

# Structural Challenges: Persistently Weak Demand

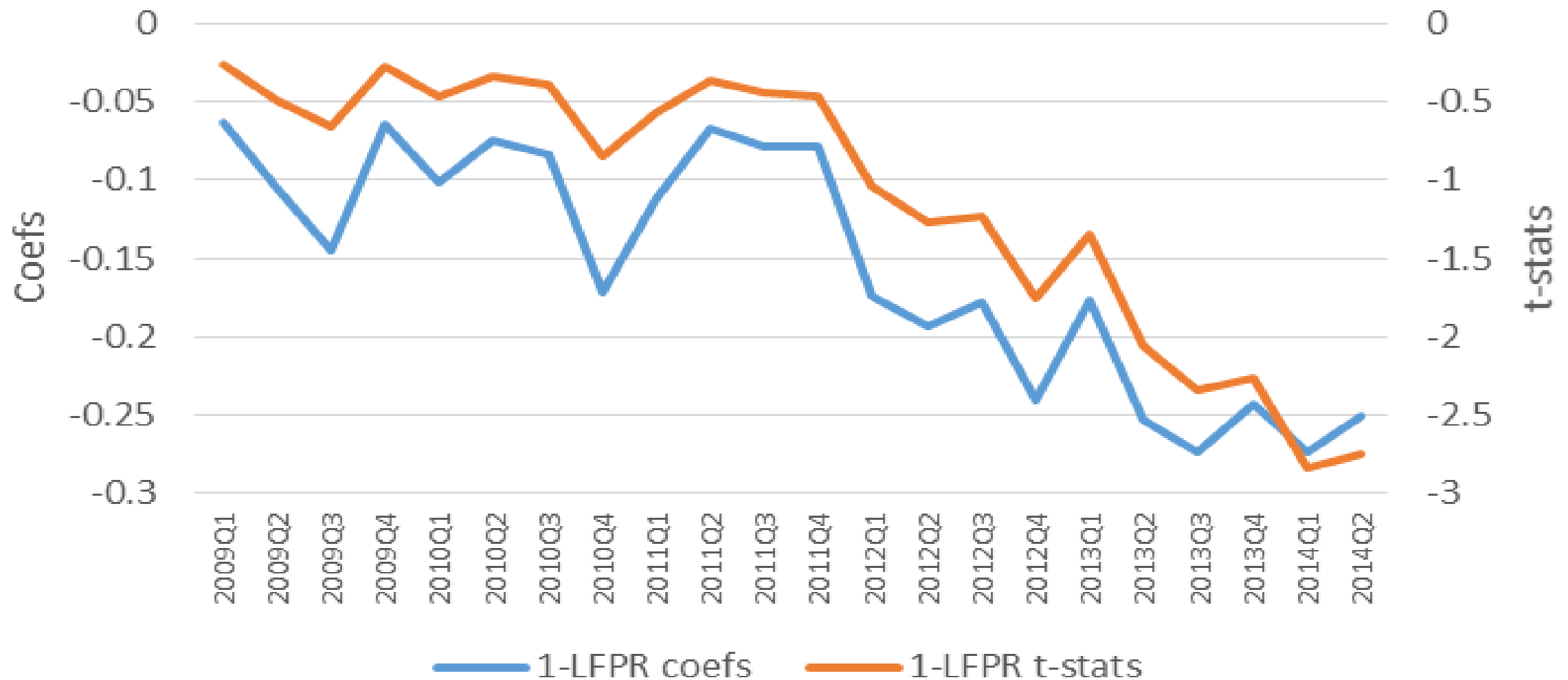
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9/24/14

Labor Slack Conference, PIIIE

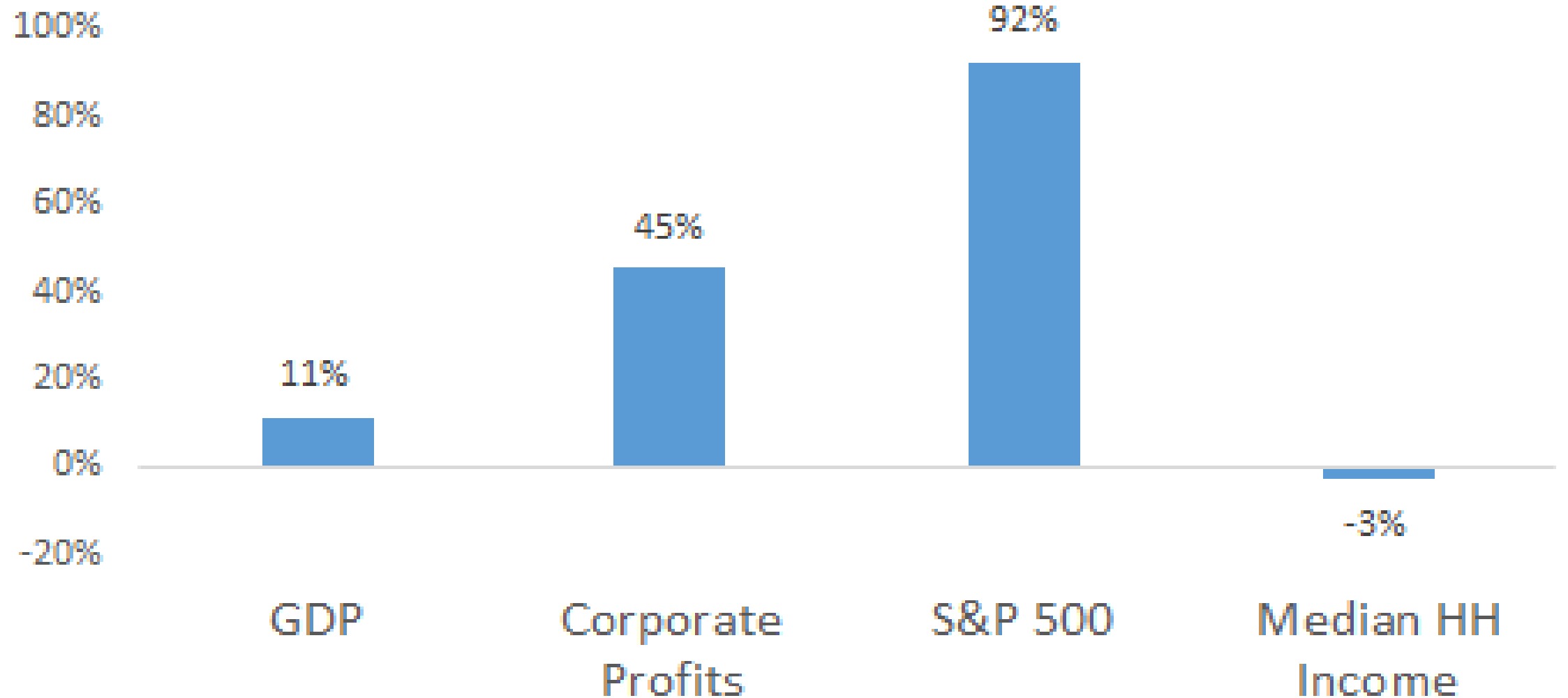
# Inactivity Coefs (1-LFPR) and t-stats: Rolling Regressions on Wage Growth



# Room for non-inflationary wage growth

- Productivity + inflation...3.5%?
- Decline in labor share of national income: rebalancing factor shares can pay for non-inflationary wage growth
- Flat Phil both for prices and recently, wages
- Long-term low worker bargaining power, low union density
- A Fed with strong anchoring instincts and huge ordinance (ZLB, balance sheet)

## Real GDP, Corporate Profits, Stock Market, and Median HH Income So Far Over This Recovery



# Demand-side interventions

- Fiscal, monetary: complements, not substitutes! (2013 fiscal drag...now neutral)...infrastructure, investment in public goods
- Gov't as employer of last resort; subsidized employment (TANF EF)
- Reduce the trade deficit (PIIE work)
- Work sharing, infrastructure, apprenticeships, OJT
- That's quantity; quality also matters: labor standards and pro-work safety net, including family accommodation (e.g., child care, flex scheduling)