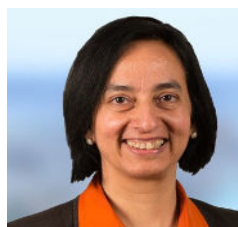


## ***A Conversation with CBIS' Chief Investment Officer, John Geissinger, CFA and Juhi Dhawan, PhD. from Wellington Management Company, LLP***



**John W. Geissinger, CFA**  
*Chief Investment Officer*



**Juhi Dhawan, PhD**  
*Macro Strategist*

This quarter, John Geissinger is joined by Juhi Dhawan, PhD, Macro Strategist for Wellington Management Company, LLP, to discuss global labor dynamics, inflation, and economic growth. Dr. Dhawan leads Wellington's U.S. economic research and investment strategy efforts.

**What is your read on the inflation picture these days. Still unwinding or more of a systemic change?**

**Mr. Geissinger:** Coming out of the pandemic, inflationary pressures were caused predominantly by supply chain bottlenecks, and hence came the term transitory. As time went on, though, we began to see wages increase. What we're witnessing now is an interesting combination of slow labor participation and rising wages.

**Do you think people are questioning the way the inflationary dynamic is traditionally viewed?**

**Dr. Dhawan:** That debate is quite hot in economic circles right now. We have only a few experiences from history, and those experiences give us very mixed views.

**Mr. Geissinger:** We're feeling more uncertainty as a result of that that. Meanwhile, we're seeing the underlying dynamics of inflation shift from goods inflation into more service inflation.

**Has the relationship between wages and inflation changed?**

**Dr. Dhawan:** This has been an asynchronized economic recovery. First, the price of goods was pushed up during the pandemic, then, post-pandemic, we've seen services where labor is a much bigger factor.

**“What we're witnessing now is an interesting combination of slow labor participation and rising wages.”**

**- John Geissinger**



**“The question for policymakers now is whether we can go the last mile without taking some tough medicine.”**

**- Jhui Dhawan**

**But isn't it true that the labor participation rate has been slow to recover?**

**Dr. Dhawan:** It is in the U.S., in large part due to its demographics. The baby boom generation, which is a bulge in the U.S.'s population, is retiring. The good news is the rate of participation for prime workers, those between the ages of 25 and 54, has recovered to pre-COVID levels.

**Mr. Geissinger:** The bad news is the U.S. is still at the lower end of participation rates across the world.

**Does a shrinking labor supply imply that global growth is going to be lower than what it otherwise would have been?**

**Dr. Dhawan:** The pillars of growth are labor and productivity. To get faster economic growth, we need to find more workers or find

ways to improve labor productivity. Think generative artificial intelligence.

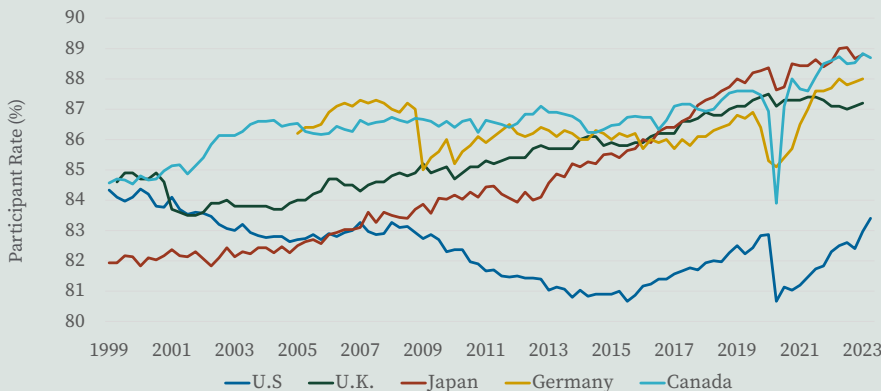
**Will immigration play a role in all of this?**

**Dr. Dhawan:** Immigration laws can be quite strict in many countries. Policies will have to be changed to increase the number of skilled workers coming in. Otherwise, the worker ratio to dependents will continue to be quite a challenge in the upcoming years.

**Doesn't the idea of political leaders making policy that affects the economy fly in the face of free markets?**

**Dr. Dhawan:** Not necessarily. There are things that the private sector can do to prepare for a modern economy, not least of which is workforce education. I'm hopeful policymakers will follow the people in terms of direction.

**Labor Force Participation Rate: 25 - 54 Year Olds**



**“The U.S. is still at the lower end of participation rates across the world.”**

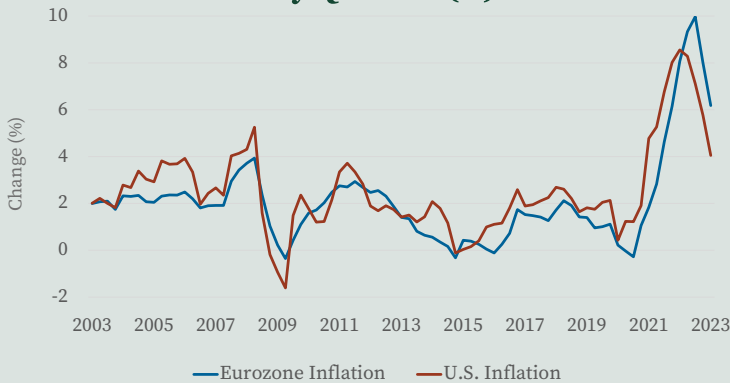
**- John Geissinger**

Period: March 31, 1999 - June 30, 2023  
Source: Organization for Economic Co-operation and Development

## Do you think the Fed could actually be successful in bringing inflation down without triggering a recession?

**Dr. Dhawan:** Over the last 12 months, we've observed declining inflation — from 9% to 4% — with decelerating wages and a steady unemployment rate. The question for policymakers now is whether we can go the last mile, say 4% to 2%, without taking some tough medicine. The jury's still out.

### Inflation Year-over-Year by Quarter (%)



Period: June 30, 2003 - June 30, 2023  
Source: FactSet

**Mr. Geissinger:** I'm somewhat optimistic that economies around the world can continue to grow in the face of central banks trying to limit the growth and limit inflation. There can, at least, be a path forward.

## Artificial intelligence was mentioned earlier. Do you see artificial intelligence as a friend or a foe?

**Dr. Dhawan:** I tend to be an optimist, but I think that machines working with labor is a good thing. History is full of periods where important jobs are lost only to be replaced by the emergence of new roles no one could have imagined. I will say, though, artificial intelligence is coming at such an amazing pace we need to be thoughtful about the fallouts and not just the upside benefits.

*Listen to the extended conversation between John Geissinger and Dr. Dhawan in the podcast on [www.cbisonline.com](http://www.cbisonline.com).*

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