



# **The Economic Outlook**

## **TFI Technology Conference**

*Hyatt Place Austin Downtown*

*Friday January 23, 2026*

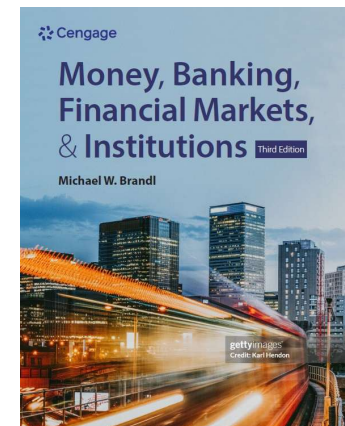
**Michael W. Brandl, PhD**  
**University of Texas at Austin (Retired)**

# Overview

- **Who is this guy? What's his angle?**
- **The Current Macroeconomy**
  - Business Cycle – focus on real GDP
  - Labor Markets
  - Inflation
- **Digging a bit deeper**
  - Moving beyond overall GDP
  - Labor market structural issues
  - Consumer prices & worries
- **Broader issues to consider**
- **Q&A**

# Who is Brandl?

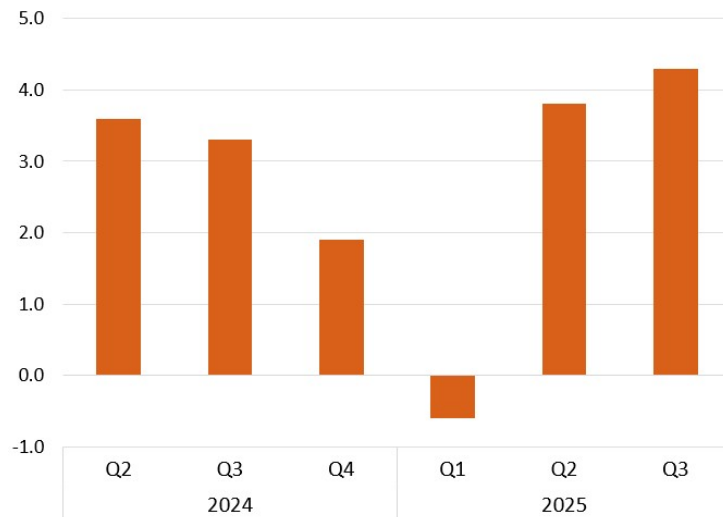
- **Pluralist macroeconomist...**
  - ...politically non-partisan
- McCombs School of Business 1997 – 2011
- Fisher COB at Ohio State 2011 – 2016
- Econ Dept at Ohio State 2016 – 2018
- Jones Grad School of Bus at Rice 2018 – 2021
- Econ Dept at UT-Austin 2021 – 2024
- Visiting Professor:
  - University of Wisconsin-Madison, Economics
  - Aalto University (Finland)
  - UT-Austin, LBJ School of Public Affairs
  - UT-Austin, McCombs



**Goal: equip business leader with tools needed to evaluate global & domestic macroeconomic trends.**

# Business Cycle - GDP

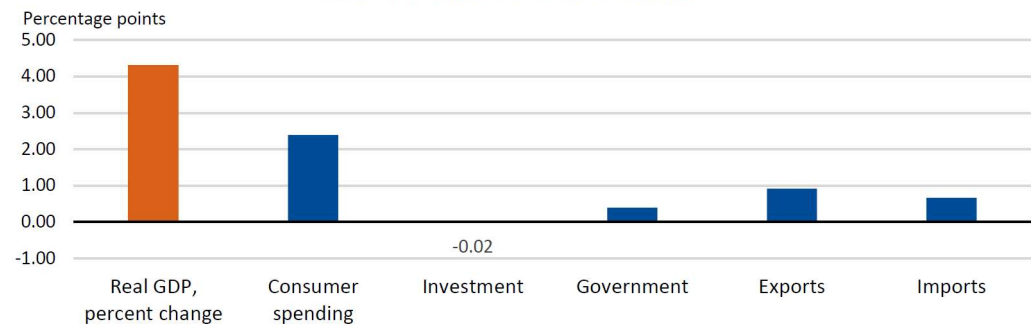
Real GDP, Percent Change From Preceding Quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

Contributions to Percent Change in Real GDP, 3rd Quarter 2025  
Real GDP Increased 4.3 Percent



Note. Imports are a subtraction in the calculation of GDP; thus, a decrease in imports results in a positive contribution to GDP.

U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

# Labor Markets

- **Civilian Unemployment rate: 4.4%** in December 2025.



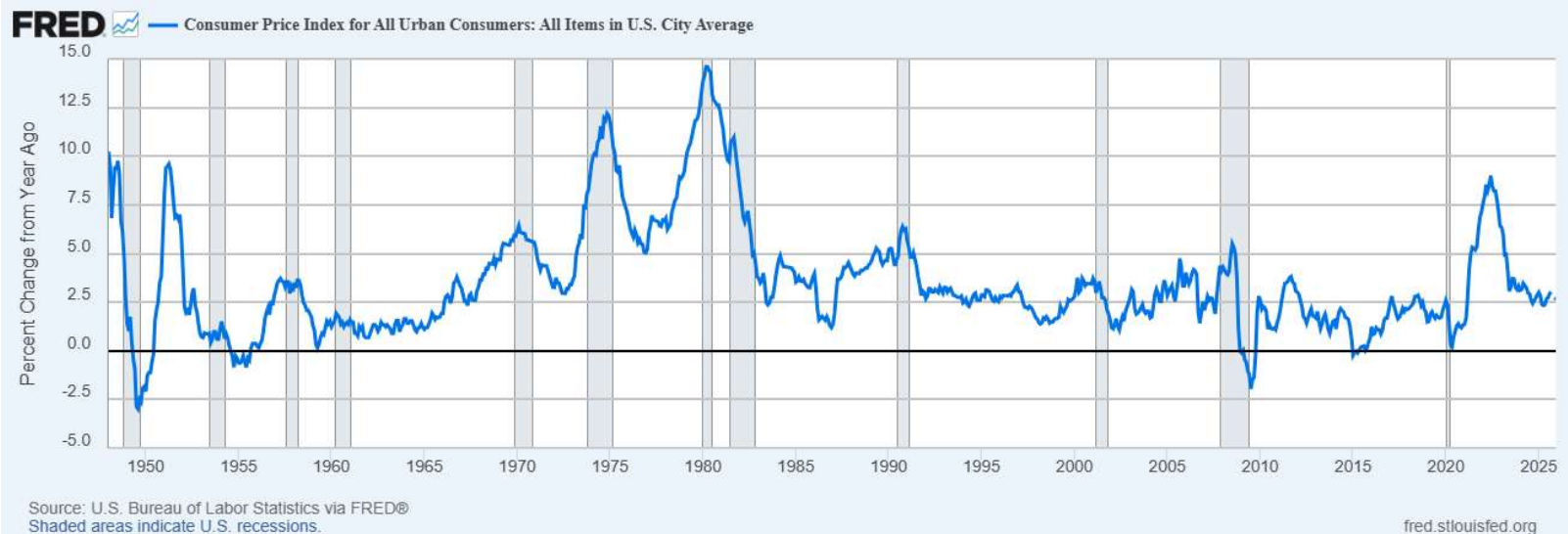
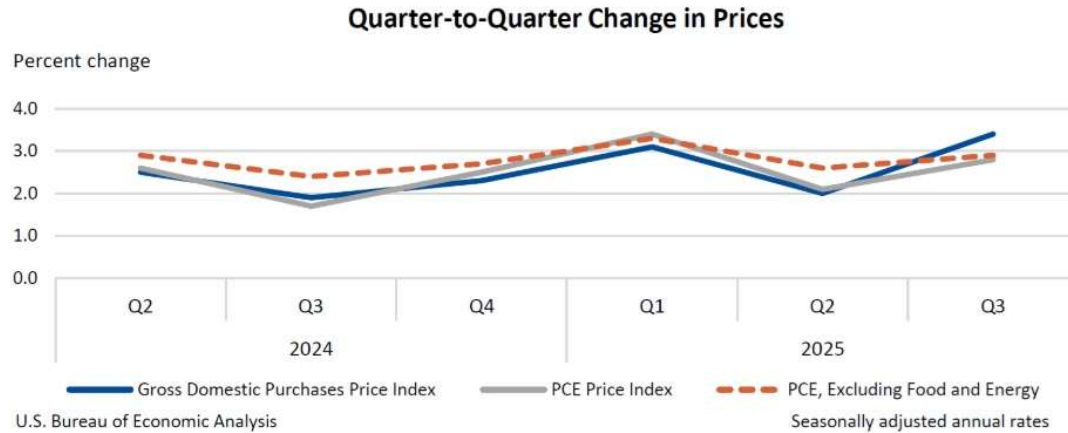
- **Civilian Labor Force Participation Rate...**





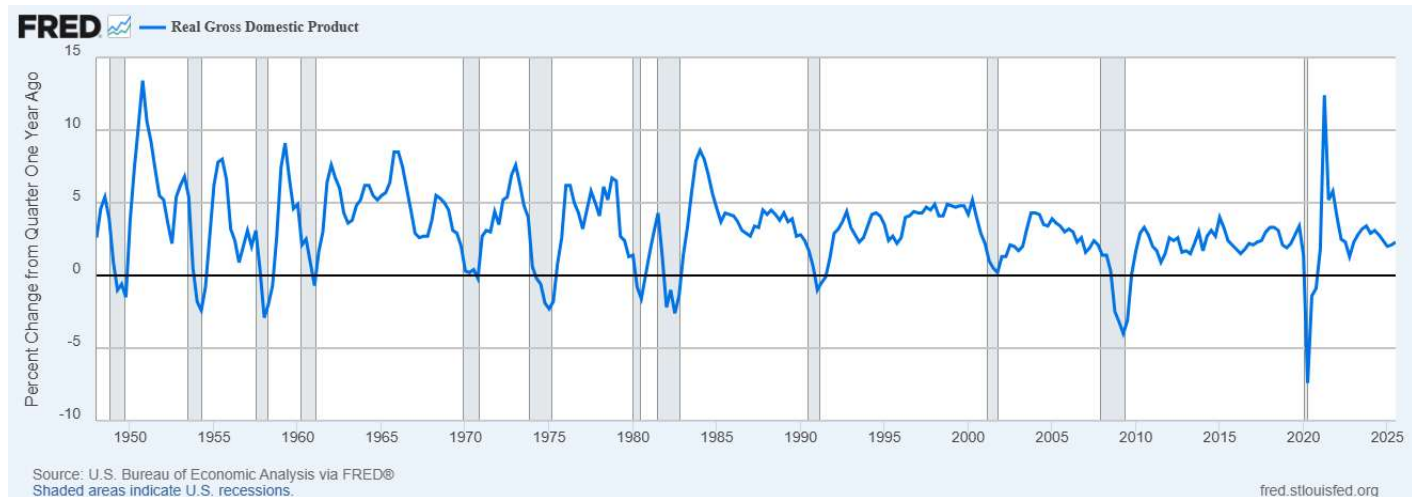
# Inflation

- Fed has 2% target for PCE



# Digging Deeper – GDP

- **Overall GDP growth looks good...but:**
  - Not as good as the 1980s & 1990s:

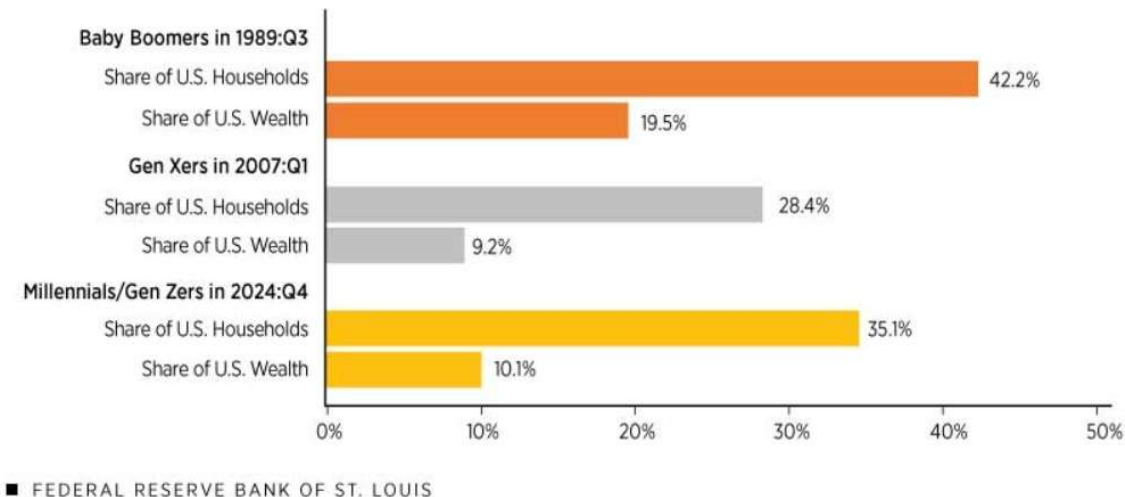


- **The “K-shape” Recovery**
  - Top 1% households have accumulated almost 1,000 times more wealth than the bottom 20% in the last 35 years.
  - Top 10% of households (min \$970k) by wealth have \$8.1m on avg, as a group they hold 67.2% of total household wealth.
  - In 1774 top 1% (of free Americans) received only 7.6% of total income (now over 30%)...middle 40% earned 52.5% in New England.

# Digger Deeper - GDP

- Generational Wealth problems

**Generational Shares of U.S. Households and Wealth at Same Age**



SOURCES: Distributional Financial Accounts and Community Development Research calculations.

NOTES: Shares are calculated when each generation was relatively young (at an average age of 34). The data are for the quarter in the year when the generation was at that average age.

- What drives inequality in income & wealth?
  - demography, education policy, trade competition, financial regulation policy, and labor-saving technological change.
  - See: <https://cepr.org/voxeu/columns/unequal-gains-american-growth-and-inequality-1700>



# Digging Deeper – Labor Markets

## ■ What about that Labor Force Participation Rate?

### ■ Age 16 to 19



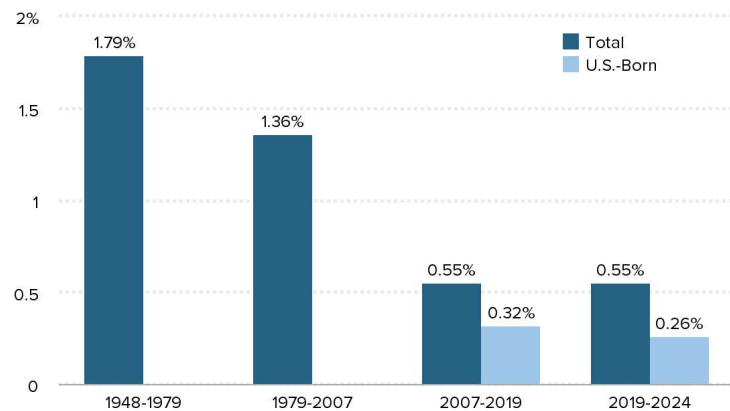
### ■ What will be the impact of “soft” work skills, early OJT, and wealth accumulation?

# Digging Deeper – Labor Markets

- **Even more about Labor Force Participation Rates...**
  - Native-born U.S. population is aging.

**Labor force growth has slowed significantly in recent business cycles, especially for the U.S.-Born**

Average annual labor force growth between business cycle peaks

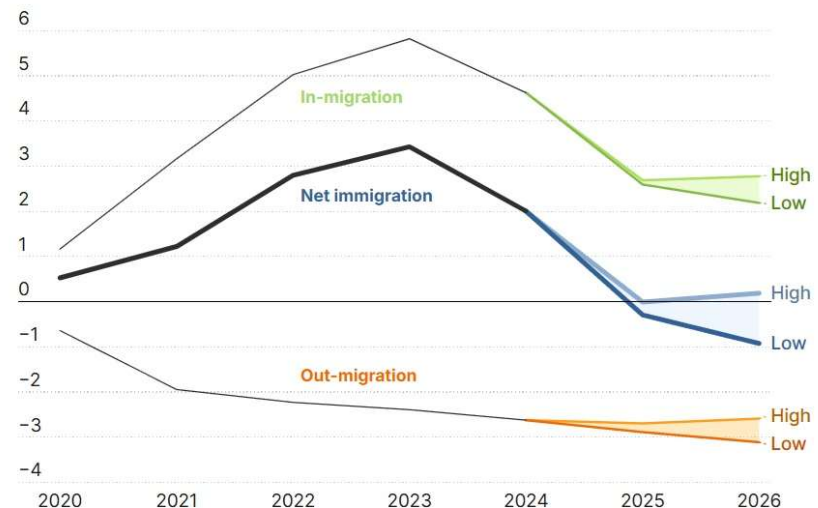


Economic Policy Institute

Source: Bureau of Labor Statistics (BLS 2025a) data retrieval tools based on data from the Current Population Survey (CPS).

**Figure 1: Migration flows, with low and high immigration projections for 2025 and 2026**

Millions



Source: Authors' estimates.

Note: "Low" immigration and "High" immigration projections for 2025 and 2026 are described in the main text.

BROOKINGS

- <https://www.brookings.edu/articles/macroeconomic-implications-of-immigration-flows-in-2025-and-2026-january-2026-update/>

# Digger Deeper - Inflation

- **Labor Department reported last month:**
  - Natural Gas prices have risen more than 10% over last year.
    - Nearly half U.S. households use natural gas for heating.
    - Significant amounts of natural gas are used to generate electricity. Electricity prices rose 6.7% year-on-year.
  - Grocery prices are rising rapidly
    - Vegetables, fruit, dairy, meat (steak prices are up 17.8% year-on-year in December)
    - Eating out is not much of an option rising 0.7% in a month.
  - Rental costs continue to rise
    - 0.4% monthly increase in the cost of shelter, which includes rents

# What to make of this??

- **It can be argued:**

- The aggregate numbers look good (GDP, UR, core PCE) which investors cheer...
- ...but consumer attitudes are very negative (especially among middle class & below, and younger workers).
- Confidence the independence of the Federal Reserve is being questioned...
- “You can say ‘the economy is booming’ all you want, but people don’t experience the economy through press releases.” – Justin Wolfers, University of Michigan

# Broader issues to consider.

- **Be careful of the Status Quo bias.**
  - a type of cognitive bias that involves the preference that things stay as they are or that the current state of affairs remains the same.
  - first introduced by behavioral economist researchers William Samuelson and Richard Zeckhauser in 1988.
  - Implications: it has been argued that investment firms prefer to hire analysts who have never lived through an economic downturn...their “status quo bias” is to assume markets will always go up...
  - Some claim this also is happening with financial journalists today.

# Broader issues to consider.

- **The need to avoid a Kindleberger Trap.**
  - Fritzi Köhler-Geib of the Deutsche Bundesbank raised this issue in a speech last month.
  - Charles Kindleberger described how an open & stable international economic system depends on the presences of a dominant global power that will provide global public goods such as managing trade, providing liquidity, and creating stability.
    - When we have one (e.g. England up to World War I) the system can work very well...
    - ...but when the dominate leader can no longer provide these goods, and the new leader has not stepped up...very bad things can happen (e.g. asset bubble of 1920s; Great Depression of the 1930s; World War II).
- Q: are we approaching a Kindleberger Trap?



# Take Aways

- **Aggregate macroeconomic data looks sound...  
...sub-aggregate data is not so reassuring.**
- **U.S. households outside of the top 10% are very worried about the economic future.**
- **When making medium- or long-term plans do not fall into the status quo bias...the future is likely to be very different from your father's/mother's global economy (or even the one you learned about in college).**

# Questions???

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