

Economic Policy Survey

August 2021

NABE Panelists Split on Whether Fiscal and Monetary Policies are “Too Stimulative” or “About Right”; Eight in Ten Want Employers to Require Vaccinations

Embargoed until: Monday, August 23, 2021, 12:01 AM EDT

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*The August 2021 NABE Economic Policy Survey summarizes the responses of 227 members of the National Association for Business Economics (NABE). Conducted semiannually, this survey was administered between August 2 and August 10, 2021. Survey findings may be reprinted in whole or in part with credit given to NABE. Survey results can be viewed online, including complete tabulations, at www.NABE.com. This is one of three surveys conducted by NABE—the other two are the NABE Outlook Survey and the NABE Business Conditions Survey. **Ilan Kolet** (Fidelity Investments), Survey Chair; **Chris Christopher, CBE** (Empire State Development); **Tim Gill, CBE** (American Iron and Steel Institute); **Svenja Gudell** (Zillow); **Yelena Shulyatyeva** (Bloomberg); and **Ryan Sweet** (Moody’s Analytics) conducted the analysis for this report.*

Summary

“NABE panelists’ views are split on whether fiscal and monetary policies are ‘too stimulative,’ or ‘about right,’” said **NABE President Manuel Balmaseda, CBE**, chief economist, CEMEX. “While 49% of respondents believe current fiscal policy is ‘too stimulative,’ nearly as many—45%—indicate current policy is ‘about right.’ Similarly, a slight majority—52%—of panelists believes current monetary policy is too stimulative, compared to 47% who say it is about right.”

“Seventy-nine percent of respondents are in favor of employers requiring their employees to be vaccinated against COVID-19 before they return to the workplace,” Balmaseda added. “In addition, 69% of panelists think that the federal government should provide a standard document that individuals can carry and certify that they are vaccinated against COVID-19.”

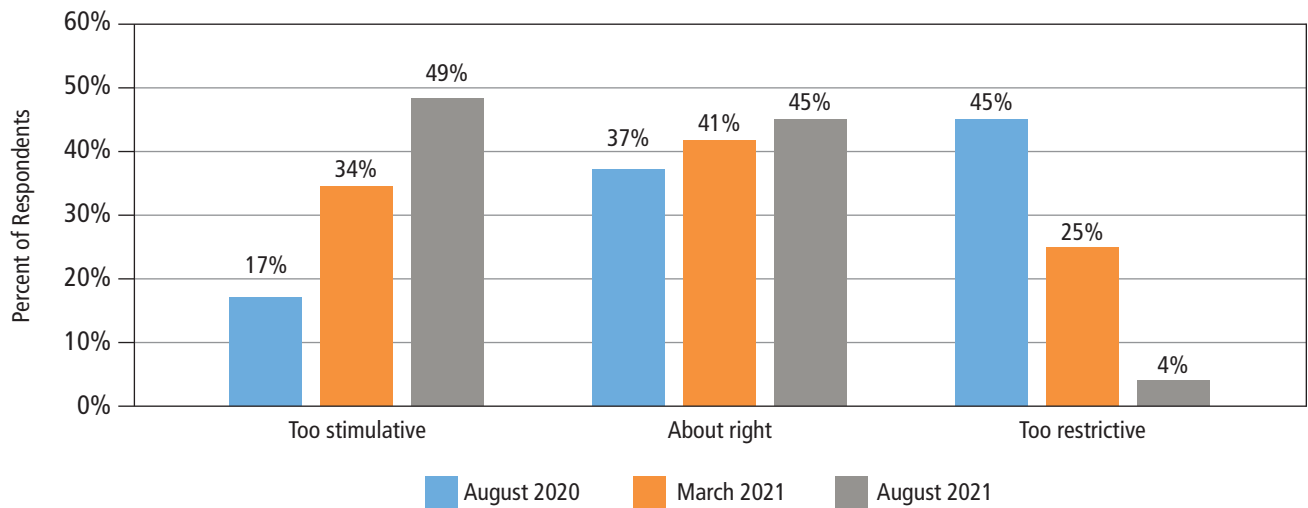
“Nearly two-thirds of respondents believe that the Federal Reserve will be able to achieve its goal of inflation averaging 2% over time,” added **Survey Chair Ilan Kolet**, institutional portfolio manager, Fidelity Investments, “and more than half of respondents believe that inflation risks are to the upside. Almost three-fourths of the respondents believe the Fed should raise interest rates by the end of 2022.”

Fiscal Policy

Nearly half (49%) of respondents believes that current fiscal policy is too stimulative, up from 34% in the March 2021 survey. Forty-five percent of survey respondents find current fiscal policy is “about right,” up modestly from the 41% that held this view in the previous survey. Only 4% of respondents believe that current policy is too restrictive, down from 25% in the March 2021 survey.

Figure 1

Do you consider CURRENT fiscal policy to be:



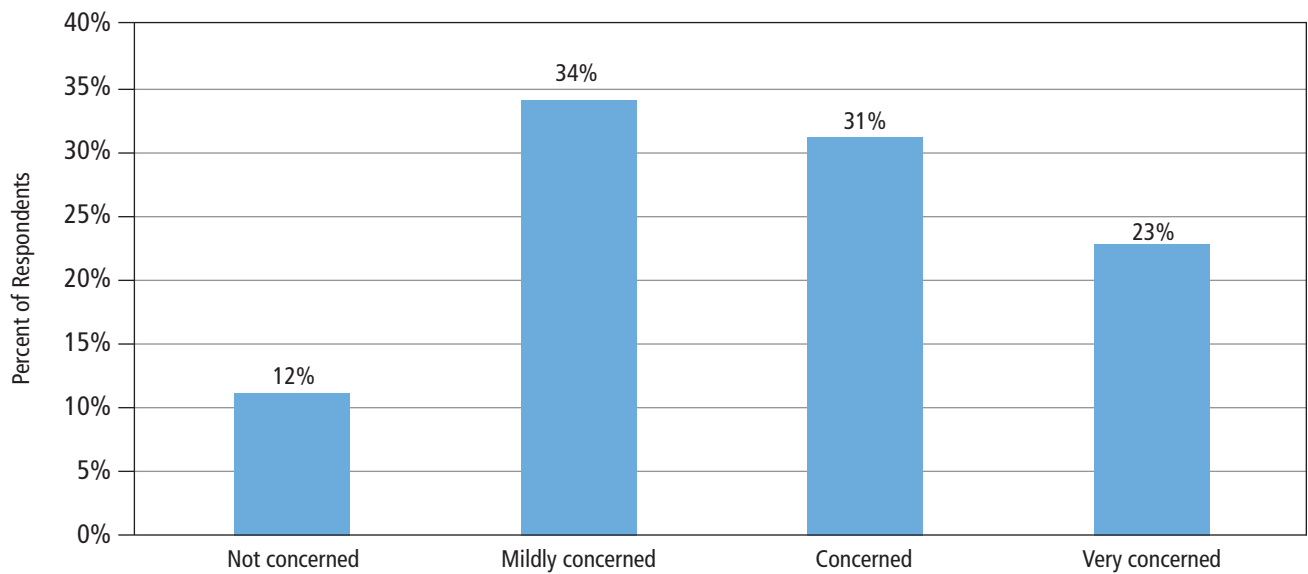
Note: “Don’t know/no opinion” percentages are omitted.

A majority (60%) of panelists believes that the primary objective of current fiscal policy should be to stimulate more robust economic growth in the medium-to-long term; another 16% believe the primary goal should be to reduce deficit and debt levels. Smaller shares of respondents suggest that current fiscal policy should focus primarily on addressing income inequality (8%), and stimulating more growth as quickly as possible (8%).

Nearly 90% of respondents are concerned about the trajectory of public debt. Only 12% of respondents are not concerned, 34% are mildly concerned, 31% are concerned, and 23% are very concerned.

Figure 2

The federal public debt has surged higher recently. How concerned are you—if at all—about the trajectory for public debt?



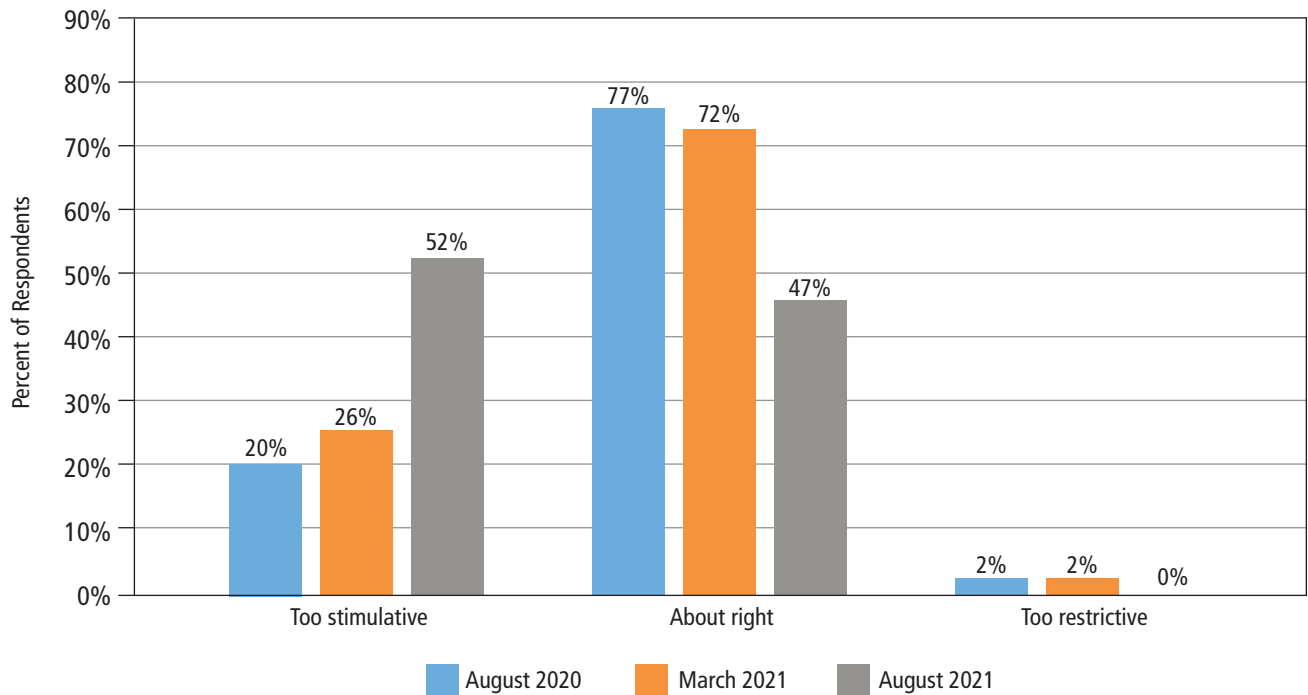
Note: "Don't know/no opinion" percentages are omitted.

Regarding what steps should be taken to address the current fiscal deficit, 60% of respondents are in favor of enacting structural policies to support stronger economic growth. Slightly more than half (51%) favor increasing tax revenues, and 43% would prefer exercising greater spending restraint. Ten percent indicate some other step(s) should be taken, while 5% believe no policy changes should be made. (Note: Panelists were able to select more than one response.)

Monetary Policy

More than half of respondents (52%) view current Federal Reserve policy as “too stimulative,” compared to the 26% who held this view in the March survey. No panelist indicates it is “too restrictive.” Slightly less than half of panelists (47%) believe that the current stance of U.S. monetary policy is “about right.” This share declined from the 72% who held this view in the March 2021 survey.

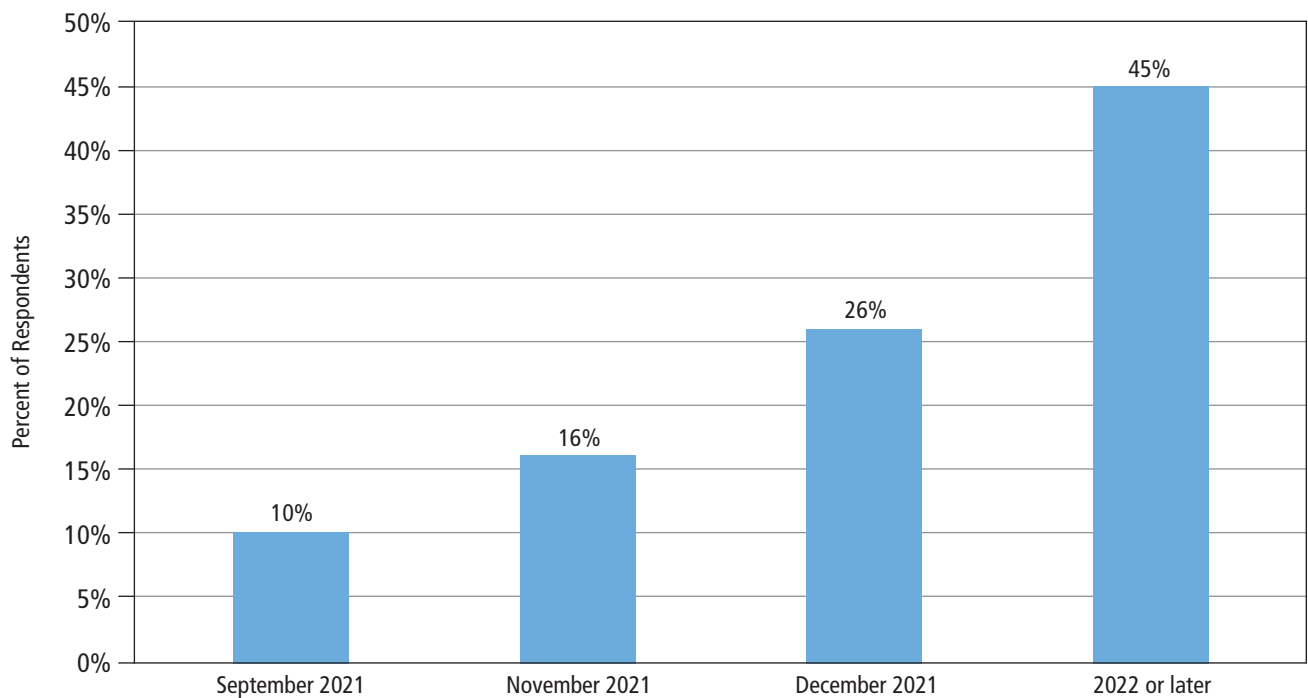
Figure 3
Do you consider CURRENT monetary policy to be:



Note: “Don’t know/no opinion” percentages are omitted.

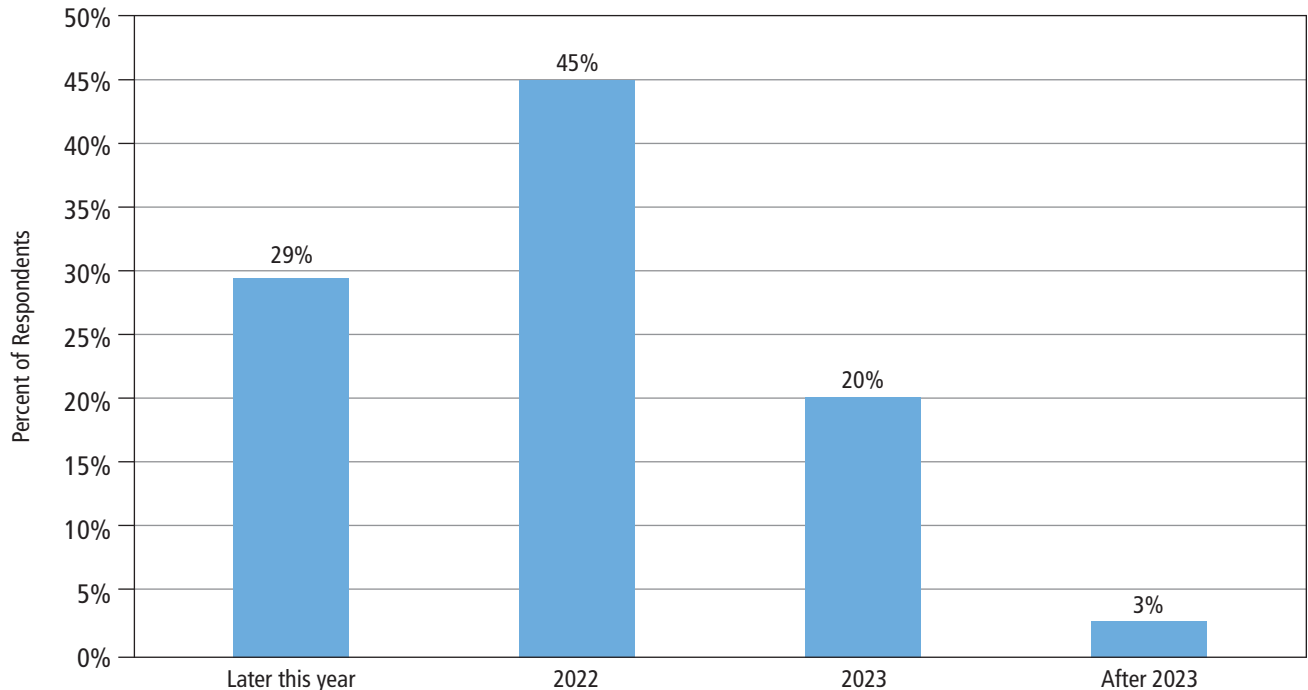
Most panelists (82%) expect the upper end of the fed funds target rate range to remain at 0.25%, or even drop lower by the end of 2021, while 81% of panelists expect a target level of 0.50% or higher by the end of 2022. More than half (52%) of the respondents expect the Fed *will* start tapering asset purchases by the end of 2021.

Figure 4
When do you think the Fed will start tapering asset purchases?



Note: "Don't know/no opinion" percentages are omitted.

Figure 5
When do you think the FOMC should raise the federal funds target rate, currently at 0.00%-0.25%?



Note: "Don't know/no opinion" percentages are omitted.

Almost three-fourths (74%) believe the Fed *should* raise interest rates by the end of 2022.

Most panelists (65%) believe the Fed will be able to achieve its goal of inflation that averages 2% over time, while 29% say they will not be able to. However, only 23% believe that the risks to the Fed's 2% inflation target are "balanced;" a majority (58%) sees them as skewed to the "upside," while 15% believe they are tilted to the "downside."

The panelists' views on whether current monetary policy should address the recent spike in inflation are split. Slightly less than half (47%) believes the central bank should not take action, while 49% think it should. Among that 49%, there is disagreement as to which primary tool policymakers should use to tackle inflation: 26% suggest tapering asset purchases, 5% suggest interest rates should be raised, and 18% believe that both tools should be implemented.

Domestic Economic Policy

As to whether economic policy should do more or less to support small business formation and entrepreneurship, a plurality (48%) favors more support, while 41% want to keep the same level of support. Only eight percent of respondents favor less support.

On the question of whether the federal government should do more or less to mitigate residential evictions or foreclosures, a plurality (37%) wants to reduce the role of the federal government, while 29% favor more support. Twenty-eight percent are in favor of keeping the federal government's role about the same.

A large majority (91%) of panelists is broadly in favor of the infrastructure legislation recently passed by the Senate. A plurality of respondents (43%) favors the bill as written, while 25% favor the bill in principle, but would prefer it to be larger. A similar share (23%) favors the bill in principle, but would prefer it to be smaller. Only 5% oppose the bill outright.

The \$3.5 trillion dollar spending package advanced by the Senate Budget Committee generated more opposition from panelists, but is still viewed favorably by a sizable majority. Twenty-nine percent oppose the legislation, compared to 66% who favor it in some form. The legislation as written is viewed favorably by 29% of panelists. One-third (33%) favors it in principle but would prefer it to be smaller, while only 3% favor it in principle but would rather it be larger.

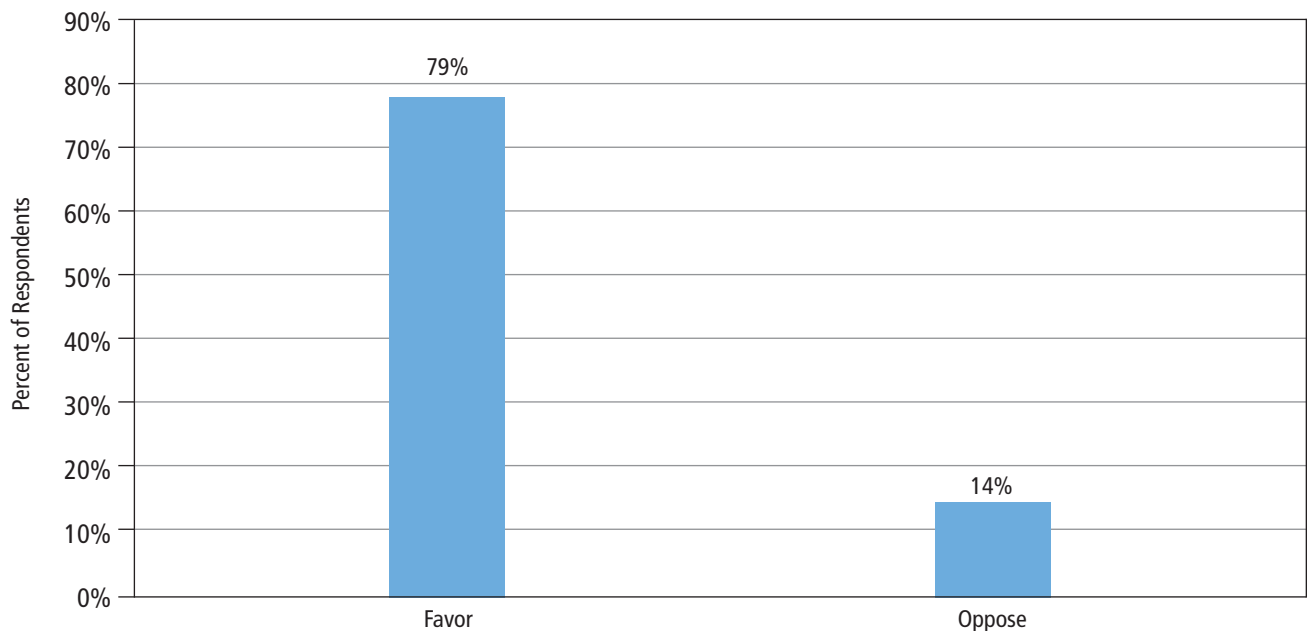
COVID-19 Policy

One-quarter (25%) of respondents indicates that their employers are requiring employees to be fully vaccinated against COVID-19 before they return to the workplace, while 33% report their employers are *not* requiring employees to be fully vaccinated. An additional 22% indicate they are self-employed and work from home, and thus this question does apply to them. Another 14% report that a vaccination policy has not been announced.

A substantial majority of respondents, 79%, is in favor of employers requiring their employees to be vaccinated against COVID-19 before they return to the workplace. Fourteen percent of respondents are opposed to such a policy.

Figure 6

Do you favor or oppose employers requiring their employees to be vaccinated before they return to the workplace?

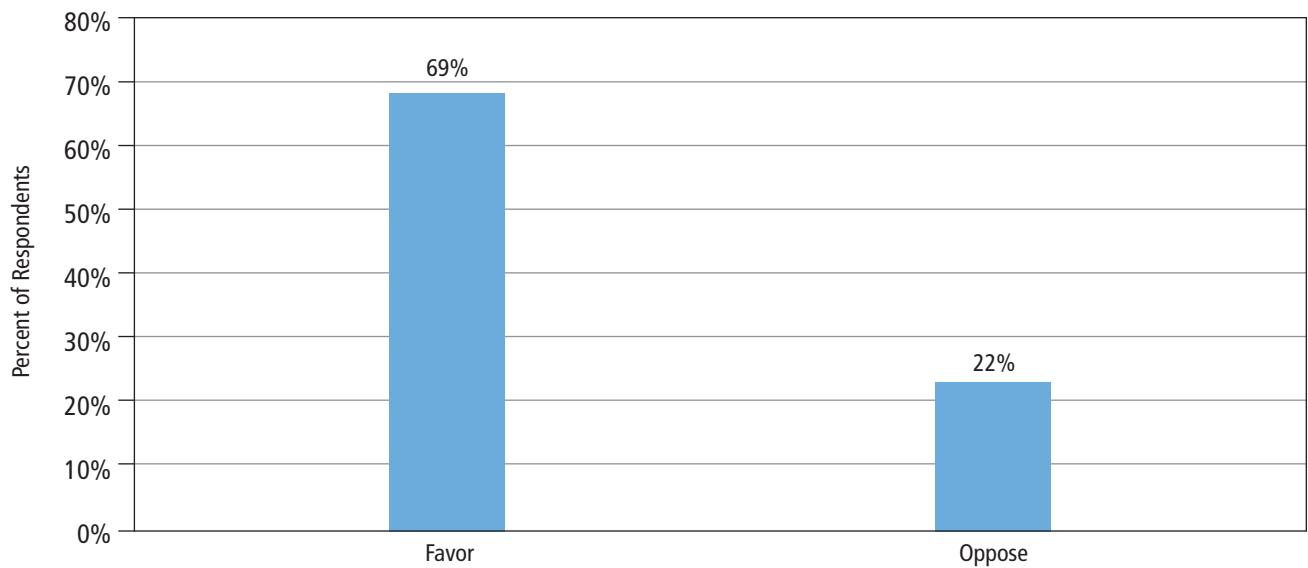


Note: "Don't know/no opinion" percentages are omitted.

More than two-thirds of respondents (69%) are in favor of the federal government providing a standard document as proof of vaccination against COVID-19. Twenty-two percent oppose this stance.

Figure 7

Do you favor or oppose the federal government providing a standard document that individuals would carry and would certify that they are vaccinated against COVID-19?



Note: "Don't know/no opinion" percentages are omitted.

Policy Survey Committee

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