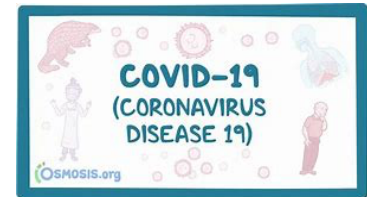




COVID-19: Economic Implications and Policy Response

680 Exchange

May 19, 2021
Jon Haveman, Ph.D.
Executive Director, NEED



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National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.

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Who Are We?

- **Honorary Board: 54 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
 - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
 - o Akerlof, Smith, Maskin

- **Delegates: 590+ members**

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 44 Ph.D. Economists**

- Aid in slide deck development



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Available NEED Topics Include:

- **Coronavirus Economics**
- **US Economy**
- **Climate Change**
- **Economic Inequality**
- **Economic Mobility**
- **Trade and Globalization**
- **Minimum Wages**
- **Immigration Economics**
- **Housing Policy**
- **Federal Budgets**
- **Federal Debt**
- **Black-White Wealth Gap**
- **Autonomous Vehicles**
- **US Social Policy**



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Credits and Disclaimer

- **This slide deck was authored by:**

- Jon D. Haveman, NEED
- Scott Baier, Clemson University
- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dombeck, Lewis & Clark College
- Doris Geide-Stevenson, Weber State

- **Disclaimer**

- NEED presentations are designed to be nonpartisan.
- It is, however, inevitable that the presenter will be asked for and will provide their own views.
- Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).



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Outline

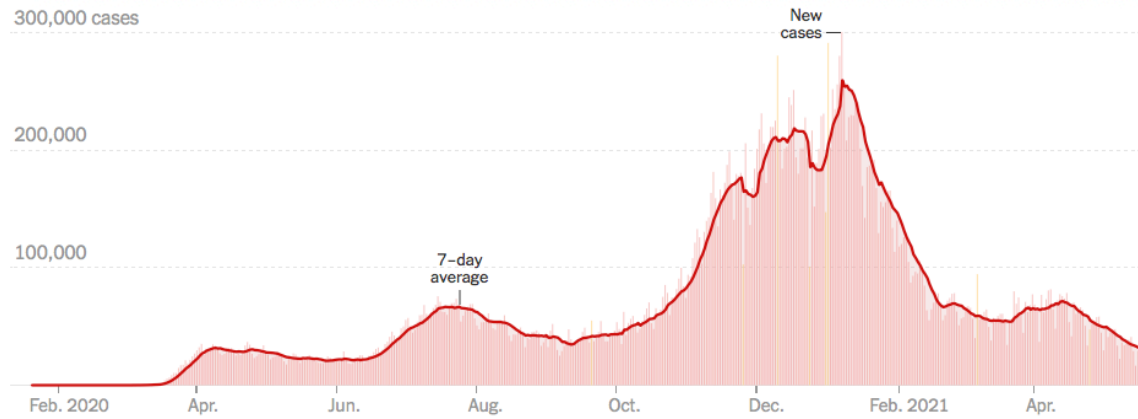
- **State of the pandemic**
- **Where is the recovery now?**
- **How has policy affected the recovery?**
- **The most recent COVID package**
- **Inflation and the debt**
- **Local mobility and RE data**
- **Summary**



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Trajectory Looks Promising

New reported cases



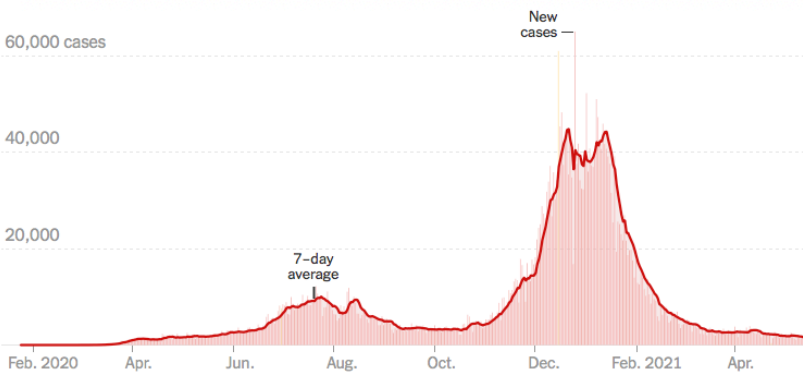
Source: NYTimes

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California is Looking Good!

New reported cases



Vaccinations

Fully vaccinated

39%

At least one dose

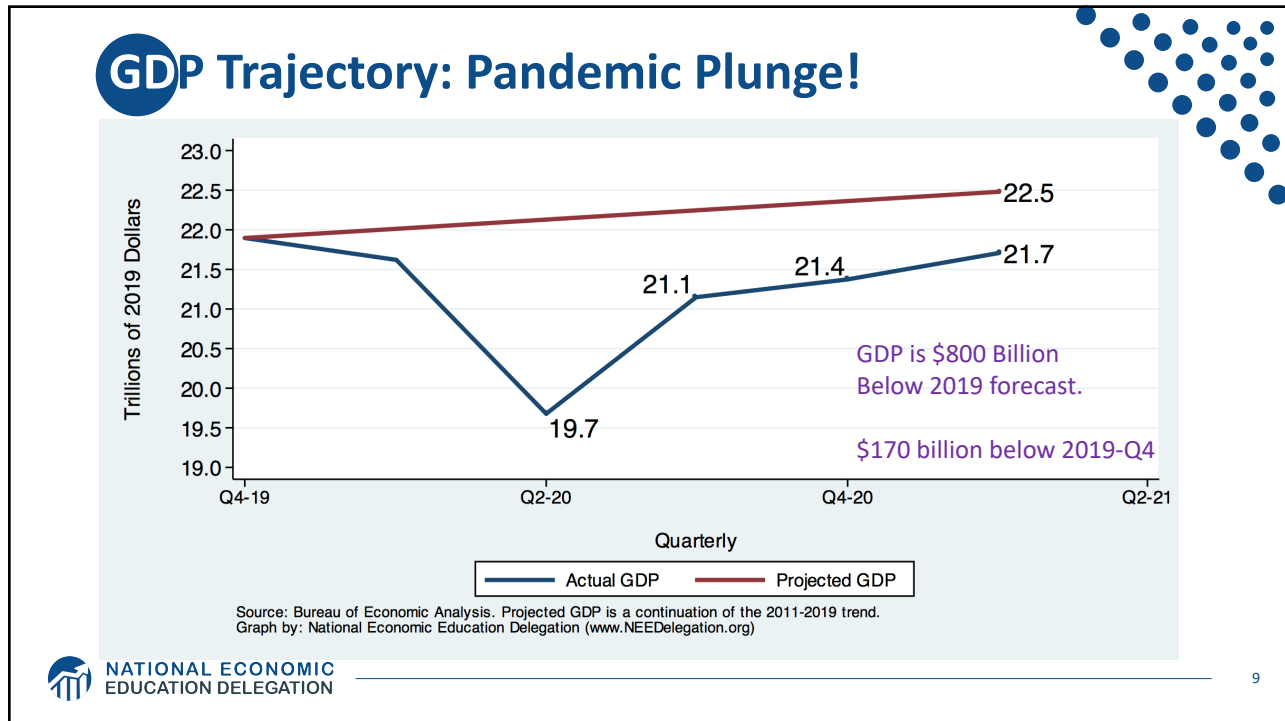
54%



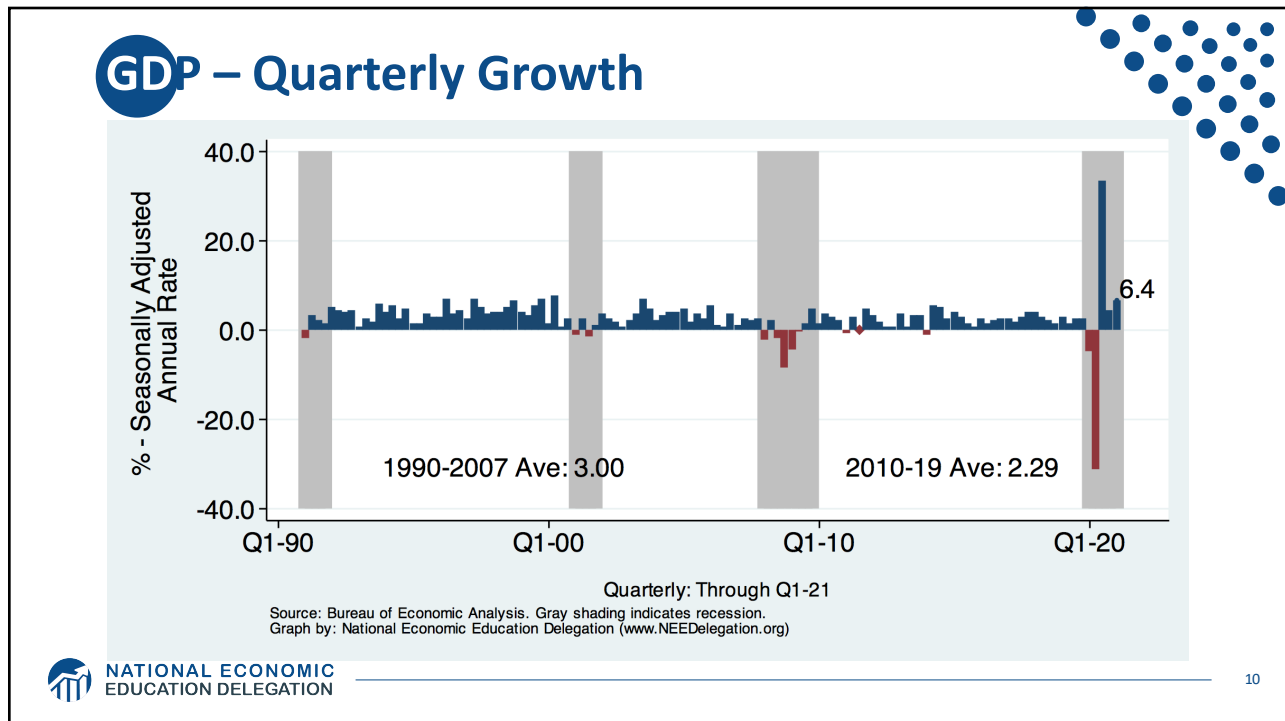
Source: NYTimes

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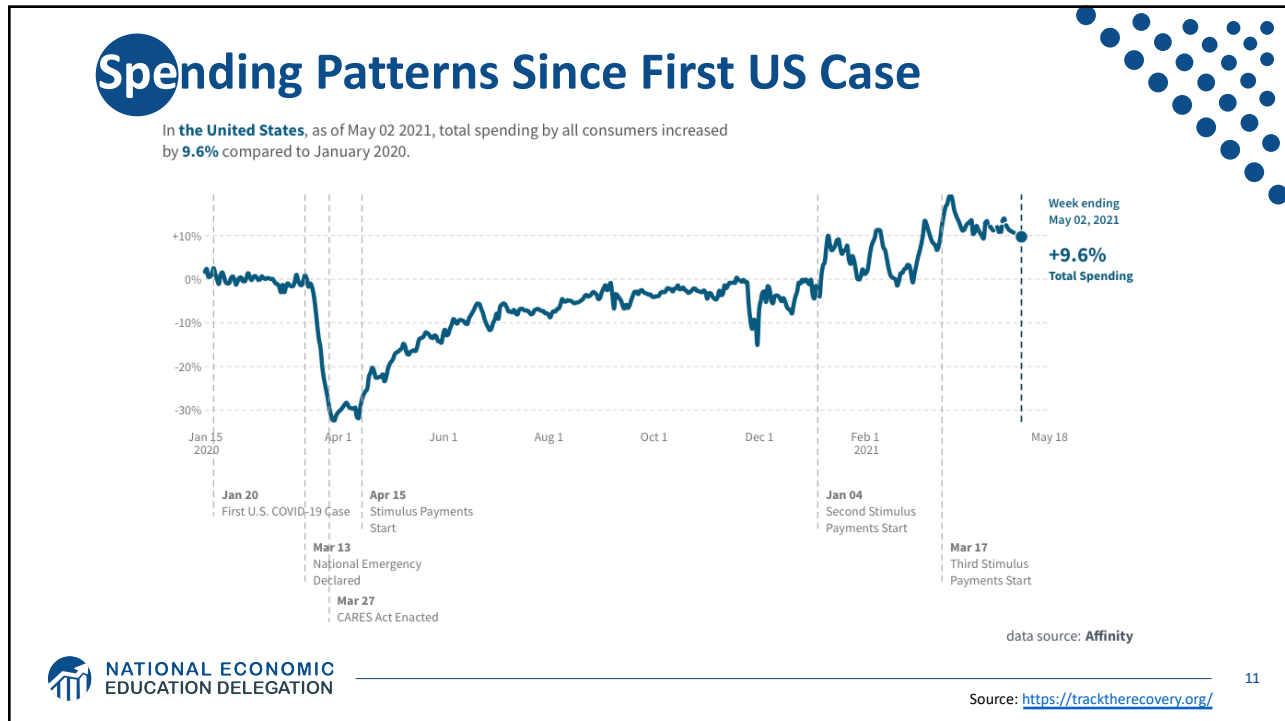
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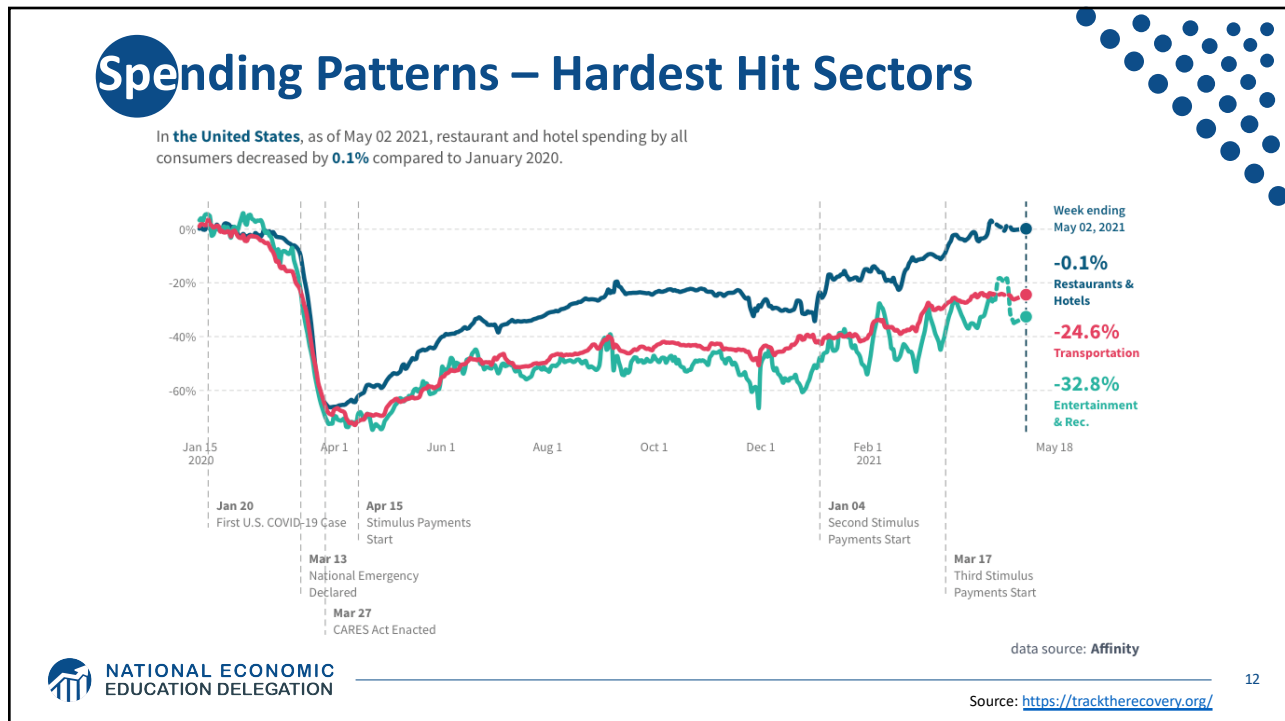
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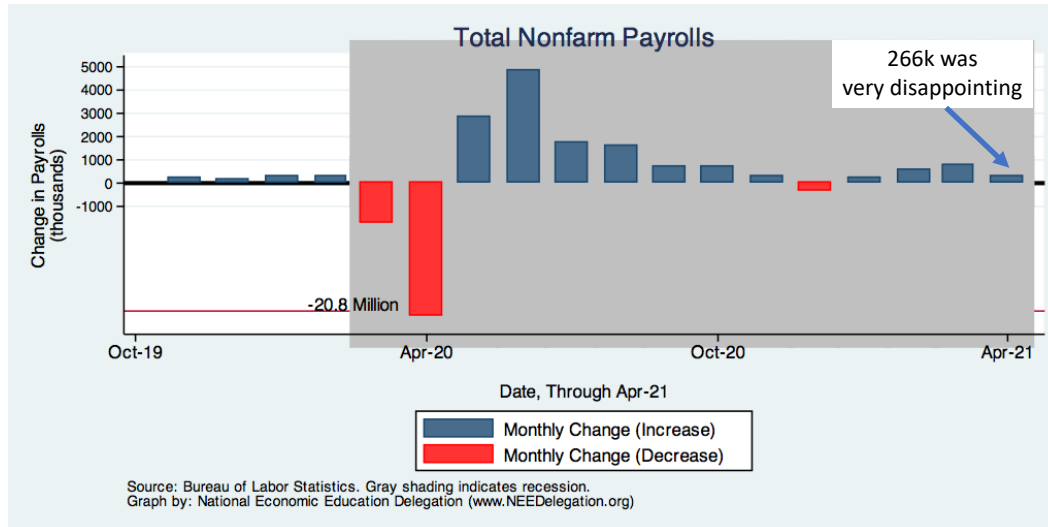


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Slow April Employment Growth



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Why Slow Employment Growth?

- **Nobody yet knows...could be an anomaly. Just one month.**
- **It is not: the generous unemployment checks.**
 - Low wage sectors were the only ones to see solid employment growth.
 - Leisure and hospitality: +331k
 - Professional services: -111k
- **It might be:**
 - Continued fear of the virus
 - Microchip shortages
 - Geographic mismatch and an unwillingness to relocate...yet.
 - Child care – lack of availability.
 - ???

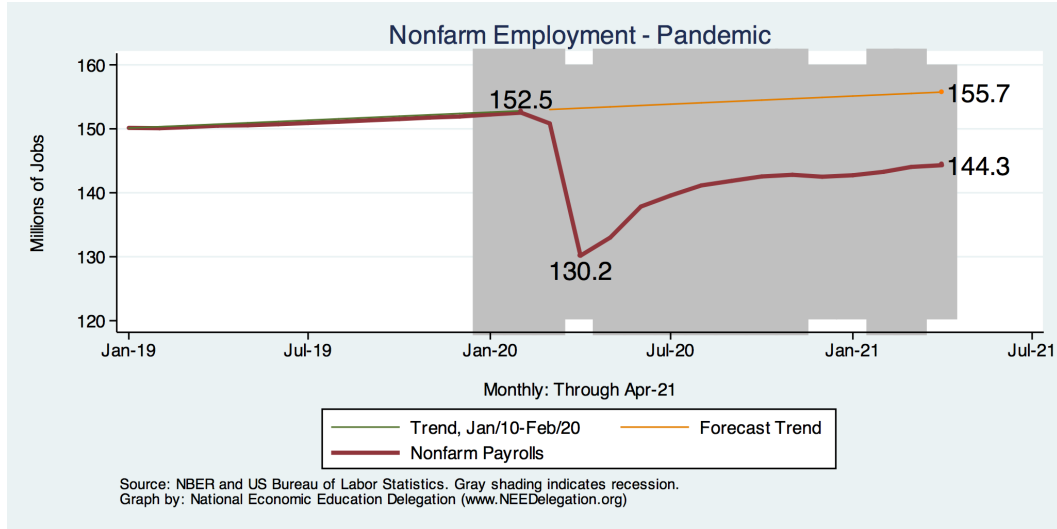


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Employment Gap

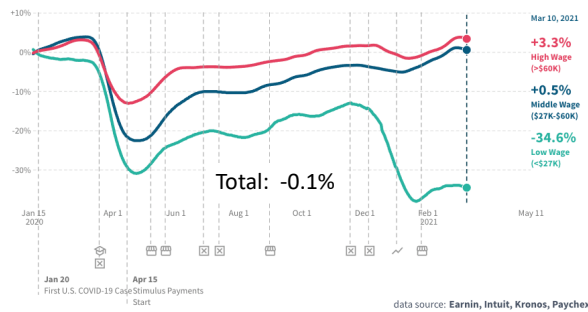


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Conditions Closer to Home

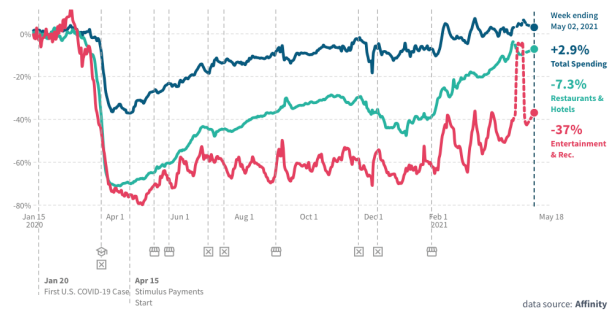
Employment in California

In California, as of March 10 2021, employment rates among workers in the middle wage quartiles increased by **0.5%** compared to January 2020 (not seasonally adjusted).



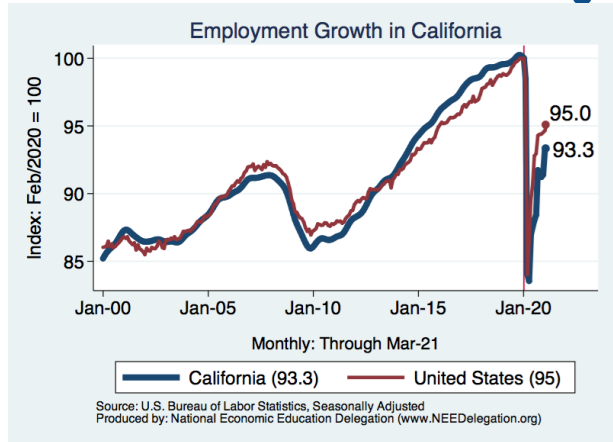
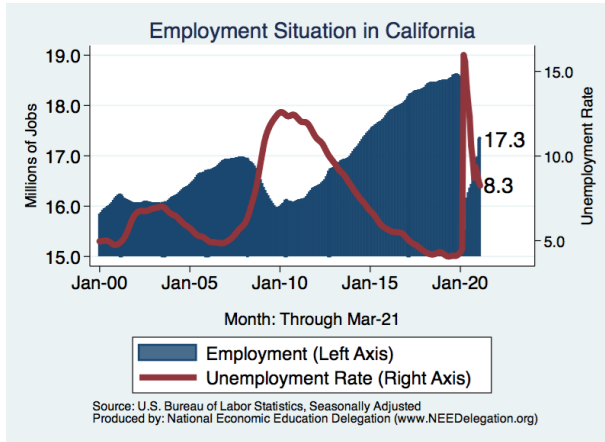
Consumer Spending in California

Consumer spending in California compared to January 2020.



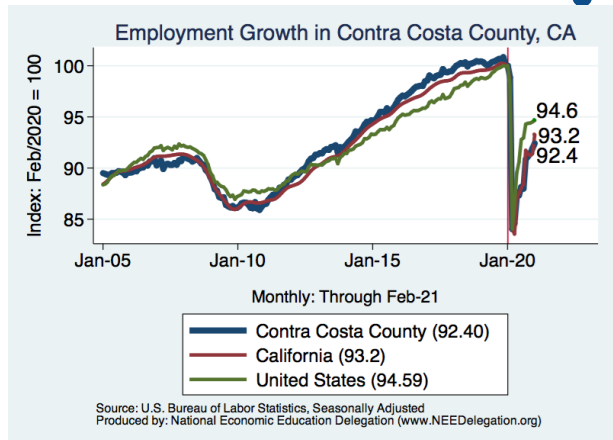
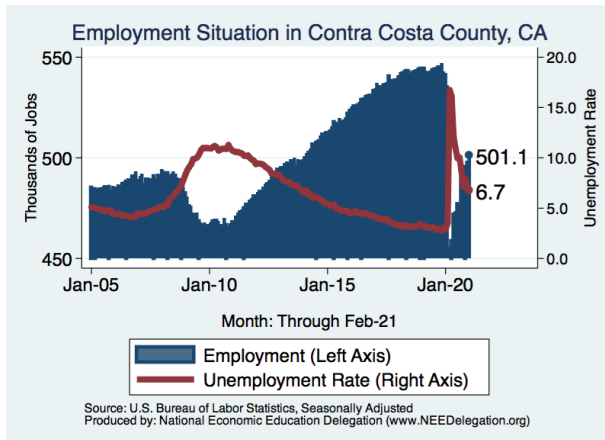
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Employment Situation: California



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Employment Situation: Contra Costa County



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What Have Been Policy Effects

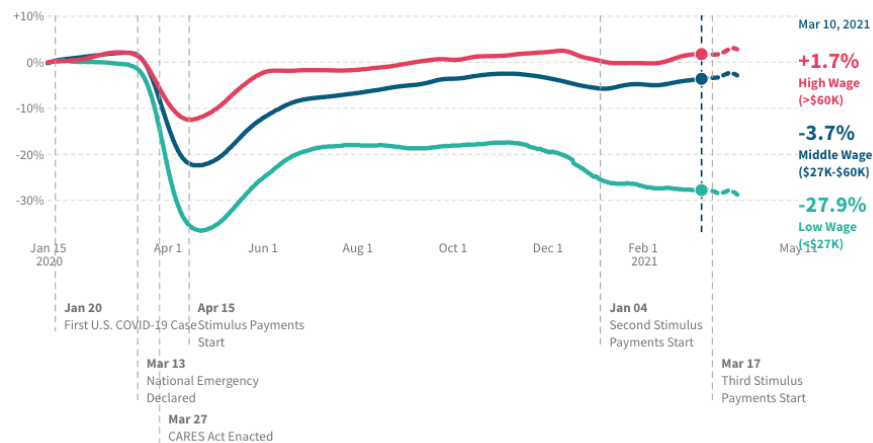
- **Monetary Policy (Fed) acted quickly and effectively to prevent a financial market meltdown and to keep credit flowing. But the Fed lends and does not spend.**
- **Fiscal policy (Congress) acted quickly, but inevitably made some mistakes.**
 - Stimulus Checks, A (\$268b)
 - Expanded Unemployment, B (\$268b)
 - Paycheck Protection Program, C- (\$525b)

Last 6 months: \$2.8 Trillion
Why?

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K-Shaped Recovery

In the **United States**, as of March 10 2021, employment rates among workers in the middle wage quartiles decreased by **3.7%** compared to January 2020 (not seasonally adjusted).



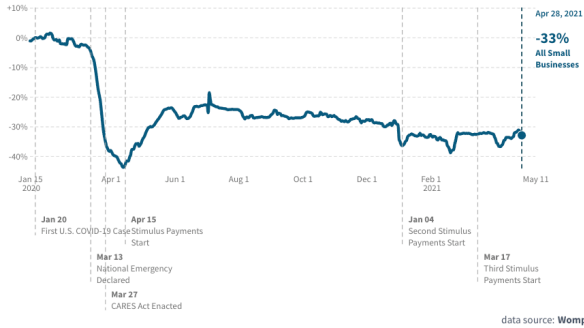
data source: Earnin, Intuit, Kronos, Paychex

20

Another Hard-Hit Sector: Small Business

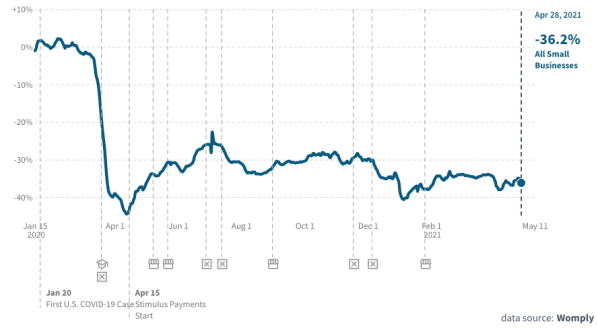
Small Biz Closures in the United States

In the United States, as of April 28 2021, the number of small businesses open decreased by **33%** compared to January 2020.



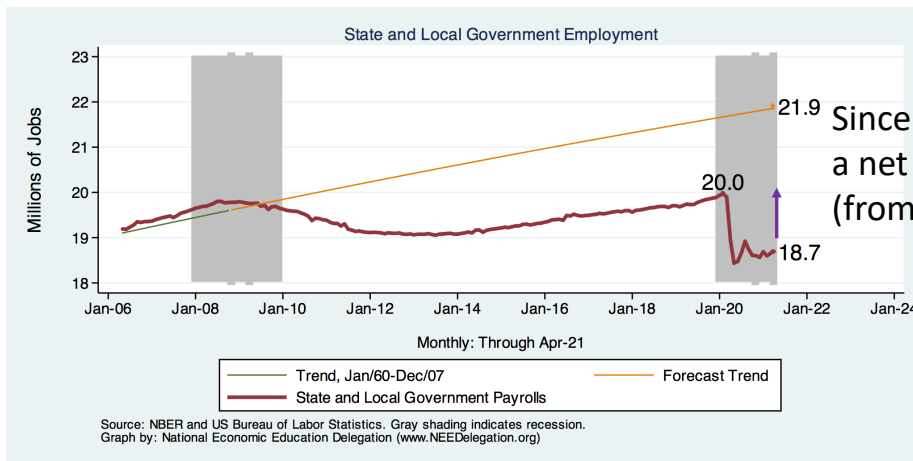
Small Biz Closures in California

In California, as of April 28 2021, the number of small businesses open decreased by **36.2%** compared to January 2020.

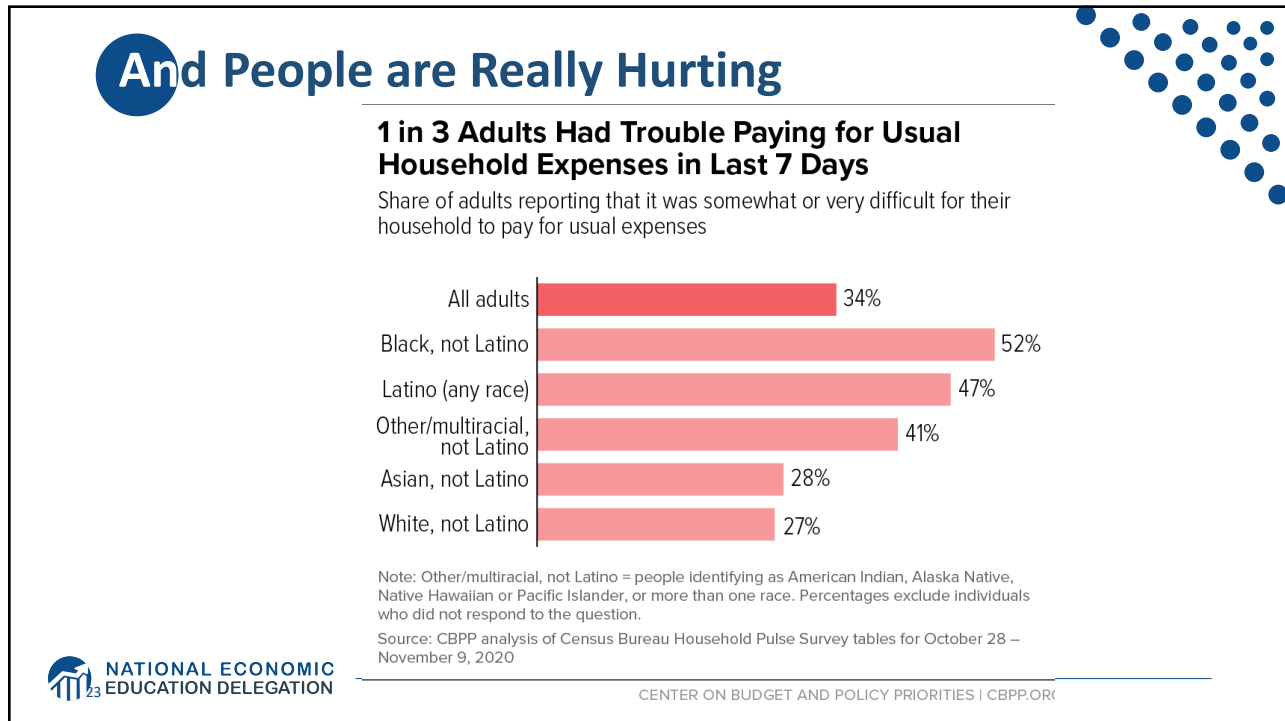


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State and Local Employment



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So, The President Went Big!

	American Rescue
Direct Payments	\$465 billions
Aid to State and Local Governments	\$350
Pandemic Unemployment	\$350
School Reopening	\$170
Vaccines	\$160
Expand Child Tax Credit	\$120
Rent and Landlord Support	\$30
Child Care Providers	\$25
Other	~\$200
Total	\$1,870

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Balancing Act

• Too Big (Larry Summers)

1. There already is about \$1.5 trillion in personal saving waiting to be spent.
2. Needlessly adding to our debt and deficit problems.
3. Reignite **inflation**.
4. Because of 1 & 2 less room for needed public infrastructure investment.

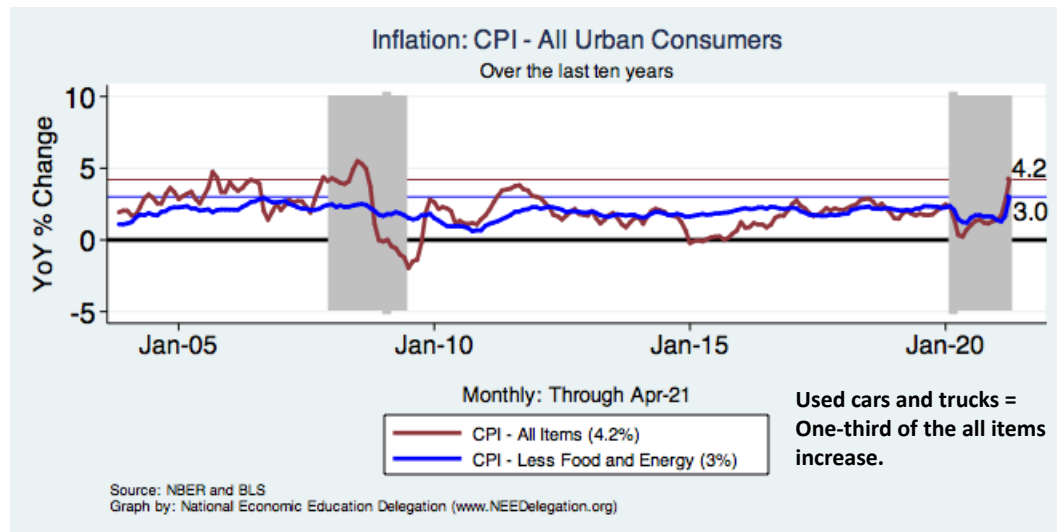
• Too Small (Paul Krugman)

1. You only get one bite at the apple.
2. Prolonged economic scarring.
3. People in true need are left out.



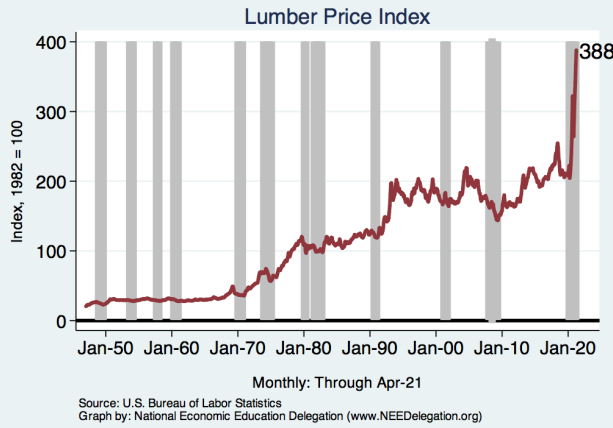
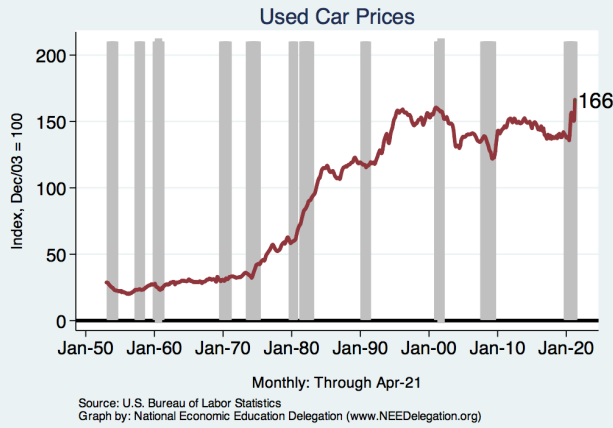
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Inflation – Recent Stability



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Used Cars & Wood

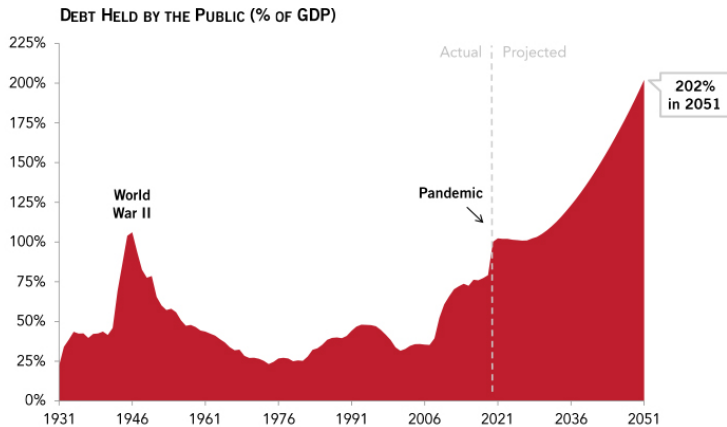


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A Problem Exacerbated...Not Created



The national debt is on an unsustainable path



SOURCE: Congressional Budget Office, The 2021 Long-Term Budget Outlook, March 2021.
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PGPF.ORG

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Aggregate Data Looks Encouraging

- Recovery has been *unexpectedly* rapid, albeit incomplete and perhaps slowing.
- Why so rapid: There were no **short-run** macro problems at the start of the crisis.
- Obstacles to a continued recovery:
 1. Fear of the virus or a resurgence.
 2. Economic damage due to prolonged job losses and business failures in specific sectors.
 3. Adapting to structural changes.



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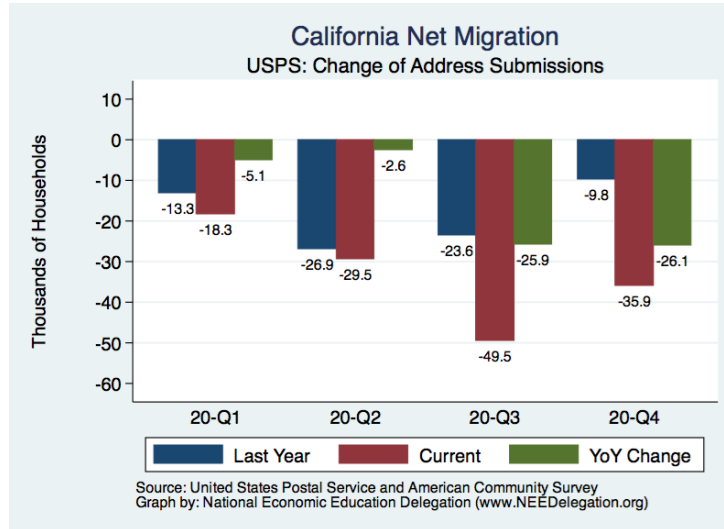
Structural Changes?

- Pandemic has been an accelerant.
 - Not a change agent.
- Retail
- Telecommuting
- Telehealth
- Business travel?
- Wealth concentration
- Industry concentration
- Automation



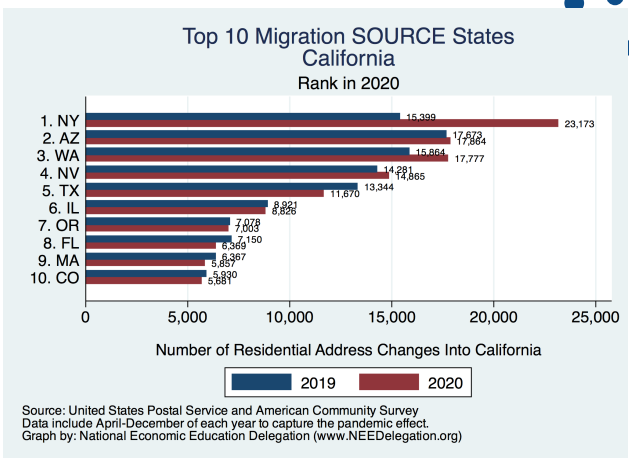
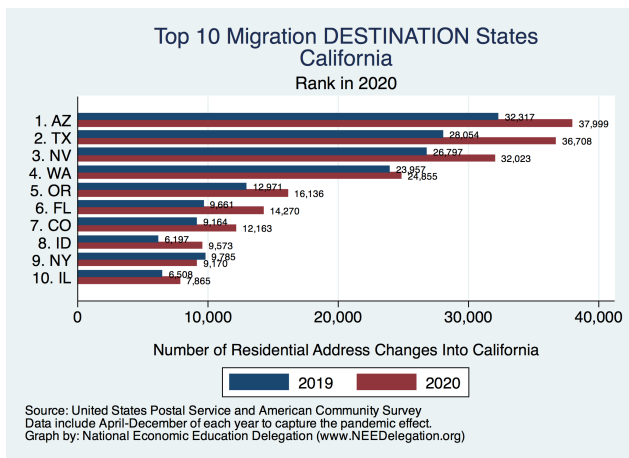
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Population Change: California



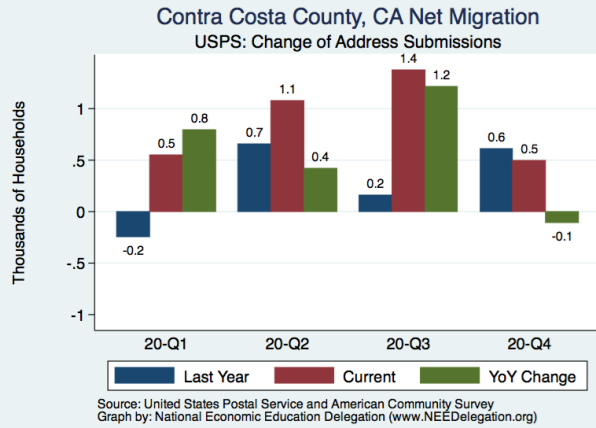
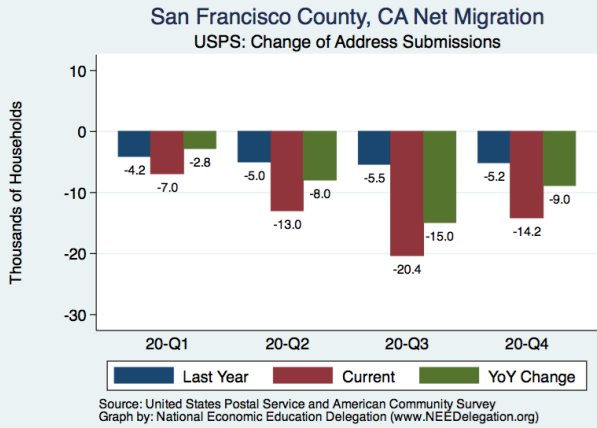
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Which Way Did They Go?



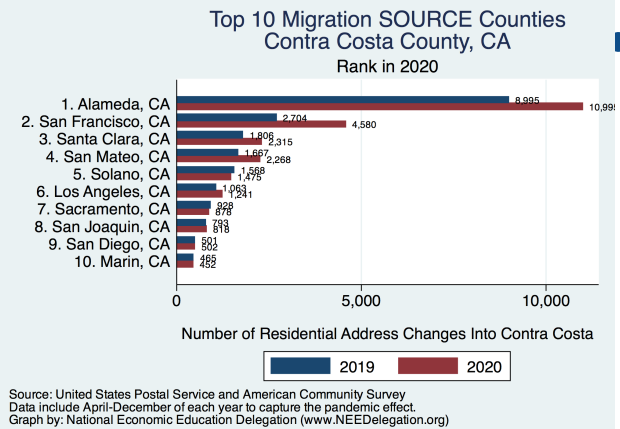
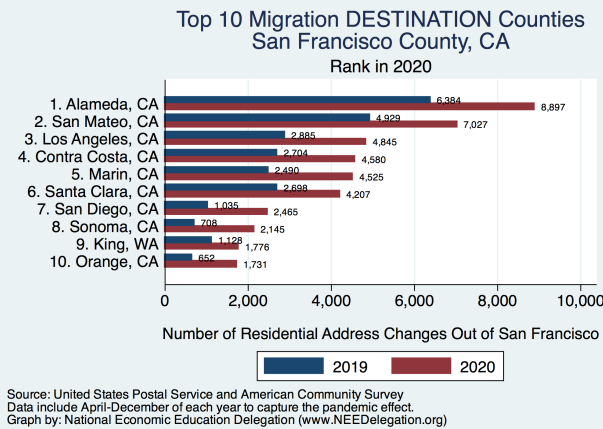
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Population Change: San Francisco & Contra Costa



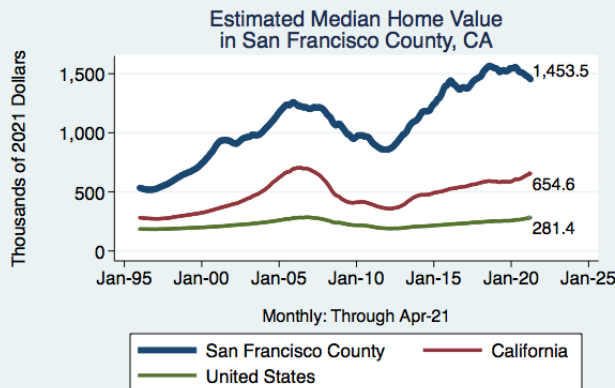
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Which Way Did They Go? SF & CC

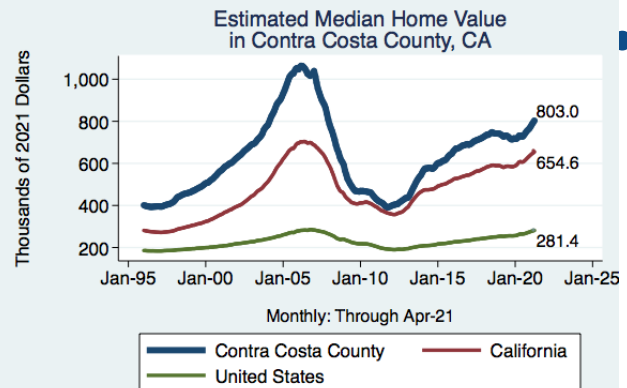


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RE Experiences Differ!



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
 Produced by: National Economic Education Delegation (www.NEEDelegation.org)



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
 Produced by: National Economic Education Delegation (www.NEEDelegation.org)

Summary

- **U.S. economy poised for a solid recovery.**
 - Small businesses may struggle for a while yet.
 - GDP likely to recover fully end of 2021, early 2022.
 - Employment may take a little longer.
- **California is lagging behind the rest of the United States.**
 - Tourism is going to be slow in recovering...until it isn't!
- **Debt and inflation are the primary concerns at this point.**
 - Sec. Yellen is not concerned about inflation.
 - Economists are not (yet) concerned about the debt.

Thank you!

Any Questions?

www.NEEDelegation.org

Jon Haveman

Jon@NEEDelegation.org

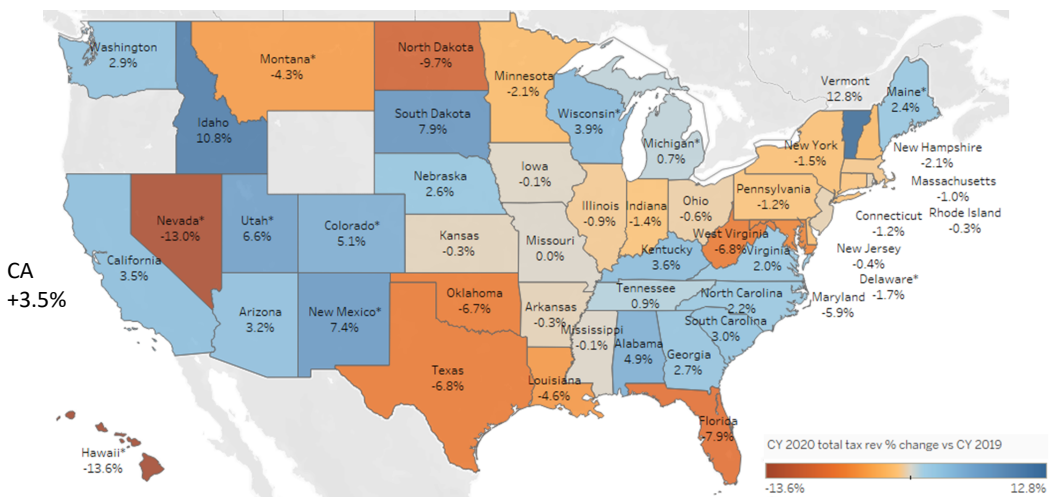
Contact NEED: info@needelegation.org

Submit a testimonial: www.NEEDelegation.org/testimonials.php

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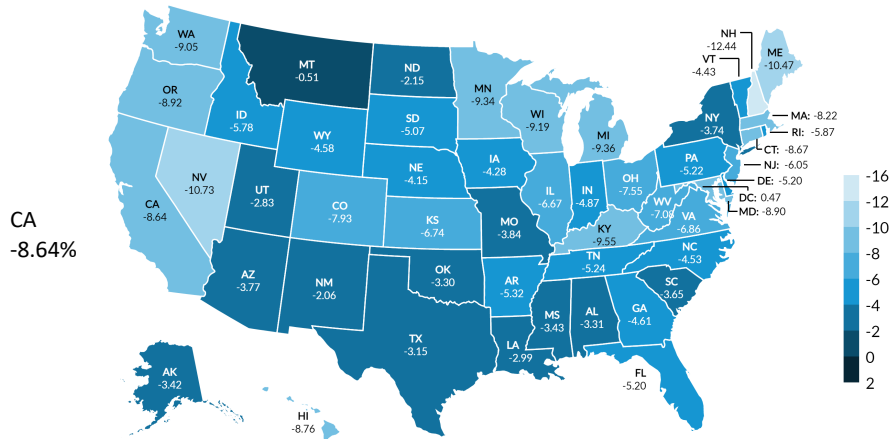


2020 State Tax Receipts Relative to 2019



Employment Losses Don't Match Revenue

PUBLIC
State and local public employment, December 2020
(percent change year over year, seasonally adjusted)



Source: Bureau of Labor Statistics via the State Economic Monitor

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