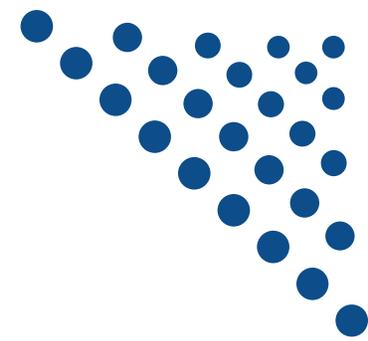


Statutory Authority	Legal Basis	Scope	Agency to Investigation	Duration Limit	Tariff Rate Limit
Section 232	Threats to national security	Sector-Specific	Commerce Department	N/A	N/A
Section 301	“Unfair trade practices”	Country-Specific	USTR	4-yrs (may be extended)	N/A

US Trade Representative (USTR) is currently Jamieson Greer. USTR is a Cabinet-level official who is the President’s principal advisor, negotiator and spokesperson on trade policy)

Supreme Court ruled (6-3) on Friday, 2/20, that IEEPA power to “regulate” imports in a “national emergency” did not include the power to tax imports

Who Bore the *Burden* of Trump Tariffs



Tariff Incidence Falls Mostly on U.S. Importers

Average by 2025 Period	Tariff Incidence on Foreign Exporters (%) (1)	Tariff Incidence on U.S. Importers (%) (2)
January-August	6	94
September-October	8	92
November	14	86

Sources: Authors' calculations; U.S. Census Bureau, Foreign Trade Statistics.

<https://libertystreeteconomics.newyorkfed.org/2026/02/who-is-paying-for-the-2025-u-s-tariffs/>

The Distribution of the Tariff Burden

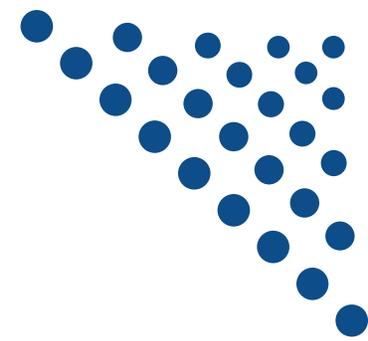


Figure 5. Short-Run Distributional Effects of Tariffs as of January 19, 2026

By household income decile
As a share of after tax and transfer income

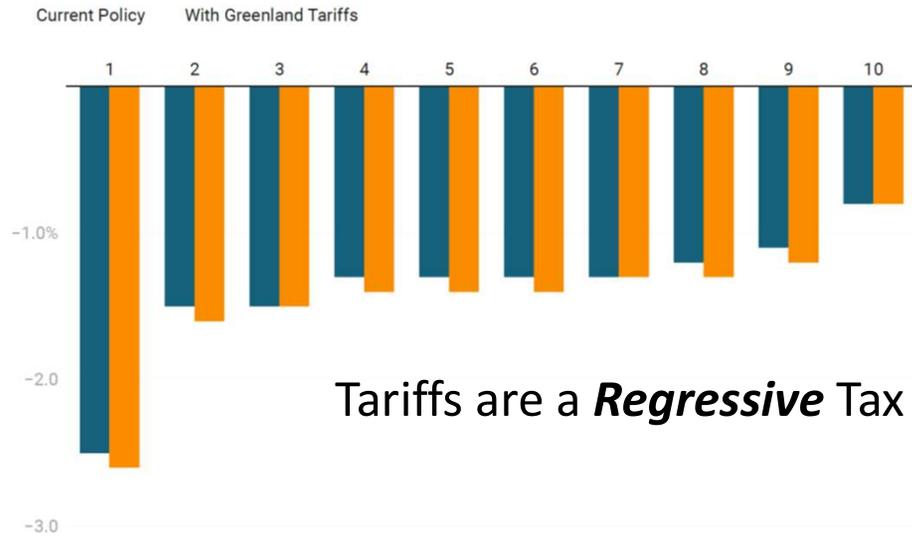


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

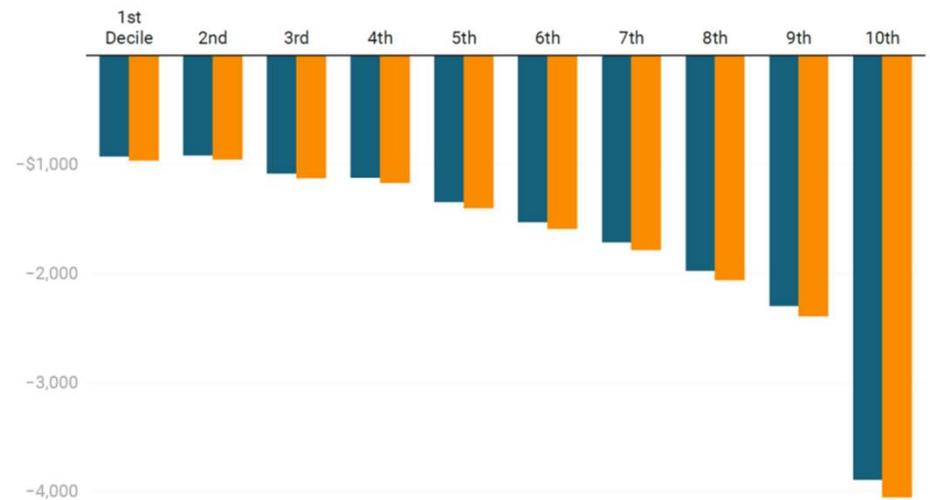
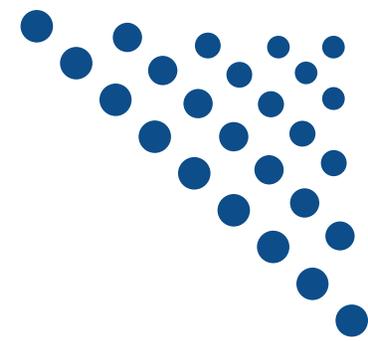
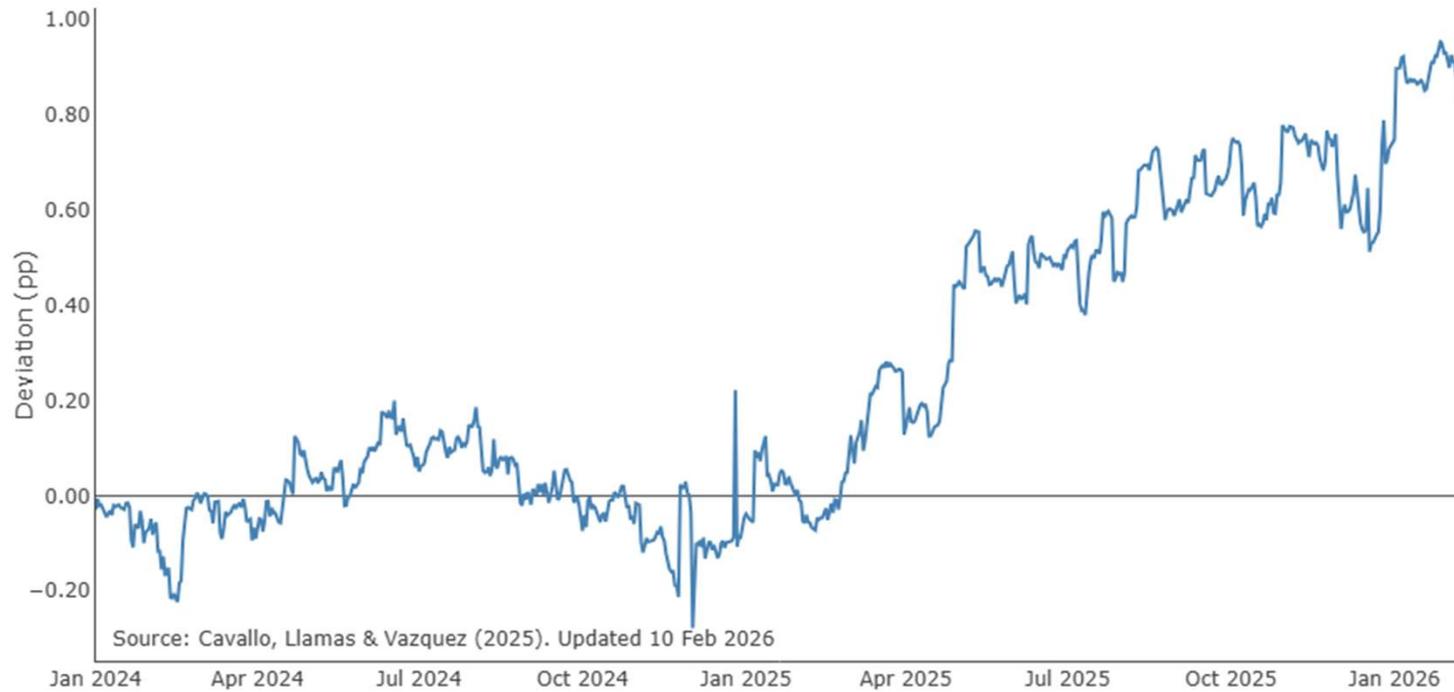


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

Trump Tariffs and Inflation

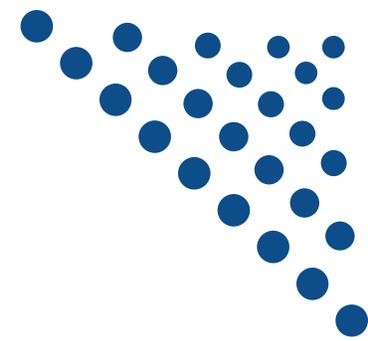


Cumulative impact of Tariffs on all-items CPI (pp)

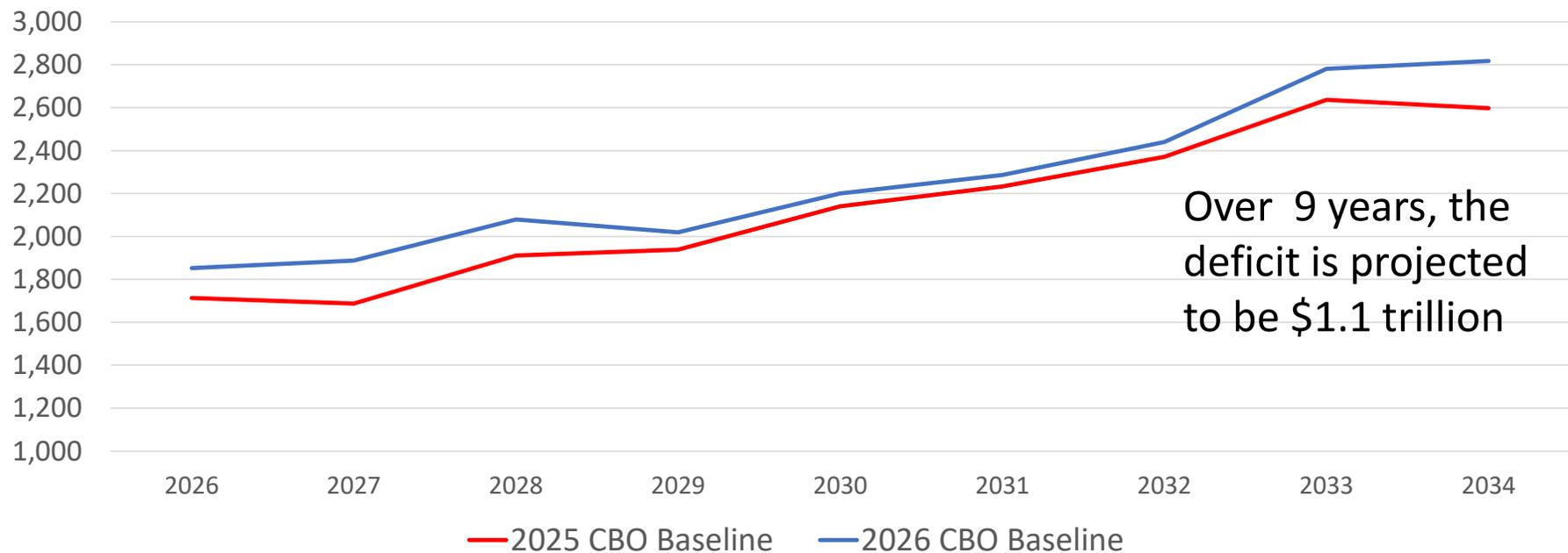


<https://www.pricinglab.org/tariff-tracker/>

Trump Tariffs and Tax Cuts Combined



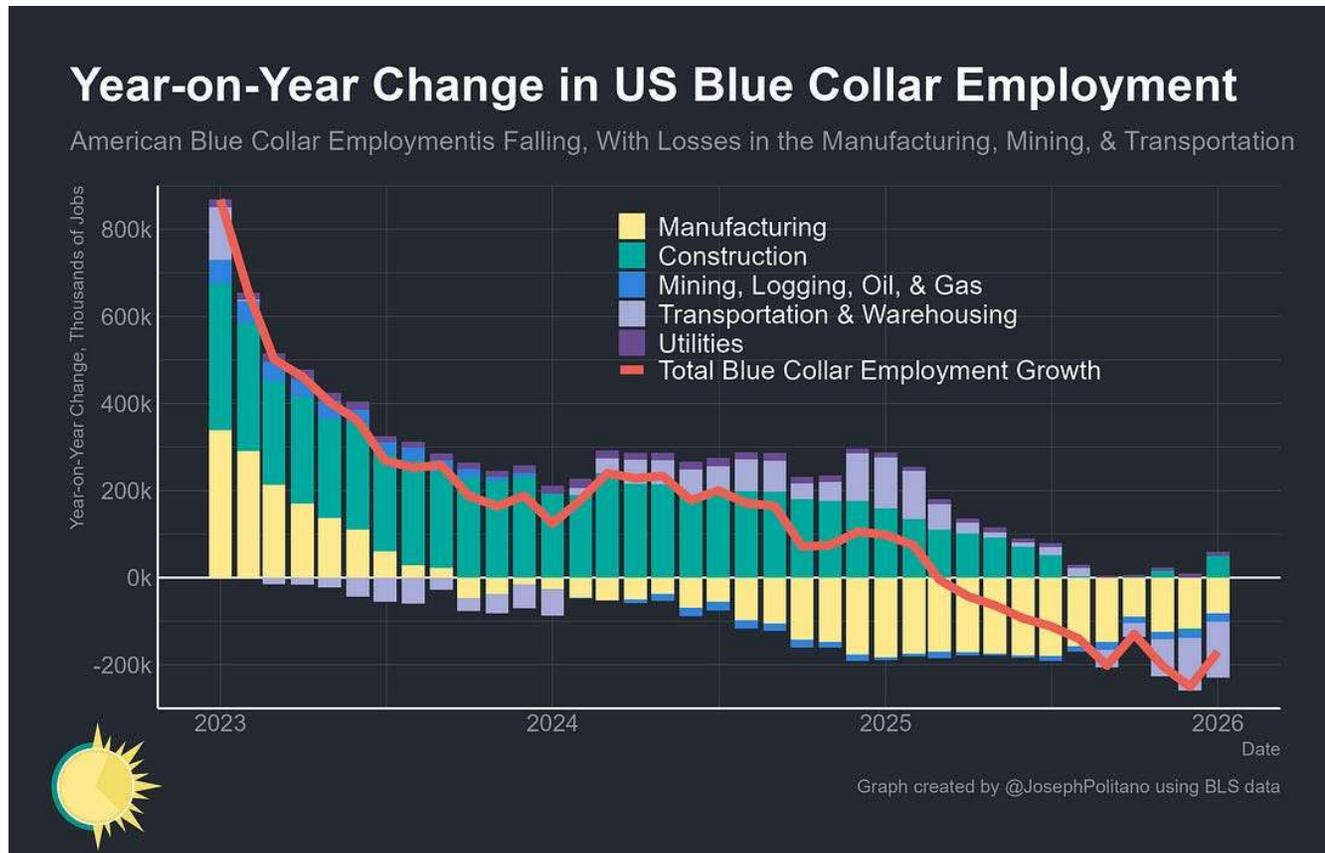
CBO Deficit Projections



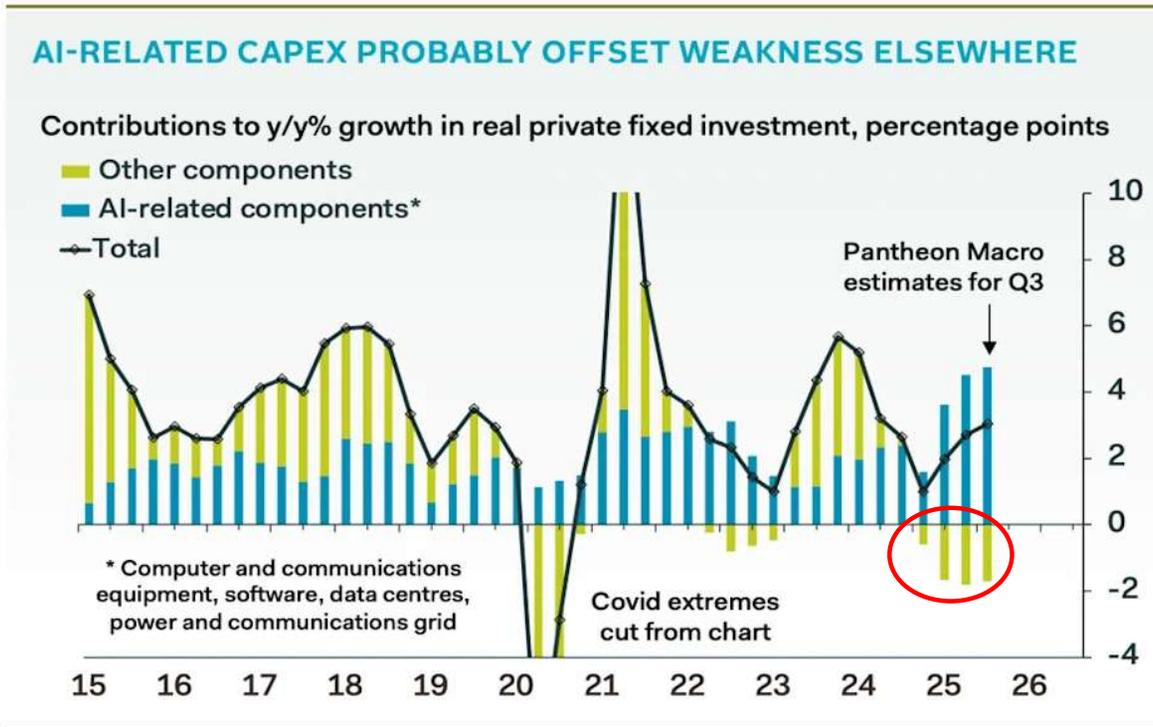
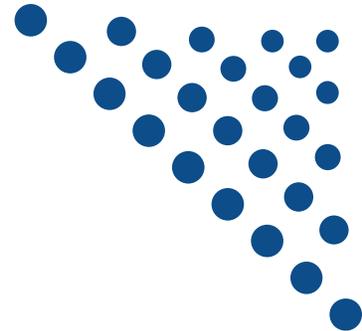
Trump Tariff and Trade Deficits

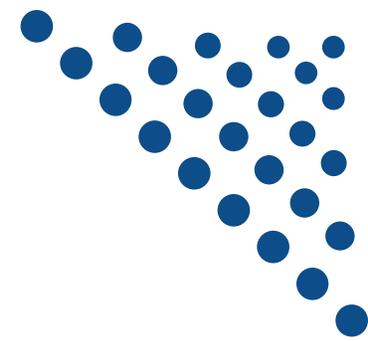


How about Blue Collar Jobs?



Impact on Investment?





Did Scotus Save Trump from Himself?

Most Americans approve of the Supreme Court striking down Trump's tariffs

Do you approve or disapprove of the U.S. Supreme Court striking down most of the tariffs imposed by President Donald Trump? (%)



Chart: David H. Montgomery • February 20, 2026 • [Get the data](#)

Two-thirds of Americans say Trump's tariffs have increased prices they've paid a lot or slightly

Do you think tariffs imposed by Donald Trump have increased, decreased, or had no effect on the prices you paid for things that you bought? (%)

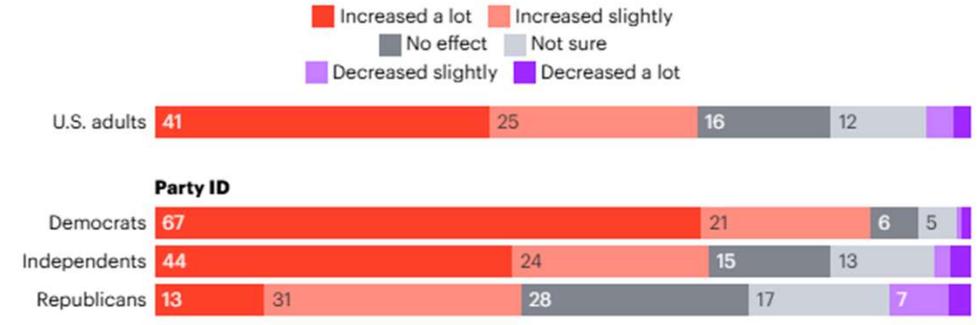
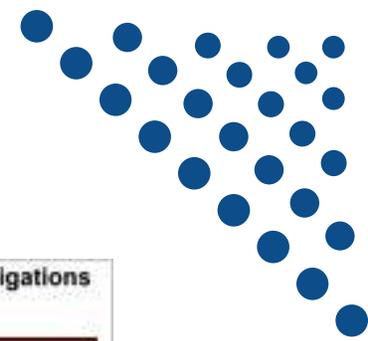


Chart: David H. Montgomery • February 20, 2026 • [Get the data](#)

Tariff Options Available



Gray-shaded options are Trump's announced plans

Fig. 1: President Trump announced a 10% "global tariff" under Section 122 and indicated potential Section 301 investigations into unfair trade practices

Statutory authority	Legal basis	Scope	Agency required to investigate	Duration limit	Tariff rate limit
Section 122	"Large and serious" balance-of-payments deficits	Can be used for universal tariffs	N/A	150 days	Up to 15%
Section 301	Unfair trade practices, violations of trade agreements, or discrimination against US businesses	Country-specific	USTR	4 years (may be extended)	N/A
Section 338	Discrimination of US commerce by foreign countries	Country-specific	N/A	N/A	Up to 50%
Section 232	Threats to national security	Sector-specific	Department of Commerce	N/A	N/A
Section 201	Injury to domestic industry	Sector-specific	ITC	4 years (may be extended to 8)	Up to 50%, phasedown requirement

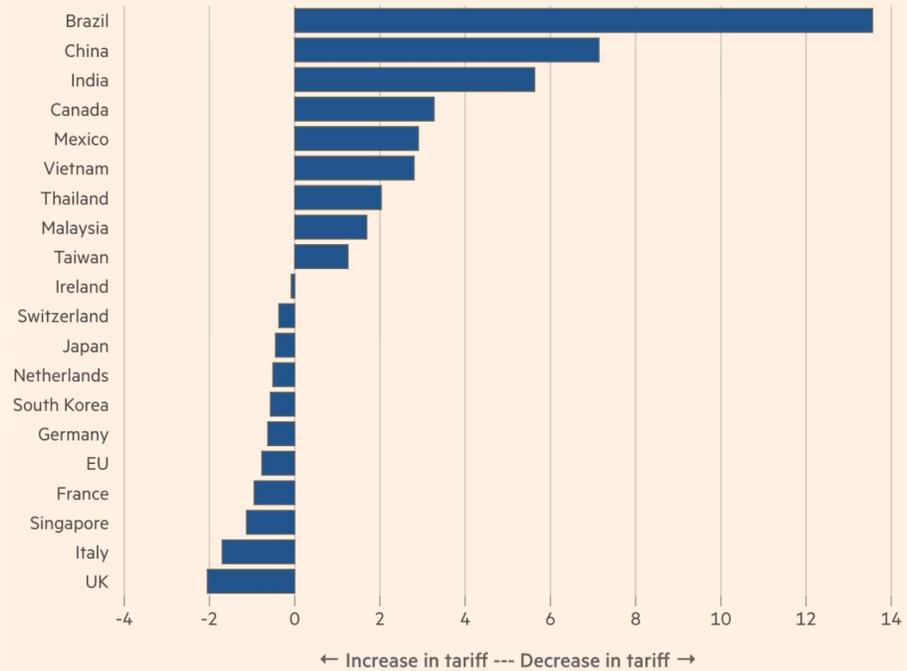
Note: Statutory authorities highlighted in gray were specified as those that the administration will use in place of IEEPA tariffs.
Source: CRS, Bloomberg, Nomura

Uniform 15 percent Effect on Different Countries



Trump's flat-rate tariff: winners and losers by country

Reduction in trade-weighted average tariff rate (percentage points*)



FINANCIAL TIMES

Source: Johannes Fritz, Global Trade Alert • A positive value indicates a reduction in the overall tariff

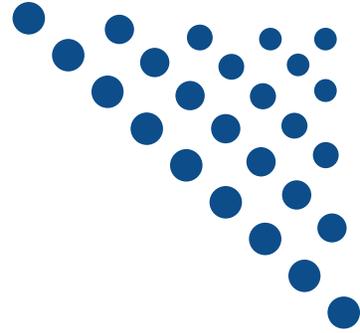
Immediate Impact



- Total Tariff Revenue Collected, \$275 billion, about 50 percent from illegal use of IEEPA.
- Supreme Court left it to lower courts to decide whether refunds will be required.
- Refunds won't completely undo tariffs. The refunds will be paid to "importer of record," not the party (e.g., consumer facing higher prices) who bore the burden of the tariff.
- Will firms who raised prices because of tariffs now lower them?
- What will be the impact on of the new tariffs on prices?



Conclusion on Tariffs



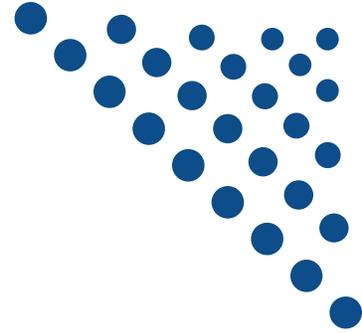
- 1. Potential refunds (if they occur) will not go to those who bore the burden of the tariffs.**
- 2. While the average level of Post-Scotus tariffs can approach Pre, the tariffs will be much different.**
- 3. Primarily because they cannot be used against specific countries and cannot be changed quickly.**



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