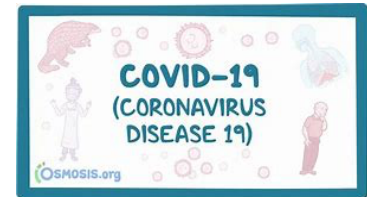




COVID-19: Economic Implications and Policy Response

June 9, Bio2Device

Jon Haveman, Ph.D.
National Economic Education Delegation



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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.

2

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

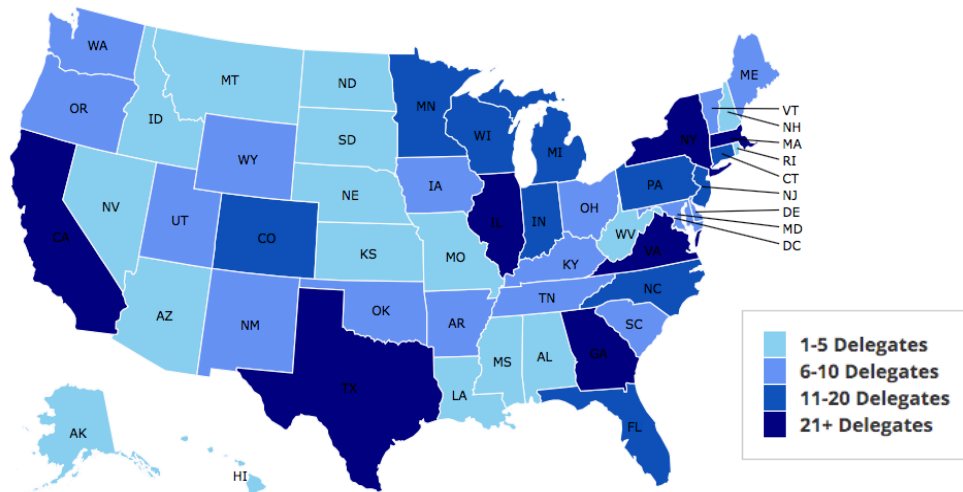
- **Global Partners: 44 Ph.D. Economists**

- Aid in slide deck development



3

Where Are We?



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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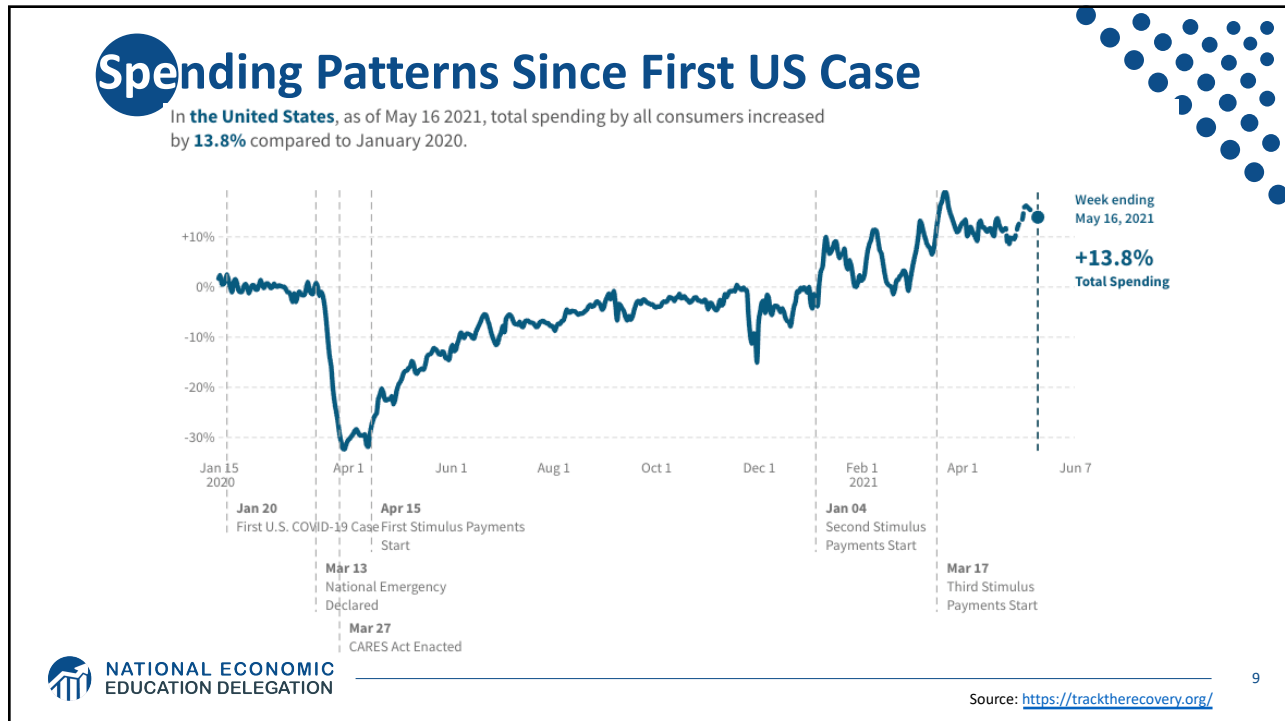
Outline

- ~~State of the Pandemic~~
- Evidence of Impact
- Government Policy
- What to expect going forward

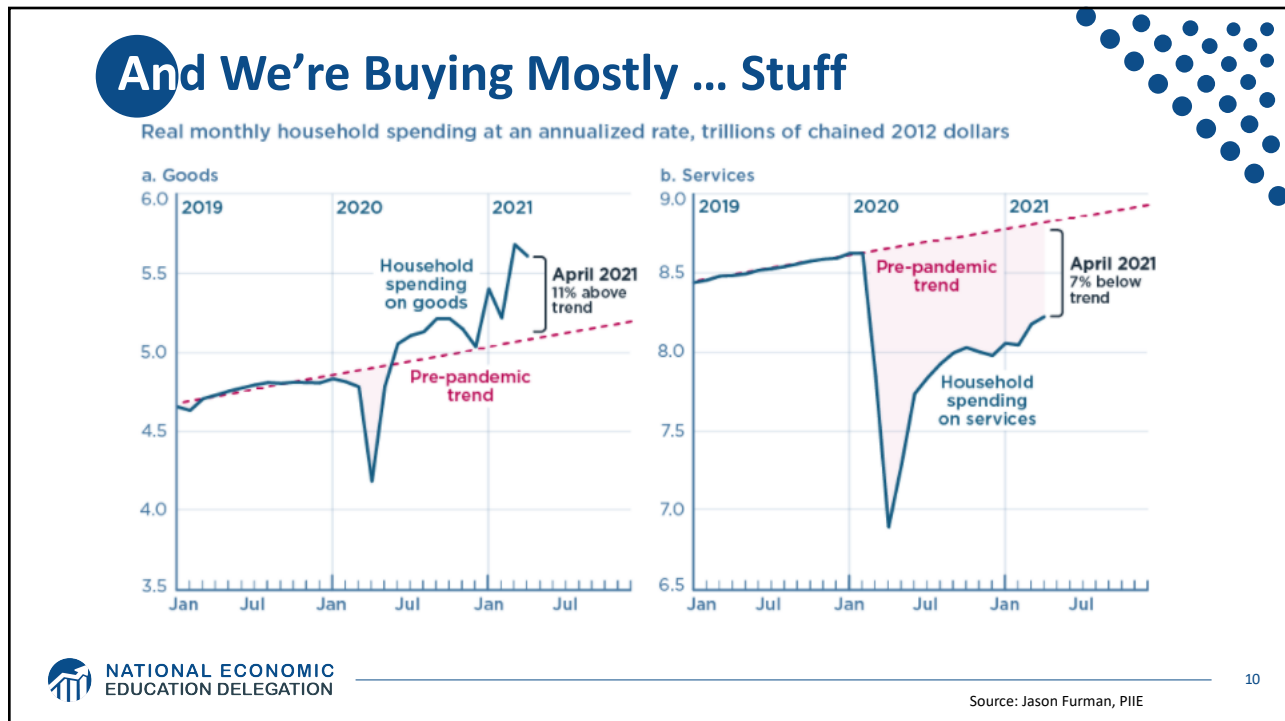
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Evidence of Impact

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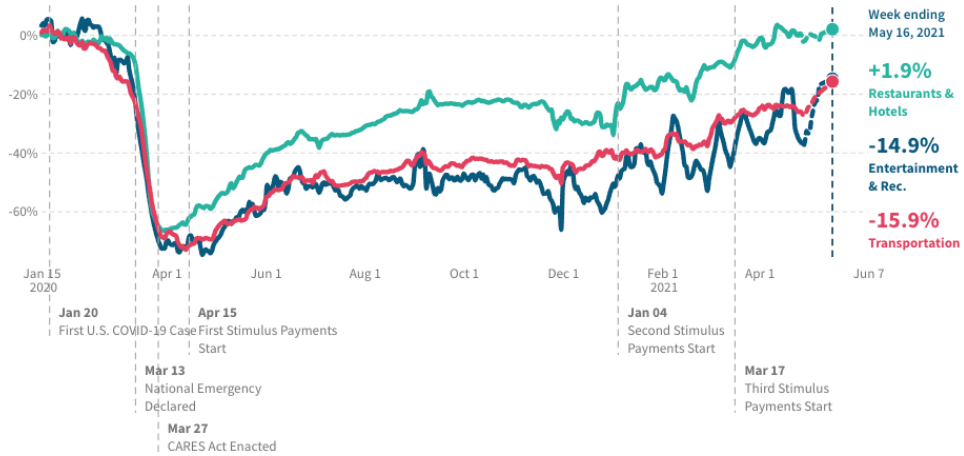
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Spending Patterns – Hardest Hit Sectors

In the United States, as of May 16 2021, arts, entertainment, and recreation spending by all consumers decreased by **14.9%** compared to January 2020.

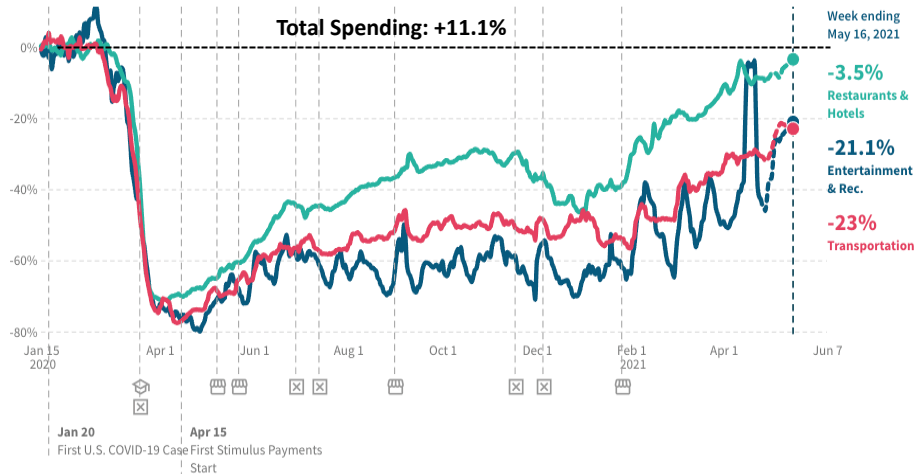


Source: <https://tracktherecovery.org/>

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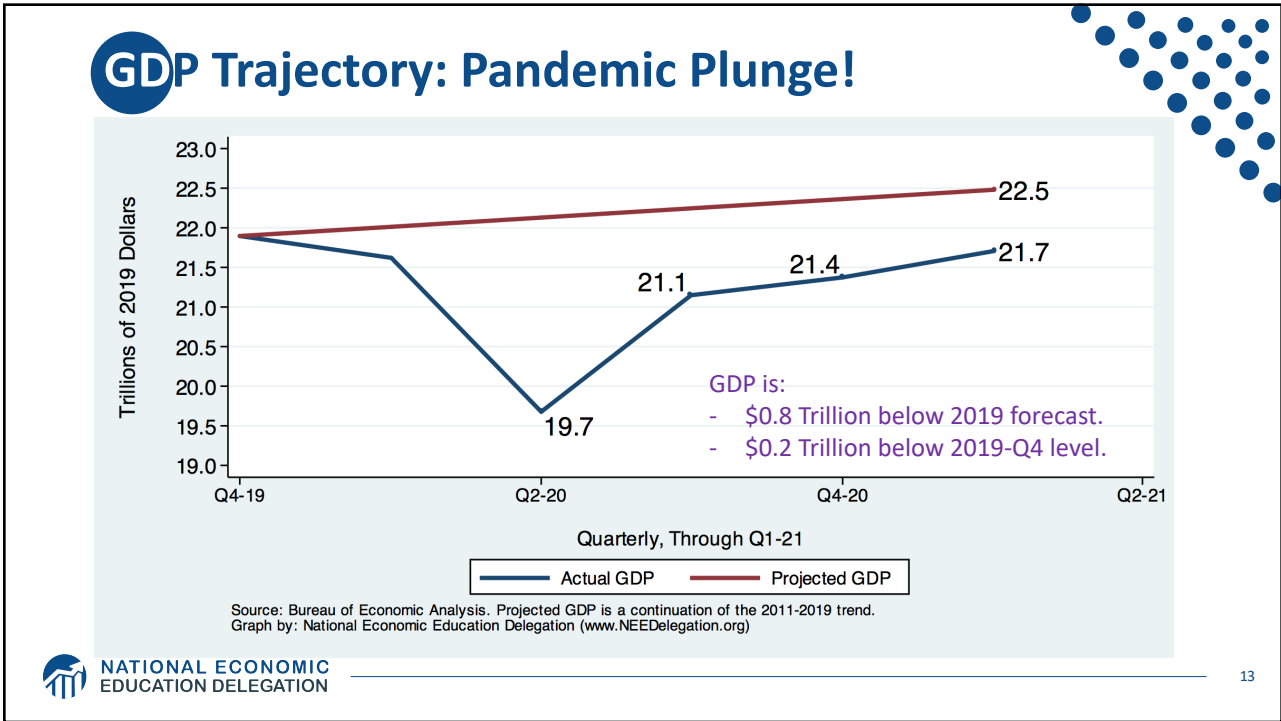
Spending Patterns Since First US Case: CA

In California, as of May 16 2021, arts, entertainment, and recreation spending by all consumers decreased by **21.1%** compared to January 2020.

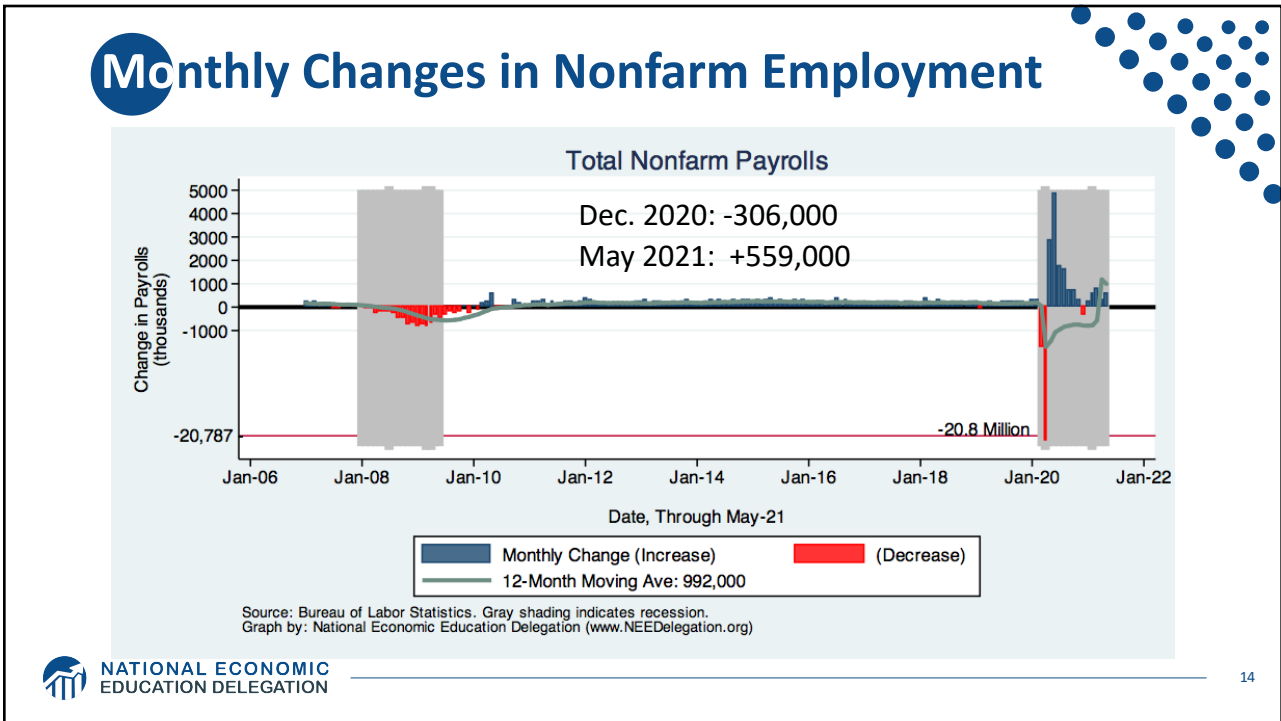


Source: <https://tracktherecovery.org/>

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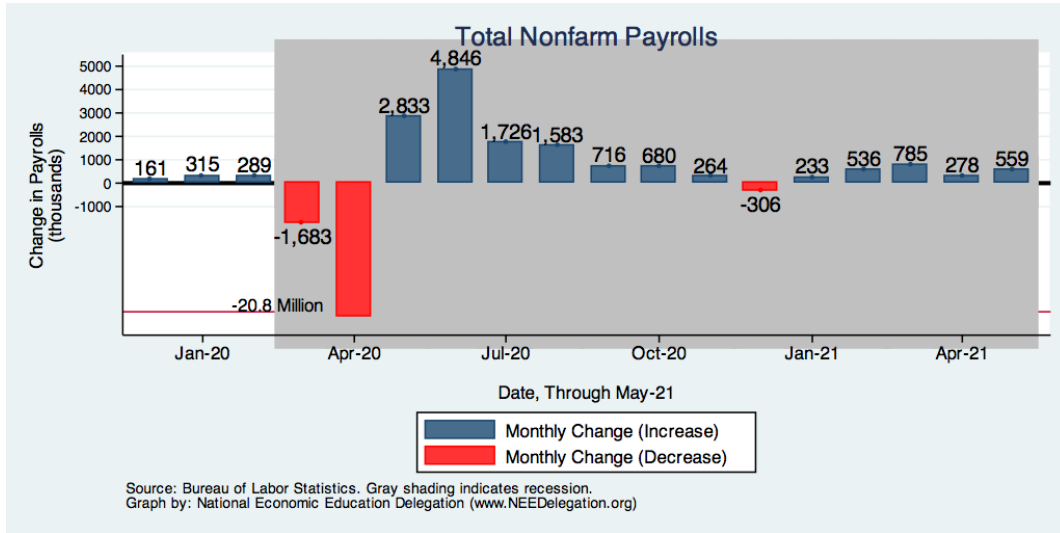


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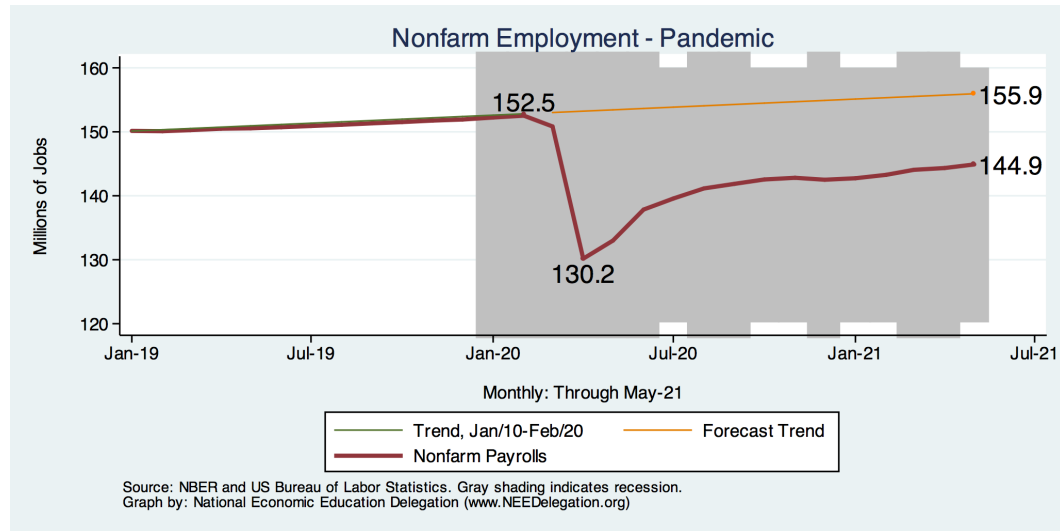
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Monthly Changes in Nonfarm Employment



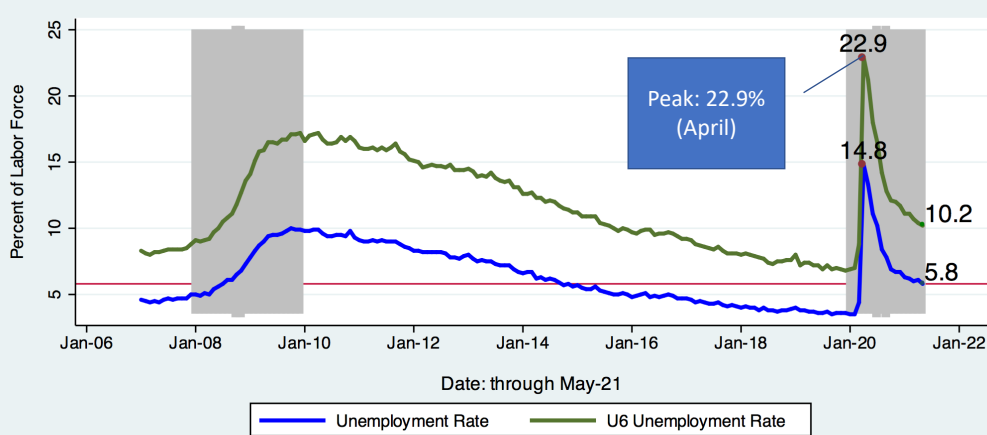
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Employment Gap



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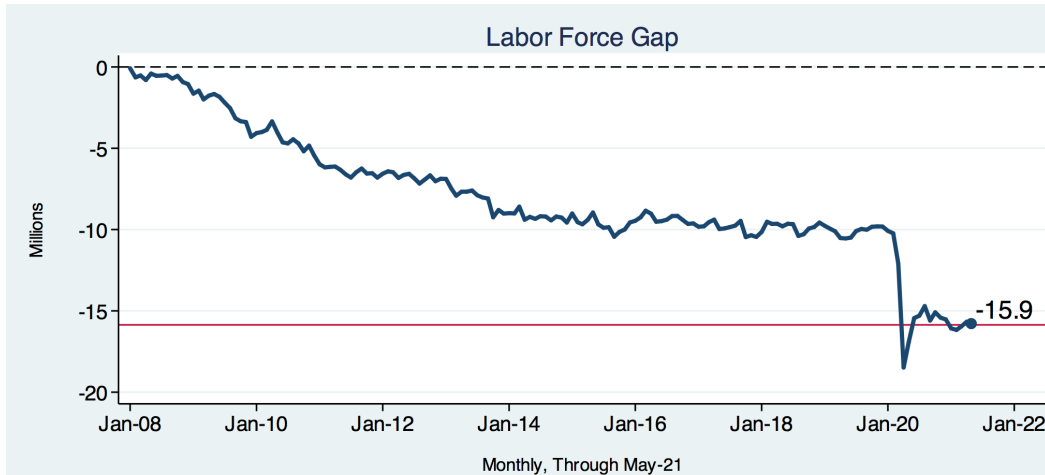
Reduced Spending: Unemployment



Source: Bureau of Labor Statistics. Gray shading indicates recession.
 U6: Total unemployed, plus all marginally attached workers plus total employed part time for economic reasons.
 Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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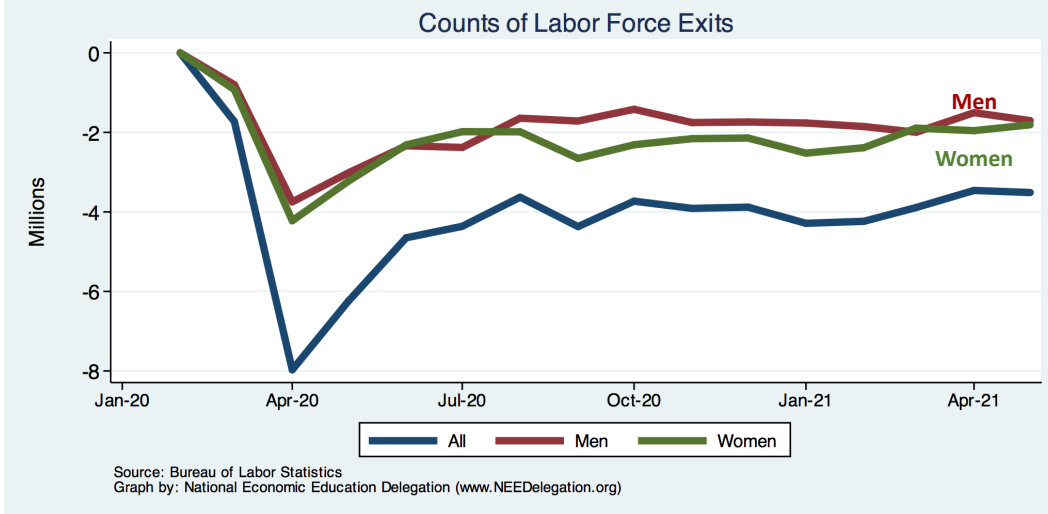
Labor Force is Shrinking – Drives Down UR



Source: Bureau of Labor Statistics
 Graph by: National Economic Education Delegation (www.NEEDelegation.org)

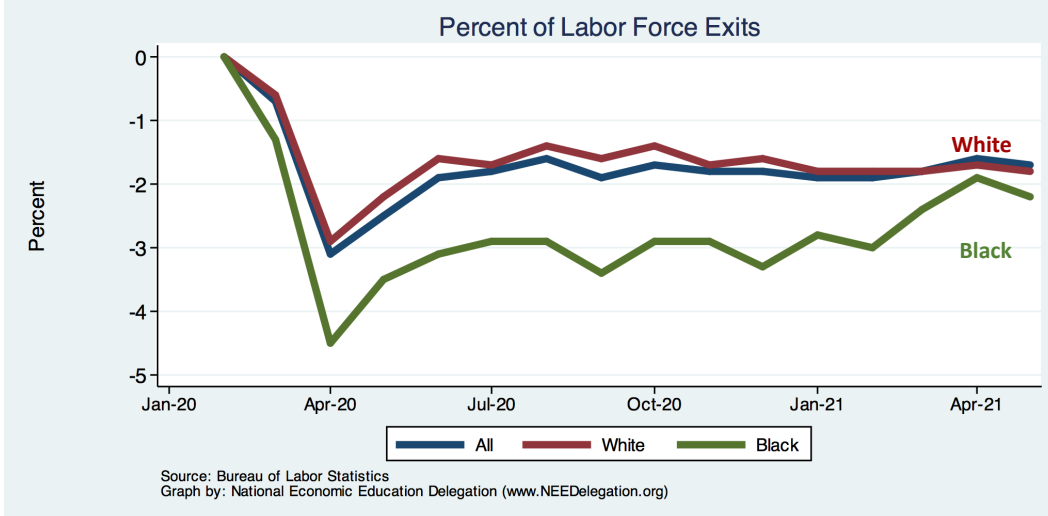
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Affected Women More Than Men (Past Tense)



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Affecting Black Workers More than White



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Why Slow Employment Growth?

- Economists had expected more than 1 million jobs in April.
 - Why didn't we get them?
- It is not: the generous unemployment checks.
 - Low wage sectors were the only ones to see solid employment growth.
 - Leisure and hospitality: +328k (April) +292k (May)
 - Professional services: -81k (April) +35k (May)
 - Lack of wage growth.
- It might be:
 - Continued fear of the virus.
 - Microchip shortages.
 - Geographic mismatch and an unwillingness to relocate...yet.
 - Child care – lack of availability.
 - ???



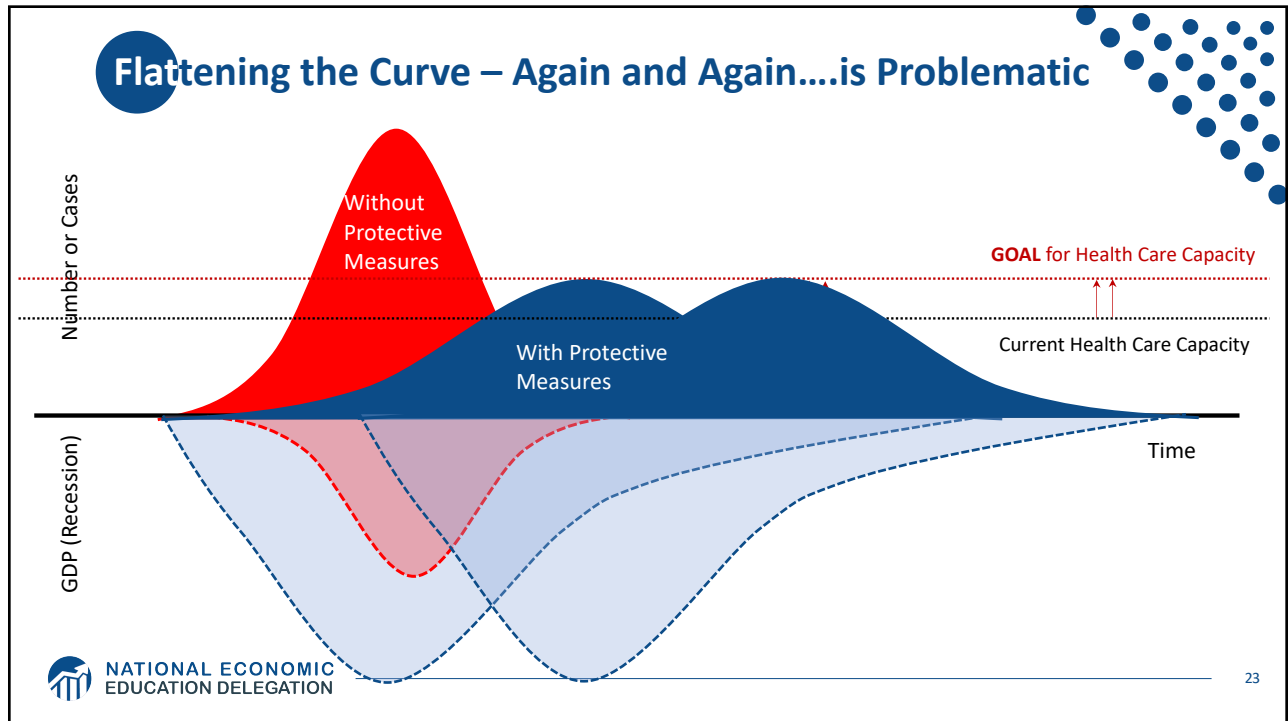
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A Tale of Three Policies Efforts

- Social policy: Social Distancing
- Monetary Policy
- Fiscal Policy



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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 two packages: \$2.8 Trillion

Why?



25

Is it a V or a K shaped recovery?

1. **Aggregate data look good because the Cares Act (at least until the end of July) supported low income workers.**
2. **But, it doesn't look good everywhere. Bottom part of K**
 1. Employment of Low-Income workers.
 2. Small firms.
 3. Hard-hit Sectors: Restaurants, entertainment and transportations.
 4. State and Local Governments
3. **Nike swoosh**



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A “K-shaped” recovery?

Executive Summary

- Those with financial wealth/residential real estate have seen its value grow in excess of inflation.
- High income earners (>60k/yr) have largely kept their jobs;
 - middle and low income earners have depressed employment rates
- Women are disproportionately exiting labor force.
- Food insecurity is very high.

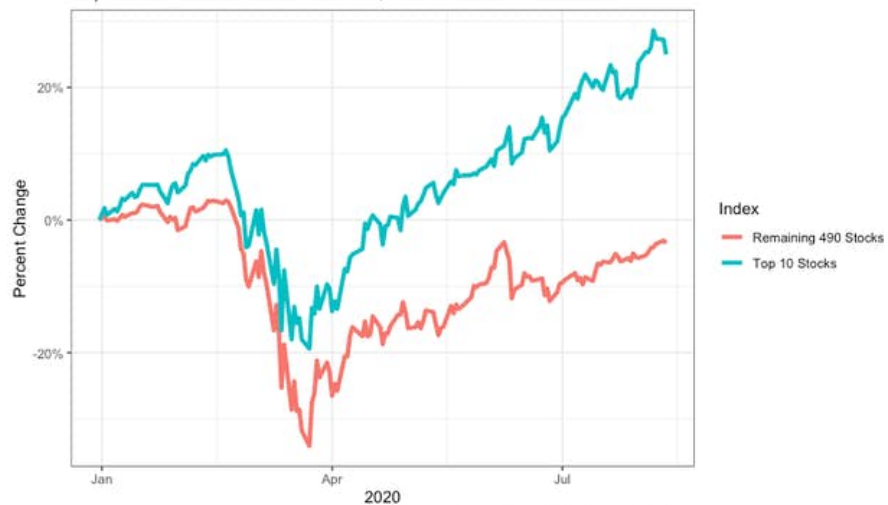
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Recovery/Recession for Whom?

Top 10 S&P Stocks:

1. Apple
2. Microsoft
3. Amazon
4. Facebook
5. Alphabet Class A shares
6. Alphabet Class C shares
7. Berkshire Hathaway
8. Johnson & Johnson
9. Visa
10. Procter & Gamble

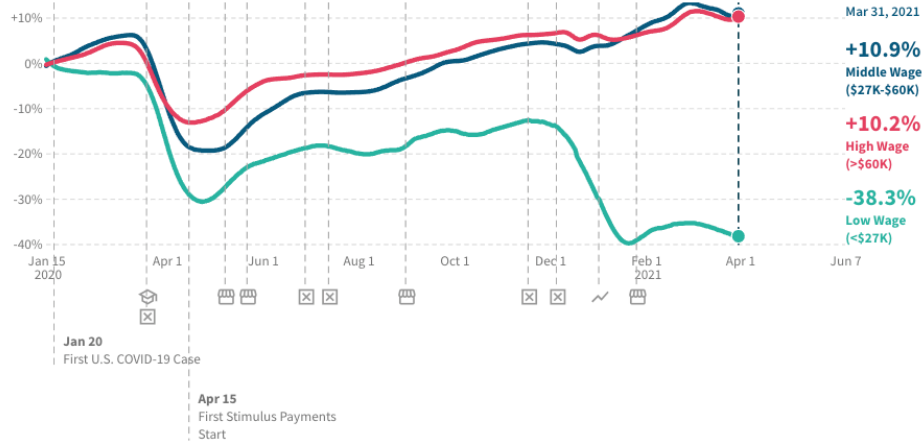
Top 10 S&P Stocks vs. Bottom 490, Year-to-Date Performance



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Low Wage Employment is Lagging

In **California**, as of March 31 2021, employment rates among workers in the middle wage quartiles increased by **10.9%** compared to January 2020 (not seasonally adjusted).

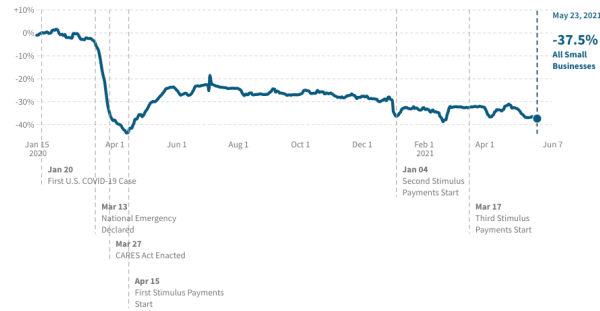


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Another Hard-Hit Sector: Small Business

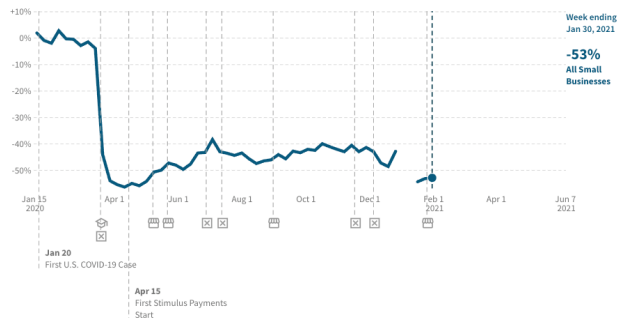
Small Biz Closures in the United States

In **the United States**, as of May 23 2021, the number of small businesses open decreased by **37.5%** compared to January 2020.

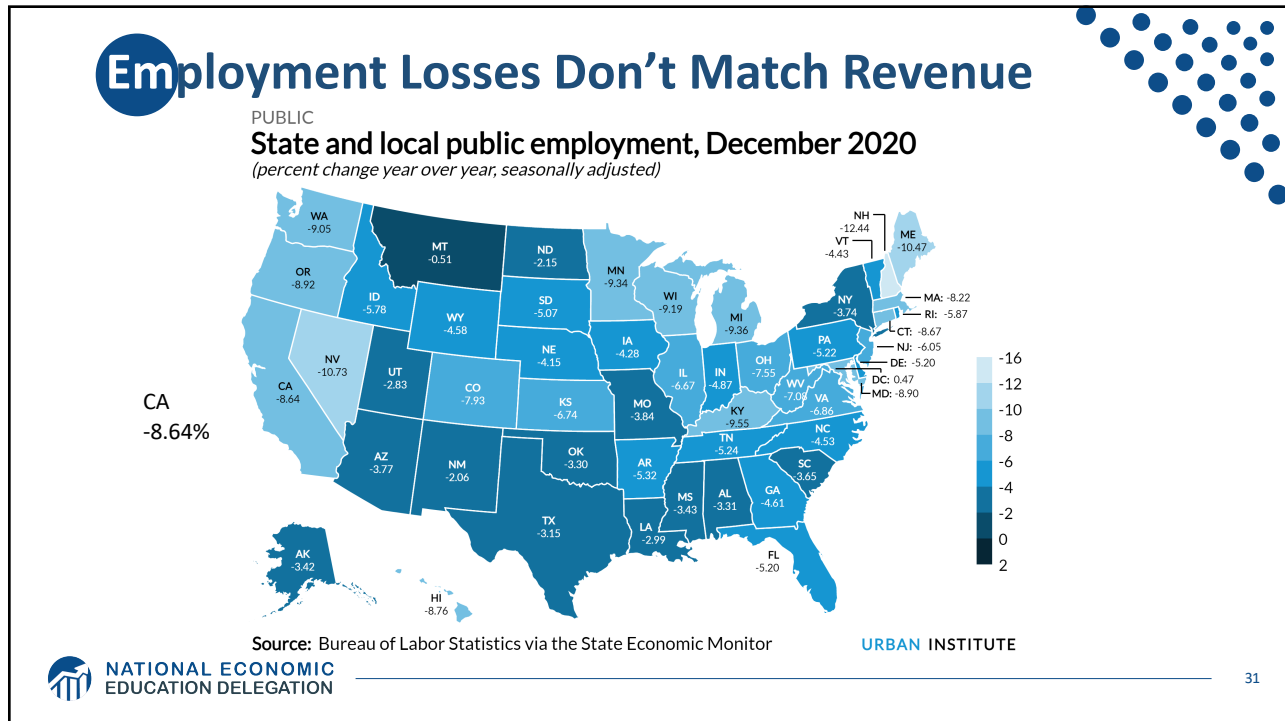


Small Biz Closures in San Francisco

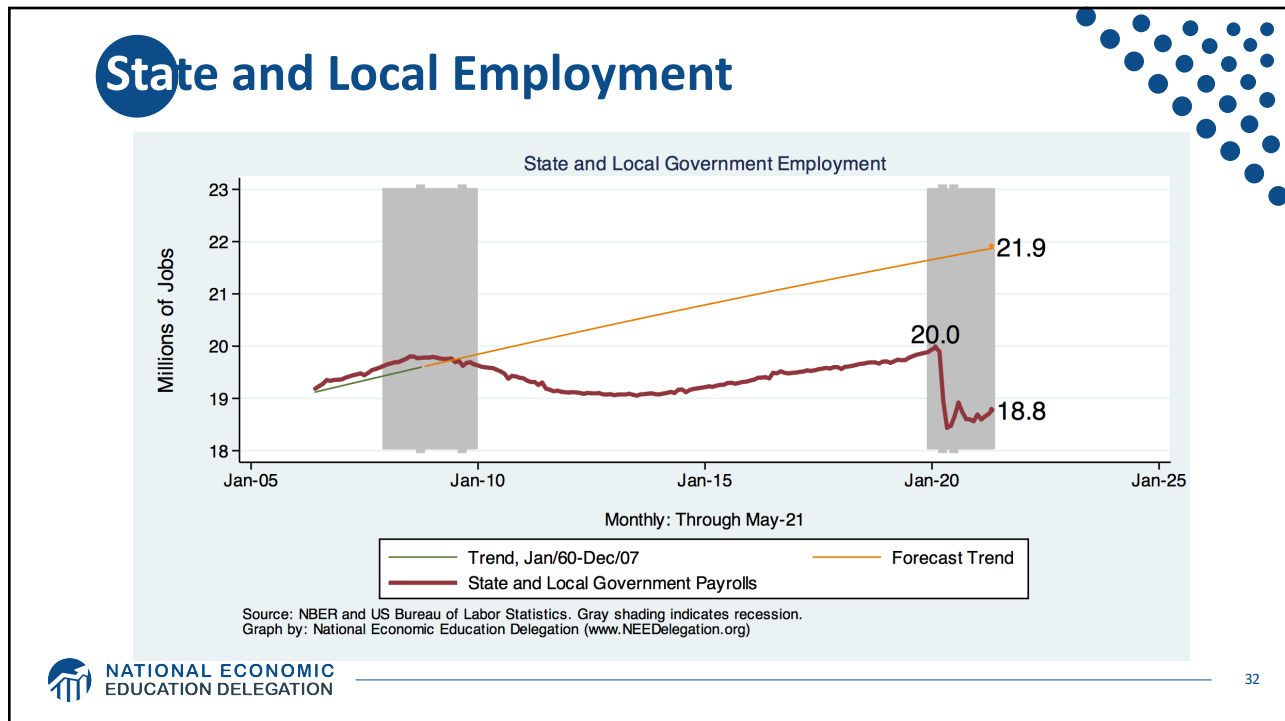
In **San Francisco**, as of January 30 2021, the number of small businesses open decreased by **53%** compared to January 2020.



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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)

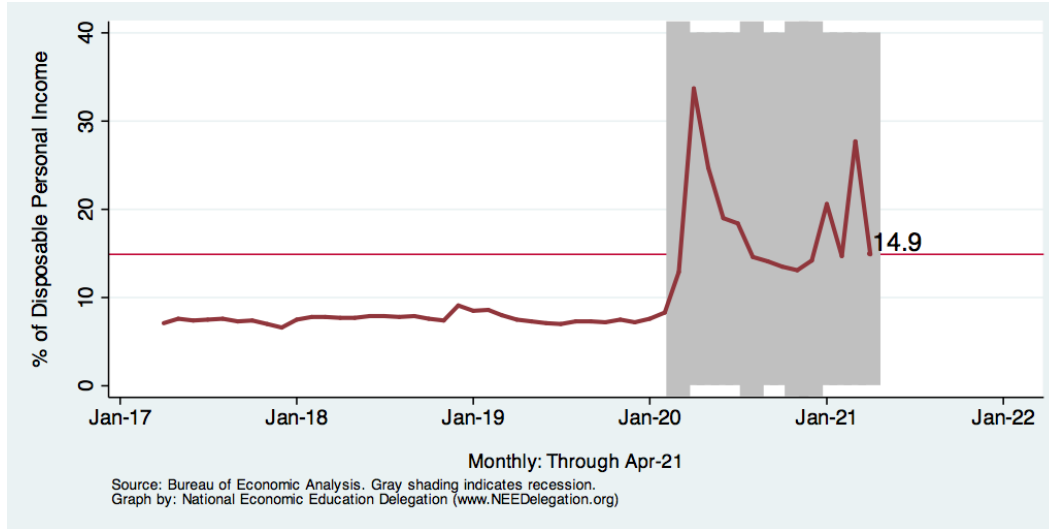
1. There already is about \$1.5 trillion in personal saving waiting to be spent.
2. Needlessly adding to our debt and deficit problems.
3. Reignite **inflation**.
4. Because of 1 & 2 less room for needed public infrastructure investment.

• Too Small (Paul Krugman)

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

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Larry's Concern

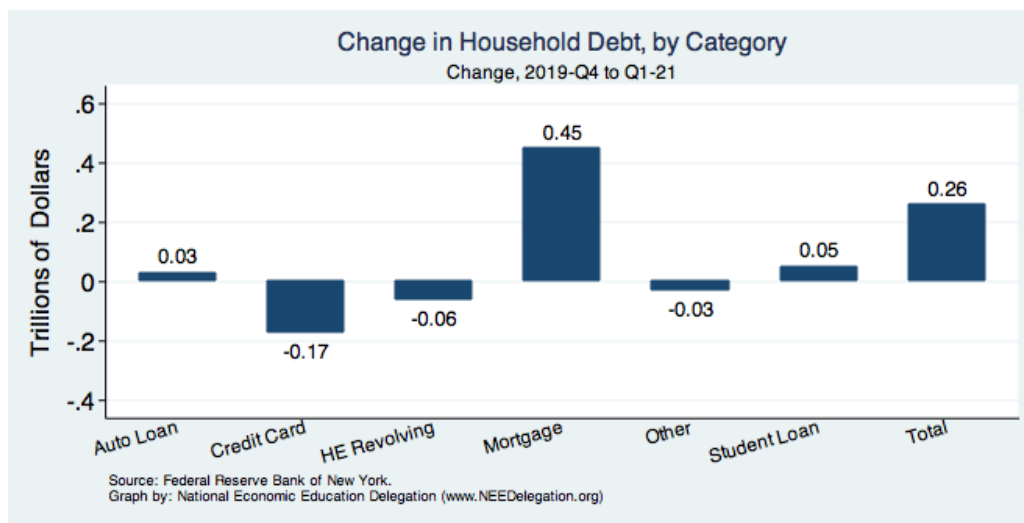


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Change in Debt Profile

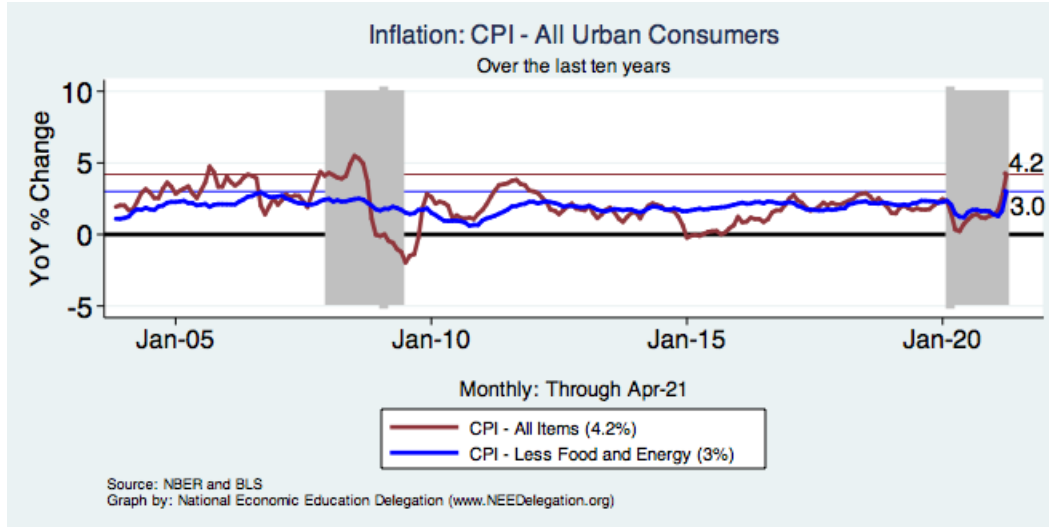


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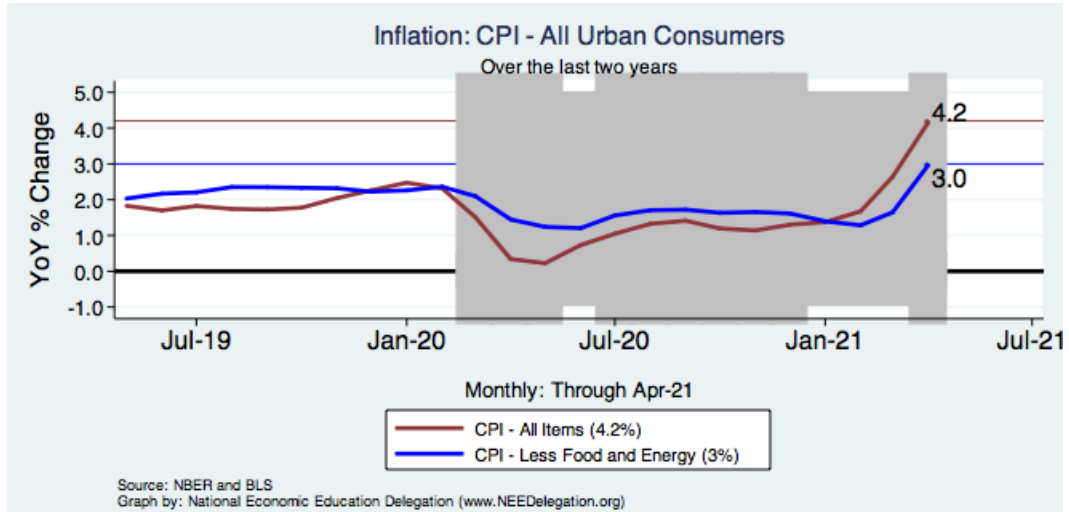
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Inflation – Recent Stability



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Inflation – Trending Upward?

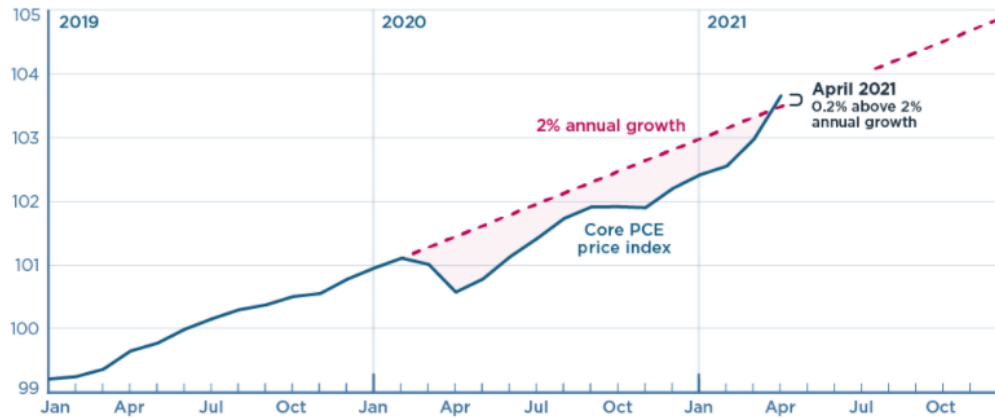


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Prices Overall Had Fallen...Catching Up!

The pandemic shortfall in prices has now completely closed

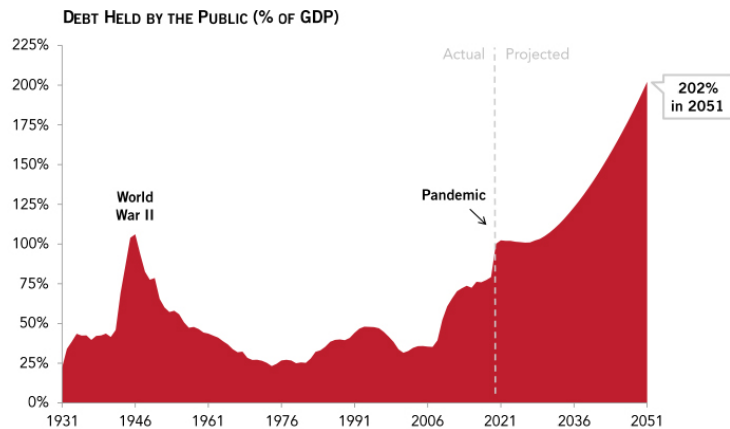
Core personal consumption expenditures (PCE) price index (index, 2019 average=100)



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. © 2021 Peter G. Peterson Foundation

Aggregate Data Looks Encouraging

- Recovery has been *unexpectedly* rapid, albeit incomplete, but has started to pick up again.
- Why so rapid: There were no **short-run** macro problems at the start of the crisis.
- The only obstacle to a continued recovery:
 1. Resurgence of the virus.
 2. Economic damage due to prolonged job losses and business failures in specific sectors.
 3. Adapting to structural changes.



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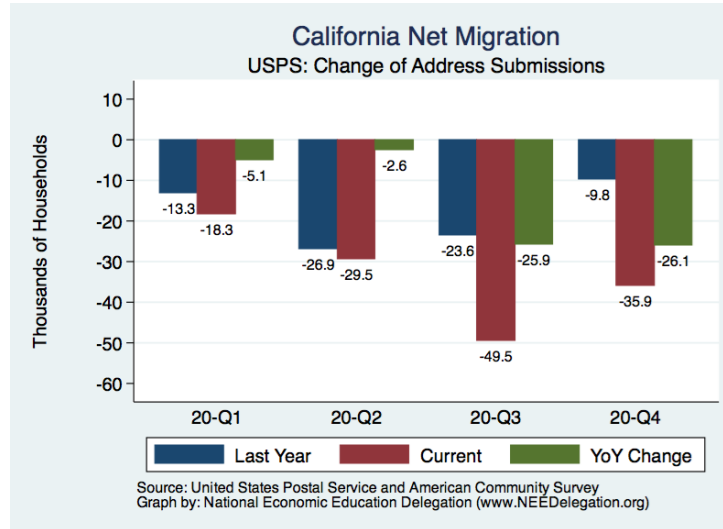
Structural Changes?

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



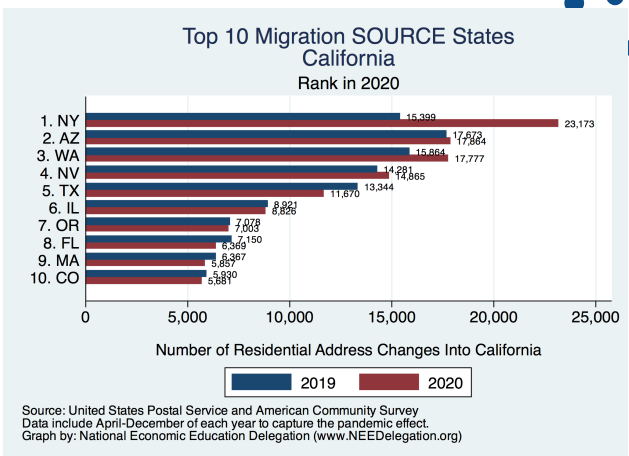
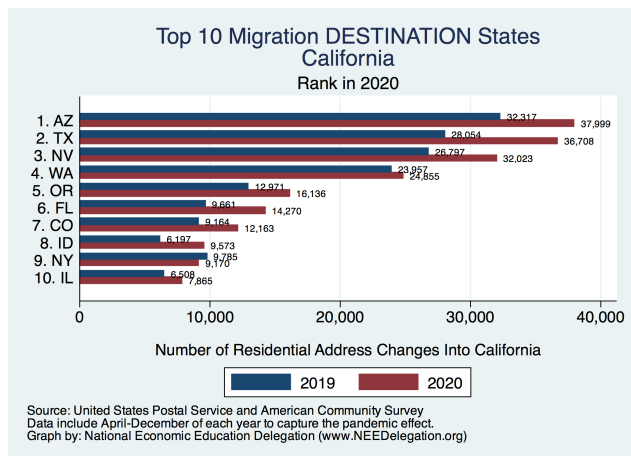
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Population Change: California



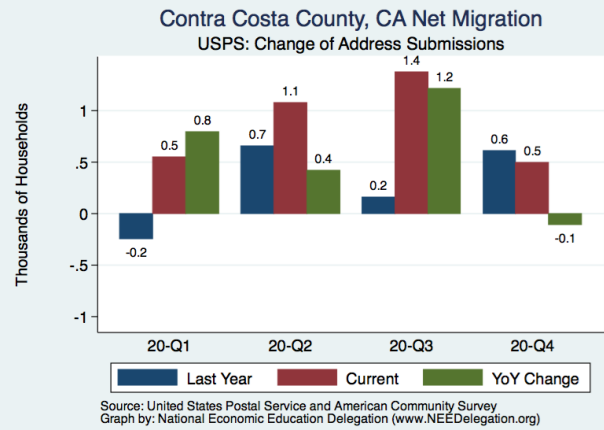
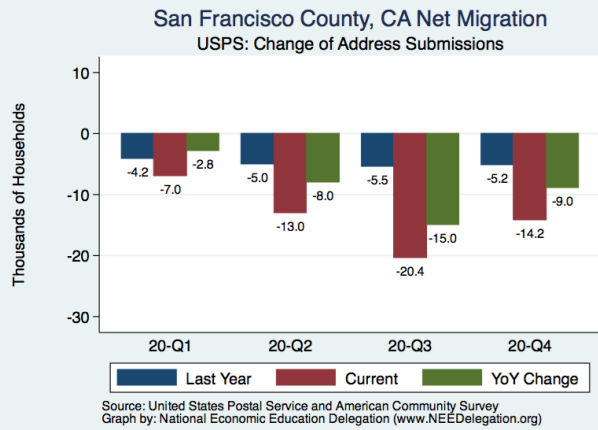
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Which Way Did They Go?



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Population Change: San Francisco & Contra Costa



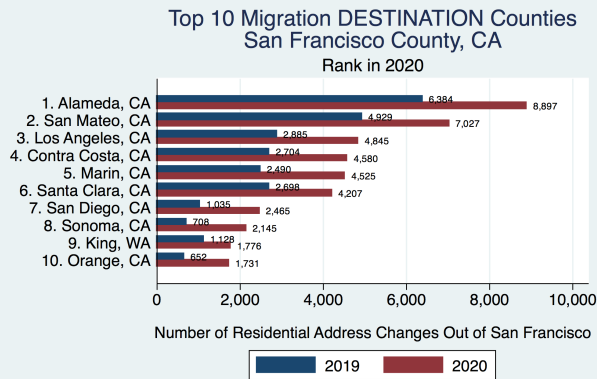
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Why so Kean on Telecommuting?

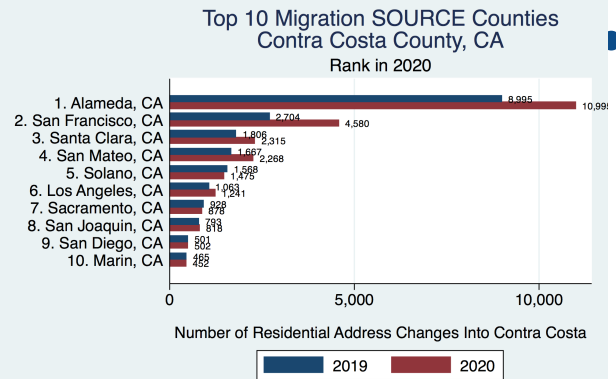
- **Productivity at home appears to be really high during pandemic.**
 - Nothing else to do.
 - Short term – corporate culture and new hires – visibility to the boss – camaraderie.
- **CEOs are salivating over reduced Comm RE costs.**

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Which Way Did They Go? SF to CC



Source: United States Postal Service and American Community Survey
Data include April-December of each year to capture the pandemic effect.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

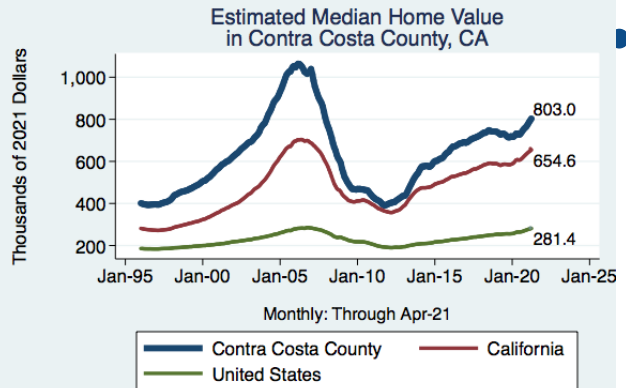
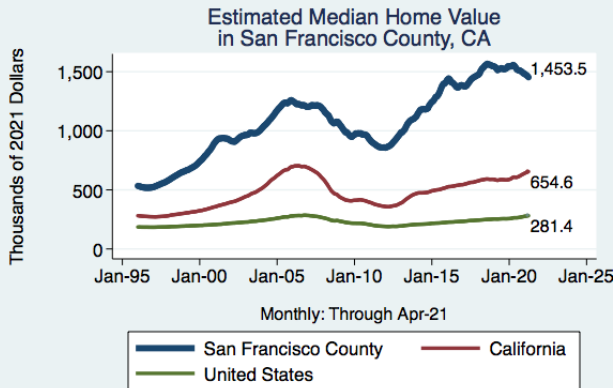


Source: United States Postal Service and American Community Survey
Data include April-December of each year to capture the pandemic effect.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

Telecommuting – Will it Stick?

- **Working from home is ALWAYS less productive than working in the office.**
 - But the gap has shrunk because of technology.
- **In the interest of workplace productivity, employers are likely to allow more working from home.**
 - Increased in-office moral and hence productivity.
 - But not 100% or even 50%. How much?
- **Has important implications for real estate.**

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)

www.NEEDelegation.org/LocalGraphs

For every state and county in the United States.

Detailed graphs on employment, housing, moves, and other statistics.

Conclusion

- **COVID-19 is health crisis that has macroeconomic implications.**
 - With enormous built-in inequities.
- **Significant structural changes – accelerant.**
- **GDP will likely expand between 4.0 and 5.0 percent this year.**
- **Policy gap created enormous hardship.**
 - Hunger, evictions, foreclosures, additional deaths.
 - Loss of GDP: 4-5% Unemployment: up 4-5 pts.
- **Physical health determines economic health for the economy.**
 - Well on our way to recovery, both health and economic.



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Thank you!

Any Questions?

www.NEEDelegation.org

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