Popular Economic Narratives
Advancing the Longest U.S.
Expansion 2009-2019

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Hypotheses

Hypothesis from my 2017, 2019 AEA presidential address and 2019 book Narrative Economics: economic fluctuations have long been partly or substantially driven by popular stories or metaphors gone viral through word of mouth or news media, changing people’s thinking and economic behavior.

Hypothesis 2017, 2019: Economists have trouble studying these narratives due to the multiplicity of narratives, blurred lines between them, lack of solid evidence about them.

Hypothesis 2017, 2019: Digitized text and semantic search will in coming decades cause substantial change to economics by incorporating evidence of narratives in models, we will be somewhat successful in understanding dynamic impact of narratives

Hypothesis of this paper: The current record U.S. economic expansion has been substantially driven by a confluence of viral economic narratives

These hypotheses may aid in forecasting the nature of the end of this expansion.
Real Per Capita GDP and Personal Consumption Expenditures 1929-2019. Chart Allows Comparison of This Expansion with Other Expansions

Source: NBER
Real Stock Prices January 1871-December 2019 with Real Earnings
Long Expansions Tend to Be Periods of Slower Growth
Unemployment has dipped below what for decades had been considered a rock-bottom level called “full employment.”

Wage growth has inched up at a stubbornly slow rate since the recovery started, but the pace has recently picked up momentum.
“Such is the Trump presidency: a leader who is presiding over a record-long economic expansion that has proved more durable than anyone predicted while defending his fitness to hold office.”
Comparing Total Google All Hits (Dec 5, 2019)

- “Donald Trump” 529,000,000
- “Barack Obama” 181,000,000
- “Greta Thunberg” 114,000,000
- “The Beatles” 113,000,000
- “George Washington” 79,500,000
- “Albert Einstein” 73,400,000
- “Queen Elizabeth” 70,300,000
- “Vladimir Putin” 54,900,000
- “Xi Jinping” 34,500,000
- “Chris Hemsworth” 28,000,000 (most famous actor 2019 toptenthebest.com)
- “Margot Robbie” 25,900,000 (most famous actress 2019 Forbes.com)
- “Thomas Piketty” 2,190,000 (most famous living academic economist)
The Empire and Ego of Donald Trump

He has built a $1 billion real estate organization and a reputation for clever deals, good timing — and adroit political moves.

By MARYLIN BENDER

He made his presence known on the island of Manhattan in the mid 70's, a brash Adonis from the outer boroughs bent on placing his imprint on the golden rock. Donald John Trump exhibited a flair for self-promotion, grandiose schemes — and, perhaps not surprisingly, for provoking fury along the way.

Senior realty titans scoffed, believing that braggadocio was the sum and substance of the bland, blue-eyed, six-footer who wore maroon suits and matching loafers, frequented Elaine's and Regine's in the company of fashion models, and was not abashed to take his armed bodyguard-chauffeur into a meeting with an investment banker.

The essence of entrepreneurial capitalism, real estate is a business with a tradition of high-rolling miscalculation, of master builders striving to erect monuments to their visions. It is also typically dynamic, and dynamism was the hallmark of Donald Trump as he moved on to wider horizons.
Kermack-McKendrick SIR Disease Epidemic Model, 1927 (Compartmental or SIR Model)

- $S =$ fraction of population susceptible, $I =$ fraction of population infected and now contagious, $R =$ fraction of population recovered and now immune, $S + I + R = N$, $c =$ contagion parameter, $cS$ is contagion rate, $r =$ recovery rate

\[
\frac{dS}{dt} = -cSI
\]

\[
\frac{dI}{dt} = cSI - rI
\]

\[
\frac{dR}{dt} = rI
\]
Time Paths of S, I, and R in Kermack-McKendrick Model

$I(0) = 0.0001\%$, $c = 0.5$, $r = 0.05$
Elements behind contagion and recovery parameters for Individual Narratives

• Environment, including other narratives, events that remind of elements of the narrative
• Creative speaking and writing, leads to almost random new elements, mutations of the narrative
• Visual images
• Public events: elections, inaugurations, movies
• Attachment to current celebrities
• Words, phrases, metaphors matter. Neurolinguistics shows that “connotations” equal connections in brain. Invention in narratives may depend on skill in choosing or coining words
Trump’s Rallies Success as Predicted by Cicero, *De Oratore*, 55 B. C.

LXXXIII. “But it happens that, because a popular assembly appears to the orator to be his most enlarged scene of action,¹ he is naturally excited in it to a more magnificent species of eloquence; for a multitude has such influence, that, as the flute-player can not play without his flutes, so the orator can not be eloquent without a numerous audience.
Charging Bull Statue, NY, Arturo di Modica, 1989
Trump’s Modeling of Lavish Lifestyle and Contempt for “Losers” Has Subconscious Effect on Spending, Risk Taking, Trust of Others

Relevant scholarly literature:
• “Role models”
• “Scripts”
• “Social norms”
• “Social influence”
• “Conformity”
American Economic Association, 1925, 100% Neckties for Men (Look around you Now)
Relevant Periods for Longest U.S. Expansion

I. 2003-2007, the boom before Great Recession
II. 2007-2009, the great recession
III. 2009-2014, slow recovery start of expansion
IV. 2014-2020, U.S. unemployment rate falls to peacetime record low by 2019
Partial List of Narratives Economically Salient in Periods I, II, III and IV of Narratives that Might Soon Become Salient

Salient in Periods I, II, III, and IV
1. Trump IV
2. Strong economy I, IV
3. Fake News IV
4. Great Depression II
5. Trade war IV
6. Sustainability IV
7. Mortgage defaults and indebtedness II, III
8. New normal, secular stagnation II
9. Real Estate Bubble I, IV
10. Digital Age with its counts of likes, stars, virtual reality and games, I, II, III, IV

Potentially salient in future
1. Automation and Artificial intelligence replaces jobs
2. Racial, ethnic narratives
3. Repeat of Great Recession
4. Post-impeachment Trump narratives
5. War narratives
1. Donald Trump Constellations of Narratives

Proquest News & Newspapers percent of articles mentioning U.S. presidents
2. “Strong Economy” vs. “Overspeculation” Narratives in books (Google Ngrams) and in News & Newspapers (Proquest) since 1800
Trump Narrative Incorporates Strong Economy Narrative

• 62% of Proquest News & Newspapers hits for “strong economy” also mention Trump (2017-2019) (Trump slogan “Make America Great Again”)

• 27% of Proquest News & Newspaper hits for “strong economy” also mention Clinton (1997-1999) (Bill Clinton slogan: “Putting People First” is title of 1992 book with Al Gore).
3. “Fake News” (Google Trends-Jan 1 2004-Dec 10, 2019)
4. Great Depression Narrative
Business Confidence vs. Consumer Confidence from *Narrative Economics*
Concern with Aggregate Demand Outpaces Concerns with Aggregate Supply (Suggested by Paul Greenberg, Analysis Group) Google Ngrams-Books
5. Trade War vs. Retaliatory Tariff, Proquest News & Newspapers

![Graph showing the percent of articles in news and newspapers over decades, with a notable increase in the trade war period starting in the 2010s.](image-url)
6. Sustainability-Frugality Narratives

Greta Thunberg sets sail on zero-carbon ...
7. Debt & Default Narratives

![Graph showing the percentage of articles in news and newspapers related to debt and default narratives from 1989 to 2019. The x-axis represents the year, and the y-axis represents the percentage of articles. The graph highlights peaks in 1999, 2004, 2009, and 2014, labeled as "Fear of Debt."
Debt as “Bottomless Hole”: Stories of Defaulted Homes WSJ Whelan Robbie, Dec 29, 2010

“Tired of feeling "strung along," they ultimately surrendered the home to the bank in what's known as a deed-in-lieu of foreclosure, and moved out in August. They now rent a three-bedroom ranch-style home in Deerfield, about 10 miles away.

Moving her family was a "very difficult choice, a very difficult transition," says Ms. Kobor, 43. She still takes her son to play with his best friend and former neighbor. "Every time I drop him off," she says, "I have to look at my house." The home was listed for sale last month at $749,000. [They originally paid $1.3 million]

Ms. Kobor and her husband are saving to buy another home, although this time they'll approach home ownership differently. They will take out a smaller loan, one they can repay within 10 or 15 years. "We will never leverage up like that again," she says.

But the biggest surprise over losing her house is that "our lives are so much better now," Ms. Kobor says. "The relief of knowing that we are not in a bottomless hole that we'll never be able to climb out of -- psychologically, it has been great."
“Chris Noblejas, a former real estate agent, got hit by a double whammy during the housing crisis. His income declined drastically, and so did the value of the Gaithersburg, Md., townhouse he bought for $480,000 in 2006. He ended up selling the townhouse in a "short sale" in 2010 for $320,000. A short sale occurs when a lender agrees to accept a sales price for a home that is less than the amount owed on the property.

But Noblejas was able to buy a single-family house in Silver Spring this year. He is part of a wave of "boomerang buyers" -- people who are reentering the housing market after a foreclosure or short sale.

"I wanted to buy a house again, but I was still nervous because I made such a bad mistake before," Noblejas says. "Even renting was hard when I first lost my house. I didn't even know if I could buy again, but I talked to a loan officer and was able to qualify for an FHA [Federal Housing Administration] loan."
8. New Normal, Secular Stagnation Narratives
9. Real Estate Bubble Narratives
“By the ‘boom’ is meant the great real-estate bubble of 1887. Boom, in the sense we use it, is intended to express a sudden inflation of values; and on the western side of our continent it has superseded the older used and more expressive word, bubble. Boom, ‘to rush with violence,’ is better suited to the dash, the impetuosity and the recklessness of western speculators than the more effeminate term, bubble. Boom has come into our literature to stay, however unstable it may be in other places.
10. Digital Age Narratives, Feeling Out of It or Basking in Reflected Glory (BIRG) (Katy Perry “Chained to the Rhythm”)
Automation and Artificial Intelligence Narratives

![Graph showing the percent of news articles related to Automation and Artificial Intelligence over time.]
How Future Research Might Make Our Understanding of Impact of Narratives on Economy More Secure

- Better data collection on narratives
- Better semantic search
- Better Neuroeconomics
- Classification system for economic narratives, like the ATU system used in folklore studies
- Better feedback models, incorporating both conventional economic data and data on narratives