

Keynesian in Wolf's Clothing?

Donald Trump's garnering the GOP nomination and then winning the U.S. presidential election have turned much conventional thinking on its head; that is unlikely to stop after the inauguration. Trump emerged as front-runner of the party typically viewed as the "conservative" political brand in the United States, which has often championed government austerity over government stimulus. [Early glimpses](#) of Trump's economic policies suggest that, initially at least, stimulus rather than austerity will likely hold the upper hand, however. This policy approach, partially reflecting [John Maynard Keynes'](#) prescription for dealing with inadequate aggregate demand, is intended to revive a stagnating economy. The \$64,000 question is whether the stimulus being considered will generate a large enough economic effect to eliminate the deficit and reduce the federal debt that is already roughly [equal](#) to gross domestic product (GDP). What follows are some other developments of the past month.

GDP – The U.S. economy grew at a "[surprisingly strong](#)" rate of 2.9% in 3Q2016 (+1.5 percentage points from 2Q) on contributions from inventories, exports and government spending. "One quarter does not erase all those of lesser 'speed' that came before it," warned one [analyst](#), however, and [CNBC](#) admitted "the economy...remains stuck in low gear." It is unclear whether the boost from inventories resulted from greater output or weakening end-consumer demand. Also, the rises in both exports and government spending are products of transient circumstances that will likely be unwound in 4Q.

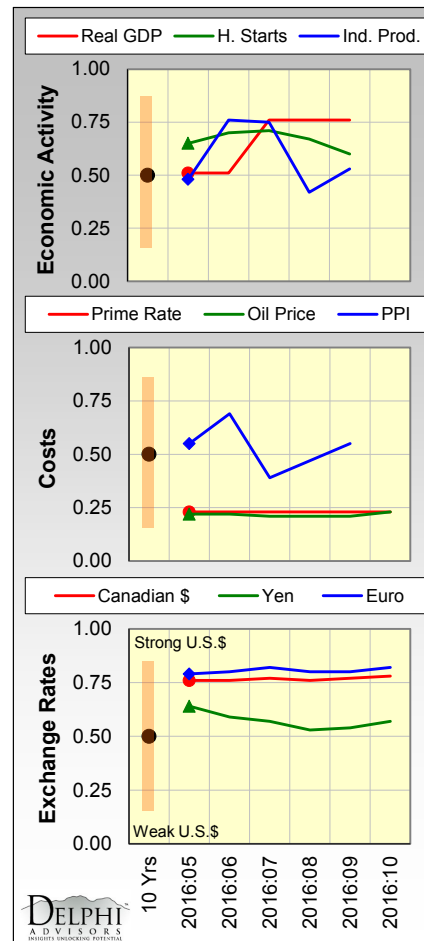
Employment – Employers added a modest 161,000 jobs in October, but August and September gains were revised up by 44,000. Looking into the details, we discovered an imputed-jobs [adjustment](#) that was more than double the average for an October since 2000; an average adjustment would have resulted in a truly meager 53,000 jobs. Meanwhile, a somewhat contradictory companion report showed the unemployment rate edging back down to 4.9% as the labor force shrank (-195,000) more dramatically than the number of people employed (-43,000). Wood Products gained 2,100 jobs and Paper and Paper Products employment declined by 900.

Those holding multiple jobs retreated slightly (-87,000) from September's post-recession peak of 7.9 million. Many multiple-job holders would [prefer](#) full-time work but cannot find it, and some full-time workers are taking on part-time gigs to make ends meet. At the same time, increasingly burdensome regulations are motivating employers to cut costs by staffing projects with part-time/temporary workers or contractors.

Residential construction – Residential [construction spending](#) decelerated YoY in September, and other housing statistics were a "mixed bag." Most noticeable was the 9.0% drop in total housing [starts](#), thanks to a 38.0% plunge in the multi-family segment. Those declines were only partially mitigated by gains (+6.3%) in permits. Both new- and existing-home [sales](#) increased in September, the comparisons helped along by downward August revisions.

We agree with [Jeffrey Snider](#), who believes rent concessions and the re-emergence of sub-prime, no-down-payment mortgages support the idea that flat incomes are hobbling growth in housing. ■

This report is typically a compilation of articles posted on our [website](#); those articles relate in greater detail recent economic developments to the U.S. forest products sector.



Previous six months' behavior of macroeconomic variables indexed relative to their historical 10-year min, max and average (lower and upper ends of the orange bars, and black dots, respectively)