NABE
National Association for Business Economics

Economic Policy Survey

August 2022

Inflation and Recession are Top Concerns for NABE Panel; Views are Split on Inflation Reduction Act and Other Policies

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The August 2022 NABE Economic Policy Survey summarizes the responses of 198 members of the National Association for Business Economics (NABE). Conducted semiannually, this survey was administered between August 1 and August 9, 2022. 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. ***Juhi Dhawan,*** *Wellington Management, Survey Chair;* ***Elaine Buckberg,*** *General Motors;* ***Greg Daco,*** *EY Parthenon, Ernst & Young;* ***Mervin Jebaraj,*** *University of Arkansas;* ***Ilan Kolet,*** *Fidelity; and* ***Julia Pollak,*** *ZipRecruiter, conducted the analysis for this report.*

Summary

"NABE Policy Survey panelists are concerned about inflation and recession," said **NABE Policy Survey Chair Juhi Dhawan,** Wellington Management. "Overall, panelists are not confident that the Federal Reserve will be able to bring inflation down to its 2% goal within the next two years without triggering a recession. In addition, roughly one-fifth of panelists believes the U.S. is already in a recession, while nearly half the panelists—47%—expects a recession to begin by the end of 2022 or the first quarter of 2023."

"About two-thirds of the panelists favor the policies of the Inflation Reduction Act, including those that reduce the deficit, expand Medicare benefits, and address climate change. Similar shares also favor an increase in the corporate minimum tax," added **NABE President David Altig,** executive vice president and director of research, Federal Reserve Bank of Atlanta.

"Survey results reflect many split opinions among the panelists," continued Altig. "This by itself suggests that there is less clarity than usual about the outlook."

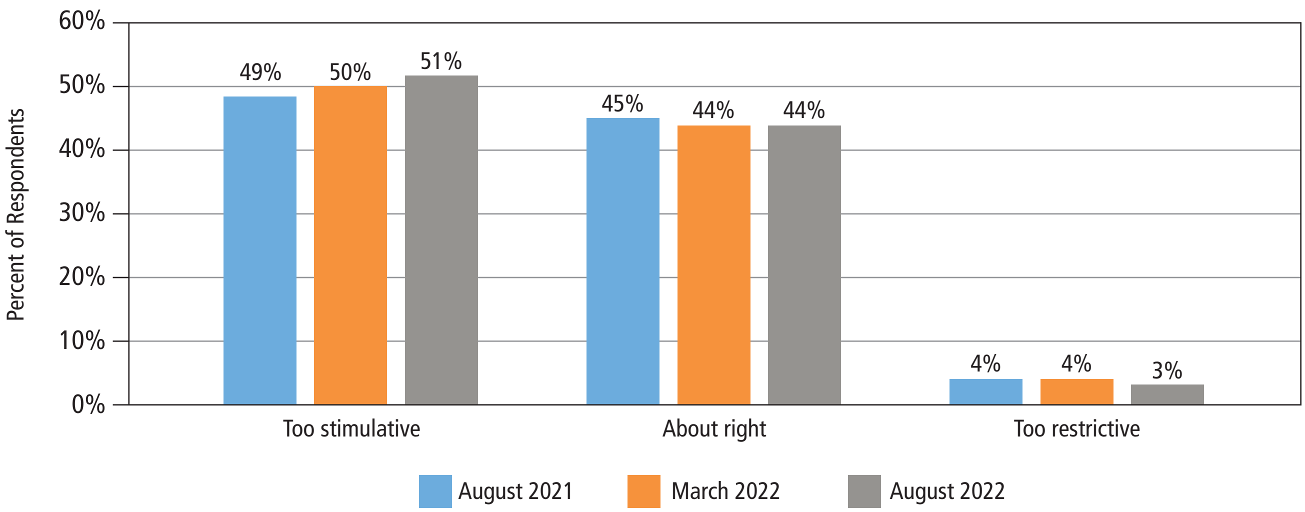
Fiscal Policy

Respondents' views on fiscal policy are essentially unchanged from those in the March 2022 Policy Survey. Slightly more than half (50.5%) of respondents believe that current fiscal policy is too stimulative (up only 0.5% from March), while 44% of survey respondents find current fiscal policy is "about right" (the same share as in March). Only 3% of respondents believe that current fiscal policy is too restrictive.

Fifty-nine percent of panelists believe that the primary objective of current fiscal policy should be to promote more robust economic growth in the medium-to-long term, up significantly from 48% in the March 2022 survey. Less than a quarter of respondents (23%) believes that the primary goal of fiscal policy should be to reduce deficit and debt levels. A smaller share of respondents—8%—suggests that current fiscal policy should focus primarily on addressing income inequality.

Regarding their support for components of the Inflation Reduction Act (which was being debated in the Senate while the survey was in the field), more than three-fourths of panelists (76%) support the $300 billion deficit reduction goal, while 14% oppose the provision. Over two-thirds of the panelists support the 15% minimum corporate tax (69% of panelists in favor, 26% opposed), as well as the expanded Affordable Care Act subsidies and drug-pricing reform provisions (68% of panelists in favor, 26% opposed). Finally, 63% of panelists support subsidies, rebates, and private-public investments to combat climate change; 31% are opposed.

Figure 1
Do you consider CURRENT fiscal policy to be:

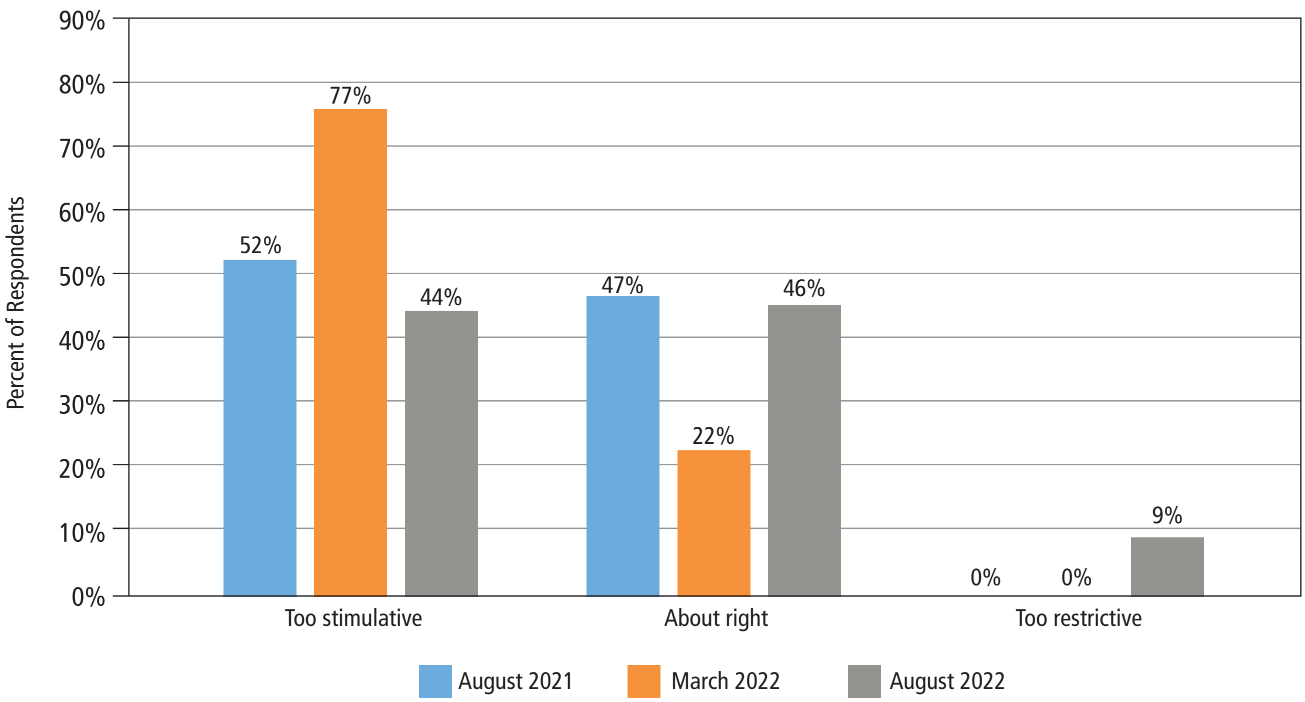


Note: "Don't know/no opinion" percentages are omitted.

Monetary Policy

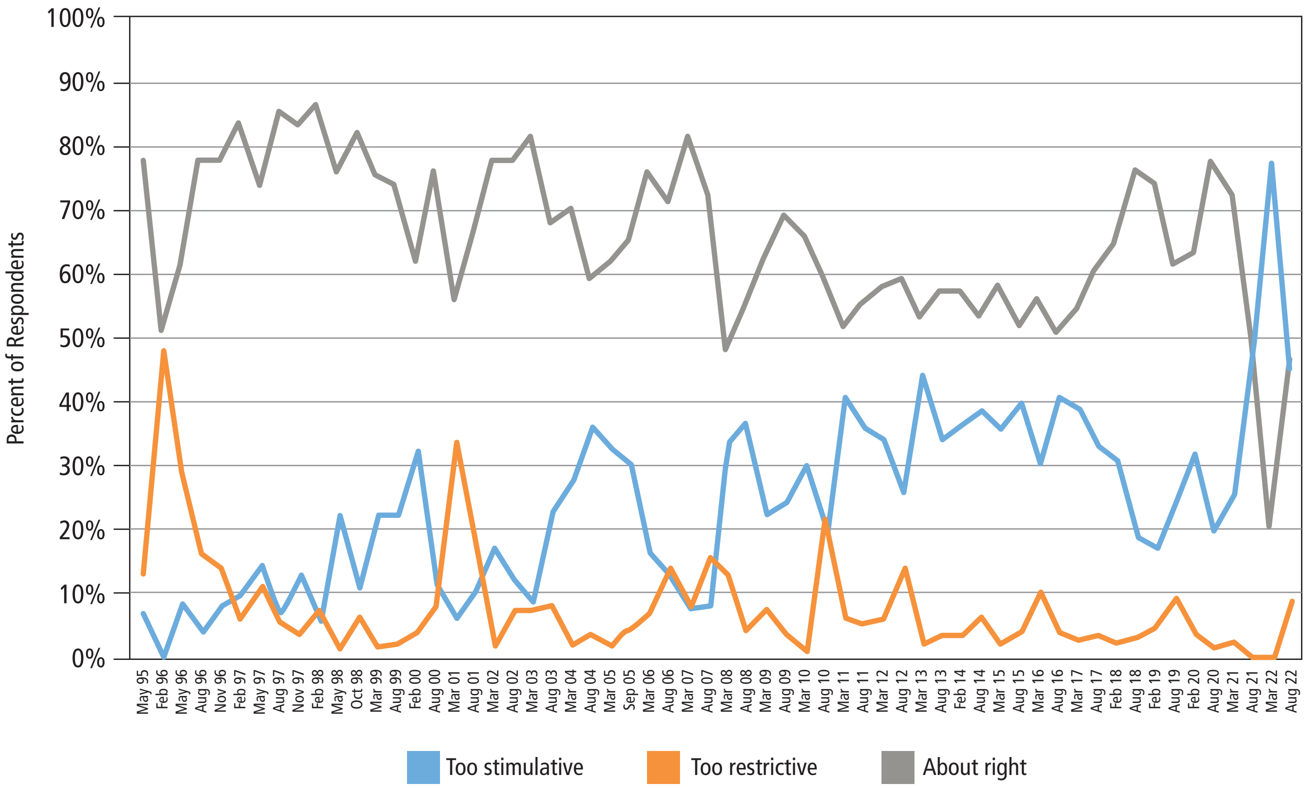
In March, a record 77% of the panel viewed monetary policy as too stimulative. Since then, the Federal Open Market Committee (FOMC) has approved four consecutive interest-rate hikes, which have brought policy into better alignment with panelists' views. In the current survey, 46% of panelists view monetary policy as "just right," up from 22% in the March survey. Forty-four percent of panelists still view monetary policy as too stimulative—a higher percentage holding this view than has been typical for this survey historically, but substantially lower than in March 2022 (77%) or August 2021 (52%).

Figure 2a
Do you consider CURRENT monetary policy to be:



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

Figure 2b
Time Series: Do you consider CURRENT monetary policy to be:

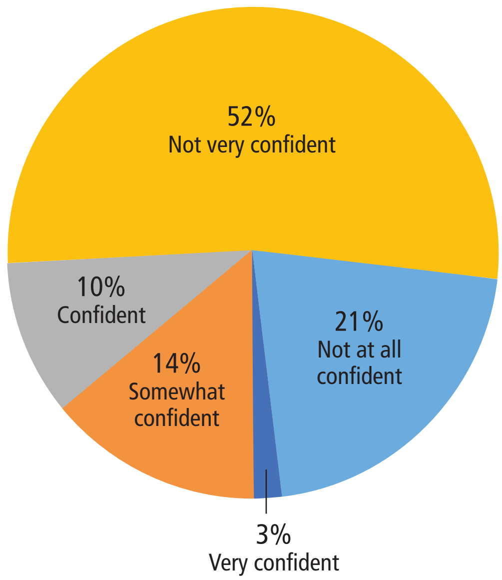


Note: "Don't know/no opinion" percentages are omitted.
Note: Percentages may not add to 100 across columns due to rounding.
Note: Surveys prior to Feb 2000 phrased the question, "Over the past six months, monetary policy was. . ."

A majority (52%) of panelists expects the upper end of the FOMC's federal funds rate target will be between 3.5% and 4.25%, compared to 2.5% currently. Panelists anticipate that the federal funds target rate will decline from that range over the next two years, although opinion is split: 42% anticipate it will be between 2.5% and 3.25% by year-end 2024, 27% expect it to range between 1.5% and 2.25%, and 20% expect the target rate to be 3.5% or higher.

Six months ago, a record 77% of NABE panelists viewed monetary policy as too stimulative. Despite the Fed's intervening rate hikes, 73% of panelists in the current survey indicate they are "not very confident" or "not at all confident" that the Fed will be able to bring inflation down to its 2% goal within the next two years without triggering a recession. Only 27% feel confident, somewhat confident, or very confident that the Fed will achieve this outcome—popularly described as a "soft landing."

Figure 3
How confident are you that the Fed will be able to bring inflation down to its 2% goal without inducing a recession within the next 2 years?



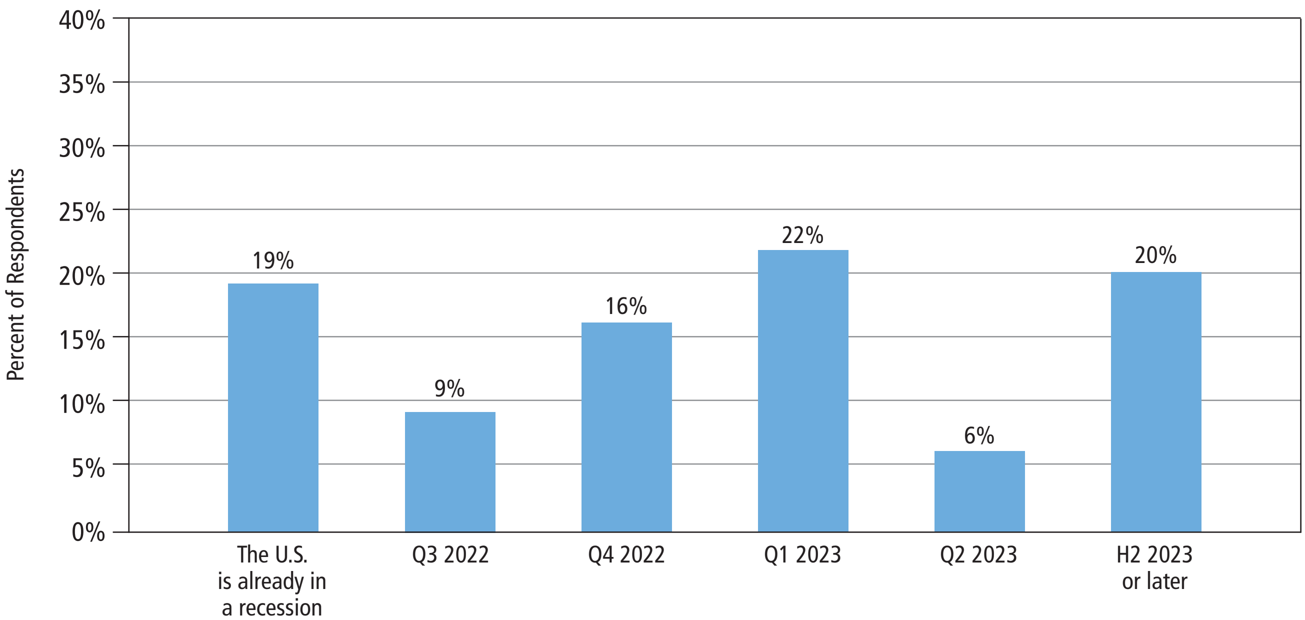
Note: "Don't know/no opinion" percentages are omitted.

Fifty-four percent of panelists expect the Fed to continue to reduce its balance sheet at the pace the central bank is currently operating, with 26% of survey respondents expecting the Fed to slow the pace, and 14% expecting it to accelerate the pace.

Panelists were asked which factors they believe will be most instrumental in bringing down inflation. Supply-chain realignments are the most commonly cited key factors—by 70% of respondents—followed closely by tighter monetary policy (68%), and lower commodity prices (63%). Weaker output growth (36%) and a stronger U.S. dollar (19%) are less widely seen as instrumental.

There is a wide range of opinion among panelists as to when the next U.S. recession—as determined by the National Bureau of Economic Research (NBER)—will begin. Roughly one-fifth (19%) of panelists believes the U.S. is already in a recession, while one-quarter places the likely start date in the third quarter (Q3) of 2022 (9% of panelists) or Q4 (16%). More than one-quarter (28%) anticipate the start date to be in the first half of 2023, but 20% of panelists do not expect a recession to begin before the second half of next year.

Figure 4
When will the next recession (as determined by the NBER) commence in the U.S.?

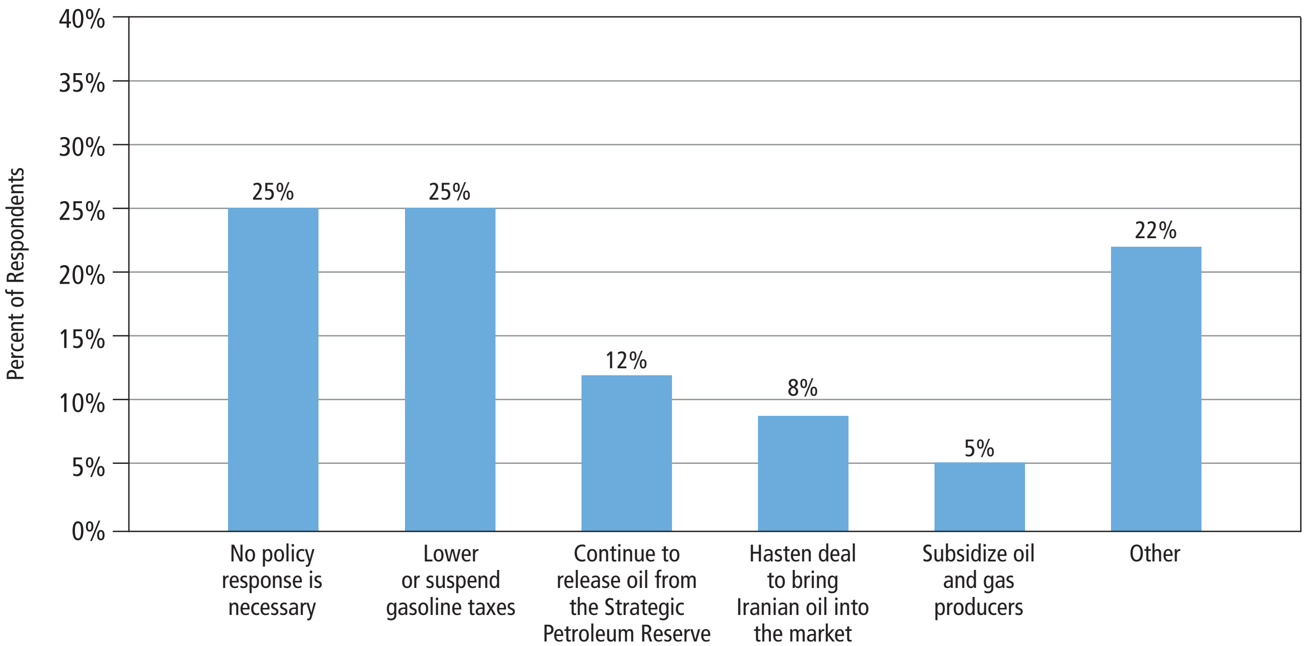


Note: "Don't know/no opinion" percentages are omitted.

Eighty-three percent of respondents believe that reduced immigration has constrained the U.S. economy in recent years, either "somewhat" (58%) or "greatly" (25%). Nearly four out of five respondents (79%) believe lower immigration has contributed to wage pressures, either "somewhat" (62%) or "greatly" (17%).

The panel is split on whether or not policy measures should be used to mitigate high gasoline prices. More than one-third (37%) see no policy response as necessary, while the same percentage supports lowering or suspending gasoline taxes, and 18% support continued oil releases from the Strategic Petroleum Reserve.

Figure 5
What should be done to mitigate rising gas prices? *(Check all that apply.)*



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

The panel is also split regarding whether or not it supports "a national supply-chain policy." Forty-five percent of respondents oppose such a policy, 39% are in support, and 17% are undecided.

Domestic Policy

Roughly half (51%) of the panel supports raising the federal minimum wage, while 42% are against raising it. More than half (52%) of survey respondents are against adopting a law that would classify gig workers as employees, while 30% favor adoption, and 17% express no opinion. A majority (54%) opposes adopting a policy that would require employers to disclose pay ranges in job postings at a national level, 30% support adoption, and 13% state no opinion.

Panelists were asked, "Which do you feel are the three most important policy issues to be debated in the upcoming midterm election?" Nearly half (48%) believes that combating inflation is among the three most important issues. Thirty-eight percent list climate change, 27% select immigration policy, and 20% each indicate access to reproductive health care and ensuring free and fair elections are important issues to debate.

Policy Survey Committee

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Gregory Daco, EY-Parthenon

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