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## On the Grid: It's the Economy! 8/25/23



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This week, central bank officials, experts on monetary policy, and a cadre of journalists gather in Jackson Hole, Wyoming, for the Federal Reserve's annual economic symposium. During last summer's conference, Chair Jerome Powell gave a stark warning that the Fed would continue to hike interest rates to fight inflation. Since then, the Fed has raised its key policy rate to 5.5%, the highest level in 22 years. With inflation on a downward trend for over 12 months to the latest reading of 3.2%, we're looking forward to hearing how conversations unfold and to tune into discussions on monetary policy and economic growth.

To prepare, I sat down with Dr. Ellen Hughes-Cromwick, Senior Resident Fellow and resident economist for Third Way's Climate and Energy Program. With an illustrious career as Chief Economist of the Department of Commerce and former Chief Global Economist at Ford, Ellen

bridges public and private sector insights, offering an unparalleled perspective on economic issues. Here's the scoop from our conversation.



## ELLEN'S TAKE

### How's the current economic landscape shaping up?

"The US economy remains on a positive growth trend, with incoming data suggesting positive growth in the third quarter. While some sectors, like retail sales and housing, show signs of softening, business investment remains strong. Why? Because of clean energy legislation—the Inflation Reduction Act, Bipartisan Infrastructure Law, and CHIPS and Science Act—is spurring investment across the US and unlocking economic performance. Construction spending to build new manufacturing plants has surged to nearly \$200 billion in June 2023!"



Read our [assessments](#) with Boston Consulting Group for a breakdown of how federal investments and policies are catalyzing \$1 trillion in private sector investment and building long-term endurance for clean energy policy.

### What's going on in Jackson Hole?

"This is a meeting of monetary policymakers and macroeconomic experts, so the spotlight is on the 5.4% interest rate. The big question is, what's next for the Fed? They're in a tricky situation. The labor market has proven resilient, with multi-decade lows of the unemployment rate, plentiful job openings, and solid wage gains. The Fed's policymaking committee is now trying to strike the right

balance—they want to mitigate the risks of rising wages and a tight labor market to prevent companies from passing along those costs in the form of higher prices.

Right now, inflation is running at 3.2%. So, to ensure we're on a path to getting back to 2% inflation, we're anticipating that the Fed will be persistent, likely raising interest rates a couple of additional notches to ensure inflation gets down to 2% over the next 2 years. A delicate balance to strike – tame inflation, keep economic growth positive, and soften the labor market, but not *too* much.”

**With the spotlight largely on domestic monetary policy right now, are there any pressing global economic issues that we should turn our attention to?**

“This year’s symposium theme is “*Structural Shifts in the Global Economy*”, so attendees will be keen to address the recent economic and financial trends in China and across the global economy. The papers presented at the symposium are slated to address the post-pandemic global trends in economic growth, as well as financial flows and measures of well-being.

Let’s not gloss over this—China’s economy is in *big* trouble. Despite bouncing back after Covid lockdowns, growth is now faltering. With a deepening real estate crisis, declining exports, and major companies defaulting on payments, there’s an increased fear of financial instability. Nobody, least of all US officials, wants to see any foreign economy falter significantly. It’s something that the Fed will continue to monitor.”



- *The Financial Times Editorial Board* outlines the basic principles of industrial strategy, offering a step-by-step guide for other governments seeking to emulate a private sector-led, government-enabled policy like the Inflation Reduction Act.
- *Peter S. Goodman* in the *New York Times*, spotlights Indonesia’s nickel industry to demonstrate how geopolitics adds a layer of complexity to the clean energy transition.

- Jason Bordoff in the Columbia Energy Exchange podcast series sits with Cameron Hepburn, Professor of Environmental Economics at the University of Oxford and Director of the Smith School of Enterprise and the Environment, to discuss the economics of climate change.



Josh Freed, Senior Vice President for Third Way's Climate and Energy Program, reflects on the federal investments and incentives, driven by national security and economic interests, that are helping crowd in private sector investment and driving the clean energy industry.



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Great set of articles in [@nytimes](#) on the transformative speed of the clean energy revolution by [@jimtankersley](#) [@bradplumer](#) [@dgelles](#) and [@JackEwingNYT](#). A couple of thoughts. [nytimes.com/interactive/20... 1/](http://nytimes.com/interactive/20... 1/)



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The Clean Energy Future Is Arriving Faster Than You Think

The United States is pivoting away from fossil fuels and toward wind, solar and other renewable energy, even in areas dominated by the oil and gas industries.