



# COVID-19: Economic Implications and Policy Response

California Community Colleges  
Real Estate Education Center

April 16, 2021  
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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: 585+ 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**
- **Trade Wars**
- **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:**

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- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dombeck, Lewis & Clark College

- **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

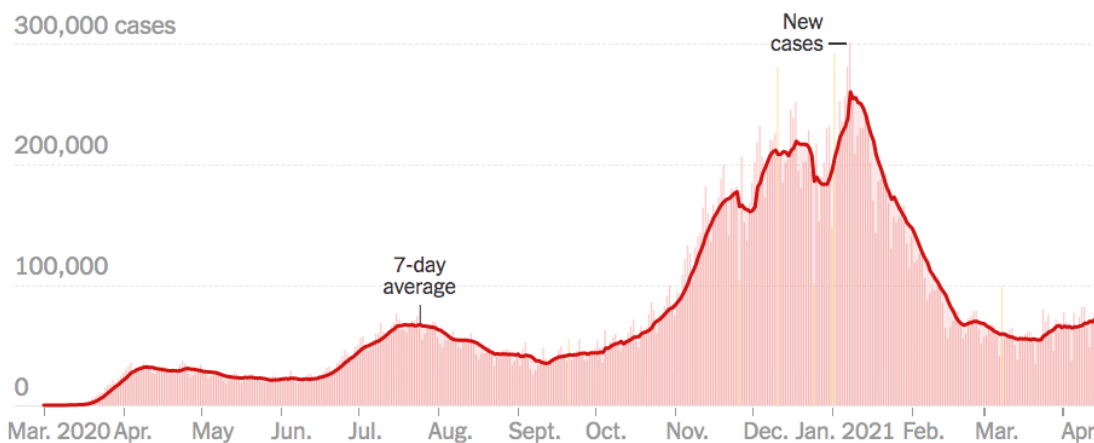
- **State of the pandemic**
- **Where is the recovery now?**
- **How has policy affected the recovery?**
- **The most recent COVID package**
- **Real Estate**



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## Concern: Here We Go Again?

### New reported cases by day



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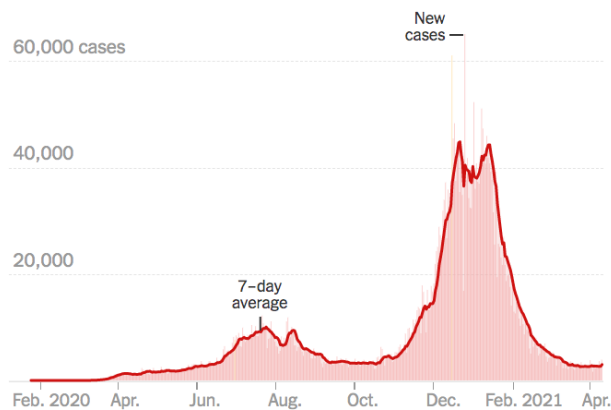
Source: NYTimes

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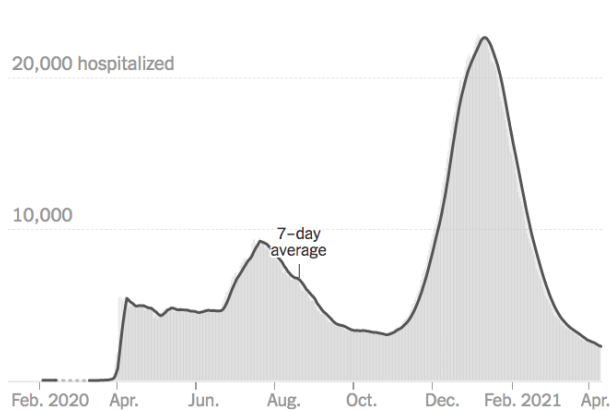
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## California Cases Have Stopped Falling Rapidly

### New reported cases by day



### Hospitalizations

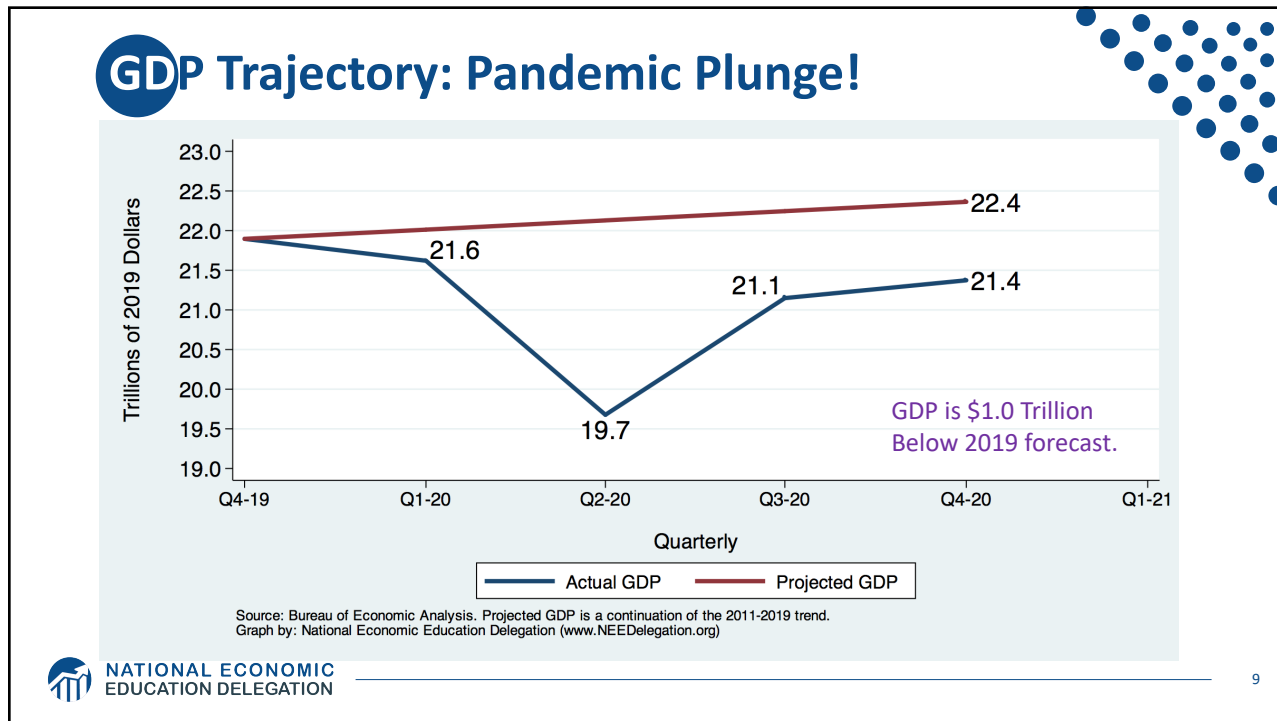


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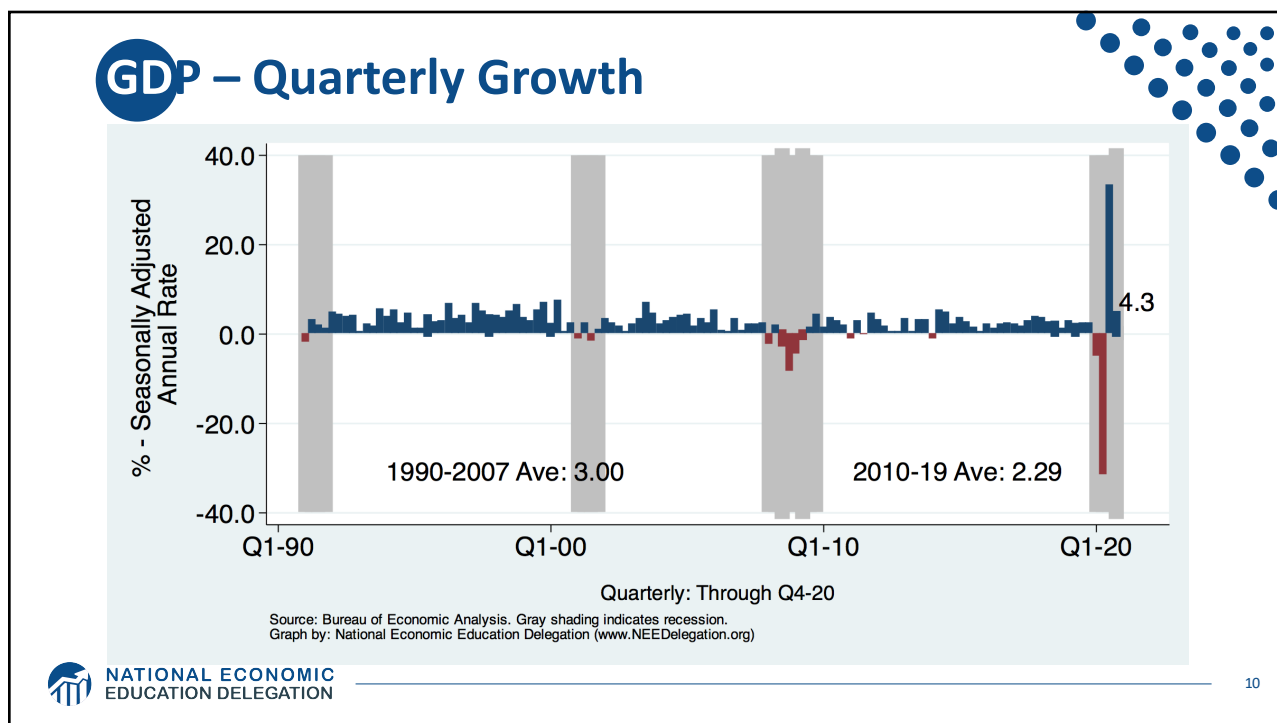
Source: NYTimes

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## Philadelphia Federal Reserve

Real GDP (%)

	Previous	New
Quarterly		
2021:Q1	3.2	3.2
2021:Q2	3.5	5.0
2021:Q3	3.5	5.3
2021:Q4	3.3	4.0
2022:Q1	N.A.	3.7
Annual data (projections based)		
2021	4.0	4.5
2022	3.0	3.7
2023	2.1	3.1
2024	N.A.	2.5

- Survey of Professional Forecasters Q1 2021
- IMF: GDP Growth after inflation
- +5.1% in 2021
- +2.5% in 2022
- CBO: GDP Growth after inflation
- +4.6% in 2021
- +2.9% in 2022
- +2.3% in 2023




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Source: Federal Reserve

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## Spending Patterns Since First US Case

In the United States, as of March 14, 2021, total spending by all consumers increased by **5.5%** compared to January 2020.





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

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# Spending Patterns – Hardest Hit Sectors

In the United States, as of March 14, 2021, restaurant and hotel spending by all consumers decreased by **14.5%** compared to January 2020.

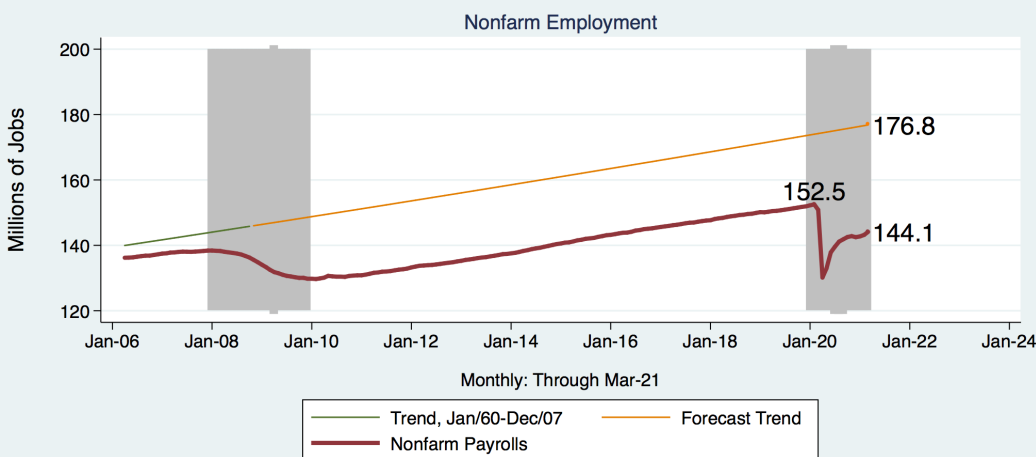


Source: <https://tracktherecovery.org/>

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# Employment Gap



Source: NBER and US Bureau of Labor Statistics. Gray shading indicates recession. Graph by: National Economic Education Delegation ([www.NEEDelegation.org](http://www.NEEDelegation.org))



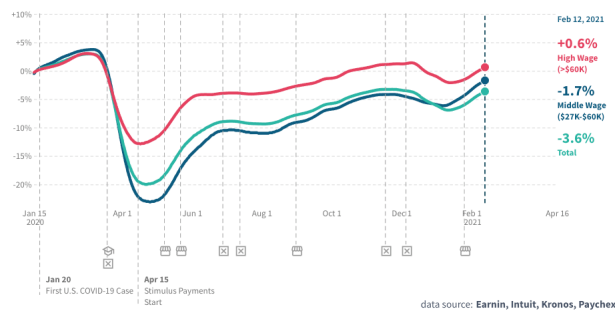
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# Conditions Closer to Home

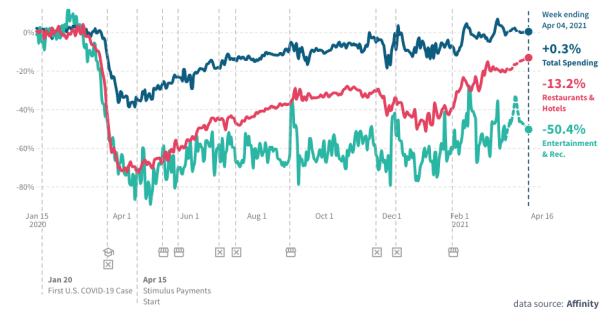
## Employment in California

In California, as of February 12, 2021, employment rates among workers in the middle wage quartiles decreased by 1.7% compared to January 2020 (not seasonally adjusted).



## Consumer Spending in California

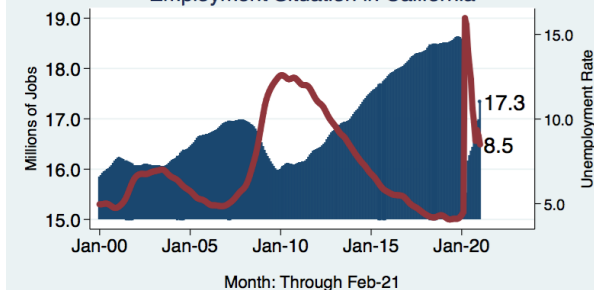
In California, as of April 04, 2021, total spending by all consumers increased by 0.3% compared to January 2020.



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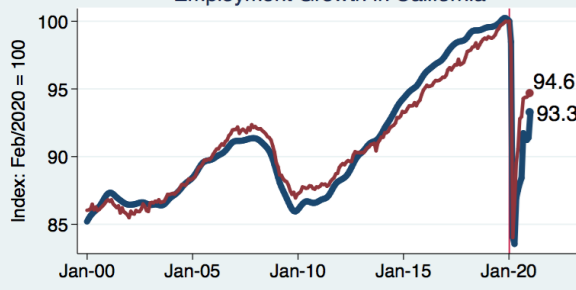
# Employment Situation: California

## Employment Situation in California



Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted  
 Produced by: National Economic Education Delegation (www.NEEDelegation.org)

## Employment Growth in California



Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted  
 Produced by: National Economic Education Delegation (www.NEEDelegation.org)

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## What Have Been Policy Effects

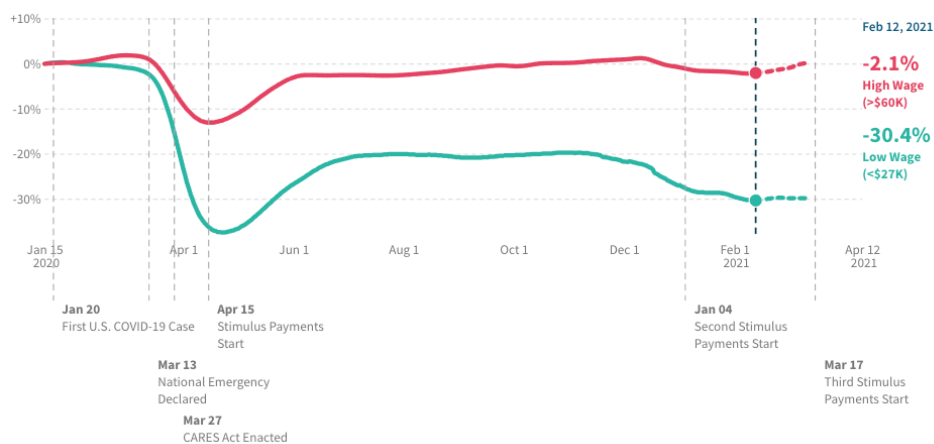
- **Monetary Policy (Fed) acted quickly and effectively to prevent a financial market meltdown and to keep credit flowing. But the Fed lends and does not spend.**
- **Fiscal policy (Congress) acted quickly, but inevitably made some mistakes.**
  - Stimulus Checks, A (\$268b)
  - Expanded Unemployment,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

**Last couple of months: \$2.8 Trillion**  
**Why?**

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## K-Shaped Recovery

In the United States, as of February 12, 2021, employment rates among workers in the bottom wage quartile decreased by **30.4%** compared to January 2020 (not seasonally adjusted).

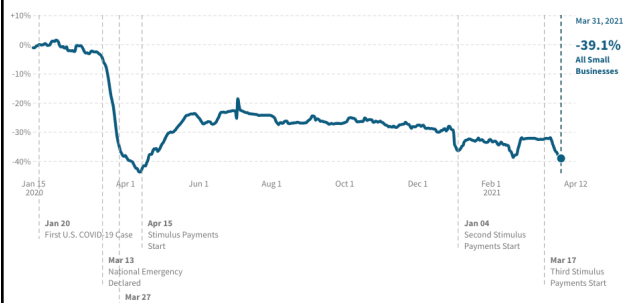


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# Another Hard-Hit Sector: Small Business

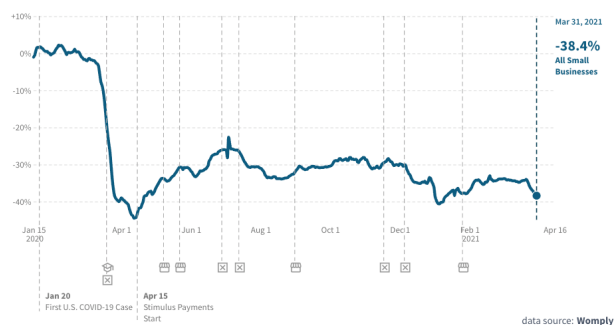
Small Biz Closures in the United States

In the United States, as of March 31, 2021, the number of small businesses open decreased by 39.1% compared to January 2020.

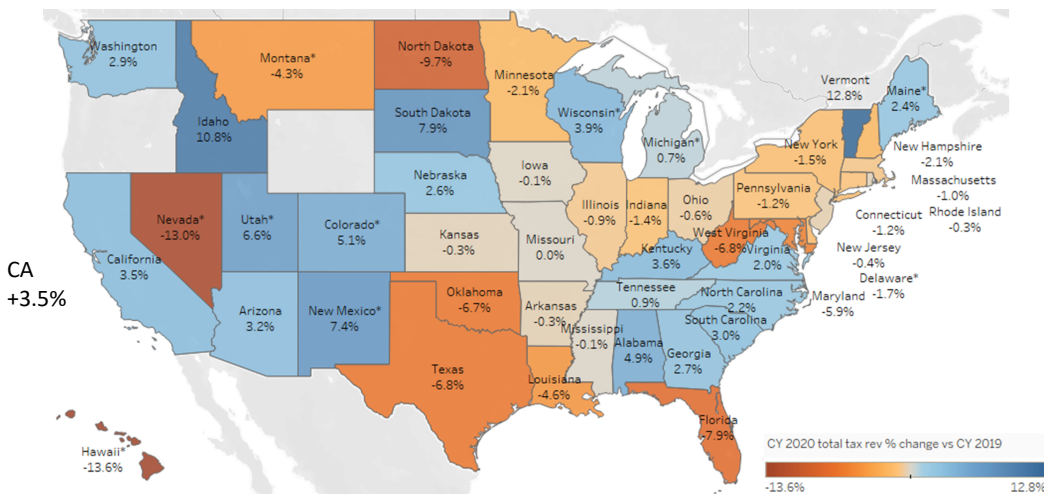


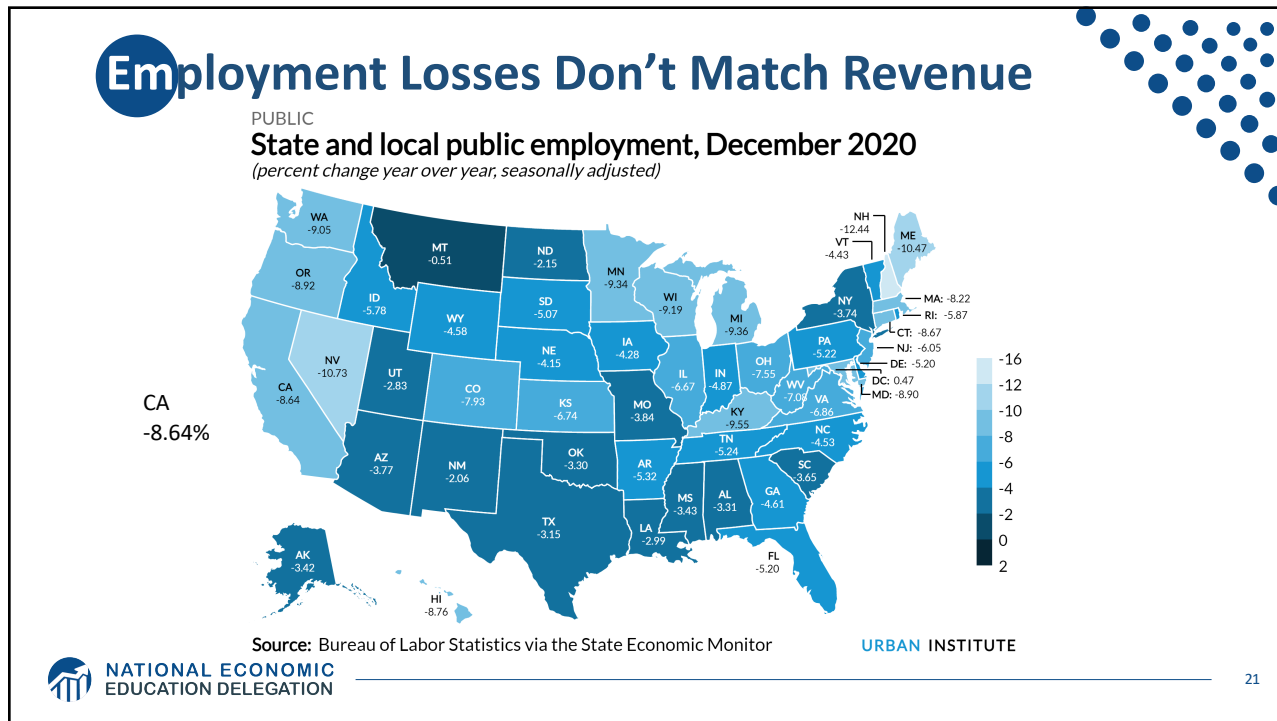
Small Biz Closures in California

In California, as of March 31, 2021, the number of small businesses open decreased by 38.4% compared to January 2020.

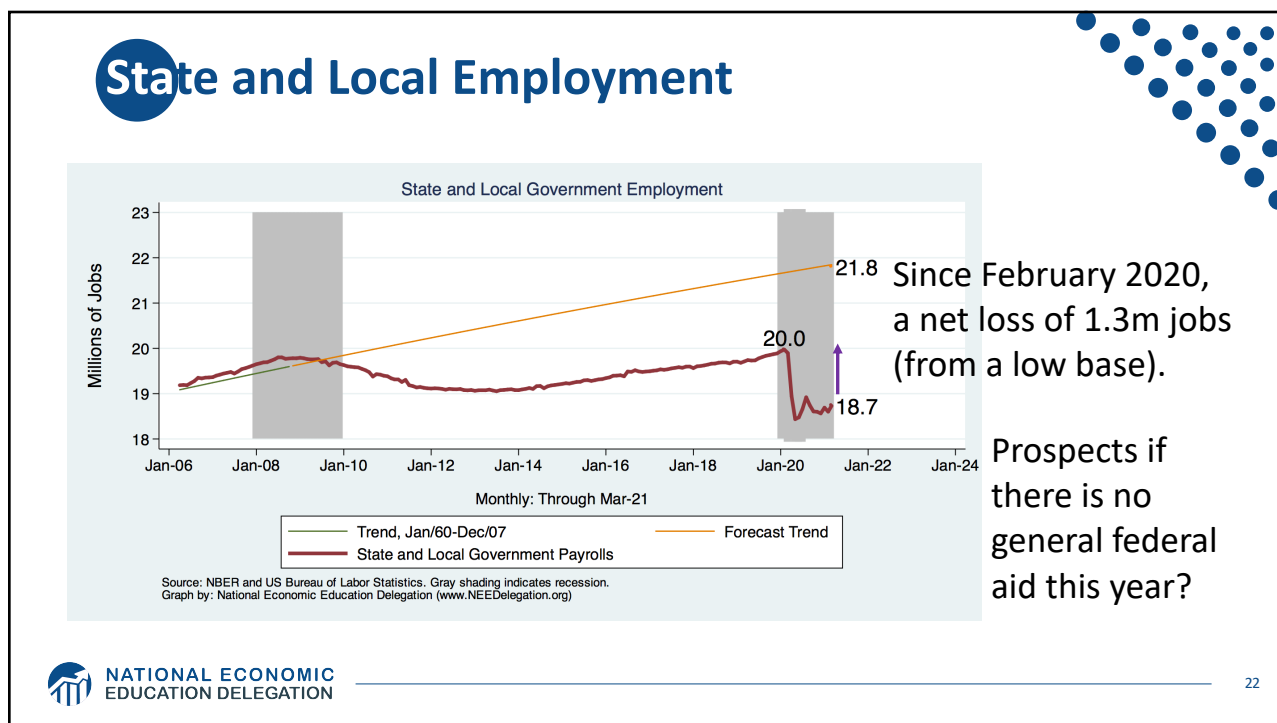


# 2020 State Tax Receipts Relative to 2019

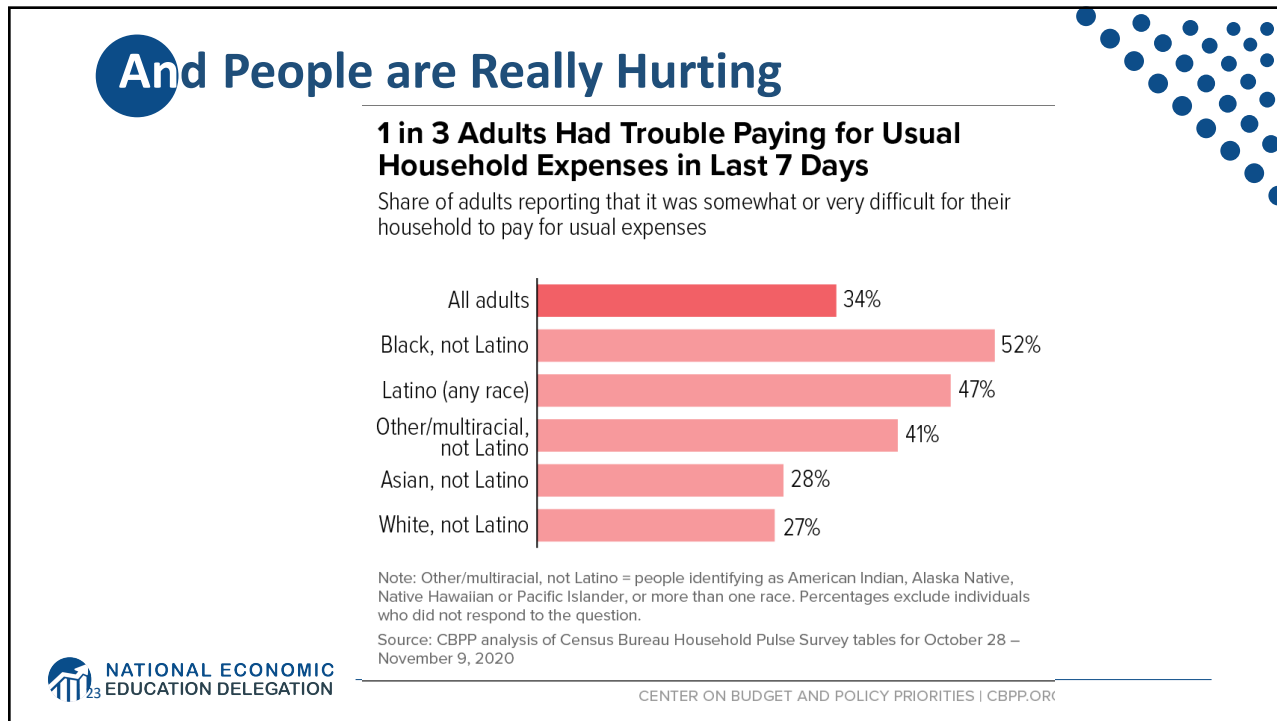




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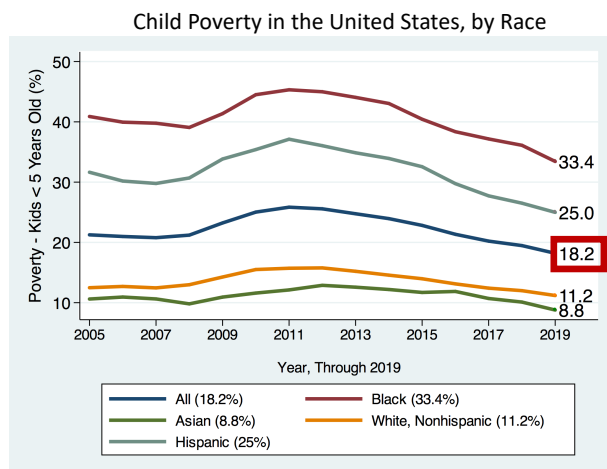
## So, The President Went Big!

	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
<b>Total</b>	<b>\$1,870</b>

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## \$1.9 Trillion Plan – Includes Other Initiatives



- Child poverty alleviation
- Pension fund support
- Benefits for veterans
- Gender-based violence protections
- SNAP and TANF increases
- Other...



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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.

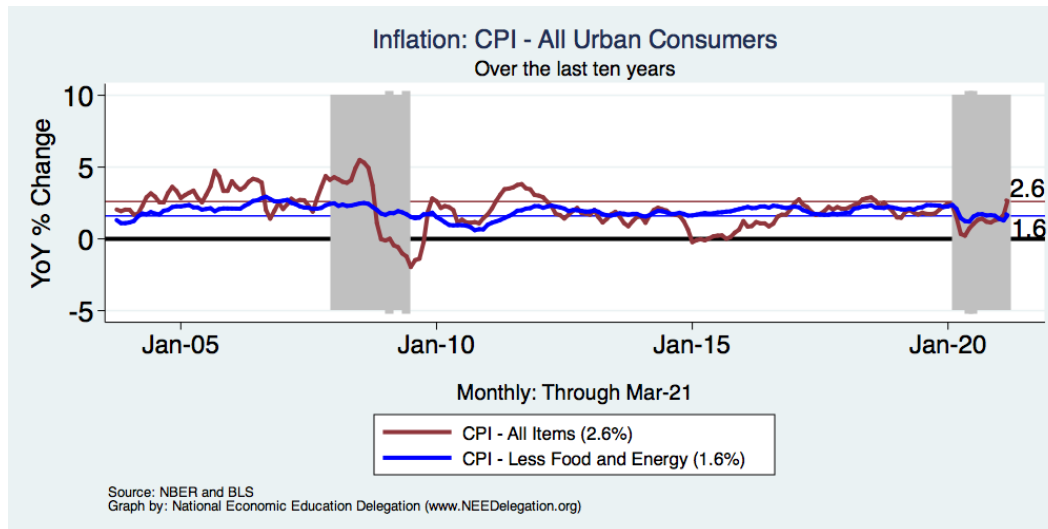
### • Too Small (Paul Krugman)

1. Double Dip.
2. You only get one bite at the apple: take care of yourself Senator Leahy!
3. Prolonged economic scarring.
4. People in true need are left out.



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# Inflation – Recent Stability

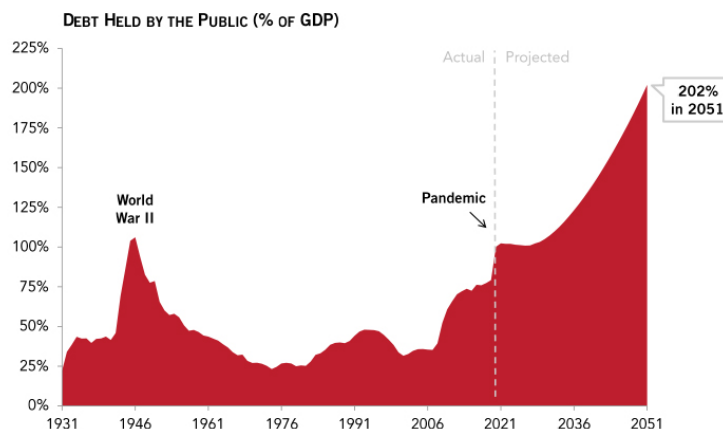


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# A Problem Exacerbated....Not Created



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, 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.

## Structural Changes?

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

## My Advice for Joe

- **First, priority should be to control the pandemic.**
- **Second priority is to protect the vulnerable.**
  - Target spending to **rescue**:
    - Poor Households.
    - State and Local governments (maybe not \$350b).
    - Small Firms (e.g., restaurants).
- **Third priority is stimulus.**
  - Pursue needed infrastructure investment.
- **Fourth priority is long term stability.**
  - Develop a politically feasible plan to raise revenues and lower spending over the longer term.
- **Listen to Janet Yellen.**



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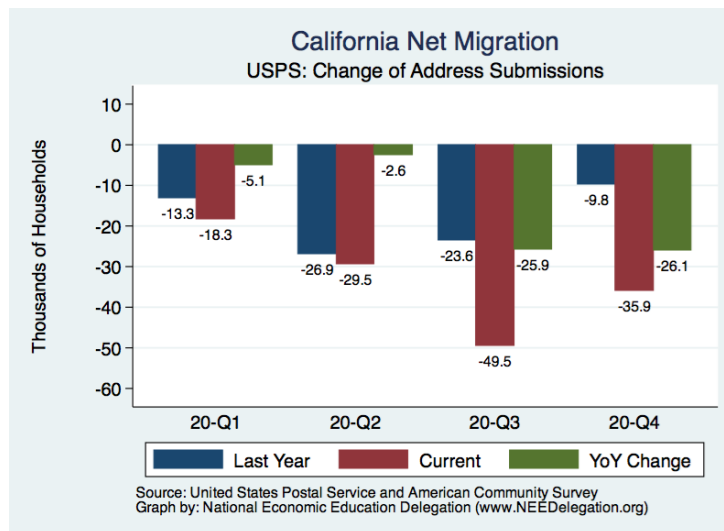
## California



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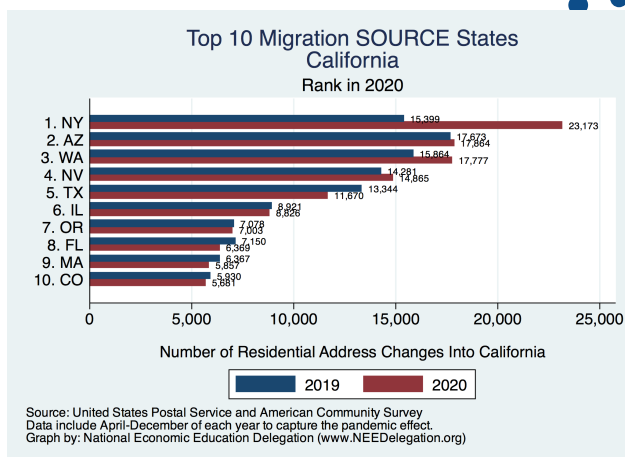
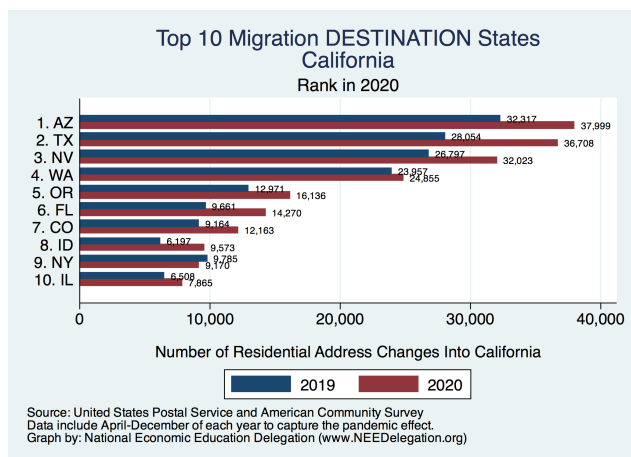


# Population Change: California



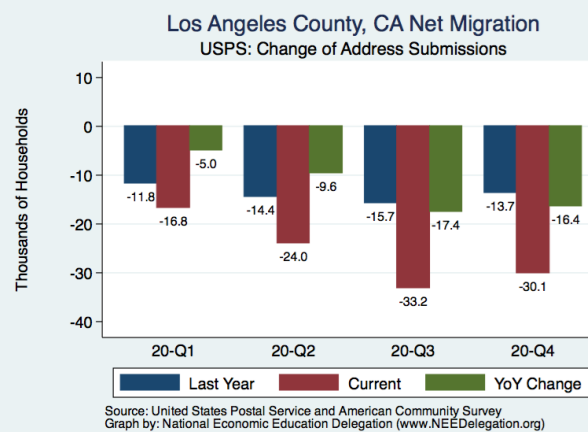
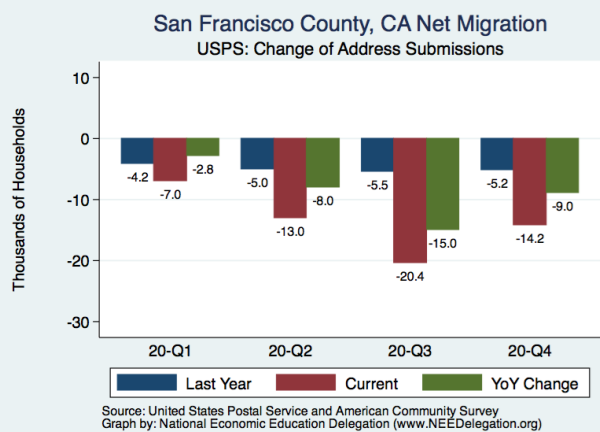
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# Which Way Did They Go?



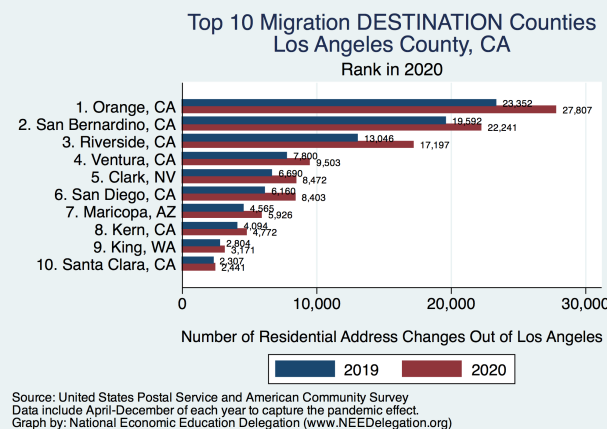
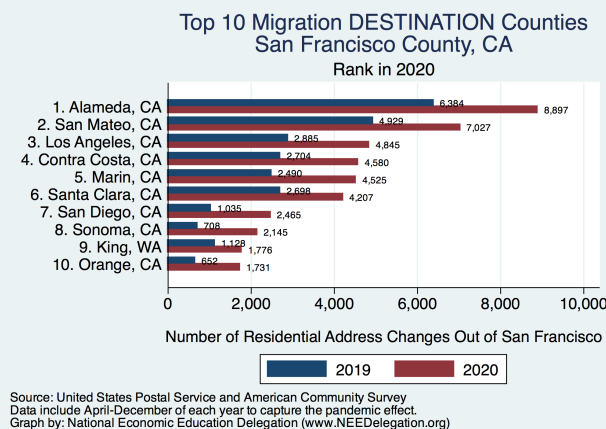
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# Population Change: San Francisco & LA



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# Which Way Did They Go? SF & LA



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## Residential Real Estate

- **Rental markets**

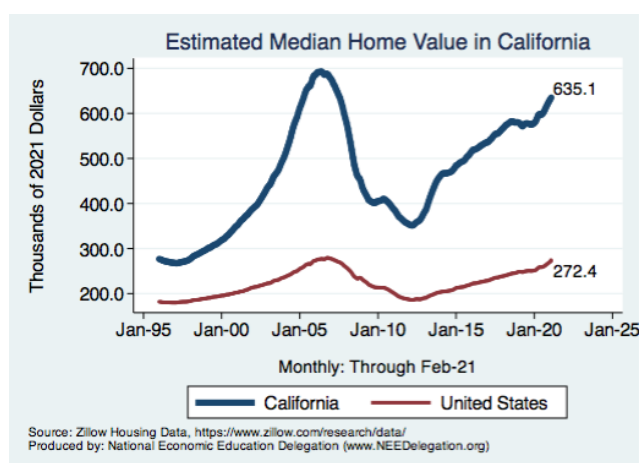
- Significant difficulty
- Eviction moratoria are not the answer
- Not enough in the American Rescue Plan

- **Owned homes**

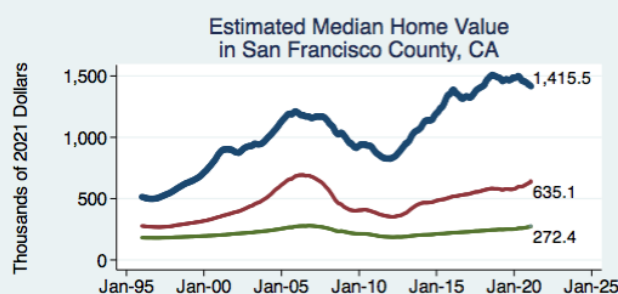
- Depends on location.
  - San Francisco – sluggish
  - Marin County – increased demand
- Size matters: large homes are selling particularly well.



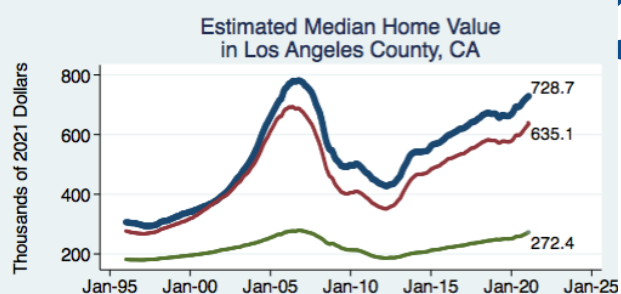
## Real Estate Prices



## RE Experiences Differ!



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



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



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## Commercial Markets

- **Short term – disaster**
- **Long term - unknown**
  - Really depends on how work location preferences shake out.
  - Telecommuting?
    - Reduced demand for space in inner core areas.
    - Increased demand for smaller spaces in suburban areas.



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## Commercial RE

- **Implications of COVID**
  - Telecommuting and closures are the main story.
- **Long term implications**
  - Jack Dorsey – Twitter – never coming back to the office!
    - I believe we are in a telecommuting honeymoon.
  - 80% of pre-COVID occupancy
  - Depends on productivity/cost implications.
    - Uber/Lyft model writ large.
    - Individual level vs firm level productivity.
- **When is the long term?**

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**Thank you!**

## Any Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)

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