



# Social Narratives, Economic Realities and the Outlook for 2024

*Focus on California Business*

**Christopher Thornberg, PhD**

Founding Partner, Beacon Economics

May 2024



# Overview

## Beacon Economics

- Founded in 2006 on the basic principle of letting the data drive the story
- Custom economic reports, analyses & forecasts

## Today's Presentation

- What we *think* is happening in our economy
- What is *actually* happening in our economy
- How the combination of the two drive the outlook

*Access to slides available through QR code at end of presentation*



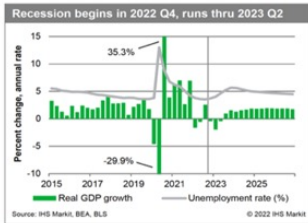
# The 2023 / 2024 Macro Narrative

## The Forecast: Recession is Nigh!!!

**US Fed meeting decision today: PIMCO warns market is underestimating risk of US recession and rate hikes**

**Opinion: The US economy will likely enter a recession soon**

Opinion by Dana Peterson and Erik Lundh  
Updated 2:38 PM EDT, Wed September 13, 2023



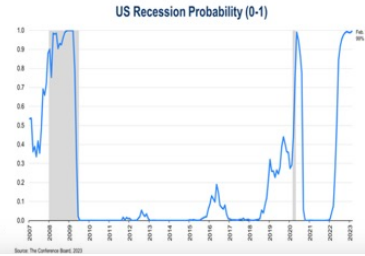
### Why a Soft Landing Could Prove Elusive

On the eve of recessions in 1990, 2001 and 2007, many Wall Street economists proclaimed the U.S. was on the cusp of achieving a soft landing, in which interest-rate increases would corral inflation without

Finance

### Regulators seize First Republic Bank, sell assets to JPMorgan

By Scott Murdoch, Niket Nishant and Chris Prentice  
May 1, 2023 6:11 PM PDT | Updated 5 months ago



HOUSING MARKETS

## Housing is in a double-dip recession, First American says

By Brad Finkelstein | September 18, 2023, 3:29 p.m. EDT | 3 Min Read

### Larry Summers warns US economy could face 'Wile E. Coyote moment'

By Thomas Barrabi  
Published March 7, 2023 | Updated March 7, 2023, 12:20 p.m. ET



Economics | Central Banks

## Fed Pivot Will Dominate Year of Rate Cuts

- Quarterly outlook on what to expect from monetary policy
- About-turn follows most aggressive tightening in decades

NEWS > STOCKS

## A record high in the S&P 500 would suggest double-digit gains in 2024

Matthew Fox | Jan 8, 2024, 10:14 AM PST

Share | Save

REAL ESTATE

## Mortgage demand jumps nearly 10% to start the year, even as interest rates tick up again

PUBLISHED WED, JAN 10 2024 7:00 AM EST | UPDATED WED, JAN 10 2024 7:39 AM EST

NEWS > ECONOMIC NEWS

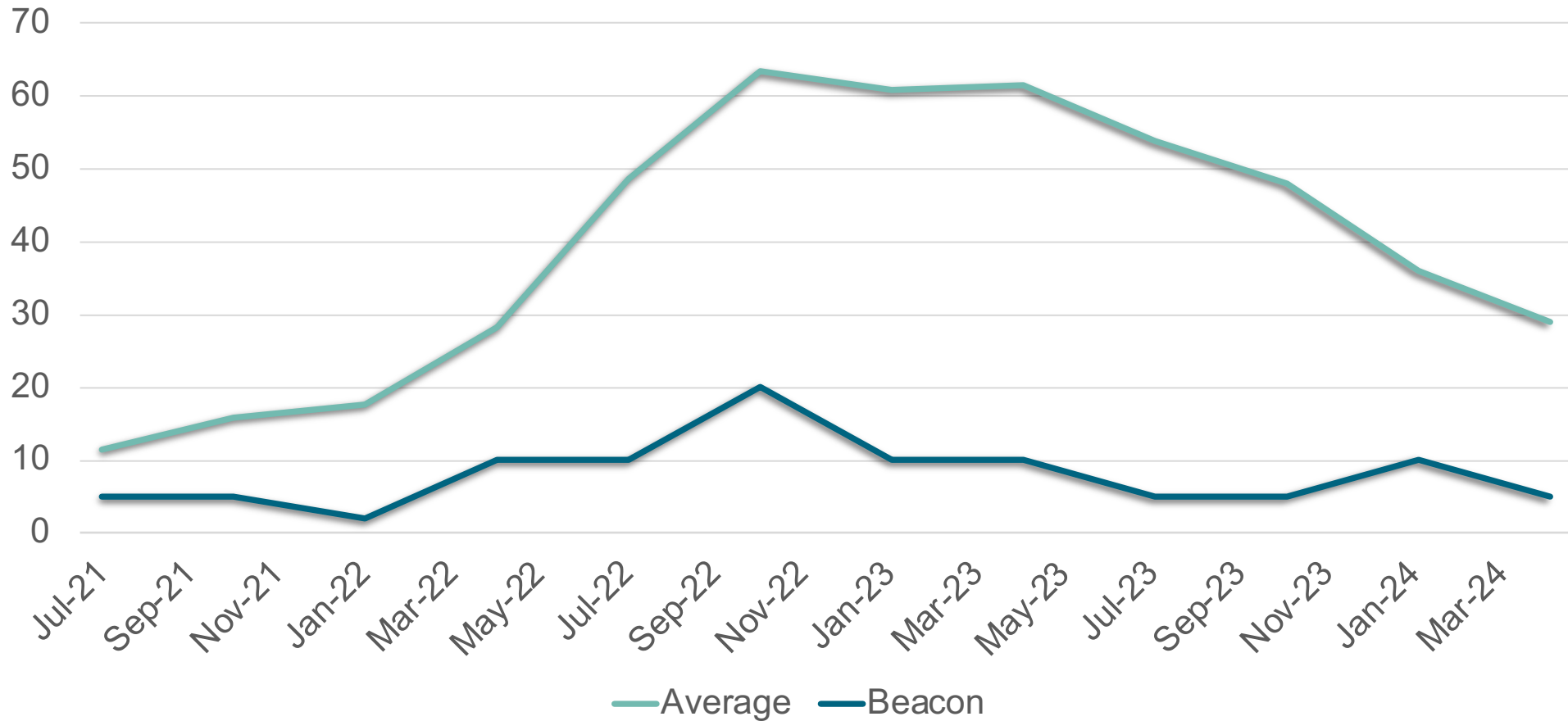
## Improved Sales, Economic Outlook Push Small Business Optimism to 5-Month High

By TERRY LANE | Published January 09, 2024



# Beacon's Outlook

WSJ Recession Probability Forecast  
Estimated Probability of US entering a recession in the next 12 months



# Beacon's Outlook for '24

## There was little risk of a “hard landing”

- Presumed distress were signs of an overheated economy
- The Good: economy will continue to expand at a decent pace
- The Bad: interest rates will not be falling soon
- The Ugly: Asset markets, federal deficits, and labor supply

## California Economy: Not Dead Yet

- Economy is stronger than the headlines would have you think
- Housing shortages remain dominant issue
- Budget deficit a function of poor fiscal planning

## The Big Issue: false narratives / bad policies

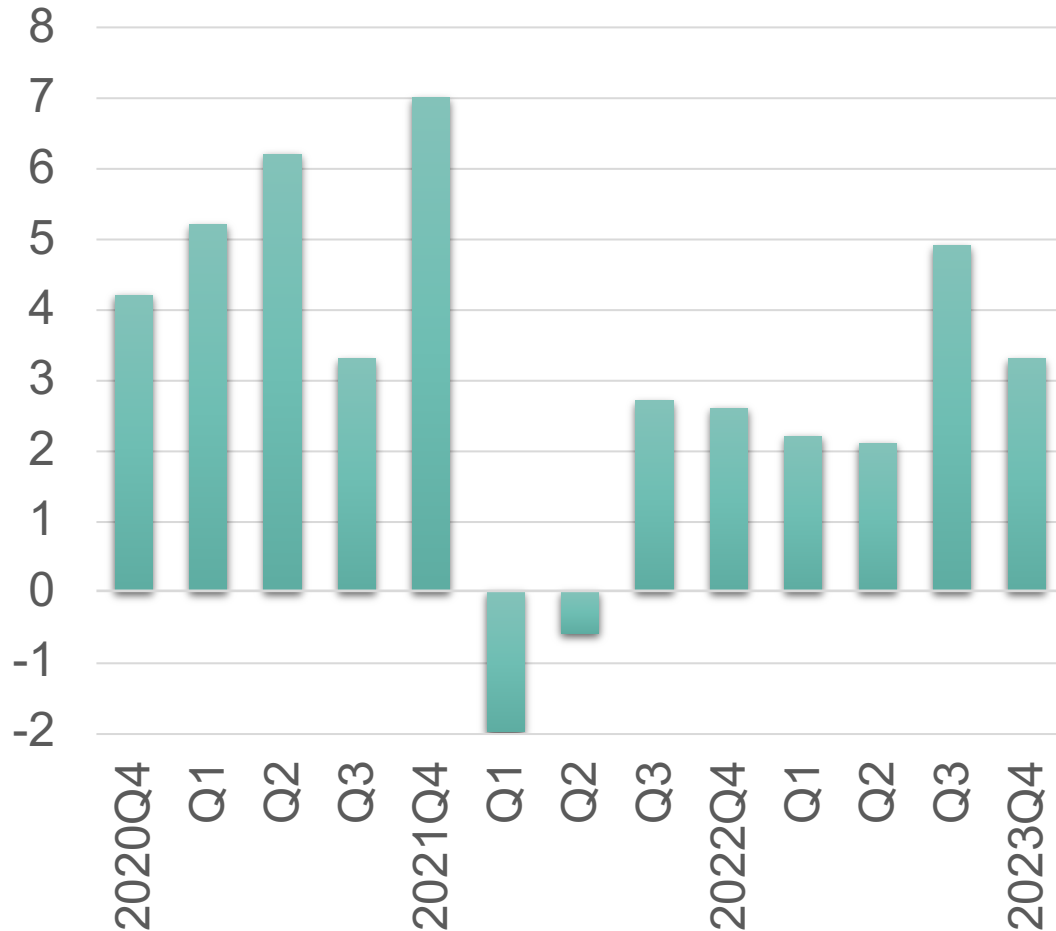
- Political partisanship / inability to compromise
- “Crisis management” mode preventing pursuit of good policies
- Big story of 2024: one very ugly election



# 2023: A solid year for growth



## Real GDP Growth SAAR



## Contributions to Real GDP Growth

	2019	2022	2023
Gross domestic product	2.50	1.90	2.50
Final Demand	2.54	1.76	2.23
Personal consumption	1.35	1.72	1.49
<b>Durable goods</b>	<b>0.23</b>	<b>-0.02</b>	<b>0.34</b>
Nondurable goods	0.40	0.09	0.13
Services	0.71	1.65	1.02
Fixed investment	0.48	0.24	0.09
Structures	0.08	-0.06	0.36
Equipment	0.06	0.26	-0.01
IPP	0.37	0.48	0.23
Residential	-0.04	-0.44	-0.49
Net exports	-0.12	-0.48	0.58
Exports	0.06	0.76	0.32
Imports	-0.18	-1.24	0.26
Government	0.68	-0.16	0.68



# Q1: Slower output, not demand



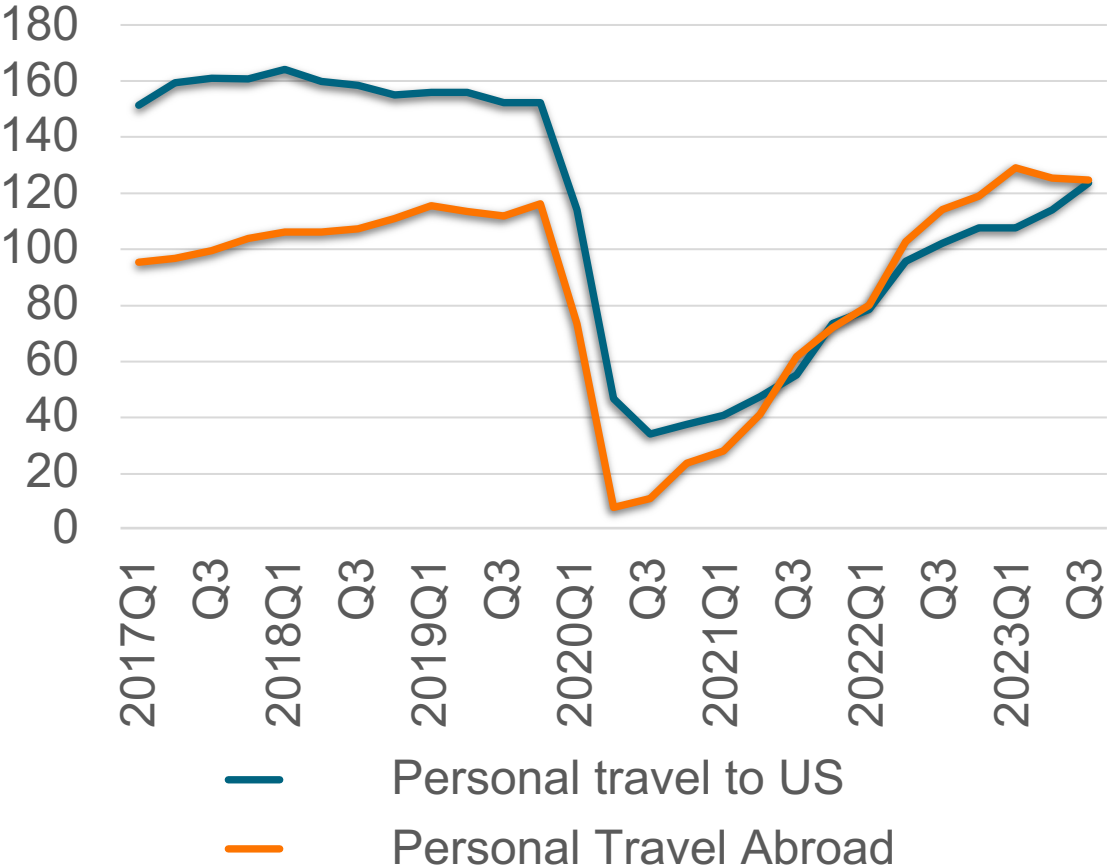
Contributions to Real Growth	2024	2023	
	Q1	Avg	
GDP	1.60	3.15	-1.55
Final Demand	2.81	3.29	-0.48
Consumer Services	1.78	1.10	0.68
Residential	0.52	0.02	0.51
Inv Equipment	0.10	-0.03	0.13
Inv IPP	0.29	0.17	0.12
Change inventories	-0.35	-0.36	0.01
Exports	0.10	0.20	-0.10
Consumer Nondurables	0.00	0.30	-0.30
<b>Consumer Durables</b>	<b>-0.09</b>	<b>0.46</b>	<b>-0.55</b>
Government	0.21	0.79	-0.58
<b>Imports</b>	<b>-0.96</b>	<b>0.02</b>	<b>-0.98</b>

## US Industrial Production

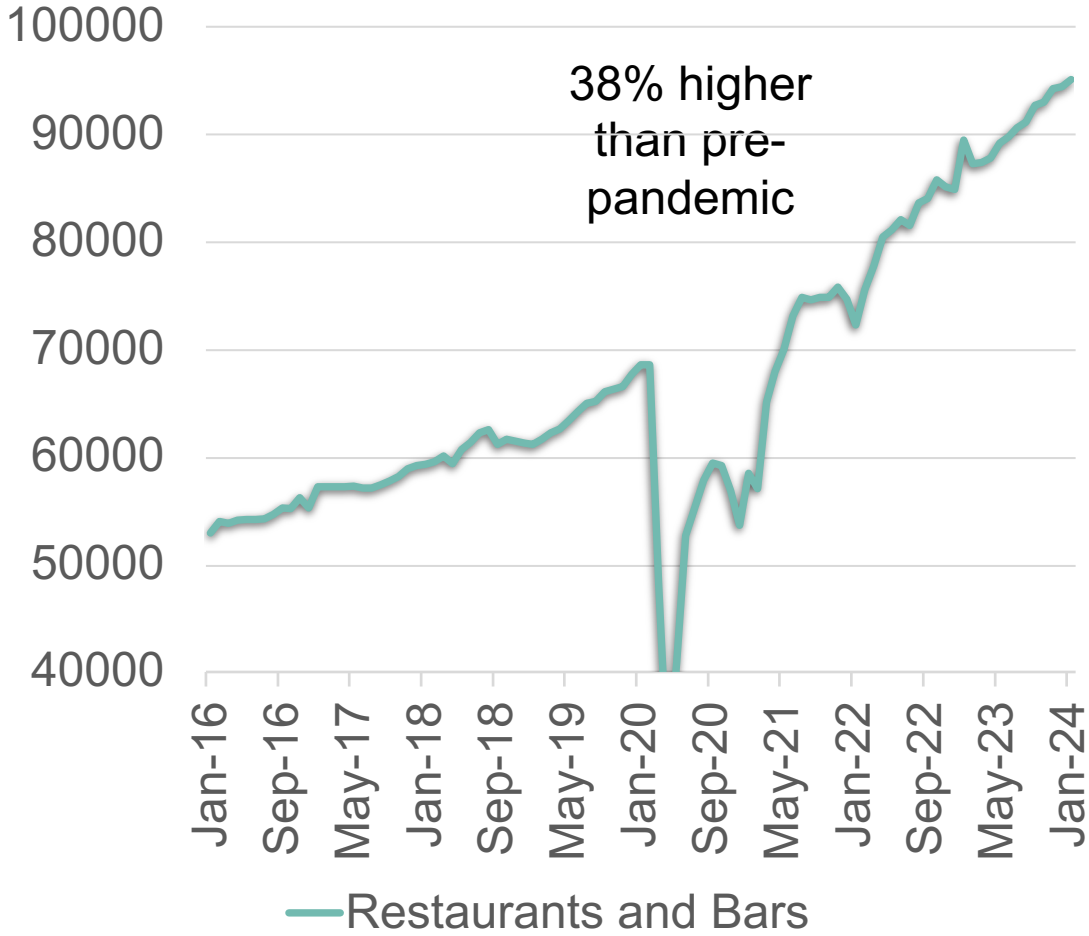


# Americans having fun!!

### Real Personal Travel Expenditures



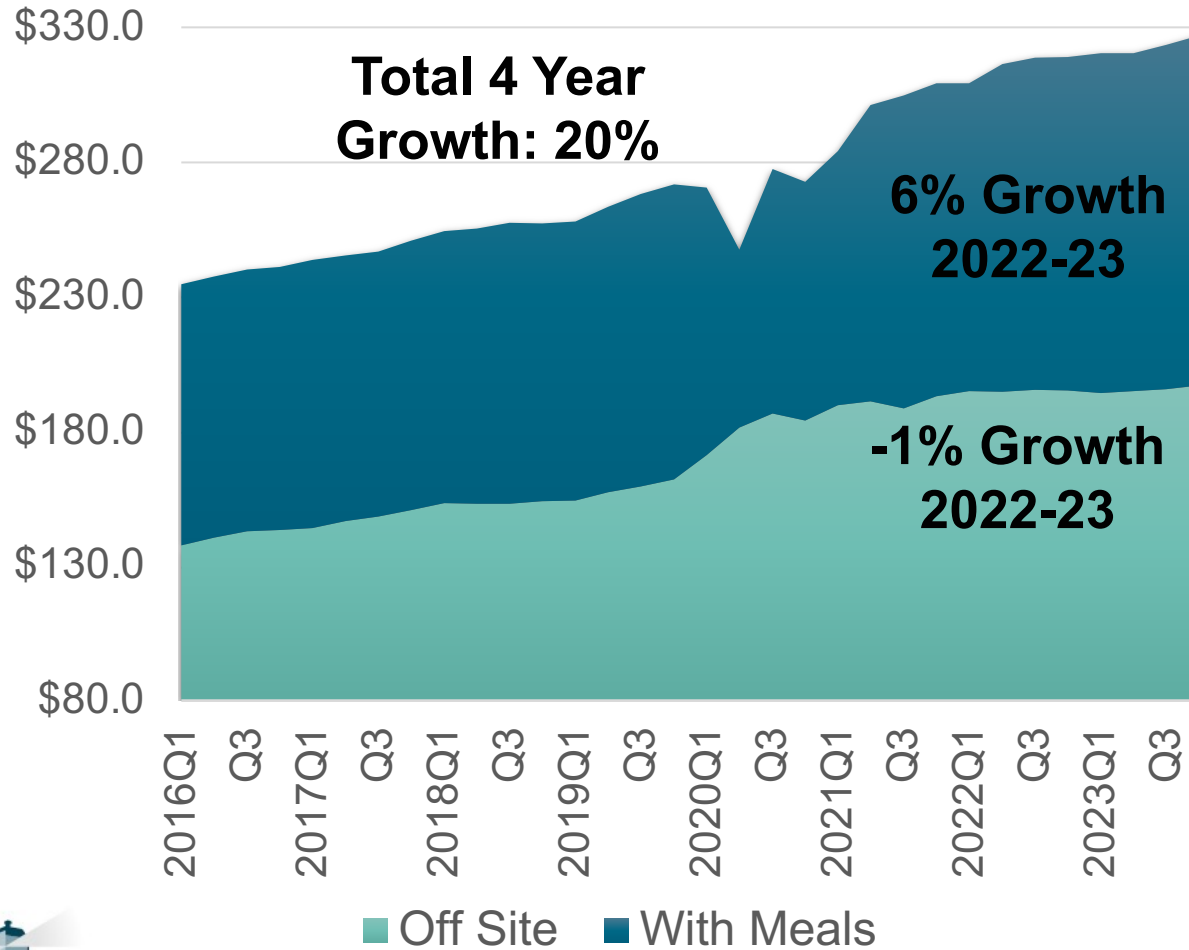
### Nominal Retail Sales (SAAR)



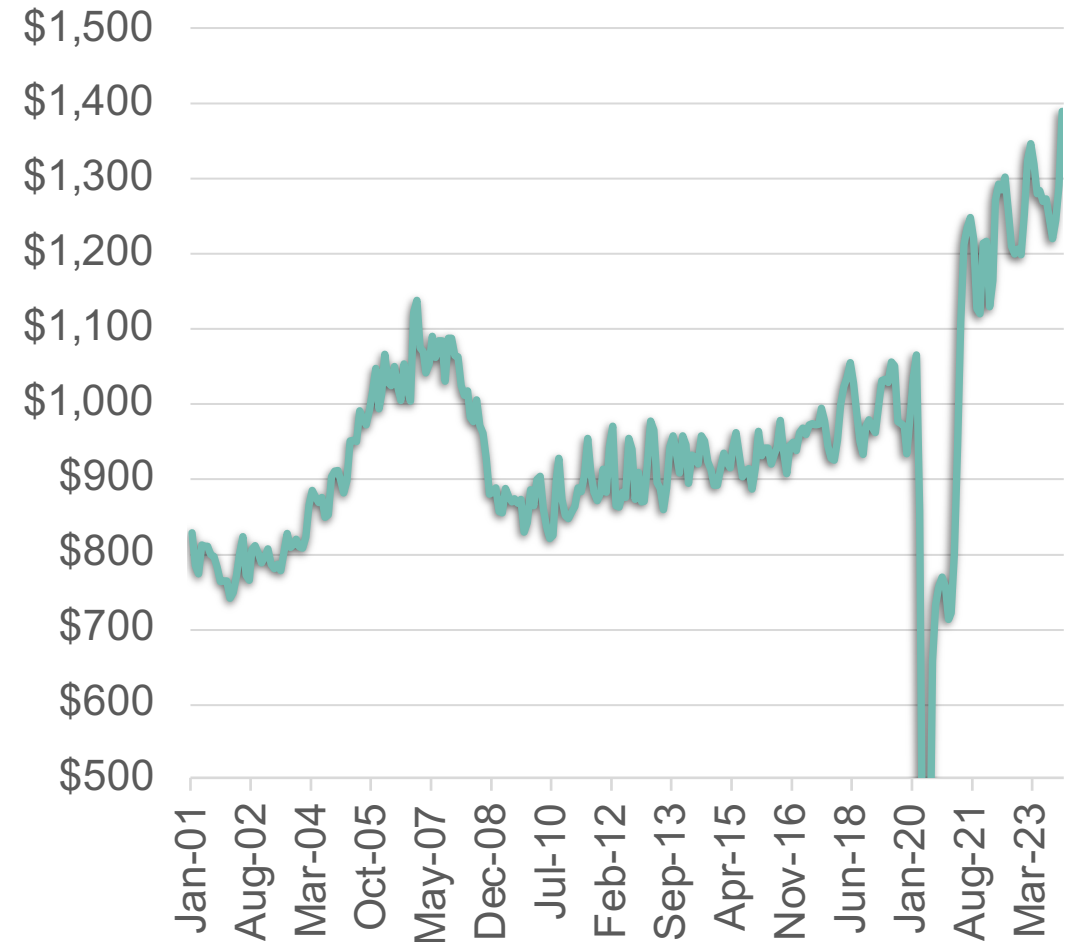


# The New Roaring 20's?

## Real Consumer Spending on Alcoholic Beverages (\$Bil)

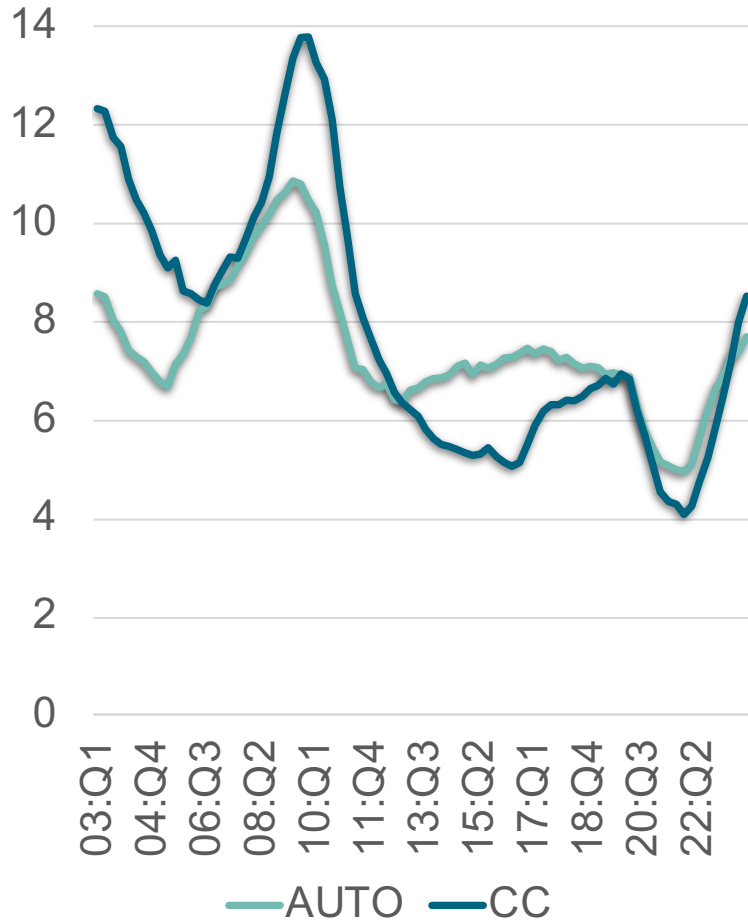


## Nevada Gaming Revenues

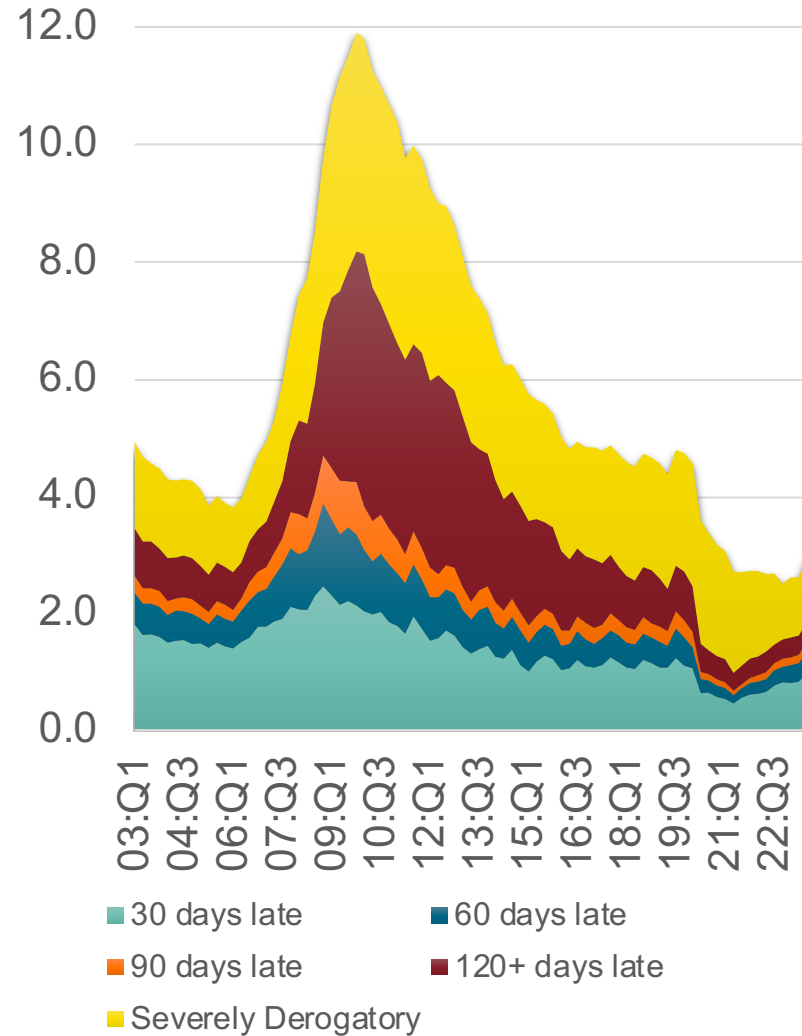


# Little visible financial distress

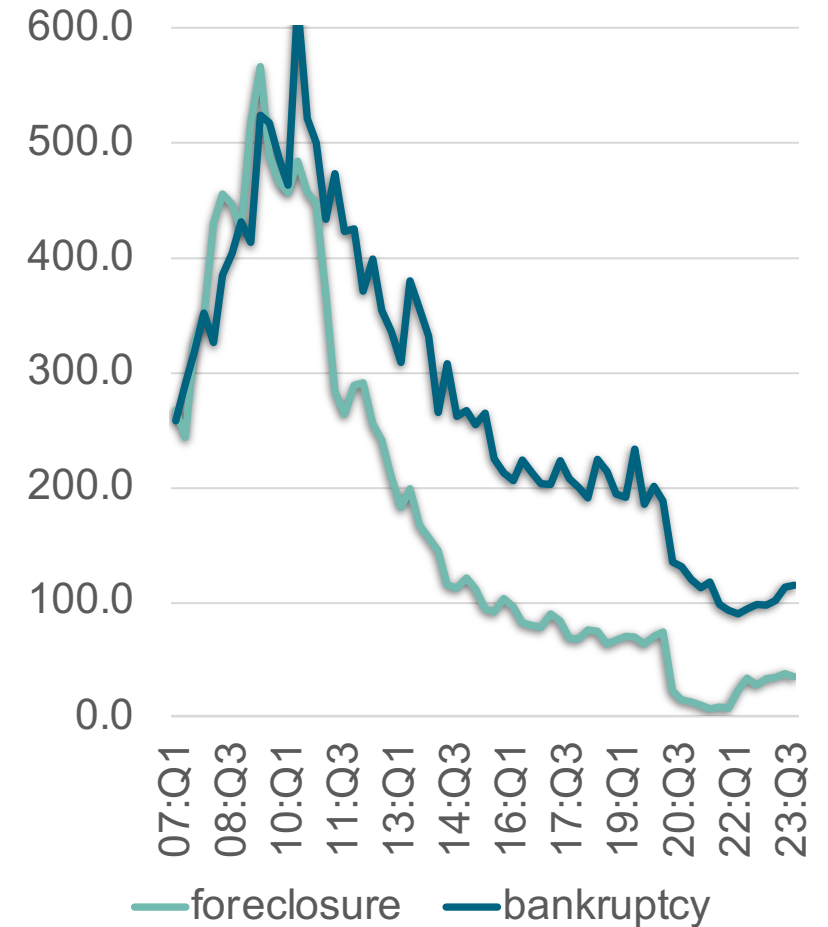
## Consumer Debt: New Delinquencies (%)



## DQ Share of Total Debt



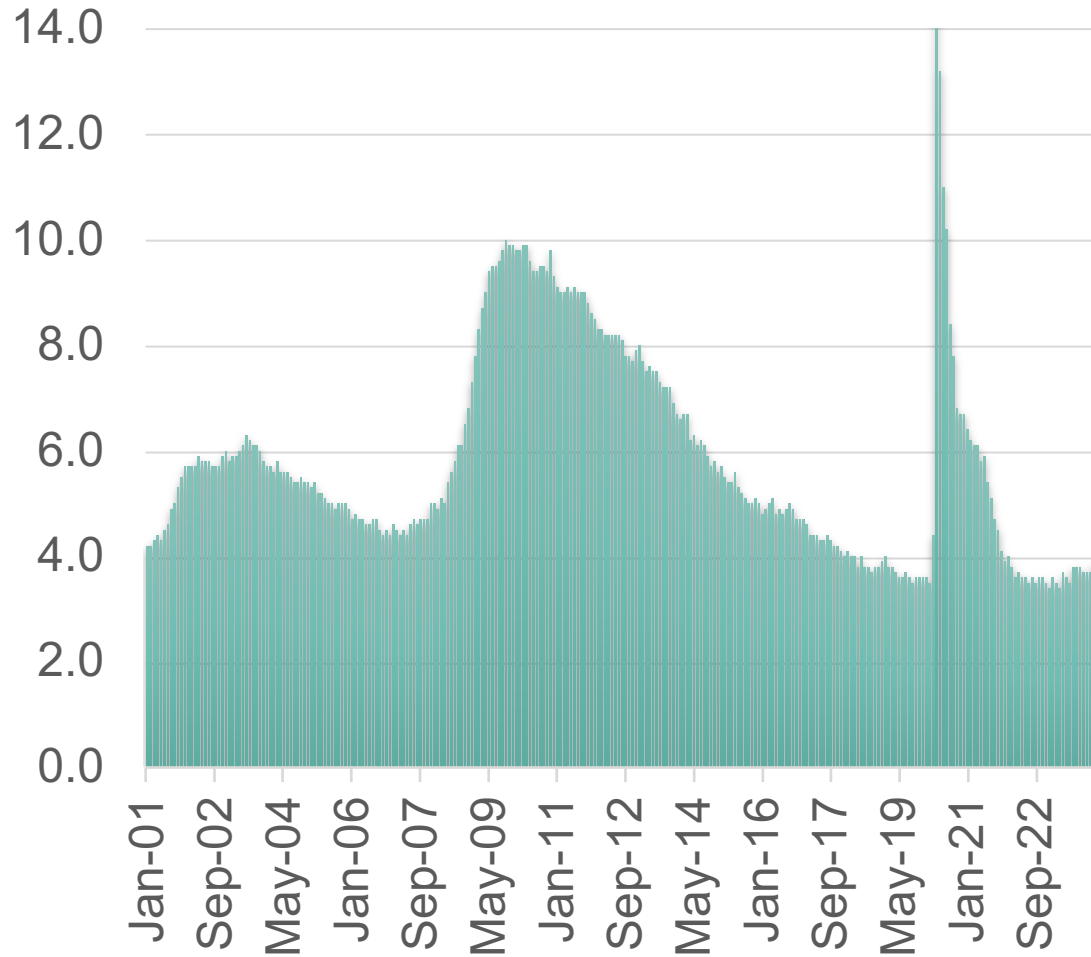
## Household Distress (thousands / Quarter)



# US Labor Markets still tight



## US Unemployment Rate



## US Real Earnings YoY Growth



# Rates up, but investment steady



Interest Rates

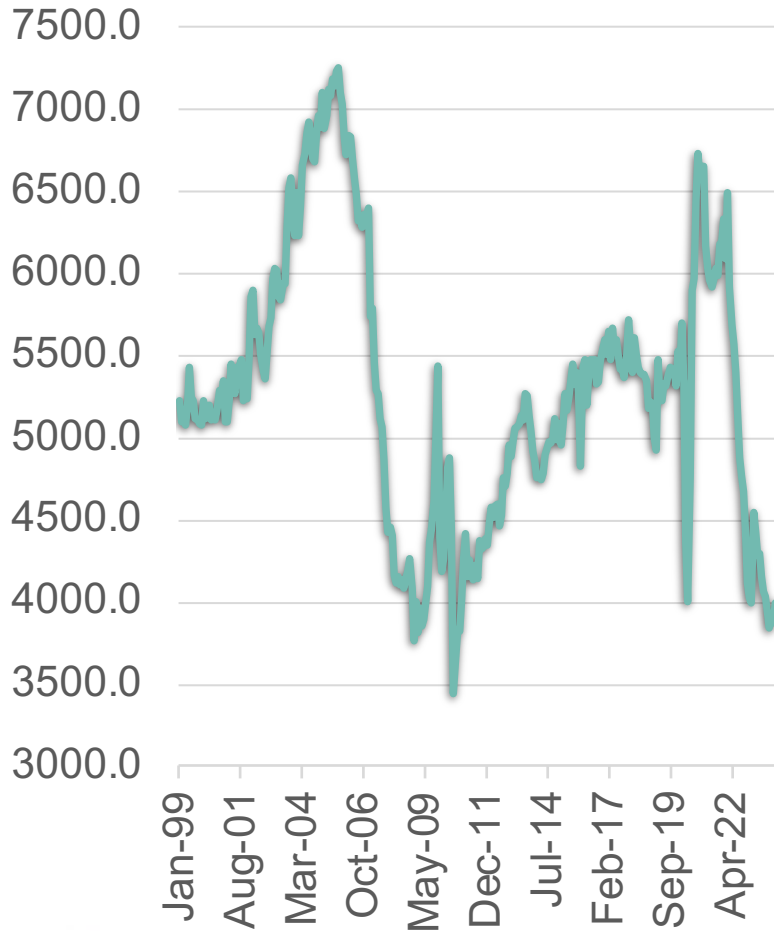


Real Fixed Investment	Ch From Q4 19	Ch From Q4 23
Private fixed investment	7.4%	3.6%
Manufacturing Str.	99.2%	73.9%
Software	52.8%	7.8%
Research Development	15.7%	-0.1%
Information equip	14.3%	-0.9%
IPP	1.9%	-0.5%
Industrial equipment	0.9%	-1.7%
Residential Str.	-3.5%	0.4%
Commercial health care Str.	-9.4%	5.2%
Transportation equipment	-11.6%	2.8%
Mining, shafts, wells	-12.8%	-11.6%

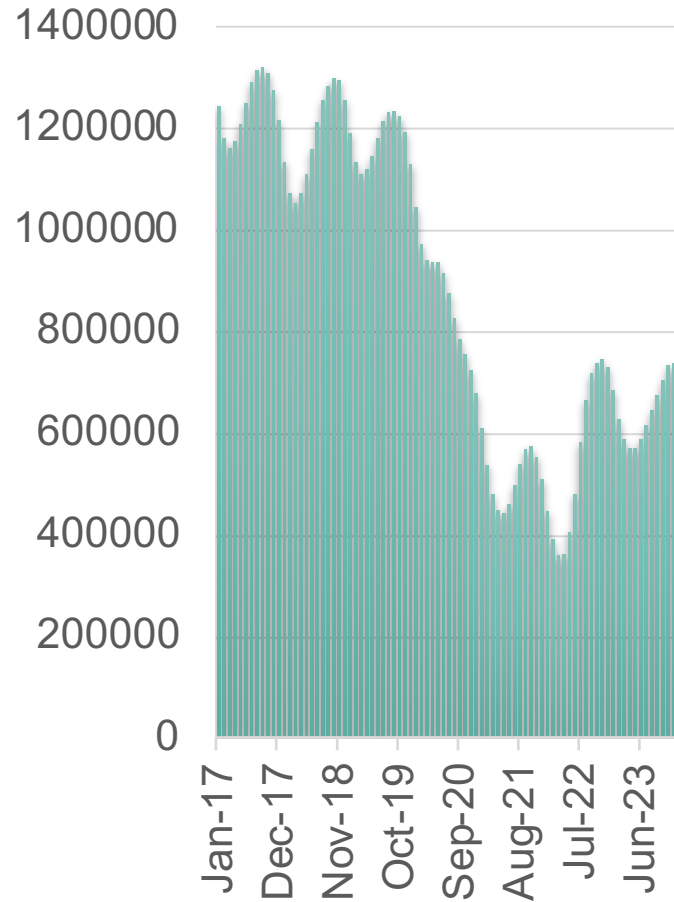


# Frozen Housing Market, yet...

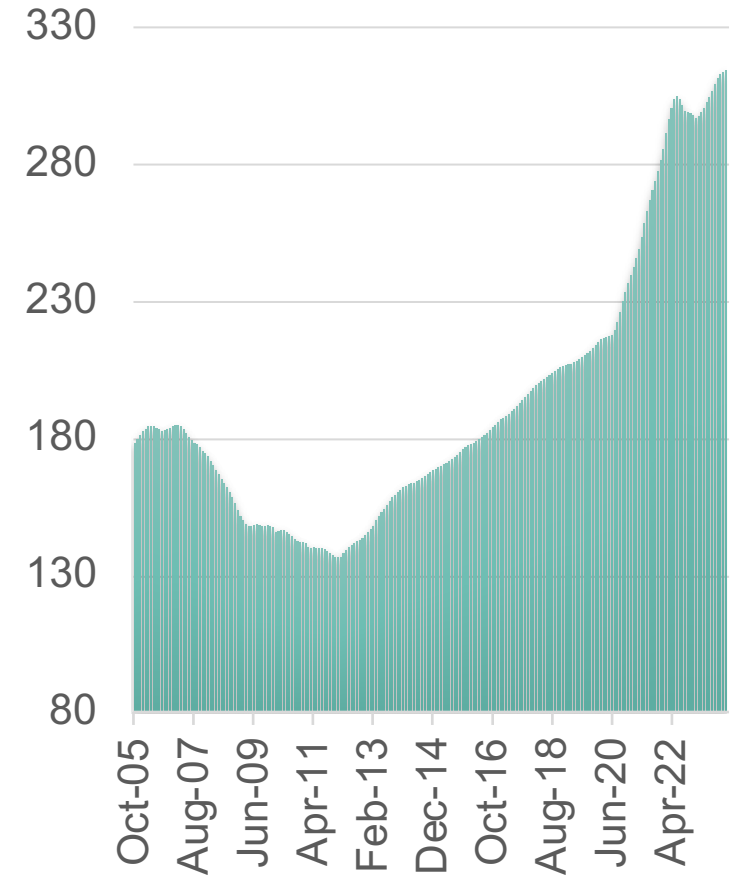
### Existing Home Sales (Th, SAAR)



### US Single Family Home Listings



### Case Shiller US Home Prices Index (SA)



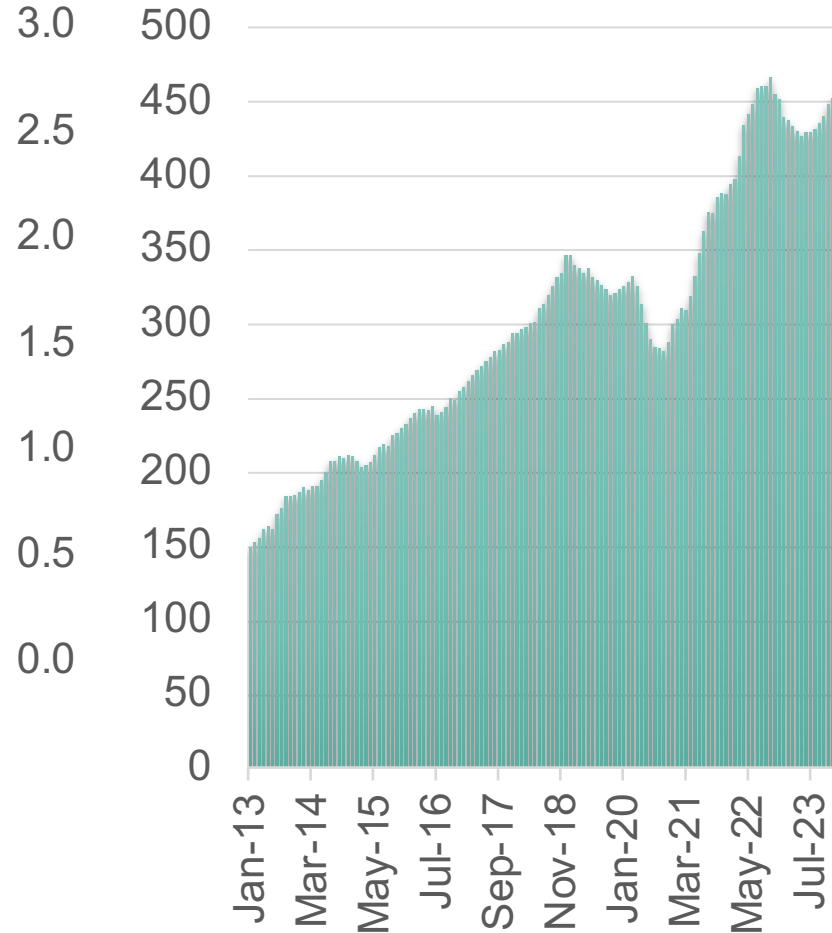
# U.S. New Homes



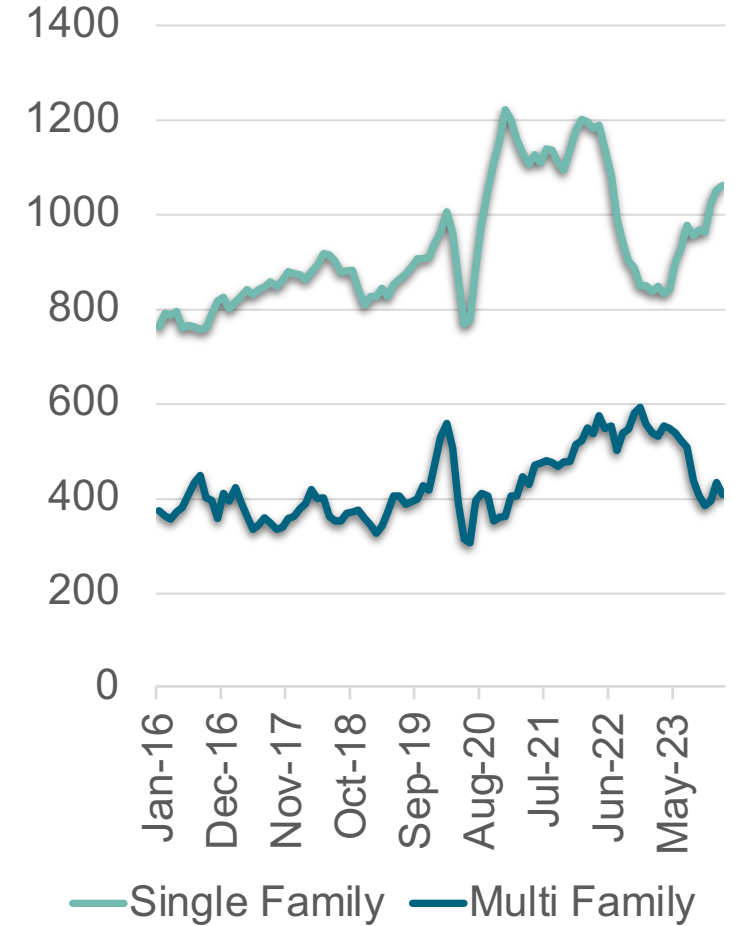
## US Housing Vacancy Rates



## New Home Sales



## Housing Starts SAAR

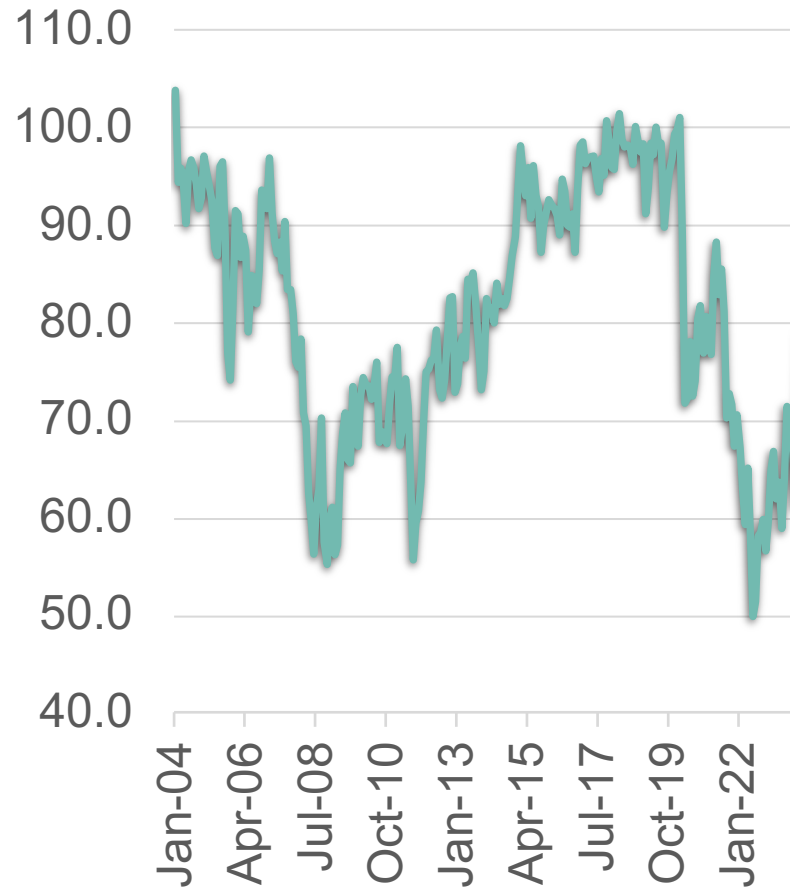


# Slowing Inflation / Rising Confidence

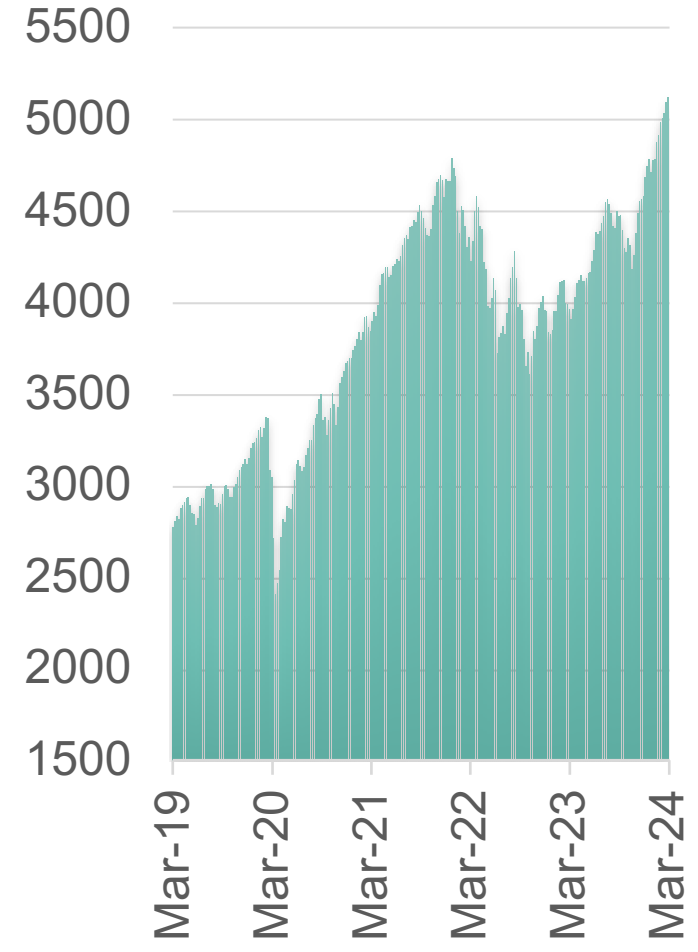
## US PCE Deflator YoY % Growth



## U Mich. Index of Consumer Sentiment



## SP500



# Beware the Narrative

Social Narratives

Economic Reality

The Value of  
Bitcoin

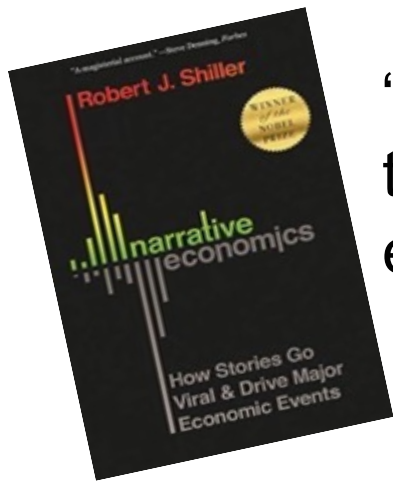
Ticketmaster  
fees are too  
high

The  
Unsustainable  
Federal Deficit





- ✓ Narratives skewing interpretations of economic news
- ✓ Narratives at the root of economic bubbles
- ✓ Narratives driving bad policy choices



“We need to incorporate the contagion of narratives into economic theory. Otherwise, we remain blind to a very real ... mechanism for economic change..”

—R. Shiller, *Narrative Economics*



*“It isn't what we don't know that gives us trouble, it's what we know that ain't so.”*

*– Will Rogers*



# The narrative on inflation

## 85% of Americans Are Feeling Impact of Inflation in Day-to-Day Lives, Finds New Survey

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NEWS PROVIDED BY

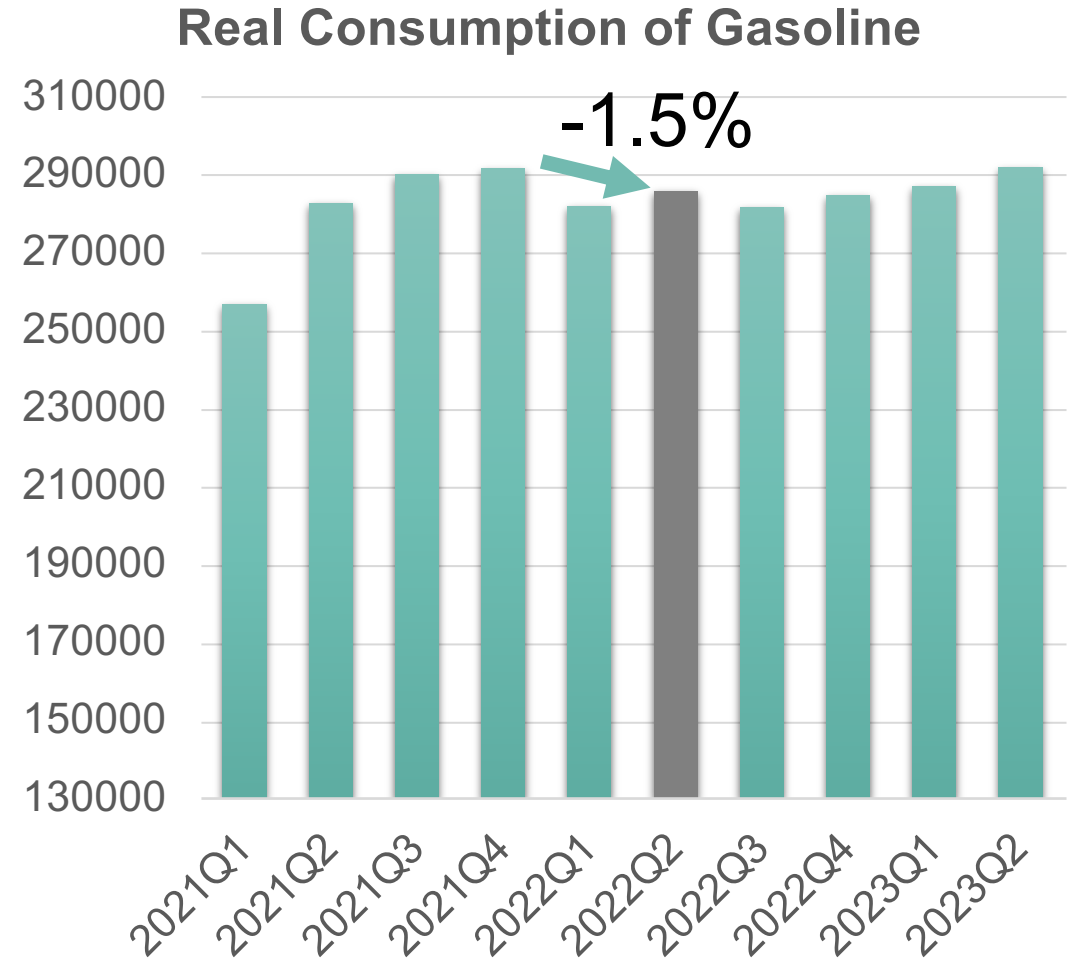
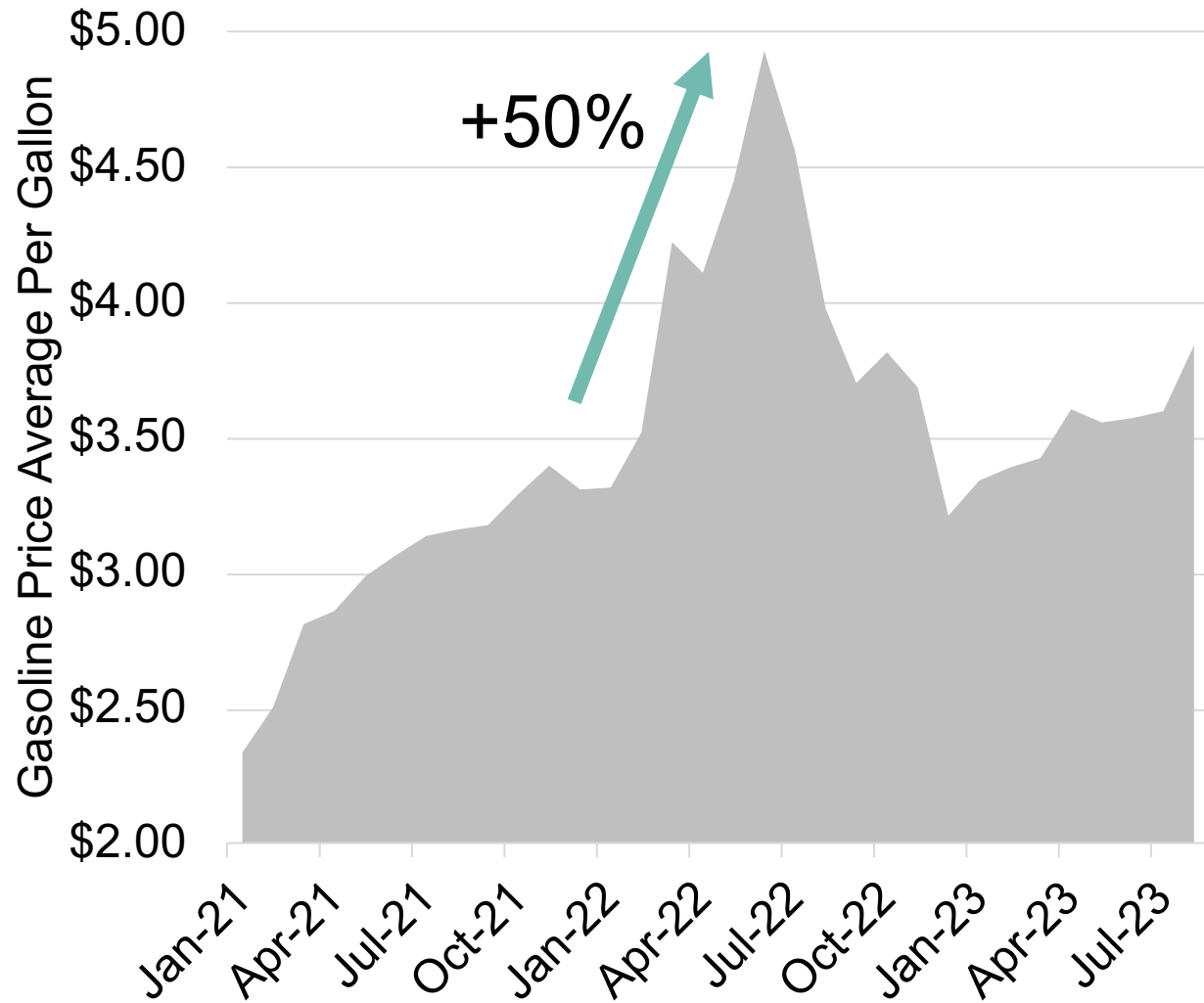
[L.E.K. Consulting](#) →

05 Dec, 2022, 09:30 ET

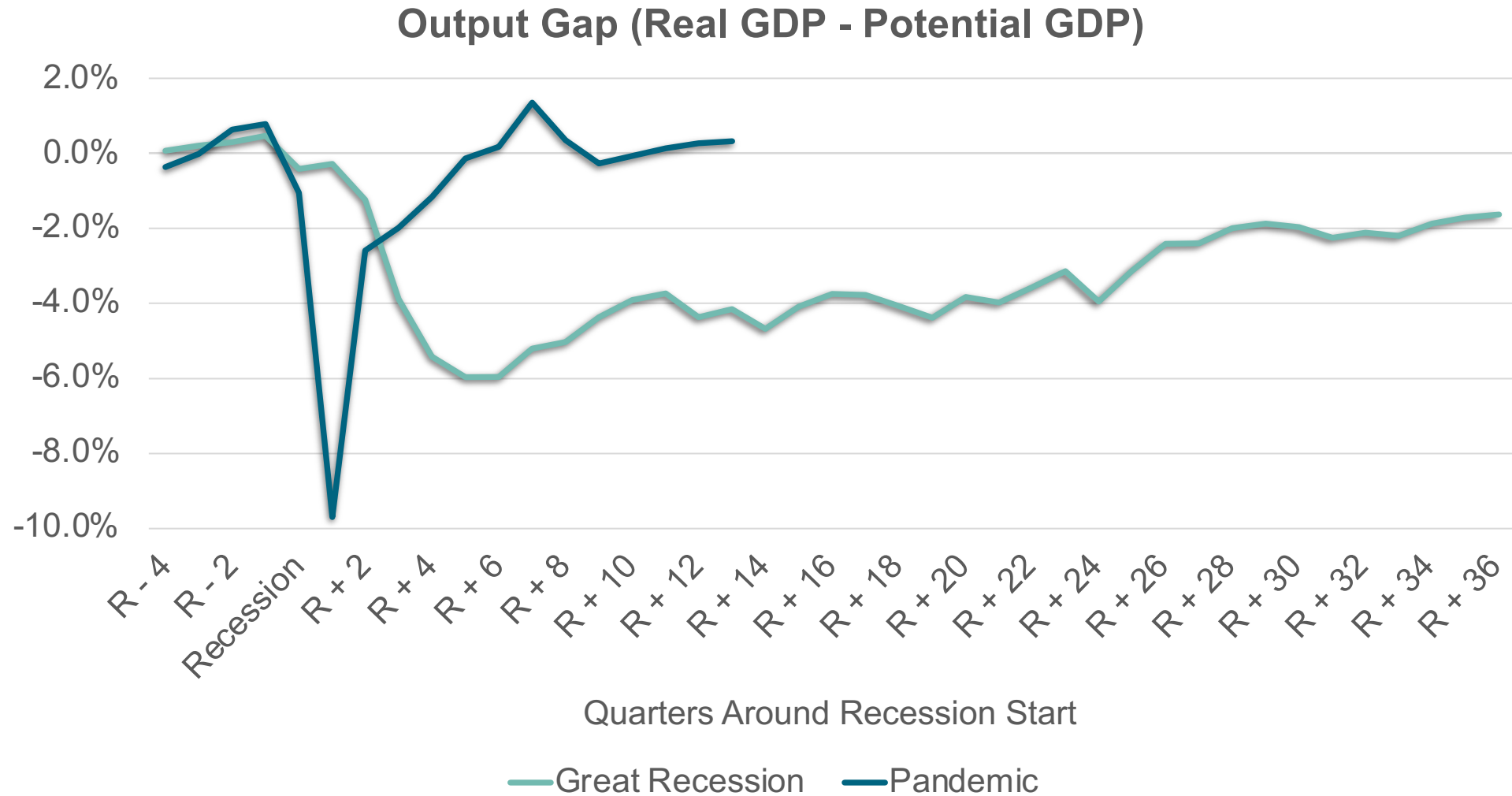
- About 90% of Americans said that inflation has had an impact on their spending over the past year when it comes to food and beverage, including 54% who said the impact has been significant.
- A similar number – 88% – said inflation has impacted their spending at restaurants.
- About 89% said inflation has had an impact on their motor vehicle spending, such as gasoline – including 56% who said it's had a significant impact.
- Eighty-six percent said inflation has impacted their spending on travel over the past year (45% said significantly).



# Reality: Inflation is caused by demand



# The Pandemic Over-reaction



Features

# Beacon Economics: Don't Count Out a V-Shaped Recovery

The Los Angeles-based economics firm expects a sharp decline followed by a sharp recovery once the economy reopens.

By **Kelsi Maree Borland** | May 07, 2020 at 04:00 AM



**Actual Lost GDP: \$1.2 Trillion**

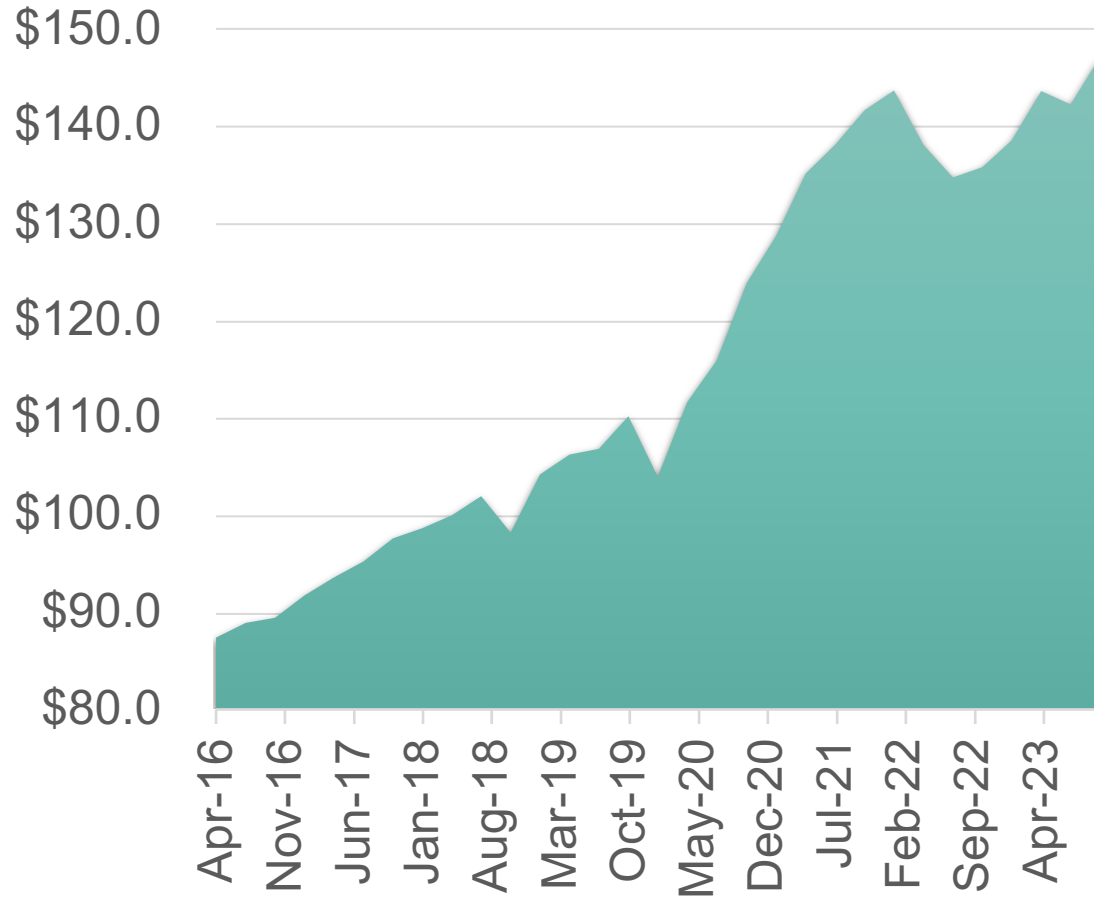
**Fiscal Stimulus: \$6 Trillion**

**\$50,000 in stimulus / household**



# The Wealth Bubble

Household Net Worth (\$Trillions)



Real Median Net Worth for US Households in 2022 (\$thousands) and Growth Rate 2013-2022

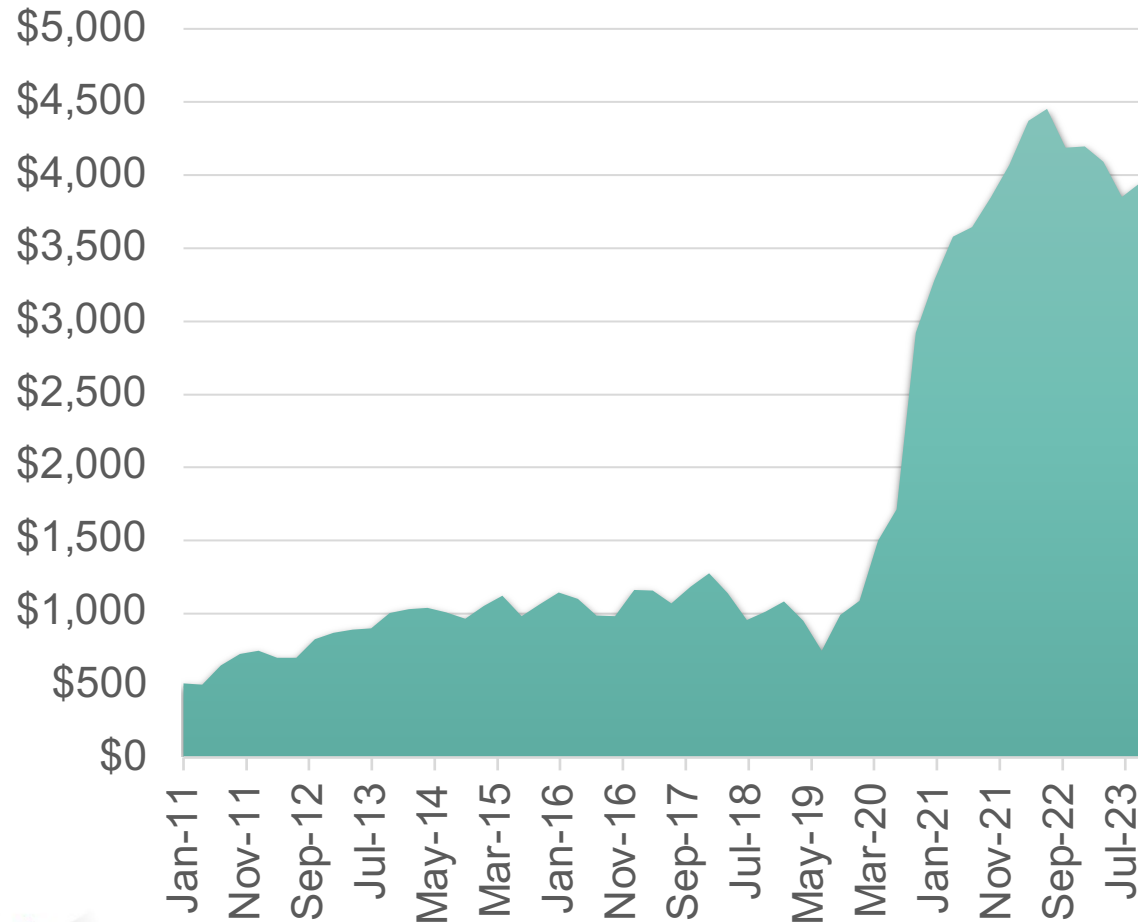
<u>Percentile of net worth</u>			<u>Percentile of income</u>		
All families	\$193	87%	Less 20	17	119%
Less 25	\$4	n.a.	20–39.9	55	94%
25–49.9	\$93	134%	40–59.9	171	118%
50–74.9	\$356	67%	60–79.9	299	48%
75–89.9	\$1036	61%	80–89.9	793	107%
90–100	\$3795	59%	90–100	2651	84%



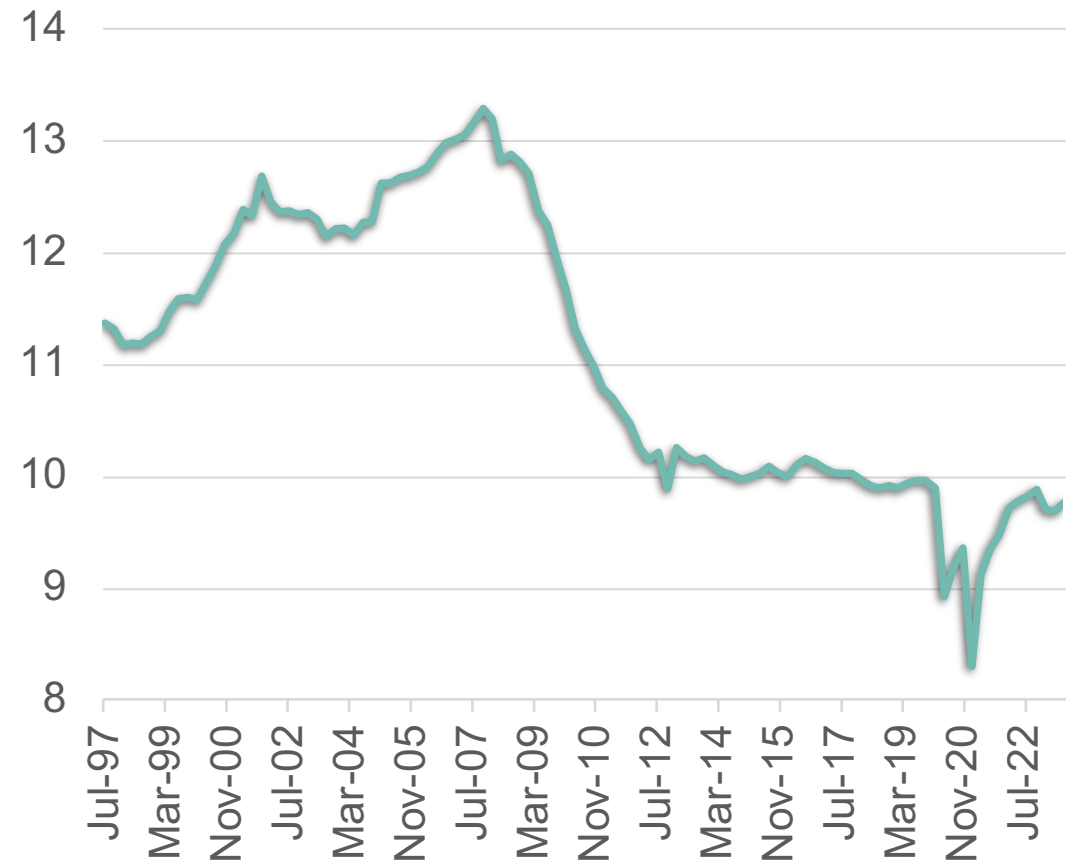


# Outlook for Consumers: Good

## US Household Checkable Deposits (\$Billions)

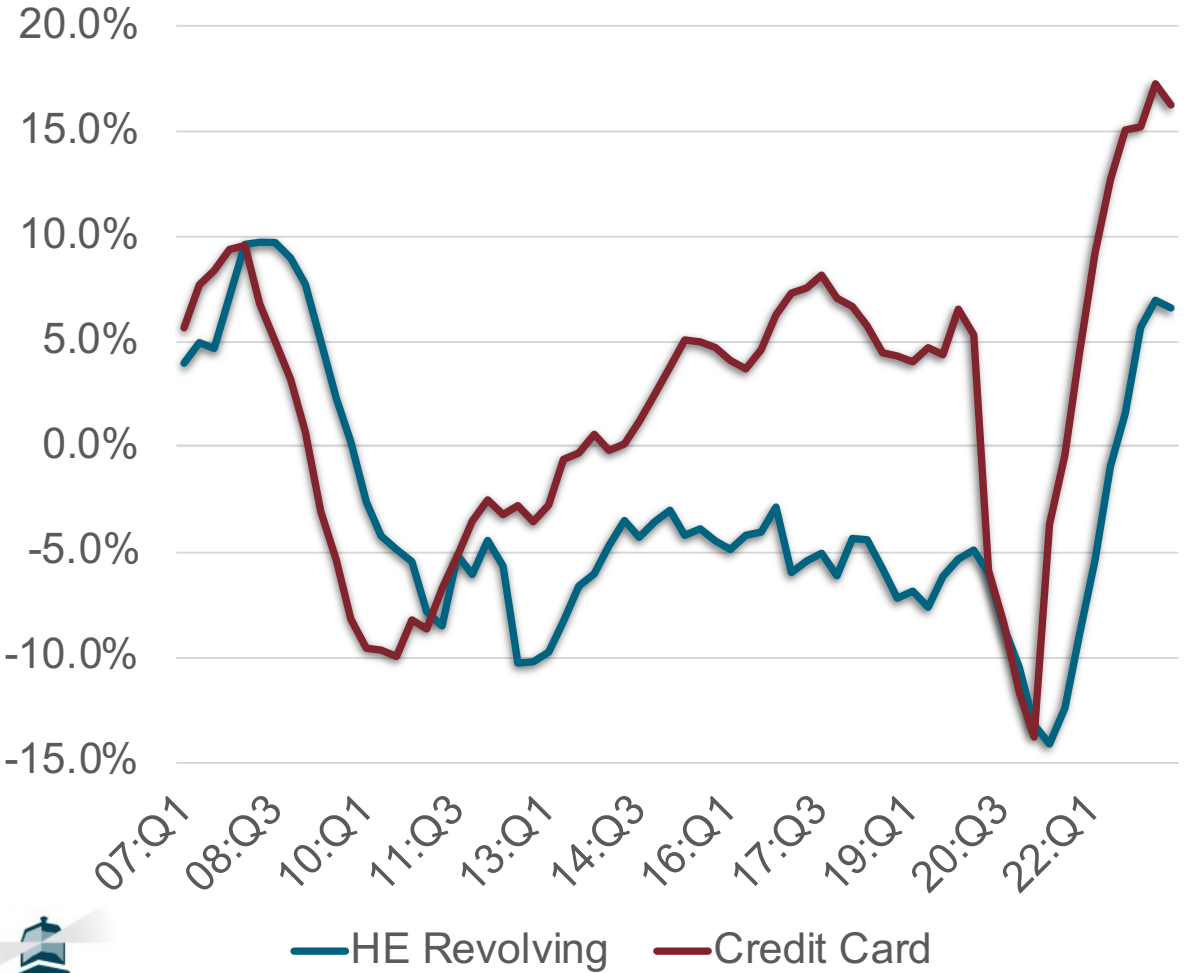


## Household Debt Service Ratio as % DPI (Fed Est.)

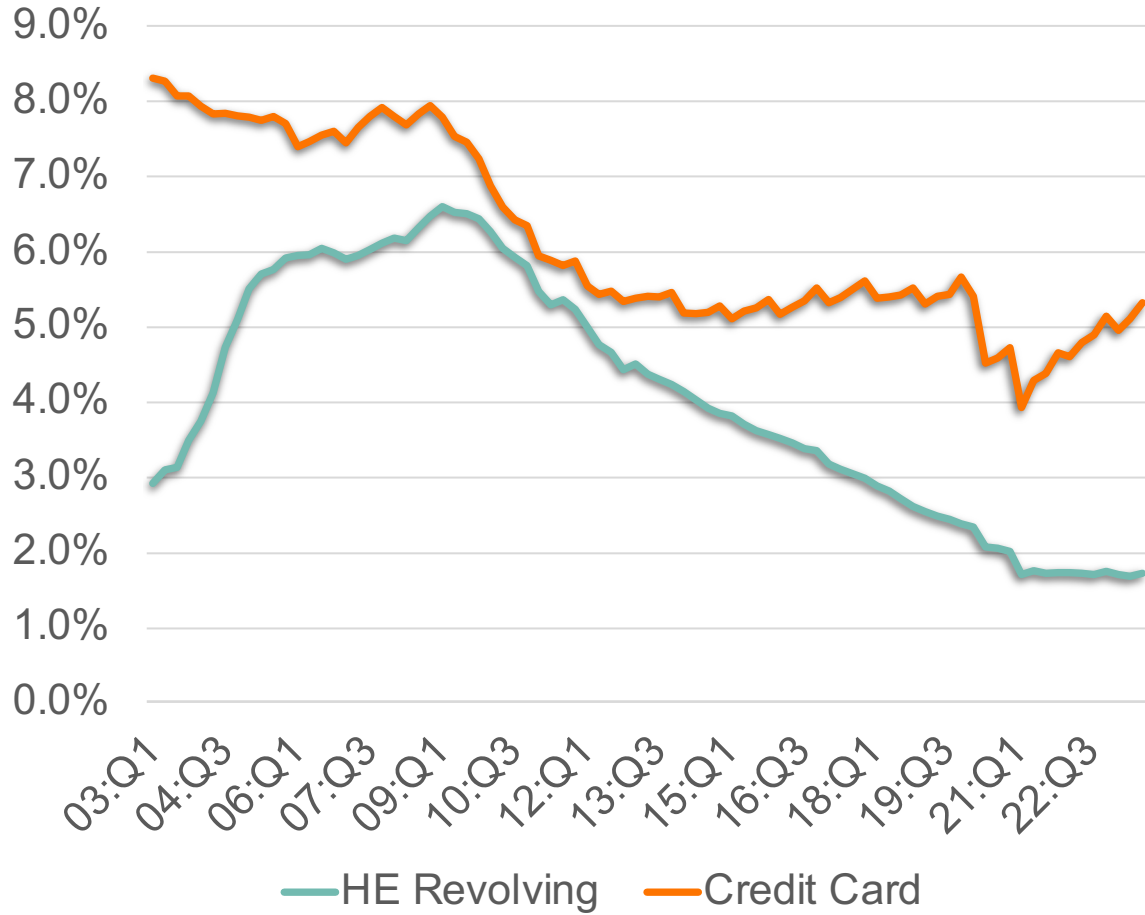


# Consumer Debt Levels: Not a problem... yet

YoY Growth Consumer Credit

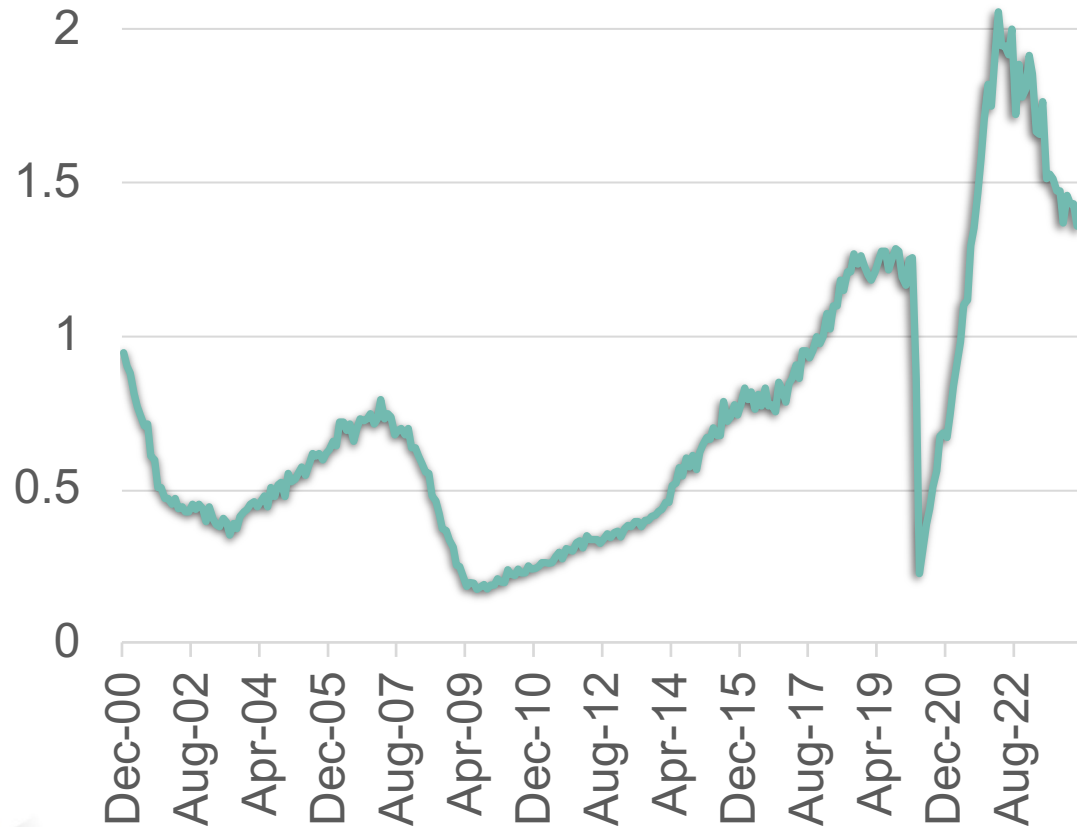


Consumer Debt as % of DPI

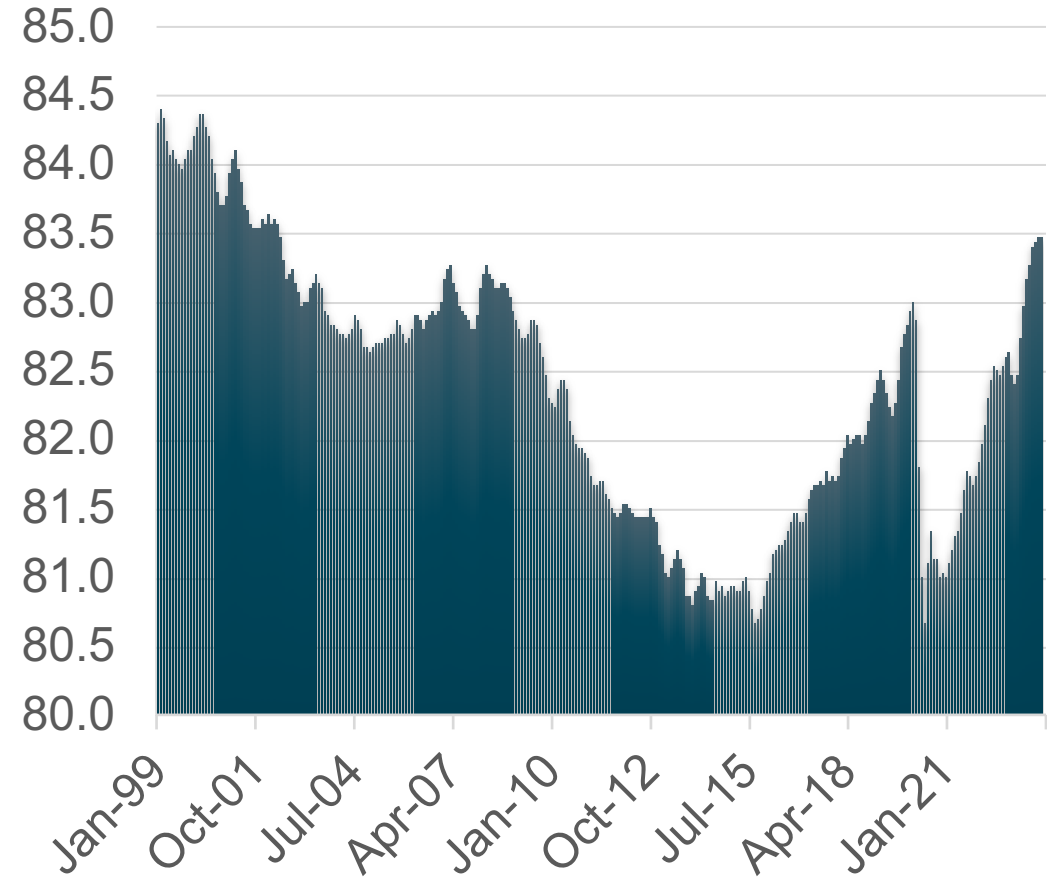


# Long Run Issue: Labor Supply, not Consumer Demand

## Job Opening / Unemployed Worker

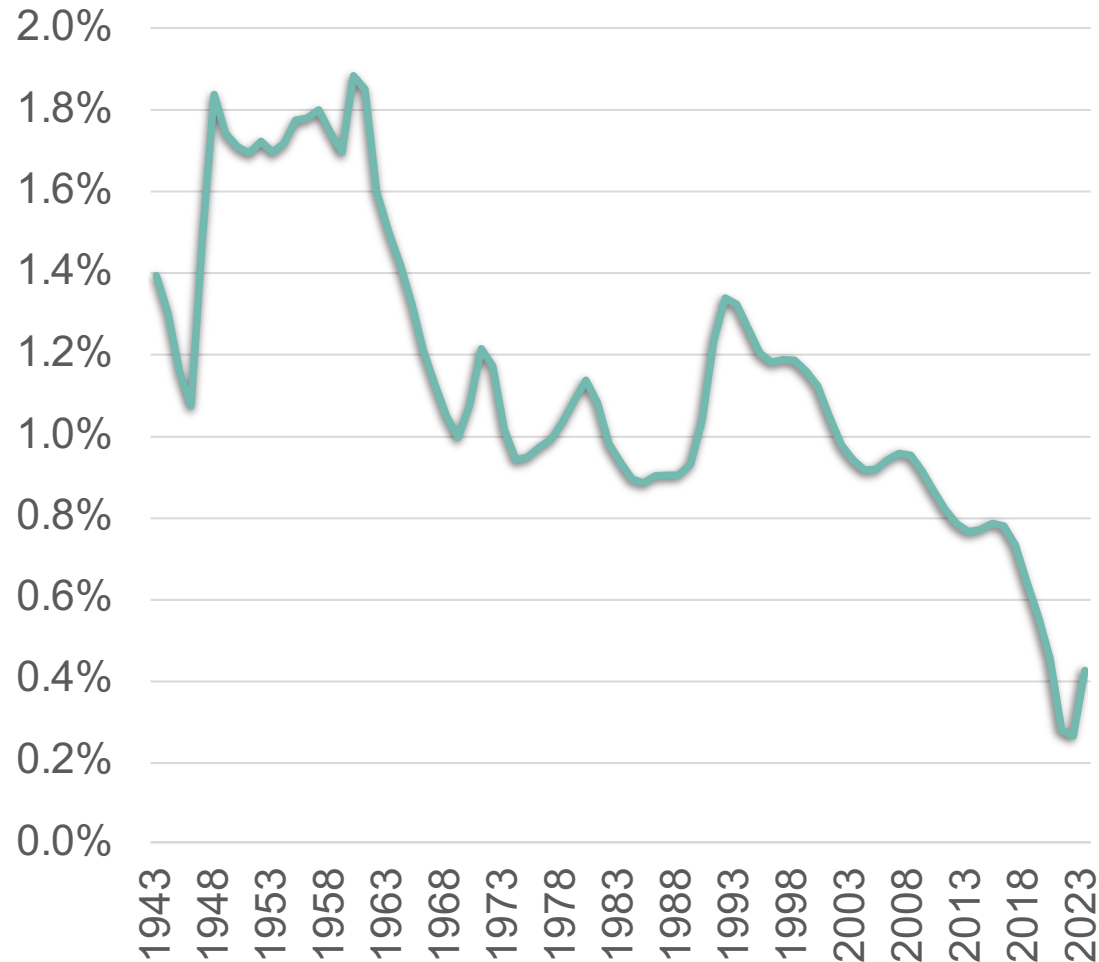


## Participation Rate Ages 25-54

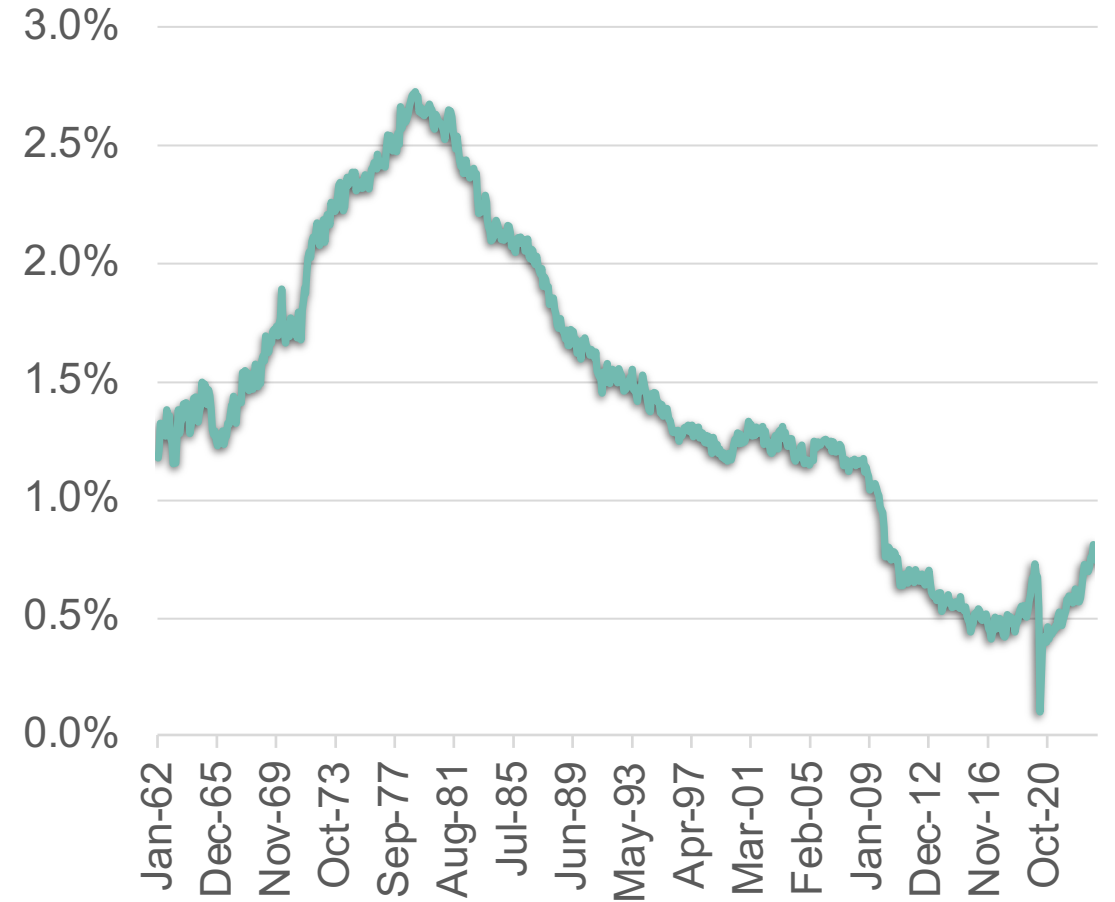


# The Era of Labor Shortages is Here

## US Population Growth

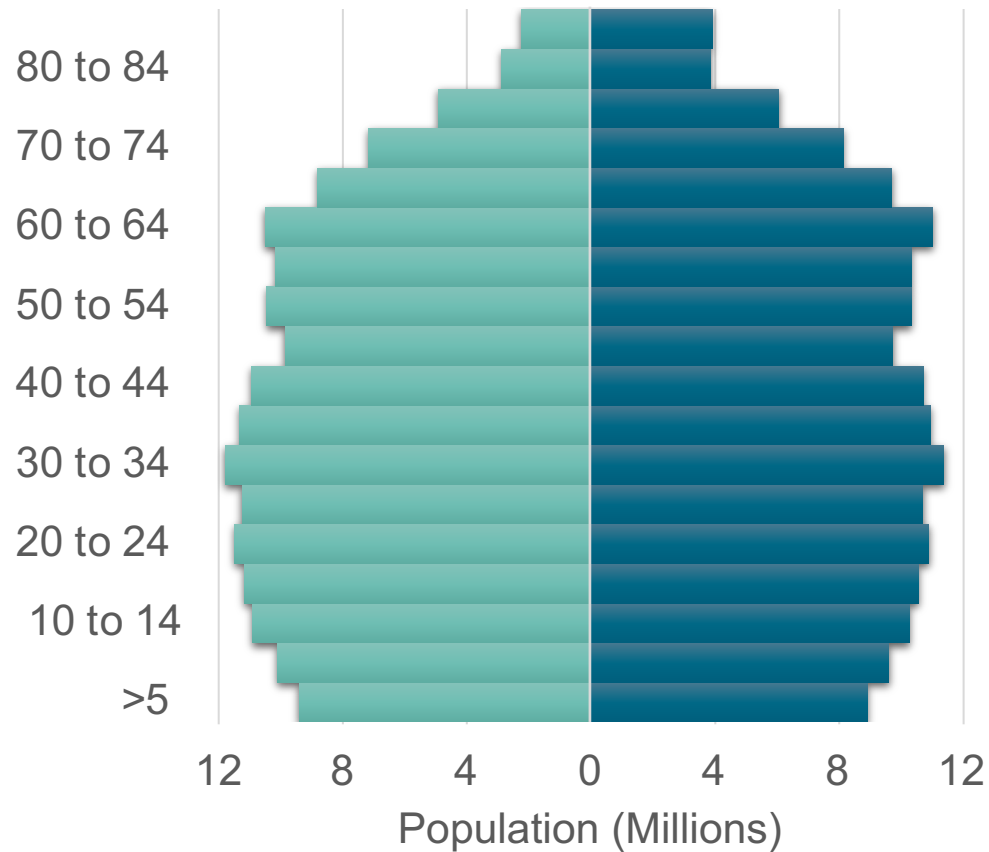


## 10 Year Average Labor Force Growth rate

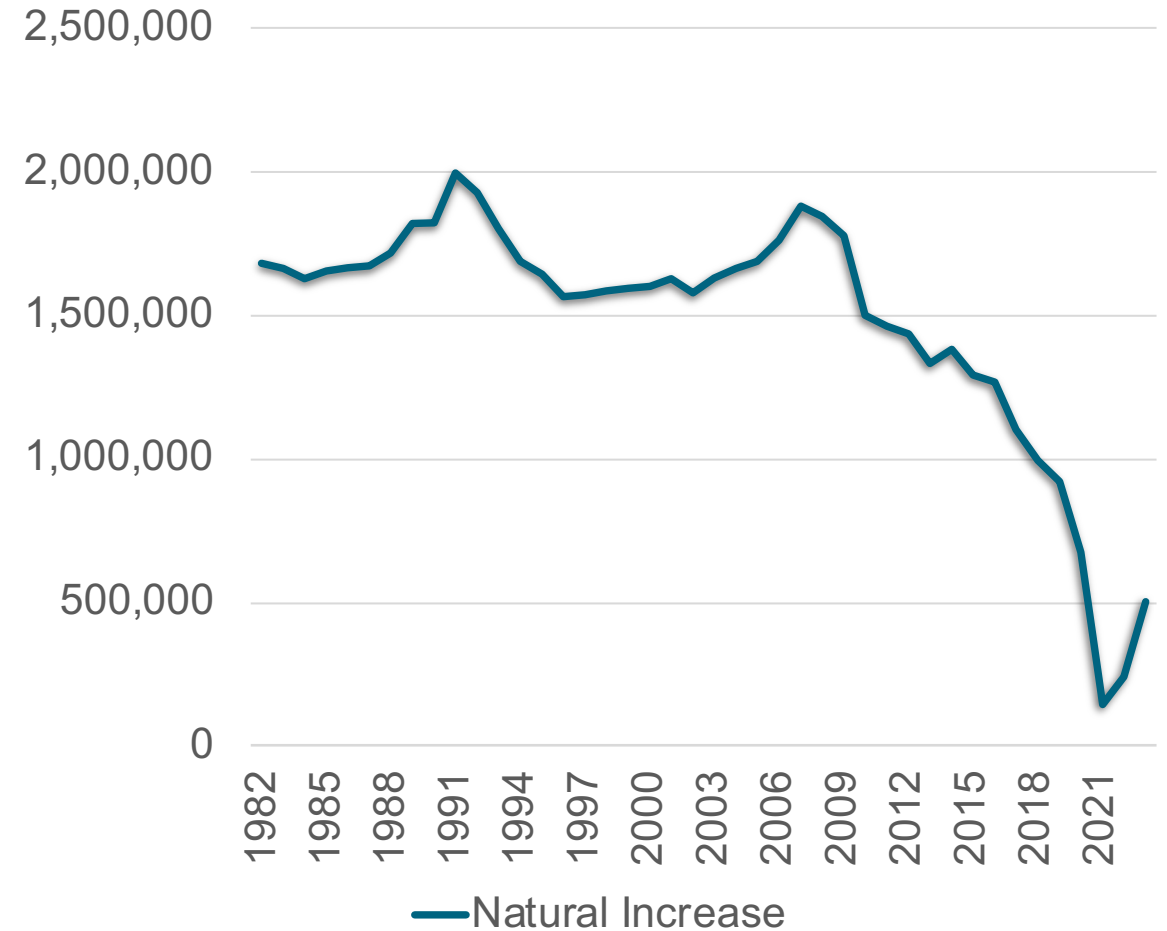


# Labor Supply Issues

## 2022 US Population by Sex and Age



## Sources of Population Growth

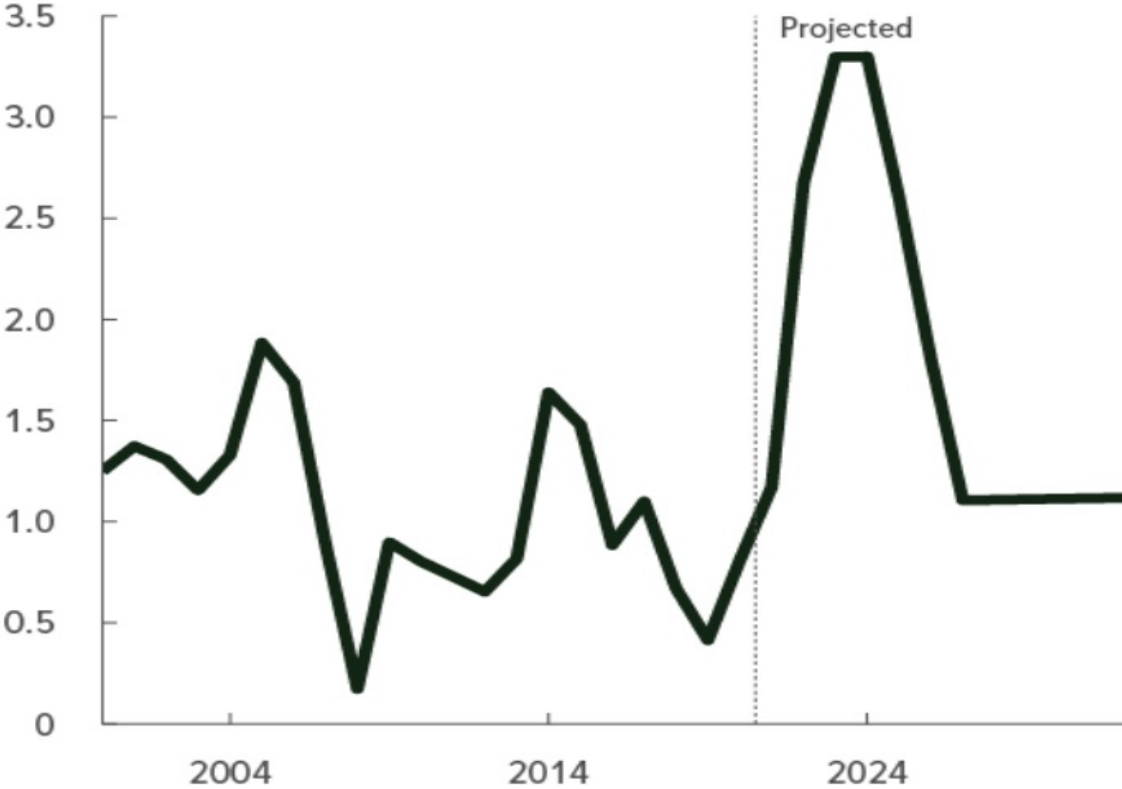


■ Women ■ Men



# Net Immigration

Millions of people



# Wage Impacts

## YoY Growth Nominal Earnings



## Weekly Earnings for Non-Supervisory Employees

	Feb 2024	2016-2020	2020-2024
Childcare services	\$574	15%	31%
Accommodation	\$605	13%	29%
Pet care	\$508	6%	28%
Personal care serv	\$576	12%	28%
Nursing residential care fac	\$730	18%	27%
Food services	\$430	20%	25%
Repair and maintenance	\$991	16%	24%
Warehousing and storage	\$884	9%	21%
Retail trade	\$616	16%	21%
Truck transportation	\$1,158	13%	18%





# Whither the Golden State?

From the Right: *California is a failing economy!*


From the Left: *California is failing its people!*

From the Governor: *We are the envy of the world!!*

 Sacramento Bee  
Record number of people are fleeing California for Florida. Will DeSantis use it against Newsom?  
An estimated 3  Los Angeles Times  

## California Jobs First: State Launches First-of-its-Kind Council to Create Thousands of More Jobs Across All Regions

Published: Mar 08, 2024

 Los Angeles Times  
Column: Newsom's budget plan reflects his rosy view of the economy  
Spending cuts in California could become more severe later if Gov. Gavin Newsom's revenue projections are off base.  
Jan 11, 2024 

workers' costs of living, report says  
The state Legislative Analyst's Office reports the state's \$16-an-hour minimum wage is...  
1 v 

Nearly a third of Californians are living in or near poverty.

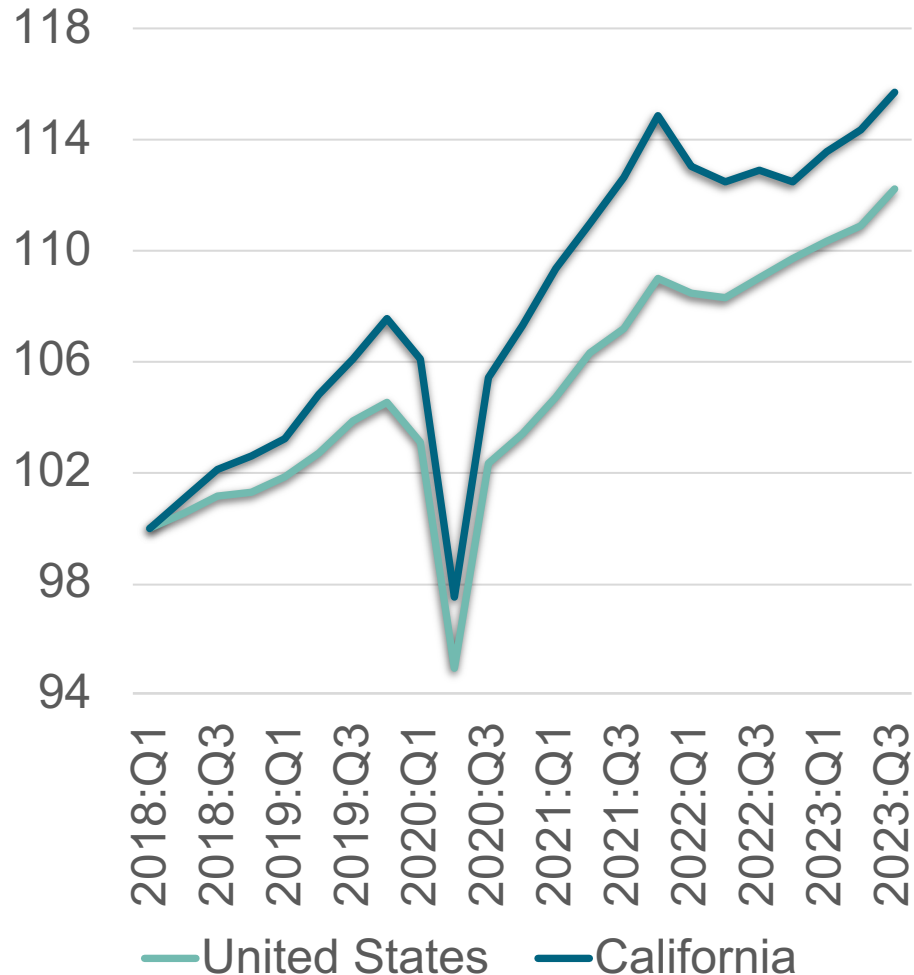
➤ In early 2023, 31.1% of residents were poor or near poor (with resources up to one and a half times the CPM poverty line), up from 28.7% in fall 2021.





# California in Context

## Index of Real GDP



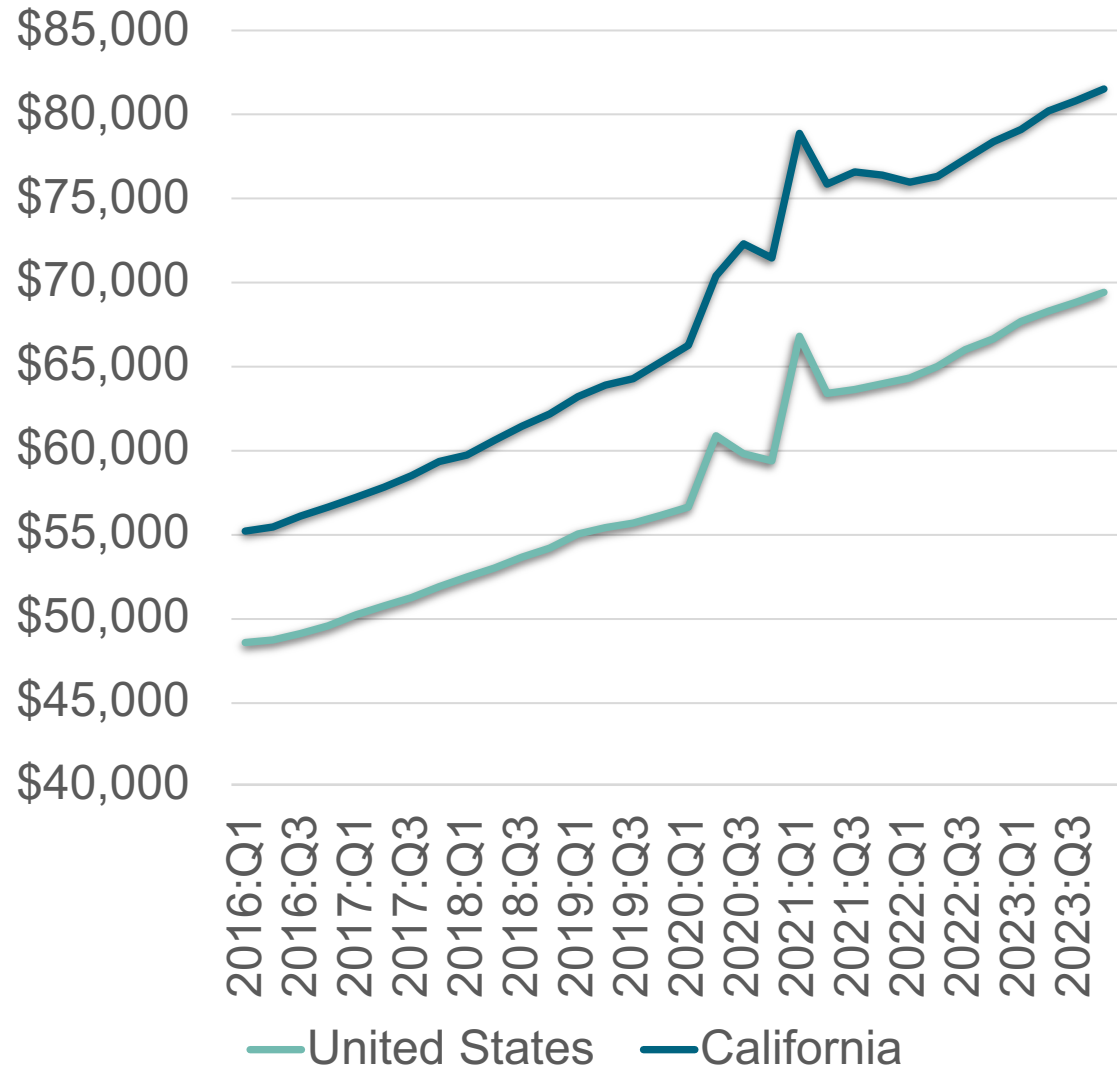
## Real GDP Growth

	1 Year		5 Year	
	CA	CA-US	CA	CA-US
All industry total	3.7%	0.6%	13.6%	1.9%
Durable goods manu	6.1%	3.3%	23.7%	15.1%
Information	9.9%	4.2%	58.0%	8.1%
Finance and insurance	7.0%	5.6%	15.7%	7.7%
Logistics	2.1%	-2.6%	19.9%	7.3%
Healthcare social	2.6%	-2.7%	19.9%	3.6%
Professional, scientific	5.1%	0.9%	34.0%	1.4%
Retail trade	8.3%	-1.4%	10.8%	0.1%
Government	3.5%	1.6%	2.0%	-1.8%
Administrative support	-5.9%	-3.7%	9.1%	-2.4%
Real estate	0.6%	-0.7%	11.3%	-3.2%
Other services	-0.7%	1.9%	-9.2%	-4.1%
Accommodation food	-1.2%	-2.8%	-1.4%	-4.9%
Construction	4.8%	-2.7%	-7.9%	-7.8%
Agriculture	14.2%	9.0%	-14.9%	-11.2%
Nondurable goods	1.5%	-2.8%	-11.3%	-13.4%

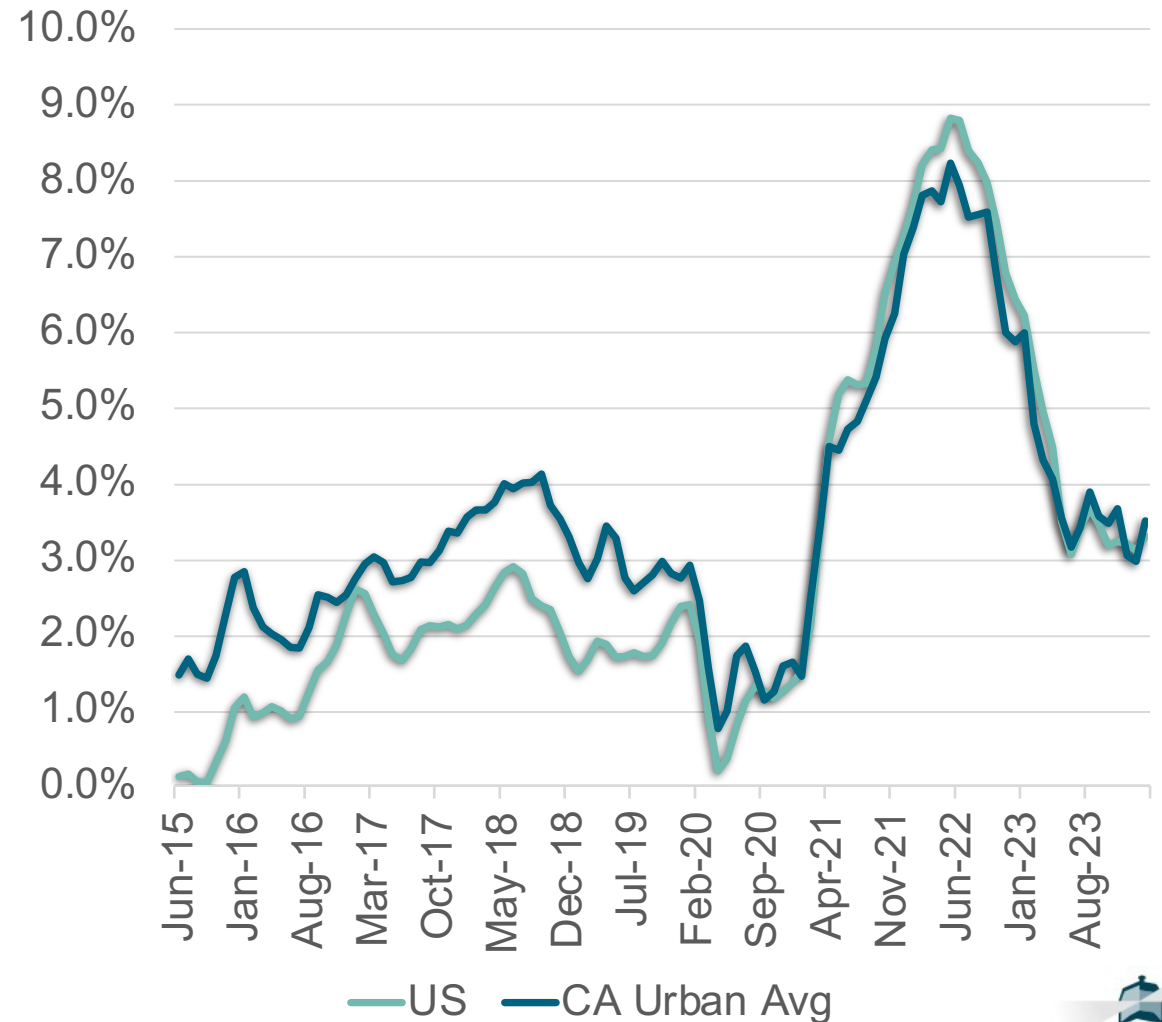


# California in Context

## Per Capita Income

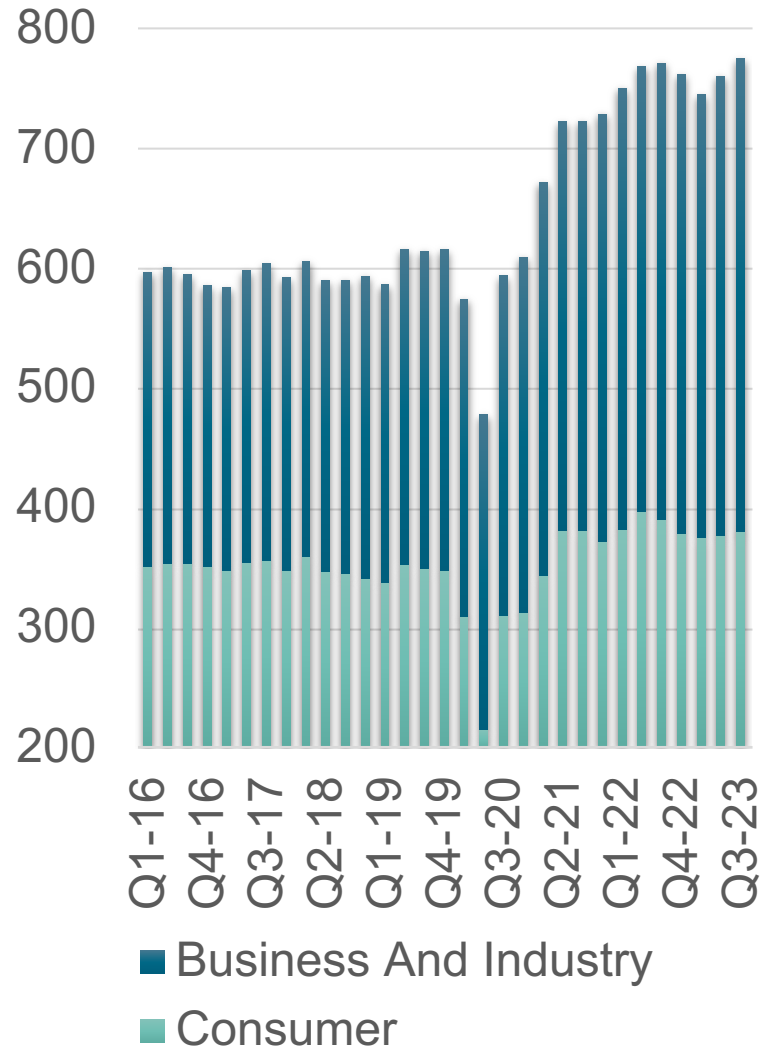


## Price Growth US vs CA (Urban Average)

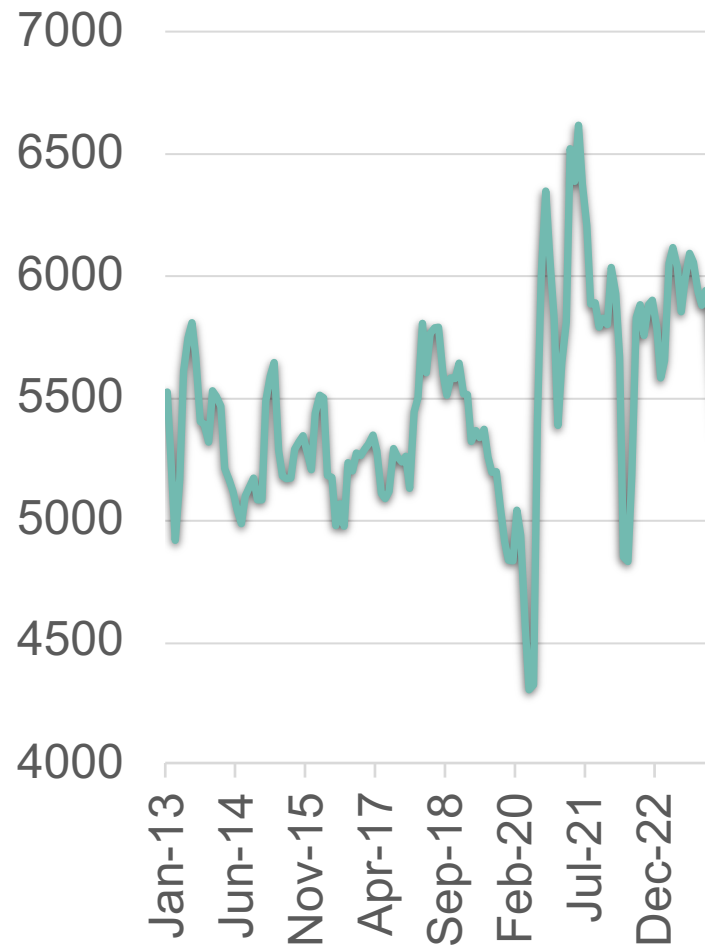


# California in Context

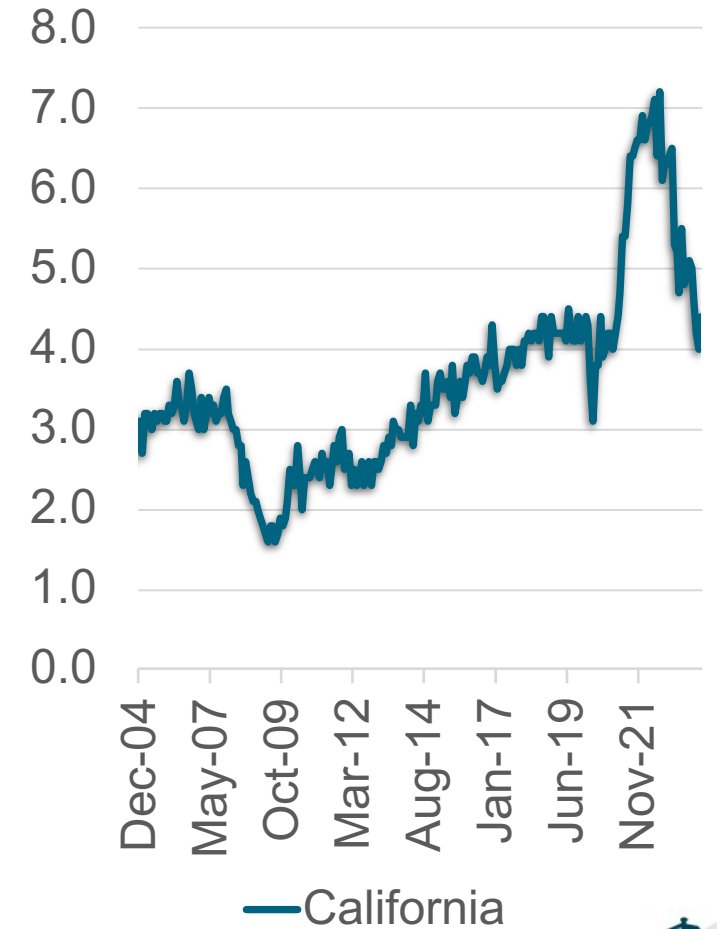
## State Taxable Sales



## California Business Applications

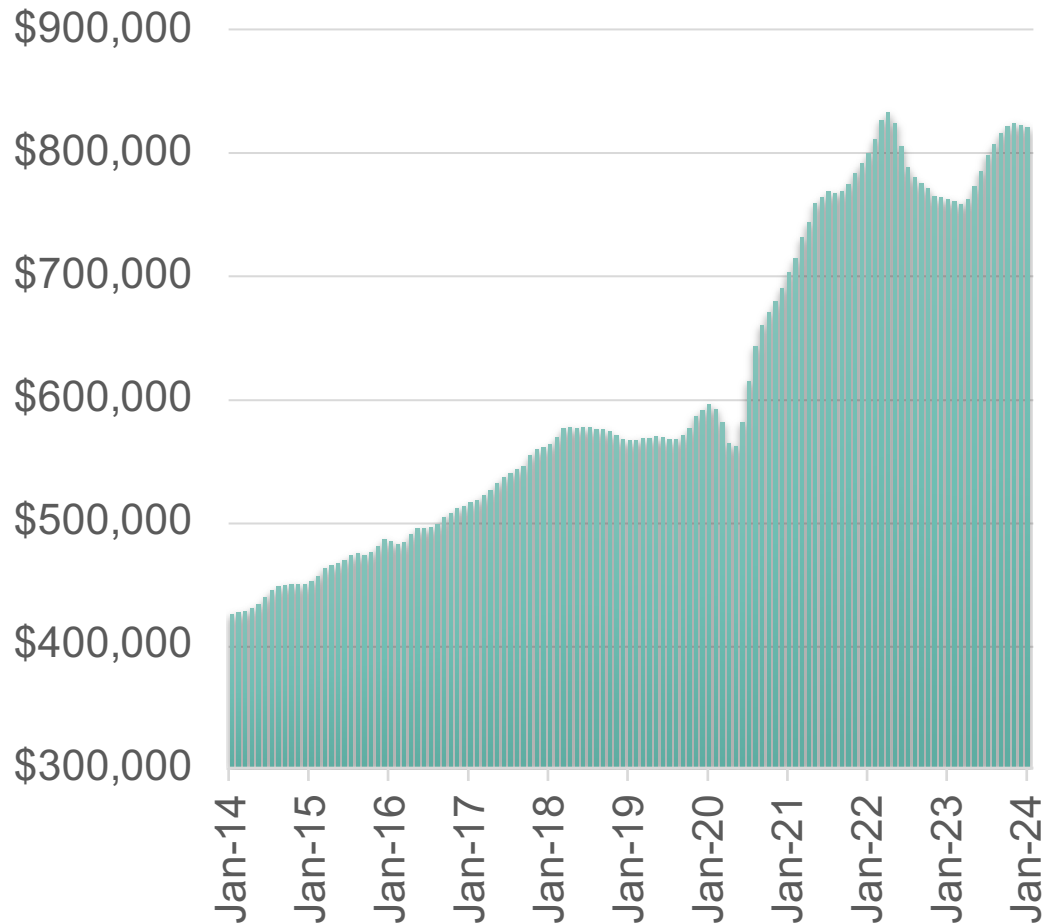


## California Job Opening Rate



# California Home Prices

California Median Home Prices

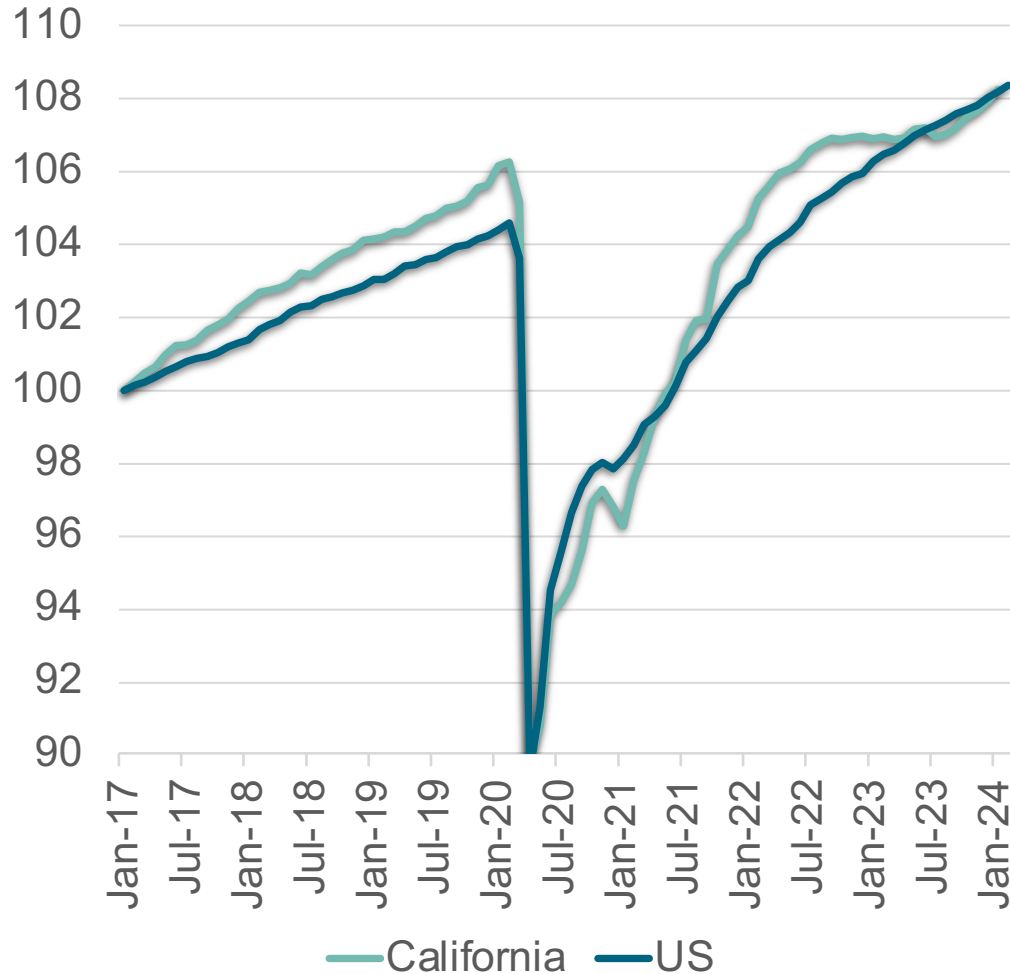


Location	Jan-24 Median Home Price (\$000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
California	820.7	7.8	38.7
Fresno MSA	407.9	3.3	40.1
Inland Empire	571.5	4.6	44.0
Los Angeles MSA	932.2	7.1	34.5
Sacramento MSA	587.2	5.8	34.3
San Diego MSA	988.5	9.7	44.7
San Francisco MSA	1,778.0	4.7	10.5
San Jose MSA	1,745.5	16.3	36.0

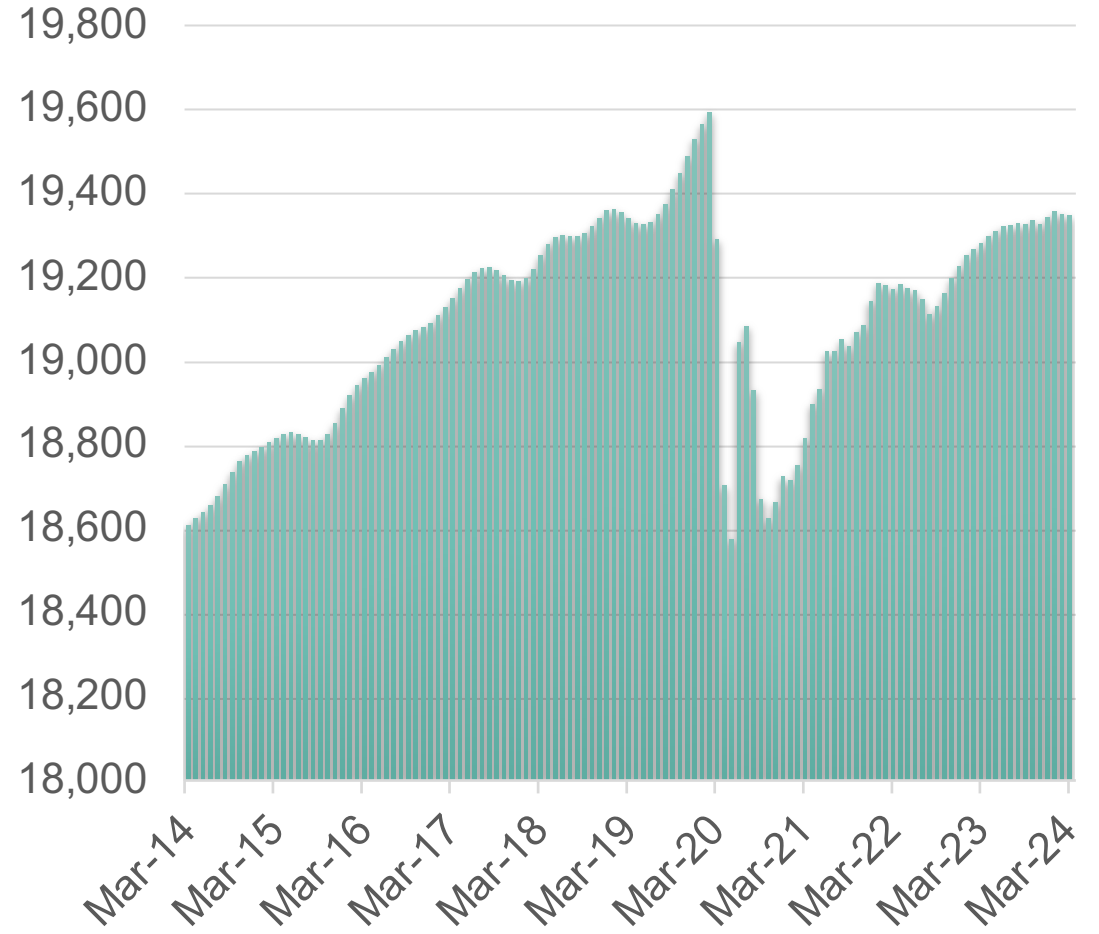


# State Labor Markets

## Index of Payroll Employment



## California Labor Force



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	24-Jan	20-24
Civilian Labor Force	19,357	-1.10%
Total Nonfarm	18,007	2.00%

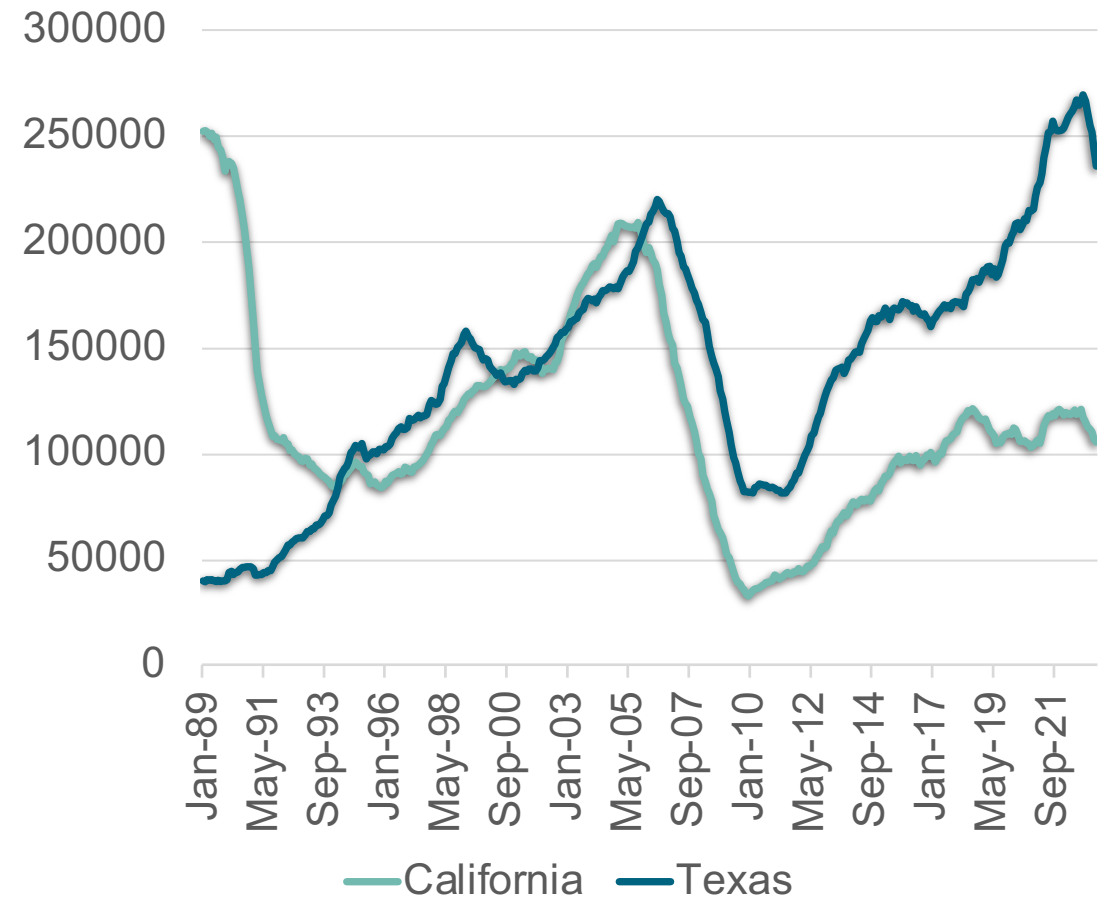
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# State Labor Supply & Housing

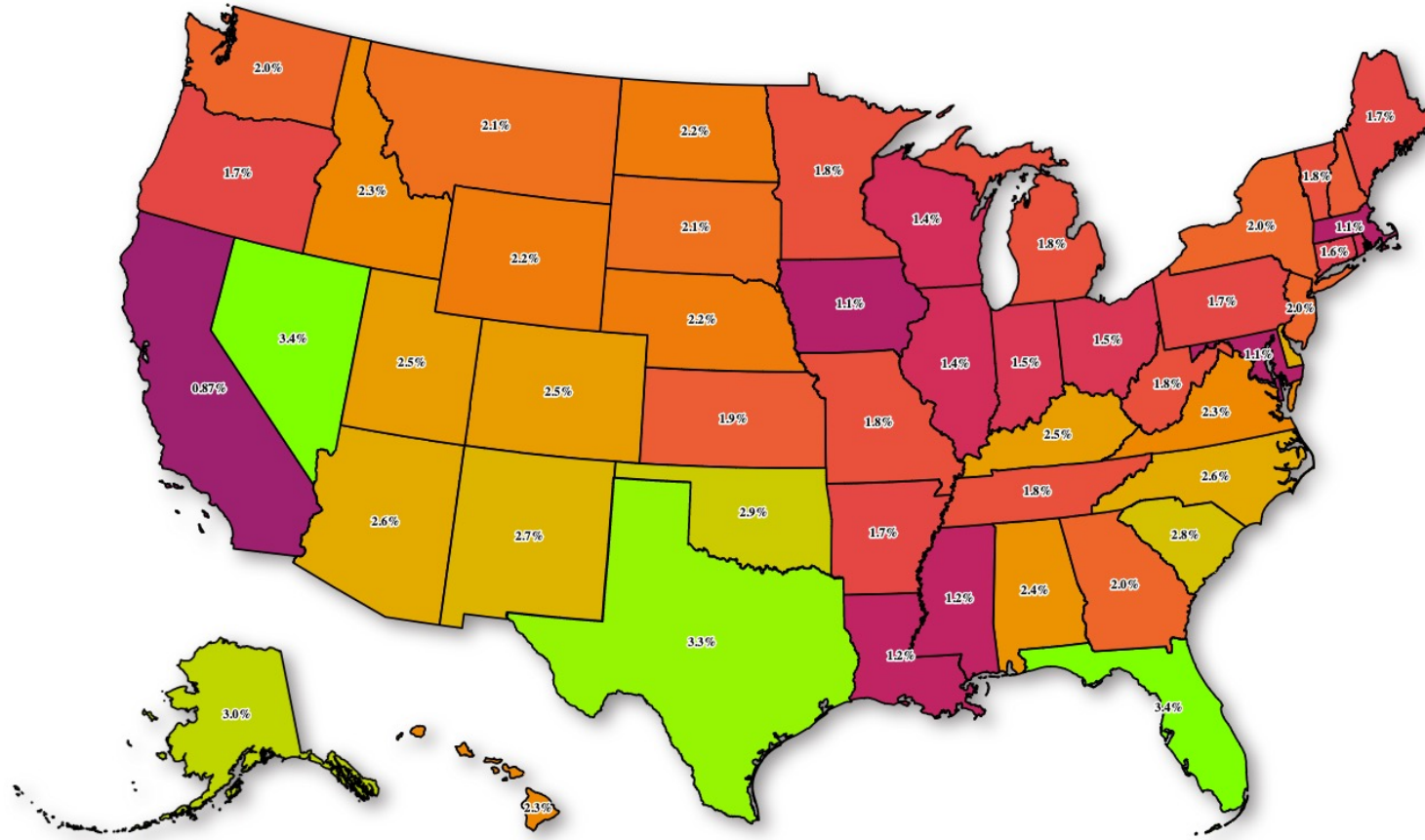
	02-12	12-22	Rank
Utah	14.3%	29.3%	1
Idaho	12.6%	23.1%	2
Arizona	13.8%	18.4%	3
Colorado	12.3%	16.4%	4
Texas	17.7%	16.0%	5
Florida	16.0%	15.3%	6
Washington	11.9%	15.0%	7
Nevada	20.5%	13.4%	8
Nebraska	6.3%	4.6%	24
Minnesota	2.7%	4.3%	25
California	7.2%	4.1%	26
Hawaii	8.1%	4.0%	27
New Jersey	5.3%	3.6%	28
Vermont	3.1%	-3.3%	48
Maine	3.3%	-3.7%	49
Wyoming	12.7%	-3.9%	50
Mississippi	3.1%	-6.0%	51

CA vs TX? Put 'em up!  
(Houses that is)



# Who's hiring?

2023 JOB GROWTH: 0.9%  3.4%





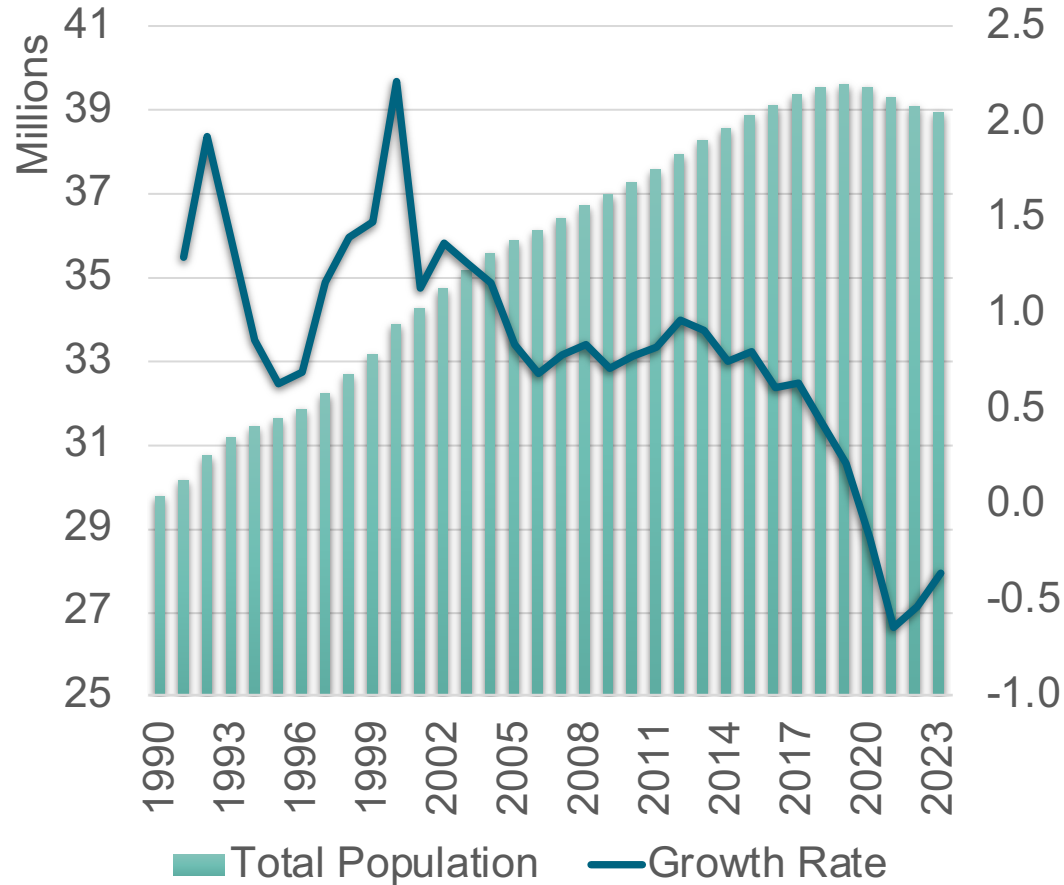
# State Growth: LF = Jobs

	Payrolls Jan-24	5 Year Change		Labor Force Jan-24	5 Year Change
<i>California</i>	18007	3.9%		19357.4	0.0%
<b>Stockton</b>	<b>279.0</b>	<b>14.3%</b>		<b>350.0</b>	<b>6.7%</b>
<b>Inland Empire</b>	<b>1694.6</b>	<b>10.8%</b>		<b>2174.6</b>	<b>5.5%</b>
<b>Fresno</b>	<b>392.9</b>	<b>9.3%</b>		<b>465.4</b>	<b>3.0%</b>
<b>Bakersfield</b>	<b>294.0</b>	<b>9.2%</b>		<b>399.4</b>	<b>2.3%</b>
<b>Modesto</b>	<b>194.6</b>	<b>8.1%</b>		<b>249.5</b>	<b>2.7%</b>
<b>Sacramento</b>	<b>1092.7</b>	<b>7.7%</b>		<b>1141.2</b>	<b>3.8%</b>
San Diego	1562.5	4.4%		1601.3	1.0%
Ventura	317.9	2.6%		415.3	-1.9%
Orange County (MD)	1698.8	2.1%		1594.4	-1.4%
San Jose	1161.8	1.9%		1067.4	-1.0%
Oakland (MD)	1196.6	1.0%		1378.0	-1.7%
Los Angeles (MD)	4587.6	0.8%		5010.9	-2.0%
Santa Rosa	209.4	0.6%		251.7	-2.5%
San Francisco (MD)	1170.8	0.4%		1007.3	-2.0%



# California's Population Decline

## California Population



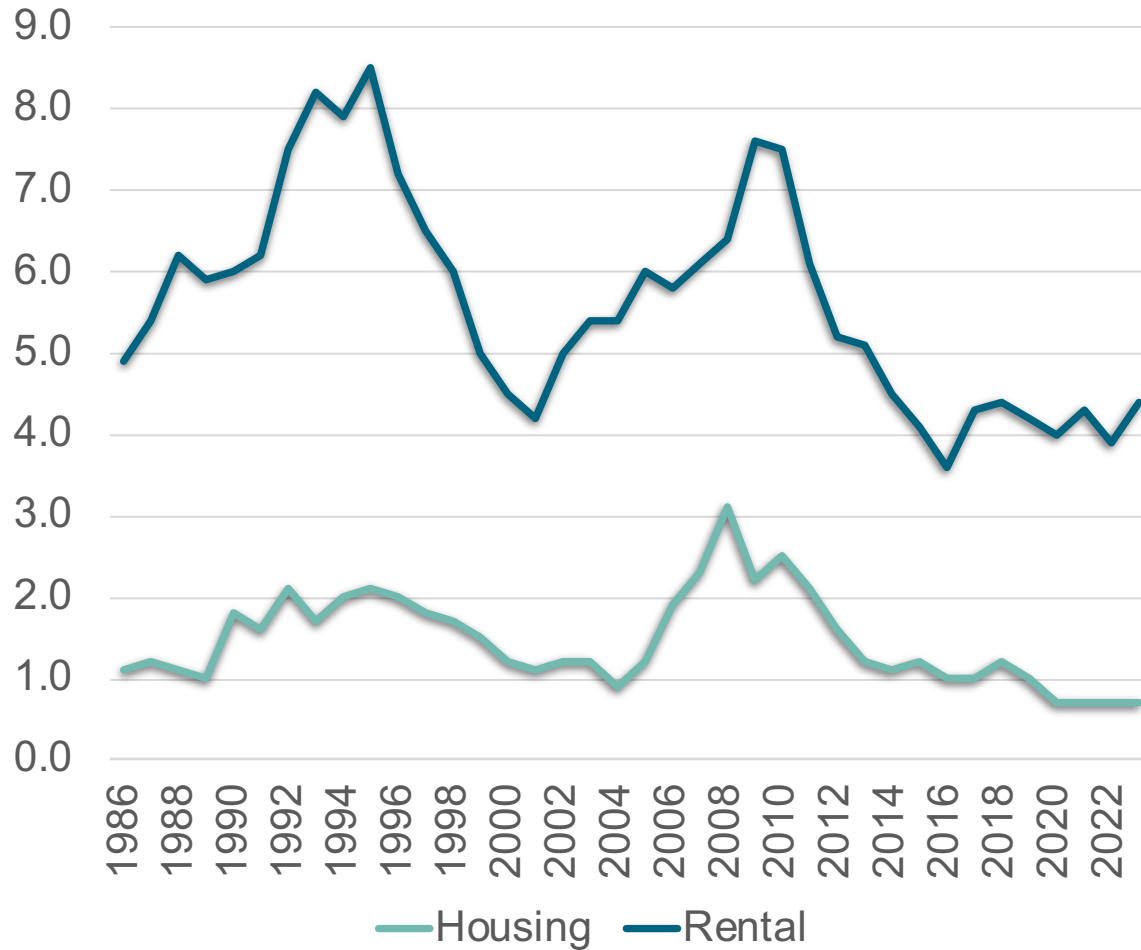
County	2023 Population	1-Year Change (%)	10-Year Change (%)
California	38,940,231	-0.4	1.8
Los Angeles	9,761,210	-0.7	-2.6
San Diego	3,269,755	-0.2	2.2
Orange	3,137,164	-0.5	1.1
Riverside	2,439,234	0.3	7.5
San Bernardino	2,182,056	0.1	4.7
Santa Clara	1,886,079	-0.3	1.2
Alameda	1,636,194	-0.5	4.2
Sacramento	1,572,453	-0.1	8.1
Contra Costa	1,147,653	-0.4	5.7
Fresno	1,011,499	0.2	5.7
Kern	907,476	-0.1	5.0
San Francisco	831,703	-0.6	-1.5
Ventura	825,653	-0.7	-1.8
San Joaquin	786,145	0.4	11.6
San Mateo	737,644	-0.4	-1.3



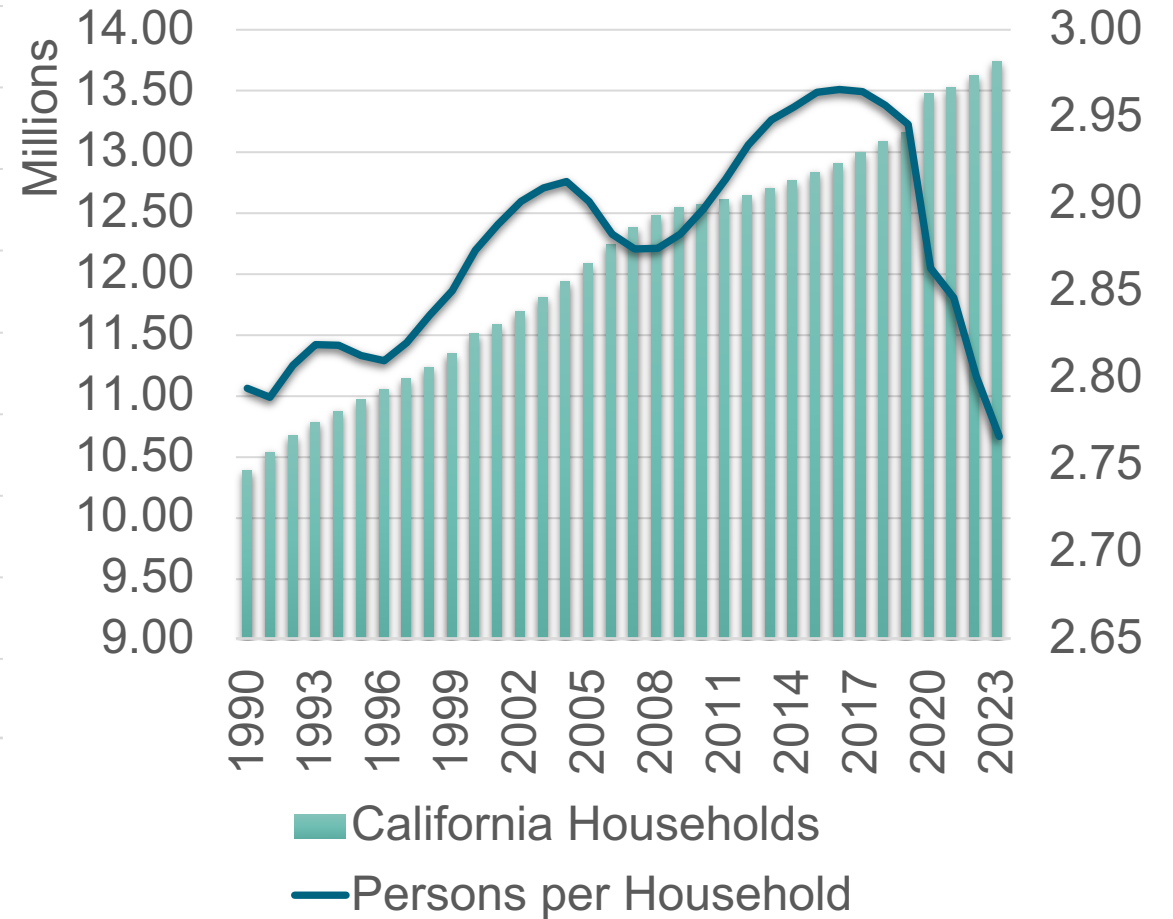


# “Fleeing”?

## Housing Vacancy Rate

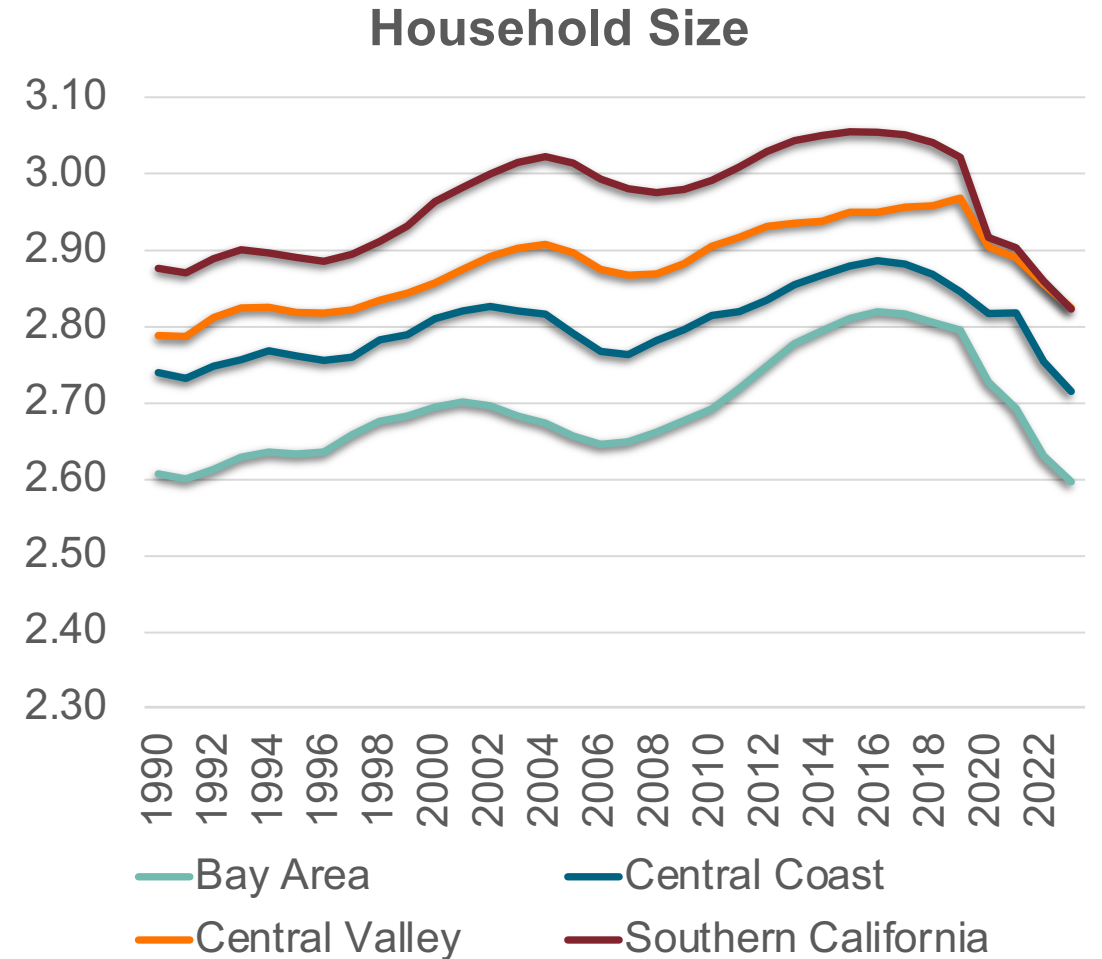


## California Households



# Spreading Out

	Population		Households	
	2023		2023	
<b>Los Angeles</b>	9,542,781	-4.0%	3,664,182	5.1%
<b>Orange</b>	3,085,670	-0.3%	1,149,943	7.5%
<b>Riverside</b>	2,399,217	5.1%	872,930	6.1%
<b>San Bern.</b>	2,144,993	3.5%	747,011	5.3%
	Vacancy Rate		People / HH	
	2023		2023	
<b>Los Angeles</b>	5.2%	-0.9%	2.75	-9.5%
<b>Orange</b>	5.1%	-0.3%	2.83	-7.5%
<b>Riverside</b>	10.1%	-3.5%	3.06	-4.7%
<b>San Bern.</b>	8.8%	-3.1%	3.15	-5.0%

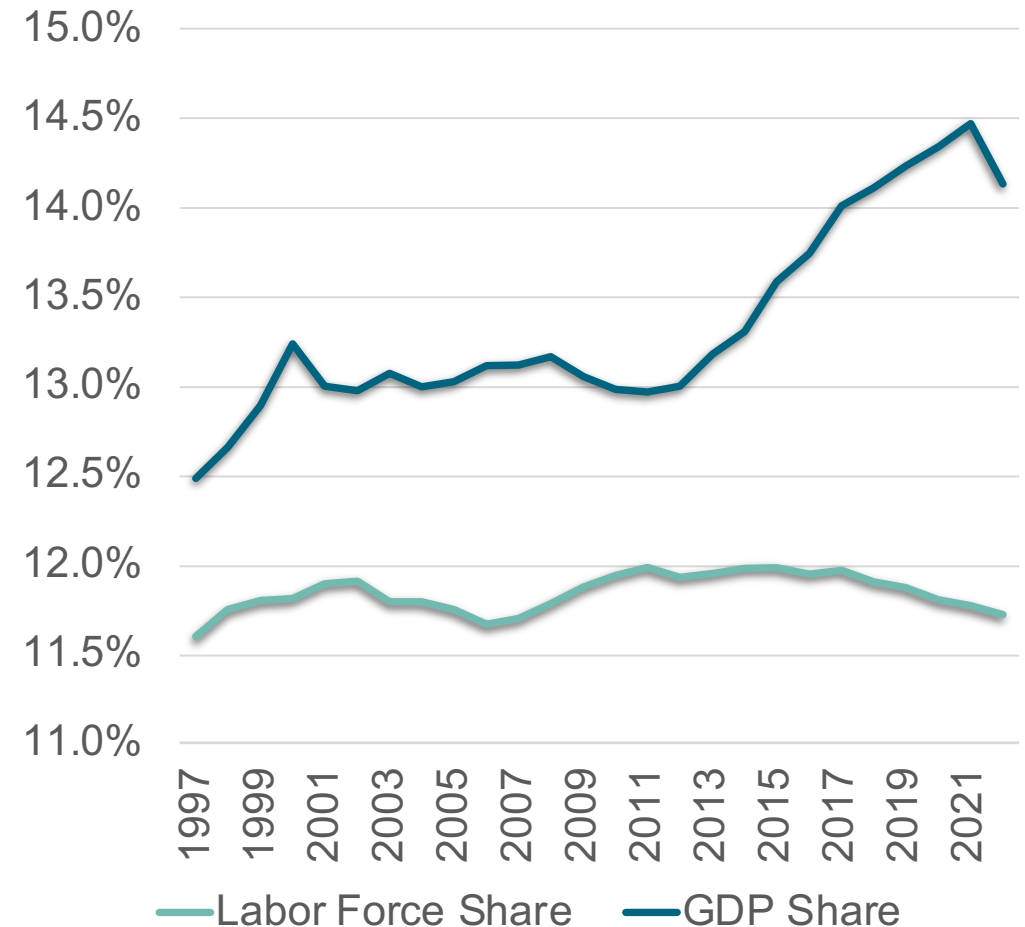


# California Skill Shifts

**Net Migration by Educational Attainment  
(Total from 2019-2022)**

Education	AZ	CA	CO
<b>Net Migration</b>	<b>109,116</b>	<b>-71,099</b>	<b>109,061</b>
Less Than HS	-64,750	-185,830	-17,652
HS Grad	32,261	-39,856	-13,481
Some College	-32,376	-352,870	-39,336
BA	101,014	166,445	120,066
Grad	72,967	341,012	59,464

**CA's share of US**



# Shifting Population

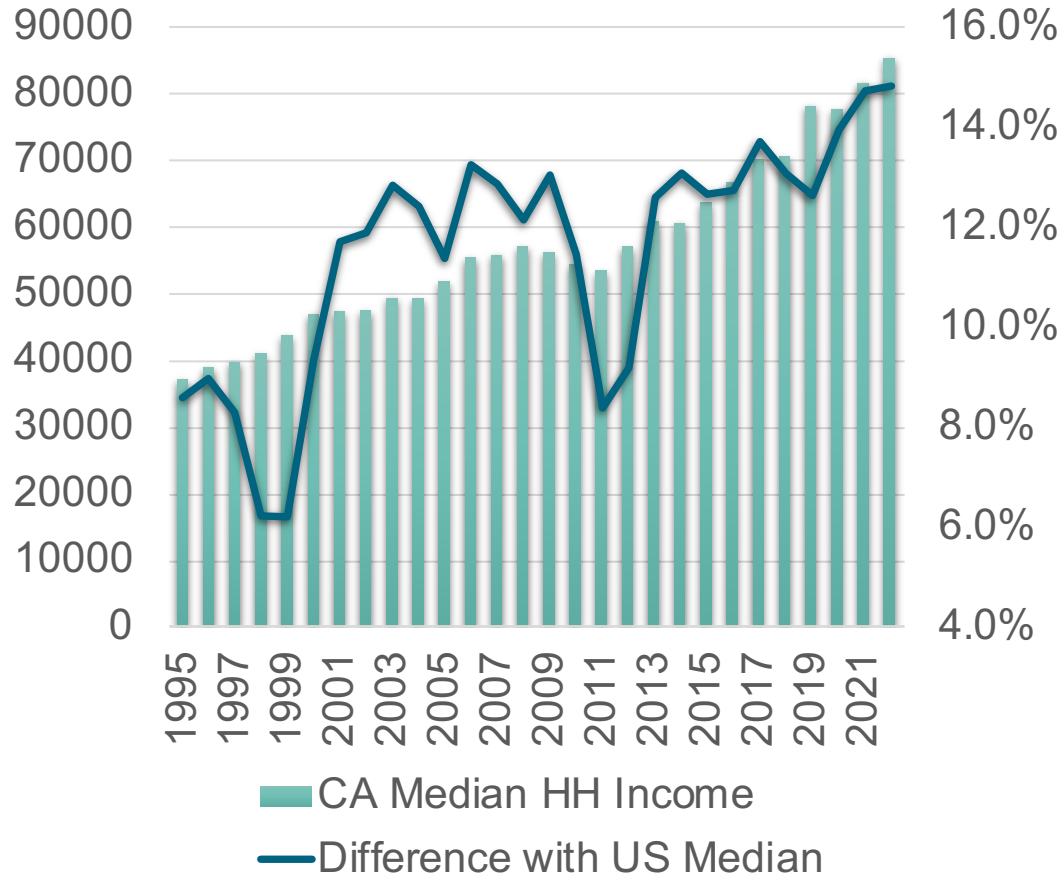
California Educational Attainment	2022 Labor Force	10-Year Chg. %)
Less than HS	1,959,233	-17.2
HS Graduate	3,155,868	6.1
Some College	4,417,887	-7.9
Bachelor's +	6,849,482	26.2

California Population by Age	Population	10-Year Change (%)
Under 25	12,162,569	-8.3
25 to 44	11,139,847	4.6
45 to 64	9,568,024	0.4
65 and over	6,158,902	33.9



# State Incomes

## California Household Incomes



Income	2022 HH (#)	2022 Share of HH (%)	1-Year Chg. (pp.)	Chg. Since 2019 (pp.)
Less than \$25k	1,839,625	13.6	-1.3	-1.3
\$25k to \$49k	1,947,078	14.4	-0.8	-2.4
\$50k to \$99k	3,492,507	25.8	-1.1	-2.1
\$100k to \$149k	2,386,074	17.6	0.0	0.2
More than \$150k	3,885,302	28.7	3.2	5.5





# Income and Earnings

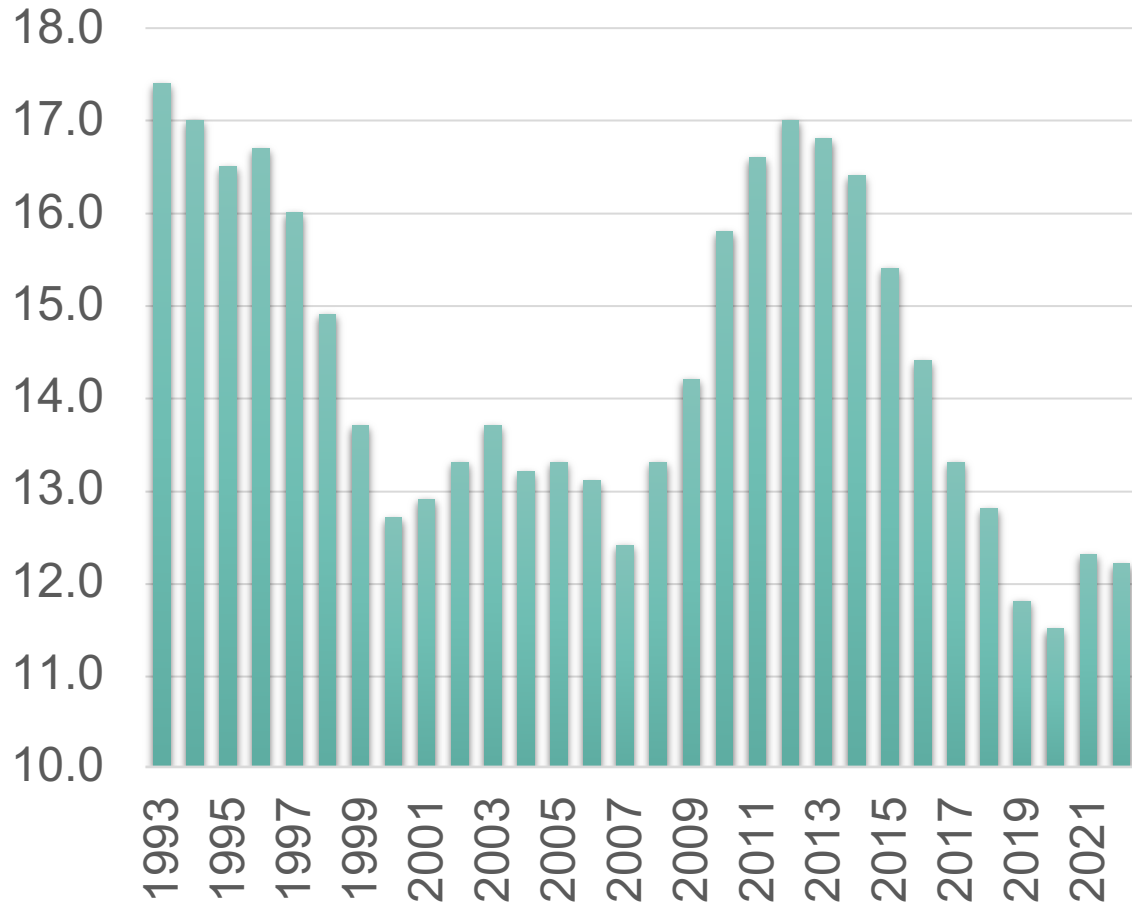
Education	2022 Earnings (\$)	1-Year Chg. (%)	Chg. Since 2019 (%)
Population 25 +	52,520	5.0	16.0
Less than HS	30,843	8.0	19.0
High School Diploma	38,507	6.0	15.0
Some College	47,535	10.0	16.0
Bachelor's Degree	75,688	6.0	16.0
Grad/Prof Degree	103,600	4.0	12.0

Location	Feb-24 Avg. Weekly Wages (\$)	1-Year Chg. (%)	Chg. since Feb-20 (%)
East Bay	1,350	3.9	5.5
Fresno	1,066	6.5	22.5
Inland Empire	1,087	5.0	17.9
Los Angeles (MD)	1,313	2.2	12.9
Orange County (MD)	1,247	-2.2	5.9
Sacramento	1,141	0.5	12.1
San Diego	1,271	1.2	13.8
San Francisco (MD)	1,795	0.6	8.0
San Jose	1,842	6.8	5.7
San Jose	1,818	4.1	4.3
Stockton	981	-1.3	20.3



# State Worker Earnings

## California Poverty Rate



Hotels and Restaurants Taxable Sales	Q3-23 (\$, 000s)	1-Year Chg. (%)	Chg. Since Q4-19 (%)
California	289,024	2.4	19.8
Fresno	5,328	3.8	32.5
Riverside	15,820	1.6	31.6
San Bernardino	13,449	2.6	28.9
San Diego	30,021	0.8	27.6
Orange	38,403	2.3	26.1
Sacramento	9,437	3.4	22.9
Contra Costa	6,478	3.9	21
Santa Clara	16,477	4	18.9
Los Angeles	80,442	2.5	16
Alameda	10,704	1.5	9



# NEW RESEARCH SHOWS 20% INCREASE FOR CALIFORNIA FOOD PRICES WITH AB 257

WASHINGTON, DC – The International Franchise Association (IFA) today highlighted [new research](#) by the UC Riverside Center for Economic Forecast and Development that shows prices at quick-service restaurants will increase up to 20 percent with passage of AB 257, or the “FAST Recovery Act.” The new analysis comes as nearly 100 small business owners from across California will travel to the Capitol in Sacramento to speak out against the detrimental and costly impacts of AB 257.

BUSINESS • Opinion Columnist

**California's fast food prices rose 7% before new \$20 wage, No. 1 jump in US**  
Costs continue to rise for labor, ingredients, energy and other operational expenses.



# Not Affordability

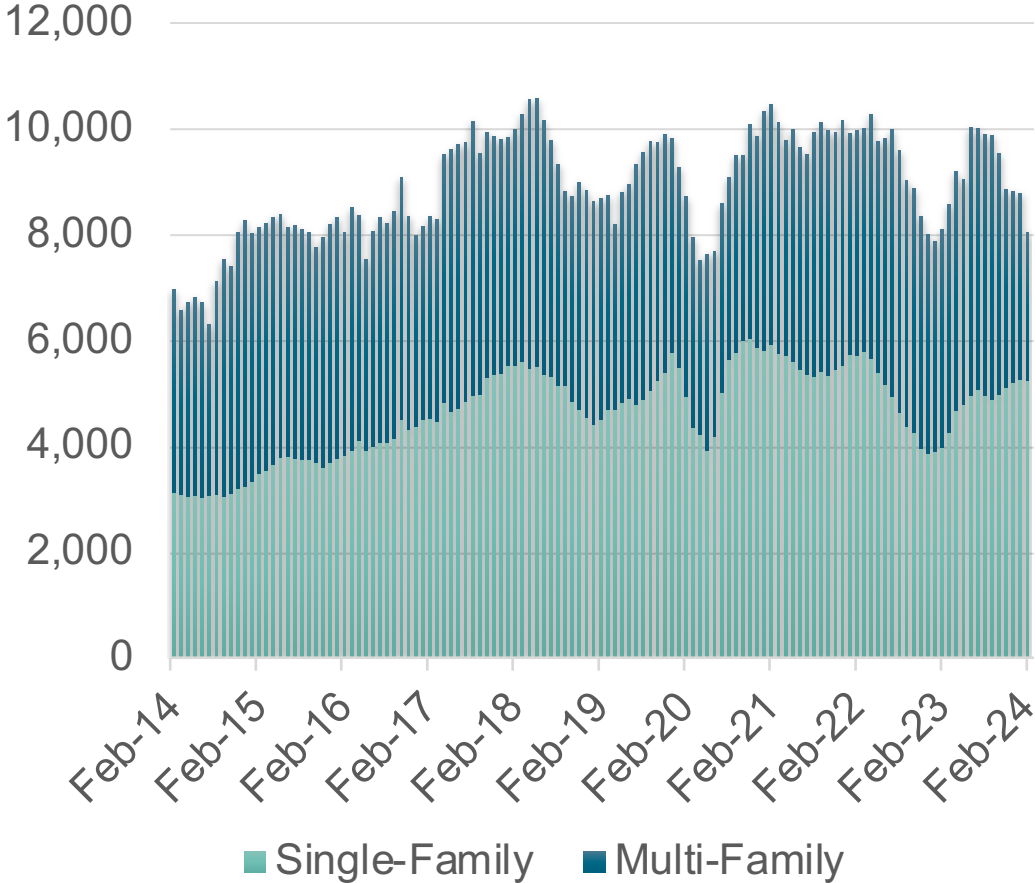
Share Cost Burdened: Renters	2017	2022
United States	49.5	51.9
California	55.2	56.0
Alameda County	49.7	52.3
Fresno County	55.7	56.4
Imperial County	51.3	54.7
Los Angeles County	57.8	58.3
Orange County	57.7	57.9
Riverside County	60.6	59.3
Sacramento County	56.0	57.9
San Bernardino County	56.6	60.9
San Diego County	57.2	58.3
San Francisco County	37.1	37.6
San Joaquin County	56.8	52.7
Santa Clara County	47.3	45.7

Median Rent as a % of Income



# Housing Supply

California Residential Permits

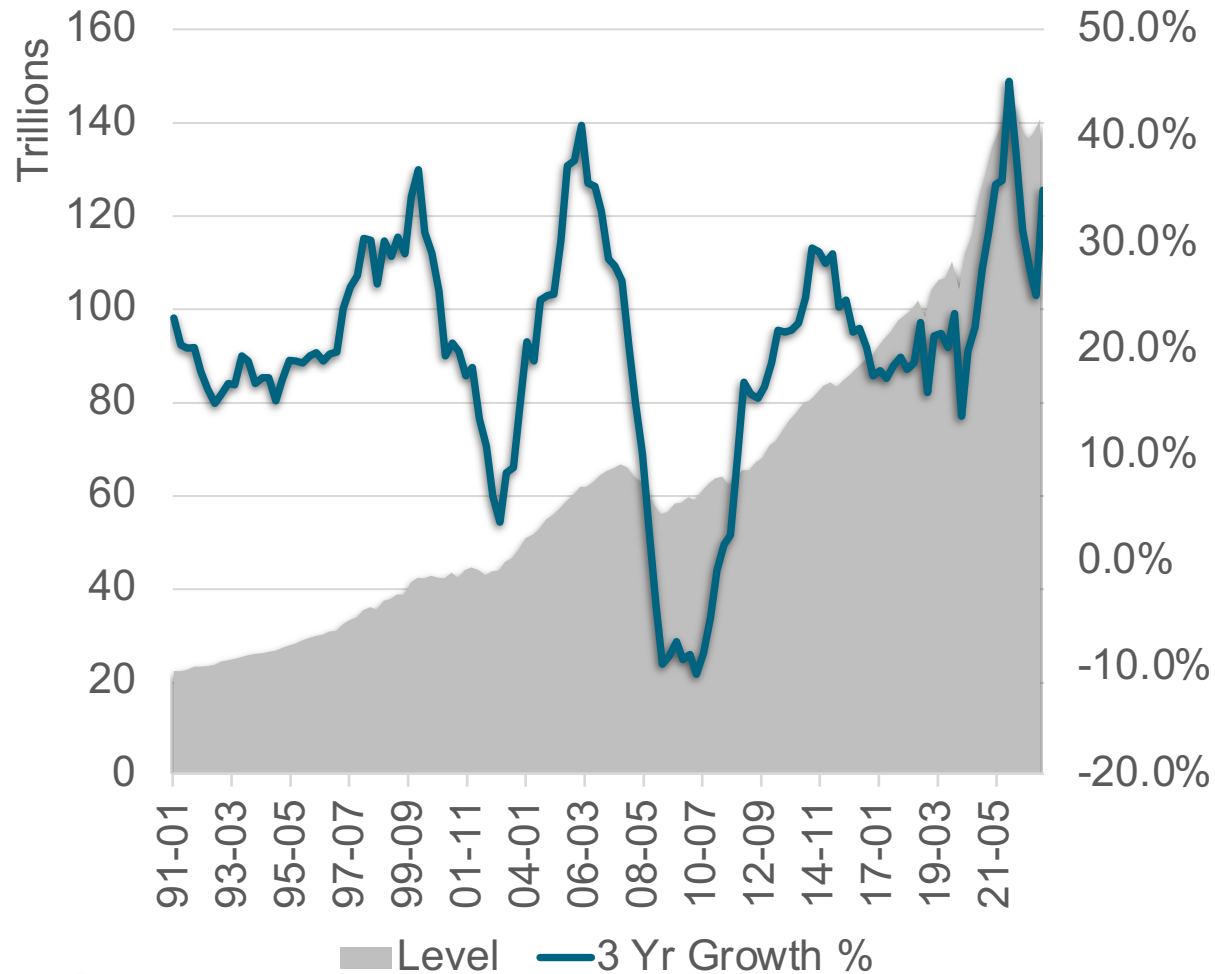


Location	2023 Permits (Units)	1-Year Chg. (%)	Chg. since 2019 (%)
<b>Single-Family</b>			
California	56,655	-6.0	-4.3
Fresno	2,266	-4.0	7.9
Inland Empire	10,861	-8.1	1.3
Los Angeles	11,574	8.0	29.5
Sacramento	7,945	-2.6	11.2
San Diego	2,879	-17.4	-2.6
San Francisco	3,197	-7.9	-19.8
San Jose	2,283	-25.1	-10.6
<b>Multi-Family</b>			
California	53,052	0.4	4.6
Fresno	1,314	84.6	18.9
Inland Empire	7,588	102.3	75.8
Los Angeles	17,395	-15.3	-17.5
Sacramento	3,734	53.3	70.0
San Diego	8,065	36.1	62.9
San Francisco	4,935	-38.4	-48.2
San Jose	4,426	50.0	-3.0

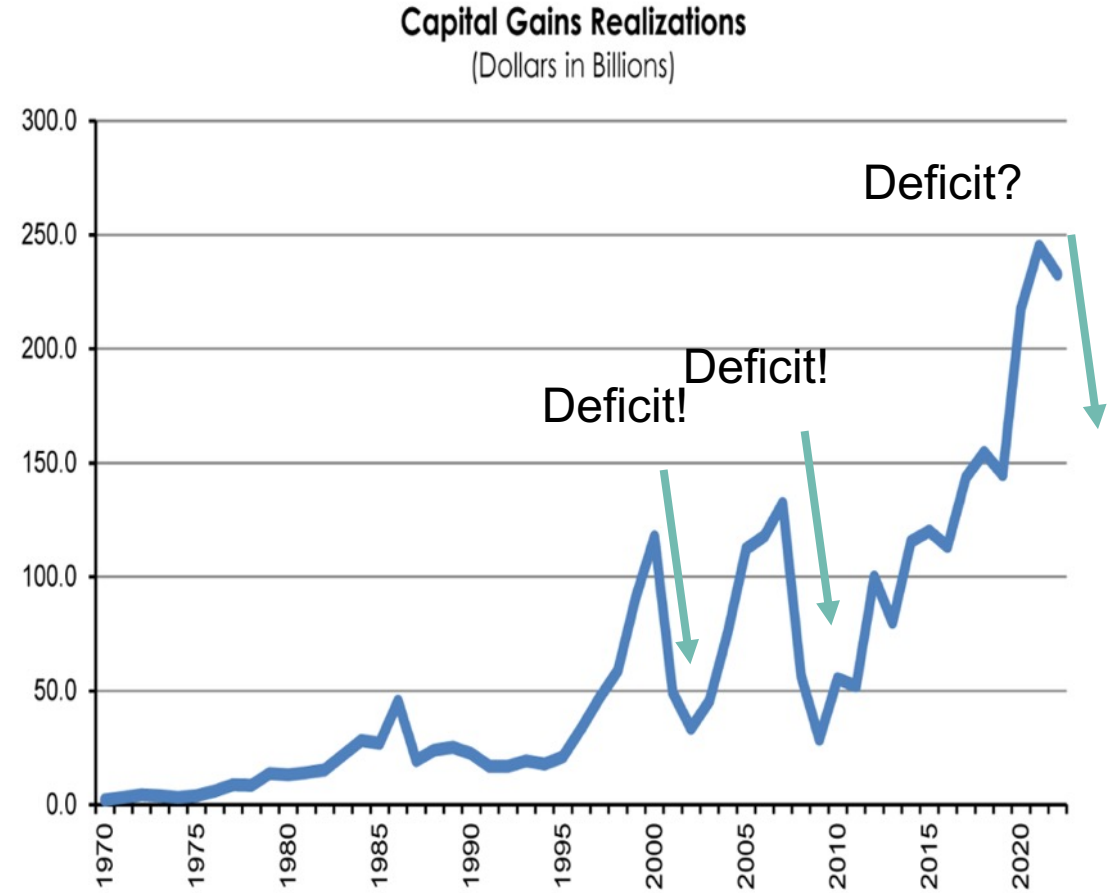


# On Bubbles and Budgets!

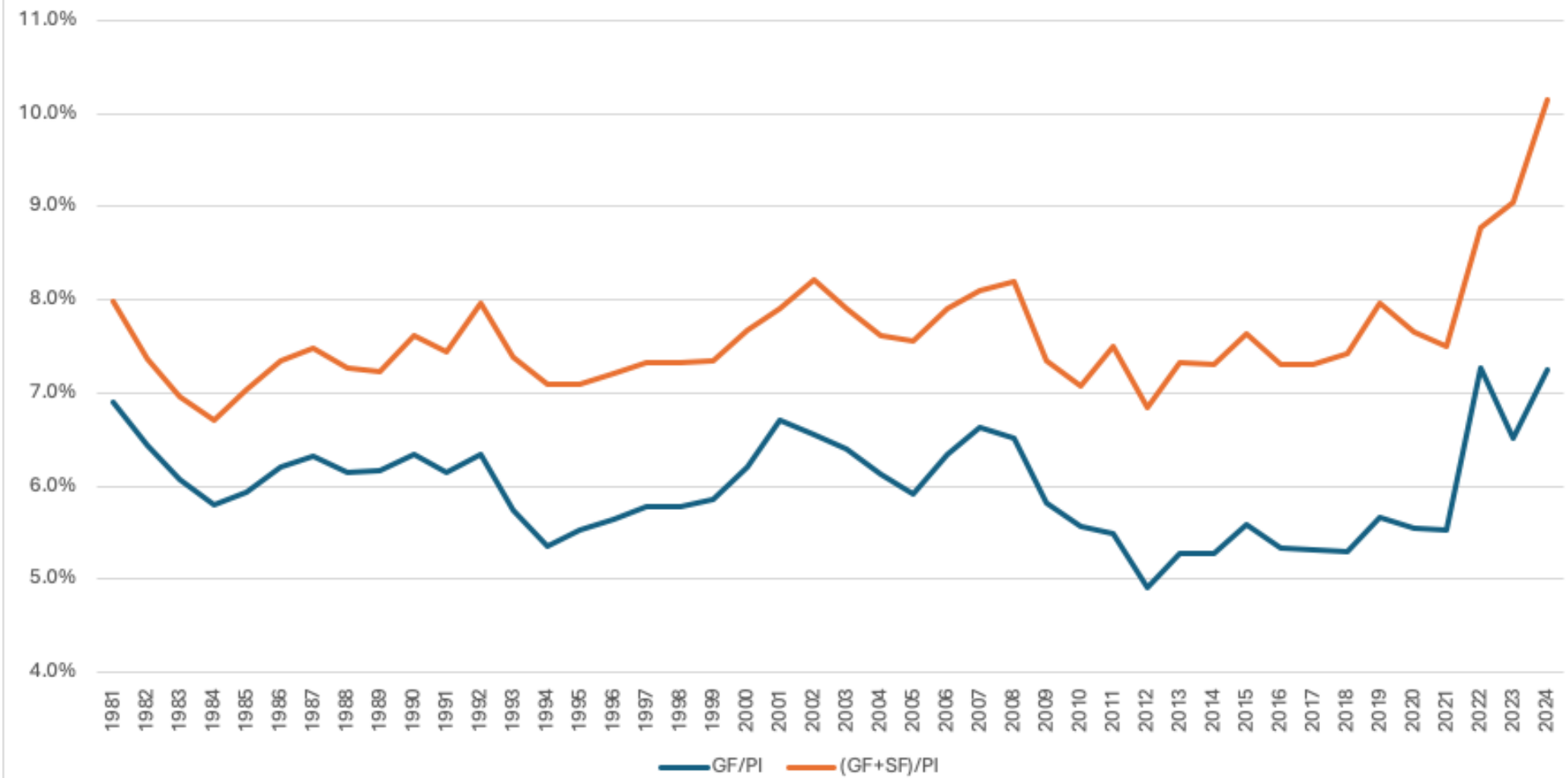
## HH Net Worth and Growth



## CA CG Income Tax Revenues (LAO Estimate)



GF & SF as Share CA Personal Income



# California in Context

Ranked by Size	Taxes / Fees		Total Gov Revenue	
	Share GDP	Rank	Share GDP	Rank
California	13.7%	19	21.8%	15
Texas	11.0%	47	15.8%	48
New York	13.9%	18	21.5%	16
Florida	12.6%	32	18.0%	36
Illinois	12.1%	38	16.6%	43
Pennsylvania	13.0%	24	19.7%	24
Ohio	12.3%	34	18.7%	31
Georgia	10.1%	49	15.2%	50
New Jersey	14.3%	14	19.1%	27
Washington	11.7%	39	18.0%	38
North Carolina	12.1%	37	18.3%	35
Massachusetts	11.4%	43	16.6%	42
Virginia	12.8%	27	17.5%	41
Michigan	13.3%	21	20.3%	21

California is not a high-tax state, it is a dumb-tax state

- Has high taxes on small bases (sales, corporate, income)
- Reliant on taxes on effort (income over others)
- Unfair taxes (Prop 13)
- Volatile taxes (capital gains)
- Paradoxical taxes (linkage fees)
- Avoidable taxes (marijuana)





# Out of the Woods?

## *We were never in the woods.*

- Excess demand causes inflation, not recessions
- Higher rates offset by high liquidity, low private debt levels
- Consumer demand will remain strong keep US going

## The California Situation

- Housing Supply not affordability
- Revenue reform not higher taxes
- Upskill workers, not up pay
- Don't fix—get out of the way

## *Medium Term Risks*

- Record federal deficits with no end in sight
- Asset prices remain at bubbly high levels

## The real issue?

- The narrative is running amuck
- Political chaos in its wake



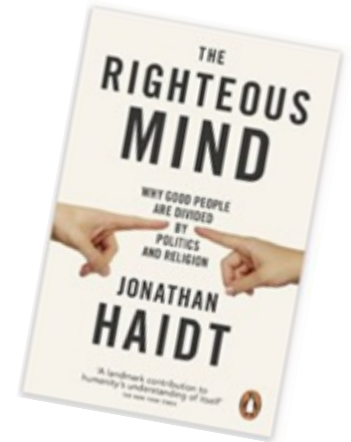
## 2024 Beacon Forecast Highlights

- **GDP Growth:** 1.8%
- Consumer shift to services
- **Unemployment Rate:** 3.9%
  
- **10 Year Treasury:** 4.2%
- **30 Year FR Mortgage:** 7.6%
  
- **HPI Forecast:** -1.7%
- **Housing Starts:** 1.42m

# Sticky Narratives

“People can believe pretty much whatever they want to believe about moral and political issues, as long as some other people near them believe it, so you have to focus on indirect methods to change what people want to believe.

— Jonathan Haidt, *The Righteous Mind: Why Good People are Divided by Politics and Religion*



# A Chamber Call to Action



## Control the Narrative to Effect Change

- It's not the economy, its the narrative that's broken
- Policy will continue to stray far from fundamentals
- Its hard to ask for good policy in a world of shrieking crises

## The Narrative moves faster and faster

- Social media, ubiquitous data, the meme generation
- Traditional responses to public opinion shifts are too slow
- Chambers need to proactively tell the true narrative to be able to influence policy

## Controlling your narrative...

- Informal polling, headline searches, political connections to select the issues
- Invest in data, info-metrics, dashboards to tell the right story
- Regular output, always redefining the story rather than reacting to it



# Thank You!



- Macro and Regional Economic Projections
- Revenue and Market Forecasts
- Economic Development and SWOT Analysis
- Residential and Commercial Real Estate Market Trend Studies
- Economic Impact Reports
- Regional CEDS Reports
- Policy Impact Estimates
- Industry and Labor Market Studies
- Litigation Support and Damage Estimates

For a copy of slides,  
please use the QR Code



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